

Independent non-executives independence

The firm has considered the independence of the Independent non-executives (INEs) in relation to:

- Auditor independence: relationships between an INE and an entity that a firm audits may prevent a firm from acting as auditor of that entity or otherwise reduce confidence in the firm's independence; and
- Non-executive independence: relationships between an INE and a firm and its owners may be inconsistent with the Audit Firm Governance Code Principle C.2 on characteristics of independent non-executives.

In addressing both issues the firm has considered the INE's financial interests and business, family and employment relationships entered into, and notified to the firm and has applied the principles and compliance with the code provisions on INEs without placing them in the chain of command. The firm has also considered the independence requirements of the UK, IFAC and US regulators in concluding the independence requirements of the INEs.

The INEs are members of the Board and a separate Public Interest Oversight Committee which is a Board sub-committee. The INEs will also be involved in discussion with the service lines to add the benefit of their experience to the business.

As the individuals sit on the Board and a separate Public Interest Oversight Committee the firm does not see them in the chain of command for the purposes of the independence requirements. The INEs are not partners in the firm. They act as independent consultants and are not involved in decisions on individual restricted entities and do not provide services to restricted entities.

Therefore the firm considers the independence requirements of the INEs as follows:

- The INE cannot be a director or officer of a restricted entity. The INE is required to declare all directorships and similar appointments before accepting appointment and is required to notify the Chairman of the Board of any proposed new appointments. The contract requires that any directorships that create independence or other conflict for the firm needs to be ceased or cannot be taken up, alternatively the INE will need to resign his or her position at the firm.
- There are no restrictions on the individual's bank accounts or other financial products held by the individual and his or her immediate family members.
- There is no restriction on shareholdings or other financial interests held by the individual and his or her immediate family members.

The Code relates to audit governance and therefore the primary focus, when looking at relationships, is on those with restricted entities, however, the firm also considers all relationships that an individual has with all clients and non-clients and how they impact independence. The firm does not consider that there is an issue with a director of a non-assurance client being an INE.