



# Johnston Carmichael LLP Transparency Report

Year ended 31 May 2025

Published on 30 September 2025



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## **Regulatory context**

Our Transparency Report has been prepared in accordance with the requirements of Article 13 from Regulation (EU) No 537/2014 and the amended Directive 2014/56/EU of the European Parliament and of the Council. This report covers the year ended 31 May 2025 and has been designed to explain our:

- › Legal structure and ownership;
- › Governance structures;
- › Quality control systems and assurance programmes and practices;
- › Leader to leader culture underpinned by supporting and developing our people.

These foundations are in place to maintain our independence and embed compliance with all applicable audit and ethical standards to deliver high quality services in all areas.

## Section 1

# Foreword

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# 1.0 Foreword

If there is one theme that runs through the past year at Johnston Carmichael, it is ambition.



While quality remains at the heart of everything we do, this year has been about moving forward with purpose — strengthening governance, accelerating investment in technology and continually raising the bar in how we train, coach and develop our people.

From the launch of our 2030 strategy, which preceded last year's Transparency Report by only a few weeks, we have kept asking ourselves: "How can we make this firm as good as it can possibly be?"

That will always be a work in progress, but we are proud of how far we have come. In many ways, this year has been pivotal for Johnston Carmichael, our people, and our clients.

For this year, our focus has been on a number of areas, in particular governance, technology and – as always – our clients and our people.

Quality, for us, goes well beyond the high standards of technical advice that our clients expect. It means creating an experience for our people that delivers first-class training as well as the kind of environment which allows everyone to perform at their best. That helps us to attract clients which share our legacy ethos and which

# 1.0 Foreword

our people are proud to represent. This is where great work happens and is a core principle of our business.

Last year saw a key milestone for us as we appointed two independent non-executive directors. Les Clifford and Michael Timar bring a collective experience of more than 70 years, including global roles with international auditing and accounting firms. As well as supporting the development of our audit practice and helping us to enhance our processes, we are already seeing the benefits of their input to partner performance assessments and our wider talent development work.

As the complexity and scale of our audit work grows, our focus on quality has extended to the technology we use to manage and organise work. Following an extensive evaluation process in 2024, we are now implementing a new audit software platform — a major advancement in our audit technology that will enhance our focus on high-risk areas, improve data analysis capabilities, and deliver a better experience for our teams and clients. Alongside this, we have completed a comprehensive review of practice management software options, leaving no stone unturned to ensure we find the best-in-class solution for our people, our clients, and our business. This represents a significant investment, but we are confident that the

systems we have chosen will help us continue to drive quality across the firm as we grow. But technology is only as good as the people using it. Our commitment to our people remains absolute. We continue to find new ways to improve our training and create a rewarding and supportive working environment. To that end, we were very pleased to have been awarded Great Place to Work accreditation, a prestigious recognition of our workplace culture. Our Chief People Officer, Martin Osler, was also welcomed into the partnership of the firm this year, demonstrating our whole-hearted commitment to our people.

Elsewhere we completed the sale of Johnston Carmichael Wealth (JCW), our wealth management division, to Partners Wealth Management LLP, part of the 7IM Group. JCW has partnered with 7IM for many years. It's an extremely well-regarded firm, which meant it was a clear first choice as we explored opportunities for a possible deal. As part of 7IM, JCW's people will benefit from greater career development opportunities, and clients will gain access to an enhanced range of expertise and services as clients of Partners Wealth Management.

Of course, many of the initiatives and milestones which have come to fruition in the last 12 months are the result of more than a year of planning, thinking, and hard work. As Johnston Carmichael continues to evolve as a Tier 2 firm, whether that's working in audit or otherwise, our unerring commitment is to the highest standards of quality and ethics across our business.

This report signifies the next step in the evolution of Johnston Carmichael, and we are pleased to have the opportunity to submit a record of the firm's progress over this last year.



**Mark Houston**  
Senior Partner and Chair



**Lynne Walker**  
Chief Executive

30 September 2025

For and on behalf of Johnston Carmichael.

## Section 2

# Introduction

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## 2.0 Introduction

Now that we have completed our second year as a Tier 2 firm, one of only six firms classified as such by the Financial Reporting Council (FRC), I'm pleased to report that we're continuing to make strong progress against the objectives outlined in the 2024 report.



Our Audit team has grown rapidly over the last few years, which has created the need to invest in infrastructure, technology and processes. We have reflected on our Tier 2 classification and how this fits into our overall audit and firm strategy. We have taken a step back to look at how our audit business runs overall, how well we are placed to achieve the objectives of our 2030 strategy, and how we create the right structure for a firm which is maturing in every area.

### **Evolving the way we work**

We have continued to evolve our thinking and ways of working. Our Audit Leadership Group (ALG) has been changed to a new Audit Quality Board. Our independent non-executive directors now sit on this board, which has been repurposed to focus on governance and quality. Prior to this change the ALG was also tasked with a variety of operational requirements which have now been removed from its remit. Our independent non-executive directors also chair, or are members of, key firmwide governance structures that support our goal of continuous improvement in driving quality standards.

The operational running and leadership for the Audit team now rests with the new Audit Executive Board, an expanded body replacing the previous Audit Steering Committee and representing a wider set of skills including people development and innovation. This creates clear delineation in the team between operational and governance matters and provides focus as the complexity and volume of our audit engagements grow. This also provides leadership opportunities to our team which helps us embed a succession mindset within the Audit business line.

### **Evolving our approach to audit**

A key focus this year has been laying the groundwork for our new audit platform - an investment designed to improve quality through a modern, intuitive system that represents a significant upgrade on our current technology. This will better meet the needs of today's clients and enable our audit practice through opening up possibilities for integration with other technology platforms, which will help us further embed technology into our audit process.

## 2.0 Introduction

We have dedicated significant time to planning and testing this year, ensuring the platform is ready to go live in early 2026.

The new platform also gives us the opportunity to drive efficiencies across the team, where technology can simplify work to create space for our people to tackle more complex, higher-value work.

We view this investment in a new audit platform as a potentially transformational step towards having a tech-enabled audit practice. Like many firms, we are assessing the impact of AI on our audits. We will adopt a cautious approach, ensuring we build ethical and governance frameworks prior to relying on emerging technologies in our audit process. We will continue to monitor developments and make the right investments to support this goal.

### Investing in people

We have seen significant growth in recent years, as can be seen in our financial results set out in Appendix 2, and have aspirations to continue to develop in a number of key areas. This means we need to continue to invest in our team to ensure we not only have the right number of people but the right skills to support that growth across a diverse range of locations, sectors, and services. We have increased our capacity to manage existing and planned client engagements, while closely monitoring the skills we will need for the future and either 'growing our own' or making lateral hires where necessary.

We have revisited our hiring and promotion processes to make them more robust, with quality a central focus when considering how to expand the team.

Our 'Stepping up to RI' programme is a good example of this. Based on our root cause analysis work, we developed this programme to ensure consistent quality standards, making sure our new RIs have the right level of support and challenge to allow them to perform to the best of their ability. Specifically, this means that external hires and internal promotions follow the same process, albeit with processes that are customised to their specific skillsets. We believe this is an important mechanism to proactively support audit quality and to allow early intervention when required.

### Quality standards in action

While there is always more to do, we are pleased with the progress made this year.

Since 2021, 39% of all Tier 2 files inspected for quality by the Financial Reporting Council (FRC) were graded as 'Good / Satisfactory' or 'Generally Acceptable'. Over that period, 75% of our files have been graded as such. We are proud of these results.

We also perform our own internal quality monitoring and have identified areas for improvement along with areas of good practice. Where we identify areas of improvement, we

conduct root cause analysis, with remediation tracked to completion, reinforcing the firm's commitment to continuous improvement.

### Looking ahead

All eyes are now on the delivery of our 2030 strategy. We are already on the path towards the kind of growth we want to deliver and we are proud of how much has been achieved over the last year.

That said, it would be naïve to suggest there are no challenges ahead. We do not expect to continue the same levels of growth the team has experienced over the last few years, but we have set out a strategic plan for growth in key areas.

We expect 50% of our fee income to come from speciality services and sectors. Specifically, we expect to see continued traction with our Financial Services and Energy, Infrastructure & Sustainability practices. Our Financial Reporting Advisory and Risk Assurance Services teams continue to grow; they remain an important part of our strategy to better advise our clients as their needs evolve. Our offices in Dundee and Newcastle have developed strong new business pipelines which give us confidence for the coming years.

But we are never complacent. We operate in a very competitive market. The economic picture across the UK is far from certain as threats to GDP loom from all sides.

## 2.0 Introduction

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We view our best defence to market threats to be an unwavering focus on quality in every aspect of our business. Our recent performance and future pipeline suggest this is the right approach. While we are determined never to rest on our laurels, we go into the coming year with confidence and energy for the task ahead.

### Confirmatory statements

I confirm, on behalf of the Board, that as required by Article 13 from Regulation (EU) No 537/2014 and the amended Directive 2014/56/EU of the European Parliament and of the Council:

- We have undertaken a review of the effectiveness of the system of internal control;
- Our internal quality control systems are functioning effectively;
- Our independence practices are appropriate and have been subject to an internal compliance review; and
- We have policies and procedures in place to ensure that the continuing education of statutory auditors is as required by relevant law, regulation and professional standards.



### Graham Marjoribanks

Vice-Chair, Partner, and Head of Audit

30 September 2025

## Section 3

# Our firm – about Johnston Carmichael

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# 3.0 Our firm – about Johnston Carmichael



Formed in  
**1936**



Employees  
**829**



Partners  
**72**



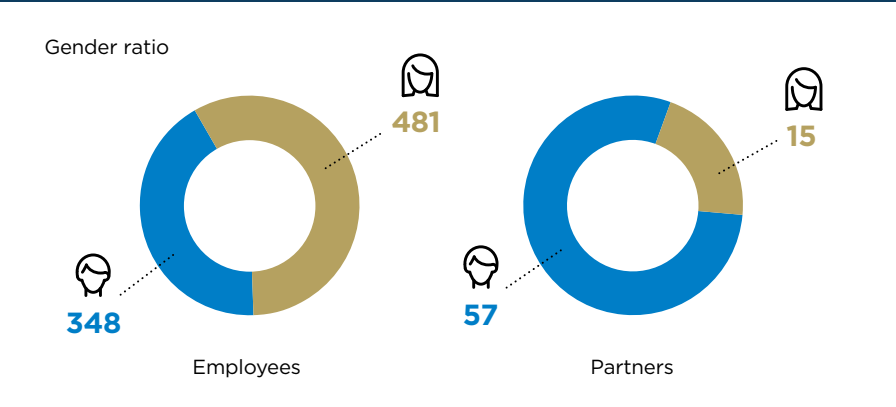
Clients  
**19,000**



Specialist Services  
**7**

Johnston Carmichael is an independent firm of accountants and business advisers. Our UK-wide presence directly connects us to the clients we support, as well as the communities where we work.

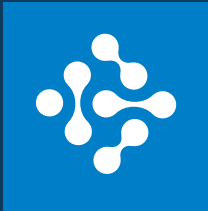
Top  
**20**  
United Kingdom  
Accountancy Firm



Financial  
Services



Food &  
Drink



Technology &  
Life Science



Rural



Energy,  
Infrastructure &  
Sustainability

**£75.7m** ↑ **4%**  
Firm revenue FY 2024 - 2025 YoY

Member of the  
international network  
- Moore Global

## 3.0 Our firm – about Johnston Carmichael

### 3.1 Legal structure

Johnston Carmichael is the trading name of Johnston Carmichael LLP, a Limited Liability Partnership registered in Scotland (SO303232). The registered office is at Bishop's Court, 29 Albyn Place, Aberdeen AB10 1YL.

#### Ownership

At the date of this report, Johnston Carmichael LLP is owned by 58 equity Partners and 14 non-equity Partners. Of these, 17 Partners hold Responsible Individual (RI) status, alongside eight employees.

Johnston Carmichael LLP now has one active subsidiary company:

- Johnston Carmichael (Scotland) Limited – the group's service company through which employees are engaged.

In March 2025, we sold our other subsidiary, Johnston Carmichael Wealth Limited, which provides financial planning advice, to Partners Wealth Management (part of the 7IM group).

### 3.2 Regulation

Johnston Carmichael is a full-service accountancy firm and amongst the range of services offered, it is registered with ICAS to carry out the following work in the UK:

- Audit work and a limited range of investment business activities
- Licensed insolvency practitioner

Johnston Carmichael undertakes annual firmwide anti-money laundering and data protection training to ensure ongoing regulatory compliance with the standards set down by ICAS.

Johnston Carmichael (Scotland) Limited is a private limited company registered in Scotland (SC018019). The registered office is at Bishop's Court, 29 Albyn Place, Aberdeen AB10 1YL.

## Section 4

# International

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## 4.0 International

**Johnston Carmichael is a member firm of Moore Global Network Limited, a global audit, accounting, and consulting network with 37,199 professionals spread across 116 countries.**

Moore Global member and correspondent firms have a combined global revenue of \$5.13 billion. Membership is regulated by contractual agreement.

Moore's purpose is to help it's people, clients, and communities thrive, and this includes each of it's member firms. Member firms are independent businesses, but the network allows them to access further specialist resources, support, expertise, and technology. Shared resources enable firms to offer client solutions on a global scale, collaborate across sectors and service lines, and develop the next generation of leaders.

A strategic plan, led by the Moore Global Board, sets the goals for the network over the next two years.

The key areas of focus in Moore Global's plan are:

- Aligning member firms with the same core values and quality obligations, including network review and learning and development programmes, and a focus on developing young leaders.
- Driving a global growth strategy supported by a business plan with clear, defined and focused objectives.
- Delivering quality in all aspects of work across the network.
- Supporting member firms to embrace technology through a focus on innovation.
- Increasing value to member firms through collaboration, communication, and transparency.
- Advancing the network-wide strategy Social Ambition to deliver positive social impact in everything we do.



**37,000+**  
People



**563**  
Offices



**116**  
Countries

## Section 5

# Leadership and governance

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# 5.0 Leadership and governance

The Board holds ultimate responsibility for the firm's governance, leadership, and accountability, setting strategic direction in alignment with our core values. This includes oversight of our risk management framework and ensuring we continue to act in the public interest.

In June 2024, our newly appointed CEO, Lynne Walker, launched a comprehensive governance review to assess our committee structure, membership, remit, and future planning needs. That review is now complete. As a result, four new committees have been created – the Audit & Risk Committee; Client service Committee, Transformation Committee and Sustainability Committee – and the scope, membership, and in some cases the names and terms of reference of our five existing committees have been refined. The terms of reference for all of our committees can be found on the Governance section of our website ([Governance | Johnston Carmichael](#)).

## Board members >>



**Mark Houston**  
**Senior Partner and Chair**

Mark is Senior Partner and Chair of Johnston Carmichael, advising some of our largest private clients, companies, and groups across a broad range of sectors.

He joined the firm in 2006, became a Partner in 2008, and was appointed to the Board in 2013. Mark became Chair in 2022 and was named Senior Partner in June 2024.

With a strong focus on entrepreneurs, high net worth individuals, and owner-managed businesses, Mark brings deep expertise to a diverse client portfolio. He also represents the firm internationally as a member of the Moore Global Europe Board.

Mark plays a key role in shaping and delivering the firm's strategy. As Senior Partner and Chair of the Board Mark is driving the firms strategy to 2030 and beyond.



**Lynne Walker**  
**CEO**

Lynne Walker is Chief Executive and was appointed in June 2024. She is driving the firm's strategy to 2030 and beyond, with a clear focus on achieving its vision of building success stories that change lives for its people, clients, and communities.

Since joining Johnston Carmichael in 2005, Lynne has built a career spanning more than 20 years in Audit and Business Advisory. She became a Partner in 2019, led the firm's Business Advisory practice for six years, joined the Board in 2021, and was appointed Vice-Chair in 2022 before her appointment as CEO in 2024.

As a leader, Lynne is passionate about creating an environment where people and businesses can thrive. Her leadership is centred on growth, innovation and building a high-performing culture, while staying true to the firm's values and purpose of creating enduring impact.

## 5.0 Leadership and governance



### Graham Marjoribanks

**Vice-Chair, Partner, and Head of Audit and Assurance**  
**Audit Quality Lead**

Graham joined Johnston Carmichael in 2019 as an Audit Partner and Head of Audit and Assurance, bringing over 20 years' experience in audit roles across the UK and Canada.

He has held several volunteer board roles, including Chair of the ICAS Policy Leadership Board, and currently serves as a member of the ICAS Council. In 2016, Graham was appointed by the First Minister as a Global Scot – part of a network of business leaders and entrepreneurs committed to supporting Scottish businesses at home and abroad.

In June 2024, Graham was appointed Vice-Chair, succeeding Lynne Walker.



### Shaun Millican

**Partner and Head of Business Advisory**  
**Money Laundering Compliance Principal**

Partner and Head of Business Advisory, Shaun joined Johnston Carmichael in 2002 with the launch of our Edinburgh office. He specialises in advising fast-growing, entrepreneurial businesses, providing hands-on, practical support to founders and leadership teams as a trusted adviser.

Solution-oriented and highly regarded across the sector, Shaun brings deep commercial insight to help clients achieve their goals.

He was appointed to the Board in 2021 and became Head of Business Advisory in 2024, succeeding Lynne Walker.



### Craig MacPherson

**Business Advisory Partner**

Based in our Elgin office, Craig joined Johnston Carmichael in 1986, began his CA training in 1989, and qualified in 1993. He became a Partner in 2004 and was appointed to the Board in 2014.

Craig manages a broad portfolio of clients, from sole traders to large, limited companies, providing tailored advice and long-term support.

# 5.0 Leadership and governance

The Board remains ultimately accountable to the General Partnership through the mechanisms set out in the LLP Agreement, including the ability for a special majority to expel a member in breach of their duties.

The Chief Operations Officer (COO) (formerly CFO, following promotion in 2024) and Chief Legal Officer (CLO) (formerly General Counsel, following promotion in 2025) attend Board

meetings to provide independent counsel and challenge. They contribute perspectives from the equity Partners and Designated Members, as well as from a broader governance and regulatory compliance standpoint.

The COO and CLO independently advise on matters including cash resilience, key risks, data protection, Anti-Money Laundering, and professional indemnity. A Scheme of

Delegation operates alongside the system of budgetary control, setting financial controls and management authorities that complement the provisions of the LLP Agreement.

The positions of Chair, Vice-Chair, and Chief Executive Officer are elected by the Board as required when a vacancy arises, in accordance with the LLP Agreement.

