

# *Building trust through assurance* Transparency report

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

*Year ended 30 June 2017*

# Building trust through assurance

## Assurance at a glance

### A tireless pursuit of quality

#### Partner and staff survey

The leaders I work with encourage me to deliver high quality services



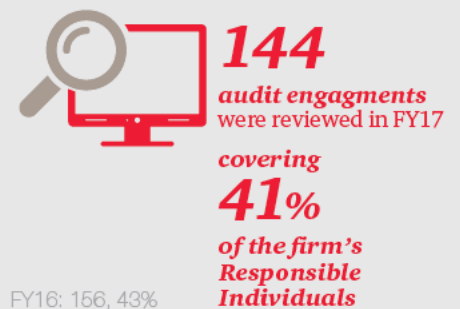
#### Audit quality reviews – internal

Results of firm's own audit quality reviews



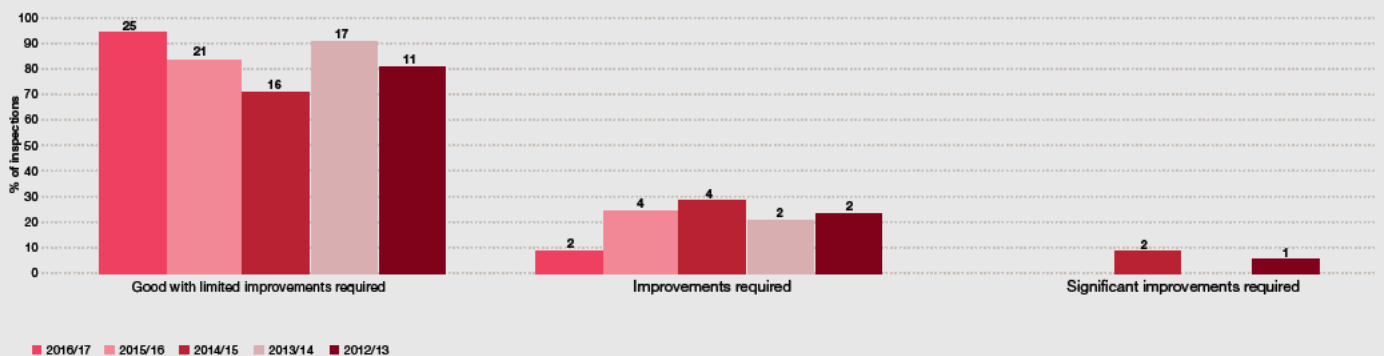
FY16: 98%

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



FY16: 156, 43%

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



### Revenue

#### Assurance UK revenues



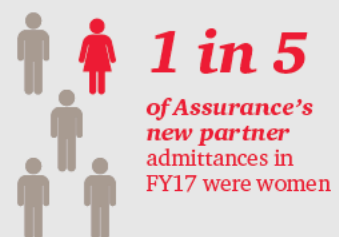
### Investing in our people

#### Investment in training and development



2015 calendar year: 1.38m

#### New partner admissions



FY16: 1 in 4; FY15: 1 in 3

# Contents

Message from UK Head of Assurance	2
Report from the Public Interest Body	6
1. Legal structure and ownership	13
2. The PricewaterhouseCoopers network	15
3. Governance structure of PricewaterhouseCoopers LLP	20
4. The Audit Firm Governance Code	28
5. Internal control and internal quality control systems	30
6. Independence policies and practices	52
7. External monitoring	55
8. Audit quality information	60
9. Financial information	65
10. Remuneration of partners	66
11. Public interest entities	67
<b>Appendix 1: Lines of service</b>	<b>70</b>
<b>Appendix 2: Biographies</b>	<b>72</b>
<b>Appendix 3: EU Entities (as at 30 June 2017)</b>	<b>78</b>
<b>Appendix 4: Public interest entities</b>	<b>80</b>
<b>Appendix 5: Glossary</b>	<b>92</b>

References to FY17 refer to PwC UK's financial year ended 30 June 2017.

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



Hemione Hudson  
UK Head of Assurance

## Message from UK Head of Assurance

*It has been a privilege to continue serving in my role as UK Head of Assurance this year. Assurance sits at the heart of PwC, underpinning our purpose – building trust in society and solving important problems. I'm proud of what we've achieved this year and the contribution all our people have made to delivering high-quality assurance services to our clients.*

In last year's Transparency Report I reflected on the fact that the UK EU referendum result had challenged many of our assumptions about UK society. This year, the results of both the UK General Election and US Presidential Election again saw the majority of pollsters proven wrong. These outcomes have only heightened the uncertainty left in the wake of the UK EU referendum and the sense of unpredictability that we all share. Further shockwaves have been generated by a number of high-profile and damaging cyber-attacks, an area proving to be an increasing vulnerability for companies operating in the digital age.

The consequence is a business environment pervaded by radical uncertainty. For many organisations decision-making is more difficult than ever and confident forecasting is challenging. As assurance providers, our role is to help reduce this uncertainty, giving confidence to decision makers as they rely on information and systems. This is a heavy responsibility in today's uncertain world, where expectations are ever increasing. Stakeholders are, rightly, demanding much more than the historic 'pass/fail' of yesterday's audit reports. Tomorrow's assurance services must combine insight with judgement to remain relevant.

---

## Assurance in 2017

But before we discuss how our assurance services are evolving, what does PwC's Assurance business look like today?

This year I'm pleased that our Assurance UK revenue reached £1,103 million, up by 2% on the previous year: reasonable growth in a tough economic environment. We've continued to experience churn in the large company audit market, as the first round of mandatory audit firm rotations progresses. We've set out below a selection of the major audits we've won or retained during the year.

- *Rolls Royce Holdings*
- *Halma*
- *Close Brothers Group*
- *Tata Steel*
- *Entertainment One*

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

Upheaval in the large company audit market is balanced by the strength of our private company and inbound audit businesses, where changes in audit appointments are less frequent.

In addition to our statutory audit business we continue to focus on the provision of services in the non-statutory assurance space. These broader assurance offerings help our clients manage risk across a range of areas. Our cyber risk practice deserves special mention this year; working with BAE Systems on the Cloudhopper project, our cyber professionals helped uncover one of the largest and most sophisticated cyber-threats that the digital world has yet experienced.

---

## Audit quality

An important part of my role is seeking feedback on our assurance work from our clients and other major stakeholders. I frequently hear that clients enjoy working with our people – and also that we're well-respected for our commitment to high audit quality.

