

LB Group

Transparency Report 2024



The Octagon, Suite E2, 2nd Floor, Middleborough, Colchester, Essex, CO1 1TG
Colchester | Chelmsford | London | Ipswich
lbgroupltd.com | info@lbgroupltd.com | Tel: 01206 867 551

CONTENTS

	Page
Introduction	3
Legal Structure and Ownership	5
Governance	5
Quality Control Systems	6
Quality Management Annual Review	7
Independence and Ethics	8
Strategy 2025 and onwards	9-10
Public Interest Entities	11
Financial Details	11
Appendix I - Audit Strategy	
Appendix II - Office Locations	

INTRODUCTION

This Transparency Report is for the year ended 31 August 2024. This report is in accordance with the Transparency Reporting requirements set out in The Statutory Auditors (Transparency) Instrument 2008 which is drawn from Article 13 of Regulation (EU) No.537/2014 and the amended Directive 2014/56/EU.

In this report we explain the ethos of LB Group together with the required information on legal structure and governance, details on our quality controls and financial information.

The year to 31 August 2024 continued to see much change in the audit environment both regulatory and in the challenges and opportunities our audited entities faced.

In this period our audited entities have seen inflation and labour pressures ease but delayed interest rate cuts and economic growth have impacted the business environment. We have also experienced uncertainty in the run up to the general election, and a change of UK government, noting that from an audit perspective the proposed changes to the company size thresholds will impact some SME's significantly. Our audit team have strived to understand the risks these macro economic circumstances impact on the performance and conclusions of our audit assignments,

During this year we have focused on the results of our first annual review under International Standard on Quality Management 1. We have also focused on the impact on our audit methodologies of revised ISA 600 we have continued our practical efforts on key areas of accounting estimates, management override of controls and going concern. In the year we were pleased to maintain FRC audit registration and continue in the FRC Scalebox program.

We see these developments as necessary and significant steps for LB Group as we evolve as a firm. We are aware there is always more to do in line with continuous investment to support our audit business and wider firm.

Mark Middleton
Audit Compliance Principal

LEGAL STRUCTURE AND OWNERSHIP

LB Group is a 4 office firm with head office at The Octagon, Suite E2, 2nd Floor, Middleborough, Colchester, CO1 1TG. Our office address and contact details are detailed in appendix II.

In May 2023 LBGH received investment from Sovereign Capital Partners taking a controlling interest. Immediately prior to the investment LB Group was restructured to be directly controlled by directors and principals in line with regulation and guidance. The continued impact of this investment is noted in the strategy 2025 and onwards section.

The LB Group audit function has 10 responsible individuals working across our audited entities.

GOVERNANCE

LB Group has an Audit Management Committee which sets strategy, monitors performance and is responsible for quality. The Management Committee meet every month to consider strategic matters and monitor operational arrangements and performance.

Regular meetings are held with all directors to receive reports from the Management Committee and discuss and decide on structural matters.

The Management Committee, or delegated members of it, hold regular meetings with staff on an office basis to update on direction, performance, current issues and strategy.

Client service is delivered along service lines further delineated into each office. The audit group and each office has a business plan which is updated annually. The business plans and the staff contribution to it are shared with staff on a regular basis.

The Management Committee consider that in the year the key risk to audit quality is still to ensure we had sufficient capacity and quality of resource to carry out high quality audit practices. The market for bringing in audit staff has eased but as we continue to grow our audit offering we need to maintain resource ahead of the demand. Our integration of two other firms audit functions in to ours in the year and organic growth has driven the demand for increased resourcing. Our team of South African chartered accountants has continued to be a significant and much valued support. They are included in monthly audit function communications and during the year were visited in person by a member of the Audit Management Committee. By planning all audit jobs on a rolling 12 month basis and regularly assessing this against capacity and skills the resourcing risk has been mitigated we believe. Resourcing is monitored as key risk area.

With the increase in audit entities we service and more RI's in the team the need to ensure consistency of delivery is also considered a key risk to audit quality. We have increased use of template work papers, consistent training and augmented monitoring in all key areas to mitigate this risk.

QUALITY CONTROL SYSTEMS

External Reviews

The firm uses Mercia as a third party to carry out cold file reviews on an annual basis. The findings of the cold file reviews are reviewed by the audit management team and any requirements to update audit methodology are made. Audit staff training is updated for specific findings from the cold file review.

LB Group is subject to external review by the Quality Assurance Department of the ICAEW at timings determined by the regulatory body. By its registration directly with the FRC LB Group is also under inspection by this body as well.

Internal Systems

The firm's audit compliance principal is Mark Middleton. Mike Warman is the ethics principal.

The company has continued to focus on instilling a culture of openness, integrity and independence across all audit staff by encouraging the management team to emphasise this approach on a consistent basis. Particular focus being on encouraging professional scepticism and creating the supportive culture for staff to challenge management. The strategy is to ensure the audit manuals and systems are enacted by all staff when practically applied.