Board	Name	Details	Attendance at Board meetings
Senior Partner and Chair	Mark Houston	Appointed as Chair 1 June 2022. Board member since 1 August 2013.	100%
Chief Executive	Lynne Walker	Appointed as Chief Executive 1 June 2024. Board member since September 2021	100%
Vice-Chair	Graham Marjoribanks	Appointed as Vice-Chair on 1 June 2024. Board member since 1 September 2021	100%
Board member	Craig MacPherson	Board member since 1 August 2014.	100%
Board member	Shaun Millican	Board member since 1 September 2021.	100%

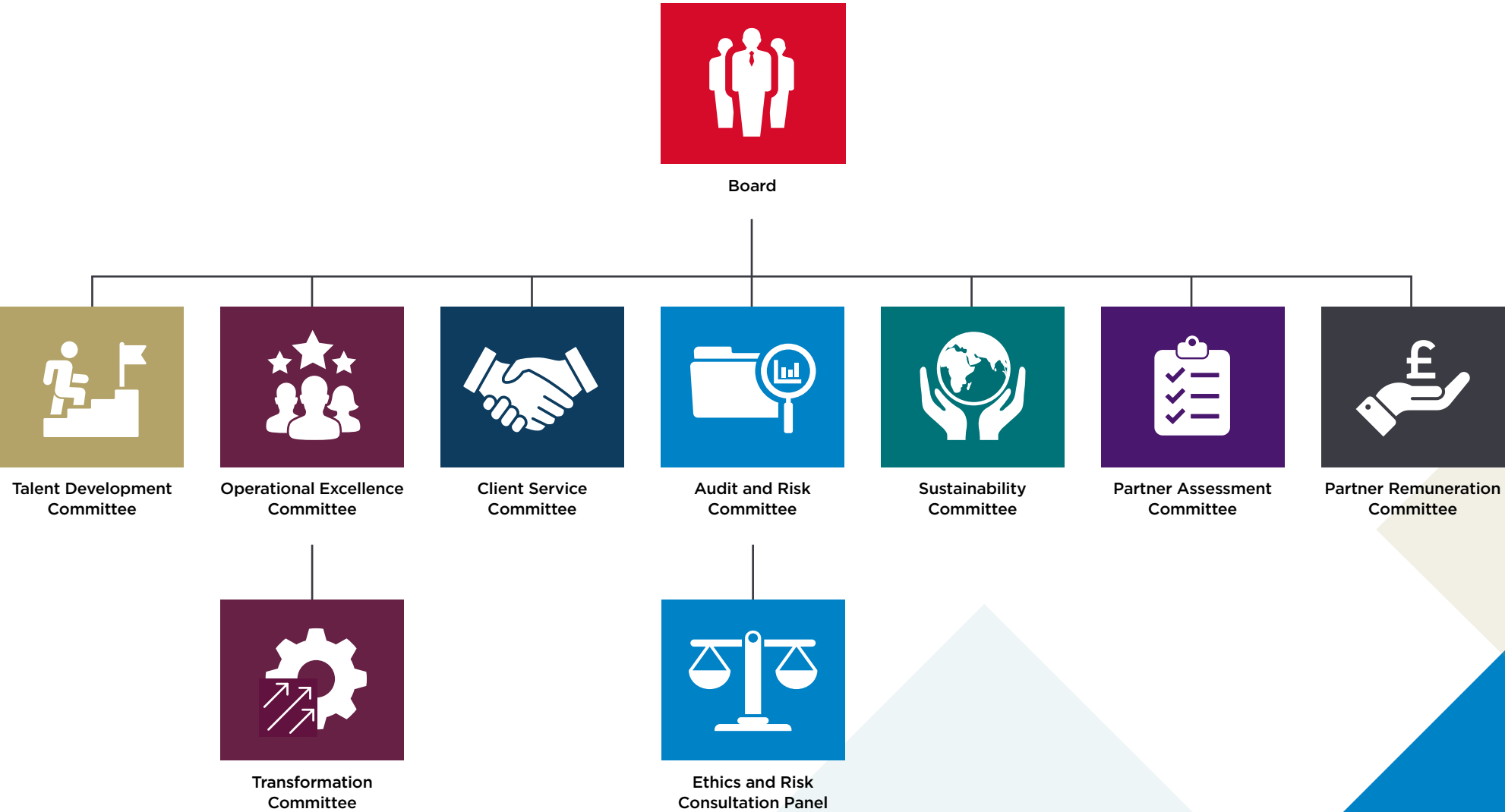
## 5.0 Leadership and governance

Each month, the Governance, Risk, and Compliance (GRC) team produces a dashboard and firm-wide risk register for the Board to ensure visibility of red-rated risks. The dashboard provides a high-level overview of the number of strategic risks highlighted on the firm risk register, a summary of Anti-Money Laundering risk assessments, suspicious activity reports, and the number of quality assurance checks on money laundering client risk assessments. Any considerations requiring further analysis are highlighted for the Board.

The GRC team also produces a cover paper for the Board, which includes an overview of the highest priority professional indemnity cases, quality assurance of Anti-Money Laundering risk assessments where the dashboard highlights areas of concern, data protection breaches, and gifts and hospitality reports above the acceptable threshold, both audit and non-audit. The firm-wide risk register is included for the Board's consideration at all meetings, with specific risks, actions, and recommendations highlighted by the Operational Excellence Committee.

Key risks at the firm level include the risk of non-adherence to regulatory requirements or ethical standards. The firm's ethics and risk management are seen as critical components of its corporate governance and organisational culture. The threat of a cyber-attack remains a principal risk to the firm, requiring ongoing monitoring and investment to keep pace with the evolving challenges posed by increasingly sophisticated cyber criminals and geopolitical tensions.

# 5.0 Leadership and governance



# 5.0 Leadership and governance



## Talent Development Committee

The committee manages promotions to Senior Manager, Director, and Partner levels.

It also oversees the appointment of external hires at the Director and Partner levels. The committee’s driving principle is to nurture our future talent first and foremost, in order to grow our next generation of leaders.

The committee is chaired by Martin Osler. It meets as often as required but usually in January, March, August, September, and October.



**Martin Osler**  
Partner and Chief  
People Officer (Chair)



**Lynne Walker**  
CEO



**Graham Marjoribanks**  
Vice-Chair, Partner, and  
Head of Audit



**Lesley Hopwood**  
Partner and Chief  
Operating Officer



**Keith Hamilton**  
Chief Legal Officer



**John McAuslin**  
Partner and Head of  
Corporate Tax



**Les Clifford**  
Independent  
Non-Executive

Name	Attendance at committee meetings
Martin Osler	100%
Lynne Walker	100%
Graham Marjoribanks	100%
Lesley Hopwood	100%
Keith Hamilton	100%
John McAuslin	100% (member for two meetings in timeframe)
Les Clifford	100% (member for two meetings in timeframe)

# 5.0 Leadership and governance



## Operational Excellence Committee

The Operational Excellence Committee (formerly the Management Advisory Board) is responsible for overseeing operational effectiveness across the firm.

It ensures the successful implementation of quality frameworks, risk review recommendations, and policy changes while continuously monitoring our people and processes to maximise efficiency and effectiveness.

The committee is chaired by Lesley Hopwood and meets monthly.



**Lesley Hopwood**  
Partner and Chief  
Operating Officer (Chair)



**Lynne Walker**  
CEO



**Martin Osler**  
Partner and Chief  
People Officer



**Graham Marjoribanks**  
Vice-Chair, Partner, and  
Head of Audit



**David Ward**  
Partner and Head of  
Specialist Tax



**Kirsty Yuill**  
Deputy Head of  
Business Advisory



**Ruth Canham**  
Quality and Risk  
Director

# 5.0 Leadership and governance



## Transformation Committee

Established in October 2024 as part of our governance review, the Transformation Committee was formed to enhance strategic oversight and decision-making.

The committee oversees, prioritises and challenges change projects across the firm. The committee currently has three key projects in play – implementation of a new practice management system for the firm, implementation of a new audit software platform, and the roll out of Microsoft E5 across the firm. The committee is chaired by Lesley Hopwood and meets every six weeks and on an adhoc basis as needs arise.

\*Zoe Hodge will continue to serve on the committee until October 2025, when she departs from the firm.



**Lesley Hopwood**  
Partner and Chief  
Operating Officer (Chair)



**John Slavin**  
Head of Projects



**Andre Boyle**  
Chief Information Officer



**Alison Cooper**  
Head of Business Support



**\*Zoe Hodge**  
Partner and Head of  
Consulting

# 5.0 Leadership and governance



## The Audit and Risk Committee

The Audit and Risk Committee oversees the firm’s external audit process, internal controls, and risk management framework.

The committee’s role is to:

- Oversee the firm’s process for preparation of the Annual Report, Transparency Report & Accounts.
- Oversee the external audit process, including the independence, appointment and reappointment of the external auditors.
- Provide review of and challenge to the firm’s risk management processes, internal controls and the firm’s adherence to ethical standards and practices, thereby providing support to the Board with regards to their responsibilities for these matters.
- Oversee the firm’s process for considering specific ethical, risk and public interest matters (see ‘Ethics and Risk Consultation Panel’ on page 25).

It advises the Board on strategies to mitigate identified risks while ensuring adherence to ethical standards and best practices. Through the Ethics and Risk Consultation Panel, the Committee also provides oversight of management’s approval of high-value and high-risk new client engagements, reinforcing robust governance and compliance across the firm.

The committee is chaired by Independent Non-Executive (INE) Michael Timar. It meets quarterly, with an Ethics Partner also attending when required.



**Michael Timar**  
Independent Non-Executive (Chair)



**Graham Marjoribanks**  
Vice-Chair, Partner, and Head of Audit



**Sally Hewish**  
Partner and Head of Audit Quality, Risk and Technical



**Lesley Hopwood**  
Partner and Chief Operating Officer



**Keith Hamilton**  
Chief Legal Officer



**David Ward**  
Partner and Head of Specialist Tax

Name	Attendance at committee meetings
Michael Timar	100%
Graham Marjoribanks	100%
Sally Hewish	100%
Lesley Hopwood	100%
Keith Hamilton	100%
David Ward	100%

## 5.0 Leadership and governance



### Our Ethics and Risk Consultation Panel

This year we also established the Ethics and Risk Consultation Panel, an ad-hoc panel that meets as needed to address significant ethical or risk matters, including client relationships, new services, personal appointments, regulatory or commercial risks, and issues with potential reputational or public interest impact. The panel is composed of a quorum of at least three members, including an INE, with the remaining members drawn from the Audit and Risk Committee.

The panel's role is to carefully review referred matters and determine the most appropriate course of action. In doing so, it considers:

- Compliance with professional standards, laws, and regulations
- Alignment with internal policies, procedures, and guidance
- Consistency with the firm's core values and long-term reputation

The panel supports the firm in making balanced, informed decisions on complex matters and provides guidance to Partners and employees where additional ethical or risk judgment is required.

Name	Attendance at required panel meetings
Michael Timar	100%
Graham Marjoribanks	100%
Sally Hewish	67%
Lesley Hopwood	33%
Keith Hamilton	67%
David Ward	100%

# 5.0 Leadership and governance



## The Partner Assessment Committee

The Partner Assessment Committee is responsible for calibrating the performance of Partners within the firm. The committee works with Business Line Heads to robustly assess Partners through existing performance management processes.

It is chaired by Lynne Walker and meets regularly throughout the year.



**Lynne Walker**  
CEO (Chair)



**Martin Osler**  
Partner and Chief  
People Officer



**Lesley Hopwood**  
Partner and Chief  
Operating Officer



**Graham Marjoribanks**  
Vice-Chair, Partner, and  
Head of Audit



**Keith Hamilton**  
Chief Legal Officer



**Les Clifford**  
Independent  
Non-Executive

Name	Attendance at committee meetings
Lynne Walker	100%
Martin Osler	100%
Lesley Hopwood	100%
Graham Marjoribanks	100%
Keith Hamilton	100%
Les Clifford	100%

# 5.0 Leadership and governance



## The Partner Remuneration Committee

The Partner Remuneration Committee (PRC) is responsible for determining final Partner remuneration in line with the firm’s distributable profits, ensuring a fair and transparent process that reflects performance against the firm’s Balanced Scorecard.

The committee considers recommendations from the Partner Assessment Committee, with a clear separation between audit and non-audit incentives. Audit Partners are excluded from having objectives or reward linked to selling non-audit services, with their performance assessed with greater emphasis on audit quality.

The committee is chaired by Mark Houston and meets regularly throughout the year.



**Mark Houston**  
Senior Partner and  
Chair (chair)



**Lynne Walker**  
CEO



**Graham Marjoribanks**  
Vice-Chair, Partner, and  
Head of Audit



**Shaun Millican**  
Partner and Head of  
Business Advisory



**Craig MacPherson**  
Business Advisory  
Partner

Name	Attendance at committee meetings
Mark Houston	100%
Lynne Walker	100%
Graham Marjoribanks	100%
Shaun Millican	100%
Craig MacPherson	100%

# 5.0 Leadership and governance



## Sustainability Committee

The Sustainability Committee is responsible for embedding a sustainable mindset into how we plan and operate, bringing together leaders from across the firm to drive long-term thinking.

As expectations grow around our environmental, social and governance responsibilities, a cross-functional senior group is essential to shape our approach across key areas - including our people, environmental impact, infrastructure, and community engagement - ensuring we're building a resilient and future-ready business.

The committee is chaired by Martin Osler, with the CEO attending when required.



**Martin Osler**  
Partner and Chief  
People Officer (Chair)



**Mark Stewart**  
Partner and Head of  
EIS



**Keith Hamilton**  
Chief Legal Officer



**Andre Boyle**  
Chief Information  
Officer



**Jenn Stewart**  
Partner and Head of  
CSR



**Scott Fraser**  
Financial Controller



**Alison Cooper**  
Head of Business  
Support

Name	Attendance at committee meetings
Martin Osler	100%
Mark Stewart	100%
Keith Hamilton	100%
Andre Boyle	50%
Jenn Stewart	100%
Scott Fraser	0%
Alison Cooper	100%

# 5.0 Leadership and governance



## Client Service Committee

The Client Service Committee is responsible for how we deliver excellent service across the client journey and for shaping future growth opportunities.

As client needs evolve, the committee challenges how we listen, segment, and respond, ensuring our approach remains relevant and continues to add value. It also plays a key role in developing our advisory services to support sustainable growth.

The committee is jointly chaired by Mark Houston and Emily Young.



**Mark Houston**  
Senior Partner and Chair  
(Joint Chair of the committee)



**James Hamilton**  
Audit Partner



**Emily Young**  
Head of Marketing  
(Joint Chair of the committee)



**Scott Dunbar**  
Business Advisory Partner



**Alex Docherty**  
Partner and Head of  
Private Client Tax



**Paul Shields**  
Audit Partner

Name	Attendance at committee meetings
Mark Houston	100%
Emily Young	100%
Alex Docherty	100%
James Hamilton	100%
Scott Dunbar	100%
Paul Shields	100%

# 5.0 Leadership and governance

## 5.1 Audit Firm Governance Code

The Audit Firm Governance Code (2022) came into effect for the firm’s financial year ended 31 May 2024, and we are pleased to be able to report this year that we have made significant progress towards fuller compliance under its strengthened provisions.

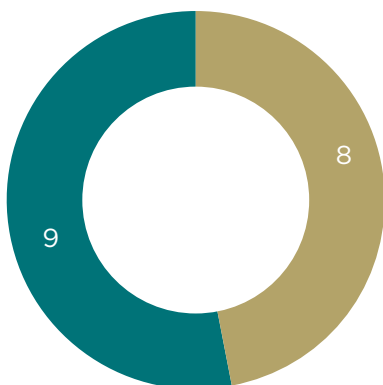
This diagram sets out an overview of our compliance with the Audit Firm Governance Code and our Statement of Compliance is included in Appendix 4.

Appendix 4 demonstrates that the firm is now fully compliant with the principles of the Code. As our work towards full compliance with the provisions continues, and in line with the Code’s ‘comply or explain’ approach, we have also provided further explanation in the Appendix for those provisions with which we did not fully comply during the year.

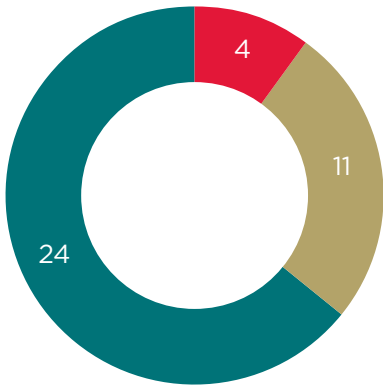
Principles – 2025 compliance



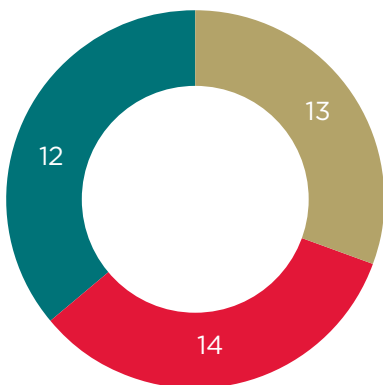
Principles – 2024 compliance



Provisions – 2025 compliance



Provisions – 2024 compliance



- Compliant with the Code
- Partially compliant and / or work in progress following structural changes in FY 2025
- Not compliant with the Code

# 5.0 Leadership and governance

## 5.2 Independent Non-Executives' report

After nine months in the role of independent non-executives, we are building a strong picture of Johnston Carmichael and the requirements and priorities for our role at the firm.

We are conscious of Johnston Carmichael's 90-year heritage and the importance of fully understanding the dynamics and nuances it encompasses. Johnston Carmichael is a geographically diverse firm that has experienced rapid growth in recent years. Every firm is unique and, despite the shared characteristics of operating within the audit and advisory markets, good governance must reflect a firm's individual background and future ambitions.

We have been pleased to note the openness to challenge and willingness to listen which has been in evidence from the Board and leadership teams across the business. Our arrival at the firm has been warmly welcomed and the INE role is seen as positive and supportive.

We have been struck by the culture of openness and learning. Many firms talk about values similar to Johnston Carmichael's core value of 'Doing the



**Michael Timar**  
**Independent Non-Executive**

Appointed in September 2024, Michael had a 33 year career with PwC, 21 of those as a Partner, during which time he held various leadership roles including in Audit Risk & Quality. He brings extensive UK and international experience in audit, risk, and governance, having worked with listed and global companies across multiple sectors. Michael serves on the Audit Quality Board, chairs the firm's Audit & Risk Committee and Ethics & Risk Consultation Panel.

INE appointments are for an initial period of three years. They are required to complete and confirm an annual declaration of fitness and propriety for their roles which includes declaring any matters relating to independence and conflicts of interest.

Michael's remuneration is £50,000 per annum. Les' remuneration is £55,000 per annum reflecting his role as Chair of the Audit Quality Board.



**Les Clifford**  
**Independent Non-Executive**

Appointed in September 2024, Les is a former EY Partner with over 40 years' experience in the profession, including senior leadership roles and extensive client service to global businesses. He brings deep expertise in audit quality, governance, and regulatory matters. Les chairs the Audit Quality Board. He also sits on the Talent Development Committee and Partner Assessment Committee.

## 5.0 Leadership and governance

right thing'. We have been impressed by the extent to which this value is clearly lived by Johnston Carmichael day in and day out.

More importantly, it demonstrates a fundamental set of principles which play an important role in Johnston Carmichael's success. Driving audit quality was not simply a consequence of being awarded Tier 2 status by the FRC; it was a core strategic objective set by leadership as a critical element of how the firm should develop into its next stage of growth.

As INEs, our three areas of focus are audit quality, the overall resilience of the audit practice, and ensuring the firm takes into account public interest as a key element in its decision making.

One of our first observations is that Johnston Carmichael's leadership has diligently kept quality and governance high on the agenda. However, we noted that a clearer separation of governance and operations would help optimise both, and addressing this has been a primary focus during our first year.

We have supported the subsequent work to reshape governance structures so that the newly-formed Audit Quality Board assumes a role which is focused on governance and quality.

Its previous iteration included executive responsibilities which have now been brought

under the remit of the Audit Executive Board. Each body now has clearly delineated roles and responsibilities and is made up of the correct people with the most appropriate skills, experience and authority.

A key area for attention looking forward will be supporting the wider business to ensure risk and performance are properly connected to the newly refreshed strategy highlighted in last year's report and in particular, taking into account our three areas of focus.

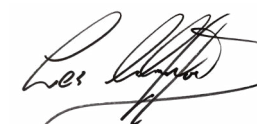
We will also be supporting the implementation of the new audit platform, drawing on our own experience of similar projects and recognising the importance of behavioural change alongside technology change.

In addition to chairing the Audit Quality Board, Les has joined the Talent Development Committee, which works to foster and grow internal capability at all levels. Michael has been appointed as Chair of the Audit and Risk Committee and the Ethics and Risk Consultation Panel.

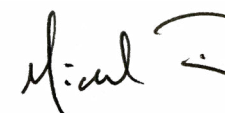
We see our role as broader than simply overseeing governance and over the next year we are eager to learn more about the rest of the business, its client priorities, and areas of strength.

We see having an in person presence in the business as an essential part of doing this. With this in mind, the AQB meets in person, rotating every two months around Johnston Carmichael's office network so we have the opportunity to engage with people across the firm and take a personal approach to our role. To date we have been to offices in Edinburgh, Glasgow, Aberdeen, Dundee, Inverness and London.