So I was very proud to see that in the Financial Reporting Council's Developments in Audit report for 2016/17, 90% of PwC UK's inspected FTSE 350 audits and 100% of our inspected non-FTSE 350 audits were classified in the 'good or requiring limited improvement' category. Audit quality is of paramount importance to us and we continually review and update our audit processes in response to internal and external inspection findings.

PwC's results support the Financial Reporting Council's comment that 'the overall standard of audit work being done for the FTSE 350 in the UK is improving'; the results across firms inspected show that 81% of all FTSE 350 audits inspected graded 'good or requiring limited improvement' against the FRC's 2019 target of 90%.

The Developments in Audit report is wide-ranging, commenting on the FRC's audit monitoring activities and providing a regulatory view on other perspectives of audit quality. I believe that the report is a helpful and important contribution to promoting confidence in the audit market, and I encourage audit committees, investors and other stakeholders to use the report as they consider audit quality.

This year, there have been a number of incidents where our past audits have been criticised and these are discussed on page 50 of the report. Whilst it is not pleasant to read negative media commentary regarding our work, we understand that the delivery of statutory audits is a matter of the highest public interest and we expect that our work will be subject to regulatory and public scrutiny and challenge.

We carry out thousands of audits a year and the vast majority proceed without issue. We take all criticism extremely seriously and significant challenges are investigated in detail by the highest levels of management within the firm. Where these situations arise, whatever the eventual outcome, there are always lessons that can be learnt for the future and we are committed to continuous improvement.

---

## Confidence in the future

‘What will the future hold’ is the question that keeps decision-makers up at night. At PwC we are no different. We’re working hard to prepare our Assurance business for the future to ensure that we’re always in a position to deliver the best quality assurance services to clients.

We’re continuing to invest in our assurance technology tools, including future-proofing Aura, our global auditing system. We’re also building a global PwC data platform which in the future will support all data work performed across the firm.

We’re seeing our clients change the way that they work, taking advantage of cutting-edge technology to improve quality, efficiency and their people’s experience. We’re reflecting those changes, and this year we’ve launched a multi-year programme to transform our assurance operating model. The changes will mean that our assurance business stays fit to compete in tomorrow’s world, whilst making higher quality assurance easier to deliver and improving our people’s experience. We’ll be scaling up our use of off-shore delivery centres, developing our on-shore specialist centres of excellence and using technology to increase our levels of location agnostic working.

In the future, our vision is that machines will augment and enable our assurance professionals. There’s much commentary about machine automation of professional services and, in certain areas, where machines can do jobs faster, and better, than humans, we are embracing that – data analysis and detailed testing are two good examples.

But the assurance that PwC seeks to provide goes way beyond these machine-enabled outputs. At PwC, we believe that assurance comes from human thought and judgement based on the results of testing and analysis. Our assurance professionals will still be needed to provide that judgement, intuition, constructive dialogue and challenge. Human assurance professionals working together with machines will deliver greater confidence than either could alone.

The career and development paths of our assurance professionals will need to change, however. As our operating model develops, and the nature of assurance itself evolves, there will be a variety of new experiences on offer for our people. We’ll need machine learning engineers, data scientists, and perhaps also psychologists and behavioural specialists – specialisms that the auditors of yesterday could never have imagined.

*I hope this has given you an insight into our vision of the future of our assurance business. We’re keen to embrace change to continue having a positive impact on society. We remain committed to our role as assurance providers – helping people make decisions with more confidence in a rapidly changing world.*









Lord Gus O'Donnell

Chairman of the Public Interest Body

# Report from the Public Interest Body

*I am very pleased to provide my second annual report as independent non-executive chairman of PwC's Public Interest Body (PIB).*

The Financial Reporting Council (FRC) published a revised Audit Firm Governance Code (the 'revised Code') in July 2016. Although not effective for PwC until next financial year, we have considered the revised Code and have looked ahead in our activities in relation to the revised Code requirements.

Before dealing with the work we have undertaken this year, it is worth reiterating that the PIB's membership and activities reflect the principles of the revised Code, which states that audit firms should appoint Independent Non-Executives (INEs) to their governance structure. The principal objectives of the revised Code, and of the PIB, are:

- to promote audit quality;
- to help the firm secure its reputation more broadly, including its non-audit businesses; and
- to reduce the risk of firm failure.

The revised Code continues to allow audit firms to tailor their governance structures to fit their individual circumstances. At PwC, we created a separate PIB in response to the original Code, chaired by an INE and with members comprising INEs recruited externally, executive management and representatives from the firm's Supervisory Board.

We will evaluate, as part of a wider governance review at PwC, whether this structure remains appropriate. However, a great strength of the approach we adopted with the PIB is that it allows the INEs to control its agenda, focussing on those issues which are considered to be most relevant to the public interest. We have also engaged proactively with the firm's leadership in relation to the leadership structure of the firm, and welcome the establishment of the firm's Management Board which has representation from all Lines of Service.

## ***Our areas of focus***

Speaking for the INEs, we find the relationship between the firm's executive management and the PIB to be a very open and constructive 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.

Matters we have particularly focused on and discussed with the firm's leaders in the last year are set out below:



.....  
*The INEs continue to be satisfied that the firm's processes for raising matters of public interest for the PIB's attention are appropriate, and that our questions are answered in a considered and effective manner.*

<b>Planning for Brexit and beyond</b>	<p>We received briefings from the Senior Partner and from the firm's Head of Purpose on how the firm was dealing with the evolving political and economic circumstances, following the referendum vote to leave the EU. We suggested that the firm consider the longer term implications of the leave vote, including how this might impact the firm's regional business and devolution work. We also noted the leave vote would likely result in a period of significant prolonged uncertainty. The PIB will continue to take a close interest in how the firm deals with the challenges arising from Brexit.</p>
<b>People, diversity and the impact on the firm's reputation</b>	<p>We discuss on a regular basis with the firm's Head of People and the Head of Partner Affairs the measures taken to identify emerging talent and ensure adequate succession planning. The INEs recommended that the various leadership programmes within the firm and network are aligned and simplified so that they have optimal impact. We recommended that there should be particular focus on developing those who have the potential to be on the Management Board and identifying women who could in future stand for Alliance Senior Partner.</p>
<b>How the firm manages the reputational risks around providing tax advice</b>	<p>The provision of tax advice remained an area of media and political scrutiny, both in the UK and internationally. The PIB continued its dialogue with the firm's Head of Tax on how the firm manages the reputational risks around providing tax advice. The INEs queried whether the firm could take a stronger moral stance on tax with clients and stressed the importance within the firm's Tax business of corporate responsibility, reputation, appropriate judgment, transparency and awareness of public sentiment.</p>
<b>Contingency planning – ensuring the continuity of high quality audit services</b>	<p>The PIB has taken a close interest in the development and updating of the firm's contingency plan in the event of a threat to the firm's ability to continue delivering high quality audit services. The PIB reviewed the latest version of the plan and agreed it was suitable for submission to the FRC.</p>
<b>Limiting the threats to information security and cyber security</b>	<p>We discussed with the firm's Chief Information Officer the firm's involvement in work at the request of the National Cyber Security Centre, looking at the scenario of a systemic hacking operation. The PIB noted that the firm has further invested in security monitoring in order to mitigate against becoming a cyber-attack victim itself. The INEs suggested that the firm focus on defensive risk management and advisory work in the cyber arena.</p>
<b>Significant claims, investigations and litigation affecting the UK firm</b>	<p>At each meeting we receive reports from the firm's General Counsel on the most significant legal actions affecting the firm. We are satisfied that these are being appropriately handled by the firm and its external legal advisors.</p>

