

Building trust through assurance Transparency Report

*This Transparency Report
sets out how PwC UK is
building trust
through assurance*

Year ended 30 June 2016

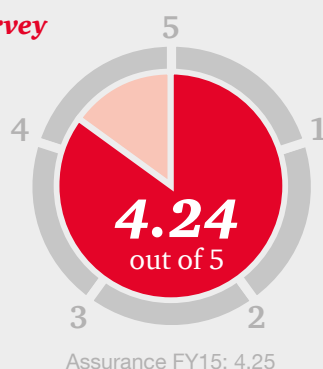
Building trust through assurance

Assurance at a glance

A tireless pursuit of quality

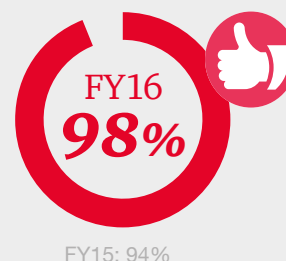
Partner and staff survey

The leaders I work with are committed to providing high quality service to external clients (Assurance FY16)



Internal audit quality reviews

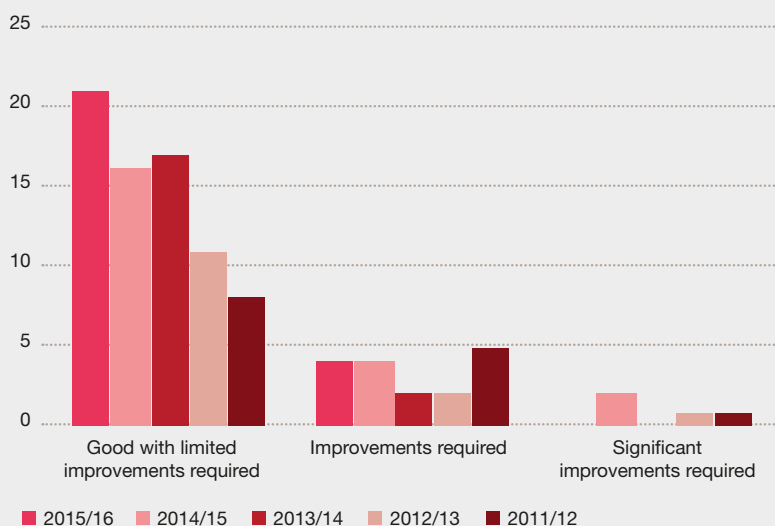
Results of firm's own audit quality reviews



Number of audit engagements reviewed and the annualised percentage of Responsible Individuals subject to the firm's own audit quality reviews



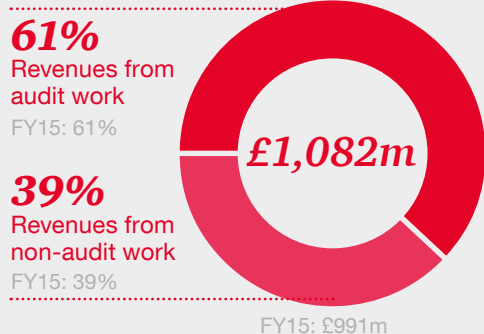
Results of the FRC's Audit Quality Review on the firm



For more on the Audit Quality Indicators, see pages 59-62 of this report

Revenue

Assurance UK revenues



Investing in our people

Investment in training and development



New partner admissions

1 in 4
of Assurance's new
partner admittances
in FY16 were women
FY15: 1 in 3; FY14: 1 in 2



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References to FY16 refer to PwC UK's financial year ended 30 June 2016.

This report sets out PwC UK's approach to building trust through assurance.



Message from UK Head of Assurance

I'm delighted to have taken on the role of UK Head of Assurance from 1 July 2016. Assurance is at the heart of who we are at PwC and underpins our purpose – to build trust in society and solve important problems. I'm proud of the contribution all our people have made this year in providing high quality assurance services to our clients and the wider market.

Hemione Hudson,
UK Head of Assurance.

24 June 2016. Whatever our individual views on the result of the UK's referendum on continuing membership of the European Union, you will probably remember 24 June as a day on which many of your assumptions about UK society were challenged. Our country's vote to leave the European Union was the clearest indicator we've had to date of the extraordinary trust gap which has arisen between "institutional UK" – big business, experts and professionals – and the majority of the voting public.

For the most part, institutional UK was vocal in encouraging a Remain vote. And, for the most part, the UK electorate chose not to trust this advice, instead supporting the Leave campaign.

The Brexit vote will catalyse material change in the UK, both economic and social. But this is not the only challenge that is on the minds of the business community. In our UK CEO's survey, published in January 2016, we found that:

82%

are concerned about over-regulation

80%

are concerned about geo-political uncertainty

75%

are concerned about cyber threats.

So, in challenging times where there is a yawning trust gap between the UK public and institutional UK and where business faces an uncertain future, what is the role of assurance? The fundamental purpose of assurance is to issue reports that reduce uncertainty, and build trust.

Delivering high quality audits and assurance has never been more critical.

Our Assurance business today

How does our Assurance business look today? It continues to grow healthily, especially our risk assurance practice, where we deliver non-statutory assurance over a wide range of risks.

This year, Assurance UK revenue reached £1,082 million, up by 9% on the previous year.

Regulatory change, including the introduction of mandatory rotation and tendering, means that we face a lot of change in the large company audit market. We've set out below a selection of the major audits we've won or retained during the year:

- *Aberdeen Asset Management*
- *AstraZeneca*
- *Babcock International*
- *Booker Group*
- *Cobham*
- *F&C Property Trust*
- *Grafton*
- *Hays*
- *Hikma Pharma*
- *Intertek*
- *Mondi*
- *Next*
- *Segro*
- *Synthomer*
- *Virgin Money*
- *Weir Group*

Of course, we also have clients who have decided to award their external audit mandate to another firm. We look forward to continuing to serve these clients in the non-statutory assurance space.

Audit quality

Increasingly, our clients tell us that we win audits on the basis of audit quality, and we believe that quality is the most important aspect of assurance performance. We were pleased to see that in their "Developments in Audit 2015/16 – an overview", the Financial Reporting Council (FRC) commented that audit quality in the UK, and confidence in audits, is improving.

In their report on PwC, the FRC concluded that 84% of all PwC audits inspected by the FRC's Audit Quality Review team, were good with limited improvements required (2015: 72%). The FRC's target is that by 2019, 90% of all FTSE 350 audits inspected should reach this standard. We support this target, and we're working hard to deliver our part of it. These results, and those of our own internal quality reviews, are set out in more detail on pages 60-61. This year the FRC's review did not identify any audits requiring significant improvement. However, where any of these reviews show that improvement is required in a PwC audit, we undertake rigorous root cause analysis to understand and remediate what went wrong.

The FRC's inspections identify those areas where auditing standards may not have been correctly applied. We work hard to reinforce other dimensions of audit quality as well, including:

- A **methodology** that will maximise the chance that we'll find material problems;
- The innovative use of **technology** as an integrated part of our methodology.

A comprehensive audit methodology, enabled by cutting edge technology, needs to be delivered by the right team. We recruit and develop our assurance professionals to be collaborative, sceptical and brave enough to deal with problems when they arise. This takes an investment of more than 1.38 million training hours per year, and a culture where our people know that quality is valued above everything else.

The audit quality indicators set out on pages 59-60 show largely good results in areas related to people and culture. They also highlight an area for us to work on regarding the workloads of our people. We're actively engaged in several activities to ensure our people's workloads remain reasonable. Annual portfolio reviews for partners and directors allow us to actively manage demands placed on our engagement leaders. We've also been focussing on sharing work more evenly, allowing us to reduce some of the highest levels of overtime needed. We'll continue to target improvement in this area next year.

The delivery of statutory audits is a matter of the highest public interest. We expect, therefore, that our work will be subject to regulatory and public scrutiny and challenge. We take all such challenges extremely seriously and these are overseen by the highest levels of management within the firm.

.....
PwC audit technology includes:

Aura – our integrated audit "ERP" system, used by all PwC teams around the world;

Connect – a virtual platform we share with our audit clients, to share audit evidence and deliverables securely and efficiently;

Halo – our Big Data interrogation tool, allowing us to visualise data, identifying patterns and discrepancies;

Count – a fully digitised stock count tool, replacing the clipboards and count sheets of stock counts in the past; and

Confirm – a digital confirmation tool, delivering an efficient and secure confirmation process



Transparency

Our commitment to audit quality can better increase trust if we make it transparent and so we hope that many of our stakeholders will read this report. Another critical part of our approach to transparency can be seen in the extended audit reports we issue on UK listed companies.

These set out the details of our audit scope and approach, materiality, the risk areas identified and how our audit responded. We also take the extra step of incorporating the results of our audit work, an approach which has been welcomed by shareholders.

This year, our HSBC audit team issued a ground-breaking audit report including a personal account from the engagement leader, Richard Oldfield. You can read more about this in the box to the right.

The HSBC audit report

The introduction of extended audit reports in 2013 has been warmly received by shareholders. But for one of our audits, HSBC, we were keen to see if we could do even more as we issued our first extended audit report of a new audit mandate. Our HSBC audit report includes a number of unique elements. It expresses the challenges we faced in preparing for our first year audit (see below for extract) and sets out the detail of the significant matters we discussed with the Group Audit Committee. The report is lengthy, but its length reflects the complexities that are part of a very large, multi-national audit in this industry.

Extract from the “Preparing to change auditors” section of the HSBC Holdings plc 2015 audit report

Before commencing audit work in September 2014, PwC member firms, their partners and staff took 12 months to ensure that we were independent of HSBC. This involved ceasing commercial relationships and changing financial arrangements for our partners and more than 2,000 staff who work on the audit of HSBC and its subsidiaries worldwide. During this period, members of my team took the opportunity to meet with HSBC’s management team to understand the issues faced by the business, and to gather information which we required to plan our audit. From September 2014 and throughout the 31 December 2014 year-end process, we worked alongside the former auditors, attending their key meetings with HSBC and understanding the complex or significant audit judgements which they made. We also observed the GAC and Group Risk Committee meetings and met with the primary regulators of HSBC.....”



Assurance in the future

As we look further out into the future, all perspectives are dominated by the impact of technological change. Some commentators believe that the development of artificially intelligent machines means that the future for professionals, including audit and assurance providers, is bleak, and that we may soon be unnecessary.

We believe it's important to understand the opportunities and threats presented by disruptive technology with an open mind. This year, we convened a debate between an accountant, a priest and a pharmacist, to share views on the survival potential of different professions. We learnt that both priests and pharmacists have experienced, and survived, existential technological threats. The publication of the Vulgate Bible (the first English translation of the bible) meant that priests were no longer required to translate the sacred text for the common man. Much later, mass production of drugs stopped the need for pharmacists to hand-grind prescriptions.

Both professions were able to re-invent themselves, and survive, but only by being open to radical change whilst retaining their fundamental purpose.

In the medium term, auditors will continue to be able to bring human values and ethics to subjective judgements, whilst increasing audit quality and efficiency through the use of big data techniques and machine learning. But what about when we reach the technological singularity or “peak human” – the point at which computers become more intelligent than humans? Perhaps when the world is run by artificially intelligent machines, the ultimate role of the assurance professional will be to assure the ethics of those machines are coded in a way that ensures the sustainability of the human race – a heavy responsibility, but this could be our profession's future.

We began this piece with an explanation of the importance of assurance today, and we've ended by speculating that assurance could play an even more important role in the future. We're proud to take on the responsibility of being assurance professionals dealing with the complexities and challenges of today's changing world. We'll also continue to invest in the future of assurance as we pursue our purpose – to build trust in society and solve important problems.

A report from the Public Interest Body

This is my first annual report as independent non-executive chair of PwC's Public Interest Body (PIB). I joined the PIB on 1 July 2015 and took over as chair from Sir Richard Lapthorne when he retired from the role on 31 March this year. This has been a year of change in the membership of the PIB, and further details of our new and retiring members are set out below.



Gus O'Donnell

Chairman of the Public Interest Body

Before dealing with the work we have undertaken this year, it is worth reiterating that the PIB's membership and activities reflect the objectives of the Audit Firm Governance Code (the Code), which states that audit firms should appoint independent non-executives (INEs) to improve confidence in the public interest aspects of the firm's decision-making, dealings with stakeholders and management of reputational risks.

The Code allows audit firms to tailor their governance structures to fit their individual circumstances. At PwC, we decided to create a separate PIB in response to the Code, chaired by an independent non-executive and with members comprising independent non-executives, executive management and representatives from the partners' Supervisory Board.

Other audit firms have taken different approaches. We believe that this structure is right for PwC as it allows the independent non-executive members to control the agenda of the PIB, focussing on those issues which are most relevant to the public interest.

The public interest and areas of focus

The key areas we have discussed with the firm's leaders over the past year are set out below. Speaking for the INEs, we find the relationship between the firm's Executive and the PIB to be a very open one. The PIB has the freedom to set its own agenda – matters with the potential to impact the public interest are brought to the PIB by executive management, but often the INEs will add to the agenda items which we consider need examination and challenge.

One of the areas on our agenda with the most significant implications for the public interest is the maintenance and improvement of audit quality and we continue to spend substantial time engaging with the regulators regarding the firm's annual inspection reports.

Matters we have particularly focused on in the last year are set out below:

.....

In all our discussions, the firm's leaders have welcomed input from the INEs and acknowledge that we have influenced their thinking

The election of a new Alliance Senior Partner	This year, the firm's partnership elected a new Senior Partner to succeed Ian Powell, who retired on 30 June. We maintained active engagement with the Supervisory Board during, and in relation to, the election process, and the INEs were consulted as part of the shortlisting process. INEs also attended the hustings events.
Planning for the outcome from the UK's referendum on membership of the European Union	We received briefings from the firm's Head of Reputational Strategy, and from its Senior Economic Adviser, on the issues pertinent to the referendum. We challenged the firm to have contingency plans in place for both an in and an out vote, and discussed with the firm's leaders the extent to which the firm would be taking a public stance on the referendum. The PIB will continue to take a close interest in how the firm deals with evolving political and economic circumstances.
Implementation of the reforms to the audit market arising from the EU audit reform process	We debate on a regular basis with the firm's Head of Assurance and the leader for Regulatory Affairs how the firm is addressing the challenges of both the market-driven and regulatory-driven changes in the audit market. We believe that the firm is adopting an appropriate balance in maintaining expertise in both audit and non-audit services in key industry sectors, and that the firm's commitment to audit quality remains paramount.
How the firm manages the reputational risks around providing tax advice	The provision of tax advice remains an area of intense media and political scrutiny, both in the UK and internationally. We continue our dialogue with the firm's Head of Tax on how the firm manages the reputational risks around providing tax advice. We are satisfied that the firm takes this area very seriously but as it continues to evolve the PIB will continue to pay close attention to the associated risks in the future.
The management of concentration risk in the UK financial services audit market	At our request, the firm's Assurance Financial Services Leader discussed with us how concentration risks are managed in PwC's audit work for the listed banking sector. The PIB noted the importance of managing the risk strategically, recognising that, as a result of mandatory firm rotation, PwC's share of the financial services audit market will change over time.
Maintenance and improvement of audit quality	The PIB chairman met with representatives of the FRC's Audit Quality Review team and, separately, the ICAEW to discuss the results of audit quality inspections. These meetings are useful as they help us to understand better the regulators' objectives. We also received a presentation from the firm's Audit Transformation team, including on how the use of new technology and techniques will enable auditors to spend more time on significant areas of judgment, thereby enhancing audit quality.
Limiting the threats to information security and cyber security	We discussed with the firm's Chief Information Officer the internal review of the firm's security improvement programme and were pleased to note that significant progress has been made. The INEs recommended that the firm keeps active in relation to minimising insider and criminal conspiracy risk, and that it should focus on anticipating threats rather than being reactive.
Significant claims and litigation affecting the UK firm	At each meeting we receive reports from the firm's General Counsel on the most significant cases affecting the firm. We are satisfied that these are being appropriately handled by the firm and its external legal advisors.

In all of our discussions on the above matters, the firm's leaders have welcomed input from the INEs and acknowledge that we have influenced their thinking – for example by challenging them to see alternative perspectives.

The INEs are satisfied that the firm's processes for raising matters of public interest to the PIB's attention are appropriate, and that our questions are answered in a considered and effective manner. We have illustrated two aspects of our work this year, one strategic and one tactical, in detailed case studies, set out below.

Case Study: Evolution of the international PwC network – Considered by the PIB at each meeting

The UK firm is a significant member of PwC's international network. Given the network's importance and impact on the UK firm's operations, we discuss the network's evolution and related risks and opportunities at each PIB meeting. During the year we discussed with the Senior Partner and his team a number of significant changes to the network and their impact on the UK firm, including:

- The retirement of Dennis Nally, network chairman, on 30 June 2016 and appointment of Bob Moritz to this role
- The change of Alliance Senior Partner on 1 July 2016
- The change from three business clusters to two: EMEA (Europe, Middle East and Africa) and APA (Asia Pacific Americas) from 1 July 2015
- The evolving geopolitical situation in the Middle East and in particular the challenges of doing business in countries such as Iran and Saudi Arabia
- The continuing integration into the business of Strategy&
- The implementation of global technology systems across the network.

We discussed whether the move to two clusters would result in different rates of progress between the clusters and received assurance that the network vision is overarching and encourages consistent investment and behaviours across the network. We also noted that, given the change of senior personalities in the network, both the Supervisory Board and the PIB need to pay close, regular attention to global matters to ensure that the UK firm's international strategy is taken forward in a measured, rational and evolutionary way.

Case Study: Hospitality in the political world – considered by the PIB in February 2016

Government is an important stakeholder in what PwC does and it is therefore appropriate that the firm builds and maintains relationships with MPs, Ministers and senior officials. As we move into a world of ever greater transparency and scrutiny, the firm's executive management decided to create a new firm-wide policy on the provision of hospitality to senior civil servants, MPs, Ministers and senior officials. There was no suggestion that people had been acting improperly, but we agreed with executive management that now was the right time to ask PwC people to "stop and think" about the level and nature of the hospitality and the potential perceptions created.

Our Public Interest Body

The firm established the Public Interest Body following the introduction of the Audit Firm Governance Code, which applied to PwC UK for the first time for the year ended 30 June 2011. The Public Interest Body's purpose is to enhance stakeholder confidence in the public interest aspects of the firm's activities, through the involvement of independent non-executives.

Independent non-executives

Sir Richard Laphorne
(Chairman) (to 31 March 2016)

Lord Gus O'Donnell
(from 1 July 2015, and
Chairman from 1 April 2016)

Dame Helen Alexander
(from 1 March 2016)

Sir Graeme Davies
(to 30 September 2015)

Dame Karen Dunnell
(to 30 September 2015)

Sir Ian Gibson

Justin King
(from 1 July 2015)

Paul Skinner

PwC members

Pauline Campbell†

James Chalmers^
(to 30 June 2016)

Margaret Cole^
(from 1 July 2016)

Kevin Ellis^
(from 1 July 2016)

Mark Hudson†

Ian Powell^
(to 30 June 2016)

^ Member of the Executive Board

† Member of the Supervisory Board

The firm discussed with the PIB a single, standalone policy on hospitality to and from Government officials which would cover the following:

- A definition of the MPs, Ministers and senior officials covered by the policy
- Background to the level of scrutiny surrounding hospitality of these groups
- Information and questions designed to encourage people to reflect on the potential reputational risks
- Education of people about MPs, Ministers and senior officials' regime for reporting hospitality so that they can make informed judgments about when to offer it.

At the PIB meeting we probed the proposals with the Head of Reputational Strategy and the Head of UK Political Relations. The PIB noted that in addition to limits and guidance on spending and activities, any policy should be alert to the test of external media scrutiny – would the firm be comfortable with the activity being published in a newspaper? If not, then the activity might not be appropriate, notwithstanding satisfying any detailed guidelines.

The PIB further noted that hospitality guidelines should capture all entertainment, and not just government or political hospitality, and should be principles-based with examples. The INEs recommended that the firm put together a concise policy in this regard.

Executive management has responded to these requests, in particular in light of the FRC's new Ethical Standard, and a new entertainment policy has been finalised.

Stakeholder engagement

Within the firm, it is important that the PIB has links to the wider body of the partnership, who are the owners of the business. In addition to hearing at each meeting from the chairman of the Supervisory Board, or his representative, we meet with the majority of the members of that Board at least once a year and individual INEs intend to attend selected meetings of the Supervisory Board in FY17. The INEs continue to meet partners and staff through other forums, for example by attending the annual Partner Meeting and other events. The INEs have also met with the PwC network's Global Board this year.

Externally, the Code identifies shareholders and the PwC's regulators as primary stakeholder constituencies. In December 2015 the INEs, together with members of PwC's executive management team, met with a number of investor representatives from the Corporate Reporting and Auditing Group, led by the Investment Association, to discuss the activities of the PIB and a variety of related matters. A balanced and constructive dialogue took place, covering areas including: tendering activity in the audit market; how the PIB holds executive management to account and exercises influence within the firm; how the PIB considers ethical issues; reporting by the PIB; channels for communication between stakeholders and the PIB; and international models for audit firm governance. Following the general discussion, there was a private session between the investor representatives and the INEs only.

We also met with one shareholder representative on an individual basis. These meetings were positive and helpful and there is a willingness on all sides to continue this engagement regularly.

As noted above, the chairman of the PIB also met with representatives of the FRC and, separately, with the ICAEW, to discuss the results of audit quality inspections and developments on the regulatory agenda. The ICAEW President also attended one of our meetings. The FRC's stated strategy is to work collaboratively with other participants in the capital markets, and we are keen to embrace this opportunity to work with the FRC to help it better fulfil its regulatory objectives. The capital markets will operate most effectively when there is full engagement between all participants and we seek to solve problems together.

If any of PwC's stakeholders would like to raise issues related to the Code or our work, do please get in touch with me, using the contact details below.

Reviewing the effectiveness of audit firm governance

As mentioned in last year's report, the FRC has been reviewing the effectiveness of the Code, which was first introduced in 2010. PIB members were closely involved in formulating PwC's recommendations and responses to the FRC's public consultations on this subject; the PwC INEs also wrote separately to the FRC to set out their views. Following their review, the FRC has published a revised Code. The new Code is effective for accounting periods beginning on or after 1 September 2016, but we will seek to adopt early its recommendations during the year to June 2017.

We are pleased to see that the articulation of the Code's purpose has been sharpened and places appropriate emphasis on audit quality. We also support the FRC's decision to continue to allow flexibility in responding to the requirements of the Code so that the different governance and network structures of the major audit firms can be accommodated. In the future, the new Code will require audit firms to consider and disclose the aspects of the UK Corporate Governance Code they have adopted. There are many UK Corporate Governance Code provisions which we already embrace, but the unique structure of an audit partnership compared to a listed company means that there are others which are less relevant. As we work on implementing the new Code we will give this further consideration and disclose the extent of our UK Corporate Governance Code adoption in future Transparency Reports.

We strongly support any moves by the FRC to promote the visibility of firms' Transparency Reports and firms' disclosures regarding their compliance with the Code. The PIB is satisfied that the firm continues to comply with the existing Code for the year ended 30 June 2016.

Turning to our own effectiveness, an externally facilitated effectiveness review was completed in FY15. We intend to commission the next full review for the year ending June 2018. This will also coincide with the effective date by which we must comply with the new Code.

In addition, I am keen to learn lessons from similar organisations on how they implement the Code and will continue to look for opportunities to do so.

Changes in our membership – a forward look

During the year we said goodbye to three of our INEs. Sir Graeme Davies and Dame Karen Dunnell stepped down on 30 September 2015, and Sir Richard Lapthorne on 31 March 2016. I would like to place on record our sincere thanks to all three for the valuable and individual experience and insight that they brought to the PIB's deliberations. In particular Sir Richard was instrumental in shaping the PIB to add value to the firm by creating a forum to provide advice and challenge to the firm's leadership. I plan to continue in a similar vein, bringing challenge and influence to the public interest activities of PwC.

Justin King and I joined the PIB as INEs on 1 July 2015, and Dame Helen Alexander joined as an INE on 1 March 2016. The number of INEs is now five.

We also said farewell on 30 June to Ian Powell and James Chalmers. Ian of course has been a member of the PIB since its inception, and we will all miss his experience and his openness and willingness to engage in dialogue with us. James will continue to play a pivotal role in the PwC Network as EMEA Assurance Leader. We wish both Ian and James well in the next stage of their careers.

Effective 1 July 2016, the two Executive Board representatives on the PIB are Kevin Ellis and Margaret Cole, while the new Head of Assurance, Hemione Hudson, will also attend PIB meetings given the importance attached to the audit business by both PwC and the Code.

I am very much looking forward to working with my independent non-executive colleagues and the PwC leadership team over the course of the next few years. I have long regarded the provision of high quality, independent audit as of critical importance to the UK capital market. It is a privilege, and a great responsibility to play a part in safeguarding that service.

Lord Gus O'Donnell,
Chairman of the Public Interest Body

Contact: secretariat@uk.pwc.com



Other information



1. Legal structure and ownership

PricewaterhouseCoopers LLP (PwC UK) is a limited liability partnership incorporated in England and Wales.

(a) Ownership of PwC UK

PwC UK is wholly owned by its members, who are commonly referred to as partners. During the year, the average monthly number of partners was:

	FY16	FY15
PwC UK partners	890	849
Partners on secondment overseas	36	36
	926	885

(b) UK office structure

PwC UK operates out of 29 offices throughout the United Kingdom – a full list can be found at www.pwc.co.uk.

(c) Related firms, entities and investments

Set out below are details of the principal subsidiary undertakings of PwC UK, its interest in joint ventures and its other investments. Further details can be found on pages 20-23 and pages 38-41 in the PwC Financial Statements 2016 which can be found at www.pwcannualreport.co.uk.

(i) Subsidiary undertakings

The subsidiary undertakings whose results or financial position principally affected the figures shown in the PwC Financial Statements 2016 are shown in the table below. A full list of all subsidiary undertakings is shown in the PwC Financial Statements 2016. All principal subsidiary companies are 100% owned. All principal subsidiary companies are incorporated in Great Britain, except for PricewaterhouseCoopers (Middle East Group) Limited which is incorporated in Guernsey, with PwC UK owning 100% of the ordinary shares and the local Middle East partners owning 'B' shares.