We have been encouraged by our first 12 months at Johnston Carmichael. While there is work to be done to bring the firm's processes and governance up to the level of its ambition, good progress has been made. Our experience so far is of a firm which places quality and ethics at the heart of its ambition and takes great care to make people and values central tenets of its growth strategy.



**Les Clifford**  
Independent  
Non-Executive



**Michael Timar**  
Independent  
Non-Executive

30 September 2025

## Section 6

# Our culture

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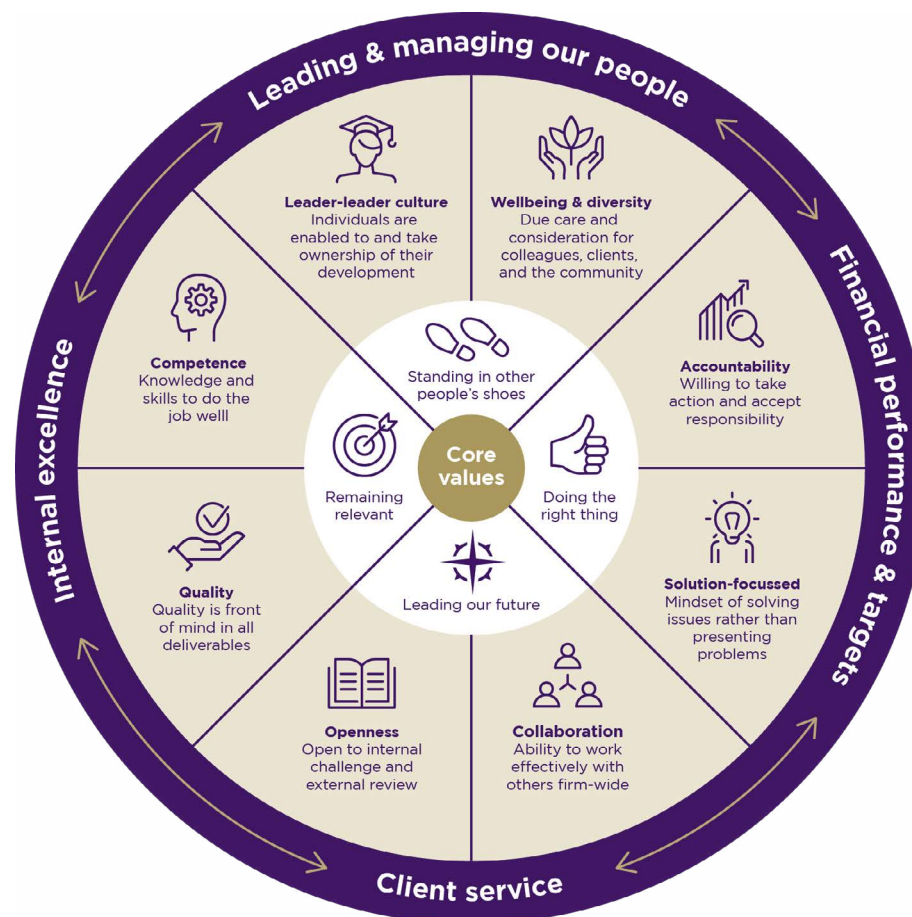
## 6.0 Our culture

We talk about our 'cultural ecosystem' at Johnston Carmichael. This is the environment and experiences that help us to do our best work, day in day out.

Our culture ecosystem includes our:

- Leader-leader approach where we enable everyone to be a leader of their work and their learning regardless of level.
- Culture wheel (opposite) that sets out clearly our values, the four quadrants of our Balanced Scorecard which we use to measure performance, and the behaviours we expect from all our people. This gives us a common language to use in all of our conversations about performance and developmental growth in the firm.
- Partner Performance Pillars which outline the key performance indicators we expect all our Partners to deliver.
- Personal Development Reviews which emphasise feedback and professional growth with firm-wide objectives alongside team-specific ones.
- People and Culture Forum which is an employee-led group that supports change within our working environment and addresses topics such as wellbeing, LGBTQIA+ inclusivity, and diversity, amongst others.
- Masters-accredited Leadership Programme and Learn platform which gives our people positively challenging and thought provoking learning experiences, both in person and online, as we work towards becoming a world-class learning organisation.
- Openness and transparency of communication through regular engagement by our senior leaders in town hall meetings, monthly email updates, and online Q&A functionality.

This cultural ecosystem underpins everything we do, from how we work together to how we deliver for our clients. We feel strongly that culture is something to be lived, talked about, and worked on every day rather than a buzz word. Our culture programme is not only about people engagement but also about embedding behaviours that underpin audit quality and reinforce public trust in the profession.



## 6.0 Our culture

### Being a Great Place to Work

Our annual people survey is an important milestone in the Johnston Carmichael cultural ecosystem. By taking a detailed measure of how our people feel about different aspects of their time at work, our People Experience team can prioritise initiatives for the coming year.

This year, we moved our online people survey platform to Great Place To Work (GPTW). GPTW is a global authority on workplace culture and conducts research into what makes a world-class workplace. This includes the opportunity for companies to become certified as a Great Place To Work. We took this step as a commitment to one of the objectives in our 2030 strategy, namely 'to be the best possible place to work'.

To achieve the GPTW standard, a minimum of 65% of an organisation's people have to agree via a survey that their employer offers a Great Place to Work. The national average, according to GPTW, is 54%. We were very pleased to have scored 78%, based on 732 responses, and to have received our certification.

The wider survey covers four areas:

1. Career development
2. Management behaviour
3. Empowerment
4. Recognition

We scored highly (80%+) on factors including justice, leadership behaviour, intimacy, competence and credibility. We were particularly pleased to read that 98% of our people feel safe in the Johnston Carmichael workplace. There are areas for action that we have identified through business line and executive team specific action plans, and we will continue to work on those in the months ahead.

While never resting on our laurels and always looking to improve our cultural ecosystem, our survey scores put us in the top 100 UK Workplaces for Development (including career growth opportunities and management behaviours), and the top 100 UK Workplaces for Women.

### Ethics

Ethics is a fundamental pillar of any cultural ecosystem. It is also a required area of focus for firms like ours from a regulatory standpoint. We have embedded the expectation of ethical behaviour in our values, specifically in 'Doing the right thing'.

However, we recognise that there must be regular conversations about ethics so that our people understand clearly what this means and what are their duties in respect of doing the right thing at all times. To provide additional guidance on this subject we worked with a

production partner to create a video recording of a roundtable-style conversation between our CEO Lynne Walker, Chief Legal Officer Keith Hamilton, Ethics Partner David McBain, Chief People Officer Martin Osler, and Senior Talent Manager Jude Lean.

This conversation, which is available on our in-house learning platform, covered areas including the definition of ethics in the context of our firm, how it relates to our culture wheel, the behaviours we expect from people, as well as some examples and case studies to bring ethics to life.

We also have an ethics page on our intranet which covers reading, videos, and access to learning workshops to ensure our people have easy and comprehensive access to resources in this critical area.

Of course, as a good governance employer, we have taken deliberate action to ensure our people are able to make whistleblowing reports if they feel it necessary to do so. We have completed one whistleblowing investigation during the year.

### More good days at work

Wellbeing has been a popular buzz word in conversations about workplace culture, and for good reason – accountancy as a profession has historically had a problem with burnout and mental health issues.

## 6.0 Our culture

We want to take a meaningful and proactive approach to the issue of wellbeing, finding actionable ways to make the workplace a happier and more enjoyable environment, shifting mindsets from a negative to more positive focus.

At Johnston Carmichael we talk about helping our people to have more good days at work.

Our employee-led People and Culture Forum has established a subgroup, Balance, dedicated to promoting wellness.

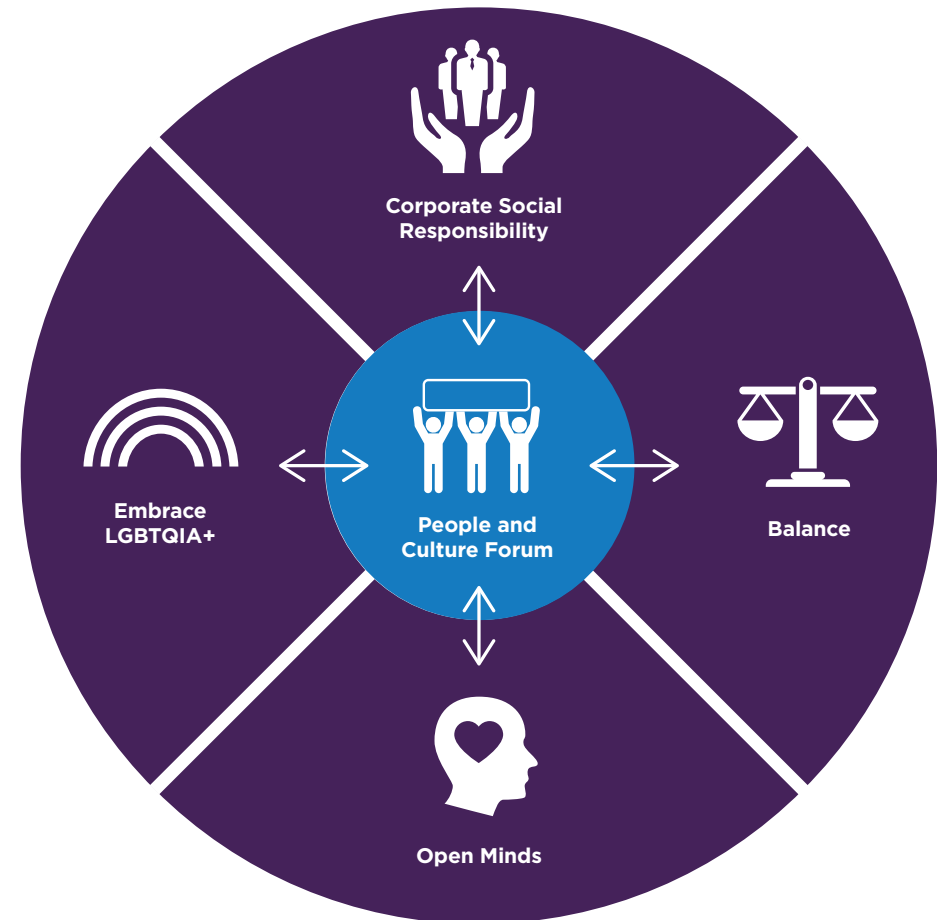
We recently held a Wellbeing Week with various activities and information sharing. As part of this, members of our senior leadership team and our Board have openly discussed and written about their mental health challenges on our internal communications channels, covering topics including the loss of a loved one and getting through difficult periods at work.

We take the wellbeing of our people seriously and continue to strive to help all of us have more good days at work.

### A leader-leader organisation

We regularly talk about enabling our people to be leaders of their work and their learning. This means taking responsibility for their development, in an environment where there is plentiful support, resource, and opportunity to do so.

This year we implemented an online learning platform, Learn, to provide a central repository of learning courses and materials, including mandatory training in subjects such as anti-money laundering and GDPR. The Learn platform will soon offer functionality to log CPD, which for many of our people is a regulatory requirement. This will make it much easier for our people to manage their CPD and for line managers to ensure the necessary training has been completed.



## 6.0 Our culture

The Learn platform launched in September 2024 and, at the time of writing in June 2025, there have been 16,000 logins. In addition:

- 428 people attended live professional and personal development sessions
- 324 learners have completed 1,605 on-demand learning sessions covering 80 topics
- Our Audit, Tax, and Business Advisory teams host more than 3,600 learning assignments across 45 courses on the platform.

Our Masters-accredited in-house leadership programme, delivered in partnership with external leadership experts including the University of Strathclyde Business School, has supported more than 150 of our senior people to develop their leadership approach. This year the programme was rolled out to firms in the Moore UK network.

We have also introduced a new line manager programme called LM Essentials. We are acutely aware that people are often promoted into management positions because of strong technical performance, without being equipped with the necessary skills and knowledge to lead a team. This is a peer-focused programme with structured elements around management and leadership, allowing people to understand best practice, learn from each other, share experiences and apply what they have learned in their own teams.



## Section 7

# Quality and risk management

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# 7.0 Quality and risk management

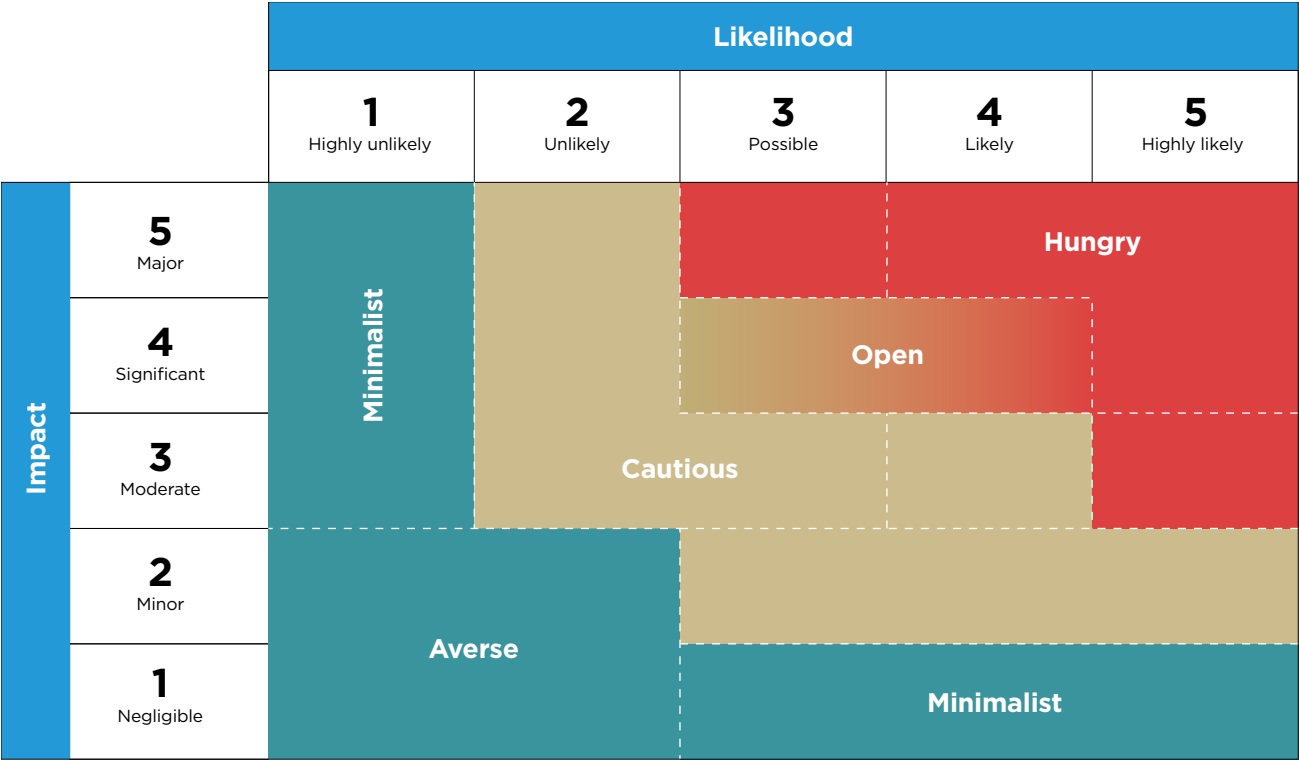
Risk resilience, compliance with anti-money laundering regulations (including maintaining a robust client take on due diligence process and ongoing client monitoring), and adherence to data protection legislation is led by our Chief Legal Officer as part of our Governance, Risk, and Compliance (GRC) function. Continuous improvement of our risk management policies and procedures is an ongoing priority and viewed as a live issue which is never completed. Our Chief Legal Officer is our Money Laundering Reporting Officer, Data Protection Officer, and is also our Whistleblowing Officer.

This year we have implemented a series of measures to further enhance the effectiveness of our risk management function. Following positive recent assessments by our regulators, the FRC and ICAS, we are satisfied risk is being managed appropriately in a way that protects our people, our clients, and our business.

However, we take a proactive approach to ensuring we identify and mitigate risk as robustly as possible.

One key measure this year has been the addition of a critical role to the GRC team. Ruth Canham was appointed from within the firm as Quality and Risk Director.

The overarching focus of this new role is on client service risk and quality. Ruth has been tasked with reviewing our risk management



procedures, including specific areas such as risk review meeting templates and, in conjunction with our GRC Officer, making improvements to our client risk assessment quality assurance procedures. She will also take charge of ad-hoc project work as directed by the wider GRC team and the Board, in line with identified risk and quality priorities.

As a result, our business line and executive function risk review documentation is being thoroughly updated to ensure we better manage accountability for risks identified by specific individuals and teams. We have also introduced more robust risk management processes at business line level, executive function level, and firm-wide.

# 7.0 Quality and risk management

We have updated our Quality Assurance (QA) procedures, and have introduced a Power BI dashboard which provides live data on QA risk assessments. We have also created a dashboard providing live updates in relation to outstanding AML risk assessments; this is all part of our work to ensure accountability for risk lies with the correct teams and individuals.

This has also led to improved reporting of important data following a wholesale review of management information which is provided to the Board.

We are mindful that adoption is a key challenge of new technology so we will be hosting training sessions and updates to help us implement the new risk dashboards.

## Business continuity

In light of frequent, high profile cyber-attacks, we have redrafted and reinforced our business continuity plan. This year we carried out the first of tri-annual tabletop exercises to test the robustness of the plan.

We prepared a realistic scenario of an attack on one of our systems, examining how our team would respond in practice; how we would communicate with clients, how well would our teams work together under pressure, how we could mitigate the attack? The exercise

was attended by a cross-section of the firm representing multiple departments and was led by our Chief Information Officer Andre Boyle.

We are satisfied with how the plan worked however, as might be expected, it did highlight some improvements which have been addressed and solutions implemented. For example, we are introducing “battle boxes” in each office – remote access, standalone laptops that are not connected to our main systems. These laptops would be isolated in the event of a live cyber incident and used to communicate internally if our other systems are unavailable.

## Horizon scanning

The most recent FRC review of our risk management procedures suggested that risk horizon scanning was a key area for consideration.

To meet this challenge, we have redrafted our Board’s terms of reference to include risk horizon scanning in strategy meetings as a standing agenda item.

This has enabled us to take a more in-depth view on external factors which can present opportunities as well as risks – changes in taxation policy, for example. Changes in National Insurance Contributions have led to

well-publicised risks for many employers, and we have reflected the impact of this in our approach to people development and retention. The increase in inheritance tax, conversely, has meant that many of our rural clients need additional support in planning for the future.

## Succession planning

To improve our succession planning and reduce our exposure to key person dependency we have reshaped several firm committees, as detailed in section 5.0, and some teams across the firm too. In doing so, we share knowledge and expertise more effectively with appropriate team members.

For example, we have created a Tax Board to lead our tax business line. This brings together three Partners - Alex Docherty, Head of Private Client Tax; David Ward, Head of Specialist Taxes, and John McAuslin, Head of Corporate Tax. This replaces our previous structure of relying solely on a single head of Tax.

Our broader approach to workplace culture is a key part of our retention strategy, allowing us to grow and promote talent from within, building internal knowledge and resilience.

# 7.0 Quality and risk management

Having completed an assessment of the risks on the firm's risk register, the following are considered to be the principal risks, being those which could threaten its business model, future performance, solvency or liquidity.



## **Principal Risk** **Regulatory and Ethical Compliance**

Non-adherence to regulatory requirements or ethical standards, or failing to recognise, anticipate, and respond to significant regulatory changes, could negatively impact our operations and alter the competitive landscape.

### **Mitigating Actions**

To address this risk, the firm has strong governance measures in place. These include:

- Regular reviews of our policies and procedures to ensure they are up to date.
- Conducting ongoing monitoring through quality assurance reviews.
- Mandatory compliance training is recorded and monitored to ensure adherence.
- A whistleblowing policy is in place allowing our people to report anonymously.
- eNAS approval and gifts and hospitality reporting systems.
- A monthly AML compliance dashboard reviewed by the MRLO.
- A monthly compliance dashboard is prepared and reviewed by the board.