---

In all of our discussions on the above matters, the firm's leaders have welcomed input and challenge from the INEs. The INEs continue to be satisfied that the firm's processes for raising matters of public interest for the PIB's attention are appropriate, and that our questions are answered in a considered and effective manner.

Below is a case study to give an example of our work in the year.

---

### **Case Study: Audit Quality**

Given the importance of the topic, the PIB received and considered reports at each meeting during the course of the year from the Head of Assurance about issues related to Audit Quality. These included in the year:

**July 2016 meeting:** the PIB received a presentation on the firm's Quality Management System (QMS) over audit and regulated assurance work. QMS is the firm's internal control system to ensure that the assurance practice consistently delivers quality and complies with ISQC 1 (International Standard on Quality Control 1). The INEs stressed the importance of proper control and follow up in relation to assurance quality management.

The PIB also considered the work of the FRC's Audit Quality Review Team, noting that the firm has a professional, robust and collaborative relationship with the FRC. The PIB also heard how audit partners are selected to lead significant audits (that is: high profile entities; public interest entities; or listed entities).

**October 2016 meeting:** the PIB received an update report on Assurance quality. The INEs queried the appropriate boundaries and scope of audit work, particularly where a client is known to have possible financial difficulties. They also questioned the appropriate role of the firm, PIB and INEs in the debate in relation to the audit of risk-weighted assets.

**December 2016 meeting:** the PIB was updated on external and internal monitoring of audit quality. The INEs observed that regulatory scrutiny of private companies is likely to increase since the collapse of BHS. The Head of Assurance agreed to give further consideration to the risks associated with the audit of private companies and how further to embed audit quality in this sector in the training of audit staff.

**February 2017 meeting:** the Head of Assurance gave an update report on audit quality to the joint session of PIB and Supervisory Board members.

**May 2017 meeting:** the PIB noted that the FRC had advised that it will adopt a new approach of informing the firm in advance of some of the audit files it will review, with a view to assessing how this approach affects audit quality. The INEs queried whether the results of these reviews should appropriately be included in the FRC's audit quality review statistics.

---

### **Stakeholder engagement**

#### **Internally:**

Within the firm, it is important that the PIB has links to the wider partnership, who are the owners of the business. In addition to hearing at each meeting from the chair of the Supervisory Board (who is a member of the PIB), we meet with all the members of that Board at least once a year and individual INEs attend selected meetings of the Supervisory Board. 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.

#### **Externally:**

The Code identifies investors in listed companies as a primary stakeholder constituency. In February 2017 the INEs, together with members of PwC's executive management team, met with the Corporate Reporting and Auditing Group (CRAG), a group of investors in UK companies drawing members of the Investment Association and the Pensions and Lifetime Savings Association, to discuss the activities of the PIB and a variety of related matters. Dialogue covered areas including: the PIB's influence on the operations and the governance structure of the firm, audit quality including audit of judgmental areas, use of technology in audit, and independence and perceived conflicts of interest. The meeting was positive and helpful and there is a willingness on all sides to continue this engagement regularly.

I also met with representatives of the FRC to discuss developments on the regulatory agenda and the results of the FRC's inspection of audit work. It is pleasing to note that PwC audit inspection results for 2016/17 show a continued trend of improvement in the quality of audit work and the firm has met the FRC's 2018/19 target of at least 90% of FTSE 350 audits being assessed as good or requiring limited improvements. The PIB will monitor the firm's focus on maintaining this standard in future years.

There has also been the opportunity for the INEs to participate in FRC working groups on selected matters. For example, one of our INEs has been involved in a group focusing on culture, and I am involved in the group focusing on the future of audit.

The INEs have also proactively raised pertinent matters of public interest with the FRC, for example we have engaged with them in relation to the FRC's operations, as well as bank audits and the audit of risk weighted assets. We have also responded to the Independent Review of the FRC's Enforcement Procedures Sanctions. In relation to the latter, we support the use of sanctions by regulators of the accountancy profession, and we understand that sanctions are an essential component of any regulatory regime. However the overriding goal is to improve the quality and usefulness of audits. To do so, PwC needs to encourage the best and brightest staff to work in audit. At the moment those rare and extremely unfortunate cases where errors have been made are creating headlines which will do little to enhance the attractiveness of audit to individual staff and to existing and potential audit providers. It would be better to focus on swifter justice reaching earlier agreements with firms when mistakes have been made so lessons can be learned more quickly. 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.

### **Changes in our membership**

Sadly Dame Helen Alexander died on 5 August 2017; Helen was a highly valued member of the PIB and will be much missed professionally and personally. Pauline Campbell stepped down as a member of the PIB with effect from 5 August 2017 to ensure that the composition of the PIB continues to comply with the Code.

In addition, Mark Hudson stepped down as a PIB member as of 31 December 2016, at the same time as his term as chairman of the Supervisory Board came to an end. He was replaced on the PIB from January 2017 by Anne Simpson as she took up the chair of the Supervisory Board. I would like to place on record our appreciation of Mark's contribution to our discussions and we wish him well for the future.

### **Reviewing audit firm governance – a forward look**

As noted above, the FRC has reviewed the effectiveness of the Code which was first introduced in 2010. 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 very much support the FRC's decision to continue to allow flexibility in responding to the requirements of the revised Code so that the different governance and network structures of the major audit firms can be accommodated.