Principal subsidiary undertakings of PwC UK	Principal activity
Companies	
PricewaterhouseCoopers Services Limited	Service company and employment of staff
PricewaterhouseCoopers Legal (Resources) Limited	Employment of staff
PricewaterhouseCoopers (Middle East Group) Limited	Professional services
PricewaterhouseCoopers Overseas Limited	Professional services
PricewaterhouseCoopers Advisory Services Limited	Professional services
PRPi Consulting Limited	Professional services
PwC Change Management Limited	Professional services
PwC Consulting Associates Limited	Professional services
PwC Performance Solutions Limited	Professional services
PwC Holdings (UK) Limited	Investment holding company
Beyond Food Community Interest Company	Social enterprise
PwC Strategy& (UK) Ltd	Professional services
PwC Tax Information Reporting Limited	Professional services
PwC Performance Solutions (No 3) Limited	Professional services
PricewaterhouseCoopers Assurance UK Limited	Professional services
Limited Liability Partnerships	
PricewaterhouseCoopers Legal LLP	Legal services
PricewaterhouseCoopers CI LLP	Professional services
PwC Strategy& UK Holdings LLP	Investment holding company
PricewaterhouseCoopers Legal Middle East LLP	Legal services

The non-controlling interest in profits and capital attributable to the members of PricewaterhouseCoopers Legal LLP and PricewaterhouseCoopers CI LLP and to the Middle East partners of PricewaterhouseCoopers (Middle East Group) Limited are shown as non-controlling interests in the PwC Financial Statements 2016.

(ii) Interests in joint ventures

PwC UK holds an interest in a joint venture, Skyval Holdings LLP. Skyval develops, maintains and licenses pension-related software and is incorporated in the United Kingdom. The group has 50% voting control and owns 20% of the equity, with a 50% share of the profits and losses over the first three years, reducing to 20% thereafter.

PwC UK also holds a 50% interest in a joint venture, PricewaterhouseCoopers Mobility Technology Services LLC, a Delaware company which provides IAS technology services.

Furthermore, PwC UK holds a 33.3% interest in a service delivery centre based in Poland, via PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) BV, and a 50% interest in a technology consulting business based in Poland, via PwC Poland Services Limited.

(iii) Other investments

PwC UK also holds a number of investments including the following:

- An equity holding in PwC Strategy& Parent (UK) Limited, a company incorporated in the United Kingdom. Strategy& is a strategy consulting business;
- Preference shares issued by the PwC Central and Eastern European and PwC African firms as part of strategic investment plans; and
- An equity holding in PwC Network Holdings Pte Limited, a company which provides investment funding to certain member firms of the PwC global network.

(d) Principal lines of business

PwC UK operates through four principal Lines of Service (LoS) in the UK. These are Assurance, Consulting, Deals and Tax. Support services are provided by Internal Firm Services.

The primary services provided by each of the four principal lines of service are set out in Appendix 1.

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PwC UK holds a 33.3% interest in a service delivery centre based in Poland.

2. The PricewaterhouseCoopers network

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‘PricewaterhouseCoopers’, ‘PwC Network’ and ‘PwC’ refer to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), each of which is a separate legal entity.

We are constantly looking at ways to provide greater clarity about who we are, what we do and how we do it. We see this commitment to transparency as a clear responsibility and the inevitable consequence of the impact our business has on our stakeholders, the capital markets and the communities in which we live and work.

It really matters to us that we engender confidence in the entire PwC network by putting this principle of transparency into practice.

We believe that the key factors that differentiate PwC among the world’s leading professional services organisations are the talent of our people, the breadth of the PwC network and the standards with which PwC firms comply.

These standards cover important areas such as service quality, governance arrangements, independence, risk management, people and culture, and brand and communications. PwC firms agree to follow network standards, and their compliance with these standards is monitored regularly.

(a) PwC Network

In many parts of the world, the right to practise audit and accountancy is granted only to member firms that are majority owned by locally qualified professionals. PwC is a global network of separate member firms, operating locally in countries around the world.

PwC firms are members of PricewaterhouseCoopers International Limited (PwCIL) and have the right to use the PricewaterhouseCoopers name.

As members of the PwC Network, PwC firms share knowledge, skills and resources. This membership facilitates PwC firms working together to provide high quality services on a global scale to international and local clients, while retaining the advantages of being local businesses – including being knowledgeable about local laws, regulations, standards and practices.

Being a member of the PwC Network means firms also agree to abide by certain common policies and maintain the standards of the PwC Network. Each firm engages in quality control and compliance monitoring activities, covering the provision of services, ethics and business conduct, and the compliance with specific, strict standards for independence monitoring and protection.

PwCIL is a UK private company limited by guarantee, in which PwC firms are members. PwC UK is a member firm of PwCIL. PwCIL acts as a coordinating entity for PwC firms and does not practice accountancy or provide services to clients. PwCIL works to develop and implement policies and initiatives that create a common and coordinated approach for PwC firms in key areas such as strategy, brand, and risk and quality.

PwC firms use the PwC name and draw on the resources and methodologies of the PwC Network. In return, PwC firms are required to comply with certain common policies and the standards of the PwC Network, as noted above.

Each member firm of PwCIL is a separate legal entity and does not act as an agent of PwCIL, or any other PwC member firm. Each member firm is only liable for its own acts or omissions and not those of PwCIL or any other member firm. PwCIL has no right or ability to control any member firm’s exercise of professional judgement or bind them in any way. No member firm has the right or ability to control the exercise of another member firm’s professional judgement, or bind another member firm, or PwCIL, in any way.

People



208,109 people FY15

Working in

756 locations

in 157 countries

FY15

Worldwide revenues

\$35.4bn

FY15



Every PwC firm is responsible for its own risk and quality performance and, where necessary, for driving improvements.

(b) Size of the network

Member firms of PwCIL provide industry-focused assurance, tax and advisory services to enhance value for their clients. Over 208,000 people in 157 countries share their thinking, experience and solutions to develop fresh perspectives and practical advice.

For the year ended 30 June 2015, PwCIL member firms generated aggregate revenues of US\$35.4 billion worldwide (2014: US \$34 billion). Aggregate revenues for the year ended 30 June 2016 will be available from October 2016 in the PwC Global Annual Review which can be found at www.pwc.com/annualreview. The PwC Global Annual Review also contains further financial and other information about the PwC Network.

A list of PwC Network audit firms and sole practitioner statutory auditors in European Union/European Economic Area Member States can be found in Appendix 3.

(c) Governance structures of PwCIL

The governance structures of PwCIL are as follows:

- Network Leadership Team (NLT) – The NLT is responsible for setting the overall strategy for the PwC Network and the standards to which PwC Network firms agree to adhere.

The NLT is made up of the Chairman of the PwC Network; the Senior Partners of the US, the UK and China PwC Network firms; and a fifth member appointed by the Board, currently the Senior Partner of PwC Germany. The Chairman of the PwC Network and the fifth member may serve on the NLT for a maximum of two terms of four years each in their respective capacities. The terms of the other NLT members are limited by the arrangements in their respective firms. The NLT typically meets monthly and on further occasions as required.

- Strategy Council – The Strategy Council, which is made up of the leaders of the largest PwC Network firms and regions, agrees the strategic direction of the PwC Network and facilitates alignment for the execution of this strategic direction. The Strategy Council meets at least quarterly and as required.
- Global Leadership Team (GLT) – This team is appointed by, and reports to, the NLT, including the Chairman of the PwC Network. Its members are responsible for implementing the strategy set by the NLT and leading teams drawn from PwC Network firms to coordinate activities across all areas of PwC's business.
- Global Board (the Board) – The Board, which currently consists of 18 elected members, is responsible for the governance of PwCIL and oversight of the NLT. The Board does not have an external role. Board members are elected by partners from all PwC firms around the world every four years. The current Board, with members from 13 countries, took up office in April 2013

Board members may serve a maximum of two terms and the normal term is four years. The Board meets four times a year and on further occasions as required.

(d) Key features of the network

Every PwC member firm is responsible for its own risk and quality performance and, where necessary, for driving improvements. Every PwC member firm is also exclusively responsible for the delivery of services to its clients.

Each PwC member firm's Territory Senior Partner, Ian Powell (Kevin Ellis from 1 July, 2016) for PwC UK, signs an annual confirmation of compliance with our Network Standards. These standards are regularly reviewed and updated as necessary. These cover a range of areas, including independence, ethics and business conduct, enterprise risk management, governance, anti-corruption, anti-money laundering, anti-trust, and information protection.

These confirmations are reviewed by others who are independent from the PwC member firm in question. Member firms are required to develop an action plan to address specific matters where they are not in compliance. The action plans are reviewed and their execution monitored.

There are some common principles and processes to guide PwC member firms in applying the network standards. Major elements include:

- The way we do business
- Sustainable culture
- Policies and processes
- Quality reviews

(i) The way we do business

PwC member firms undertake their business activities within the framework of applicable professional standards, laws, regulations and internal policies. These are supplemented by a PwC Code of Conduct for their partners and staff. The PwC UK Code of Conduct is set out at www.pwc.co.uk/who-we-are/code-of-conduct.html

(ii) Sustainable culture

To promote continuing business success, PwC member firms nurture a culture that supports and encourages PwC people to behave appropriately and ethically, especially when they have to make tough decisions.

PwC people have ready access to a wide array of support networks within their respective member firms – both formal and informal – and technical specialists to help them reach appropriate solutions.

The foundations of PwC's culture are objectivity, professional scepticism, cooperation between PwC member firms and consultation.

(iii) Policies and processes

Each PwC member firm has its own policies, based on the common standards and policies of the PwC Network. PwC member firms also have access to common methodologies, technologies and supporting materials for many services.

These methodologies, technologies and content are designed to help a member firm's partners and staff perform their work more consistently, and support their compliance with the way PwC does business.

(iv) Quality reviews

Each PwC member firm is responsible for monitoring the effectiveness of its own quality control systems. This includes performing a self-assessment of its systems and procedures, and carrying out, or arranging to have carried out on its behalf, an independent review.

In addition, the PwC Network monitors PwC member firms' compliance with network quality expectations, and risk and quality standards and policies. This includes monitoring not only whether each PwC member firm conducts an objective quality control review programme, but also includes consideration of a member firm's processes to identify and respond to significant risks.

In accordance with applicable regulatory requirements, each member firm may also be reviewed periodically, in some cases annually, by national and international regulators and/or professional bodies.

For Assurance, the quality control review programme is based on relevant professional standards relating to quality controls including International Standards on Quality Control 1: 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements' (ISQC 1) and where applicable, the US Public Company Accounting Oversight Board (PCAOB) Quality Controls Standards.

The overriding objective of the Assurance quality review programme is to assess for each PwC member firm that:

- Quality management systems are appropriately designed, are operating effectively and comply with applicable network standards and policies
- Engagements selected for review were performed in compliance with applicable professional standards and PwC Audit requirements, and
- Significant risks are identified and managed appropriately

A member firm's assurance quality review programme is monitored, as is the status and effectiveness of any quality improvement plans a PwC member firm puts in place.

(e) Development of global audit methodology, technology and tools

(i) Global audit methodology

PwC's global audit methodology is developed by the Network Assurance Methodology Group (NAMG). NAMG has responsibility for the maintenance and update of global audit policies and guidance, included within: the PwC Audit Guide; libraries of audit steps for our global Enterprise Resource Planning (ERP) system (Aura); and template letters and other documents for use by engagement teams. The UK, along with other member firms, support NAMG by seconding staff to work alongside the permanent staff. There are also a number of review and consultation groups, comprising representatives from member firms including PwC UK, which provide input to NAMG via regular conference calls and review of materials prior to release to the PwC network.

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Our unique technologies and tools are under continual review and enhancement to improve audit quality and efficiency

The Audit Methodology Leaders Group, which includes senior representation from PwC UK, exists for the purpose of ensuring global alignment of methodology priorities, sharing of territory emerging matters, providing input on PwC's response to proposed auditing and assurance standards, and acting as a forum for discussion.

(ii) Global audit technologies and tools

The Global Business Transformation Leadership Team is responsible for the assurance technology strategy and oversight and consists of the Global Chief Auditor and the Global Tools and Technologies Leader together with representation from major territories including two partners from PwC UK. The Assurance Transformation agenda is supported by a network of cluster and territory Assurance Transformation Partners and Managers responsible for the roll-out, implementation and support of new technologies and initiatives.

Our unique technologies and tools, which are under continual review and enhancement to improve audit quality and efficiency, include:

- Aura, our global ERP system – New features and functionality for Aura are developed at a global level to reflect changes to regulatory and legal requirements, technology initiatives to improve quality and efficiency, themes from external and internal quality reviews and feedback from global users. New features and functionality are approved by the Aura Working Group, which is composed of PwC Tools and Technologies partners and directors and IT specialists from across the network including PwC UK. Aura changes impacting methodology aspects involve NAMG, risk management, legal and IT specialists as appropriate. Prior to release to the network, changes are tested globally through a collaborative testing approach involving a number of member firms, including PwC UK. In addition Aura specialists work closely with global and member firm learning and education functions in determining the extent of any training requirements and the development of appropriate materials; and

- Other applications, such as Halo, Connect, Count and PwC's Confirmation System (see section 5 for further details) – Such applications either involve global teams of audit and IT specialists developing the concept or involve a territory, such as PwC UK, taking the lead on behalf of the network. Input and approvals are obtained from relevant methodology, risk management, legal and IT specialists as appropriate. PwC UK has had a significant involvement in the development of these global applications.

(f) Independence

Objectivity is the hallmark of our profession, at the heart of our culture and fundamental to everything we do. Independence underpins objectivity and has two elements: independence of mind and independence in appearance.

PwC member firms reinforce both of these elements through a combination of setting the right tone from the top, independent consultation on judgemental issues, detailed policy requirements including prescribed processes to safeguard independence, regular training, and careful observance of independence requirements.

(g) Financial arrangements

PwC UK and its subsidiary undertakings have no profit-sharing arrangements under the PwCIL network framework. Details of PwC UK's strategic alliances with certain other PwC Network firms are explained in more detail in the PwC Financial Statements 2016 on pages 20-23. The profit-sharing arrangements of PwC UK are set out in section 10.

3. Governance structure of PricewaterhouseCoopers LLP

The governance structure of PwC UK (the Firm) is made up of three main elements: an Executive Board responsible for developing and implementing the policies, strategy, direction and management of the Firm; a Supervisory Board, which gives guidance to the executive

management, representing the interests of the partners; and a Public Interest Body whose aim is to enhance confidence in the public interest aspects of the Firm's decision-making, stakeholder dialogue and management of reputational risks.

Senior partner election process

On 1 July 2016, Kevin Ellis took over from Ian Powell as our Alliance Senior Partner. Kevin's appointment was the culmination of an election process which ensured that all partners in the Alliance had a stake in choosing their Senior Partner. The election process was overseen by the Alliance Supervisory Board and run by the UK Supervisory Board supported by the two members of the Middle East Board who sit on the Alliance Supervisory Board.

The Alliance Senior Partner election process began with indications in November 2015, followed by a self-nomination process open to all Alliance partners which ran from late February to early March 2016. The Supervisory Board then ran a thorough due diligence process in March.

Four partners were candidates in the formal election process. This process began on 11 April and ended on 27 April, with the new Alliance Senior Partner being announced on 28 April.

Partner engagement in the process was extremely high. A dedicated election intranet site was created and visited a significant amount of times over the period.

Furthermore, throughout the process as a whole, over 500 questions for the candidates were submitted to the Supervisory Board.

Hustings were held in Dubai, Birmingham and London. Approximately 1,000 (90%) partners participated in the hustings either in person (95%) or via webcast (5%). In the hustings each candidate described their manifesto and then took questions from the audience. The key manifesto themes and partner questions centred around the candidates' vision and strategy, the UK firm's role in the international network, technology strategy and implementation, people engagement, partner development and income, future Executive Board organisation structure, and diversity.

A Single Transferable Vote (STV) system, managed by an independent scrutineer, was used which allowed for a single round of voting.

Approximately 98% of partners voted in the process. Kevin Ellis was announced as the winning candidate just after 3pm on 28 April, the day after the voting closed.

(a) The Executive Board

The Executive Board is responsible for developing and implementing the policies and strategy of the Firm, and for its direction and management.

The Executive Board sets and communicates the Firm's strategic priorities, which feed into the Firm's business planning process. The contribution of each part of the Firm is monitored through balanced scorecard reporting.

The Executive Board was chaired by Ian Powell, the Chairman and Senior Partner of the Firm until 30 June 2016 when he retired from the firm. Kevin Ellis has been elected by the partners to serve as Chairman and Senior Partner for four years from 1 July 2016. The Senior Partner appoints the other Executive Board members, all of whom are partners in the Firm. Each Executive Board member has responsibility and accountability for a specific aspect of our business.

The Executive Board meets at least monthly to conduct formal business, and also meets regularly to cover other business.

During the course of the Financial Year the Executive Board held three separate strategy meetings, and also had four regional office visits (to Belfast, Edinburgh, Bristol and Manchester).

Length of service on the Executive Board and attendance records for the year ended 30 June 2016 are set out in Table 3.1.

The Executive Board takes responsibility for establishing systems of internal control and for reviewing and evaluating their effectiveness.

The day-to-day responsibility for the implementation of these systems and ongoing monitoring of risk and the effectiveness of controls rests with the senior management in the individual Lines of Service and Internal Firm Services.

Table 3.1 Executive Board for the year ended 30 June 2016

	Length of service (years)	Board meetings	
		A	B
Ian Powell, Chairman and Senior Partner^^	10	12	12
Kevin Ellis, Managing Partner	8	12	10
Gaenor Bagley, People	5	12	9
James Chalmers, Assurance^^	8	12	10
Margaret Cole, General Counsel	4	12	12
John Dwyer, Deals	4	12	10
Warwick Hunt, Chief Financial Officer	3	12	11
Stephanie Hyde, Regions	5	12	12
Kevin Nicholson, Tax	8	12	10
Richard Oldfield, Strategy	5	12	10
Dan Schwarzmenn, Clients and Markets	3	12	9
Ashley Unwin, Consulting	4	12	9

A = Maximum number of formal monthly meetings attended.

B = Number of meetings actually attended.

^^ Member of the Public Interest Body



Mark Hudson

Chairman of the
Supervisory Board

The systems, which have been in place throughout the Financial Year and up to the date of approval of the PwC UK Financial Statements 2016, include the following:

- The Risk Council, an Executive Board committee, which considers whether controls are in place to identify, evaluate and manage risk.
- Our LoSs and our Internal Firm Services, which document risks and the responses to them, carry out risk assessments annually and report to the Risk Council on how effectively they have managed risk during the year.
- Periodic reviews of performance and quality, which are carried out independently by the PwC network.
- Our internal audit team, which reviews the effectiveness of the financial and operational systems and controls throughout the Group, and reports to the Executive Board and the Audit and Risk Committee of the Supervisory Board.
- Our risk and quality functions, which oversee our professional services' risk management systems and report to the Executive Board.

We take client acceptance procedures extremely seriously and we do not automatically take on new clients or an engagement for an existing client. Understanding properly who we are working with and the nature and purpose of the work requested are central to protecting our reputation for quality.

We have procedures to assess the risk associated with new clients, which include reviewing their business activities and reputation to ensure they are compatible with our values. We also establish up front whether we are able to comply with independence requirements and address any potential conflicts of interest.

We also regularly review existing client relationships to ensure that they remain consistent with our values and to address any independence issues that may arise from the longstanding nature of those relationships.

A more detailed explanation of the Firm's systems of internal control and internal quality control for Assurance is set out in section 5.

The biographies of the members of the Executive Board up to 30 June 2016 and the members of the Executive Board from 1 July 2016 are set out in Appendix 2.

The Leadership Team

The election of Kevin Ellis as the new Chairman and Senior Partner from 1 July 2016 has brought about a number of important developments in the structure of the UK firm's leadership team that represents the way forward and the future of the firm.

Kevin introduced a new, more lean structure to the Executive Board focused around our key strategic areas and aligned to our vision of agility, people and technology. Integral to this structure is the newly created Clients and Markets Executive (CME), which comprises the Head of each Line of Service: Assurance, Consulting, Deals and Tax, as well as the the Head of Market Initiatives and Industries, and is chaired by the Head of Clients and Markets, Kevin Burrowes. The CME is responsible for serving our clients on a day to day basis and will work closely with the Executive Board in focusing on delivering our assurance, consulting, deals and tax services, together with industry initiatives.

Kevin has and will continue to retain responsibility for the appointment and performance of the CME, who report to Kevin Burrowes. Members of the CME will regularly attend Executive Board meetings and present to the Executive Board.

Hemione Hudson, UK Head of Assurance, is the CME member for Assurance and will present an Assurance update to every monthly Executive Board meeting.

Every member of our leadership team will retain senior client relationships.

(b) Supervisory Board

The principal roles of the Supervisory Board are to hold the Executive Board to account and to represent the interests of all partners, and as such it is a vital part of the Firm's governance structure.

The Supervisory Board is made up of 12 members, who are elected for a term of four years by all of our partners. In addition to the 12 elected members, UK Chairman and Senior Partner (Ian Powell until 30 June 2016, and then Kevin Ellis) serves as an *ex officio* member, along with two partners who have been elected to the Board of PricewaterhouseCoopers International Limited, the Global Board of the PwC Network. The Supervisory Board elects its own Chairman.

All elected members of the Supervisory Board were in office throughout the year ended 30 June 2016.

Partners use the Supervisory Board as a formal communication channel with the Executive Board. This is achieved by holding regular meetings (called the Supervisory Board liaison process) with partners to get their views on the Firm's overall strategy and any other issues that may be of concern.

The Supervisory Board is also responsible for approving the Annual Report and the choice of the Firm's external auditor, for approving the admission of new partners and for approving transactions and arrangements outside the ordinary course of business.

It has the ability to consult partners on any proposed significant change in the form or direction of the LLP and has responsibility for managing the process leading to the selection of the Firm's Senior Partner.

There are three committees of the Supervisory Board: Partner Affairs, Strategy and Governance, and Audit and Risk. The Partner Affairs Committee is responsible for making sure that the Firm's policy on partners' remuneration is properly and fairly applied. It also has oversight of partner admissions and retirements.

The members of the Partner Affairs Committee, under a different Chairman, act as the Senior Management Remuneration Committee and make recommendations to the Supervisory Board, which sets the Senior Partner's profit share and approves the Senior Partner's recommendations for the profit share of other members of the Executive Board.

The Supervisory Board is made up of 12 members, who are elected for a term of four years by all of our partners.

Table 3.2 Supervisory Board	Length of service (years)	Board meetings	
		A	B
Mark Hudson, Chair	4	11	11
Christine Adshead ^{3,6} , Deputy Chair	4	11	11
David Allen ⁵	4	11	6
Pauline Campbell ⁴	7	11	9
Duncan Cox ^{1,5}	4	11	10
Bill MacLeod ^{1,5}	2	11	10
Sue Rissbrook ⁵	4	11	8
Caroline Roxburgh ^{3,5}	4	11	11
Anne Simpson ¹	2	11	10
Jim Stidham ^{1,3}	2	11	10
Claire Stokes ¹	2	11	7
Heather Swanston ²	2	11	10
Simon Friend ^{3,7}	4	11	10
Gerry Lagerberg ⁷	16	11	10
Ian Powell (to 30 June 2016)	8	11	10

A = Maximum number of meetings could have attended.
B = Number of meetings actually attended.

1. Partner Affairs Committee member
2. Partner Affairs Committee Chair
3. Audit and Risk Committee member
4. Audit and Risk Committee Chair
5. Strategy and Governance Committee member
6. Strategy and Governance Committee Chair
7. Member of the Board of PricewaterhouseCoopers International Limited (the "Global Board")

In addition to the formal monthly Supervisory Board meetings, the Supervisory Board met with Independent Non-Executives and held supplementary meetings to discuss the Alliance Senior Partner election and other matters. Ian Powell was not required to attend these meetings. Gerry Lagerberg and Simon Friend were not eligible to attend some of the additional Supervisory Board meetings relating to the Alliance Senior Partner election due to their Global Board or Middle East responsibilities.

The Strategy and Governance Committee provides oversight of both the development of the UK Firm's strategy and any material acquisitions or disposals. Its role is also to provide the Supervisory Board with a forward agenda to assist it to effectively commit time to strategic issues facing the Firm as well as to routine operational issues.

The Supervisory Board works closely with the Firm's Public Interest Body. Mark Hudson and Pauline Campbell sit on the Public Interest Body as members of the Supervisory Board to make sure that there is effective communication between the two bodies.

The members of the Supervisory Board, who served during the year ended 30 June 2016, are shown in Table 3.2. The Supervisory Board Members' biographies are set out in Appendix 2

The Audit and Risk Committee

The Audit and Risk Committee comprises five members of the Supervisory Board. The Committee comprises five members of the Supervisory Board, having both audit and non-audit backgrounds. The Committee met 13 times in the year ended 30 June 2016 (FY15: 10 times). The Chief Financial Officer, the General Counsel, the Head of Internal Audit and the external auditors, Crowe Clark Whitehill LLP (CCW), attend the Committee's meetings by invitation. Both the internal and external auditors meet privately with the Committee without management presence.

The Committee monitors and reviews the:

- Effectiveness of the Group's internal control and risk management systems.
- Firm's policies and practices concerning compliance, independence, business conduct and ethics, including whistle-blowing and fraud.
- Scope, results and effectiveness of the Firm's internal audit function.
- Effectiveness and independence of the Firm's statutory auditor, CCW.
- Reappointment, remuneration and engagement terms of CCW including the

policy in relation to, and provision of, non-audit services.

- Planning, conduct and conclusions of the external audit.
- Integrity of the Group's Financial Statements and digital annual report and the significant reporting judgements contained in them.
- Firm's Transparency and Corporate Sustainability reports.

Internal control and risk management systems

The Committee's review of internal control includes considering reports from the Firm's Risk Council and internal and external auditors. A member of the Committee attends the Risk Council meetings throughout the year.

During the year the Committee considered and approved the internal audit work programme including its risk assessment, proposed audit approach and coverage, and the allocation of resources. The Committee reviewed the results of internal audit work and considered the adequacy of management's response to matters raised, including the implementation of recommendations.

The Committee also considered reports from other parts of the Firm charged with governance and the maintenance of internal control, including in respect of independence, compliance, ethics, whistle-blowing, fraud, data security, business continuity management and the management of the Firm's own tax affairs.

The Committee also reviewed and considered the statements in section 5 of this report in respect of the systems of internal control, and concurred with the disclosures made.

Financial reporting

The Committee carried out its responsibility for monitoring and reviewing the integrity of the Group's Financial Statements by reviewing formal updates provided by management on key accounting developments and by reviewing the Financial Statements with both management and the external auditors.

The significant issues the Committee considered in relation to the Financial Statements for the year ended 30 June 2016 are set out below. The Committee has discussed these with CCW, together with CCW's areas of particular audit focus described in the independent auditor's report on our Financial Statements.