Regarding new and emerging regulations, there is regular engagement with regulators and relevant government bodies to understand and plan for the evolving regulatory landscape, along with regular horizon scanning, which is reported to the relevant governance groups.



## **Principal Risk** **Cyber and Information Security**

There is a risk that a significant cyber-attack could severely impact our operations or result in major data loss.

The risk landscape for cyber-attacks is continually evolving, with increasing sophistication and frequency of attacks. A successful cyber-attack or significant data loss could lead to severe operational disruptions, which may hinder our ability to recover effectively.

### **Mitigating Actions**

Some of the controls the firm has in place to mitigate this risk are:

- IT policies and procedures are up to date, including access controls, data management, patching, vulnerability management, and comprehensive disaster recovery and business continuity plans.
- A monthly risk assessment process, including horizon scanning and tracking malicious AI activities.
- A Data Protection Impact Assessment (DPIA) process.
- Mandatory training covering information security, data protection, and information management.
- The firm meets the standards of Cyber Essentials Plus.
- A data officer is in place who oversees data strategy, governance, and compliance, including measures for data loss prevention.

## Section 8

# Audit team governance

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## 8.0 Audit team governance

### Our Structure

During the year we have revisited our leadership structure in Audit to reflect a clearer delineation between governance and oversight and the management of the business.

### The Audit Quality Board

The Audit Quality Board (AQB) provides independent oversight of the audit practice, with a focus on promoting audit quality, ensuring that the public interest is taken into account in decision making in audit; and safeguarding the sustainability and resilience of the Audit business line.

Its remit to embed governance and quality at the heart of audit operations is distinct from executive management responsibilities, which sit with the Head of Audit and the Audit Executive Board. This clear separation ensures each body has the right people, skills, and authority to deliver effectively.

The AQB meets every two months and is made up of experienced leaders from across the business line, each sponsoring initiatives that directly enhance audit quality, from developing internal capability and strengthening risk management to improving ethics consultation processes. Members are shown on the right.

The INEs bring valuable external perspective, robust challenge, and a public interest lens to decision-making. Since joining in 2024, they have helped refine governance structures, align risk and performance with the refreshed strategy, and support the implementation of the new audit software platform. As outlined in Section 5.0 of this report, their wider governance roles, spanning talent development, risk, and ethics oversight, enable them to provide insight into decision-making across the firm.

During the year, the Audit Quality Board also reviewed the outcomes of the cold file monitoring cycle. Findings were assessed through the firm's root cause analysis process, and remediation actions were tracked to completion. This strengthened the governance link between inspection results, RCA, and the continuous improvement of audit quality.



**Graham Marjoribanks**  
Vice-Chair, Partner, and  
Head of Audit



**David McBain**  
Ethics Partner



**Sally Hewish**  
Partner and Head  
of Audit Quality,  
Risk and Technical



**Michael Timar**  
Independent  
non-executive



**Les Clifford**  
Independent non-executive (Chair)

# 8.0 Audit team governance

## Audit Executive Board

The Audit Executive Board (AEB) has assumed the executive management responsibilities that previously sat with the Audit Leadership Group. It delivers operational initiatives and monitors the Strategy Delivery Plan and reports to the AQB on quality-related matters. Each member oversees a specific pillar, shown in brackets beside their name.



**Graham Marjoribanks**  
Vice-Chair, Partner, and  
Head of Audit



**Grant Roger**  
Audit Partner  
(Internal Excellence)



**James Hamilton**  
Audit Partner  
(Client Service)



**Irvine Spowart**  
Audit Partner  
(Financial Performance  
and Targets)



**Richard Sutherland**  
Financial Services  
Audit and Assurance  
Partner (Leading and  
Managing our People)



**Jenny Junnier**  
Audit Partner  
(JC Academy)



**Sally Hewish**  
Partner and Head  
of Audit Quality,  
Risk and Technical



**Matthew Kaye**  
Audit Partner  
(Innovation and  
Transformation)

## 8.0 Audit team governance

### Ethics Partners >>



**David McBain**  
**Ethics Partner**

David McBain is the firm's Ethics Partner and has held this role for around 10 years. While the FRC Ethical Standard requires all audit firms to appoint an Ethics Partner, David's role extends further, ensuring compliance with the ICAS Code of Ethics across all areas of the firm's work. He is responsible for protecting the firm's reputation by fostering a values led culture, supported by robust policies, procedures and training, and by ensuring expectations are clearly understood and upheld. A key part of his role is acting as a sounding board for complex situations, often working collaboratively with the Deputy Ethics Partner and the Audit Quality, Risk and Technical team.



**Scott Jeffrey**  
**Deputy Ethics Partner**

Scott Jeffrey is the firm's Deputy Ethics Partner, a role he took on in late 2023. He supports David McBain and Sally Hewish in overseeing compliance with the FRC Ethical Standard and the firm's ethics policies and procedures. Scott's role focuses on maintaining a strong ethical culture where trust, independence and professionalism are central to everything the firm does. He handles complex ethics queries and consultations, delivers training to enhance ethics awareness and compliance, and engages with regulatory bodies and mid tier firms to strengthen ethics standards.

## Section 9

# Audit quality

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# 9.0 Audit quality

Audit quality underpins the trust placed in our firm and is central to our licence to operate. Having set out our broader strategy and performance in the preceding sections, we now turn to the foundation of our profession: “the systems, culture, and commitments that ensure Johnston Carmichael delivers audits of the highest quality in the public interest”.

Our progress has been recognised externally. Both ICAS and the FRC have noted tangible improvements in audit quality, with the Moore Global Network Review placing our SoQM in the compliant performance category within the network. These perspectives confirm that our actions are delivering sustainable change, as we move forwards with our quality agenda.

We set out within this section the key elements of our quality ecosystem:

- **9.1 Strategic quality plan** – the overarching plan to ensure the firm delivers on its quality priorities
- **9.2 Audit firm metrics** – measuring quality using published indicators that provide transparency on progress and areas for improvement as well as enabling analysis of our own performance against our cohort.
- **9.3 The system of quality management (ISQM 1)** – how ISQM 1 has become the strategic architecture of audit quality, embedding monitoring and remediation into a single, closed-loop system.
- **9.4 Ethics framework** – the evolution from compliance to commitment, with policies, practice statements, and cultural programmes ensuring ethics is a lived behaviour, not just a rulebook.
- **9.5 Independence** – the structures and controls that safeguard our objectivity and ensure we act in the public interest.
- **9.6 Client acceptance and continuance** – our strategic filter, protecting the firm and the public interest while signalling our uncompromising focus on quality.

- **9.7 Audit software** – the role of digital tools in supporting consistent, efficient, and high-quality audit delivery.
- **9.8 Resources** – ensuring our people have the capability, capacity, and support needed to deliver quality consistently.
- **9.9 Monitoring and remediation** – now a flagship area, underpinned by structured root cause analysis, JC Guard dashboards (see page 57), and the ‘Quality starts with me’ upskilling initiative, turning challenges into building blocks of resilience.
- **9.10 External monitoring** – feedback from regulatory reviews against which we can validate our progress

Together, these strategic actions and behaviours demonstrate that Johnston Carmichael’s approach to audit quality is holistic, deliberate, and forward-looking.

# 9.0 Audit quality

## 9.1 Strategic audit quality plan

The overarching quality objective for the Audit Business Line (ABL) remains to ensure effective quality audits that address risks, and, in pursuit of this aim, the ABL has developed its Strategic Audit Quality Plan to achieve this. The plan sets out the strategic quality priorities for Johnston Carmichael's ABL and has been refreshed to align with the Audit and Assurance Strategy 2030 (the 2030 Strategy).

The ABL has identified strategic quality ambitions that align with the firm's strategic priorities and, in turn, the key programmes and initiatives through which the 2030 Strategy will be delivered.

Quality projects have been put in place to respond to each strategic quality ambition.

The monitoring of the operational activities supporting the SAQP now falls within the remit of the Audit Executive Board (AEB).

All projects and initiatives designed to respond to the 2030 Strategy are tracked by the AEB in the Audit Strategy Delivery Plan (SDP). This drives accountability by identifying for each project:

- > An AEB owner with overall responsibility
- > Delivery leads
- > Target completion date
- > Milestones
- > KPIs / metrics
- > Overall project status
- > Resource requirements

Assessment of ease and impact of delivery is also included to assist with prioritisation decisions.

Progress is tracked against a 90-day plan, with updates provided each month in advance of the AEB meeting, where the focus is on any slippage, blockage, or other issues.

### Governance and prioritisation

The governance and oversight of the SAQP sits with the Audit Quality Board (AQB).

The AQB determines the prioritisation of the quality projects with regard to a series of factors:

- > Are they critical to the Strategy?
- > Are they an FRC Audit Supervision (ASL) focus area?
- > Do they address SoQM remediation actions?
- > Do they respond to RCA outcomes / findings?
- > Do they relate to a regulatory requirement?
- > Do they impact AQIs?
- > Do they address People Survey action areas?

Taking the factors and any other considerations into account, each quality project will be categorised as:

- > A critical strategic quality project, or
- > A key quality project

Strategic priority	Strategic quality ambition
People and Culture	> Strategic workforce planning
	> Employee value proposition
	> Attract, retain and develop talent
Clients and Advisory	> Ideal audit client project
	> Leverage our sector and specialist expertise
	> Develop our benchmarking and analytic capabilities
Quality and Innovation	> System of Quality Management
	> Audit platform implementation
	> Innovation culture

# 9.0 Audit quality

The critical strategic quality projects for 2025 / 26 will build on those identified for 2024 / 25, as follows:

## Audit platform

Successfully implement the new audit platform as the launch pad for delivery of quality audits through 2030 and beyond

- > To align with JC and Moore methodology
- > To meet the needs of sectors and specialist teams
- Develop platform Audit Manual and Practical Application Guidance
- Develop and deliver platform learning programme
- Build and equip team of platform Super Users
- Achieve go-live for 31/3/2026 year end audits

## Quality monitoring

Drive quality through the System of Quality Management, reinforcing positive behaviours and calling out those which fall short

- SoQM monitoring programme
  - > JC Guard app
  - > Develop programme for continuous testing
- Engagement file monitoring programme
  - > Phased approach to moving reviews in-house
  - > Increase overall quantum through introduction of targeted / thematic / in-flight reviews
  - > Quality review programme for thematic reviews
  - > Develop dashboard reporting
- Regulator and external inspections support
  - > Develop pre-inspection readiness frameworks to support the firm during all phases of the inspections processes.
- Root Cause Assessment (RCA), remediation, and accountability and recognition
  - > Conduct RCA for all deficiencies
  - > Track remediation progress with dashboards
  - > Embed accountability and recognition through leadership reporting

# 9.0 Audit quality

## Monitoring and reporting

As discussed above, the individual quality projects are monitored by the AEB through the Audit Strategy Delivery Plan, which is reviewed and updated on a monthly basis against a 90-day plan.

Going forward, the Audit Quality Board will review an overall SAQP quarterly dashboard as well as reports at each Board meeting in respect of the critical strategic quality projects.

These reports will highlight:

- Progress against delivery plan and timetable
- Matters requiring AQB attention and / or decision

Reports may be presented by the delivery lead in person at the AQB's request.

Audit quality underpins the trust placed in our firm and is central to our licence to operate.

## 9.2 Audit firm metrics

In July 2025 the FRC published its first report presenting Audit Firm Metrics (formerly Audit Quality Indicators) as provided by the Audit Firms. The report can be accessed on the [FRC website here](#). In reporting firm metrics the FRC's objectives are to enhance transparency about, and provide deeper insight into, some factors related to performance of audit firms. These metrics provide easy to use, consistent, and comparable information about various aspects of audit firm performance.

Following the 2024 pilot phase, anonymised data was shared with participating firms to provide insights as to how their metrics compared with those of the cohort. The Audit Quality Board considered this data and set thresholds for each metric, outside of which further investigation and analysis would be required.

To promote further transparency we set out below each metric, together with commentary as to where it sits in relation to our tolerance thresholds and what, if any, follow up actions are to be undertaken.

# 9.0 Audit quality

Ref	Area	Metric description	Indicator	Measurement	2025 (2024)
1	People / culture survey results	Audit staff responses to certain annual people / culture survey questions	Percentage of favourable and unfavourable responses to the survey questions	<b>Resources</b>	
				Favourable:	47.5% (48.5%)
				Neutral:	30.5% (26.0%)
				Unfavourable:	22.0% (25.5%)
				<b>Training and development</b>	
				Favourable:	82.0% (76.5%)
				Neutral:	14.0% (15.5%)
				Unfavourable:	4% (8.0%)
				<b>Commitment to audit quality</b>	
				Favourable:	87.0% (88.0%)
				Neutral:	8.0% (8.0%)
				Unfavourable:	5.0% (4.0%)

All results are within the firm’s tolerance (set by reference to unfavourable responses). The firm changed provider for the 2025 survey to ‘Great Place to Work’ however the questions utilised for this metric were unchanged and reflected the suggested wording from the FRC. The improvement noted in the ‘unfavourable’ responses is pleasing and reflects the ‘Great Place to Work’ accreditation awarded to the firm based on the survey outcomes.

2	Internal quality review	Extent of review by firm’s internal quality review teams	Responsible Individuals (RIs) who have been reviewed internally, as a percentage of RIs who have signed an audit opinion in the 12-month period covered	% of the RIs	58% (45%)
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The coverage achieved aligns with the scoping that was approved by the Audit Leadership Group (now Audit Quality Board) for the 2024 review cycle. The transformation of our internal quality monitoring programme is discussed in section 9.9 below.

# 9.0 Audit quality

Ref	Area	Metric description	Indicator	Measurement (internal grading mapping)	2025 (2024)
3	Inspection results - internal	Results of internal inspections by the audit firm	Quality grading of audits internally reviewed (expressed as the percentage of number of audits reviewed during the period)	All audits	
				Good (grade 1):	7% (0%)
				Limited improvements (grades 2 and 3):	79% (80%)
				Improvements (grade 4):	7% (20%)
				Significant improvements (grade 5):	7% (0%)
				PIE audits	
				Good (grade 1):	20% (0%)
				Limited improvements (grades 2 and 3):	80% (100%)
				Improvements (grade 4):	0% (0%)
				Significant improvements (grade 5):	0% (0%)
The firm uses a 5-grade system internally, however the FRC require that these are mapped to the 4 gradings above for the purpose of the public metrics reporting. The Audit Quality Board considers any 'fail' grade (i.e. improvements or significant improvements required) to be outwith tolerance, with root cause analysis and remediation follow up required. Notwithstanding this, a grade 3, while technically a pass, is regarded as a near miss and the firm is focused internally on improving performance within this category.					
4	Inspection results - external	Results of external inspections of the audit firm	Percentage of audits inspected, by quality grading	AQR	
				% of good and limited improvements required	100% (50%)
				% of improvements required	Nil (50%)
				% of significant improvements required	Nil (Nil)

Neither the FRC nor ICAS (the firm’s RSB) are required to issue public reports in respect of their monitoring of the firm given its Tier 2 status. ICAS have requested that the firm does not share its inspection results publicly. However we are please to note that both in terms of the AQR results as compared to the prior year (in each year 2 engagement files were inspected), and in respect of the 2024 RSB review compared to the last review (2021) the firm has achieved substantive improvements, and in particular we are proud to have achieved 100% satisfactory outcomes in our AQR results in the period.

# 9.0 Audit quality

Ref	Area	Metric description	Indicator	Measurement	2025 (2024)
5	Partners' and Responsible Individuals' involvement in audits	Extent of involvement in and / or supervision of audits by Partners and Partner-equivalents	Average hours spent on audits as a percentage of total audit hours by Responsible Individuals and Partners	All audits	6.3% (6.7%)
				PIE audits	10.2% (10.0%)
6	Staff / Partners and Responsible Individuals ratio	Capacity of Partners / Responsible Individuals to supervise junior audit staff in the firm, and the level of professional support for Partners / Responsible Individuals	Average number of audit staff managed by a Partner / Responsible Individual		8.5:1 (7.9 :1)
7	Staff workload	Number of hours worked per week, as a percentage of contracted hours	Average hours worked by group of grades in the audit practice, for busy period, as a percentage of weekly contracted hours	Partners & Directors: [% utilisation]	113.4% (107.0%)
				Managers & Senior Managers: [% utilisation]	106.6% (101.6%)
				Qualified, but below Managers: [% utilisation]	103.6% (104.0%)
				Unqualified: [% utilisation]	101.4% (102.0%)
8	Staff attrition	The rate at which staff leave the firm's audit practice	Average staff attrition rates by group of grades in the audit practice	Partners & Directors: [% attrition]	6.9% (3.8%)
				Managers & Senior Managers: [% attrition]	12.2% (15.8%)
				Qualified, but below Managers: [% attrition]	44.4% (45.0%)
				Unqualified: [% attrition]	11.0% (17.1%)

All of the above metrics are within current tolerance levels. Since there are interdependencies between these metrics they are also considered holistically.

The published results indicate that most other firms in the cohort have a higher ratio of audit staff managed by a Partner / Responsible Individual than Johnston Carmichael. While this is in part due to the firm's audit proposition being that of a Partner / RI-led service, these results have caused us to challenge our own workforce planning model and a project will be initiated to consider this further. In particular this will further consider the impact of technology advances and investment on the desired team structure and skillsets.

Attrition rates at the qualified level are high compared to the cohort, reflecting in part some rebalancing following high recruitment levels in post covid years, and a focus on performance management.

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Ref	Area	Metric description	Indicator	Measurement	2025 (2024)
9	Training	To demonstrate the level of investment in training offered to Partners and staff	Average number of planned mandatory training hours per person, and percentage of completion rates, by group of grades	Partners & Directors [Number of hours] [% completion rate]	28 (25.5) 98% (90%)
				Managers & Senior Managers [Number of hours] [% completion rate]	28 (25.5) 99% (84%)
				Qualified, but below Managers [Number of hours] [% completion rate]	34 (25.5) 97% (80%)
				Unqualified [Number of hours] [% completion rate]	23 (17) 97% (90%)

The firm's expectation is 100% completion of mandatory audit technical training at all levels, with due allowance made for holidays and other periods of absence.

Our ability to track completions is much improved with the introduction of the Learn platform, although this was not fully operational for the whole of the reporting period, and the increased focus in this area is reflected in the completion metric.

Since the beginning of 2025 completion of modules in the Audit Advanced Technical Curriculum (seniors to Partners) are only marked as complete once an attendee has passed the follow-up quiz. Due dates are set 60 days after the live session, and non-attendees are required to watch a recording - this is now logged within the Learn platform.

This does however create a time lag between delivery of the live session and completion date, and it is to be expected that those sessions delivered in the last couple of months will not have 100% completions (in particular the Spring Forum sessions delivered in May).

Non-completions and failure to pass the quizzes are monitored by AQRT with remediation actions set for each individual. Persistent non-completions are taken into account in calibration ratings.

10	Diversity	Gender and ethnic diversity of the firm's audit partnership	Percentage of individuals in the audit partnership, by gender and ethnicity	[% of women audit Partners]	10% (0%)
				[% of ethnic minority audit Partners]	5% (6%)

As a firm we are absolutely committed to initiatives to improve diversity in the firm's leadership - recognising the value of challenge that comes from diversity of thought and experience. We are showing positive improvement in our own stats for the last year as noted above. In the period since 1 June 2024 to date the firm has promoted / appointed four female Audit Partners, representing 20% of the total Audit Partners.

The FRC has limited this metric to audit Partner level, however internally we monitor this to include Directors / RIs which brings the percentage of women to 29%. Women also comprise 25% of the membership of the Audit Executive Board membership and 20% of the Audit Quality Board.