The revised Code is effective for accounting periods beginning on or after 1 September 2016. We have already taken some steps to reflect the revised Code's requirements (for example, having the firm's Ethics partner report to the PIB meetings on a regular basis). We strongly support any moves by the FRC to promote the visibility of firms' Transparency Reports and firms' disclosures regarding their compliance with the revised Code. The PIB is satisfied that the firm continues to comply with the existing Code for the year ended 30 June 2017.

Turning to the PIB's effectiveness, an externally facilitated effectiveness review was completed in 2015. We intend to commission the next externally facilitated review in 2018. This will also coincide with the effective date by which we must comply with the revised Code. At the same time, a review of the governance structures in the firm has started, initially led by Dame Helen Alexander and Anne Simpson, and now led by Sir Ian Gibson and Anne. I, and the other INEs, look forward to working with them as they progress this review.

I continue to enjoy working with my INE colleagues and with the PwC team. The provision of high quality, independent audit is of critical importance to the UK capital markets and it is 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](mailto:secretariat@uk.pwc.com)

### **Our Public Interest Body**

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**

Lord Gus O'Donnell (chairman)  
Dame Helen Alexander (to 5 August 2017)  
Sir Ian Gibson  
Justin King  
Paul Skinner

### **PwC members**

Pauline Campbell† (to 5 August 2017)  
Margaret Cole^  
Kevin Ellis^  
Mark Hudson† (to 31 December 2016)  
Anne Simpson† (from 1 January 2017)  
Hemione Hudson as Head of Assurance also attends PIB meetings  
^ Member of the Executive Board  
† Member of the Supervisory Board







## *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:

	FY17	FY16
PwC UK partners	917	890
Partners on secondment overseas	36	36
	953	926

## (b) UK office structure

PwC UK operates out of 30 offices throughout the United Kingdom – a full list can be found at [www.pwc.co.uk](http://www.pwc.co.uk).

## (c) Related firms, entities and investments

Set out below are details of PwC UK's related firms, interests and investments. Further details can be found on pages 20-24 in the PwC Financial Statements 2017 which can be found at [www.pwcannualreport.co.uk](http://www.pwcannualreport.co.uk).

## (i) Subsidiary undertakings

PwC UK's trading subsidiary undertakings located in the United Kingdom are shown in the table below. A full list of all subsidiary undertakings is shown in the PwC Financial Statements 2017 on pages 40-43. All entities listed in the table are 100% owned.

UK registered trading subsidiary undertakings	Country of Incorporation
<b>Companies</b>	
Beyond Food Community Interest Company	England
PricewaterhouseCoopers Assurance UK Limited	Scotland
PricewaterhouseCoopers Legal (Resources) Limited	England
PricewaterhouseCoopers Services Limited	England
PricewaterhouseCoopers Advisory Services Limited	England
PricewaterhouseCoopers Overseas Limited	England
PRPi Consulting Limited	England
PwC Change Management Limited	England
PwC Consulting Associates Limited	England
PwC Holdings (UK) Limited	England
PwC Performance Solutions Limited	England
PwC Strategy& (UK) Ltd	England
PwC Tax Information Reporting Limited	England
<b>Limited Liability Partnerships</b>	
PricewaterhouseCoopers Legal LLP	England
PricewaterhouseCoopers CI LLP	England
PricewaterhouseCoopers Legal Middle East LLP	England

The non-controlling interest in profits and capital attributable to the members of PricewaterhouseCoopers Legal LLP (for the period until it became a multi-disciplinary practice and the business was transferred to PwC UK) and PricewaterhouseCoopers CI LLP are shown as non-controlling interests in the PwC Financial Statements 2017.

Following the Solicitors Regulation Authority's approval of a multi-disciplinary practice license, PricewaterhouseCoopers Legal LLP transferred its business to PwC UK on 1 October 2016. From that date, the non-controlling interest members of PwC Legal became members of the LLP.

#### **(ii) Interests in joint ventures**

The Group holds interests in four significant jointly controlled entities and associates:

- Skyval Holdings LLP, which develops, maintains and licenses pension-related software;
- PricewaterhouseCoopers Mobility Technology Services LLC, which offers international mobility services;
- PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V., which provides shared services for PwC network firms; and
- PwC Poland Services Limited, which offers specialized cloud-based solutions and transformational services.

#### **(iii) Other investments**

PwC UK also holds a number of investments including preference shares issued by the PwC Central and Eastern European and PwC Central and Southern African firms as part of a strategic investment plan.

#### **(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.



---

## 2. The PricewaterhouseCoopers network

.....  
***‘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 common policies and PwC 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.

Together, these firms form part 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 as put forward by PwCIL. Each firm engages in quality control and compliance monitoring activities, covering, amongst other matters, the provision of services, ethics and business conduct, and compliance with specific, strict standards for independence monitoring and protection.

PwCIL is an English private company limited by guarantee and PwC firms are members of this entity or have connections to it. 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 or partner 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. Similarly, PwCIL is only liable for its own acts and omissions. 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



223,468 people FY16

## Working in

743 locations

in 157 countries  
FY16

## Worldwide revenues

\$35.9bn FY16



.....  
**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 have a common purpose to build trust in society and solve important problems and provide industry-focused assurance, tax and advisory services to enhance value for their clients. Over 223,000 people in 157 countries share their thinking, experience and solutions to develop fresh perspectives and practical advice.

For the year ended 30 June 2016, PwCIL member firms generated aggregate revenues of US\$35.9 billion worldwide (2015: US\$35.4 billion). Aggregate revenues for the year ended 30 June 2017 will be available from October 2017 in the PwC Global Annual Review which can be found at [www.pwc.com/annualreview](http://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.

Total turnover achieved by statutory auditors and audit firms (i.e. from EU or EEA Member States) that are members of the PwC network resulting, to the best extent calculable, from the statutory audit of annual and consolidated financial statements is approximately Euros 3.0 billion. This represents the turnover from each entity's most recent financial year converted to Euros at the exchange rate prevailing at that financial year end date.

### **(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 2017.

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**

Each 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, Kevin Ellis 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](http://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.



.....

***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 audit ERP system – New features and functionality for Aura are developed at a global level to reflect 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 2017 on pages 22-24. The profit-sharing arrangements of PwC UK are set out in section 10.