- **Critical accounting estimates and judgements** – The Committee reviewed management's process for considering the appropriateness of critical accounting estimates and judgements. The review encompassed revenue recognition, the fair value of unbilled revenue on client assignments, capitalisation of development expenditure, provisions in respect of client claims and the assumptions adopted in valuing the Firm's defined benefit pension schemes for the purpose of financial reporting. The Committee was satisfied that appropriate estimates and judgements have been made in the preparation of the Financial Statements.
- **Goodwill impairment** – Management's process and methodology for assessing the carrying value of goodwill was reviewed by the Committee. This included considering key assumptions, resulting headroom and the sensitivities applied by management in forming its assessment. The Committee agreed with management that there was no impairment of goodwill in the year.

Following consideration of the matters presented to it and discussion with both management and CCW, the Committee was satisfied with the judgements and disclosures included within the Financial Statements. The Committee also reviewed the form and

content of the Group's 2016 Annual Report.

External audit

The Committee undertakes an annual review of the qualification, expertise, resources and independence of the external auditors and the effectiveness of the external audit process by:

- Reviewing CCW's plans for the audit of the Group's Financial Statements, the terms of engagement for the audit and the proposed audit fee.
- Considering the views of management and the CCW engagement partner on CCW's independence, objectivity, integrity, audit strategy and its relationship with the Group, obtained by way of interview.
- Taking into account information provided by CCW on its independence and quality control.

The external auditors are engaged to provide non-audit services where there are business benefits in doing so, their objectivity and independence would not be compromised and no conflict of interests would be created. Suitable approval processes are in place to ensure that these criteria are met before CCW is engaged to provide non-audit services. Fees paid to CCW for audit and non-audit services are set out in our Financial Statements. The non-audit assurance services provided during the year related to sustainability reporting, grant claims, regulatory compliance and controls assurance.

Non-audit services constituted 13% (FY15: 13%) of CCW's total fee for the Financial Year.

Having considered a number of factors including audit effectiveness, business insight, tenure and approach to audit partner rotation, the Committee concluded that it was appropriate for CCW to be reappointed as external auditor.

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The Audit and Risk Committee is a committee of the Supervisory Board

(c) Public Interest Body

PwC UK established its Public Interest Body to implement the principles and provisions of the Audit Firm Governance Code (the ‘Governance Code’).

The Governance Code states that the independent non-executives should enhance confidence in the public interest aspects of the Firm’s decision-making, stakeholder dialogue and management of reputational risks, including those in the Firm’s businesses that are not otherwise effectively addressed by regulation.

In addition to those duties prescribed by the Governance Code, the members of the Public Interest Body are also expected to provide input on other matters, including the public interest aspects of: the Firm’s strategy; policies and procedures relating to operational risk management, internal control, quality and compliance with regulation; and external reporting.

The Public Interest Body presently comprises five Independent Non-Executives, two members from the Firm’s Executive Board and two members from the Supervisory Board.

As explained in the commentary by Lord O’Donnell (who took over as Chairman of the Public Interest Body on 1 April 2016) on page 10, Dame Helen Alexander joined as a new Independent Non-Executive with effect from 1 March 2016. Dame Karen Dunnell and Sir Graeme Davies retired from the PIB on 30 September 2015 and Sir Richard Lapthorne retired from the PIB and as its Chairman on 31 March 2016.

The Independent Non-Executives are nominated by the Senior Partner and approved by the Supervisory Board. Each Independent Non-Executive has a service contract that sets out their rights and duties.

The Senior Partner and Supervisory Board respectively decide which members of the Executive and Supervisory Boards will sit on the Public Interest Body. Terms of office for the Independent Non-Executives are not co-terminus, to facilitate rotation in future years. No Independent Non Executive may hold office for more than nine years in aggregate.

The Public Interest Body meets at least four times yearly and the Independent Non-Executives also meet separately with the Supervisory Board from time to time. A part of each Public Interest Body meeting is set aside to allow the Independent Non-Executives to meet as a separate group to discuss matters relating to their remit.

The Public Interest Body has time allotted in its programme of meetings during the year to review and discuss:

- People management policies and procedures with the Firm’s leadership;
- Reports on issues raised under the Firm’s whistle-blowing policies and procedures; and
- Investor and stakeholder engagement.

The Public Interest Body is given full agendas and minutes of meetings of the Executive Board and Supervisory Board together with any other documents and information it requests.

Length of service on the Public Interest Body and attendance records for the year ended 30 June 2016 are set out in Table 3.3.

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The PIB’s purpose is to enhance stakeholder confidence in the public interest aspects of the Firm’s activities.

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The PIB has the freedom to set its own agenda. This is an important benefit of the PIB existing as an independent body, with an independent Chairman.

Independence of the non-executives

The Independent Non-Executives are subject to the Firm's independence policy which makes sure they remain independent of the Firm, its partners and staff, and clients. In developing this policy the Firm considered the UK Corporate Governance Code, issued by the Financial Reporting Council (FRC), and the FRC's Ethical Standards, as well as considering what a reasonable third party would expect of an Independent Non-Executive.

Under the policy all Independent Non-Executives cannot be a director, or hold a material financial interest, in a restricted client of the Firm.

The Independent Non-Executives must confirm compliance with this policy in respect of their financial, business and personal relationships before being appointed and every year thereafter.

Other matters

Appropriate indemnity insurance is in place in respect of any legal action against any Independent Non-Executive and sufficient resources are provided by the Firm to enable each Independent Non-Executive to perform their duties, which includes, where considered appropriate and necessary to discharge their duties, access to independent professional advice at the expense of the Firm. A process has also been established to resolve disputes between the Independent Non-Executives and the governance structures and management of the Firm.

(d) Terms of reference

Terms of reference exist for all governance bodies of the Firm. Copies of those terms of reference for the Supervisory Board, the Audit and Risk Committee and the Public Interest Body can be found at <http://www.pwc.co.uk/who-we-are/terms-of-reference-governance-structure.html>.

Table 3.3 Public Interest Body	Length of service (years)	Board meetings	
		A	B
Lord O'Donnell ¹ (Chairman from 1 April 2016)	1	5	5
Dame Helen Alexander ¹ (from 1 March 2016)	-	1	1
Pauline Campbell	5	5	4
James Chalmers (to 30 June 2016)	3	5	5
Sir Graeme Davies ¹ (to 30 September 2015)	6	1	1
Dame Karen Dunnell ¹ (to 30 September 2015)	6	1	1
Sir Ian Gibson ¹	5	5	5
Mark Hudson	2	5	4
Justin King CBE ¹	1	5	5
Sir Richard Lapthorne ¹ (member and Chairman to 31 March 2016)	6	4	4
Ian Powell (to 30 June 2016)	6	5	5
Paul Skinner CBE ¹	6	5	5

A = Maximum number of meetings could have attended.

B = Number of meetings actually attended.

1. Independent Non-Executive members.

4. The Audit Firm Governance Code

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The firm's leadership is committed to quality and has dedicated resources to establishing high standards in quality, independence, integrity, objectivity and professional ethics.

The Audit Firm Governance Code (the 'Governance Code') was published by the Institute of Chartered Accountants in England and Wales (ICAEW) in January 2010 and applies to firms, such as PwC UK, which audit more than 20 listed companies.

The Governance Code consists of 20 principles and 31 provisions. These principles and provisions are organised into six areas being:

- Leadership
- Values
- Independent Non-Executives
- Operations
- Reporting
- Talking with stakeholders

The Governance Code is intended to assist in promoting continuing confidence and choice in the market for the audit of listed companies. Its primary stated purpose is 'to provide a formal benchmark of good governance practice against which firms which audit listed companies can report' for the benefit of shareholders and other stakeholders.

During the year, the FRC continued its review of the Governance Code first started in May 2015 and an updated code was published in final form in July 2016. This will formally be applicable to us for the year ending 30 June 2018 but we are already considering the provisions of the updated Governance Code and will seek to early adopt where possible.

Our experience is that implementation of the Governance Code has resulted in a valuable addition to our governance structure, bringing an external perspective to our consideration of the public interest. We believe this will be enhanced through the introduction of the updated Governance Code and we are supportive of the changes being implemented.

An overview of our compliance with the Governance Code is included below.

Sections 3, 5 and 7 provide further details of how we have applied the principles and provisions of the Governance Code.

Leadership

The governance bodies of PwC UK are explained in section 3, which sets out their constitution, membership, duties and responsibilities.

The Executive Board has responsibility and clear authority for the running of the firm, including the non-audit businesses, and is accountable to the partners. No individual has unfettered powers of decision. This is achieved through the governance bodies of the firm, each of which has clear terms of reference.

Each body has matters specifically reserved for their decision. The Supervisory Board provides internal oversight of the Executive Board.

Values

The firm's leadership is committed to quality and has dedicated resources to establishing high standards in quality, independence, integrity, objectivity and professional ethics. Quality has been embedded throughout the firm and the detailed policies have been endorsed by the leadership team, including ethical, human resources and engagement performance.

Our reputation is built on our independence and integrity. We recognise the public interest vested in our audit and assurance practice and we take an uncompromising approach to audit quality, based on the firm's values of excellence, teamwork and leadership. The Executive Board attaches great importance to audit quality and we believe this sets the tone for the rest of the firm.

Section 5 contains further details about our values and 'who we are', which have also been embodied within the PwC UK Code of Conduct.

Consultation is a key element of quality control. Although the firm has policies setting out the circumstances under which consultation is mandatory, our consultative culture means that our engagement teams often consult with each other on an informal basis as well as with experts and regularly in situations where consultation is not formally required.

We consider that this culture of openness and willingness to consult, share and discuss issues can only be of benefit and enhance the quality of what we do and how we do it.

Independent Non-Executives

As at 30 June 2016, the Public Interest Body (PIB) comprised five Independent Non-Executives (INEs), two members from the firm's Executive Board and two members from the Supervisory Board. During the year, the number of INEs increased temporarily to seven with the appointment of Lord O'Donnell and Justin King CBE with effect from 1 July 2015, before the retirement of Sir Graeme Davies and Dame Karen Dunnell on 30 September 2015. Dame Helen Alexander was appointed with effect from 1 March 2016, and Sir Richard Lapthorne, our Chair of the Public Interest Body since 2010, retired on 31 March 2016. Lord O'Donnell took over the role of Chair on this date.

The INE's purpose is to enhance stakeholder confidence in the public interest aspects of the firm's activities. Further details of the activities of the PIB can be found on pages 6-10 and in section 3.

Operations

The firm has systems and controls in place to follow professional standards and applicable legal and regulatory requirements.

Section 5 contains details of our internal control and internal quality control systems for the Assurance Line of Service and explains:

- Our policies and procedures for following applicable legal and regulatory requirements, and international and national standards on auditing, quality control and ethics, including auditor independence.
- Policies and procedures for individuals signing group audit reports to follow applicable standards on dealing with group audits including reliance on other auditors, whether from the same network or otherwise.
- How we manage potential and actual conflicts of interest.
- How people can report concerns about the firm's commitment to quality work and professional judgement and values.

Section 5 also sets out more information on the firm's policies and procedures for managing people in support of our commitment to quality.

Section 7 sets out the main findings from the most recent Audit Quality Inspection report on the firm and comments on the process in place to address areas of concern identified by the Audit Quality Review team and other UK and overseas regulators.

Reporting

The governance bodies receive timely and appropriate information to enable them to discharge their duties.

PwC UK prepares annual audited consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and UK laws and regulations.

The PwC Financial Statements 2016 include:

- A statement of members' responsibilities in respect of the financial statements.
- A statement in respect of going concern.

The PwC Financial Statements 2016, and our Risk Register, containing a management commentary covering principal risks, and how those risks are managed, can be found at www.pwcannualreport.co.uk

This Transparency Report provides the disclosures required to be made by the Governance Code

PwC UK has an Audit and Risk Committee. Section 3 sets out its constitution and provides an overview of its responsibilities.

Talking with stakeholders

The report from Lord O'Donnell (Chair of the PIB), on pages 6-10, discusses our activities in relation to talking with stakeholders. In addition, further details of our shareholder liaison programme are set out on page 62.

Statement of compliance with the Audit Firm Governance Code

The Executive Board has reviewed the provisions of the Audit Firm Governance Code together with details of how the firm is complying with those provisions and has concluded that, as at 30 June 2016, PwC UK is in compliance with the provisions of the Audit Firm Governance Code.

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We take an uncompromising approach to audit quality, based on our core values of excellence, teamwork and leadership

5. Internal control and internal quality control systems

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We are committed to delivering the highest quality professional services, and audit quality remains of paramount importance to the firm and our continued success in the marketplace.

Quality comes from more than the systems and processes that are embedded in the way we work to achieve compliance with standards and regulation, important though these are. Ultimately, it depends on the culture of the firm, which is based on the ‘tone at the top’, and our ability to recruit, train and motivate intelligent professionals who take personal responsibility to deliver high-quality work.

Introduction

PwC UK’s quality control systems for our Assurance practice are based on International Standard on Quality Control (UK and Ireland) 1 – ‘Quality control for firms that perform audits and reviews of financial statements and other assurance and related services engagements’ (ISQC (UK&I) 1).

ISQC (UK&I) 1 applies to firms that perform audits of financial statements, report in connection with investment circulars and provide other assurance services where they relate to activities that are reported in the public domain and are therefore in the public interest.

The objective of ISQC (UK&I) 1 is for the firm to establish and maintain a system of quality control to provide it with reasonable assurance that:

- the firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and
- reports issued by the firm, or by engagement leaders, are appropriate in the circumstances

The FRC’s revised ISQC (UK) 1 is effective for periods commencing on or after 17 June 2016 (so, in our case, FY17). We are considering the requirements of the revised ISQC (UK) 1 and reviewing our current procedures to ensure compliance with the revised standard.

In addition, compliance with International Standards on Auditing (UK and Ireland) and the FRC’s revised International Standards on Auditing (UK) from June 17, 2016 onwards requires PwC UK to have quality control systems.

Further:

- as a Registered Auditor regulated by the Institute of Chartered Accountants in England & Wales (ICAEW), we are required to comply with the Audit Regulations and Guidance (“Audit Regulations”) issued by the ICAEW. Compliance with the Audit Regulations is required to enable the firm to retain its audit licence in the UK;
- we are also registered with the ICAEW as a Licensed Practitioner for the delivery of ATOL returns, and there are a number of individually Licensed Practitioners in the firm; and
- we are also required to comply with the policies and regulations of a number of other regulatory bodies which PwC UK is either registered with, as a condition of ongoing registration to perform audits of certain entities, or regulated by. These regulatory bodies include the Financial Reporting Council, Public Sector Audit Appointments Limited, Monitor, the Financial Conduct Authority and the Prudential Regulation Authority in the UK and overseas regulatory bodies such as the Public Company Accounting Oversight Board in the US.

Consequently many of our policies and procedures have been designed and implemented to ensure that we comply, and that we can demonstrate compliance, with not only the Audit Regulations of the ICAEW, but also with the policies and regulations of other regulators with which PwC UK is registered.

The policies and procedures that form our internal quality control systems have been documented, and there is a monitoring regime to enable the Executive Board to review the extent to which the policies and procedures are operating effectively.

The policies and procedures are embedded as part of the firm’s day-to-day activities.

Although this Transparency Report is focused on our Assurance practice, many of our systems, policies and procedures operate firmwide across all parts of our business.

.....

The six elements of quality control set out in ISQC (UK&I) 1



Leadership responsibilities for quality within the firm



Relevant ethical requirements



Acceptance and continuance of client relationships and specific engagements



Human resources



Engagement performance



Monitoring

Explanation of our systems of internal control including internal quality control systems

Our internal control systems are based on the six elements of quality control set out in ISQC (UK&I) 1, which are:

1. Leadership responsibilities for quality within the firm
2. Relevant ethical requirements
3. Acceptance and continuance of client relationships and specific engagements
4. Human resources
5. Engagement performance
6. Monitoring

In parts 1 to 6 below, we set out how our internal control and internal quality control systems incorporate each of the above elements. Part 7 deals with factors outside the control of auditors, affecting audit quality, and part 8 explains our view of the key drivers of audit quality identified by the Audit Quality Framework issued by the Financial Reporting Council (FRC). Parts 9 and 10 cover the review of the firm's internal control systems and our statement on the effectiveness of the firm's internal quality control systems for our Assurance practice.

Certain elements of the firm's internal quality control systems are reviewed by our regulators, primarily the Audit Quality Review team of the FRC but also by the Quality Assurance Department of the ICAEW and the Public Company Accounting Oversight Board. In addition, the PwC Network monitors PwC UK's compliance with PwC's Network Risk Management Standards. Updates and changes to the firm's internal quality control systems, as well as points needing reinforcement, are communicated to partners and staff via mandatory training and other technical communications. Details of the firm's internal quality control systems are available to partners and staff via Inform, our web-based technical repository and linked from our intranet site, SparkPad UK.

1. Leadership responsibilities for quality within the firm



(a) Organisational structure

The Executive Board under Ian Powell's chairmanship (Kevin Ellis from 1 July 2016), is responsible for the firm's internal control and internal quality control systems.

Day-to-day responsibility for implementing this system and for monitoring risk and the effectiveness of controls is delegated to Compliance, Internal Firm Services and the individual Lines of Service, as appropriate.

The firm's leadership is committed to delivering high quality work and has established a culture of upholding the values of integrity, independence, ethics and professional competence.

Resources dedicated to establishing high standards in quality, independence, ethics and professional competency are in place. Quality has been embedded throughout the firm and the detailed policies endorsed by the leadership team, including ethical, human resources and engagement performance, are discussed below.

The firm's General Counsel, Margaret Cole, is the member of the Executive Board responsible for Risk and Quality. In addition, each Line of Service has a partner responsible for risk management and quality control. Within Assurance, Richard Winter is the Assurance Risk and Quality Leader with responsibility on the Assurance Executive for risk and quality matters.

The following committees deal with the management of risk and quality within Assurance:

- the Risk Management Steering Group, whose purpose is to agree significant risk management policies and discuss current risk management issues;
- the Audit Steering Committee, whose purpose is to discuss and agree audit methodology issues and policy, and provide input into the development of PwC Audit, the audit methodology and tools used by all member firms of the PwC Network;
- the Accounting Steering Group, whose purpose is to discuss and respond to accounting developments and issues; and
- the Learning and Education Committee, whose purpose is to approve the form and content of technical training

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PwC's purpose is to build trust in society and solve important problems. This purpose serves as a guide for the strategic choices we make as a firm.

(b) Culture and tone at the top

PwC's core purpose is to build trust in society and solve important problems. This purpose serves as a guide for the strategic choices we make as a firm. PwC is founded on a culture of partnership with professional values and a strong commercial focus. This is reflected in our vision:

"One firm – a commercial enterprise that does the right thing for our clients, our people and our communities.

Our ambition is to build the iconic professional services firm, always front of mind, because we aim to be the best. We set the standard and we drive the agenda for our profession. We value our past but look to invest in our future to leave the firm even stronger than when we inherited it. We will achieve our vision by living and breathing a common set of values and behaviours.

(i) One firm

We are one firm, an extensively networked organisation that aims to bring the best of PwC to our clients, each and every time. We will:

- aim to deliver more value than our client expects
- be agile and flexible
- share knowledge and bring fresh insights
- always act in the interest of the whole firm.

(ii) Commercial enterprise

Our clients and people feel and benefit from the energy and power of the firm. We attract, develop and inspire the best people, who inspire confidence in our clients. We will:

- be positive and energise others
- invest in personal relationships listen with interest and curiosity, encouraging diverse views; and
- have a thirst for learning and developing others.

(iii) Do the right thing

We will deliver exceptional value with integrity, confidence and humility. We support one another and our communities. We have the courage to express our views, even when they may not be popular.

We will:

- put ourselves in our clients' shoes
- never be satisfied with second best
- treat people in a way we would like to be treated
- always be brave enough to challenge the unacceptable
- act with integrity and enhance our reputation.

We must all accept personal responsibility to play our part in driving our firm and demonstrating these values and behaviours – opting out is not acceptable. Put simply this is how we define success."

2. Relevant ethical requirements

We take good ethical behaviour seriously and seek to embrace the spirit and not just the letter of relevant ethical requirements.



David Adair is PwC UK's Ethics Partner, a role defined by the Ethical Standards issued by the APB (and the FRC's revised Ethical Standard going forward). He is a senior partner within the firm, supported by a team of specialists to help the firm apply comprehensive and consistent independence policies, procedures and tools.

In addition, Tony Stewart-Jones is PwC UK's Chief Compliance Officer who, supported by a team of specialists, is responsible for assisting the firm in meeting its professional conduct obligations. All partners and staff undertake regular mandatory training so that they understand the ethical and professional requirements under which we operate. All partners and staff are also required annually to confirm that they are aware of and will continue to follow all relevant ethical and professional obligations.

(a) Professional conduct

The reputation and success of the firm depends on the professionalism and integrity of every partner and member of staff. Partners and staff comply with the standards developed by the PwC Network and PwC UK, and the firm monitors compliance with these obligations.

On joining the firm, all staff and partners are made aware of the PwC UK Code of Conduct and must confirm annually that they are familiar with it. The PwC UK Code of Conduct sets out what we stand for and is underpinned by the following overarching principles:

.....

The PwC UK Code of Conduct encourages partners and staff to report and express concerns in good faith, fairly, honestly and respectfully

- acting professionally
- doing business with integrity
- upholding our clients' reputations as well as our own
- treating people and the environment with respect
- acting in a socially responsible manner
- working together and thinking about the way we work
- considering the ethical dimensions of our actions.

(b) Independence

The firm has specific policies, procedures and practices relating to independence, which are explained in more detail in section 6.

(c) Speak Up helpline

The firm has a whistle-blowing helpline called the Speak Up helpline. This is available to any partner or member of staff who observes inappropriate business conduct or unethical behaviour that cannot be resolved locally, or where the normal consultation processes are not appropriate. In addition, third parties may also call the Speak Up helpline.



The Speak Up helpline number for partners, staff and third parties is 0800 169 3590.

The PwC UK Code of Conduct encourages partners and staff to report and express concerns in good faith, fairly, honestly and respectfully. We are committed to dealing responsibly, openly and professionally with any genuine concerns raised about possible malpractice. If a genuine concern is raised which is in the public interest, the individual raising the concern will be protected from losing their job, or suffering from any form of victimisation as a result.

All calls to the Speak-Up Helpline are dealt with by trained individuals within our Professional Conduct team, and the matters raised are discussed regularly with the firm's Business Conduct Leader, who is responsible for making sure that the issues raised are appropriately investigated and resolved. There is also regular reporting of the matters raised via the Speak Up helpline to Margaret Cole, the Executive Board member responsible for Risk & Quality, and there is an annual update provided to the firm's Public Interest Body.

(d) Confidentiality and information security

Confidentiality and information security are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the firm to legal proceedings, and it may also adversely impact our reputation.

The firm's Chief Financial Officer is the Executive Board member responsible for information security. In this role he is supported by the Information Protection Governance Group, which is responsible for providing oversight, policy and strategic direction on information security matters. Membership of the Information Protection Governance Group comprises representatives from Risk and Quality, Office of General Counsel, Information Technology and the Lines of Services.

The firm is bound by and all partners and staff are required to comply with the ICAEW's fundamental principle of confidentiality. There are also other legal and regulatory obligations on partners and staff about handling confidential information, and personal data, and contractual terms govern the use and disclosure of information. The firm provides information security and data protection training upon recruitment, annual update training for all partners and staff thereafter, and training to various departments on an ad hoc basis throughout the year.

PwC UK operates an information security management system, which is certified as compliant with the requirements of ISO/IEC 27001:2013 for all client data that comes under its control or ownership by virtue of a contract for services between PwC UK and a client.

PwC UK's information security policies and procedures aim to make sure that:

- information is protected from internal and external threats
- confidentiality, availability and integrity of information is maintained
- statutory regulatory and contractual obligations are met
- access to confidential information is granted only for justified business needs

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We are opposed to bribery in any form. The PwC UK Code of Conduct makes it clear that it is unacceptable for our people to solicit, accept, offer, promise or pay bribes.

Our policies and procedures include:

- encryption of all the firm's laptops, PCs and memory sticks
- secure and managed apps for data accessed by mobile devices
- software restricting the use of removable media
- access to engagement files – both electronic and hard copy paper files – which is restricted to those with a 'need to know' and is regularly reviewed
- regular backup of data on individual laptops and PCs
- clear-desk policy, both in our offices and at client sites
- securing hard copy files when they are not in use
- remote access to our network via a secure virtual private network, or equivalent technology
- policies on the transmission of data by email outside of the organisation
- restricted access to operational areas of PwC UK and our buildings

The firm's policies and standards are supported by ongoing compliance monitoring. Monitoring is carried out by PwC UK's internal audit and compliance teams and is supplemented by checks by the PwC Network's global security organisation. Our ISO/IEC 27001:2013 certification is subject to annual external independent assessment.

The firm has incident reporting and response procedures that seek to minimise the impact of any data loss which arises. These procedures include notifying clients when it is known that their data is at risk and, where appropriate and feasible, taking corrective action.

(e) Anti-bribery

We are opposed to bribery in any form. The PwC UK Code of Conduct makes it clear that it is unacceptable for our people to solicit, accept, offer, promise or pay bribes.

Policies, training and procedures designed to prevent bribery are in place.

3. Acceptance and continuance of client relationships and specific engagements



We have rigorous client and engagement acceptance and continuance procedures to help protect the firm and its reputation.

(a) Acceptance and continuance systems

Within Assurance, we use two systems:

- Acceptance and Continuance (A&C) is used for all audit work; and
- Clientwise is used for non-audit work.

Both systems:

- enable engagement teams, business unit management and risk management specialists to determine whether the risks related to a potential or an existing client or engagement are manageable, and whether or not PwC UK should be associated with a particular client, its management and/or the proposed services in question; and
- contain triggers that require consultation within business units and with the Business unit and UK National Assurance Risk Management Partner. This allows the right people to make the right decisions at the right time and also enables the firm to put in place safeguards to mitigate identified risks.

The systems facilitate risks to be properly assessed and appropriate policies being followed in response to those identified risks.