# 9.0 Audit quality

## 9.3 The system of quality management (ISQM 1)

Audit quality is at the heart of Johnston Carmichael's purpose and reputation. Over the past two years we have moved from a compliance-driven approach to a cohesive, strategic system that integrates risk assessment, monitoring, remediation, and culture. This integration of ISQM with our monitoring and remediation cycle ensures that quality at Johnston Carmichael is not only designed but demonstrated in practice. This transformation has been anchored in our System of Quality Management (SoQM), supported by innovative tools like JC Guard, and reinforced by a firm-wide commitment to ethics and integrity.

The International Standard on Quality Management (UK) 1 (ISQM 1) requires audit firms to establish and maintain a System of Quality Management (SoQM) that provides reasonable assurance that audit engagements are conducted in accordance with professional standards and legal requirements, and that reports issued are appropriate in the circumstances.

At Johnston Carmichael, we see ISQM 1 not as a compliance obligation, but as the strategic framework through which we deliver sustainable audit quality. Our SoQM is structured around the firm's risk-based approach to quality. It identifies risks to achieving quality objectives, designs tailored responses, and continuously monitors whether those responses are operating effectively.

The framework is comprised of:

- **Quality objectives** – aligned with ISQM 1 and firm values.
- **Quality risks** – mapped to each objective through a structured risk assessment.
- **Responses** – policies, procedures, and tools that address identified risks.
- **Monitoring activities** – testing the design, implementation, and operating effectiveness of responses.
- **Remediation** – RCA-led improvements where deficiencies and thematic findings are found.



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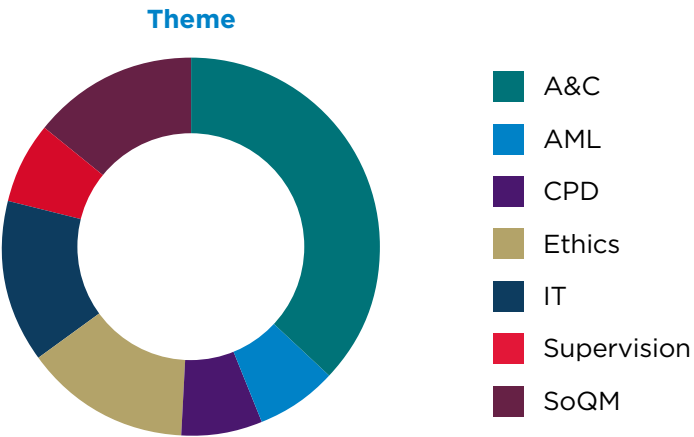
# 9.0 Audit quality

## Annual evaluation 2024

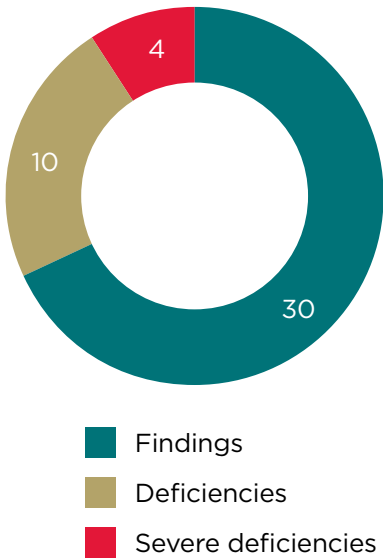
In December 2024, we completed our second annual ISQM evaluation, covering the design, implementation, and operation of the system. Our conclusion was that, except for severe but not pervasive deficiencies and thematic findings, the SoQM provided reasonable assurance that the firm's quality objectives were achieved.

Key areas of testing and focus included:

SoQM area	Scoping decision
Risk assessment	In-scope
Governance and leadership	In-scope
Ethical requirements	In-scope
Acceptance and continuance	In-scope
Engagement performance	In-scope
Resources	In-scope
Information and communication	In-scope
Network requirements	Not in scope due to Moore network review
Monitoring	Not in scope due to refinements expected in January 2025. Subject to review in 2025 monitoring cycle.
Remediation	Not in scope due to refinements expected in January 2025. Subject to review in 2025 monitoring cycle.



## Analysis of exceptions



This chart illustrates the 2024 ISQM testing scope and the distribution of deficiencies by area, highlighting where monitoring focus was directed.

Severe deficiencies were assessed relating to:

- > Compliance with annual fit and proper questionnaire process
- > Timeliness of conflict check confirmations (new client acceptance)
- > Documentation of RI footprint within audit engagement files
- > Timeliness of EQR sign offs in audit engagement files

# 9.0 Audit quality

## Integration with monitoring

Our SoQM does not operate in isolation but rather comprises an ecosystem of activities that work interdependently to ensure that the firm delivers high quality audits. It is directly integrated with our monitoring activities (see Section 9.10), meaning deficiencies identified in cold file reviews, in-flight reviews, thematic reviews, or external inspections or deep dive monitoring on selected areas are fed into the ISQM evaluation. The 2024 cycle identified targeted improvements in areas such as ISA 315 risk linkage, documentation of critical judgements, and review closure. These findings were immediately fed into RCA and remediation planning, demonstrating how monitoring outcomes translate into continuous improvement across the system. This creates a closed-loop system where risk assessment, monitoring, and remediation reinforce one another.

The Audit Quality Monitoring and Remediation (AQMR) team, in collaboration with the firm's IT Software Engineering team, has developed a supplementary monitoring application tool to support the efforts in documenting the firm's monitoring activities on the SoQM. The monitoring application tool will support the firm in maintaining the appropriate level of evidence to support the annual evaluation and meet regulatory oversight requirements.

JC Guard comprises a four-phase monitoring approach, from risk assessment all the way through to evaluation of findings and deficiencies. The role of JC Guard is pivotal here, providing real-time dashboards that link deficiencies to quality risks and responses, ensuring transparency and accountability.



## External monitoring

Our SoQM is not only internally tested but also externally monitored. In 2025:

- The FRC's ISQM inspection team acknowledged significant improvements, particularly the integration of RCA into remediation and the launch of JC Guard.
- The Moore Global Network Review Programme (NRP) reported no deficiencies in JC's compliance with network requirements, placing the firm in the compliant performance category within the global network.

## Continuous improvement

Our SoQM is a dynamic system. It evolves as risks change, as new standards are issued, and as monitoring generates fresh insights and perspectives. Key areas of focus for 2025 include:

- Strengthening controls over acceptance and continuance documentation.
- Embedding improved ISA 315 linkage training.
- Using RCA findings to design fit-for-purpose remediation actions.
- Expanding JC Guard's functionality to further integrate monitoring and evaluation.

## 9.4 Ethics framework

Our Ethics framework has evolved significantly in the past year, moving from a largely compliance-driven model to a more structured, practical system designed to safeguard integrity in every engagement. The firm's policy requires all members of staff to comply with the ICAS Code of Ethics. The firm also has a separate Audit Ethics Policy applicable to all aspects of our relationships with audit clients. These policies were revised during the year to take account of the revised 2025 ICAS Code of Ethics and the revised FRC Ethical Standard 2024.

# 9.0 Audit quality

## Policies and practice statements

The Audit Ethics Policy has been streamlined and now establishes a series of overall objectives in relation to Ethical Standard compliance, with more detailed provisions contained within a series of supporting Ethics Practice Statements. Whilst compliance with these Practice Statements is mandatory, they are also intended to provide more practical instruction to our teams in applying the requirements of the FRC Ethical Standard and our Audit Ethics Policy, with the aim of reducing the risk of inadvertent breaches arising. The aforementioned overall objectives set out within the Audit Ethics Policy also now provide a clear framework for concluding on ethical threats where more specific requirements are not set out within the FRC Ethical Standard or our supporting Practice Statements.

The newly-launched Practice Statements also introduce a number of additional requirements that extend beyond the core requirements of the FRC Ethical Standard. These include maximum-permitted periods of continuous tenure on an audit engagement for staff at Manager level or above, with additional safeguards also required where staff approach that maximum level. This is in addition to existing provisions that restrict the maximum period of continuous tenure for our Audit Responsible Individuals. We also introduced

more formal requirements to report or approve actual or potential business relationships with audit clients, at both firm and individual level.

These requirements are graduated with more restrictive requirements applicable to Partners and Audit staff and more stringent reporting or approval requirements for more significant transactions. Material transactions with audit clients, whether on an arms-length basis or not, are expressly prohibited for 'covered persons' i.e. members of an engagement team and individuals in the firm with a supervisory management or other oversight role, or persons closely associated with a covered person.

Our Audit Ethics Policy and Practice Statements also set out more specific requirements that are applicable to our audits of public interest entities, other listed engagements, and other entities of public interest.

## Culture and training

In advance of the launch of our revised suite of ethics policies and Practice Statements our Audit staff were provided with specific mandatory training on the impending new requirements at our September 2024 Talking Technical. We also issued firm-wide instruction at the point of launch in December 2024 with this instruction clearly signposting the requirements that are applicable depending on the grade of staff to help staff identify and respond appropriately to new expectations.

In addition to our existing team, all new Partners and staff are required to familiarise themselves with our ethics policies. Ethics training is also a mandatory element of our audit graduate induction training programme. Partners and employees are expected to always consider their independence and in particular prior to commencement of any work on an audit client. Partners, and certain other individuals courtesy of their role, are prohibited from holding a direct financial interest or a material indirect financial interest in an audit client.

In cases of doubt as to whether our audit independence, integrity or objectivity may, or might be perceived to be compromised, the firm's Ethics Partner or their Deputy is alerted for an ethics consultation. During the year, we also constituted an Ethics and Risk Consultation Panel, as a successor to our previous Ethics Panel, comprising all or a sub-group of the membership of the Audit and Risk Committee. The Ethics and Risk Consultation Panel may be convened on an ad-hoc basis to consider specific ethical, risk and public interest matters.

In addition to pre-employment vetting, all Partners and employees must complete a mandatory fit-and-proper questionnaire on joining the firm. The questionnaire contains a series of questions designed to identify potential conflicts of independence, and assess risks to financial integrity, reliability, fitness and

# 9.0 Audit quality

proprietary of the employee in question. If any changes occur during the year Partners and staff are required to report such matters as and when they arise. This is supplemented by an annual fit and proper digital questionnaire process to ensure that all Partners and employees annually reconfirm any actual or potential ethical conflicts.

## Oversight and safeguards

The Ethics Partner and their Deputy provide consultation support in cases of doubt, with more complex issues escalated to the new Ethics and Risk Consultation Panel. Partner and staff independence compliance is tested annually through fit-and-proper questionnaires by the AQMR team and further supported by pre-employment vetting and the firm's ongoing initiatives to create awareness and to communicate leadership position and commitment to ensuring we all behave in a manner of integrity and independence.

The AQB oversees that the rotation of key audit employees occurs at the appropriate time, on all of our PIEs and listed audit assignments.

## The outcome

By combining updated policies, practical guidance, cultural engagement, and oversight and monitoring, Johnston Carmichael has created an Ethics framework designed to be not only compliant but also practical, proactive, and

deeply embedded in the firm's culture. Ethics at JC is a journey, one that has moved from compliance to commitment, and which now underpins every audit we perform.

## 9.5 Independence procedures

As noted above, more specific procedures related to our audit independence have been moved from the Audit Ethics Policy into a series of newly-launched Ethics Practice Statements.

A core requirement of the FRC Ethical Standard is ensuring that non-audit services are only provided to audit clients where they are permitted by the Standard and do not otherwise impact our independence with the application of appropriate safeguards where required. Our expectations in relation to non-audit services approval are set out within a standalone Ethics Practice Statement. In summary, such services must be approved by the Audit Responsible Individual prior to engagement and commencement.

During the year we designed and successfully piloted a new e-NAS system replacing our more manual system of obtaining approval. The new e-NAS system, with a launch date of 1 August 2025, provides a central system for submitting and approving potential non-audit services. The system allows for escalation of more contentious judgements to the Ethics Partner

and / or the Deputy. This new system will also assist us in centrally monitoring and testing compliance with the requirements of our Ethics Practice Statement in this area.

The firm's audit methodology also requires that, on each audit engagement, the independence, integrity and objectivity of the assignment team and the firm is assessed at the planning and completion stages. This assessment includes re-evaluation of any non-audit services that the firm may be providing to an audit client.

As a Moore Global network member firm, we also update the network's conflict-checking database with details of all our transnational entities, including PIEs, other listed clients and any clients with a PIE or other listed entity in the group. During the year Moore launched a replacement for their existing network-conflict database extending these requirements to all audit clients.

This database is accessible to all Moore firms and is used to help ensure we do not encounter independence issues.

Our rotation policy, compliant with current regulations, ensures that the audit assignment teams on our PIEs and listed audits will remain independent. Key team members are required to rotate. With our aim to promote audit quality we would not intentionally rotate the RI,

# 9.0 Audit quality

Engagement Quality Reviewer (EQR) and Manager in the same reporting period. A central log of periods of involvement is maintained for all of our PIEs and listed audits, highlighting when rotations will occur. The firm applies the rotation requirements set out within the FRC Ethical Standard i.e. the Audit RI must be rotated after a period of five continuous years and the EQR after a period of seven continuous years. Approximately two years before a rotation is required to occur, potential replacements for key team members are identified. Their training needs are considered and resolved before their involvement with the assignment commences. For our other clients, long association independence threat is mitigated by a maximum period of continuous appointment for RIs of 10 years. An exemption is available whereby tenure may continue beyond 10 years but only with the approval of the Ethics Partner and not beyond a maximum 15-year period. This exemption is only expected to be used in exceptional circumstances such as on a specialist audit where an especially high level of technical knowledge is required to lead such an audit, provided that the Ethics Partner is satisfied that the long association risk is effectively mitigated. As noted in Section 9.3, during the year we extended our requirements to introduce maximum periods of continuous tenure for individuals holding the position of

Manager or above on an audit engagement. For the purpose of these requirements, tenure will be deemed to be continuous unless there is a gap in tenure of two years or more.

Our Ethics Practice Statements and Anti-Bribery Policy also contain provisions related to gifts and hospitality with more restrictive provisions in place for our audit clients. These restrict the monetary value of gifts and hospitality that can be accepted or provided from or to an individual during a calendar year. The maximum level of such gifts and hospitality is kept regularly under review to ensure that overall, the level of gifts and hospitality to do not impair or are seen to impair our independence and are set at a level that is generally consistent with our peers in the audit market.

## 9.6 Client acceptance and continuance

The decision to accept or continue an engagement is one of the most critical determinants of audit quality. At Johnston Carmichael, this is not a formality, it is a strategic filter that protects the firm, our people, and the public interest.

### Our client take on (CTO) process

The firm operates a detailed CTO process that must be completed before any new client is accepted. At its core lies a risk-based approach

based on knowing the client, identifying risks, and consciously mitigating issues within the firm's established risk appetite.

The CTO process ensures:

- Correct identification of the client, including AML / KYC requirements.
- Independence and conflict of interest assessments, extending across the Moore Global network where appropriate.
- Allocation of appropriately skilled and, where necessary, specialist staff to the engagement.
- A clear assessment that the risk of acceptance is within appetite.
- Compliance with the FRC Revised Ethical Standard 2024, including serving as a review point for the provision of non-audit services.

To reinforce discipline, quality assurance sampling of completed risk assessments is carried out on an ongoing basis by the GRC team.

### From CTO to resourcing

Where a client passes the initial CTO stage, the next criteria are pricing and resourcing. Engagements must be appropriately priced for the risk level involved, staffed with qualified personnel, and supported by adequate wider resources. In a competitive marketplace this presents challenges, but the firm is clear: we will not compromise on quality, regardless of

# 9.0 Audit quality

price. Risk assessments are revisited annually by the Client Relationship Manager to determine whether continuance is appropriate.

## Audit-specific considerations

For audit engagements, an additional Client Risk Assessment Memorandum must be completed. This memorandum:

- Documents the consideration of audit-specific risks, such as judgemental accounting issues and resource adequacy.
- Is mapped against ISQM 1 requirements, prompting granular articulation of critical judgements made in deciding whether to accept.
- Contains a pre-tender section for PIE and listed audit assignments, ensuring conflict checks and approvals are complete before the firm can participate in tender processes.

## Layers of approval

- For non-PIE or listed audits, the memorandum must be reviewed by an EQR who confirms ultimate approval.
- For PIE and listed audits, CTO approval must also be obtained from both the Head of Audit and the Compliance and Ethics Partner.
- Where the client's risk profile is particularly high, the matter is escalated to the Ethics and Risk Consultation Panel.

During the past year, there were occasions where the firm declined work where the risk level was deemed outwith appetite, a clear demonstration of our commitment to quality over short-term commercial gain.

## Formalising the engagement

Once a client is accepted, or where a new instruction arises from an existing client, an engagement letter is issued setting out:

- Standard terms and conditions.
- A description of the scope of engagement.
- Details of the services to be performed.

Work cannot commence until the client has returned a signed engagement letter or otherwise confirmed acceptance of the specified terms.

## Portfolio review

Risk review of our client portfolio is not a one-off exercise. During the year, this review process has remained an embedded part of our business activity, resulting in repricing, resourcing adjustments, or disengagement where appropriate.

In 2024 / 25, we enhanced our acceptance and continuance procedures in line with the revised FRC Ethical Standard. Key features include:

- Structured risk assessments of management integrity, governance, and financial reporting complexity.
- Mandatory AML / KYC, independence confirmations, and signed engagement letters before any work commences.
- Escalation protocols for high-risk cases, requiring consultation with the Head of Audit and / or the Compliance and Ethics Partner. For the highest risk / profile cases the Head of Audit and / or Compliance and Ethics Partner may escalate to an Ethics and Risk Consultation Panel.

## Learning from RCA

Client acceptance has also been a focus of our RCA programme. Reviews highlighted gaps in documentation discipline, timing of ethics consultations, and completeness of conflict checks. Root cause analysis showed these issues were linked to project management pressures and documentation practices. In response, we introduced redesigned acceptance templates, new controls over non-audit service approvals, and targeted training for Partners and Managers.

This demonstrates how deficiencies at the 'front door' are not only identified but also converted into improvements, ensuring that acceptance decisions strengthen quality from the very start.

# 9.0 Audit quality

## The outcome

Our client acceptance and continuance procedures represent far more than a compliance requirement. They are a strategic discipline that ensures:

- The right clients are brought into the firm.
- Engagements are priced and resourced to maintain audit quality.
- Risks are consciously managed within appetite.
- The public interest is served by ensuring Johnston Carmichael undertakes only work we can deliver to the highest standard.

By setting this high bar, Johnston Carmichael demonstrates a commitment to quality that differentiates the firm as a credible, trusted alternative to the largest practices.

## 9.7 Audit software and methodology

In common with many firms of a similar scale, we source our audit methodology from a third party, delivered through an audit platform licensed via a software provider. As we work with increasingly complex and higher-risk audit clients, we recognise the need to continually assess whether this solution meets our requirements.

Following an evaluation process in 2024, Board approval was given in February 2025 for the change in audit platform. A mobilisation phase followed, during which time the implementation team came together to formalise the overall plan and timelines.

The plan remains to ‘go-live’ in January 2026 with a training programme across the whole Audit business line, with the first wave of audit engagements to be delivered through the platform being 31 March 2026 year ends.

The project is led by an Implementation Steerco which comprises two ABL Partners and a Director, and the Head of AQRT, supported by a Manager from the firm’s Consulting team

The project is managed along three workstreams:

- Adaptations (including methodology guidance) to align new audit platform and the Firm’s methodologies;
- Training (including superusers and ‘train the trainer’ sessions); and
- Communications.

The Implementation Steerco meets on a fortnightly basis and the project is also subject to multi-layered oversight from AEB, AQB and the Transformation Committee.

This investment in our new audit software represents a significant step forward in our audit technology, supporting quality by focusing our efforts on the highest-risk areas of our clients’ reporting processes. It also enhances our ability to incorporate data analysis into our audit approach, increasing the insights we can deliver to clients. Additionally, the in-built workflow functionality and client communication portal will improve the experience for both our Audit teams and our clients.

## 9.8 Resources

### 9.8.1 Recruitment

Retaining and attracting talent is essential. Our robust online onboarding process ensures compliance with legal requirements, streamlines document checks, and gives new employees a strong first impression.