### 3. Governance structure of PricewaterhouseCoopers LLP

During the year ended 30 June 2017, the governance structure of the LLP primarily comprised:

- An Executive Board responsible for developing and implementing the LLP's policies and strategy and for its direction and management.
- A Supervisory Board which considers, reviews and gives guidance to the Executive Board on matters which the Supervisory Board considers to be of concern to the members, having regard to the interests and wellbeing of the LLP as a whole. The Audit and Risk Committee, a sub-committee of the Supervisory Board, monitors and reviews the integrity of the Group's financial statements.
- A Public Interest Body responsible for considering the public interest aspects of the LLP.
- A Clients and Markets Executive responsible for overseeing the LLP's client-facing and market activities.

Subsequent to the year ended 30 June 2017, in July 2017 the Management Board became responsible for the policies, strategy, direction and management of the LLP. The Executive Board and the Clients and Markets Executive became committees of the Management Board, with the Executive Board responsible for execution of the policies, strategy and management of the LLP. At the same time, Stephanie Hyde was appointed to a Global client role and stepped down from the Executive Board while Paul Terrington was appointed as Head of Regions and became a member of the Clients and Markets Executive.

#### **(a) The Executive Board**

During the year, the Executive Board was responsible for developing and implementing the policies, strategy, direction and management of the Firm.

The Executive Board set and communicated the Firm's strategic priorities, which fed into the Firm's business planning process. The contribution of each part of the Firm was monitored through balanced scorecard reporting.

The Executive Board is, chaired by Kevin Ellis, the Chairman and Senior Partner of the Firm. The Senior Partner appointed 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 biographies of the members of the Executive Board are set out in Appendix 2.

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

In addition, during the course of the year, the Executive Board held six separate strategy meetings and visited 23 out of 24 regional offices.

Length of service on the Executive Board and attendance records for the year ended 30 June 2017 are set out in Table 3.1.

The Executive Board was responsible for establishing systems of internal control and for reviewing and evaluating their effectiveness.

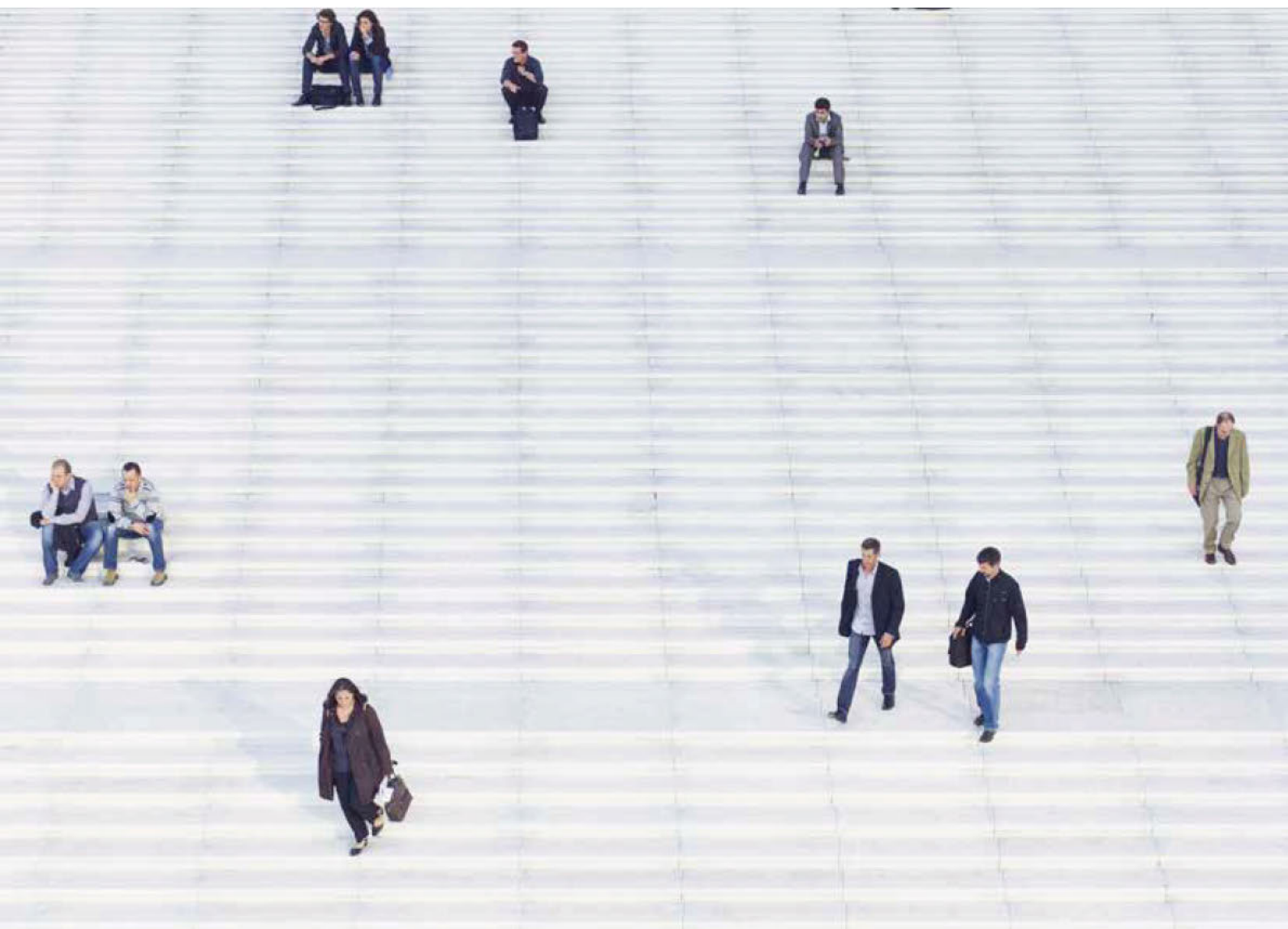
The day-to-day responsibility for the implementation of these systems and ongoing monitoring of risk and the effectiveness of controls rests with the senior management in the individual Lines of Service (LoS) and Internal Firm Services.

Table 3.1 Executive Board for the year ended 30 June 2017	Length of service (years)	Executive Board meetings	
		A	B
Kevin Ellis, Chairman and Senior Partner^^	9	16	15
Jon Andrews, Head of Technology and Investments	1	16	13
Kevin Burrowes, Head of Clients and Markets	1	16	13
Margaret Cole, Chief Risk Officer and General Counsel^^	5	16	14
Laura Hinton, Head of People	1	16	15
Warwick Hunt, Chief Operating Officer and Managing Partner International	4	16	14
Stephanie Hyde, Head of Regions	6	16	14

A = Maximum number of formal monthly meetings that could have been attended.

B = Number of meetings actually attended.