(b) Relationship checks, independence assessments and conflicts of interest

Before accepting a new engagement we perform:

- checks to identify relevant relationships – these checks are performed by a dedicated relationship checking team within Compliance. Where potential conflicts of interest are identified, we either decline to accept an engagement or we put in place arrangements to make sure that the potential conflicts of interest are appropriately managed, including, where appropriate, the use of restricted access rooms to work in; and

- in the case of new audit clients, an independence assessment – this is a comprehensive assessment which, depending on the nature and complexity of either the relationship or the structure of the prospective audit client, is either performed by a dedicated team within Compliance or by the prospective audit engagement with advice from Compliance. The assessment covers all aspects of independence in relation to a new potential audit client. This enables us to identify relationships with that potential audit client including business relationships, non-audit services and firm arrangements and determine whether:
 - those relationships which are prohibited by Ethical Standards can be terminated before we are appointed as auditor. Where this is possible, the non-audit service providers in the PwC Network are instructed to terminate the service prior to our appointment and confirm that they have done so. If we are unable to terminate the non-audit service before our potential audit appointment, we decline the audit appointment; and
 - for those relationships which are permissible and can continue after our appointment as auditor, create any threat to our independence and objectivity. Where threats are identified and appropriate safeguards could be put in place, these are discussed and agreed with those charged with governance prior to appointment. Where the threats to our independence and objectivity are unsurmountable, we decline the audit appointment.
- (c) Withdrawal from an engagement**
Policies and procedures are in place for circumstances in which we determine that we should, or are required to, withdraw from an engagement. These policies include the need for appropriate consultations both within the firm and with those charged with governance at the entity, together with ensuring compliance with legal and professional obligations.
- The policies and procedures also deal with circumstances where we become aware of information after accepting the engagement which, had we been aware of that information earlier, would have led us to decline the engagement.

Recruitment

Across the firm in the FY16, we recruited:



over 3,800
new people, including



1,667
graduates and school leavers

We invest in a range of approaches to recruit talented students at any stage of their academic life. In FY16, places offered included:



44 FT and 289 shorter placements

students in our degree partnership with the ICAEW and the Universities of Newcastle, Nottingham and Reading



134
first-year students attended our three-day residential Talent Academy



160
full-time paid professional roles for school leavers including Higher Apprentices



606
paid intern and placement opportunities for students



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For an unprecedented 13th consecutive year, we were voted The Times UK Top 100 Graduate Employer of the Year and for the 17th consecutive year, we were voted Graduate Employer of Choice for Accountancy. We were also awarded Graduate Employer of Choice for Consulting

4. Human resources

Our people are our biggest asset. Perhaps the most critical components of quality are the skills and personal qualities of our people. As a professional services firm, many of these skills and qualities are relevant to all our Lines of Service. As a consequence, our strategy for recruitment, engagement, development, diversity and remuneration is consistent across the firm.



(a) Recruitment

PwC UK aims to recruit, train, develop and retain the best and the brightest staff who share in the firm's strong sense of responsibility for delivering high-quality services. Across the firm in the FY16, we recruited:

- over 3,800 new people, including 1,667 graduates and school leavers.

We invest in a range of approaches to recruit talented students at any stage of their academic life. In FY16, places offered included:

- 44 full time Flying Start Graduates from our degree partnership with the ICAEW
- 134 first year students attended our three day residential Talent Academy
- 606 intern and placement opportunities
- 160 full time paid professional roles for school leavers including Higher Apprentices

We have always believed that the best audits are performed by bright and intelligent people. Accordingly, we maintain a strategy of accepting strong graduates into our audit business and set a high academic threshold.

However, we recognise that the traditional graduate entry route to a professional career at PwC UK does not suit every gifted student.

To help us create a sustainable pipeline of talent we invest in a range of approaches to encourage talented students to join us at any stage of their academic life. These include:

- full-time paid professional roles for school leavers including Higher Apprentices (160 positions in FY16)
- a degree partnership with the ICAEW and the Universities of Newcastle, Nottingham and Reading. We had 44 full-time positions in FY16, with shorter placements for 289 students over the course of the year

- a three-day residential Talent Academy for first-year students (134 places in FY16, 183 in FY15)
- intern and placement opportunities (606 places in FY16)

All recruits for our full-time programmes are required to submit an application form and are subject to two interviews. Certain information such as qualifications is verified. Graduate and student recruits also pass through an internal assessment centre before joining the firm.

In FY14, we launched The PwC Professional, a global leadership framework which articulates the skills and capabilities we expect from all our people to deliver an outstanding experience to our clients. Our recruitment process is closely aligned to this framework, enabling us to select the best talent, based not only on their technical skills but also on their behaviours and ways of working.

We believe that investing in a broad range of skills, experiences and backgrounds puts us in a stronger position to understand and meet the needs of our clients. This year we have continued to recruit a more diverse range of talent, in particular to encourage more talented women and those from different social backgrounds in to our organisation. This has included recruiting over 109 students onto our 'Women in Business' programme. We also recruited 106 people onto our 'Business Insight Week' work experience programme for sixth form students, focused on improving access to the profession.

As of June 2015 we have removed our requirement for specific levels of achievement at A-level or equivalent as part of the majority of our selection processes for graduates. This step is designed to improve access to our profession to a broader range of talent, particularly given the strong correlation between social class and school academic performance in the UK. By focusing on a more contemporary assessment of our graduates as they are today through both psychometric and behavioural assessment we are now able to deliver a more relevant, inclusive and fair assessment approach without compromise to the quality of our hires.

To find out more about our many different work experience programmes visit www.pwc.com/uk/careers.

(b) Theoretical knowledge, professional skills and values

Our people develop theoretical knowledge, professional skills and values through the work they perform, the coaching received from others and from formal learning activities that they undertake throughout the year.

i) Practical experience and coaching

Each engagement leader is responsible for ensuring that their engagements have partners and staff with appropriate professional competence and experience. As described in our engagement performance section below, engagement leaders are expected to oversee the adequacy of the direction, coaching, supervision and review of the more junior members of their engagement teams as part of a culture that embraces coaching across our entire business.

ii) Formal learning

Our PwC Professional global leadership framework underpins a training curriculum which provides a wealth of opportunities for our people to build professional skills and knowledge to support the delivery of high quality assurance services to our clients.

Learning and development is a continuous process which starts with induction activities when a person joins the firm and continues throughout their career and is tailored to the grade, role and experience of each individual.

We have a training curriculum that includes talent programmes as well as our technical and business skills training programmes. We have invested in our training curriculum developing a new 18 month leadership skills programme for all of our newly-qualified staff and have commenced the roll out of our new professional skills curriculum for all staff, much of which is mobile-based and can be completed at any time and when on the move.

We support many individuals to complete professional qualifications that are required or relevant to their role. In addition, our industry groups operate specialist training programmes relevant to their sectors.

National training programmes are supplemented by additional training sessions within offices, as and when required.

Our practices to maintain capabilities and technical competence include:

- all partners and staff must complete annual risk and quality update training spanning matters relating to compliance, independence and ethics.
- all partners and staff must confirm that they have complied with the firm's development policy within the general annual confirmation including completing and retaining appropriate records; any exceptions are investigated.
- within Assurance, all partners and staff are required to complete a learner profile to identify their annual mandatory Assurance technical training requirements based on the experience, grade and role of each individual.
- the mandatory technical training programme comprises foundation and update training. Foundation programmes build auditors' technical capabilities. Annual update training addresses new external requirements, internal policy or methodology changes and the remediation of observations raised through internal quality reviews and external inspections.
- we consider training needs on an on-going basis and release guidance and/or training materials as appropriate throughout the year to respond to emerging performance gaps promptly when they are identified.
- we monitor the completion of mandatory training and failure to complete mandatory training by set deadlines results in disciplinary steps being taken.
- we review the training programme for compliance with PwC network standards.
- we have processes in place to equip our tutors with effective instructor skills and the effectiveness of our training programme is assessed through a number of evaluation techniques.

iii) Access to reference material and subject matter experts

The firm maintains online reference materials covering all aspects of policy, procedure and methodology as well as a library of all relevant auditing, accounting and ethical standards. To keep theoretical knowledge up to date, partners and staff receive regular electronic update communications on technical and regulatory topics as they arise. A helpline of technical subject matter experts is also available.

(c) Performance evaluation

We continue to invest in equipping our partners and staff with the coaching and management skills needed to give honest feedback, to continually improve performance. We expect feedback to be provided regularly throughout the year by all staff and partners. This year, we introduced 'Snapshot' which enables our people to take a snapshot of their progress during the year. Snapshot provides a point-in-time picture, or 'snapshot', of how others observe an individual's progress against the PwC Professional framework. It is designed to help our people reflect on their strengths, what they've learned and areas for focus as they move forward.

Feedback forms a key element of our annual appraisal process. All partners and staff assess their performance against their agreed objectives and against grade-related skills and capabilities based on The PwC Professional.

The appraisal process covers technical competence and quality, and consideration is given not only to what an individual has achieved, but also how they achieved it. We continue to place particular focus on the contribution and impact each person has made to the firm. Our focus is on supporting our people to have rich conversations with their people manager about their contribution and how they have demonstrated the PwC Professional attributes.

Our higher performers have the opportunity both to progress more quickly and to receive higher reward through pay progression and bonuses. Individuals with lower performance will progress more slowly, and where performance is unsatisfactory corrective action is taken.

d) Career development

We develop our people through a combination of on-the-job experience (expected to account for 70% of development), coaching (20%) and training programmes (10%). This is supported by additional development opportunities, such as internal and external secondments, international assignments, membership of professional committees and working groups, community partnerships and voluntary programmes.

Each member of staff has a people manager assigned to them, who is responsible for their performance management, coaching and well-being. The people managers work with individuals to understand their unique strengths and development areas, and assess what opportunities are available to help them to acquire necessary skills.

A great deal of attention is devoted to ensuring that our people maintain their high level of professional expertise. Our career progression framework, The PwC Professional, supports all staff members to identify areas of strength and new areas of learning required.

This year we launched a new initiative to improve career progression and retention for those completing our Graduate Programme. Recognising that this represents a key decision point in our peoples' careers, the Senior Associate Transfer Window creates clear visibility of, and access to, opportunities to move to new or different career paths within the firm.

(e) Promotion

Any promotion in the firm is based on an individual's performance, their skills and the business case. In the case of promotion to director or admission to partnership, the process is particularly thorough and involves the Line of Service leadership teams. The Country Admissions Committee conducts and manages the overall assessment validation process on all Line of Service partner candidates. All potential admissions to partnership are considered by the Executive Board and the Partner Affairs Committee, and are put to the full partnership for consideration.

Within Assurance, the process for promotion to director and admission to partnership involves a formal assessment of the quality of the individual's work and their adherence to ethical requirements and professional standards. We take this process seriously and will not promote an individual to director or admit an individual to the partnership if we have concerns about the quality of their work.

(f) Remuneration

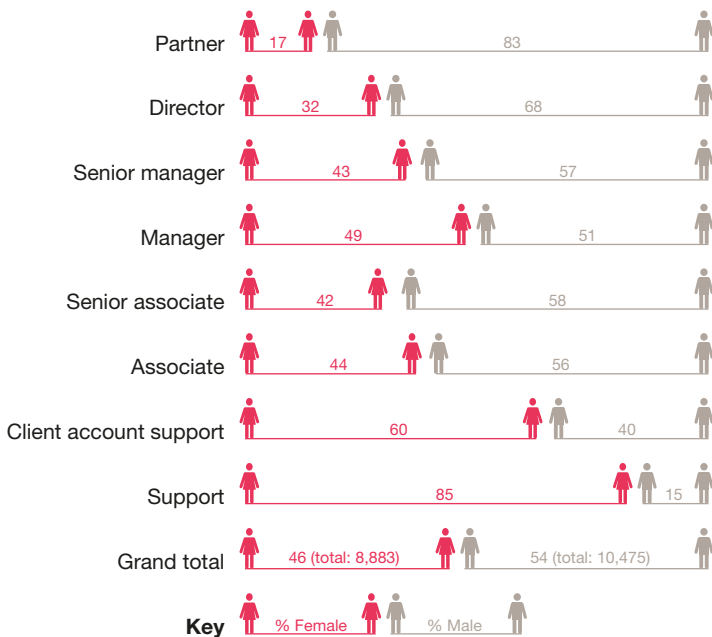
In determining remuneration for our staff, we carefully balance several elements including: the economic climate and the external market; recognition of people's hard work, including the quality of the work they deliver; the performance of the firm; and investment for the future. We have common firm-wide reward principles, but in rewarding our people we recognise that we operate in different markets. We have a firm-wide bonus plan, but individual bonuses are determined by each Line of Service.

We have conducted Equal Pay Reviews for more than 10 years. We published our gender pay gap for the first time two years ago, being the first in our sector to do so. This is one of the many activities we undertake to ensure our employment policies and practices are fair. We review pay and bonus by gender, ethnicity and different working patterns (full time to part time).

In FY16 our single figure gender pay gap was 15.2% (FY15: 15.3%). Our single figure gender pay gap does not take into account objective reasons for pay difference such as grade, location or performance level. In line with good practice, we therefore adjust this figure for the different gender demographic across the grades, as we have more men than women at our most senior grades; this adjusted pay gap figure is 2.6% (FY15: 2.8%).

PwC workforce profile

Gender mix by grade – 1 July 2016



We continue to take actions to address any gaps and also to take action through wider policies and activities to make sure our policies and practices are fair. This includes actively reviewing decisions on out of cycle payments, experienced recruitment and during our pay and bonus rounds.

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We develop our people through a combination of on-the-job experience (expected to account for 70% of development), coaching (20%) and training programmes (10%)

(g) Assignment of engagement teams

Partners and staff are assigned to engagement teams, based on the individuals' experience, competencies and grade. Our internal resourcing function oversees the placement of staff into client programmes to maximise the best match of skills and experience required for the role.

In addition, for certain types of work we specify levels of experience and specific additional training to make sure that the individuals are competent to undertake that type of work. For example only certain individuals can lead or undertake certain types of work such as capital market transactions and due diligence work

(h) Diversity

We have long since prioritised diversity, seeking to ensure that all our people can fulfil their potential, whatever their background, and we specifically measure our performance in this area against our gender and black, Asian and minority ethnic (BAME) profile.

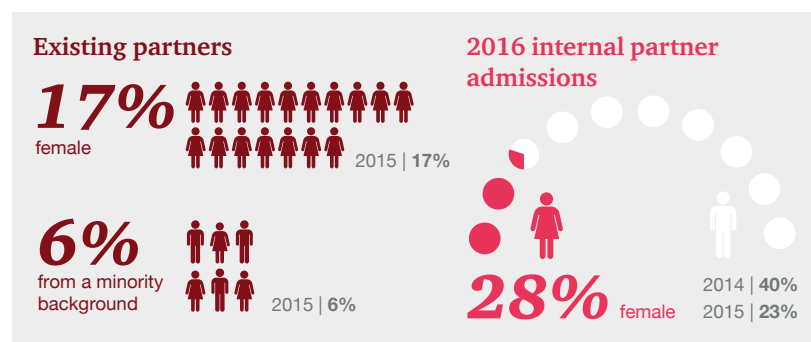
However, never before has the need for diverse talent been more critical to the success of our business; as we look to the future and our plans to grow our business we will need to work with different types of people, bringing different skills, experiences and perspectives and leveraging these assets will demand a highly inclusive working environment. Creating these conditions requires the efforts of all, particularly our partners, and this is our focus.

Over the past 12 months we have continued to focus on embedding diversity in all of our talent processes, instilling stronger shared accountability by requiring our business leaders to set and deliver grade pool gender/BAME targets out to 2020. Progress is reviewed by our Executive Board on a quarterly basis as part of our Balanced Scorecard report. Our Talent & Diversity Council (the 'Council') is tasked with driving fairer and more transparent identification and assessment of our talent, with the primary objective of bringing greater diversity through to senior roles in the firm and this of course is not just limited to gender and ethnic diversity.

This isn't a quick fix; we are in it for the long term and recognise sustained efforts pay off. Of our existing partners, 17% are female and 6% from a minority ethnic background. We're making progress but not on a sufficiently sustained basis. For example, this year 28% of our new internal admissions to the partnership were female; this compares to 23% last year and 40% the year before that. Our target is 30% each year as a minimum, reflecting the female director pool from which the admissions are drawn. The goal of the Council is thus to focus on ensuring that we have a healthy and diverse pipeline to support this ambition.

During FY16 we piloted our Back to Business programme for women returners and, based on its success, we plan to roll it out across the entire firm in FY17. We were delighted that 48 of our working parents / carers benefited from Shared Parental Leave and we expect to relaunch our Parents and Carers Network in late October 2016 to support the growing number of our workforce with caring responsibilities. We also prioritise mental health at PwC, launching our Mental Health Advocates during Mental Health Awareness Week and we held our first Green Light To Talk Day to encourage our people to talk about mental wellbeing and so remove the stigma attached to mental ill health.

Diversity



PwC Audit includes specific policies and procedures about the audits of groups, including multi-locational and cross-border groups.

5. Engagement performance



The quality and effectiveness of our audit service is critical to all of our stakeholders. We therefore invest heavily in the effectiveness of our audits, in the skills of our people and in our underlying audit methodology, as well as in making the right amount of time and resources available.

We pay close attention to what our audit clients require from us, what they tell us we need to improve and to the findings of regulatory inspections on the quality of our work. Details of the most recent regulatory findings can be found in section 7. Just as important are the internal indicators and processes that routinely monitor the effectiveness of our risk and quality processes, and provide timely information about the quality of our audit work and any areas for improvement.

(a) Methodology and tools

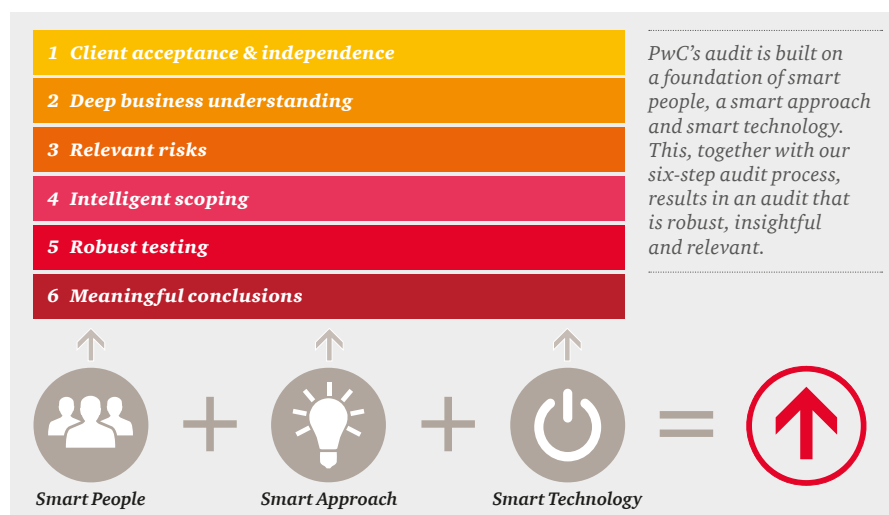
Member firms of PwCIL use a common audit methodology and process (PwC Audit), supplemented by local regulatory requirements, for their audit engagements. This common methodology allows us to provide high quality and consistent audit services from the small owner-managed business to multinational organisations, and facilitates sharing of good practice and mobility of partners and staff across the PwC Network. The PwC UK audit approach adheres to International Standards on Auditing (UK and Ireland) (and the FRC's revised International Standards on Auditing (UK) for engagements commencing on or after 17 June 2016), and laws and regulations in the UK, and we continuously seek to improve the model.

PwC Audit includes specific policies and procedures about the audits of groups, including multi-locational and cross-border groups. Those policies and procedures include the use of, and reliance on, other auditors, whether they are part of the PwC Network or not, and the signing of group audit reports.

PwC Audit is underpinned by Aura, our global audit documentation system which is used across the entire PwC Network. Aura supports teams in applying our methodology effectively, by creating transparent linkage between risks, required procedures, controls and the work performed to address those risks, as well as providing comprehensive guidance and project management capabilities. Aura provides audit engagement teams with:

- a single instance global software with embedded global, territory and industry specific audit procedures enabling consistency, synergy and scale;
- a systematic risk-based approach, meaning that we focus on the things that matter;
- a workflow technology that allocates audit procedures and individual tasks on personalised dashboards, enabling the timely execution and review of work;
- a workshare feature designed for shared service centres and group audits, allowing us to work more collaboratively across borders, eliminating duplication of effort; and
- real time monitoring of engagement quality and progress – anytime, anywhere and on any device (e.g. laptop, iPad, iPhone and other mobile devices).

PwC Audit



Aura is regularly enhanced to improve features. New Aura features and functionality are developed at a global level to reflect changes to regulatory and legal requirements, technology initiatives to improve quality and efficiency, themes from external and internal quality reviews and feedback from global users. In 2016 we have implemented further enhancements to build on the success of the 2015 major release of Aura (version 6).

Aura is supported by a series of electronic tools which are accessible via a range of electronic devices ranging from tablets to PCs and smartphones. These tools include:

- **Aura Now** – a monitoring tool that provides real-time information on the quality and status of audit engagements. It visualises the progress of an engagement against planned dates, which enables us to prioritise our effort. It acts as an early warning system, highlighting areas where we need to focus to ensure we do the right things at the right time;
- **Connect** – a web-based portal designed to provide fast, efficient and secure sharing of documents and information with our clients. Connect monitors the status of information flows on a real-time basis – it's simple to use and allows both the client and audit team to track status at an overall engagement and individual level anytime, anywhere. A new release (version 2.6) was released in November 2015 which has provided further improvements; and
- **Halo** – data assurance tools that allow us to better identify and assess risks and determine where to focus audit efforts. Our tools allow us to analyse 100% of transactions of a given population, which means we can gain a higher level of audit evidence than applying normal audit sampling techniques. The analytical and visualisation capabilities allow us to analyse patterns and trends, identifying unusual and high-risk transactions, and providing invaluable insight to both ourselves and our clients. The Halo suite now includes the following applications:
 - Halo for Journals
 - Halo Performance Analyser
 - Halo for Funds Audit

In addition, Halo for Mid-Tier is scheduled for release later in 2016.

Two further electronic tools introduced in the second half of 2015 are now being used by an increasing number of engagement teams:

- **Count** – a web based portal and mobile application that facilitates the end to end process for inventory counts for both cycle and year-end inventory counts; and
- **PwC's Confirmation System** – a secure, web-based portal that facilitates an automated and standardised global end-to-end ('paperless') confirmations process. It includes safe and secure handling of confidential data, real time status of confirmations and reports which identify who did what and when throughout the process.

The objective of Aura and the supporting tools is that the quality of our audits improves as teams are able to focus their efforts on areas of higher risk.

Aura can be used for many of the non-audit engagements carried out by our Assurance practice, such as internal audit engagements and service organisation controls reports performed in accordance with ISAE 3402, SSAE16 and A AF01/06. For other non-audit engagements, our Assurance practice uses a non-audit engagement documentation tool, Map, which has been used for many years in our Consulting practice, and in a number of member firms across the PwC network. Map helps us to ensure compliance with our policies and consistent quality of documentation.

(b) Comprehensive policies and procedures

The firm has policies and procedures governing accounting, corporate reporting, regulatory and auditing practice. These are regularly updated to reflect new professional developments, changes in our operating environment and emerging external issues, as well as the needs and concerns of the practice. These policies and procedures are supported by guidance that PwC UK provides to its professionals on how best to implement them.

The policies, procedures and guidance are available in electronic files and databases, and are readily accessible to our people remotely at any time.

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PwC Audit is underpinned by Aura, our global "ERP" system which is used across the entire PwC Network

During the year ended 30 June 2016, a total of

3,751

consultations were dealt with and

8,841

enquiries covering audit, accounting and risk management matters. In addition,

96

technical panels took place on audit clients

c) Service delivery centres

We appreciate and share our clients' concerns around continuous improvement, audit quality and cost containment. Therefore, we have made investments focused on further enhancing audit quality through standardisation, optimisation and increased flexibility.

A key element of this is a sourcing model that is designed to reallocate certain administrative and common audit procedures to service delivery centres. Allocating certain tasks that do not require auditor judgement to a centralised location achieves the following benefits:

- enhanced quality through standardisation;
- improved efficiency and speed through scale;
- improved flexibility in delivery;
- controlled cost of audit delivery

The use of delivery centres allows professional staff in the UK to focus on applying their judgement and professional scepticism in the audit process, as well as spending more face-to-face time with the client.

In the areas where the delivery centres have been involved to date, we believe that the quality of the work has improved.

Our delivery centres in Katowice (Poland) and Kolkata (India) perform a variety of procedures, the most common of which are:

- casting, cross-referencing, internal consistency and quality review of financial statements;
- assisting audit teams with tests of details by setting up templates and the audit tests, including vouching to supporting documentation;
- managing the preparation of requests for, and subsequent receipt of, external confirmations;
- assistance with data extraction and transformation for use in the audit of journals; and
- related parties searches and other client knowledge management.

To maintain confidentiality and security of information, we have implemented strict data security controls, and work is performed solely by PwC employees in these locations.

(d) Consultation and support

Consultation is a key element of quality control. The firm has policies setting out the circumstances

under which consultation on accounting, auditing and risk management matters is mandatory.

The firm's technical experts track new developments in relevant areas and provide updates to the appropriate professional staff.

Our consultative culture also means that our engagement teams regularly consult with each other on an informal basis, as well as with experts and others, often in situations where consultation is not formally required.

Within Assurance, we use a consultation database that has been specifically designed to aid the enquiry and consultation process. It also makes sure documentation of consultations with the Assurance Risk and Quality group (ARQ) is in accordance with professional standards.

ARQ, whose remit is to establish the Assurance Practice's technical risk and quality framework, supports audit and non-audit engagement teams within Assurance in a number of areas, including accounting and corporate reporting, risk management and audit methodology. ARQ also helps teams to meet professional standards and, regulatory and legal requirements and in some instances, provides support to clients when the need arises.

For example, ARQ performs quality reviews on interim review reports, preliminary announcements and annual IFRS financial statements of certain audit clients prior to issue. For a selection of audits, ARQ reviews certain aspects of the audit work on a real time basis, as the audit progresses. These reviews aim to be primarily a coaching exercise focussing on risk assessment, the resolution of judgmental matters and our reporting to Those Charged with Governance. They are flexible and will, on occasion, involve a more in depth review of detailed audit working papers.

During the year ended 30 June 2016, a total of 3,751 consultations were dealt with (FY15: 3,029) in addition to 8,841 enquiries (FY15: 9,236) covering audit, accounting and risk management issues.

Where an engagement has particular complexities, risk characteristics or auditing or accounting areas requiring significant judgement (e.g. in some situations where uncertainty exists around a client's going concern or impairment assessment), engagement leaders may consult a panel of experienced client-facing partners, technical experts and, in some cases, specialists in particular audit or industry areas ("technical panel"). During the year ended 30 June 2016, 96 (FY15: 99) technical panels took place on audit clients.

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We appoint a Quality Review Partner (QRP) to conduct engagement quality control reviews of the audits of listed clients, other public interest entities and clients identified as higher profile.

(e) Supervision and review

The engagement leader and senior engagement team members supervise the audit, review the work done, coach the team and maintain audit quality. Our audit software, Aura, is designed to help audit team members track the progress of the engagement and therefore make sure that all work has been completed, that work is reviewed by the relevant individuals including the engagement leader and, where relevant, Engagement Quality Control Reviewer (known in PwC Audit as the Quality Review Partner), and that all matters arising have been appropriately addressed.