We have an experienced in-house recruitment team and a clear Employee Value Proposition focused on leadership, learning, and a competitive pay and benefits package (see section 6.0). Working closely with our Early Careers, Recruitment, and Learning and Development teams, we use a range of assessment methods to evaluate candidates’ technical and behavioural skills, helping us stand out in a challenging market.

# 9.0 Audit quality

In the competitive audit recruitment space, in addition to direct hiring approaches we partner with specialist agencies and tailor our approach to ensure new hires meet the high standards needed for quality audit work. Our People Value Proposition underpinned by our supportive culture, flexible working options, People and Culture Forum, and strong CSR and ESG commitments, supports robust attraction, retention, and integration of talented leaders.

## 9.8.2 Performance

Over the past year, we continued to embed our performance review approach, emphasising learning and development as an ongoing process. Employees now have five check-ins per year alongside a more formal Personal Development Review, ensuring the annual review is a continuation of regular conversations between individuals and their line managers.

Performance is assessed using our Balanced Scorecard, shown on the outer ring of our Culture Wheel in section 6.0. It measures four areas: 'Leading and managing people', 'Internal excellence', 'Client service', and 'Financial performance and targets'. Ratings are narrative-based (Unsatisfactory, Growing, Successful performance, Exceeding expectations) and reflect both delivery against role expectations and the modelling of desired behaviours. The 'Leading and managing people' indicator

underpins this approach, reinforcing our commitment to a supportive, feedback-focused culture where everyone can lead their work and learning. Within Audit, the 'Internal excellence' indicator is central to audit quality and carries greater weight — individuals rated below 'Successful performance' in this area will have their overall rating capped. A 'Successful performance' overall rating is also currently the minimum requirement for promotion eligibility and consideration for discretionary bonuses.

## 9.8.3 Development

### Stepping up to RI Programme

Launched in late 2023, our programme supports Senior Managers and direct hires aspiring to become Responsible Individuals through three stages:

- A 12–18 month development programme to prepare them for the role.
- A formal evaluation, including a technical interview and Panel approval before submission to ICAS.
- A supervision period following RI approval, where the RI is supported by an EQR on their audit engagements.
- Exit from the supervision period requires a satisfactory outcome in either an internal or external cold file review.

An adapted version of the programme is put in place to support direct hire RIs from outwith the firm.

In the year to 31 May 2025 we have seen:

- Three of our previously promoted RIs successfully complete and exit their supervision period.
- One direct hire RI complete and exit their supervision period.
- Three new internal aspirant candidates enter the 'Stepping up to RI' programme.
- Two new direct hire RIs enter a supervision programme.

# 9.0 Audit quality

## 9.8.4 Quality starts with me (QSWM)

A new initiative launched within the Audit business line in 2025 is 'Quality starts with me'.

The purpose of the QSWM initiative is to help everyone to embed a culture of ownership and excellence within Audit.

Going forward, progression within the Audit business line will require our auditors to:

- Demonstrate their contribution to our wider quality agenda outwith their client portfolio, and
- Deliver an annual quality-focused project.

These ongoing expectations will form a core part of their personal objectives, enhance their technical development and feed into their annual calibration review.

All quality project opportunities are promoted on a central SharePoint page and are updated regularly. Different projects require different levels of experience, with the aim being to create opportunities for everyone.

Formal feedback will be provided to participants to be used as evidence of their contribution in their annual performance review.

Participation is by application which is considered by the Project Lead and, if there are more applicants than required, there may be a brief and informal interview to work out the best fit.

The quality project list is owned by AQRT and the Internal Excellence teams, however, anyone can submit a quality project idea to be considered for inclusion.

The initiative serves the dual purpose of providing the audit team with opportunities to develop their quality mindset as well as providing the resource to enable the ABL to progress quality projects at pace.

## 9.9 Monitoring and remediation

Monitoring and remediation sit at the heart of Johnston Carmichael's quality system. Over the past year, this function has undergone a step-change, moving from reactive fixes to a structured, data-driven cycle of continuous improvement. Central to this transformation has been the firm's investment in dedicated resource to carve out quality monitoring as a distinct function.

# 9.0 Audit quality

## A strategic shift in monitoring

Historically, our monitoring activity was compliance oriented. Deficiencies were identified, but remediation activity was not cohesive and often focused on symptoms rather than causes. Recognising this, the AQB set a clear ambition: monitoring and remediation must become the engine of audit quality improvements, embedding remediation levers into everything we do.

To achieve this, we reshaped monitoring into a multi-layered framework:

- **SoQM monitoring** – ongoing testing of the design, implementation, and operating effectiveness of quality responses.
- **Cold file reviews** – retrospective assessments of completed engagements, ensuring compliance with standards and methodology.
- **In-flight reviews** – live, real-time reviews of engagements, giving audit teams the opportunity to adjust while the audit is in progress.
- **Thematic reviews** – targeted examinations of high-risk or recurring issues (e.g. ISA 315 implementation, group audit structuring).
- **Targeted reviews** – additional reviews responding to intelligence, RCA findings, or external inspection outcomes.



This diagram illustrates how SoQM monitoring, cold file reviews, in-flight reviews, thematic reviews, and targeted reviews combine into a continuous cycle of quality assurance.

# 9.0 Audit quality

## Monitoring focus on file reviews and outcomes in 2024 / 25

Our ISQM annual evaluation concluded that, except for severe but not pervasive deficiencies and thematic findings, our SoQM provides reasonable assurance that quality objectives of ISQM 1 and 2 are being achieved.

These findings were not systemic failures but spotlights on execution discipline. They were immediately fed into RCA sessions, with remediation projects designed to close the gaps before the next cycle.

In the 2024 cold file review cycle, a total of 11 engagement files were reviewed under the firm's rotational review policy, which ensures all Responsible Individuals (RIs) are covered on a three-year basis, with PIE RIs reviewed annually. We use an internal grading system that aligns with the requirements of the Moore Global network, and map this to the system adopted by the FRC and ICAS in their reviews for comparability purposes. The review documentation is completed within the Moore Quality Management platform and supplementary summary reports are produced for the RI's own record.

The results (see below) highlighted the following:

### ➤ Risk assessment and ISA (UK) 315 (Revised) linkage

Reviews showed that risks of material misstatement (ROMMs) were being identified, but in some cases the connection between the risks assessed and the procedures documented could have been clearer. This was an issue of presentation and alignment, not audit work performed.

Remediation: Targeted training sessions and updated risk linkage templates have been rolled out, with a stronger emphasis on aligning ROMM matrices with procedures performed.

### ➤ Documentation of judgements and estimates

Teams demonstrated improved documentation of accounting estimates, particularly in areas such as impairment testing and revenue recognition. Some files would benefit from further articulation of the challenge applied to management and the corroborative evidence obtained.

Remediation: Guidance on documenting critical judgements has been refreshed, with illustrative examples added, and engagement coaching introduced for teams working with complex estimates, supported by the Audit Quality, Risk and Technical team.

### ➤ Planning and fraud risk procedures

Improvements were evident in fraud risk discussions, with more consistent identification of areas of potential management override. In a small number of cases, however, narrative explanations were not always matched with additional substantive procedures.

Remediation: Fraud risk documentation requirements have been standardised, with mandatory senior review notes confirming that identified risks are supported by procedures.

### ➤ Use of standardised working papers

Adoption of firmwide working paper templates has been widespread, with tangible improvements in consistency across files. At the same time, reviews identified that sector-specific risks required further tailoring in some cases.

Remediation: Sector-specific templates have been enhanced and reviewers instructed to challenge teams to demonstrate appropriate adaptation of working papers to the engagement context.

These areas were prioritised because they represent both regulatory focus points and recurring themes from previous cold file reviews.

# 9.0 Audit quality

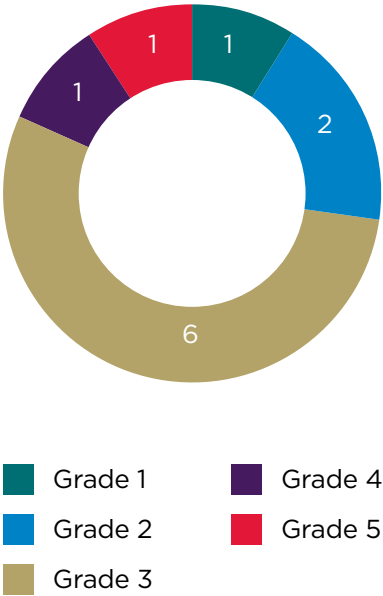
In overview, the cold file reviews were as follows:

JC (adapted from Moore) 2024 grading system	
PASS	1 Good
	2 Minor improvements required
	3 Limited improvements required
FAIL	4 Improvements required
	5 Significant improvements required

Historically, cold file reviews were outsourced, but in 2025, the firm began to internalise the review of engagement files. This year, 45% of the cold file reviews are done by RIs in the Audit business line.

As the firm is committed to ensuring we deliver the highest level of audit quality, we have introduced additional mechanisms to support the RI and the audit engagement team. These measures are not a replacement for the planned remediation activities but are intended to supplement and reinforce them by providing additional resources, guidance, and oversight to address the findings effectively. The aim is to enable sustainable improvements and ensure alignment with the firm’s quality standards while fostering a culture of accountability and excellence.

Cold file review gradings



This diagram illustrates the outcome (grade) of the individual IQM reviews undertaken

# 9.0 Audit quality

## Themes identified from RCA activities in respect of file outcomes

Theme	Objective	Action	Milestone
Enhanced coaching and mentorship	Provide guidance on addressing specific issues noted (e.g. ethical breaches, file planning, and audit cycles).	Assigning a senior partner or quality specialist to mentor the individual and conduct regular one-on-one coaching sessions.	Quarterly coaching sessions with documented feedback.
Ethical breach prevention	Address the two ethical breaches and ensure stricter self-check protocols.	Include targeted ethics training and require the individual to develop a personal accountability plan for managing potential conflicts of interest.	Zero breaches within the next review period.
Portfolio management and workload optimisation	Ensuring appropriate time and capacity to deliver on audits	Analyse the complexity of the remaining engagements to ensure they are manageable and aligned with the individual's skillset.	Quarterly reviews of portfolio size and complexity.
Detailed Root Cause Analysis (RCA)	Pinpoint specific causes of deficiencies and guide corrective actions.	Conduct a comprehensive RCA of the files graded unsatisfactory.	Documented RCA findings within the first month of implementation.

Feedback on the review programme's progress is provided to the Audit Quality Board each quarter, which includes proposed individual file grades, together with common findings and recommended remediation.

# 9.0 Audit quality

## Root Cause Analysis – our differentiator

At the heart of this transformation is our RCA programme. While RCA is a regulatory expectation, we choose to elevate it into a strategic discipline that underpins our entire monitoring and remediation cycle. The RCA programme is designed around four principles:

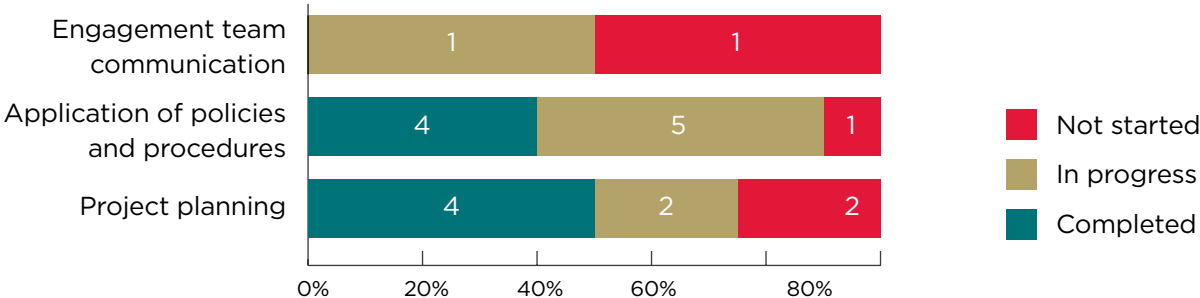
- Structured and consistent – every RCA follows a standard template, ensuring causal factors are documented, evidence is captured, and links to quality objectives are explicit.
- Evidence-driven – conclusions are supported by interviews with audit teams, reviewers, and other stakeholders, avoiding reliance on assumptions.
- Thematic aggregation – results are analysed across files and reviews to identify systemic themes.

- Action-oriented – every RCA must lead to remediation actions that are fit for purpose, long-lasting, agile, and cost-efficient, while also ensuring accountability for the individual responsible.
- Between January and May 2025, we conducted 22 RCA interview sessions across SoQM deficiencies and thematic findings, cold file reviews, and external inspection findings (regardless of the severity). These generated firm-wide themes such as:
- Documentation discipline – ensuring consultations and key judgements are consistently evidenced.

- Timeliness – improving project management discipline across engagement lifecycles through better communication.
- Acceptance and continuance – addressing gaps in AML / KYC documentation and PIE / OEPI classification.
- Use of tools and templates – embedding methodology and ensuring consistency of application policies and procedures.

At an overview level the summary of the RCA themes is as follows:

Remediation progress by RCA theme



# 9.0 Audit quality

## Beyond investigation – a cultural shift

RCA is more than an investigative tool; it is a driver of innovation, producing solutions that are fit-for-purpose, cost-efficient, and sustainable. The culture is embedded by:

- Teams knowing that findings will be explored constructively, not punitively.
- Solutions being contextual and sustainable, not generic.
- Root causes being shared across the firm, building collective awareness.

This has already changed behaviours as consultation timing has improved, documentation gaps are closing, and audit planning is more structured. RCA has given us a sustainable way to break the cycle of repeated findings and embark on continuous improvement.

## External perspectives

Our progress has been validated through our external monitoring. The ICAS 2024 inspection concluded that audit quality was generally satisfactory, with one file requiring significant improvement. This was classified as an “outlier” file outcome and was not reflective of the firm’s SOQM. A detailed RCA was performed to confirm this position.

The FRC’s 2025 ISQM inspection acknowledged the maturity of the firm’s monitoring and remediation framework, noting the significant progress made in delivering on our strategic quality priorities. While the regulator’s final reporting has not yet been issued, draft reports and ongoing discussions corroborate the conclusions of the firm’s annual evaluation, namely that deficiencies identified were isolated and non-pervasive, and that the SoQM is operating effectively with remediation actions well progressed.

## Challenges as building blocks

We continue to face challenges in documentation discipline, timeliness, and sustaining project management rigour. However these are no longer seen as weaknesses, but rather a journey of success. Monitoring gives us clarity, RCA gives us insight, and remediation gives us traction. Each challenge is a building block to a stronger, more resilient system.

# 9.0 Audit quality

## 9.10 External monitoring

### FRC supervision

Through the year we have continued to engage regularly with our FRC supervision team. We continue to view this engagement as a positive, enabling us to have a constructive dialogue with the regulator at an earlier stage on the actions we are taking to further improve our audit quality.

The Audit Supervision Letter (ASL) issued by the FRC in December 2023 highlighted key areas of priority on which in their view the firm should be focused, and at their request we provided a written progress update to the FRC supervision team in August 2025 as outlined below:

Priority	Progress to-date
Development of a Strategic Audit Quality Plan (SAQP)	<p>The Strategic Audit Quality Plan (SAQP) will be tabled at the Audit Quality Board (AQB) meeting on 4 September 2025 for discussion and finalisation. Key decisions will focus on prioritisation factors that drive the scope of monitoring, reporting, timing, and resource allocation.</p> <p>The SAQP is directly derived from the Audit Strategy 2030 (launched June 2025) and the Strategic Audit Delivery Plan. It consolidates all strategic quality priorities, reinforcing the firm’s commitment to ISQM and aligning with the long-term audit strategy.</p> <p>During FY25, Audit Quality Indicators (AQIs) were submitted to the FRC (June 2025) and are now publicly available. Data collation for AQIs remained largely manual, though partial automation was enabled through the new LMS system introduced mid-year, with further integration planned.</p> <p>Broader management information automation is underway through the phased implementation of WorkDay, replacing CCH Central.</p>
Root cause analysis (RCA)	<p>Our Audit Quality Monitoring and Remediation (AQMR) Director, Chris Naidoo, was appointed in December 2024, with responsibility for embedding oversight of the RCA function and establishing clear reporting lines into the AQB.</p> <p>By Q1 of 2025, deficiencies and thematic findings identified during the 2024 annual ISQM evaluation were incorporated into the RCA programme. Remediation plans arising from these RCAs have been largely completed, with ongoing progress updates provided to both the AQB and the FRC supervision team.</p>

# 9.0 Audit quality

Priority	Progress to-date
Cold file reviews	<p>The 2024 cold file review cycle was completed and findings shared with the Audit Quality Board. The 2025 cycle is currently in progress, with RCAs triggered at the conclusion of each cold file review meeting the criteria. A full stand-back assessment will be performed at the end of the cycle.</p> <p>The firm has retained the MQM platform but trialled enhancements through outside-platform reporting. In 2025, reviews have also incorporated Teams discussions prior to finalising grades, strengthening engagement and transparency.</p> <p>In Q1 of 2025, the scope of reviews was expanded to 19 engagement files across risk tiers, with a further 20 files planned for thematic reviews. Ad hoc reviews, including in-flight and targeted reviews, continue to be undertaken where needed.</p> <p>RI selection for the 2025 cycle was approved by the AQB in Q1 of 2025, with file selection based on archived file availability. A formal risk scoping exercise is now documented in the cold file supplementation schedule, improving transparency and alignment with ISQM requirements.</p>
Audit Firm Governance Code 2022	<p>In September 2024, the firm strengthened governance arrangements with the participation of Independent Non-Executives (INEs) across the AQB, ARC, and TDC. Governance realignment continued through FY25, with INE roles now formalised within updated committee Terms of Reference (ToRs). Details of the revised structures and composition, along with links to ToRs, will be available on the firm's website alongside this Transparency Report.</p> <p>The firm's approach to culture monitoring has also evolved. The culture review is now integrated into the Annual People Survey, delivered by Great Place to Work. Actions identified in response to the FRC culture survey have been embedded into projects under the Strategic Delivery Plan.</p>

# 9.0 Audit quality

Priority	Progress to-date
ISQM 1 Annual Evaluation	<p>As mentioned earlier, our AQMR Director was appointed in December 2024 to strengthen oversight of ISQM monitoring activities. Throughout 2025, additional ISQM templates were developed to improve consistency and documentation across the system.</p> <p>Remediation testing will be undertaken as part of ongoing SoQM monitoring, with JC Guard now established as the central application for documenting all monitoring activities. Pilot testing of JC Guard was successfully completed, and full evaluation of SoQM response activities is scheduled for August–November 2025.</p> <p>The firm’s monitoring infrastructure has also been enhanced through updates to the MQM platform and the development of supplementary tools to meet ISQM documentation requirements, including:</p> <ul style="list-style-type: none"><li>➤ <b>JC Guard</b> – supporting the documentation of SoQM testing for annual evaluation purposes.</li><li>➤ <b>RCA templates</b> – capturing RCA discussions, causal factors, themes, and remediation plans.</li><li>➤ <b>Cold file review supplementation schedule</b> – recording risk-based scoping, key standing data, findings, grading, and overall file assessments.</li></ul> <p>Together, these tools provide a robust, integrated framework that ensures monitoring activities are consistently documented, tested, and evaluated, embedding continuous improvement at the core of the SoQM.</p>

The FRC has advised that they will be issuing a new Audit Supervision Letter to the firm in October 2025.

We have also welcomed the opportunity to engage in the FRC’s own consultation on the Future of Audit Supervision, participating in stakeholder discussions and responding to their discussion paper.

# 9.0 Audit quality

## 9.10.1 PIE Auditor registration (PAR)

We have complied with our registration undertakings through the period and completed our required reporting.

We have also engaged with the FRC's consultation on proposed amendments to the PIE Auditor Regulations and guidance, and will be submitting the firm's response.