^^ Member of the Public Interest Body



These systems, which were in place throughout the Financial Year and up to the date of approval of the Firm's Financial Statements 2017, include the following:

- The Risk Council, which considers whether controls are in place to identify, evaluate and manage risk.
- 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, prior to engagement, 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.

### **Management structure**

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

Kevin introduced a leaner structure to the Executive Board focused on the Firm's key strategic areas and aligned to our vision of agility, people and technology. Integral to this structure was the creation of the Clients and Markets Executive which is responsible for overseeing the Firm's client facing operations and comprising the Head of each Line of Service: Assurance, Consulting, Deals and Tax, as well as the Head of Market Initiatives and Industries, and from August 2017, the Head of Regions. The Clients and Markets Executive is chaired by the Head of Clients and Markets, Kevin Burrowes.

In July 2017, the Management Board was created comprising the members of the Executive Board and the Clients and Markets Executive. The Executive Board and Clients and Markets Executive then became committees of the Management Board, alongside the International Committee and Partner Matters Committee. The Management Board is responsible for the policies, strategy, direction and management of the firm and certain partner matters, with the Executive Board responsible for the execution of the policies, strategy and management of the LLP.

Kevin Ellis has responsibility for the appointment and performance of the Management Board.

Almost every member of our leadership team retains senior client relationships.



### **(b) Supervisory Board**

The principal roles of the Supervisory Board are to consider, review roles and give guidance to the Executive Board (and now the Management Board) on matters which the Supervisory Board considers to be of concern to the members, having regard to the interests and wellbeing of the Firm as a whole. As such it is a key part of the Firm's governance structure.

The Supervisory Board consists of 12 members, who are elected for a term of four years by all of our UK partners. In addition to the elected members, UK Chairman and Senior Partner (Kevin Ellis) serves as an ex officio member, along with partners who have been elected to the Board of PricewaterhouseCoopers International Limited, the Global Board of the PwC Network. The Supervisory Board currently has 14 members in total. The Supervisory Board elects its own Chair.

In line with our rotation system, six elected members stood down from the Supervisory Board in December 2016 and five partners were elected, and one partner re-elected, to serve for four years from 1 January 2017. Mark Hudson retired from the Supervisory Board and as Chair on 31 December 2016 and Anne Simpson was appointed Chair in January 2017.

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

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

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

The Supervisory Board works closely with the Firm's Public Interest Body. Mark Hudson (to 31 December 2016), Anne Simpson (from January 2017) and Pauline Campbell (to 5 August 2017) sat on the Public Interest Body as members of the Supervisory Board to ensure that there is effective line of sight and communication between the two bodies.

The members of the Supervisory Board, who served during the year ended 30 June 2017, are shown in Table 3.2. The Supervisory Board Members' biographies are set out in Appendix 2.

#### ***Supervisory Board Committees***

There are four committees of the Supervisory Board to assist the Board with their work: the Partner Affairs Committee, the Senior Management Remuneration Group, the Strategy and Governance Committee and the Audit and Risk Committee.

#### ***Partner Affairs Committee***

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.

#### ***Senior Management Remuneration Group***

The Senior Management Remuneration Group has delegated decision-making powers from the Supervisory Board in respect of the reward of the UK Senior Partner (in consultation with the Global Board and Network Chair, as appropriate), the Executive Board, the Clients and Markets Executive and any UK partners on the Global Leadership Team, and the determination of whether the Firm's remuneration policies have been appropriately applied to them.



**Anne Simpson**

Chairman of the  
Supervisory Board

.....  
***The Supervisory Board consists of 12 elected members, who are elected for four years, plus the Senior Partner and UK members of the Global Board.***

Table 3.2 Supervisory Board for the year ended 30 June 2017	Length of service (years)	Meetings	
		A	B
Anne Simpson <sup>1</sup> (to 31 December 2016) and, Chair from January 2017, 7	3	16	15
Bill MacLeod <sup>1</sup> , 4 (from January 2017), 5 (to 31 December 2016) 7	3	16	14
Caroline Roxburgh <sup>3</sup> , 5 (to 31 December 2016)	4	8	5
Chris Burns <sup>3</sup> , 5 (from 1 January 2017)	½	8	8
Christine Adshead <sup>3</sup> , 6 Deputy Chair (to 31 December 2016)	4	8	7
Claire Stokes <sup>1</sup> to 31 December 2016, Deputy Chair from January 2017, 6 (from January 2017)	3	16	16
David Allen <sup>5</sup> , 7	5	16	12
Duncan Cox <sup>1</sup> , 5 (to 31 December 2016)	4	8	8
Duncan Skailles <sup>5</sup> , 9 (from 28 April 2017)	½	4	2
Gerry Lagerberg <sup>9</sup> (to 28 April 2017)	17	13	12
Heather Swanston <sup>2</sup>	3	16	15
Jim Stidham <sup>1</sup> , 3	3	16	15
John Minards <sup>1</sup> , 3 (from 1 January 2017)	½	8	7
Kevin Ellis	1	16	11
Mark Hudson, Chair (to 31 December 2016)	4	8	7
Mary Monfries <sup>9</sup> (from 1 January 2017)	½	8	7
Pauline Campbell <sup>4</sup> (to December 2016), 3 (from January 2017), 9 (from 28 April 2017)	8	16	12
Simon Friend <sup>3</sup> , 9 (to 28 April 2017)	5	13	11
Sue Rissbrook <sup>5</sup> (to 31 December 2016)	4	8	8
Teresa Owusu-Adjei <sup>1</sup> (from 1 January 2017)	½	8	8
Zafar Patel <sup>5</sup> (from 1 January 2017)	½	8	7

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. Senior Management Remuneration Group member

8. Senior Management Remuneration Group Chair

9. Member of the Board of PricewaterhouseCoopers International Limited (the 'Global Board')

### Strategy and Governance Committee

The Strategy and Governance Committee provides oversight of the development of the Firm's strategy. 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. A member of the Strategy and Governance Committee is aligned to each of the firm's five strategic priorities.

### The Audit and Risk Committee

The Audit and Risk Committee comprises of five members of the Supervisory Board, having both audit and non-audit backgrounds.

The Committee met 11 times in the year ended 30 June 2017 (FY16: 13 times). The Chief Operating Officer and Managing Partner International, the Chief Risk Officer and General Counsel, the Head of Internal Audit, the external auditors, Crowe Clark Whitehill

LLP (CCW) and an Independent Non-Executive, attend the Committee's meetings by invitation. Both the internal and external auditors meet privately with the Committee without management present.