The engagement leader is expected to:

- lead the performance of the audit and its documentation by being proactively and sufficiently involved throughout the audit, including being satisfied that risks have been assessed and responded to appropriately
- drive a cultural mindset that strives for continuous quality improvement, challenges engagement team members to think, analyse, question and be rigorous in their approach, and embody the experiences of our clients and people in how the team delivers the audit and applies professional scepticism
- foster an integrated coaching culture and demonstrate a willingness to learn and to coach others
- be responsible for the engagement team undertaking appropriate consultation on difficult or contentious matters, initiating those consultations where necessary
- have an ongoing involvement in assessing the progress of the audit, and in making key judgements
- be satisfied that the review, supervision and quality control procedures in place are adequate and effective; and
- have an overall responsibility for reviewing and assessing the quality of the work done, its proper and timely documentation and the conclusions reached.

Senior engagement team members support the engagement leader by:

- setting an example in the performance of the audit and its documentation by being involved throughout the audit, including identifying the risks and being satisfied that they are responded to appropriately
- striving for continuous quality improvement, challenging engagement team members and applying rigour to the audit process
- fostering an integrated coaching culture and demonstrating a willingness to learn and coach others
- together with the engagement leader, putting in place arrangements for timely reviews of audit work and documentation, and, taking into account the nature, extent and level of reviews already performed by other members of the team, satisfying himself or herself that the work performed and documentation are consistent with the understanding of the engagement
- reviewing work done and the record of the audit, including considering the quality of the audit process and the results of the work and the documentation of conclusions

In addition to reviews by the engagement leader and senior engagement team members, all staff are expected to critically self-review their own work to make sure that it meets the relevant requirements.

(f) Engagement quality control review

We appoint a Quality Review Partner (QRP) to conduct engagement quality control reviews of the audits of listed clients, other public interest entities and clients identified as higher risk.

QRPs are experienced individuals who are independent of the core engagement team; they receive training when appointed as a QRP and on an annual basis thereafter.

QRPs are appointed to an engagement based on their experience and expertise. The QRP is responsible for reviewing key aspects of the audit including independence, significant risks and their responses to these risks, judgements, uncorrected misstatements, documentation of work done in the areas reviewed, the financial statements, communication with those charged with governance and the appropriateness of the audit report to be issued. QRPs are involved throughout the audit process so that their input is timely. The QRP will seek to challenge the audit team in the judgements they have made and work done. Their review is completed and any matters raised are resolved to the QRP's satisfaction in advance of the audit report date.

Second partners are required to be appointed to certain types of non-audit work and, depending on the nature of the engagement, may fulfil a role similar to that of a QRP on an audit. In other situations, their role is defined and agreed with the engagement leader and evidenced on the file.

(g) Differences of opinion

Policies exist to resolve the situations where a difference of opinion arises between the engagement leader and either the QRP, another Assurance partner or central functions such as ARQ or Compliance. These include the use of technical panels consisting of partners independent of the engagement.

(h) Engagement documentation

At the end of an engagement, teams are required to assemble the hard copy paper file and then archive both this and the electronic file in accordance with our own policies which are more stringent than those laid down by professional standards.

In the case of the electronic audit file, automated processes exist to make sure that the file is archived on time and the act of archiving prevents any further amendments being made to the file.

The hard copy paper file is archived using an electronic system that logs the files. The hard copy file is then retained in a secure access-controlled filing system either within the office or off-site.

Unless required for legal, regulatory or internal review purposes, electronic and hard copy paper files are only accessible by members of the engagement team until they are destroyed.

All engagement files are destroyed after periods specified by law or professional standards. In the case of audit files, this is generally eight years after the balance sheet date, but can be as long as 12 years after the balance sheet date in some instances.

(j) Audit reporting

We are acutely aware that the effectiveness of our work as auditors is directly linked to the effectiveness of our reporting to audit committees and boards of directors, and in the role we play in external reporting to the owners of the entity being audited.

(i) Reporting to audit committees

When reporting to audit committees and those charged with governance in other organisations where no audit committee exists, we place particular emphasis on communicating our audit scope and approach, together with our assessment of audit risk. During the course of the audit we communicate threats to auditor objectivity, including independence, the significant risks and judgements that impact the reported financial performance and position, and the manner in which the information is presented in the annual report. This presentation of significant judgements includes highlighting to the audit committee the judgements that have been made by management in preparing the financial statements that we believe are important to an understanding of the performance and position being presented. It is important as auditors that we recognise that the nature of accounting and the judgements that are applied mean that there is often not a precise answer.

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We welcome the feedback that we have received both from our clients and from shareholders and other commentators on our audit reports.

It is also our role to inform the audit committee whether we can conclude that what is reported externally is both true and fair within established norms of materiality, including considering both qualitative and quantitative aspects of accounting and reporting.

(ii) External reporting

The form and content of our audit reports for UK entities are laid down by UK legislation and the Financial Reporting Council (FRC).

We are conscious that our reports should be clear and unambiguous. This was the third year in which we issued enhanced audit reports under ISA (UK&I) 700 'The independent auditor's report on financial statements', which included descriptions of: how our audit had been scoped; how we addressed the risks of material misstatement that we had identified; and our application of materiality in determining the nature, timing and extent of our audit procedures and evaluating the effect of misstatements. We also included the results of our audit work.

These extended audit reports provide us with the ability within our audit report to 'tell the story of our audit' in a meaningful and informative way to enhance users' understanding of the financial statements.

We welcome the continued feedback that we have received from our clients and from shareholders and other commentators on our audit reports. The form and content of audit reports continue to evolve, due both to changes in the legal and regulatory framework (including the European Union audit directive and regulation) and due to developing market practice. We welcome, fully support and embrace the moves towards greater transparency over the audit process.

Engagement leaders only conclude on the truth and fairness of the financial statements and sign an audit opinion following appropriate review of the work performed by the audit team, resolution of issues identified, clarification of any uncertainties and an assessment of uncorrected misstatements, both quantitative and qualitative, identified in respect of the financial statements.

Consultation procedures are in place where a modified opinion, or inclusion of an emphasis of matter or other matter paragraph is proposed. The consultation process assists in conveying matters raised clearly and unambiguously.

In addition to our audit opinion, in certain situations we also have reporting obligations to regulators and to other organisations specified by UK law such as the Financial Conduct Authority and the Prudential Regulation Authority.

(j) Independent senior partner review

PwC UK operates a programme of obtaining direct feedback from our clients via face-to-face interviews, undertaken by senior partners independent of the engagement teams, as well as client satisfaction surveys.

We use this feedback to make sure that we continue to provide high-quality services and address any service issues promptly.

6. Monitoring

Monitoring of our internal quality control systems comprises internal and external monitoring. External monitoring is undertaken by the firm's regulators and is reported in section 7.



Quality monitoring is an integral part of the firm's continuous improvement programme. We constantly seek to improve policies, procedures and the consistency of the quality of our work. Instances of failure to meet defined performance standards are treated seriously and the engagement leader responsible will be counselled to improve performance. In addition, under the firm's accountability framework, an engagement leader's remuneration can be impacted by quality failings.

Each Line of Service runs a quality review programme, in which independent teams of partners and staff review completed engagements to assess compliance with our quality standards and regulatory requirements. Details of the Assurance programme are set out below.

(a) ISQC (UK&I) 1 and the Audit Compliance Review

The ICAEW Audit Regulations and requirements of our other registrations including the Crown Dependencies' Audit Rules and PCAOB regulations require us to undertake an annual Audit Compliance Review (ACR).

The ACR comprises audit file reviews as well as testing the effectiveness of the firm's controls to comply with ISQC (UK&I) 1 and Audit Regulations. An action plan is developed and implemented to address any issues identified by the ACR.

(b) Global Assurance Quality Review Programme

Our monitoring program is based on the PwC Network's Global Assurance Quality Review (GAQR) Program. This program which is based on professional standards relating to quality control including ISQC1 (in the case of the UK firm, ISQC (UK&I) 1), contains policies, procedures, tools and guidance which are used by PwC Network firms. The GAQR program is coordinated by a central team which consists of a GAQR Leader with a group of International Team Leaders (ITL) who are senior partners seconded to the GAQR central team by PwC member firms. Provision of oversight by the ITLs and their continuous involvement and support enable a consistent and effective performance of reviews across the PwC network.

This includes a Quality Management Review (QMR), which tests whether our quality management systems are appropriately designed, operating effectively and comply with PwC Network standards, and an Engagement Compliance Review (ECR) programme to assess whether engagements are performed in accordance with relevant standards. The results of the QMR and ECR are included in the Member Firm Report, issued on the Assurance practice of each Member Firm across the PwC Network.

Partners and employees of our firm are informed about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of engagements. In addition, the GAQR Leader informs engagement partners of our firm who are responsible for group audits involving cross-border work about relevant quality review findings in other PwC firms which enables our partners to consider these findings in planning and performing their audit work.

(i) Quality Management Review

A full QMR is performed every three years with a targeted update being performed in the intervening years. The updates monitor progress on remediation of any control issues raised in the last full review and assess the impact of any new developments on the internal quality control systems. The QMR is led and resourced from other PwC Network firms. PwC UK was last subject to a full QMR in 2014, with targeted QMRs undertaken in 2015 and 2016. A full QMR will be performed in 2017.

Whilst reviews identified a number of improvements to systems, none of these were assessed as likely to lead to engagements not being compliant with relevant standards.

(ii) Engagement Compliance Reviews

The key features of the annual ECR programme are:

- a review of completed audit engagements of individuals in the firm who are authorised to sign audit reports (known as Responsible Individuals);
- an audit engagement of each Responsible Individual is reviewed at least once every three years as required by Audit Regulations;
- completed audit engagements of market-traded companies incorporated in the Crown Dependencies (i.e. Jersey, Guernsey and the Isle of Man) are reviewed once every three years as required by the Crown Dependencies' Audit Rules and Guidance;
- in addition, the firm maintains a list of clients with a high public profile and the audits of these clients are reviewed twice in any six year period;
- a review of a sample of completed non-audit assurance engagements under the international and UK assurance standards and regulatory frameworks. The sample aims to reflect the range of different non-audit assurance work and its significance to the firm;
- engagement compliance reviews are led by experienced partners, supported by teams of partners, directors and senior managers who are all independent of the office, business unit and engagement leader being reviewed;
- follow-up reviews take place if deficiencies have been identified;
- adverse findings are taken into consideration in determining the reward and promotion of engagement leaders; and
- the results are reported to the Assurance Executive and the Executive Board of PwC UK and to PwCIL.

156 audit engagements (FY15: 152) were reviewed in FY16, covering 43% (FY15: 43%) of the firm's Responsible Individuals. 44 non-audit assurance engagements (FY15: 21) were also reviewed.

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Line of Service runs a quality review programme, in which independent teams of partners and staff review completed engagements to assess compliance with our quality standards and regulatory requirements.

.....
In FY16

153 | 98%
audit
engagements
reviewed were
classified as either
'compliant', or
'compliant with
review matters'.

43 | 98%
non audit
engagements
reviewed were
classified as either
'compliant', or
'compliant with
review matters'.

Each engagement reviewed is assessed using the following categories:

- 'Compliant' – relevant auditing, assurance, accounting and professional standards have been complied with in all material respects.
- 'Compliant with review matters' – the following circumstances would generally lead to this conclusion:
 - required assurance procedures not performed or not documented, relating to a significant transaction stream, balance or area
 - procedures not substantially performed in accordance with professional standards
 - assurance procedures that failed to detect a material departure from applicable accounting standards
 - inadequate documentation in respect of a significant or required area
 - inappropriate evaluation of control weaknesses
 - audit/assurance report does not conform to professional standards
 - but in all cases, sufficient audit work has been performed in all other respects.
- 'Non-compliant' – relevant auditing, assurance, accounting and professional standards or documentation requirements were not complied with in respect of a material matter

In the case of a non-compliant engagement, follow up reviews are undertaken, the engagement leader will be reviewed again in the subsequent year's ECR and financial implications are imposed.

In FY16, 153 audit engagements (FY15: 143), representing 98% (FY15: 94%) of the audit engagements reviewed were classified as either 'compliant', or 'compliant with review matters'. These results became available in September 2016, shortly before this Transparency Report was published.

43 non-audit assurance engagements (FY15:20) representing 98% (FY15: 95%), of the 44 reviewed non-audit assurance engagements were either classified as 'compliant' or 'compliant with review matters'.

An action plan is developed to respond to significant matters arising from the ECR. Specific individuals are responsible for implementing the action plan within agreed time frames. The action plan is also monitored by the Assurance Risk and Quality leadership to make sure actions are implemented.

These matters, along with any consistent themes, are included in the annual mandatory technical training programme and updates for the practice, including feedback through the quarterly Quality-in-Practice webcasts and fortnightly technical update emails. We also issue additional or revised guidance to assist teams, where we considered this is necessary. This is reinforced by designated partners and champions in each business unit using a variety of mechanisms including breakfast briefings, group meetings and voicemails.

(iii) The Member Firm Report

A Member Firm Report is prepared annually by the international team leader assigned to PwC UK by the Global Assurance Risk and Quality Leader. The report includes the results of both the QMR and ECR for that year and an overall conclusion on the firm's quality control systems.

Based on our analysis of the results of the activities described above, as well as our consideration of regulator reviews and the results of other internal monitoring activities, we are satisfied that our internal quality control system provides us with reasonable assurance of performing and reporting in conformity with applicable standards and PwC Audit in all material respects. The report also summarised the main points arising from the QMR and ECRs that merited our attention.

PwC UK responded to the points raised within the FY15 Member Firm Report as well as external regulator reports and developed an action plan to address the exceptions noted. These actions were assigned to specific individuals and significant progress has been made in addressing these matters. The June 2016 Member Firm Report will be issued in October 2016.

(c) Quality key performance indicators

Quality key performance indicators (KPIs) are set each year to take account of matters arising from regulatory reviews and the ECR, in order to ensure that they focus on those aspects of our work where behavioural change and improvements in quality are considered necessary. Compliance with the quality KPIs therefore represents an ongoing challenge as we strive to continually improve audit quality.

In the year to 30 June 2016, 13 audit quality KPIs were assessed, covering various aspects of the audit from planning to execution and completion; eight non-audit quality KPIs were also assessed, covering various aspects of non-audit engagements.

The KPIs are assessed quarterly through the review of files by partners and staff who are independent of the engagement under review. The results are moderated at both a business unit and national level.

The overall audit quality KPI score for the year ended 30 June 2016 was 97% (FY15: 97%) against a target score for both years of 95%. Although the score remains above the target level, we are not complacent about the quality of our work and recognise that continued focus is needed. Therefore, as in previous years, we expect to make changes to the audit quality KPIs for the year ending 30 June 2017 to help deliver further improvements in key areas of the audit process.

Within Assurance, the overall non-audit quality KPI score for the year ended 30 June 2016 was 95% (FY15: 95%) against a target score for both years of 95%. The instances of non-compliance primarily relate to acceptance procedures not being completed on a timely basis.

Issues identified by the quality KPI reviews are communicated to the practice through the Quality-in-Practice webcasts, briefings and additional guidance, and are also incorporated into core training events. The overall quality KPI scores feed into the firm's balanced scorecard.

d) Complaints and allegations

If clients are not satisfied with the services we have delivered, or have suggestions for how we can improve, they may contact either the engagement leader or Margaret Cole, the Executive Board member responsible for Risk

and Quality, who is located at our registered office.

We look carefully and promptly at any complaint we receive. The Institute of Chartered Accountants in England and Wales (ICAEW) or the institute of which the individual PwC UK partner or member of staff is a member, may also be contacted directly.

(e) Root cause analysis

We hold our reputation for quality in the highest regard. Inevitably, given the size of our business, we do on occasion fall short of the high standards we set ourselves.

We perform analyses to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. One of our primary objectives when conducting such analyses is to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at audits both with and without deficiencies—whether identified through our own internal inspections process or through external inspections—to help identify possible distinctions and learning opportunities. Our analyses cover matters arising from both individual engagement file reviews as well as those relating to the firm's systems of quality control.

Our analyses are conducted in two ways; first by monitoring themes as they arise during the inspection process and, second, by then applying more formal root cause procedures. A team of reviewers that is independent from the engagement team or function identifies potential factors contributing to the quality of the audit or control. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement team behaviours and resources, and technical training, among others. Potential causal factors are identified by evaluating engagement information, performing interviews with engagement team members and specialists, holding focus groups with more junior team members, reviewing training and guidance, and reviewing audit working papers, as appropriate to understand the factors that may have contributed to audit quality (utilising the "5 whys" approach).

.....
*The overall
quality KPI scores
for the year ended
30 June 2016:*

97%
audit

95%
non audit within
Assurance

.....

Additional elements of quality control



Factors outside the control of auditors



The FRC's key drivers of audit quality

Reviewing internal quality controls



Review of internal control systems



Statement on the effectiveness of internal quality control systems

In addition, the data compiled for audits both with and without deficiencies is compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, whether key engagement team members are in the same geography as the client, the number of years that key engagement team members have been on the engagement, the number of other audits that engagement partners are involved in, and the timing of when the audit work was performed.

Our goal is to understand how quality audits may differ from those with deficiencies, and to use these learnings to continuously improve all of our audits. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practise. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

(f) FRC investigations

The Conduct division of the FRC deals with cases that raise or appear to raise important issues affecting the public interest in the UK, and investigates whether there is evidence of misconduct by an accountant or accountancy firm which should be considered by a tribunal. We have four open investigations (FY15: five) in respect of certain audits of the financial statements of BHS Limited, Tesco PLC, RSM Tenon Group plc and our reporting on Barclays' compliance with the FSA client asset rules. The FRC has served formal complaints, following its investigation of our 2010 audit work on Connaught plc and a tribunal hearing is due to start in November 2016, involving the firm and the former engagement partner. A settlement has been reached following the FRC's investigation of our 2007 audit of Cattles plc. Further details of the FRC's investigations and proceedings can be found within the Conduct section of the FRC website.

7. Factors outside the control of auditors affecting audit quality



In addition to the processes, systems and controls outlined above, there are other factors that affect both audit quality and the reputation of the firm, which are outside PwC UK's control.

The EU Audit Regulation became effective on 17 June 2016. In the UK this has been implemented by the Statutory Auditors and Third Country Auditors Regulations 2016 and the new Ethical Standard for auditors issued by the FRC. These followed public consultations in 2015/2016 by the Department for Business, Innovation and Skills, on behalf of the UK Government, and the FRC. The principle changes introduced by the new rules are mandatory firm rotation for auditors of EU public interest entities (PIEs), prohibited non-audit services and a 70% cap on fees for non-audit services.

In the UK the rules on mandatory firm rotation require all EU PIEs to rotate their statutory auditor after a maximum period of tenure of 20 years with a mandatory competitive tender at the ten year midpoint. This aligns with the mandatory tendering regime with a ten year frequency introduced in 2015 by the Competition & Market Authority (CMA)'s Order for FTSE 350 companies incorporated in the UK.

Whilst the outcome of the UK's vote on the EU Referendum is significant it is unlikely to give rise to change in the UK legal and regulatory position in the short to medium term. Nevertheless the new rules represent significant change and there is uncertainty as regards their interpretation and implementation in other EU member states. We expect this uncertainty to be clarified but it is clear that it will take time.

We fully support the changes and their underlying objectives to ensure confidence in audit, preserve audit independence and improve audit quality. Whilst some of the rules are causing complexity for business and could jeopardise audit quality in the short term, we believe we are well equipped and in a strong position to rise to the challenges which they present.

8. The FRC's key drivers of audit quality

The Audit Quality Framework, issued by the FRC, identifies five key drivers of audit quality. These are: the culture within an audit firm, the skills and personal qualities of audit partners and staff, the effectiveness of the audit process, the reliability and usefulness of audit reporting, and factors outside the control of auditors. These drivers have already been addressed in this section of the report.

In addition to the five key drivers of audit quality identified by the FRC, we believe that the financial success of the audit practice is also critical.



PwC UK has, like every other business, continued to focus on costs and potential efficiency savings over the past year. However, we are absolutely clear that no financial consideration will be at the expense of audit quality.

The quality of our audit work is largely dependent on the quality and skills of our people in what remains a highly competitive market. Our ability to recruit and retain the best graduates, staff and partners depends on our ability to offer market-competitive salaries and world-class professional training. In addition, we make significant investments in both our audit methodology and supporting technologies and tools. Without financial success, our ability to invest in our people, methodology and tools would be jeopardised.

9. Review of the firm's internal control system



The Audit Firm Governance Code requires the firm to conduct, at least annually, a review of the effectiveness of the firm's Assurance practice's internal control systems, covering the material controls such as financial, operational and compliance controls, and risk management systems.

In maintaining a sound system of internal control and risk management, and in reviewing its effectiveness, we have used the 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance), issued in 2005 by the Financial Reporting Council.

The Executive Board takes overall responsibility for PwC UK's internal control systems and for reviewing their effectiveness.

It has reviewed the systems of internal control for effectiveness throughout the year ended 30 June 2016 and up to the date of the approval of this Transparency Report, using a process that involves:

- Confirmations from relevant senior partners, committees, the Risk Council and functions concerning the operation of those elements of the system for which they are responsible
- Periodic reviews of the PwC UK firm's performance and quality, which have been carried out independently by the PwC Network
- Work carried out by the internal audit function, which reports to the Audit and Risk Committee
- Reports from the firm's regulators
- Reports from the external auditors

Our internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives or, in the case of financial controls, the risk of material misstatement in our financial statements. Accordingly, they provide reasonable but not absolute assurance against such a failure, or material misstatement in our financial statements.

10. Statement on the effectiveness of the firm's internal quality control system



PwC UK's internal quality control systems for Assurance are a subset of the firm's internal control systems and are outlined in this section.

On the basis of the reviews performed, as outlined in part 9 above, the Executive Board is satisfied that PwC UK's internal quality control systems for Assurance are operating effectively. Any matters identified through the various monitoring and review processes are actioned and changes implemented as outstanding.

6. Independence policies and practices

..... • **The PwC Network has a number of global systems that assist PwC UK and its partners and staff to comply with its independence policies and procedures.**

Policies and guidance

The PwC Network Independence policy, which is based on the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants, contains minimum standards which all member firms of PwCIL have agreed to follow, including processes that are to be followed to maintain independence from clients.

The independence requirements of the US Securities and Exchange Commission (SEC) and those of the US Public Company Accounting Oversight Board (PCAOB) are in certain instances more restrictive than the IESBA code and the PwC Network's policy accounts for this by including provisions that are specifically applicable to SEC restricted entities.

The UK firm also supplements the PwC Network policy with the regulatory requirements of UK professional bodies, such as the Ethical Standards issued by the Auditing Practices Board of the FRC (APB), and for audit engagements commencing on or after 17 June 2016, the FRC's revised Ethical Standard, for which PwC's policy has been, and will continue to be, updated in a number of areas.

The policy covers, among others, the following areas:

- personal and firm independence including policies and guidance on the holding of financial interests (such as shares) and other financial arrangements (which include bank accounts and loans) by partners, staff, the firm and its pension schemes
- non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services (SOPS), which provide practical guidance on the application of the policy in respect of non-audit services to audit clients
- business relationships including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and purchasing goods and services the rotation of audit engagement personnel

Systems

The PwC Network has a number of global systems that assist PwC UK and its partners and staff to comply with its independence policies and procedures. These systems include:

- The Central Entity Service (CES), which contains information about corporate entities including audit clients and their related securities. CES assists partners and staff in determining the independence status of clients of the firm when they are considering a new non-audit engagement or business relationship.
- Checkpoint, which all member firm partners and practice staff managers and above use to pre-clear securities before acquisition and to record their subsequent purchases and disposals. Where a member firm wins a new audit client, this system automatically informs those holding securities in this client if there is a requirement to sell the security.
- Authorisation for Services (AFS), which is a system that facilitates communication between a non-audit service's engagement leader and the audit engagement leader, documents the potential independence threats of the service and proposed safeguards, and acts as a record of the audit engagement leader's conclusion on the acceptability of the service.

PwC UK also has a number of UK-specific systems, including:

- A rotation-tracking system that monitors compliance with the firm's audit rotation policies for engagement leaders, other key audit partners and senior staff involved in an audit. This ensures that we consider each of the rotation rules which are relevant to that client entity and to the seniority of the role that the individual plays, and apply the most restrictive period of engagement tenure and time off the engagement.

- A database that records significant business relationships entered into by the firm (excluding the purchase of goods or services in the normal course of business). These relationships are reviewed periodically during the year to assess their ongoing permissibility.

Engagement leader, QRP and Key Audit Partner rotation policy

We adhere to the rotation requirements of the independence rules published by IESBA, the FRC and the SEC as applicable to a particular audited entity. For entities that are subject to SEC independence rules, or listed entities that are subject to FRC independence rules, engagement leader tenure is set at five years, with a five year cooling off period and key partners involved in the audit tenure is seven years with a two year cooling off period. The QRP on SEC engagements has a five year tenure with five year cooling off period. For listed entities that are subject to FRC independence rules the tenure of the QRP is set at seven years with a five year cooling off period. For entities which meet the IESBA or our internal definition of Public Interest Entity, the tenure for engagement leader, QRP and key partners involved in the audit is set at seven years with a two year cooling off period.

For all other entities our policy sets tenure for engagement leader, QRP and key audit partner at ten years with a two year cooling off period.

We have updated and will continue to update our rotation policies to reflect the requirements of the FRC's revised Ethical Standard. The changes that we have made apply to roles on entities defined by the FRC as Public Interest Entities as a result of EU Audit Regulation (537/2014) ("EU PIEs"). These rules affect audit engagements commencing on or after 17 June 2016. For EU PIE audit engagements, those individuals who meet the definition of Key Audit Partner have a tenure of five years, with a cooling off period of five years.

Key Audit Partners will include the statutory auditor designated by the firm as being primarily responsible for carrying out the statutory audit of EU PIE, including at the level of the group, the statutory auditor who signs the audit report and, in the case of a group audit, the statutory auditor designated at the level of material subsidiaries. There have been no changes in the rotation requirements for QRPs under the new rules.

Training and confirmations

Annually, all partners and practice staff receive mandatory training on the firm's independence policies and related topics. Completion is monitored and non-completion may lead to disciplinary action being taken.

Additionally, face-to-face training is delivered by the firm's independence specialists and Risk and Quality teams, as required.

PwC UK requires all partners and staff upon joining the firm and at least annually thereafter to confirm that they comply with all aspects of the firm's independence policy. In addition, all partners and directors must confirm that all non-audit services and business relationships for which they are responsible comply with policy, and that the firm's processes have been followed in accepting these engagements and relationships. These confirmations serve two primary purposes: to identify potential breaches of independence that may have arisen and as an important reminder of the firm's independence policies and procedures. These annual confirmations are supplemented by confirmations from engagement team members on the firm's larger financial services clients.