## Looking ahead

Our ambition is to evolve towards continuous monitoring and continuous improvement, including:

- Using JC Guard dashboards for real-time reporting to leadership and Independent Non-Executives.
- Expanding in-flight reviews to capture emerging risks earlier.
- Embedding RCA as the default response to every deficiency.
- Scaling the 'Quality starts with me' programme, upskilling Managers and Supervisors as reviewers to strengthen the first line of defence.

Our audit quality journey is ongoing, and we remain committed to learning, adapting, and strengthening our approach. By embedding resilience, innovation, and accountability into everything we do, Johnston Carmichael continues to build a culture where quality is not an aspiration but a lived reality, safeguarding the public interest and reinforcing trust in our profession.

## Section 10

# Learning and development

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# 10.0 Learning and development

Quality is at the heart of our learning culture. We invest significant time and resources into developing our people, whether they are just starting their career or are seasoned professionals, because we know that quality training builds a quality service for our clients.

Our training for our Audit team is delivered through three specialist teams, each with a distinct focus yet working in close collaboration. The JC Academy team leads the journey for our early careers auditors, taking them from their first day in Audit through to qualification - and soon this programme will incorporate those stepping into an Assistant Manager role for the first time. Sponsored by an Audit Partner and led by an Audit Senior Manager, the JC Academy team collaborates with Business Line Heads, Managers, and course participants to keep training relevant and practical. The AQRT team training focuses on our qualified auditors, delivering advanced technical training and regulatory updates, and collaborating closely with the JC Academy team to ensure technical excellence is embedded at every stage. And then lastly, our central Learning and Development team within People Experience designs and delivers firm-wide training in leadership, interpersonal skills, and mandatory topics, working with learning and development leads across all business lines, including Audit, to ensure every programme is relevant and

impactful. This close, ongoing collaboration means that whether someone is starting their career, developing as a qualified adviser, or leading teams, their learning journey is connected to the wider firm.

## Adapting to change

Audit methodologies and standards evolve rapidly. Our training is designed to adapt just as quickly, ensuring our people are equipped with the knowledge, skills, and confidence to meet these changes. This applies across early careers, our experienced audit practitioners, and our wider firm.

## JC Academy building capability from day one

JC Academy is our dedicated internal training programme for trainee technical advisers, taking them from entry into the firm through to qualification. In the summer of 2025 this programme will also include training for new Assistant Managers too.

Key developments over the past year include:

- Consolidating and rewriting several courses to include more practical examples, based on participant feedback.

- Running regular firm-wide consultations to identify future training needs across the audit practice as well as the wider firm.
- Introducing two new courses on coaching and delegation, and project management based on feedback from consultations.
- Designing a new Assistant Manager course on managing larger teams, multiple clients, and billing - launching summer 2025.
- Adding FRS 102 training for junior staff and a general firm-wide course on the same topic - both launching summer 2025.

Our JC Academy has strengthened its links with the wider firm, working more closely than ever with learning and development leads across all business lines, the central Learning and Development team, and the AQRT team.

Our new learning management system, Learn, has already improved efficiency by streamlining course booking, tracking, and completion. All materials, pre-reading, and training calendars are accessible in one place, reducing manual processes and making training more visible. Over the coming months, we will make greater use of Learn's functionality to enhance delivery and insight.

# 10.0 Learning and development

In early 2025, we moved all JC Academy courses to in-person delivery at our central office locations. These key stages of career development benefit greatly from peer learning and relationship-building, and the change was driven by participant feedback. While it required more planning and logistics, the positive impact has made it worthwhile. Last year, we delivered 2,000 hours of training through the academy - a 25% increase from the previous year, reflecting our expanded programme and new resources.

## **Audit quality and technical training - advancing qualified professionals**

Everyone who works in our Audit team and holds a professional qualification is required to complete a formal CPD plan. This is completed in a template form and has to be signed off by a line manager before being submitted for monitoring purposes.

In Audit, as a baseline, all staff are trained against International Education Standard 7 and our internal training ensures that all RIs meet the requirements of International Education Standard 8.

Our AQRT team delivers all technical training for qualified auditors, ensuring our people stay at the forefront of professional and regulatory developments. Monthly Talking Technical

sessions over the past year covered topics including:

- Use of Experts, Service Organisations and Controls reports
- ISA 600 (revised) - group audits
- FRED 82 - overview of amendments to FRS 102
- Ethics - revised Ethical Standard and associated changes to firm policies and guidance
- Judgemental sampling
- Financial instruments - auditing swaps
- ISA 505 (revised) - audit confirmations
- Laws and regulations and NOCLAR

This year our Autumn Forum was again delivered in-person. We brought our auditors together in two larger sessions in Aberdeen and Edinburgh. This year's programme took the form of a simulated audit case study in which participants worked in 'audit teams' to explore key areas of challenge and complexity, including risk assessment, auditing revenues, fraud considerations and journals testing.

Our Spring Forum revisited the same case study scenario, but this time delivered in two half day sessions which explored the upcoming FRS 102 changes in financial reporting in respect of revenues and leases respectively.

For colleagues working on PIE and listed company audits, we continued to deliver quarterly dedicated sessions covering technical updates, regulatory communications, and specialist topics, and our pensions, Financial Services and Energy, Infrastructure & Sustainability (EIS) teams also delivered targeted sector-specific training.

## **Learning and development skills for the whole firm**

Our central Learning and Development team, within People Experience designs and delivers training for all levels and business lines across the firm. This includes interpersonal and organisational skills, line manager support and coaching, delivering our leadership programme, and mandatory firm-wide training. Working closely with the leads in every business line, including Audit, they ensure every session and programme is relevant, practical, and aligned to our firm-wide vision of being a world-class learning organisation.

## Section 11

# Corporate and social responsibility

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# 11. Corporate and social responsibility

At JC, corporate social responsibility isn't a standalone initiative, it's deeply embedded in our purpose: to create enduring impact for our clients, our people, and the communities we serve. Guided by our values of 'Doing the right thing' and 'Standing in other people's shoes', we recognise the vital role we play in contributing to a fairer, more sustainable society.

Our CSR activity is central to our strategic ambition of supporting the communities in which we live and work. From long-standing local commitments to national partnerships, we aim to build success stories that change lives far beyond the boardroom.

We've established firm-wide partnerships designed to create wide-reaching, meaningful impact. We're proud to be Gold Sponsors of the Kiltwalk for the ninth consecutive year, helping to raise £47.5 million for 3,660 charities. Our ongoing partnership with Netball Scotland has helped 10 local clubs waive registration and kit fees, making the sport more accessible to young people, and our partnership with England Netball has supported local club development across the North-East of England.

And, through our work with the ICAS Foundation, we continue to sponsor, mentor, and support students from disadvantaged backgrounds, opening doors to careers in accountancy and finance through funding and practical opportunities.

Our people play a vital role in local impact, too. Across the UK, our 66-strong network of CSR committee members lead activity from bake sales and coffee mornings to quizzes, sponsored cycles and triathlons.

This year we also launched the JC Impact Fund, a new initiative designed to empower our people to drive change, outside of work, in the communities they care about most. Since its launch, the fund has supported a range of impactful initiatives, from covering entry fees for employees taking part in charity skydives and organised runs, to helping local children's sports groups cover travel costs and gain valuable experience competing abroad. It has also enabled donations to community organisations to help important projects cross the finish line and deliver lasting local benefit.

Our JC Futures programme provides school leavers with an alternative route into a professional services career, while our People and Culture Forum continues to drive progress on equality, diversity, and inclusion across our firm.

CSR is also integral to our ESG approach. We're committed to achieving net zero by 2045 and have already reduced our Scope 1 and 2 emissions by over 10%. Through our estate masterplan, we've saved 547,074kWh of energy by introducing solar panels, energy-efficient lighting, EV charging, and smart design across our offices.

In the spirit of transparency and improvement, we report on our sustainability progress and align our actions with the UN Sustainable Development Goals. Our efforts span environmental initiatives, governance enhancements, and a robust programme of education, training, and ethical leadership. Our ESG report can be accessed on our [website](#).

For us, CSR is not about box-ticking, it's about legacy. It's about using our skills, scale, and energy to help shape a more resilient, inclusive, and sustainable future for all.



# Appendix 1



# Appendix 1

## Public Interest Entities (PIE)

During the year to 31 May 2025, the firm expressed an opinion on the financial statements of the following entities that currently meet the definition of a PIE:

- Aberdeen Equity Income Trust PLC
- Aberforth Smaller Companies Trust PLC
- Albion Crown VCT PLC
- Albion Enterprise VCT PLC
- Albion Technology & General VCT PLC
- Albion Venture Capital Trust PLC
- Alpha Schools (Highland) Project PLC
- Amey Roads NI Financial PLC
- Annes Gate Property PLC
- Artemis Alpha Trust PLC
- Baillie Gifford Shin Nippon PLC
- By Chelmer PLC
- Catalyst Healthcare (Manchester) Financing PLC
- Catalyst Healthcare (Romford) Financing PLC
- Catalyst Higher Education (Sheffield) PLC
- CC Japan Income & Growth Trust PLC
- Chelverton UK Dividend Trust PLC
- Consort Healthcare (Blackburn) Funding PLC
- Consort Healthcare (Mid Yorkshire) Funding PLC

- Consort Healthcare (Salford) PLC
- Consort Healthcare (Tameside) PLC
- Criterion Healthcare PLC
- Discovery Education PLC
- Dudley Summit PLC
- Exchequer Partnership PLC
- Exchequer Partnership (No 2) PLC
- Global Opportunities Trust PLC
- Healthcare Support (North Staffs) Finance PLC
- Highway Management (City) Finance PLC
- HpC Kings College Hospital (issuer) PLC
- InspirED Education (South Lanarkshire) PLC
- JP Morgan Japan Small Cap Growth & Income PLC
- Keystone Positive Change Investment Trust PLC
- Majedie Investments PLC
- Maven Income and Growth VCT 3 PLC
- Maven Income and Growth VCT 4 PLC
- Maven Income and Growth VCT 5 PLC
- Maven Income and Growth VCT PLC
- Mid Wynd International Investment Trust PLC
- Mobius Investment Trust PLC
- New Star Investment Trust PLC
- Peterborough (Progress Health) PLC
- RMPA Services PLC
- SDV 2025 ZDP PLC

- Strategic Equity Capital PLC
- Summit Finance (Wishaw) PLC
- SVM UK Emerging Fund PLC
- The Scottish Oriental Smaller Companies Trust PLC
- Unicorn AIM VCT PLC
- Worcestershire Hospital SPC PLC

We had also been appointed as auditor to the following entities as at 31 May 2025 and will express our audit opinion on these in the year to 31 May 2026:

- Aberdeen UK Smaller Companies Growth
- Aberforth Geared Value and Income Trust PLC
- Baglan Moor Healthcare PLC
- Mobeus Income & Growth VCT PLC
- The Income & Growth VCT PLC

# Appendix 2



# Appendix 2

## Financial Information (Group)

	Year ended 31 May 2025 (unaudited)	Year ended 31 May 2024	Year ended 31 May 2023	Year ended 31 May 2022	Year ended 31 May 2021	Year ended 31 May 2020	Year ended 31 May 2019
	£000	£000	£000	£000	£000	£000	£000
Revenue from audit work for PIEs and subsidiaries of PIEs	3,152	2,794	2,774	1,547	890	457	311
Revenue from audit work for other clients	19,952	18,370	14,864	13,157	10,287	8,933	8,237
Revenue from non-audit services for audit clients	7,218	7,131	6,952	5,506	5,738	6,724	5,717
Revenue from non-audit services for non-audit clients	45,354	44,406	43,300	41,682	37,668	35,277	35,022
<b>Total</b>	<b>75,676</b>	<b>72,701</b>	<b>67,890</b>	<b>61,892</b>	<b>54,583</b>	<b>51,391</b>	<b>49,287</b>

## Modern Slavery Statement

The firm's ongoing commitment to ethical operating practices including the prevention of modern slavery in our business and our supply chains continues via our due diligence of new suppliers and annual modern slavery attestation

from existing suppliers. We have revised our internal training programmes to ensure that the links between modern slavery and our Anti-Money Laundering obligations are well

understood as part of our professional role in the eradication of financial crime. The firm most recent Modern Slavery Statement can be found on our [website](#).

# Appendix 3



# Appendix 3

Firms located in EU / EEA member states that performed statutory audits and were members of Moore Global during the period 01/01/2024 - 31/12/2024

Data relating to Moore Global member firms is reported on a calendar year basis (January 2024 - December 2024), whereas Johnston Carmichael's Transparency Report is prepared on a financial year basis (June 2024 - May 2025). As a result, the periods covered are not directly aligned.

Country	Town	Firm Name
Austria	Dornbirn	Dr. Rümmele Steuerberatung und Wirtschaftsprüfung GmbH & Co KG (RTG)
Austria	Amstetten	Inter Wirtschaftsprüfungs GmbH
Austria	Vienna	Kroiss & Partner
Austria	Graz	MOORE BG&P Wirtschaftsprüfung GmbH
Austria	Vienna	MOORE CENTURION Wirtschaftsprüfungs und Steuerberatungs GmbH
Austria	Salzburg	Moore Interaudit Wirtschaftsprüfung GmbH*
Austria	Salzburg	Moore Salzburg GmbH
Austria	Linz	Moore SKZ Wirtschaftsprüfung GmbH
Austria	Innsbruck	Moore SSK
Belgium	Brussels	Moore Belgium
Bulgaria	Sofia	Moore Bulgaria Audit OOD
Croatia	Zagreb	Moore Audit Croatia
Croatia	Varaždin	Moore Revidens d.o.o
Cyprus	Limassol	Moore Limassol Limited
Cyprus	Nicosia	Moore Stylianou & Co
Czech Republic	Prague	Moore Czech Republic
Denmark	Søborg	Inforevision
Finland	Tampere	Moore Idman Oy
France	Paris	Coffra
France	Dijon	ECA
France	Niort	Groupe Y
France	Lyon	Novances
France	Marseille	Odycé
Germany	Stuttgart	BW Partner

\*Member firm left the network during 2024.

Total statutory audit fee turnover as at 31/12/24 in Euros €239 million

# Appendix 3

Firms located in EU / EEA member states that performed statutory audits and were members of Moore Global during the period 01/01/2024 - 31/12/2024

Country	Town	Firm Name
Germany	Hamburg	Moore BRL GmbH
Germany	Frankfurt am Main	Moore Frankfurt AG
Germany	Munich	Moore INTARIA GmbH
Germany	Kassel	Moore Ludewig AG
Germany	Duisburg	Moore Rhein-Ruhr GmbH
Germany	Mannheim	Moore Treuhand Kurpfalz GmbH
Germany	Dortmund	Moore Westfalen AG
Germany	Hannover	Schweinert & Peters PartGmbH
Germany	Augsburg	SONNTAG
Gibraltar	Waterport	Moore Stephens Limited
Greece	Piraeus	Moore
Hungary	Budapest	Moore Hungary
Ireland	Dublin	Moore
Ireland	Limerick	Moore
Italy	Reggio Emilia	Axis S.r.l
Italy	Bolzano	Bureau Plattner
Italy	Padova	DF Audit S.p.A.
Italy	Milan	Moore Professionisti Associati Srl Stp
Italy	Milan	Reviprof S.p.A.
Italy	Bologna	Uniaudit s.r.l.
Latvia	Riga	Vilson SIA
Lithuania	Vilnius	Moore Mackonis UAB
Luxembourg	Livange	Moore Audit SA
Malta	Birkirkara	Moore

\*Member firm left the network during 2024.

Total statutory audit fee turnover as at 31/12/24 in Euros €239 million

# Appendix 3

Firms located in EU / EEA member states that performed statutory audits and were members of Moore Global during the period 01/01/2024 - 31/12/2024

Country	Town	Firm Name
Netherlands	Rotterdam	Moore DRV
Netherlands	Amsterdam	Moore MKW BV
Norway	Oslo	Moore AS
Poland	Gdańsk	Moore Polska
Portugal	Lisbon	Moore Stephens & Associados SROC
Romania	Bucharest	Moore Assurance & Advisory
Romania	Bucharest	Moore Audit One SRL
Slovakia	Bratislava	Moore BDR s. r. o.
Spain	Barcelona	Moore Addveris Auditores y Consultores, S.L.P
Spain	Bilbao	MOORE AMS AUDITORES, S.L.
Spain	Madrid	Moore Corporativa, S.L
Spain	Oviedo	Moore Fidelitas Auditores SL
Spain	Valencia	Moore Ibergrup SAP
Spain	Zaragoza	Moore LP SL
Spain	Sevilla	MOORE SP AUDITORES, S.L.
Spain	Marbella	Moore SP SL
Sweden	Stockholm	Moore Allegretto AB
Sweden	Gothenburg	Moore KLN AB
Sweden	Gothenburg	Moore Ranby AB

\*Member firm left the network during 2024.

Total statutory audit fee turnover as at 31/12/24  
in Euros €239 million

# Appendix 4



# Appendix 4

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We set out below how we have complied with the Audit Firm Governance Code 2022.

As explained in Section 5.1 of this report, we have made significant progress towards compliance with the revised Audit Firm Governance Code since last year's report. We appointed two Independent Non-Executives (INEs) to the Audit Quality Board in September 2024 and have worked with them both as we have undertaken a review of our governance structure and defined their roles within it with greater precision and granularity. We are fully compliant with the Code's Principles and set out below our 'comply or explain' analysis of where we are in our journey towards fuller compliance with its Provisions.