The Committee monitors and reviews:

- The effectiveness of the Firm's internal control and risk management systems.
- The Firm's policies and practices concerning compliance, independence, business conduct and ethics, including whistle-blowing and fraud.
- The scope, results and effectiveness of the Firm's internal audit function.
- The effectiveness and independence of the Firm's statutory auditor.

- The reappointment, remuneration and engagement terms of the Firm's statutory auditor including the policy in relation to, and provision of, non-audit services.
- The planning, conduct and conclusions of the external audit.
- The integrity of the Group's Financial Statements and digital annual report and the significant reporting judgements contained in them.
- The Firm's Transparency and Corporate Sustainability reports.

### **Internal control and risk management systems**

The Audit and Risk Committee's review of internal controls 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 the internal audit work programme 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 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 2017 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.

### **Revenue recognition and the valuation of unbilled amounts for client work –**

The Committee reviewed the Firm's policy for revenue recognition and the carrying value of unbilled amounts for client work. The review of revenue recognition focused mainly on client assignments with complex contractual terms which are becoming more common as the range of the Firm's activities increases. The review of the valuation of unbilled amounts of client work was mainly undertaken on a Line of Service basis as the assessment of the carrying value is affected by the nature of the services being provided and the contractual terms of the assignments. These reviews included discussions with management and the internal and external auditors. The Committee was satisfied that the Firm's revenue recognition policy and valuation of unbilled amounts for client work were appropriate.

### **Provision for claims and regulatory proceedings –**

The Committee considered this to be a complex and higher risk area due to an increase in claims and regulatory findings against the Firm, the higher expectations of regulators and the inherent judgement involved in determining provisions. The Committee was briefed by the Firm's General Counsel on the status of claims and regulatory matters involving the Firm, considered the Firm's insurance arrangements and reviewed the settlement levels of historic claims. While the assessment of provisions is a judgmental matter, the Committee was satisfied that the level of provisions held was reasonable based on the information available.

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 2017 Annual Report and Accounts.

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

### **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 15.9% (FY16: 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.

### **(c) Public Interest Body**

The Firm established its Public Interest Body in 2010 in accordance with provisions of the Audit Firm Governance Code (Governance Code) issued by the Financial Reporting Council.

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.

Up until the time of Dame Helen Alexander's death on 5 August 2017, the Public Interest Body comprised of five Independent Non-Executives, two members from the Firm's Executive Board and two members from the Supervisory Board. Following Dame Helen's death, Pauline Campbell stepped down from the Public Interest Body in order that the Public Interest Body comprised a majority of Independent Non-Executives in accordance with the Members Agreement and Governance Code. The Public Interest Body currently comprises four Independent Non-Executives, two members from the Firm's Management Board and one member from the Supervisory Board. The Head of Assurance has a standing invitation to attend Public Interest Body meetings.

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

The Senior Partner and Supervisory Board respectively decide which members of the Management 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's role is to enhance stakeholder confidence in the public interest aspects of the Firm's activities.***



The Public Interest Body meets at least four times annually 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 without Management Board or Supervisory Board members present.

The Public Interest Body has a forward agenda including such issues as:

- People management policies and procedures with the Firm's leadership;
- Reports on issues raised under the Firm's whistle-blowing (speak up) policies and procedures;
- Ethics partners report; and
- Investor and stakeholder engagement.

The Public Interest Body is given minutes of meetings of the Executive Board (and now the Management 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 2017 are set out in Table 3.3.

The Public Interest Body biographies are set out in Appendix 2.

#### Independence of the Non-Executives

Each Independent Non-Executives' (INE) letter of appointment includes obligations and restrictions on the INE's in order to ensure they remain independent of the Firm. In developing these conditions, 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 letter of appointment 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 letter of appointment in respect of their financial, business and personal relationships before being appointed and annually 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. This 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 should they arise 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 the terms of reference for the Management Board, Supervisory Board, Audit and Risk Committee and the Public Interest Body can be found on our website at <http://www.pwc.co.uk/who-we-are/terms-of-reference-governance-structure.html>

.....

**The Public Interest Body 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.**

**Table 3.3**  
**Public Interest Body for the year ended 30 June 2017**

	Length of service (years)	Board meetings	
		A	B
Lord O'Donnell <sup>1</sup> (Chairman)	2	5	5
Dame Helen Alexander <sup>1, 2</sup>	1	5	5
Pauline Campbell <sup>3</sup>	6	5	5
Margaret Cole	1	5	4
Kevin Ellis	1	5	5
Sir Ian Gibson <sup>1</sup>	6	5	5
Mark Hudson (to 31 December 2016)	2 ½	3	3
Justin King CBE <sup>1</sup>	2	5	5
Paul Skinner CBE <sup>1</sup>	7	5	5
Anne Simpson (from January 2017)	½	2	2

A = Maximum number of meetings could have attended.

B = Number of meetings actually attended.

1. Independent Non-Executive members.

2. Dame Helen Alexander passed away on 5 August 2017

3. Pauline Campbell stepped down from the Public Interest Body in August 2017 in order that the Public Interest Body comprised a majority of INE's in accordance with the Members Agreement and the Audit Firm Governance Code.

## 4. The Audit Firm Governance Code

.....

*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

We fully support the Governance Code, which 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.

The FRC conducted a review of the Governance Code beginning 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 (and now the Management 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 (and now the Management 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 (and now the Management 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 2017, 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. The PIB is chaired by an INE, Lord Gus O'Donnell, and his report on the activities of the PIB during the year can be found on pages 6-10.

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 26-27 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 or sensitive client situations.
- 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 2017 include:

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

The PwC Financial Statements 2017, and our principal risks, including how those risks are managed, can be found at [www.pwcannualreport.co.uk](http://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 63.

### **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 2017, PwC UK is in compliance with the provisions of the Audit Firm Governance Code.

.....

***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

..... •  
*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) 1 – 'Quality control for firms that perform audits and reviews of financial statements and other Assurance and Related Services Engagements' (ISQC (UK) 1).

ISQC (UK) 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) 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.

In addition, compliance with ISQC (UK) 1 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 and 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;
- we are also registered with the ICAEW as a Local Auditor for the delivery of public sector audit work, there a number of individual registered Key Audit Partners; 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, NHS Improvement (formerly 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) 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) 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 policies and procedures, which form part of the internal quality control systems, are available to partners and staff via Inform, our web-based technical repository and other repositories linked from our intranet site, SparkPad UK.