The audit committee set out firm wide and specific training for the audit team to best ensure the audit team, at all levels, have sufficient skills to carry out the audit assignments. Training is provided by third party specialists, internally from the audit team and by relevant professional bodies. Staff training is assessed individually in 6 and 12 month reviews. At these meetings future training based on practical feedback is implemented. During the year training was targeted towards the embedding and refinement of ISA600, going

concern, management override of controls and accounting estimates. Initial communications were also issued in respect of the revised ethical standard for 2024, due for implementation in the following period.

LB Group maintains an audit compliance manual supported by third party specialists. Regular training and audit meetings and training materials sets out in detail mandatory audit procedures. LB Group endeavours to apply robust engagement acceptance procedures for all prospective audited entities and the continuance of audit engagements. This includes monitoring by the audit committee on a monthly and quarterly basis as well as a tailored risk assessment process prior to appointment.

The company is committed to audit quality. Audit quality is considered a key business risk for the company. With an expanded number of audited entities serviced and RIs in the Team we have expanded our monitoring and internal review procedures commensurately.

To endeavour to drive audit quality Responsible Individuals are not rewarded for financial performance, to encourage 'to do what it takes', to ensure audit quality. RIs are remunerated on the basis of a fixed remuneration package. Audit quality is a key factor in all staff appraisals. All jobs are reviewed and analysed for quality. This data is used in staff appraisals at all levels. Audit quality is a driver for promotion and remuneration at all levels below RI.

Responsible individual portfolios are reviewed for size and perceived risk to ensure capacity at all levels is adequate. Please see Appendix II for our audit strategy template.

Quality Management Annual Report

At the end of the 2023 calendar year we completed our annual report on quality management.

This evaluation included review of the following:

Communication received related to the monitoring and remediation procedures undertaken since the date of the previous evaluation, including:

A description of the monitoring activities performed;

- The identified deficiencies, including the severity and pervasiveness of such deficiencies; and
- The remedial actions to address the identified deficiencies.
- The results of regulatory inspections undertaken by the competent authority and / or RSB since the date of the previous evaluation;
- The results of any monitoring activities performed by the network to which the firm belongs since the date of the last evaluation.

In performing our evaluation of the system of quality management we have:

- Considered the severity and pervasiveness of the identified deficiencies that have been brought to my attention, and their effect

on the achievement of the objectives of the system of quality management;

- Considered whether remedial actions have been designed and implemented by the firm, and whether those remedial actions taken up to the time of this evaluation are proving to be effective; and
- Considered whether the effect of identified deficiencies on the system of quality management have been appropriately corrected, and whether any necessary further action has been taken.

We concluded that:

That the system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved.

The key deficiencies identified were:

Feedback from the external cold file reviews identified areas of improvement around areas of methodology and client specific areas of a sampled audit. In addition, we identified that the policies set out in the ISQM could be communicated to the audit team in a clearer and more robust way.

For deficiencies identified root cause analysis were carried out and measures taken to address the breaches and to modify the firm's internal quality control system.

INDEPENDENCE AND ETHICS

Independence

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to 'those charged with governance'. For example, Directors of a UK company.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to bear on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes.

The procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the firm's independence and the objectivity of the audit engagement partner and the audit staff. This strategy document considers such matters in for new clients and the continuance of existing clients.

We confirm that the firm complies with the APB Ethical Standards.

By monthly and quarterly review the company assess and takes appropriate action for the rotation of RI and senior staff in line with the guidance of regulatory bodies.

Annually internal review of independence compliance is conducted.

Ethics

December 2024 brings a revised Ethical Standard from the FRC and an enhancement to the 2019 revision. Preparation for the introduction of the revised standard is well under way with communications being made across the wider group. Identifying threats and addressing those with appropriate safeguards is now a process undertaken throughout the audit team rather than just RI level. This development in the awareness of professional staff throughout the engagement process has been a key success in this past year.

Ethics is an area of high focus for both the industry and LB Group as a firm and we have embraced the changes to CPD requirements for ICAEW members which enhance our pre-existing training programmes for staff in this key area. Amongst others, non-audit services is a focus area, with audit team members now actively discussing and documenting threats and safeguards. Ethics training has been enhanced for all staff, and we promote an openness to discussion as an important part of our firm's culture.

At a higher level the audit committee will also consider threats to reputation such as adverse press and reputation of management. This is assessed on individual engagements on a yearly recurring basis, if applicable, and on every new engagement.