# Appendix 4

## Leadership

Key:



Compliant with the Code



Partially compliant and / or work in progress following structural changes in FY 2025



Not compliant with the Code

Principles	How we have complied
<div>A</div> <p>A firm's Management and governance structures should promote the long-term sustainability of the firm. To this end, the Management of a firm should be accountable to the firm's owners.</p>	<p>The current management and governance structures are set out in Section 5, including recent changes to the main Board and committees.</p>
<div>B</div> <p>A firm's governance arrangements should provide checks and balances on individual power and support effective challenge of Management. There should be a clear division of responsibilities between a firm's governance structures and its Management. No one individual or small group of individuals should have unfettered powers of decision.</p>	<p>Review of the firm's governance structures, including terms of reference of management and advisory committees completed in the year, the revised structures are outlined in section 5.</p>
<div>C</div> <p>A firm's Management should demonstrate its commitment to the public interest through their pursuit of the purpose of this Code and regular dialogue with the INEs. Management should embrace the input and challenge from the INEs (and ANEs).</p>	<p>In addition to their roles on the Audit Quality Board, INEs also participate in and bring an independent focus to the Partner Assessment Committee, Talent Development Committee, and Audit and Risk Committee.</p>
<div>D</div> <p>The members of a firm's Management and governance structures should have appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfil their assigned responsibilities.</p>	<p>Composition of the firm's governance and management structures have been refreshed in the year under the governance review. Profiles are set out in Section 5.</p>
<div>E</div> <p>The Management of a firm should ensure that members of its governance structures, including owners, INEs and ANEs, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.</p>	<p>Information is provided to the Board to enable it to fulfil its responsibilities, principally by the members of the CEO's office (Chief Legal Officer, Chief Operating Officer, Chief People Officer, Chief Information Officer, Head of Marketing, Facilities Manager, and Head of Business Support).</p> <p>INEs have confirmed that they have been provided with all information they require to discharge their responsibilities.</p>

# Appendix 4

## Leadership

Key:

Compliant with the Code




Partially compliant and / or work in progress following structural changes in FY 2025

Not compliant with the Code

Provisions	How we have complied
<div>1</div> <div>A firm should establish a Board or equivalent governance structure to oversee the activities of Management.</div>	<div>Following changes to main Board membership in 2024 a review was undertaken of the firm's governance structures, including terms of reference of management and advisory committees.</div>
<div>2</div> <div>At least half a firm's Board should be selected from among partners who do not have significant management responsibilities within the firm.</div>	<div>Following recent changes to the Main Board, three of the five members have management responsibilities.</div> <div>Potential INE participation at main Board level will remain under review.</div>
<div>3</div> <div>The chair of the Board should not also chair parts of the Management structure or be the managing partner.</div>	<div>The Chair of the Board has no management responsibilities.</div>
<div>4</div> <div>A firm's Management and Board should have a clear understanding of their authority, accountabilities and responsibilities. The Board should have clearly defined terms of reference, with matters specifically reserved for its decision, detailing in particular its role in relation to firm strategy, risk, culture and other matters relating to the purpose of this Code. Management should have terms of reference that include clear authority over the whole firm and matters relating to the purpose of this Code. Terms of reference should be disclosed on the firm's website. Terms of reference for international management and governance structures taking decisions that apply to the UK should be disclosed on the UK firm's website in the same way as for UK-based structures.</div>	<div>The Board ToR state that the Board ultimately oversees the governance, accountability and leadership of the firm. The Board has specific responsibility for reviewing the effectiveness of risk management and internal control. They are supported in this capacity by the Audit and Risk Committee. The Vice-Chair and Head of Audit is the designated member responsible for Audit Quality.</div> <div>Review of governance structures undertaken to reconsider remit, division of responsibilities and Terms of Reference , which are available on the firm's website.</div>
<div>5</div> <div>A firm should establish arrangements for determining remuneration and progression matters for members of the Board which support and promote effective challenge of Management.</div>	<div>With the recent Board and committee changes, consideration is being given to the most effective manner to assess effectiveness of challenge of management.</div> <div>Partner Assessment and Remuneration Committees consider performance and reward for all Partners, as set out in Section 5.</div>

# Appendix 4




## Leadership

Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code

Provisions	How we have complied
<div>6</div> <p>The individual members of a firm's governance structures and Management should be subject to formal, rigorous and ongoing performance evaluation and, at regular intervals, members should be subject to re-election or re-selection.</p>	Following the governance review, Board and committee member evaluations and effectiveness reviews will be considered as the revised governance structures become embedded.
<div>7</div> <p>There should be a formal annual evaluation of the performance of the Board and any committees, plus the public interest body. A firm should consider having a regular externally-facilitated board evaluation at least every three years.</p>	Following the governance review, Board and committee evaluations and effectiveness reviews will be considered as the revised governance structures become embedded.
<div>8</div> <p>Management should ensure that, wherever possible and so far as the law allows, members of governance structures and INEs and ANEs have access to the same information as is available to Management.</p>	INEs have access to the same information as other members of the relevant Boards and committees on which they sit, and have confirmed that they have been provided with all information they require to discharge their responsibilities.
<div>9</div> <p>A firm should disclose in its annual transparency report: a) the names and job titles of all members of the firm's governance structures and its Management; b) a description of how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details; c) a description of how its governance structures and Management operate, their duties, the types of decisions they take and how they contribute to achieving the Code's purpose. If elements of the Management and / or governance of the firm rest at an international level and decisions are taken outside the UK, it should specifically set out how management and oversight is undertaken at that level and the Code's purpose achieved in the UK; and d) an explanation of the controls it has in place on individual powers of decision and to support effective challenge by Board members, how these are intended to operate and how they work in practice.</p>	Section 5 sets out the composition and remit of the relevant Boards and Committees, including appointment and reappointment. The Board remains ultimately accountable to the General Partnership throughout the mechanisms set out in the LLP Agreement.

# Appendix 4

## People, values and behaviour

Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code

Principles	How we have complied
<div>F</div> <p>A firm is responsible for its purpose and values and for establishing and promoting an appropriate culture, that supports the consistent performance of high-quality audit, the firm’s role in serving the public interest and the long-term sustainability of the firm.</p>	<p>The firm’s purpose is clearly set out in our Strategic Ambition and its values are articulated through our ‘Culture Wheel’ which is included within Section 6.</p>
<div>G</div> <p>A firm should foster and maintain a culture of openness which encourages people to consult, challenge, contribute ideas and share problems, knowledge and experience in order to achieve quality work in a way that takes the public interest into consideration.</p>	<p>Openness is encouraged through the firm’s feedback and communication mechanisms as discussed in more detail in Section 6.</p>
<div>H</div> <p>A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the purpose and Principles of this Code.</p>	<p>The firm has a clear performance management framework and a published Code of Conduct which sets out the expected behaviour of its people.</p>

# Appendix 4

## People, values and behaviour

Key:



Compliant with the Code



Partially compliant and / or work in progress following structural changes in FY 2025



Not compliant with the Code

Provisions	How we have complied
<p><b>10</b></p> <p>A firm's Board and Management should establish the firm's purpose and values and satisfy themselves that its purpose, values and culture are aligned. If a firm's purpose and values are established at an international level, the firm should ensure it has the ability to influence that decision-making process and the ability to tailor the output for the UK.</p>	<p>The firm's purpose is clearly set out in our Strategic Ambition and its values are articulated through our 'Culture Wheel' which is included within Section 6.</p>
<p><b>11</b></p> <p>A firm should have a code of conduct which it discloses on its website and requires everyone in the firm to apply. The Board and INEs should oversee compliance with it.</p>	<p>The firm has published its Code of Conduct on its website. INE representation on the Talent Development Committee.</p>
<p><b>12</b></p> <p>A firm should promote the desired culture and a commitment to quality work, professional judgement and values, serving the public interest and compliance with professional standards and applicable legal and regulatory requirements, in particular through the right tone at the top and the firm's policies and procedures.</p>	<p>The firm has published its Code of Conduct on its website.</p>
<p><b>13</b></p> <p>A firm should establish policies and procedures to promote inclusion and encourage people to speak up and challenge without fear of reprisal, particularly on matters relating to this Code and the firm's values and culture.</p>	<p>The firm has published its Code of Conduct on its website, which includes consideration of inclusion and diversity.</p>
<p><b>14</b></p> <p>A firm should introduce meaningful key performance indicators on the performance of its governance system, and report on performance against these in its transparency reports.</p>	<p>Following the Governance review the Board now needs to consider a suite of metrics that capture our approach to strategy and governance that can be cascaded throughout the firm. These will then link in to the Board evaluation process.</p>

# Appendix 4

## People, values and behaviour

Key:



Compliant with the Code



Partially compliant and / or work in progress following structural changes in FY 2025



Not compliant with the Code

### Provisions

### How we have complied

15

A firm should assess and monitor culture. It should conduct a regular review of the effectiveness of the firm's systems for the promotion and embedding of an appropriate cultures underpinned by sound values and behaviour across the firm, and in audit in particular. INEs should be involved in this review and where a firm has implemented operational separation the ANEs should be involved in the review as it relates to the audit practice.

Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the purpose of this Code, it should take corrective action.

The firm now has INE representation on the Talent Development Committee, and the Partner Assessment Committee, and this will be an area of further focus in the coming year.

16

A firm should establish mechanisms for delivering meaningful engagement with its people. This should include arrangements for people to raise concerns in confidence and anonymously and to report, without fear, concerns about the firm's culture, commitment to quality work, the public interest and / or professional judgement and values. The INEs should be satisfied that there is an effective whistleblowing policy and procedure in place and should monitor issues raised under that process.

Whistleblowing policy and process is in place.

Whistleblowing reports are received by the Audit and Risk Committee, which is chaired by an INE.

17

INEs should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, recruitment and promotion processes, training and development activities, and diversity and inclusion, to ensure that the public interest is protected. They should monitor the firm's success at attracting and managing talent, particularly in the audit practice. Where operational separation is in place the ANEs should be involved in this process.

The firm now has INE representation on the Talent Development Committee, and this will be an area of further focus in the coming year.




18

INEs and ANEs should use a range of data and engagement mechanisms to understand the views of colleagues throughout the firm and to communicate about their own roles and the purpose of this Code. One INE should be designated as having primary responsibility for engaging with the firm's people.

Les Clifford is the INE designated as having primary responsibility for engaging with the firm's people. Principal engagement mechanism is the People Survey (Great Place to Work) however further consideration to be given to more direct interaction with INEs.

# Appendix 4

## People, values and behaviour

**Key:**  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code




### Provisions

### How we have complied

19	<p>A firm should disclose in its annual transparency report a description of how: a) it engages with its people and how the interests of its people have been taken into account in decision making; and b) opportunities and risks to the future success of the business have been considered and addressed, its approach to attracting and managing talent, the sustainability of the firm's business model and how its culture, in particular in the audit practice, contributes to meeting the purpose of this Code.</p>	<p>Appropriate disclosures have been made in Section 6 in relation to people engagement and Section 7 in relation to quality and risk management.</p>
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# Appendix 4

## Operations and resilience

Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code

Principles	How we have complied
<div>I</div> <p>A firm should promote a commitment to consistent high-quality audits and firm resilience in the way it operates. To these ends, a firm should collect and assess management information to evaluate the effectiveness of its policies and procedures and to enhance its operational decision-making.</p>	<p>Section 7 sets out information regarding the firm’s approach to Quality and Risk Management. Audit firm metrics as well as results of quality monitoring provide feedback on the effectiveness of its policies in relation to audit quality.</p>
<div>J</div> <p>A firm should establish policies and procedures to identify, assess and manage risk, embed the internal control framework and determine the nature and extent of the principal risks the firm is willing to take while working to meet the purpose of this Code.</p>	<p>Section 7 sets out information regarding the firm’s approach to Quality and Risk Management, including the principal risks.</p> <p>The Audit and Risk Committee provides review of and challenge to the firms risk management processes, internal controls and the firms adherence to ethical standards and practices, thereby providing support to the Board with regards to their responsibilities for these matters.</p>
<div>K</div> <p>A firm should communicate with its regulators in an open, co-operative and transparent manner.</p>	<p>The firm has an open and constructive relationship with its FRC supervision team as further set out in Section 9.10 External Monitoring and Remediation.</p>
<div>L</div> <p>A firm should establish policies and procedures to ensure the independence and effectiveness of internal and external audit activities and to monitor the quality of external reporting.</p>	<p>As set out in Section 9 ‘Audit Quality’, the firm has an effective System of Quality management in which policies, procedures and controls are designed, operation and monitored to ensure audit quality, independence and effectiveness.</p>

# Appendix 4

## Operations and resilience

Key:



Compliant with the Code



Partially compliant and / or work in progress following structural changes in FY 2025






Not compliant with the Code

Provisions	How we have complied
20	A firm should assist the FRC and its successor bodies to discharge its duties by sharing information openly.
21	A firm should take action to address areas of concern identified by regulators in relation to the firm's audit work, leadership and governance, culture, management information, risk management and internal control systems.
22	A firm should develop robust datasets and effective management information to support monitoring of the effectiveness of its activities, including by INEs (and ANEs), and its ability to furnish the regulator with information.
23	A firm should establish an audit committee and disclose on its website its terms of reference and information on its membership. Its terms of reference should set out clearly its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors. Where a firm's audit committee sits at an international level, information about the committee and its work should be disclosed by the UK firm as if it were based in the UK.
24	A firm should monitor its risk management and internal control systems, and, at least annually, conduct a review of their effectiveness. INEs should be involved in the review which should cover all significant controls, including financial, operational and compliance controls and risk management systems.
25	A firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. This should reference specifically the sustainability of the audit practice in the UK. INEs (and in firms with operational separation, ANEs) should be involved in this assessment.

# Appendix 4

## Operations and resilience

Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code

Provisions	How we have complied
<div>26</div> <p>A firm should publicly report how it has applied the Principles of this Code, and make a statement on its compliance with its Provisions or give a detailed explanation for any non-compliance, i.e. why the firm has not complied with the Provision, the alternative arrangements in place and how these work to achieve the desired outcome (Principle) and the purpose of this Code.</p>	As set out in this Appendix.
<div>27</div> <p>A firm should explain who is responsible for preparing the financial statements and the firm’s auditors should make a statement about their reporting responsibilities in the form of an extended audit report as required by International Auditing Standards (UK) 700/701.</p>	Confirmed with the auditors that an extended audit report will be issued for FY 2025.
<div>28</div> <p>The transparency report should be fair, balanced and understandable in its entirety. A firm should disclose in its transparency report: a) a commentary on its performance, position and prospects; b) how it has worked to meet the legal and regulatory framework within which it operates; c) a description of the work of the firm’s audit committee and how it has discharged its duties; d) confirmation that it has performed a review of the effectiveness of the system of internal control, a summary of the process it has applied and the necessary actions that have been or are being taken to remedy any significant failings or weaknesses identified from that review; e) a description of the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary; f) an assessment of the principal risks facing the firm and explanation of how they are being managed or mitigated; and g) a description of how it interacts with the firm’s global network, and the benefits and risks of these arrangements, with reference to the purpose of this Code. This should include an assessment of any risks to the resilience of the UK firm arising from the network and any action taken to mitigate those risks.</p>	<p>The Transparency Report has been drawn up to reflect principles and objectives of the Code.</p> <p>The Audit and Risk Committee is newly formed in the year and has met twice – its remit is clearly set out in its Terms of Reference and it has a formal schedule of matters to be addressed at its meetings. It has not as yet completed the cycle for a full financial year. In making its recommendation to the Board to approve the Transparency Report the Audit and Risk Committee considered papers addressing the Firm’s principal risks; an overview of risk management and internal control systems (including governance, financial, operational and compliance controls); and whether the report in its entirety is fair, balanced and understandable. All member firms of the Moore Global Network are required to comply with the Statement of Professional Practise (“SOPP”). The SOPP sets out the minimum professional obligations that each firm is required to comply with in the delivery of audit and other professional services to ensure consistency, quality, and compliance with relevant legal and regulatory requirements across all Member Firms. No risks to the resilience of the UK Firm have been identified arising from its membership of the Network.</p>

# Appendix 4

INEs		Key:	<div></div> Compliant with the Code	<div></div> Partially compliant and / or work in progress following structural changes in FY 2025	<div></div> Not compliant with the Code
Principles		How we have complied			
M	A firm should appoint INEs to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of this Code. INEs should be positioned so that they can observe, challenge and influence decision-making in the firm.	Two INEs appointed to Audit Quality Board, this is considered to be appropriate for a firm of our size and structure in combination with their involvement with other governance bodies and committees as set out in Section 5.			
N	INEs (and ANEs) should provide constructive challenge and specialist advice with a focus on the public interest. They should assess and promote the public interest in firm operations and activities as they relate to the purpose of this Code, forming their own views on where the public interest lies.	The remit of the INEs includes bringing a public interests lens to their engagement with the firm's governance and management bodies.			
O	INEs (and ANEs) should maintain and demonstrate objectivity and an independent mindset throughout their tenure. Collectively they should enhance public confidence by virtue of their independence, number, stature, diverse skillsets, backgrounds, experience and expertise. They should have a combination of relevant skills, knowledge and experience, including of audit and a regulated sector. They owe a duty of care to the firm and should command the respect of the firm's owners.	INEs were appointed in September 2024 with full consideration given during the selection process to bringing appropriate skills and experience to the roles. They have demonstrated their objectivity and independent mindsets in their engagements with the Firm's leadership, and commanded respect for their challenge and insight.			
P	INEs (and ANEs) should have sufficient time to meet their responsibilities. INEs (and ANEs) should have rights consistent with discharging their responsibilities effectively, including a right of access to relevant information and people to the extent permitted by law or regulation, and a right, individually or collectively, to report a fundamental disagreement regarding the firm to its owners and, where ultimately this cannot be resolved and the independent non-executive resigns, to report this resignation publicly	INEs have appropriate rights of access to information and to the firm's leadership. No fundamental disagreements have arisen.			
Q	INEs (and ANEs) should have an open dialogue with the regulator.	INEs have unfettered access to the FRC supervisor and participate in FRC engagement opportunities such as roundtables.			

**INES**



Not compliant with the Code

## How we have complied

INEs should number at least three, be in the majority on a body chaired by an INE that oversees public interest matters and be embedded in other relevant governance structures within the firm as members or formal attendees with participation rights. If a firm considers that having three INEs is unnecessary given its size or the number of public interest entities it audits, it should explain this in its transparency report and ensure a minimum of two at all times. At least one INE should have competence in accounting and / or auditing, gained for example from a role on an audit committee, in a company's finance function or at an audit firm.

While a formal public interest committee has not been constituted the INEs meet regularly as a private group and will consider any matters of public interest in this forum.

INEs should meet regularly as a private group to discuss matters relating to their remit. Where a firm adopts an international approach to its management and / or governance it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this jurisdiction. The firm should disclose on its website the terms of reference and composition of any governance structures whose membership includes INEs, whether in the UK or another jurisdiction.

Details of governance bodies of which INEs are members are set out in section 5.2. ToRs for these bodies are published on the Firm's website.

INEs should have full visibility of the entirety of the business. They should assess the impact of firm strategy, culture, senior appointments, financial performance and position, operational policies and procedures including client management processes, and global network initiatives on the firm and the audit practice in particular. They should pay particular attention to and report in the transparency report on how they have worked to address: risks to audit quality; the public interest in a firm's activities and how it is taken into account; and risks to the operational and financial resilience of the firm.

INEs do not sit on the main LLP Board however between them, in addition to their positions on the Audit Quality Board, they also have roles on the Partner Assessment Committee, Talent Development Committee, and the Audit and Risk Committee and the Ethics and Risk Consultation Panel which provides them with breadth of visibility across the business.

# Appendix 4

## INEs

Key:



Compliant with the Code



Partially compliant and / or work in progress following structural changes in FY 2025






Not compliant with the Code

### Provisions

### How we have complied

32	A firm should establish a nomination committee, with participation from at least one INE, to lead the process for appointments and re-appointments of INEs (and ANEs), to conduct a regular assessment of gaps in the diversity of their skills and experience and to ensure a succession plan is in place. The nomination committee should assess the time commitment for the role and, when making new appointments, should take into account other demands on INEs' (and ANEs') time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior consultation with the nomination committee.	Given recency of appointment of the INEs this has not yet been established but will be but in place to allow for sufficient lead times as the INEs reach the end of their tenure or should it be an appropriate time to appropriate time to appoint further INEs.
33	A firm should provide access for INEs to relevant information on the activities of the global network such that they can monitor the impact of the network on the operations and resilience of the UK firm and the public interest in the UK.	INEs have access to information on network activities to the extent these are shared in the relevant boards and committees in which they participate. Further consideration to be given to the extent of any direct engagement.
34	INEs should have regular contact with the Ethics Partner, who should under the ethical standards have direct access to them.	INEs meet regularly with the Ethics partner through their membership on the Audit Quality Board. INEs have private access to the Ethics Partner on request (and vice versa).
35	INEs should have dialogue with audit committees and investors to build their understanding of the user experience of audit and to develop a collective view of the way in which their firm operates in practice.	Opportunities for direct engagement with external stakeholders can be considered now the INEs are embedded within the governance structure. Profile of the INEs has been raised through development of the <a href="#">Governance section</a> on the firm's website and the inclusion of an <a href="#">Independent Non-Executives report</a> in this Transparency Report.
36	Firms should agree with each INE (and ANE) a contract for services setting out their rights and duties. INEs (and ANEs) should be appointed for specific terms and have a maximum tenure of nine years in total.	Terms agreed and contracts signed.
37	The firm should provide each INE (and ANE) with the resources necessary to undertake their duties including appropriate induction, training and development, indemnity insurance and access to independent professional advice at the firm's expense where an INE or ANE judges such advice necessary to discharge their duties.	INEs have confirmed that they have been provided with the resources necessary to fulfil their responsibilities.

# Appendix 4

INEs		
Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code		
Provisions	How we have complied	
38	The firm should establish, and disclose on its website, well defined and clear escalation procedures compatible with Principle P, for dealing with any fundamental disagreement that cannot otherwise be resolved between the INEs (and / or ANEs) and members of the firm's Management and / or governance structures.	
39	<p>An INE (and / or ANE) should alert the regulator as soon as possible to their concerns in the following circumstances:</p> <ul style="list-style-type: none"><li>&gt; the INE or ANE believes the firm is acting contrary to the public interest; or</li><li>&gt; the INE or ANE believes the firm is endangering the objectives of this Code; or</li><li>&gt; the INE or ANE initiates the procedure for fundamental disagreements.</li></ul>	



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