.....
All partners and practice staff receive mandatory training on the firm's independence policies and related topics.

Promoting compliance

PwC member firms are required to have disciplinary policies and mechanisms to promote compliance with independence policies and processes, and to report and address any breaches of independence requirements.

This would include, where appropriate, discussion with the client's audit committee or governance function, regarding an evaluation of the impact on the independence of the firm and the need for safeguards to maintain objectivity.

Potential breaches of the firm's independence policies that are identified from self disclosures, independence confirmations, personal independence audits, engagement reviews and other monitoring activities are investigated by the firm's Compliance team to determine if a reportable breach has occurred. In PwC UK, a violation of independence policies by a partner or staff member has consequences that may include a fine or other disciplinary action including dismissal.

Our independence procedures and practices are subject to review on an ongoing basis. This is achieved through a monitoring and testing programme, which includes the following:

- engagement reviews to confirm compliance with the firm's risk management procedures, including independence.
- personal independence audits of a random selection of partners and all partner candidates.
- annual independence confirmations by partners and staff.
- compliance testing of independence controls and processes.
- central monitoring of independence KPIs.
- annual assessment of the firm's adherence to the PwC Network's risk management standard for independence.

In addition, policies and guidance are reviewed and revised to reflect updates to laws and regulations (including the FRC's Ethical Standards), when PwC Network policies and guidance change, or when required as a result of the above reviews and of our monitoring and testing programme.

The results of the firm's monitoring and testing are reported to the Executive Board on a regular basis.

Based on the reviews outlined above, we confirm that we have conducted an internal review of independence practices during the year ended 30 June 2016.

7. External monitoring

(a) UK regulators

With effect from 17 June 2016, overall responsibility for all matters relating to audit regulation in the UK was passed to the FRC as the UK's Competent Authority. UK law allows the FRC to delegate certain audit regulation functions to Recognised Supervisory Bodies, such as the Institute of Chartered Accountants in England and Wales (ICAEW), and specify the conditions on how those delegated functions are to be carried out. The FRC has not delegated the monitoring, investigation or sanctioning of audit work relating to the audits of public interest entities, or other audits that the FRC decides to retain (collectively "retained audits"). However, the FRC has delegated to the ICAEW other audit regulation functions, including the monitoring, investigation and sanctioning of audit work that is not in respect of a retained audit.

The firm continues to be registered with, and licensed by, the ICAEW. In addition, the firm is bound by the rules, procedures and regulations of both the FRC and the ICAEW.

Each year, the FRC's Audit Quality Review team (AQR) and the ICAEW's Quality Assurance Department (QAD) undertake inspections of the quality of the firm's work as statutory auditors.

For the 2015/16 review cycle the AQR inspected the audits of certain EEA and non-EEA listed entities, and also some UK credit institutions, unquoted companies and other entities that were considered to be in the public interest.

Their scope is amended in 2016/17 to include certain other credit institutions and non-listed insurers and to exclude certain unquoted entities. The full scope of independent inspection by the AQR can be found at www.frc.org.uk. The AQR also reviews the firm's policies and procedures supporting audit quality. The QAD inspects the audits of entities that do not fall within the AQR's scope.

The results of the inspections undertaken by the AQR and QAD are reported to the ICAEW's Audit Registration Committee (ARC).

In June 2016, the ARC considered the findings arising from the AQR and QAD inspection reports and confirmed the continuance of the firm's audit registration.

(i) Audit Quality Inspection Report

The FRC issued its 2015/16 Audit Quality Inspection Report on PwC UK on 19 May 2016. A full copy of the report is available on the FRC website at www.frc.org.uk.

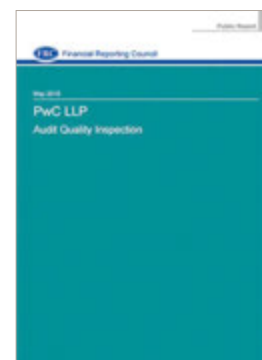
The FRC report sets out the principal findings arising from the AQR's inspection of PwC UK for the period February 2015 to January 2016. The inspection comprised reviews of individual audit engagements and a review of the firm's policies and procedures supporting audit quality.

The AQR reviewed 25 audit engagements relating to FTSE 100, FTSE 250 and other listed and major public interest entities with financial year-ends between May 2014 and April 2015.

The FRC report focused on matters where it believed improvements were required to safeguard and enhance audit quality.

While the report was not intended to provide a balanced scorecard, the FRC highlighted certain matters which it believed would contribute to audit quality, including the actions taken by the firm to address findings from the prior year's inspection.

As part of this inspection the AQR asked the firm to carry out a root cause analysis into each of their key findings before developing proposed actions. Our proposed actions in response to each key finding are presented in the FRC's published report.



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PSAA is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims

The FRC report highlighted the following key findings:

- Improve the consistency of the extent of challenge of management in relation to areas of judgment, in particular for impairment reviews and tax provisions.
- Ensure data analytics is better integrated into the audit of revenue.
- Continue to make improvements to the audit of complex supplier arrangements.
- Ensure there is appropriate consideration of fraud risk characteristics when testing journals.
- Ensure that any significant changes from the proposed audit approach are communicated to the Audit Committee.
- Improve the accuracy or precision of the description of audit procedures performed in auditors' reports.
- Continue to strengthen the firm's monitoring of compliance with its independence policies and procedures and seek to reduce the number of independence breaches.

Of the 25 audits reviewed in 2015/16 (22 in 2014/15), the AQR concluded that:

- 21 audits (16 in 2014/15) were performed to a good standard with limited improvements required
- Four audits (Four in 2014/15) were graded as improvements required, and
- No audits (Two in 2014/15) required significant improvement.

An audit is assessed as requiring significant improvement if the AQR has significant concerns in relation to the sufficiency or quality of audit evidence, or the appropriateness of key audit judgements or other matters identified. This assessment does not necessarily imply that an inappropriate audit opinion was issued.

During the year, the FRC also completed its thematic reviews into 'Firms' audit quality monitoring' and 'Engagement Quality Control Reviews'. Over the course of the thematic reviews, the FRC focuses on specific aspects of the audit process across all the major audit firms. We have reflected the findings of these reviews in our 2016 action plan. The FRC is currently in the process of conducting three further thematic reviews, one into 'Audit sampling methodology', one into 'The use of data analytics in the audit of financial

statements' and the third into 'Audit quality control procedures'. We will respond to these findings as they are published and take action as required.

In July 2016, the FRC published its report on 'Developments in Audit 2015/16', which comments on developments in auditing standards, the impact of EU audit reform and analysis and commentary on the AQR's annual monitoring activities. The report finds that:

- As a result of regulatory changes, audit firms are seen as more independent and competing on quality in audit tenders. There remains a concern, however, that the FTSE 350 audit market is concentrated across the Big Four firms;
- This confidence in audit is bolstered by prospective changes from the EU Audit Regulation and Directive, including mandatory rotation and restrictions on non-audit services. On the other hand, some are concerned that as regulatory and public scrutiny increases, the emphasis on compliance within the audit profession may place at risk the development of judgement skills and impact the level of quality within the profession;
- Audit quality is improving, as demonstrated by the results of recent monitoring activities and other indicators. However, auditors must not be complacent and must strive for continuous improvement in quality; and
- The transformative use of technology is starting to improve the effectiveness and efficiency of audit, which should lead to further competition on quality.

A copy of the report is available on the FRC website at www.frc.org.uk.

(ii) QAD findings

The QAD provided us with a copy of its confidential report to the ARC. This report is not publicly available.

In summary, the QAD concluded that the audit work was of an overall high standard, although the need for some improvements was identified.

Of the ten audit files reviewed, seven (FY15: eight) were assessed as satisfactory with a small number of documentation matters identified.

Two files (FY15: two) were assessed as generally acceptable, with specific matters identified relating to the sufficiency of audit evidence in respect of revenue and consideration of the appropriateness of an estimate.

.....
All of our actuaries are required to comply with ethical standards set and maintained by the Institute and Faculty of Actuaries (IFoA)

One file (FY15: None) was assessed as requiring some improvement due to some gaps in audit evidence together with fairly widespread weaknesses in documentation of audit work. Action has been taken by the firm in response to these specific findings.

Financial statements reviewed were generally of a good standard, although minor disclosure points were identified.

The QAD found that the firm's enhanced procedures in respect of related parties had predominantly addressed recurring matters identified in previous inspections, and payroll was now generally well audited except on the file that QAD identified as requiring some improvement.

**(iii) Other UK regulators
 Public Sector Audit Appointments Limited (PSAA)**

PSAA is currently responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims. PSAA monitors the performance of appointed auditors annually and publishes the results of its monitoring. The principal means of monitoring and evaluating the quality of auditors' work is the annual quality review programme. For 2015/16 PSAA relied on the quality monitoring arrangements of each firm operating under the PSAA regime. All firms follow PSAA's methodology and reporting format for their quality monitoring reviews for Value for Money conclusions and housing benefit subsidy claims and use their own methodology for assessing work on the financial statements. PSAA concluded that PwC UK's quality monitoring reviews were sufficiently detailed and rigorous for it to place reliance on all of the reviews provided by the firm.

PSAA published its report on PwC UK in August 2016. The report is based on relevant audits and other work for the year ended 31 March 2015 which is the last year PwC UK conducted audits under the PSAA regime. The report notes that the firm is meeting PSAA standards for overall audit quality and regulatory compliance requirements. PSAA uses a red, amber, green (RAG) indicator for overall audit quality and regulatory compliance.

PwC UK's combined audit quality and regulatory compliance rating was amber. PSAA notes the firm has maintained its overall performance against regulatory compliance indicators since last year.

However, the firm's overall weighted audit quality score has decreased slightly since last year. The matters noted through the quality monitoring arrangements have been actioned.

Monitor

Monitor is the regulator of NHS Foundation Trusts. Annually, Monitor requests that QAD review a sample of audits for NHS Foundation Trusts. QAD reports the results of its reviews privately to Monitor. Monitor writes to each engagement leader reviewed to inform him/her of the outcome. Monitor also writes to the NHS Foundation Trust to inform it of the outcome and it requests that the Chair of the Board ensures the results are shared with the Council of Governors, as the body responsible for appointing the external auditor. The latest audits reviewed were for the year ended 31 March 2015.

Two of our NHS Foundation Trust audits were reviewed for that year and QAD has reported its results to Monitor. Monitor has not yet advised the relevant engagement leaders and NHS Foundation Trusts whether or not there were issues arising in the QAD report that it wished to raise.

(iv) Other UK regulatory bodies with which we have interactions

As statutory auditors we engage in ongoing dialogue with regulators of our clients. For example, many audit teams meet with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) on a regular basis. We also have a duty to report the PRA and FCA matters under the Financial Services and Markets Act 2000 (communications by Auditors) Regulations 2001.

All of our actuaries are required to comply with ethical standards set and maintained by the Institute and Faculty of Actuaries (IFoA). In addition, the FRC is responsible for setting technical actuarial standards (TASs), and requires actuaries to comply with the TASs for various types of actuarial work.

We also believe that it is normally appropriate to apply the requirements of the TASs to other work conducted by actuaries. We regularly respond to consultations issued by the IFoA, FRC, PRA and other regulators. We play a full role in the governance of the actuarial profession, with many of our actuaries sitting on boards, committees and working parties of the IFoA. We engage with the PRA and FCA through other roles including reporting as a skilled person under s166 of the Financial Services and Markets Act 2000 and Client Asset/Client Money reporting, as set out in the FCA's Supervision Manual. Additionally, PwC LLP is authorised and regulated by the FCA for designated investment business and consumer credit-related activity; details of our status can be viewed on the FCA website under firm reference number 221411. We also work with our clients to enable them to assist the Corporate Reporting Review team of the FRC in their work monitoring public company reporting.

(b) Overseas regulators

PwC UK is registered with regulators in the following territories in order to meet local requirements in relation to the audits of certain entities:

- United States of America (Public Company Accounting Oversight Board);
- the Crown Dependencies of:
 - Jersey (Jersey Financial Services Commission)
 - Guernsey (Guernsey Registry); and
 - the Isle of Man (Isle of Man Financial Services Authority);
- Canada (Canadian Public Accountability Board);
- Japan (Japanese Financial Services Agency); and
- Kazakhstan (Kazakhstan Stock Exchange's JSC ('KASE')).
- South Africa (the Johannesburg Stock Exchange)

As a requirement of these registrations, PwC UK is subject to monitoring by the respective regulatory authorities.

(i) Public Company Accounting Oversight Board

The US Public Company Accounting Oversight Board (PCAOB) is the regulator for the audits of public companies with securities listed in the US. Engagements relevant to the PCAOB include SEC registrants that are Foreign Private Issuers ("FPIs") and the UK components of US listed groups.

The PCAOB, in cooperation with the AQR, inspected PwC UK in 2014 and reviewed the audit files of two FPI audits and one other engagement together with the firm's related quality control procedures. The PCAOB published its report in August 2015.

The PCAOB's review did not identify any audit performance issues that, in the inspection team's view, resulted in the firm failing to obtain sufficient appropriate audit evidence to support its opinion on the issuer's financial statements, or internal control over financial reporting ("ICFR"), or to fulfil the objectives of its role in the other engagement.

In addition to evaluating the quality of the audit work performed on specific audit engagements, the inspection included review of certain of the firm's practices, policies, and procedures related to audit quality. The inspection team did not identify anything during its quality control review that it considered to be a quality control defect that warranted a discussion in a Board inspection report. A full copy of the report can be found at www.pcaobus.org/Inspections/Reports/Pages/default.aspx.

(ii) The Crown Dependencies

Under arrangements with the relevant regulatory authority in the Crown Dependencies, the AQR undertakes the review of relevant audits performed by PwC UK of the financial statements of entities registered in the Crown Dependencies. In their 2015/16 inspection of PwC UK, no such audits were reviewed by the AQR.

(c) Responding to matters raised by our Regulators

We are committed to working constructively with, and take seriously all the findings identified by the firm's regulators in relation to the quality of the firm's audit work. We establish action plans to address the findings, together with a clear time frame for their resolution, and appoint individuals to be responsible for making sure that those actions are achieved.

The agreed action plans typically involve the inclusion of specific technical training and behaviour expectations in mandatory training events and revisions to the firm's guidance. The Head of Assurance, the Assurance Risk and Quality Leader and other partners responsible for the regulatory process within the firm, monitor progress against agreed action plans on a regular basis.

8. Audit quality information

The quality of our audits is of paramount importance, yet audit quality remains difficult to define and measure since it is driven by many different factors. However, understanding what audit quality means to us, the profession, our clients and the investment community enables us to focus on and continually work to improve it. It also enables regulators to focus their supervisory efforts on these important areas and audit firms to compete increasingly on the basis of audit quality.

Two years ago, the Policy and Reputation Group agreed a number of factors that contribute to audit quality and determined a set of metrics that each firm would report against annually to enable observers to assess the results of each firm and make comparisons between them. Our results for the year ended 30 June 2016 are set out below. Feedback on the usefulness of these metrics and opportunities to further enhance them would be welcome as we continue to develop our assessment and measurement of audit quality.



Partner and staff survey

The PRG identified three people-related areas which could contribute to audit quality, the measurement of which is intended to be done through staff feedback surveys. The suggested survey questions are:

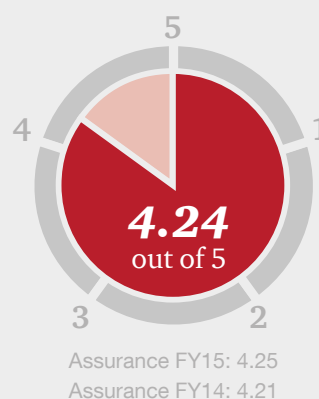
1. I am encouraged to perform a high quality audit
2. I receive enough training and development to enable me to deliver quality audits
3. I have sufficient time and resource to deliver quality audits

PwC conducts an annual staff survey: You Matter. This is derived from PwC's global staff survey, the questions are applicable across all lines of service and the results feed into our global reporting on people engagement.

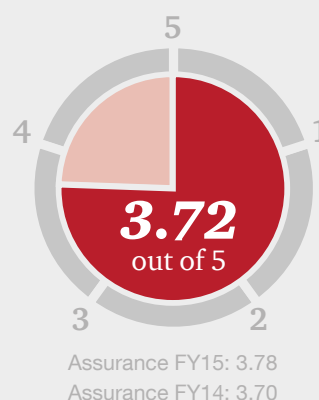
Our You Matter survey was updated for 2016 and now incorporates two additional questions focused on audit quality, enabling us to report for the first time on the third area above. The results below are provided in respect of the UK Assurance line of service.

Respondents are able to score on a scale of 1-5 where 1=strongly disagree; 2=disagree; 3=neither agree nor disagree; 4=agree; and 5=strongly agree.

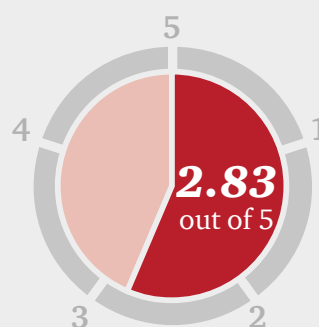
1. The leaders I work with are committed to providing high quality service to external clients (Assurance FY16)



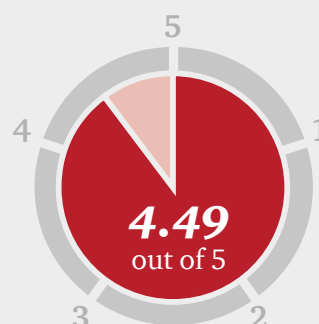
2. The learning and development I receive from PwC has prepared me for the work I do (Assurance FY16)



- 3a. I have sufficient time and resource to do my work (Assurance FY16)



- 3b. Delivering quality work is a priority for me (Assurance FY16)



We take the workloads of our partners and staff very seriously and recognise the issues highlighted by the responses to question 3a) above. We are looking closely at the factors impacting this score and are already taking steps to address those issues. For example, we are actively engaged in a number of activities to ensure our people have work loads that are reasonable. Annual portfolio reviews for our Partners and Directors allow us to actively manage the work loads of our Responsible Individuals. Over the last 12 months we have also been focussing on more evenly sharing the work loads of our staff. This has allowed us to reduce some of the higher levels of overtime that some of our people are working. This will be a continuing focus during FY17.

There is, of course, a balance to be struck between offering a diverse and challenging portfolio and ensuring that partners and staff have sufficient dedicated time to perform their roles to highest possible standard particularly in an industry where tight reporting deadlines are the norm. While we are disappointed with the score in 3a) above and are already working to address this, we are pleased to see that partners and staff continue to prioritise the delivery of quality work to our clients, as reflected in the high score in 3b) above.



External investigations

Number of cases in the last 12 months in which the FRC's conduct committee has found against the firm or one of its members

In the year to 30 June 2016 there were no cases (2015: nil) found against the firm by the Conduct division of the FRC.

Number of cases in the last 12 months in which the disciplinary committee of the firm's lead recognised professional body has found against the firm or one of its members.

In the year to 30 June 2016 there were no cases (2015: nil) found against the firm by the Audit Registration Committee of the ICAEW.

Again this year, we've not had any adverse conclusions in disciplinary cases brought against us by our lead regulators. We're mindful, however, that we have a number of ongoing regulatory investigations as set out on page 50 and we are assisting our regulators with their enquiries. Whatever the results of these cases, we ensure that our partners and staff reflect on the lessons learned from each situation.

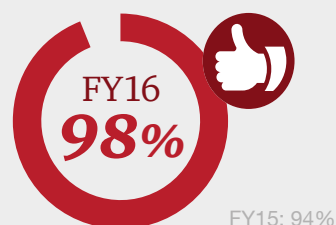


Engagement performance

Internal

Results of firm's own audit quality reviews

In FY16, 153 audit engagements, representing 98% of the audit engagements reviewed, were classified as compliant or compliant with review matters



Number of audit engagements reviewed and annualised percentage of Responsible Individuals subject to the firm's own audit quality reviews



External

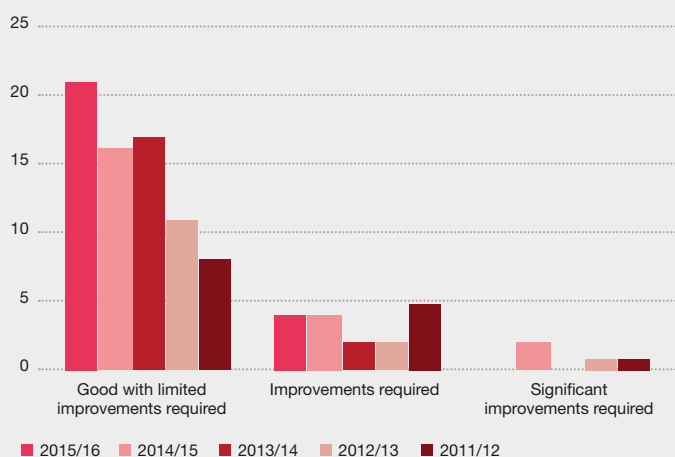
PCAOB inspection results

The PCAOB last inspected PwC UK in 2014 and included the review of the audit files for two FPI audits, one other engagement and the firm's related quality control procedures.

During this review, the PCAOB reviewed audit engagements and did not identify any audit performance issues that, in the PCAOB's view, resulted in PwC UK failing to obtain sufficient appropriate audit evidence to support its opinion on the inspected engagement's financial statements or internal control over financial reporting or to fulfil the objectives of its role in the other engagement. In addition, during the review of PwC UK's quality control system, the PCAOB did not identify anything that it considered to be a quality control defect that warrants discussion in its inspection report.

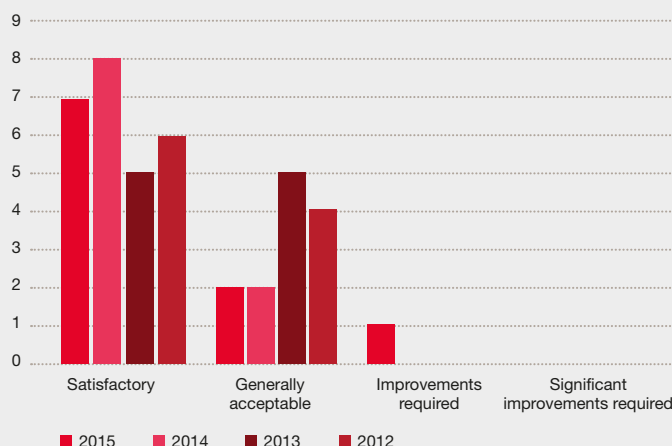
Appropriate audit evidence to support its opinion on the inspected engagement's financial statements or internal control over financial reporting or to fulfil the objectives of its role in the other engagement. In addition, during the review of PwC UK's quality control system, the PCAOB did not identify anything that it considered to be a quality control defect that warrants discussion in its inspection report.

Results of the FRC's Audit Quality Review on the firm



The FRC report notes that the chart shows an overall improvement in their assessment of the quality of the specific audits they reviewed in 2015/16. Nevertheless, the AQR identified certain areas where improvements were required and we're working hard to address these. Further details can be found in section 7 of this report.

Findings of the ICAEW Quality Assurance Department's engagement quality reviews



In summary, the QAD concluded that the audit work was of an overall high standard, although the need for some improvements was identified. Further details can be found in section 7 of this report.



Investment

We take our responsibilities to provide assurance services very seriously and are committed to continuing to invest in our assurance practice. The investment we make in training our people, and in assurance research and development, is substantial, and is reflected in the profitability figures set out on page 63.

Training activity in Assurance

We present calendar year training information within this report to mirror the training approach we have in place in Assurance. Our training curriculum runs from January to December to fit with the typical audit cycle and the majority of our training is delivered over the summer months. The figures in the table below are for the calendar year ended 31 December 2015.

2015	2014	Metric	Explanation for variance
20 hours per person	19 hours per person	The minimum structured training hours provided to qualified partners and staff within the annual mandatory audit, accounting and compliance update programme	Annual update training is developed to meet identified training requirements. In 2015 a specific piece of Information Protection and Market Abuse training was produced for all practitioners, increasing the minimum training hours per person.
20-85 hours per person	19-82 hours per person	The range of possible structured mandatory training hours required by qualified partners and staff engaged in audits based on their grade, experience and role (defined by their learner profile responses).	The maximum number of training hours increased in 2015 following the introduction of a new piece of mandatory training for external auditors of banks.
102,000 items	76,000 items	The number of Assurance mandatory training items completed during the calendar year	The number of mandatory training items completed in the year has increased as a result of headcount growth and our continued focus on delivery of just in time modular training that is targeted to individuals based on their grade, role and experience. Many individuals now complete more, shorter training modules compared with the previous year.
91 hours per person	99 hours per person	The average time charged to training time codes by qualified partners and staff during the calendar year ¹	The average number of hours charged to training time codes by qualified staff has decreased to reflect our continued growth in specialist teams who do not perform roles on audits and do not complete our audit mandatory training programme.
1.38 million hours	1.26 million hours	The total number of hours charged to training time codes by all partners and staff in Assurance during the year, including exam training for staff under training contracts	The increase in total hours charged to training codes mirrors our increase in headcount, particularly staff who are completing substantial training within their ACA qualification.

¹ This metric is calculated by taking the total hours charged to training time codes by client facing personnel from partner to Senior Associate 2 (qualification) in Assurance during 2015 and dividing this by the average headcount (FTE) for the same staff grades and time period.

Investment in Research and Development in Assurance

Both PwC UK and our global network continue to invest heavily in the development of our Assurance product. Over the last few years we have made significant progress on the creation, development and implementation of pioneering technology that is changing the way we deliver our audits, and is also helping us improve audit quality and efficiency still further.

Our existing technology, which we continue to invest in and develop, includes Aura and Connect. Aura is our global ERP system, which is now mandated for use by every audit engagement team globally.

Connect is a collaborative workflow tool that is used by over 300,000 people globally, facilitating the efficient and effective sharing of information.

More recently, we have been developing three new assurance tools: Halo, Count and PwC's Confirmation System. Count and PwC's Confirmation System both automate and standardise work previously done manually, improving audit quality in the way we complete inventory counts and third party confirmations. Halo is our data auditing technology.

It harnesses the power of data by testing and visualising huge volumes of business-critical data, analysing whole populations, improving risk assessment, analysis and testing and unlocking a wealth of insight. It drives audit quality in the following ways:

- With Halo, all transactions can be interrogated, tested and analysed throughout the year. This increases the quality of testing and helps us better assess risk and focus on the things that really matter.
- Halo is designed to work on any information from any system. This not only makes Halo accessible to all of our clients, it also drives our ability to benchmark and provide insight.
- Halo's in-built algorithms, visualisations and benchmarking help our teams better understand our clients' businesses and provide meaningful insights.