STRATEGY 2025 AND ONWARDS

As a firm we are keen to improve standards in all areas and in particular the regulated area of audit. We believe the standards will continue to be improved by further investment in our staff and infrastructure,

Examples where we consider improvements can be made in 2025 and onwards:

- In 2023 we started the reorganisation of the firm on service lines exclusively from the current structure of a hybrid service line and office basis. Reorganising on a pure service line basis has enabled staff to better specialise, better control capacity and to be a more scalable operation. In 2024 we completed reorganisation and have seen the positive outcomes in audit quality. We are now focused in 2025 in embedding this reorganisation and taking advantage of the structure to improve areas such as internal monitoring.
- The wider group acquired two firms in 2024 in the South East region, with the audit function being directly absorbed into LB Group. We have integrated the audit functions fully instilling our best practice and learning from and assimilating better audit practice as we encounter it. We have learnt from the integration of these two practices and are confident we can build on this success with our other acquisitions made in the early part of the 2025 year.
- Continued development of our Ethics training programme is a focus for the business. We have met the increased requirements for ICAEW members. Acquisition targets in the future will need to be bolted into our training structure in order to mitigate any risks in the early stages of any new relationship. Our new integrated staff have been focused on to make sure they are quickly up to speed with the requirements of our set up. We believe this has been successful and that we are well placed to build on this area with the further offices and staff that have been integrated post year end.
- Invest in technological audit assistance to provide better audit control and depth on audit projects. We are still looking at our strategy on data analytics and the use of AI in audit testing to plan our way forward. We have run a number of test cases as we work out or best implementation strategy. Research is still ongoing into the merits and attributes of the various software available. We expect in 2025 to set out and start to follow our confirmed path on increased technology use.
- Investing in our back office will enable us to better report the data needed to monitor our performance across all relevant KPI's. The data we have is improved substantially. As the rollout in 2025 continues we expect to be able to continue to articulate more relevant data and augment the narrative aspects of the report.
- In 2024 we improved the working environment in our Colchester office and we expect to finish improvements in our Chelmsford office early in the new year. We also expect to move our Stratford office to new improved premises in the early part of the new year.

- Continue to utilise greater resource to bring in talent from top 20 firms to further broaden our audit experience and skills. The example of the two 'big 4' hires in early 2024 we have built on with further hires from other firms that are in the top 20. We would expect to be able to continue to bring in high level talent outside of LB Group as we grow.
- Investment in back-office support to enable all staff levels to be more available to be engaged in client facing and technical activities. We can see the impact the increase in numbers in our HR department have had in the 2024 year. We would expect the recent increase in numbers in our finance team to have a similar impact.

PUBLIC INTEREST ENTITIES (PIE'S)

During the year LB Group carried out audits of PIEs regulated by the FRC on the following entities:

Bestpark International Limited

Ashbrooke Underwriting Limited

Grand Vision Media Holdings Plc

RC365 Holdings Plc

Financial Details

In the year to 31 August 2024 we can confirm the following financial details:

Revenue from the statutory audit of public interest entities	£85,000
Revenue from the statutory audit of other entities	£3,812,253.05
Revenue from permitted non-audit services to entities that are audited by LB Group	£893,372.78
Revenue from non audit services to other entities	£4,581,891.85

APPENDIX I

AUDIT STRATEGY

We will perform a risk based audit on the management figures of the entity. This enables us to focus our work on key audit areas.

Our starting point is to gain a detailed understanding of the company's business and its commercial environment which enables us to identify, assess and respond to the risks of material misstatement.

This includes obtaining an understanding of the system of internal control in place in order to consider the adequacy as a basis for the preparation of the financial statements, that adequate accounting records have been maintained and the adequacy as a basis on which to design and undertake our audit testing.

We would discuss the changes to the business and management's own view of potential audit risk during our planning meeting in order to gain an understanding of the company's activities to determine which risks impact on the numbers and disclosures in the financial statements. We would continue to update this assessment throughout the audit.

Based on our risk assessment, we then design an appropriate audit strategy to obtain sufficient assurance to enable us to report on the financial statements. We choose the audit procedures that we believe are the most effective and efficient to reduce audit risk to an acceptably low level. The procedures are a combination of testing the operating effectiveness of controls, substantive analytical of controls,

substantive analytical procedures and other tests of detailed transactions.

Having planned our audit we would perform audit procedures, maintaining an appropriate degree of professional scepticism, in order to collect evidence to conclude whether or not the financial statements show a true and fair view and are prepared in accordance with UK GAAP FRS 102 and the Companies Act 2006.

It is important that we maintain effective two way communication with clients through the entire audit process, which will culminate with a completion audit meeting and the preparation of a final report to the appropriate stakeholders.



APPENDIX II

OFFICE LOCATIONS

**LB Group London
Number One
Vicarage Lane
Stratford, London
E15 4HF**

Tel: 0208 221 8282 | Fax: 0845 834 0896

**LB Group Colchester
Suite E, 2nd Floor
The Octagon
Middleborough
Colchester, Essex
CO1 1TG**

Tel: 01206 867 551 | Fax: 0845 834 0897

**LB Group Ipswich
80 Compair Crescent
Ipswich, Suffolk
IP2 0EH**

Tel: 01473 359 720 | Fax: 0845 834 0870

**LB Group Chelmsford
Swift House, Ground Floor,
18 Hoffmanns Way
Chelmsford, Essex
CM1 1GU**

Tel: 01245 254 780 | Fax: 0845 834 0864

info@lbgroupltd.com