We expect to use Halo as the platform for our pipeline of new products. These will use artificial intelligence to add value by unlocking patterns and trends within data that are impossible for the human alone to identify. We are testing how software and algorithms delivered through Halo have the potential to support the auditor, in some cases perform activity more effectively than a human – delivering continually higher quality and deeper insight.



Shareholder liaison

We have a dedicated shareholder engagement team who works, together with our audit partners, to understand the expectations of the shareholder community. We continually seek the views of the investment community on the reporting, regulatory and governance issues facing UK companies and the audit profession. This means we can produce shareholder-focused surveys, thought leadership and other material to help audit teams, executives and non-executives respond better to shareholder needs.

Some key elements of our shareholder engagement team's work this year include the following:

We hosted round-table discussions:

- Seeking shareholder views on the future of quarterly reporting and how companies can best present their interim management statements
- Bringing together analysts, shareholders and company executives to share ideas on best practices in tax reporting

We held our first PwC Investor update event:

- A half day event for shareholders and analysts
- Interactive education sessions included:
 - How technology is enhancing audit quality
 - Audit committee and shareholder engagement
 - Key issues on the minds of auditors today

We published our largest ever survey of investor views:

- In April 2016 we published a global investor survey, 'Redefining business success in a changing world'. The survey compares the views of 438 investment professionals globally with responses from 1,409 CEOs in our CEO Survey on a range of business, economic and reporting issues.

We continued our dialogue between shareholders, investors, analysts and senior partners:

- Meeting shareholders across a number of sector specialisms
- Expanding our discussion to cover tax and cyber security as well as audit issues
- Our Public Interest Body (PIB) met with the Company Reporting and Auditing Group (CRAG) to discuss issues including audit quality, audit tendering and fees, the PIB's influence on the operations of the firm and the governance structure of the firm.

We've continued to seek feedback from shareholders and analysts on the format and content of our audit opinions. Those discussions told us that while there have been some recognised improvements in the usefulness and quality of our audit reporting, there are still areas where they would like us to do more. We have continued to educate shareholders, including at our Investor update event and through our educational videos in which our audit partners explain, in plain language, the audit process and judgments required. These videos can be found in the Auditor view section of www.pwc.co.uk.

We've also continued to participate in the Global Auditor Investor Dialogue, which is an informal forum comprising major global auditing networks and leading global institutional investors.

9. Financial information

Consolidated financial information

The following information is extracted from the consolidated financial statements of PwC UK for the year ended 30 June 2016:

- consolidated profit for the financial year before members' profit share was £829m (FY15: £818m)
- consolidated profit available for division among members was £747m (FY15: £755m).

Relative importance of statutory audit work

An analysis of the UK and total group revenue of PwC UK for the financial year ending 30 June 2016, which shows the relative importance of UK-related statutory audit work, is shown below:

	FY16 £m	FY15 £m
Statutory audits and directly related services for audit clients	659	604
Non-audit services to audit clients ⁵	384	365
Services to audit clients	1,043	969
Services to clients we do not audit	1,905	1,790
UK firm revenue	2,948	2,759
Revenue from non-UK subsidiary undertakings	489	324
Group revenue	3,437	3,083
Revenues from statutory audits and directly related services for audit clients as a percentage of UK firm revenue	22%	22%

⁵ Typical non-audit services provided to audit clients include some of the services listed in the line of service descriptions in Appendix 1 and are only provided to audit clients where permitted by Ethical Standards and PwC Network and PwC UK policies.

Audit profitability

The Consultative Committee of Accountancy Bodies (CCAB) issued a Voluntary Code of Practice on Disclosures of Audit Profitability (the Audit Profitability Code) in March 2009. The Audit Profitability Code sets out recommended disclosures in respect of the profitability of statutory audits and directly related services (the 'reportable segment').

Revenue and operating profit of the reportable segment, calculated in accordance with the requirements of the Audit Profitability Code, are:

	FY16 £m	FY15 £m
Revenue	659	604
Operating profit	141	149

Revenue, direct costs and overheads for the reportable segment are recognised and measured on a basis consistent with the firm's consolidated financial statements:

- revenue represents amounts recoverable from clients for statutory audits and directly related services provided during the year, excluding Value Added Tax. It reflects the fair value of the services provided on each client assignment including expenses and disbursements, based on the stage of completion of each assignment as at the balance sheet date.
- operating profit for the reportable segment is calculated based on direct costs, including staff costs associated with engagements falling within the segment and training, together with an allocation of firmwide overheads, such as property and IT costs. These costs are allocated on a pro rata basis, based primarily on the headcount or revenues of the relevant business segment. No cost is included for the remuneration of members of PwC UK, consistent with the treatment of partners' remuneration in the firm's consolidated financial statements.

10. Remuneration of partners

.....
37%

Each partner's performance income, which in the year ended 30 June 2016 represented on average approximately 37% of their profit share

Partner roles are remunerated solely out of the profits of PwC UK and its subsidiaries and partners are personally responsible for funding their pensions and other benefits.

Audit partners and audit staff, which includes staff from other Lines of Service contributing to the audit, are not permitted to be, nor are they incentivised to be, evaluated or remunerated for the selling of non-audit services to their audit clients.

The expectations of audit partners are set out in section 5, and audit quality forms a key part of the partner performance appraisal process.

In addition, the Assurance Risk & Quality partners input into the assessment of performance in respect of risk and quality matters for the audit partners in their teams and the Assurance Risk & Quality Leader is involved in the remuneration discussions for audit partners to make sure that the process complies with the firm's policies.

The final allocation and distribution of profit to individual partners is made by the Executive Board, once performance has been assessed and the annual financial statements have been approved. The Supervisory Board approves the process and oversees its application.

Each partner's profit share comprises two interrelated profit-dependent components:

- Performance income – reflecting how a partner and their team(s) have performed (FY16: 37%, FY15 37%)
- Responsibility and equity unit income – reflecting the partner's role and contribution ("responsibility income") and the firm's overall profitability ("equity unit income") (FY16: 63%, FY15: 63%)

Each partner's performance income, which in the year ended 30 June 2016 represented on average approximately 37% of their profit share (FY15:37%), is determined by assessing achievements against an individually tailored balanced scorecard of objectives, based on the partner's role. These objectives take account of our public interest responsibilities by ensuring we deliver quality services and maintain our independence and integrity.

Quality failings identified either through regulatory reviews or internal quality reviews impact the remuneration of audit partners, and other audit and non-audit engagement leaders in Assurance, through an accountability framework.

There is transparency among the partners over the total income allocated to each individual.

Drawings

The overall policy for partners' monthly drawings is to distribute a proportion of the profit during the financial year, taking into account the need to maintain sufficient funds to settle partners' income tax liabilities and to finance the working capital and other needs of the business. The Executive Board, with the approval of the Supervisory Board, sets the level of partners' monthly drawings, based on a percentage of their individual responsibility income.

Tax

Our distributable profit per partner is calculated on a pre-tax basis and the taxes borne individually by our partners include both income tax as well as corporation tax on subsidiary profits. The total tax charged in respect of partners' distributable profits represents approximately 48% (2015: 48%) of distributable income.



11. Public interest entities

A list of the public interest entities for whom we issued a statutory audit opinion between 1 July 2015 and 30 June 2016, who have issued transferable securities on a regulated market (as defined in the Statutory Auditors (Transparency) Instrument 2008) can be found in Appendix 4.

Appendices

Appendix 1: Lines of service

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PwC UK operates through four principal Lines of Service (LoS) in the UK. These are Assurance, Consulting, Deals and Tax. Programmes to develop expertise and to share knowledge in all key industries are also in place.

Assurance

Audit and capital markets, regulatory and other similar assurance: statutory and non-statutory audit, financial accounting, corporate reporting, compliance with new and existing regulations and remediation, risk and regulatory monitoring, International Financial Reporting Standards (IFRS) and new UK GAAP conversions, assurance on capital market transactions and listings and assurance on non-financial information.

Risk assurance: IT risk assurance, business resilience, commercial assurance, performance assurance, treasury and commodity services and internal audit.

Actuarial: mergers and acquisitions, capital structuring, financial modelling, predictive modelling, insolvencies and run-off solutions, regulatory, risk and capital management, underwriting and catastrophe modelling, claims, reinsurance, insurance reserving and reporting, pensions and other benefit plans, performance benchmarking and insurance needs for the public sector.

Consulting

Consulting: Finance, strategy (including Strategy&), operations, people, technology, risk and compliance, enterprise performance management (process transformation, systems implementation and application management), portfolio and programme management and business change enabled by digital technology.

Sustainability and climate change:

Specialists in international policy and UN negotiations, carbon emissions, policy and trading, climate change economics, climate risk modelling, deforestation, natural resources and ethical supply chains, finance, insurance and green investment, renewables and clean technology, and sustainable development goals.

New businesses: Refers to the portfolio of businesses where we've recognised the potential for developing alternative business models including MyFinancepartner and Research to Insight.

Delivering deal value: Carve out activities (vendor assistance, vendor due diligence, buy-side diligence), operational due diligence (buy-side and sell-side), M&A integration and rapid value creation.

Deals

Transaction services: Buy and sell-side financial due diligence, commercial and market due diligence, structuring, sale and purchase agreements, business modelling, valuations, bid support and defence.

Corporate finance: Mergers and acquisitions advisory, private equity advisory, project finance and public private partnerships, infrastructure finance advisory, public to private transactions and public company advisory.

Business recovery services: Financial and operational restructuring, debt and capital advisory, working capital management, corporate insolvency, independent business reviews, chief restructuring officers, interim leadership (PwC UK's turnaround panel), optimised exits and corporate simplification, accelerated mergers and acquisitions, corporate liability management, pension scheme credit advisory, and distressed property advisory.

Forensic services: Disputes including asset tracing, commercial, competition, intellectual property and shareholder disputes, construction and insurance claims; investigations including anti-money laundering, financial crime, fraud and corruption, ethics and integrity consulting, anti-trust, royalty examinations and warranty compliance; and forensic advisory including contract and project risk, fraud prevention, project delay analysis, litigation readiness, revenue leakage, forensic technology, data analytics and cyber response.

Tax

Tax: Corporate tax advisory, tax on transactions, transfer pricing, corporate and international tax, finance and treasury, indirect taxes, property taxes, tax management and accounting services, dispute resolution, corporate tax compliance and outsourcing, private business tax advisory, personal tax advisory and compliance, tax valuations, sustainability and climate change taxes, tax risk and strategy, tax disclosures, tax transparency, value chain transformation, investment advisory, incentives, grants and reliefs, operational tax services (financial services).

People and Organisation: Providing solutions to people related challenges across performance and employment, Global Mobility Services, pensions and workforce benefits, people services including HR transaction/deals advice, people analytics and benchmarking, HR technology and HR transformation.

PwC legal¹: Corporate law, banking and finance, employment and pensions law, real estate advice, immigration law, intellectual property law, IT law, general commercial and contractual law, dispute resolution (tax and commercial), regulatory disputes, cyber security and data protection law, public procurement, legal entity management and governance advice.

¹ PwC Legal LLP is a separate member firm of the PwC network.

Appendix 2: Biographies



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5

The Executive Board from 1 July 2016

1 Kevin Ellis

Chairman and Senior Partner

Kevin joined the UK firm's Executive Board in 2008, first as Head of Advisory and from 2012, as Managing Partner. He was elected Chairman and Senior Partner with effect from 1 July 2016. He joined the firm in 1984 on the graduate training programme and qualified as a chartered accountant (ICAEW). Kevin specialised in providing turnaround and crisis management support to businesses in the public and private sectors for over 25 years.

2 Jon Andrews

Technology and Investment

Jon graduated from the University of Nottingham with a Psychology degree and he joined the firm as a Partner in 2007 from Accenture. Prior to joining the Executive Board in 2016 he headed up our People and Organisation Network in the UK and globally. He has worked with clients across several industry sectors including high tech, FMCG, financial services, government and pharmaceuticals and has spent time working and living abroad in Kuala Lumpur and Zurich.

3 Kevin Burrowes

Clients and Markets

Kevin is responsible for Clients and Markets. He is also the Global Relationship Partner for a global bank. Previous roles include the Global Banking & Capital Markets Leader and Financial Services Leader in the UK. During his career he has primarily focused on advising, leading and delivering projects for Investment Banks across a broad agenda from

strategy to process efficiency, Front Office to HR, globally and locally. His clients have included JP Morgan, RBS, UBS, Deutsche Bank, Barclays, HSBC and HM Government. He has previously worked at IBM, Credit Suisse and The Royal Bank of Scotland and has been based in London, New York and Frankfurt. He is a member of the Institute of Chartered Accountants in England and Wales.

4 Margaret Cole

Chief Risk Officer and General Counsel

Margaret graduated from Cambridge with a degree in law. She joined the Executive Board on 1 January 2013 and was previously Managing Director of Enforcement and Financial Crime and a Board member of the FSA. She has over 20 years' experience in private practice, specialising in commercial litigation with an emphasis on financial services. She has formerly been a partner at Stephenson Harwood and White & Case. She is a Trustee of the Institute for Fiscal Studies.

5 Laura Hinton

People

Laura graduated from King's College, London with a Business Management degree. She trained in audit prior to moving into HR Consulting where she set up and led a mid-tier practice. She joined PwC in 2005 and made partner in 2006. Before joining the Executive Board, Laura was a member of the Tax Leadership Team as Head of People. She continues to work with global clients to support them with culture change, performance management and talent related challenges.



6 **Warwick Hunt**

Chief Operating Officer and Managing Partner International

Warwick graduated from the University of the Witwatersrand in Johannesburg with a Bachelor of Accountancy (with honours), in addition to holding FCA (Australia and New Zealand), ACA (ICAEW) and CA (SA) designations. He is responsible for the leadership of the UK firm's Finance and Operations functions and chairs the Executive Board's International Committee and Partner Matters Committee. Before joining the Executive Board in October 2013, he completed a four year term as PwC Middle East Senior Partner. Prior to that he was a partner in PwC New Zealand where he led the firm as Territory Senior Partner and Chief Executive Officer from 2003 to 2009. Warwick has led the provision of PwC services to a range of leading clients.

With effect from 1 July 2016 a Clients and Markets Executive has been established and appointed by Kevin Ellis and comprises of Kevin Burrowes – Head of Clients and Markets as Chair, Marco Armitrano – Head of Consulting, John Dwyer – Head of Deals, Hemione Hudson – Head of Assurance, Kevin Nicholson – Head of Tax, Dan Schwarzmann – Head of Market Initiatives and Industries.

7 **Stephanie Hyde**

Regions

Stephanie graduated from Brunel University with a mathematics and management degree. She joined the firm in 1995 and became a partner in 2006. Before joining the Executive Board in 2011, she led our Assurance practice in Reading and our mid-cap market in the South East. Stephanie has worked in a number of our offices in the UK with clients ranging from private businesses through to FTSE 100 companies. In 2016 Stephanie also joined the Global Leadership team as the Middle Market Leader.



The Executive Board until 30 June 2016

1 Ian Powell

Chairman and Senior Partner

Ian joined the UK firm's Executive Board in 2006 and was elected Chairman and Senior Partner in 2008. He joined the UK firm as a graduate trainee in 1977 with a degree in economics from Wolverhampton Polytechnic and he became a partner in 1991. Before becoming Chairman, he was Head of Advisory. Ian has an honorary doctorate in business administration, awarded by the University of Wolverhampton Business School. Ian retired from PwC on 30 June 2016.

2 Gaenor Bagley

People

Gaenor graduated from Cambridge University with a mathematics and management degree. She trained in audit and spent three years in an investment bank corporate finance team. In 1992, she joined the Tax practice and in 2000 became a partner, continuing to work in M&A and specialising in Private Equity. She joined the Executive Board in 2011 and was until 30 June 2016 responsible for our people, communities and sustainability. As of 1 July, 2016, Gaenor became Head of Corporate Purpose to promote our social issues and our purpose in the market place.

3 James Chalmers

Assurance

James graduated from Oxford University with an engineering degree and he joined the firm in 1985. He became a partner in 1997. Before joining the Executive Board in 2008 as Head of Strategy and Talent, he was a member of the Assurance leadership team. He was Head of Assurance from 1 July 2011 to 30 June 2016. During his time in Assurance he worked with multinational clients and has been on long-term secondments to clients in the banking and healthcare sectors. James will continue to play a pivotal role in the PwC Network as EMEA Assurance Leader.

4 Margaret Cole

General counsel

Margaret graduated from Cambridge with a degree in law. She joined the Executive Board on 1 January 2013 and was previously Managing Director of Enforcement and Financial Crime and a Board member of the FSA. She has over 20 years' experience in private practice, specialising in commercial litigation with an emphasis on financial services. She has formerly been a partner at Stephenson Harwood and White & Case. She is a Trustee of the Institute for Fiscal Studies. From 1 July 2016, Margaret will continue to serve on the Executive Board. Her role from this date is Chief Risk Officer and General Counsel.

5 John Dwyer

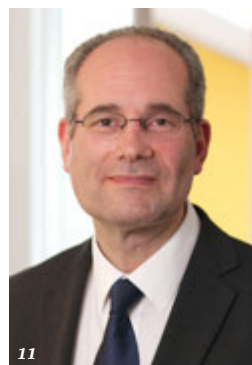
Deals

John graduated from University College Dublin with a commerce degree. He has worked in most of the businesses under the Deals umbrella, including Business Recovery Services and Corporate Finance. He became a partner in 1997 and ran the Transaction Services business between 2007 and 2011. He joined the Executive Board in 2012. He also runs the firm's Global Deals Business. As of 1 July 2016, John became part of the Clients and Markets Executive as Head of Deals.

6 Kevin Ellis

Managing Partner

Kevin joined the UK firm's Executive Board in 2008, first as Head of Advisory and from 2012, as Managing Partner. He was elected Chairman and Senior Partner with effect from 1 July 2016. He joined the firm in 1984 on the graduate training programme and qualified as a chartered accountant (ICAEW). Kevin specialised in providing turnaround and crisis management support to businesses in the public and private sectors for over 25 years.



7 Warwick Hunt

Chief Financial officer

Warwick graduated from the University of the Witwatersrand in Johannesburg with a Bachelor of Accountancy (with honours), in addition to holding FCA (Australia and New Zealand), ACA (ICAEW) and CA (SA) designations. He is responsible for the leadership of the UK firm's Finance and Operations functions and chairs the Executive Board's International Committee and (from August 2016) Partner Matters Committee. Before joining the Executive Board in October 2013, he completed a four year term as PwC Middle East Senior Partner. Prior to that he was a partner in PwC New Zealand where he led the firm as Territory Senior Partner and Chief Executive Officer from 2003 to 2009. Warwick has led the provision of PwC services to a range of leading clients. From 1 July 2016, Warwick will continue to serve on the Executive Board. His role from this date is Chief Operating Officer and Managing Partner International.

8 Stephanie Hyde

Regions

Stephanie graduated from Brunel University with a mathematics and management degree. She joined the firm in 1995 and became a partner in 2006. Before joining the Executive Board in 2011, she led our Assurance practice in Reading and our mid-cap market in the South East. Stephanie has worked in a number of our offices in the UK with clients ranging from private businesses through to FTSE 100 companies. In 2016 Stephanie also joined the Global Leadership team as the Middle Market Leader. From 1 July 2016, Stephanie will continue to serve on the Executive Board as Head of Regions.

9 Kevin Nicholson

Tax

Kevin joined the Executive Board in 2008 as Head of Regions after spending four years leading the Entrepreneurs and Private Clients practice on the Tax Leadership Team. Kevin became Head of Tax in July 2011. He graduated from Newcastle-upon-Tyne Polytechnic, joined the firm in 1991 and became a partner in 2000. Over this period he worked in the

North East, the Midlands, London and Hong Kong, and also spent two years working with Global Tax Leadership in New York. As of 1 July 2016, Kevin became part of the Clients and Markets Executive as Head of Tax.

10 Richard Oldfield

Strategy

Richard graduated from the University of York with an economics degree. He joined the firm in 1992 and became a partner in 2003. Before joining the Executive Board in 2011, he led our Banking and Capital Markets business within Assurance. He has worked in London, Zurich, Paris, New York and most recently Sydney, on both audit and non-audit clients. Richard is also the Global Audit Partner for HSBC. From 1 July 2016, Richard joined the Global Leadership Team as Global Markets and Services Leader.

11 Dan Schwarzmann

Clients and Markets

Dan has a Masters degree in Business Administration from City University and became a Partner in 1998. In July 2016 he became Head of Market Initiatives and Industries on the Clients & Markets Executive. From 2014 to 2016 he was a member of the Executive Board and before then was responsible for the Business Recovery Services team for six years. Dan has been involved in a number of high-profile UK and international assignments, mainly in the Financial Services sector.

12 Ashley Unwin

Consulting

Ashley graduated from Sheffield University in 1991 with a degree in business; he also gained an MSc in organisational development. He joined the firm in 2009 to lead our Consulting practice. Ashley's early career was spent with Arthur Andersen where he made partner in 1998. Before joining the firm, he worked in private equity and held senior positions in EMI. He joined the Executive Board in 2012. Ashley will continue to play a pivotal role in the PwC Network as EMEA Consulting and Advisory Leader.

Supervisory Board

Mark Hudson

is Chairman of the UK Supervisory Board and the Alliance Supervisory Board. He is a Consulting partner based in London with a focus on M&A and performance improvements in the Retail and Consumer Sector. He joined the firm as a direct entry partner in 2001 after holding executive board roles in industry in plc and PE backed companies. He is also a member of the PIB.

Christine Adshead

is a Deals partner in Regional Transaction Services in London, having previously been based in Manchester. She joined the firm in 1986 and became a partner in 1998. Christine became Chair of the Strategy and Governance Committee in January 2015 and is also Deputy Chair of the Supervisory Board.

Dave Allen

is a Consulting global relationship partner with experience in the TMT, energy and government sectors in London. He joined the firm in 1989 and became a partner in 1997. He is a member of the PwC Middle East Board.

Pauline Campbell

is an Assurance partner in our London Top Tier business unit where she deals with listed companies. She joined the firm in 1985 and became a partner in 1996. She is the Chair of the Audit and Risk Committee and was re-elected to the Supervisory Board from 1 January 2015.

Duncan Cox

is a Tax partner in London, specialising in mergers and acquisitions. He joined the firm in 1994 and became a partner in 2007.

Simon Friend

is an Assurance partner in London. He joined the firm in 1982 and became a partner in 1993. He is a member of the Global Board, the body responsible for the governance of the PwC Network.

Gerry Lagerberg

is a Deals partner in Forensic Services in London. He joined the firm in 1983 and became a partner in 1995. He is a member of the Global Board, the body responsible for the governance of the PwC Network, and a member of the PwC Middle East Board.

Bill MacLeod

is an Assurance partner who deals with a wide range of listed, private and inbound clients. He joined the firm in 1983 and became a partner in 1995. He is based in Newcastle where he is the Office Senior Partner. Bill joined the Supervisory Board on 1 January 2015.

Sue Rissbrook

is a Tax partner in London specialising in transfer pricing. She joined the firm in 2000 and became a partner in 2007.

Caroline Roxburgh

is an Assurance partner, based in the Edinburgh office. She is Audit Engagement Leader for a mixture of middle-market clients, both listed and private companies. Caroline joined the firm in 1981 and became a partner in 1995.

Anne Simpson

is an Assurance partner in London Banking & Capital Markets where she leads the Banking Regulatory practice. She joined the firm in 1981 and became a partner in 1993. Anne joined the Supervisory Board on 1 January 2015 and chairs the Partner Affairs Committee when it acts as Senior Management Remuneration Committee.

Jim Stidham

is a Tax partner in London specialising in Global Mobility. He joined the firm in 1983 and became a partner in 1996. Jim joined the Supervisory Board on 1 January 2015.

Claire Stokes

is a Consulting partner and is Risk and Quality Leader for Consulting UK and Consulting EMEA. She joined the firm as a direct entry partner in 2008. Claire joined the Supervisory Board on 1 January 2015 and is the Supervisory Board representative on the Partner Pensions Governance Committee.

Heather Swanston

is a Deals partner in Business Recovery Services in London where she leads the Refinancing and Restructuring team and is a member of the Business Recovery Services Executive. She joined the firm in 1988 and became a partner in 2002. Heather joined the Supervisory Board on 1 January 2015 and chairs the Partner Affairs Committee.



Public Interest Body (PIB)

The Public Interest Body (PIB) comprises Independent Non-Executives and four representatives from the firm (two from the Executive Board and two from the Supervisory Board).

1 Sir Richard Lapthorne (PIB chair to 31 March 2016)

Sir Richard's executive career spanned Chairman of Cable & Wireless Communications plc (up to May 2016), British Aerospace plc, where he was Vice-Chairman and Finance Director, and Courtaulds plc, where he was Finance Director. He spent his first eighteen years working for Unilever plc in the UK, Africa, Holland and France. As a non-executive he was a part-time Chairman of Nycomed Amersham plc, New Look plc, Morse plc, Arlington plc, and has served as a non-executive director of Orange plc, Robert Flemings, and Oasis International Leasing in Abu Dhabi.

2 Sir Graeme Davies (to 30 September 2015)

Sir Graeme Davies is Emeritus Vice-Chancellor of the University of London, having served as Vice-Chancellor and President from 2003–2010. He has been vice-chancellor of three different universities in the UK, and was also previously chief executive of the Universities Funding Council and the Higher Education Funding Council for England. He also serves on the boards of a number of other bodies involved in the higher education sector and has served on the board of London First.

3 Dame Karen Dunnell (to 30 September 2015)

Dame Karen Dunnell is a professional statistician and most of her career was spent at the Office of National Statistics where she latterly held the post of National Statistician and Chief Executive. From 2010 to 2015 she was a member of PwC's Public Interest Body. She is currently a Governor of the University of Westminster, a Governor of William Ellis School in Camden and Chair of the Longevity Science Panel of Legal and General. She holds honorary positions with Nuffield College Oxford and the Universities of Middlesex and Cardiff.

4 Lord O'Donnell (from 1 July, 2015 and PIB chair from 1 April 2016)

Lord Gus O'Donnell is Chairman of Frontier Economics, a Strategic Advisor to Toronto Dominion Bank, Executive Director and Strategic Advisor to Brookfield Asset Management, visiting Professor at LSE and UCL, member of the Economist Trust and Chair of the Behavioural Insights Team Advisory Board at the Cabinet Office. Gus was Cabinet Secretary and Head of the British Civil Service from 2005–2011. Previously, he was Permanent Secretary of the Treasury from 2002–2005 and served on the IMF and World Bank Boards. Gus was appointed to the House of Lords in 2012, where he sits as a crossbencher. Most recently, he chaired a group which produced a report on Wellbeing and Policy. He became President of the Institute of Fiscal Studies in 2016 and Chairman of the Trustees of Pro Bono Economics.

PwC members (not pictured)

Ian Powell (to 30 June 2016)^†, Kevin Ellis (from 1 July 2016) ^†, James Chalmers^ (to 30 June 2016), Margaret Cole^ (from 1 July 2016), Mark Hudson†, Pauline Campbell†, Hemione Hudson (Head of Assurance from 1 July 2016) is invited to attend meetings.

^Member of the Executive Board

†Member of the Supervisory Board

5 Paul Skinner CBE

Paul Skinner is Chairman of Defence Equipment and Support, a trading entity within the Ministry of Defence responsible for defence procurement and related support activities, and is a member of the Defence Board of MoD. He is also a member of the Advisory Body of Norton Rose Fulbright LLP. Paul spent his 40 year executive career with Royal Dutch Shell with his final position being as a Group Managing Director and CEO of the Group's global oil products business. He was later Chairman of Rio Tinto plc and of Infrastructure UK, H.M. Treasury. He has held non-executive roles on the boards of Standard Chartered plc, Air Liquide S.A., and the Tetra Travel Group.

6 Sir Ian Gibson

Sir Ian is Chairman of Norbrook Laboratories Ltd. Previously his executive career was spent mainly in the automotive industry, with 18 years at Nissan Motor Company Ltd where he was Chief Executive in the UK and Europe, and was on the Japanese Main Board. Previously, he was at Ford Motor Company for 15 years. Sir Ian has been a Non-Executive Deputy Chairman at ASDA plc and a Non-Executive Director at several companies, including GKN plc, Northern Rock plc and Greggs plc and has been Chairman of Trinity Mirror plc and Wm Morrison Supermarkets plc and BPB plc. Sir Ian has also been a Member of the Court of Directors at the Bank of England and has had several Government advisory roles.

7 Justin King CBE (from 1 July 2015)

Justin King stepped down as CEO of Sainsbury's in July 2014. He has previously worked for M&S, Asda, Haagen Dazs, Pepsi, and Mars in a thirty year career spanning fast moving consumer goods and Grocery Retailing. He was a non-executive director of Staples between 2007–2015, was a board member of LOCOG from 2009–2013, and a member of the Prime Minister's Business Advisory Group from 2010–2012. Justin retains interim role of Chairman of Manor Marussia F1 Team, reflecting a lifelong interest in the sport. In October 2015 Justin joined Terra Firma Capital Partners, the leading private equity firm, as vice chairman and Head of portfolio businesses.

8 Dame Helen Alexander (from 1 March 2016)

Dame Helen Alexander is Chairman of UBM plc, non-executive director of Huawei UK and senior adviser to Bain Capital. She is also Deputy Chair of the Hampton-Alexander Review on the representation of women on boards and in business, and Chancellor of the University of Southampton. Helen is involved with other not-for-profit organisations as a director of the Thomson-Reuters Founders Share Company, the Grand Palais (Paris) and the Said Business School (Oxford) and an honorary fellow of Hertford College, Oxford. Dame Helen was president of the CBI 2009-2011 and was chief executive of the Economist Group until 2008, having joined the company in 1985 and been managing director of the Economist Intelligence Unit from 1993 to 1997. She has also served on the boards of Rolls-Royce plc, Northern Foods plc, BT plc, Centrica plc, as deputy chairman of esure Group Holdings plc and chairman of the Port of London Authority. Dame Helen has an MA from Oxford, an MBA from INSEAD and in 2015 was awarded the Legion d'honneur.

Brief biographical details for each firm member of the PIB:

1 Ian Powell (to 30 June 2016)

Ian joined the UK firm's Executive Board in 2006 and was elected Chairman and Senior Partner in 2008. He joined the UK firm as a graduate trainee in 1977 with a degree in economics from Wolverhampton Polytechnic and he became a partner in 1991. Before becoming Chairman, he was Head of Advisory. Ian has an honorary doctorate in business administration, awarded by the University of Wolverhampton Business School. Ian retired from PwC on 30 June 2016.

2 James Chalmers (to 30 June 2016)

James graduated from Oxford University with an engineering degree and he joined the firm in 1985. He became a partner in 1997. Before joining the Executive Board in 2008 as Head of Strategy and Talent, he was a member of the Assurance leadership team. He was Head of Assurance from 1 July 2011 to 30 June 2016. During his time in Assurance he worked with multinational clients and has been on long-term secondments to clients in the banking and healthcare sectors. James will continue to play a pivotal role in the PwC Network as EMEA Assurance Leader.

3 Mark Hudson

Mark Hudson, Supervisory Board Chairman from January 2015 is a Retail and Consumer partner within the Consulting practice based in London. He has a degree in Engineering from Imperial College and an MBA from INSEAD. He joined as partner in 2001 after a career which included Executive Board roles at Welcome Break and Iceland Group as well as being a Partner at Bain & Company.

4 Pauline Campbell

Pauline Campbell, Supervisory Board member, is a London Top Tier partner, and has dealt with the spectrum of market segments from private client to top tier. She joined the firm in 1985 and became a partner in 1996. Pauline chairs the Audit and Risk Committee of the Supervisory Board.

With effect from 1 July 2016 the Executive Board members on the PIB have changed from Ian Powell and James Chalmers to Kevin Ellis and Margaret Cole, and Hemione Hudson as Head of Assurance has a standing invitation to attend PIB meetings.

Appendix 3: EU Entities (as at 30 June 2016)

Member State	Audit firm/statutory auditor
Austria	PwC Wirtschaftsprüfung GmbH, Wien
	PwC Transaction Services Wirtschaftsprüfung GmbH, Wien
	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz
	PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt
	PricewaterhouseCoopers Vorarlberg Wirtschaftsprüfungs GmbH, Dornbirn
	PricewaterhouseCoopers Tirol Wirtschaftsprüfungsgesellschaft mbH, Innsbruck
	PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz
	PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg
	PwC Österreich GmbH, Wien
Belgium	PricewaterhouseCoopers Bedrijfsrevisiorn bcvba/Reviseurs d'enterprises scrl
	SPRL PricewaterhouseCoopers Audit Services
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit s.r.o
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
	PwC Julkistarkastus Oy
France	PricewaterhouseCoopers Audit
	PricewaterhouseCoopers Entreprises
	Diagnostic Révision Conseil (DRC)
	Philippe Aerts
	Didier Cavanie
	Hubert de Rocquigny
	Jean-Laurent Bracieux
	Didier Falconnet
	Didier Brun
	François Miane
	Antoine Priollaud
	Yves Moutou
	Claude Palméro
	PricewaterhouseCoopers PME Commissariat aux comptes

Appendix 3: EU Entities (as at 30 June 2016)

Member State	Audit firm/statutory auditor
Germany	PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft
	Wibera WPG AG
	PwC FS Tax GmbH Wirtschaftsprüfungsgesellschaft
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Konyvvizsgalo Kft.
Iceland	PricewaterhouseCoopers ehf
Ireland	PricewaterhouseCoopers
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers AG
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers Malta
Netherlands	PricewaterhouseCoopers Accountants N.V.
	Coöperatie PricewaterhouseCoopers Nderland U.A
Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp. z.o.o.
	PricewaterhouseCoopers sp. z.o.o.
Portugal	PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais do Contas Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovak Republic	PricewaterhouseCoopers Slovensko s.r.o
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.l.
Sweden	PricewaterhouseCoopers AB
	Ohrlings PricewaterhouseCoopers
UK	PricewaterhouseCoopers LLP
	PricewaterhouseCoopers AS LLP
	Richard Sexton
	James Chalmers

Appendix 4: Public Interest Entities

Below is a list of the public interest entities for whom we issued a statutory audit opinion between 1 July 2015 and 30 June 2016, who have issued transferable securities on a regulated market (as defined in the Statutory Auditors (Transparency) Instrument 2008).

4IMPRINT GROUP PLC	BONMARCHE HOLDINGS PLC
ABERFORTH GEARED INCOME TRUST PLC	BOS (SHARED APPRECIATION MORTGAGES) NO. 1 PLC
ACACIA MINING PLC (formerly AFRICAN BARRICK GOLD PLC)	BOS (SHARED APPRECIATION MORTGAGES) NO. 2 PLC
AGGREKO PLC	BOS (SHARED APPRECIATION MORTGAGES) NO.3 PLC
AIRE VALLEY MORTGAGES 2004 – 1 PLC	BOS (SHARED APPRECIATION MORTGAGES) NO.4 PLC
AIRE VALLEY MORTGAGES 2005 – 1 PLC	BOVIS HOMES GROUP PLC
AIRE VALLEY MORTGAGES 2006 – 1 PLC	BOWBELL NO.1 PLC
AIRE VALLEY MORTGAGES 2007 – 2 PLC	BRADFORD & BINGLEY PLC
AIRE VALLEY MORTGAGES 2008 – 1 PLC	BRAMMER PLC
ANGLIAN WATER (OSPREY) FINANCING PLC	BRISTOL & WEST PLC
ANGLIAN WATER SERVICES FINANCING PLC	BRISTOL WATER PLC
ANTOFAGASTA PUBLIC LIMITED COMPANY	BRITISH TELECOMMUNICATIONS PLC
ARKLE MASTER ISSUER PLC	BRUNEL RESIDENTIAL MORTGAGE SECURITISATION NO.1 PLC
ARM HOLDINGS PLC	BT GROUP PLC
ARQIVA FINANCING PLC	BUNZL PLC
ASIAN TOTAL RETURN INVESTMENT COMPANY PLC	BURBERRY GROUP PLC
AUTO TRADER GROUP PUBLIC LIMITED COMPANY	CAIRN ENERGY PLC
AVIVA PLC	CAPITAL & COUNTIES PROPERTIES PLC
AVON RUBBER PLC	CAPITAL GEARING TRUST PLC
AXIA FINANCE PLC	CARNIVAL PLC
AXIA III FINANCE PLC	CARPETRIGHT PLC
BABCOCK INTERNATIONAL GROUP PLC	CARR'S GROUP PLC (formerly CARR'S MILLING INDUSTRIES PLC)
BAGLAN MOOR HEALTHCARE PLC	CENTAMIN PLC
BAILLIE GIFFORD SHIN NIPPON PLC	CENTAUR MEDIA PLC
Bank of Ireland UK Holdings plc	CENTRICA PLC
BANK OF SCOTLAND PLC	CHANCELLOR, MASTERS, AND SCHOLARS OF THE UNIVERSITY OF CAMBRIDGE
BARCLAYS BANK PLC	CHELTENHAM & GLOUCESTER PLC
BARCLAYS PLC	CHESTNUT FINANCING PLC
BERENDSEN PLC	CIRCASSIA PHARMACEUTICALS PLC
BIRMINGHAM AIRPORT (FINANCE) PLC	CITY OF LONDON INVESTMENT TRUST PLC (THE)
BLACKROCK EMERGING EUROPE PLC	CLARKSON PLC
BLACKROCK LATIN AMERICAN INVESTMENT TRUST PLC	CLAVIS SECURITIES PLC
BLACKROCK NORTH AMERICAN INCOME INVESTMENT TRUST	CLERICAL MEDICAL FINANCE PLC
BLACKROCK SMALLER COMPANIES TRUST PLC	

CMC MARKETS PLC	GLAXOSMITHKLINE CAPITAL PLC
COBHAM PLC	GLAXOSMITHKLINE PLC
COUNTRYWIDE PLC	GLOBALDRIVE (UK) VARIABLE FUNDING I PLC
CREST NICHOLSON HOLDINGS PUBLIC LIMITED COMPANY	GLOBALDRIVE (UK) VARIABLE FUNDING II PLC
CRESTON PLC	GOLDMAN SACHS INTERNATIONAL
CRITERION HEALTHCARE PLC	GRACECHURCH CARD PROGRAMME FUNDING PLC
CRODA INTERNATIONAL PLC	GRACECHURCH MORTGAGE FINANCING PLC
DAILY MAIL AND GENERAL TRUST PLC	GRANITE MASTER ISSUER PLC
DARTY PLC	GRANITE MORTGAGES 03-2 PLC
DEBENHAMS PLC	GRANITE MORTGAGES 03-3 PLC
DELAMARE FINANCE PLC	GRANITE MORTGAGES 04-1 PLC
DERWENT LONDON PLC	GRANITE MORTGAGES 04-2 PLC
DEVA FINANCING PLC	GRANITE MORTGAGES 04-3 PLC
DUNELM GROUP PLC	GREAT HALL MORTGAGES NO1 PLC
EASYJET PLC	HARGREAVES LANSDOWN PUBLIC LIMITED COMPANY
EDDYSTONE FINANCE PLC	HARWORTH GROUP PLC (FORMERLY COALFIELD RESOURCES PLC)
EDGBASTON RMBS 2010-1 PLC	HBOS PLC
ELECTRA PRIVATE EQUITY INVESTMENTS PLC	HELLENIC PETROLEUM FINANCE PLC
ELECTRA PRIVATE EQUITY PLC	HENDERSON EUROTRUST PLC
ELECTROCOMPONENTS PLC	HENDERSON GROUP PLC
ENERGY ASSETS GROUP PLC	HENDERSON OPPORTUNITIES TRUST PLC
EQUINITI GROUP PUBLIC LIMITED COMPANY	HENRY BOOT PLC
EQUITY RELEASE FUNDING (NO.1) PLC	HILTON FOOD GROUP PLC
EQUITY RELEASE FUNDING (NO.2) PLC	HOGG ROBINSON GROUP PLC
EQUITY RELEASE FUNDING (NO.3) PLC	HOME RETAIL GROUP PLC
EQUITY RELEASE FUNDING (NO.4) PLC	HONOURS PLC
EQUITY RELEASE FUNDING (NO.5) PLC	HONOURS PLC
ERB HELLAS PLC	HPC KING'S COLLEGE HOSPITAL (ISSUER) PLC
ESTIA MORTGAGE FINANCE II PLC	HSBC BANK PLC
ESTIA MORTGAGE FINANCE PLC	HSBC HOLDINGS PUBLIC LIMITED COMPANY
EUROCELL PLC	HUNTING PLC
EUROMONEY INSTITUTIONAL INVESTOR PUBLIC LIMITED COMPANY	HYDE HOUSING ASSOCIATION LIMITED
EXCHEQUER PARTNERSHIP (NO. 2) PLC	ICAP PLC
EXCHEQUER PARTNERSHIP PLC	ICG ENTERPRISE TRUST PLC (FORMERLY GRAPHITE ENTERPRISE TRUST PLC)
EXPERIAN FINANCE PLC	IG GROUP HOLDINGS PLC
EXPERIAN PLC	IMPERIAL BRANDS FINANCE PLC. (FORMERLY IMPERIAL TOBACCO FINANCE PLC)
F&C CAPITAL AND INCOME INVESTMENT TRUST PLC	IMPERIAL BRANDS PLC (FORMERLY IMPERIAL TOBACCO GROUP PLC)
F&C GLOBAL SMALLER COMPANIES PLC	INCHCAPE PLC
FCE BANK PLC	INDIVIOR PLC
FDM GROUP (HOLDINGS) PLC	INTEGRATED ACCOMMODATION SERVICES PLC
FENNER PLC	INTERNATIONAL BIOTECHNOLOGY TRUST PLC
FINSBURY GROWTH & INCOME TRUST PLC	INTU (SGS) FINANCE PLC
FOREIGN & COLONIAL INVESTMENT TRUST PLC	INTU DEBENTURE PLC
FUTURE PLC	INTU METROCENTRE FINANCE PLC
G4S PUBLIC LIMITED COMPANY	INTU PROPERTIES PLC
GALLIFORD TRY PLC	J D WETHERSPOON PLC
GAMES WORKSHOP GROUP PLC	JARDINE LLOYD THOMPSON GROUP PLC
GENEL ENERGY PLC	JKX OIL & GAS PLC
GKN HOLDINGS PLC	
GKN PLC	

JOHN LEWIS PARTNERSHIP PLC	NATIONWIDE BUILDING SOCIETY
JOHN LEWIS PLC	NEC FINANCE LIMITED (FORMERLY NEC FINANCE PLC)
JOHN WOOD GROUP PLC	NEWCASTLE BUILDING SOCIETY
JPMORGAN ASIAN INVESTMENT TRUST PLC	NGG FINANCE PLC
JPMORGAN CHINESE INVESTMENT TRUST PLC	NORCROS PLC
JPMORGAN EMERGING MARKETS INVESTMENT TRUST PLC	NORTHGATE PUBLIC LIMITED COMPANY
JPMORGAN EUROPEAN SMALLER COMPANIES TRUST PLC	NOTTING HILL HOUSING TRUST
JPMORGAN INCOME & CAPITAL TRUST PLC	NOVAE GROUP PLC
JPMORGAN INDIAN INVESTMENT TRUST PUBLIC LIMITED COMPANY	OCADO GROUP PLC
JPMORGAN JAPANESE INVESTMENT TRUST PLC	OTE PLC
JPMORGAN MID CAP INVESTMENT TRUST PLC	OXFORD BIOMEDICA PLC
JPMORGAN OVERSEAS INVESTMENT TRUST PLC	P2P GLOBAL INVESTMENTS PLC
JUPITER FUND MANAGEMENT PLC	PEARSON PLC
JUPITER US SMALLER COMPANIES PLC	PENARTH MASTER ISSUER PLC
KCOM GROUP PLC	PERMANENT MASTER ISSUER PLC
KEYSTONE INVESTMENT TRUST PLC	POLAR CAPITAL GLOBAL FINANCIALS TRUST PLC
KIER GROUP PUBLIC LIMITED COMPANY	POLAR CAPITAL GLOBAL HEALTHCARE GROWTH AND INCOME TRUST PLC
KION MORTGAGE FINANCE PLC	POLAR CAPITAL TECHNOLOGY TRUST PLC
LADBROKES PLC	PORVAIR PLC
LAVENDON GROUP PLC	PRAXIS I FINANCE PLC
LBG CAPITAL NO. 1 PLC	PRAXIS II FINANCE PLC
LEGAL & GENERAL FINANCE PLC	PREMIER FARNELL PLC
LEGAL & GENERAL GROUP PLC	PV CRYSTALOX SOLAR PLC
LINGFIELD 2014 I PLC	PZ CUSSONS PLC
LIONTRUST ASSET MANAGEMENT PLC	RECKITT BENCKISER GROUP PLC
LIVANOVA PLC	REDROW PLC
LIVERPOOL VICTORIA FRIENDLY SOCIETY LIMITED	REXAM PLC
LLOYDS BANK PLC	RICARDO PLC
LLOYDS BANKING GROUP PLC	RIO TINTO FINANCE PLC
LONGSTONE FINANCE PLC	RIO TINTO PLC
LOWLAND INVESTMENT COMPANY PLC	RIT CAPITAL PARTNERS PLC
MANCHESTER BUILDING SOCIETY	RL FINANCE BONDS NO. 2 PLC
MARSTON'S ISSUER PLC	RL FINANCE BONDS NO. 3 PLC
MARSTON'S PLC	ROAD MANAGEMENT CONSOLIDATED PLC
MCBRIDE PLC	ROYAL DUTCH SHELL PLC
MEDICLINIC INTERNATIONAL PUBLIC LIMITED COMPANY	RPC GROUP PUBLIC LIMITED COMPANY
MEGGITT PLC	RUSPETRO PLC
MERCHANTS TRUST PLC (THE)	SABMILLER PLC
MICRO FOCUS INTERNATIONAL PUBLIC LIMITED COMPANY	SANDOWN 2012-2 PLC
MICROGEN PLC	SANDOWN GOLD 2011-1 PLC
MIDAS FUNDING UK PLC	SAVILLS PLC
MINT 2015 PLC	SCEPTRE FUNDING NO. 1 PLC
MORTGAGES NO.6 PLC	SCHRODER ASIAPACIFIC FUND PLC
MOTABILITY OPERATIONS GROUP PLC	SCHRODER JAPAN GROWTH FUND PLC
MS AMLIN PLC (FORMERLY AMLIN PLC)	SCHRODERS PLC
MS AMLIN PLC (FORMERLY AMLIN PLC)	SCOTTISH WIDOWS LIMITED
NATIONAL GRID ELECTRICITY TRANSMISSION PLC	SCS GROUP PLC
NATIONAL GRID GAS PLC	SEPURA PLC
NATIONAL GRID PLC	SHAFTESBURY PLC
	SHANKS GROUP PLC

SILVERSTONE MASTER ISSUER PLC	WATERSIDE CAMPUS DEVELOPMENT PLC
SMITHS GROUP PLC	WELLCOME TRUST FINANCE PLC
SPORTECH PLC	WH SMITH PLC
ST. JAMES'S PLACE PLC	WHEATLEY GROUP CAPITAL PLC
STALLERGENES GREER PLC (FORMERLY ARES ALLERGY HOLDINGS PLC)	WILMINGTON PLC (FORMERLY WILMINGTON GROUP PLC)
STANDARD LIFE EUROPEAN PRIVATE EQUITY TRUST PLC	WITAN PACIFIC INVESTMENT TRUST PLC
STANDARD LIFE PLC	WIZZ AIR HOLDINGS PLC
STHREE PLC	WM MORRISON SUPERMARKETS PLC
STV GROUP PLC	WOLSELEY PLC
SUPERGROUP PLC	WORKSPACE GROUP PLC
SYNTHOMER PLC	WORLDWIDE HEALTHCARE TRUST PLC
T CLARKE PLC	WS ATKINS PLC
TATE & LYLE INTERNATIONAL FINANCE PLC	XCHANGING PLC
TATE & LYLE PLC	YORKSHIRE HOUSING FINANCE PLC
TAURUS 2013 (GMF1) PLC	YORKSHIRE WATER SERVICES FINANCE LIMITED
TESCO PROPERTY FINANCE 1 PLC	YORKSHIRE WATER SERVICES ODSAL FINANCE LIMITED
TESCO PROPERTY FINANCE 2 PLC	ZEPHYRUS (EUROPEAN LOAN CONDUIT NO. 30)PLC
TESCO PROPERTY FINANCE 3 PLC	ZOTEFOAMS PLC
TESCO PROPERTY FINANCE 4 PLC	
TESCO PROPERTY FINANCE 5 PLC	
TESCO PROPERTY FINANCE 6 PLC	
THE BAILLIE GIFFORD JAPAN TRUST PLC	
THE BRITISH LAND COMPANY	
THE EUROPEAN INVESTMENT TRUST PLC	
THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC	
THE HOSPITAL COMPANY (DARTFORD) ISSUER PLC	
THE MERCANTILE INVESTMENT TRUST	
THE MONKS INVESTMENT TRUST PLC	
THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC	
THOMAS COOK GROUP PLC	
TOROTRAK PLC	
TOWN CENTRE SECURITIES PLC	
TR EUROPEAN GROWTH TRUST PLC	
TRINITY FINANCING PLC	
TSB BANKING GROUP PLC	
TURBO FINANCE 4 PLC	
TURBO FINANCE 5 PLC	
TYMAN PLC	
U AND I GROUP PLC (FORMERLY DEVELOPMENT SECURITIES PLC)	
UK MAIL GROUP PLC	
VODAFONE GROUP PLC	
VOLEX PLC	
VP PLC	
VPC SPECIALTY LENDING INVESTMENTS PUBLIC LIMITED COMPANY	
WATERMAN GROUP PLC	

Appendix 5: Glossary

AQR – Audit Quality Review team

Assurance – the line of service responsible for delivering assurance including audit, risk assurance, capital markets work and actuarial services.

ATOL – Air Travel Organiser's Licence

The Board – the Global Board

CME – Clients and Markets Executive

The Code – the PwC UK Code of Conduct

CRR – Corporate Reporting Review (previously known as the Financial Reporting Review Panel)

The firm – PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales

FPI – Foreign Private Issuer

FRC – Financial Reporting Council

The Global Board – the Board of PricewaterhouseCoopers International Limited

Governance Code – the Audit Firm Governance Code

Group – PwC UK and its subsidiary undertakings in the UK, Channel Islands and Middle East

ICAEW – Institute of Chartered Accountants in England and Wales

IFAC – International Federation of Accountants

IFRS – International Financial Reporting Standards

Statutory Instrument – Statutory Auditors (Transparency) Instrument 2008

ISAs (UK&I) – International Standards on Auditing (UK and Ireland)

ISQC (UK&I) 1 – International Standards on Quality Control (UK and Ireland) 1: 'Quality control for firms that perform audits and reviews of historical financial information, and other assurance and related services engagements'

NET – Network Executive Team

NLT – Network Leadership Team

PCAOB – Public Company Accounting Oversight Board of the United States of America

PIB – Public Interest Body

The Policy and Reputation Group – a group of policy heads from each of the six largest UK audit firms, together with representatives of ICAEW and ICAS (Institute of Chartered Accountants in Scotland) who meet to discuss policy and reputation issues impacting the profession

PricewaterhouseCoopers – the network of member firms of PwCIL

PricewaterhouseCoopers LLP – a limited liability partnership incorporated in England and Wales

PwC – the network of member firms of PwCIL

PwCIL – PricewaterhouseCoopers International Limited

PwC Financial Statements 2016 – The PricewaterhouseCoopers LLP Members' report and financial statements for the year ended 30 June 2016, which can be found at www.pwcannualreport.co.uk

PwC Network – the network of member firms of PwCIL

PwC UK – PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales

QAD – Quality Assurance Department of the ICAEW

RIs – 'Responsible Individuals' are the individuals in the firm allowed to sign audit reports

SEC – Securities and Exchange Commission of the United States of America

'us' – PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales

'we' – PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales

We have prepared the Transparency Report, in respect of the financial year ended 30 June 2016, in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008 (the 'Instrument') issued by the Financial Reporting Council ('FRC'). This report also incorporates the key drivers of audit quality set out in the Audit Quality Framework issued by the FRC in February 2008.

In addition to the Instrument's requirements, we have included those matters specified to be included in the Transparency Report by the Audit Firm Governance Code, issued by the Institute of Chartered Accountants in England and Wales ('ICAEW') in January 2010.

This Transparency Report has been prepared solely in respect of the UK limited liability partnership of PricewaterhouseCoopers LLP and does not relate to any of its subsidiary or associated undertakings, or any fellow member firm of PricewaterhouseCoopers International Limited.

PricewaterhouseCoopers LLP is referred to throughout this report as 'the firm', 'PwC UK', 'we', 'our' and 'us'. 'Group' refers to PwC UK and its subsidiary undertakings in the United Kingdom, Channel Islands and the Middle East.

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