**1. Leadership responsibilities  
for quality within the firm**



**(a) Organisational structure**

The Executive Board under Kevin Ellis' chairmanship, 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 policy and issues. The committee provides 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.

.....  
***PwC's purpose is to build trust in society and solve important problems. It is this purpose which informs the services we provide and the decisions we make.***

#### **(b) Culture and tone at the top**

PwC's core purpose is to build trust in society and solve important problems. Our purpose reflects 'why' we do what we do and our strategy provides us with the 'what' we do. 'How' we deliver our purpose and strategy is driven by our culture, values and behaviours.

Our core set of shared values state that when working with our clients and colleagues, we:

##### **Act with integrity**

- Speak up for what is right, especially when it feels difficult
- Expect and deliver the highest quality outcomes
- Make decisions and act as if our personal reputations were at stake

##### **Make a difference**

- Stay informed and ask questions about the future of the world we live in
- Create impact with our colleagues, our clients and society through our actions
- Respond with agility to the ever changing environment in which we operate

##### **Care**

- Make the effort to understand every individual and what matters to them
- Recognise the value that each person contributes
- Support others to grow and work in the way that brings out their best

##### **Work together**

- Collaborate and share relationships, ideas and knowledge beyond boundaries
- Seek and integrate a diverse range of perspectives, people and ideas
- Give and ask for feedback to improve ourselves and others

##### **Reimagine the possible**

- Dare to challenge the status quo and try new things
- Innovate, test and learn from failure
- Have an open mind to the possibilities in every idea

## **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 W. 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 and have complied with it. The PwC UK Code of Conduct was revised and refreshed this year and is based on the PwC Purpose and our core set of shared values. It sets out a common framework around how we are expected to behave and do the right thing. These help guide our behaviours and build trust:

- In how we do business
- With each other
- In our communities
- In how we use information

.....

**The PwC UK Code of Conduct encourages partners and staff to speak up when dealing with behaviour or facing a situation that doesn't seem right.**

The Code emphasises that Speaking Up is part of our culture, and includes a framework for helping us decide the right thing to do in specific circumstances.

**(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 020 7212 5233.

The PwC UK Code of Conduct encourages partners and staff to speak up when dealing with behaviour or facing a situation that doesn't seem right. Partners and staff have a responsibility 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. We also protect against any form of retaliation.

All calls to the Speak-Up Helpline are dealt with by trained individuals within our Professional Behaviour 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. The Business Conduct Leader would discuss any significant matters with Margaret Cole, the Executive Board member responsible for Risk & Quality, and there are annual updates provided to the firm's Public Interest Body and the Audit & Risk Committee of the Supervisory Board.

**(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 Operating Officer is the Executive Board member responsible for information security. In this role he is supported by the Information Protection Governance Group and Cyber Committee, which are responsible for providing oversight, policy and strategic direction on information risk and cyber security matters, respectively. Membership of the Information Protection Governance Group and Cyber Committee comprises representatives from Risk and Quality, Office of General Counsel, Information Technology and the Lines of Service.

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

.....

***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 whether directly or through a third party.***

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 whether directly or through a third party.

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 partners. 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 team with advice from Compliance. The assessment covers all aspects of independence in relation to a new potential audit client. This enables us to identify existing relationships including business relationships, non-audit services and firm arrangements and determine whether:
  - those relationships which are prohibited by the Ethical Standard 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, they 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 insurmountable, 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 FY17, we recruited:



**over 3,900**  
new people, including



**1,539**  
graduates and school leavers

We invest in a range of approaches to recruit talented students at any stage of their academic life. In FY17, places offered included:



**69 FT and 336 shorter placements**

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



**133**  
students attended our Women in Business work experience week



**151**  
full-time paid professional roles for school leavers including Higher Apprentices



**648**  
paid intern and placement opportunities for students



.....

*For an unprecedented 14<sup>th</sup> consecutive year, we were voted The Times UK Top 100 Graduate Employer of the Year and for the 18<sup>th</sup> 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 global PwC values and behaviours have been communicated across the global PwC Network during the year. They define the shared aspirations and expectations we have for working with our clients and each other. The common values and behaviours guide how we behave, make decisions, treat each other and serve our clients to: act with integrity, make a difference, care, work together and reimagine the possible.



##### (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 FY17, we recruited over 3,900 new people, including 1,539 graduates and school leavers.

We invest in a range of approaches to recruit talented students at any stage of their academic life. In FY17, places offered included:

- 69 full time Flying Start Graduates from our degree partnership with the ICAEW
- 72 first year students attended our three day residential Talent Academy
- 648 intern and placement opportunities
- 151 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 (151 positions in FY17)
- a degree partnership with the ICAEW and the Universities of Newcastle, Nottingham and Reading. We had 69 full-time positions in FY17, with shorter placements for 336 students over the course of the year
- a three-day residential Talent Academy for first-year students (72 places in FY17)

- a technology focused work experience week 'Tech Academy' for students in all year group (29 places in FY17)
- intern and placement opportunities (648 places in FY17)

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.

Our recruitment process is closely aligned to The PwC Professional 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 133 students onto our 'Women in Business' programme. We also recruited 192 people onto our 'Business Insight Week' work experience programme for sixth form students, focused on improving access to the profession. Included in this was this year's winner of the NSEC (National Schools Employability Challenge). This is a competition run by PwC in partnership with Rate My Apprenticeship, challenging school students to demonstrate their employability skills across a number of stages. The top prize is a week-long placement at PwC.

In June 2017 we launched a new fully-funded technology degree apprenticeship to give more young people from a broader range of backgrounds the opportunity to get into a career in technology and to help grow the UK's next generation of technology talent. 80 students a year will be combining university life with practical work-based technology projects at PwC. The four year course is in partnership with two leading universities – the University of Birmingham and the University of Leeds. Students will be PwC employees from the first day and receive a salary throughout. At the end of the programme they will come away with a degree in Computer Science and a job at PwC, if they meet performance criteria.

To find out more about our many different work experience programmes visit [www.pwc.com/uk/careers](http://www.pwc.com/uk/careers).

### **(b) Technical knowledge, professional skills and values**

Our people develop technical 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: all newly-qualified staff participate in a leadership skills programme and we continue 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. 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 which comprises both foundation and update training as well as specific training for auditors of US PCAOB or AICPA and Financial Services clients. 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 to measure the effectiveness of our training
- we assess programmes through a number of evaluation techniques.

.....  
*We develop our people through a combination of on-the-job experience, coaching and training programmes*

**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 technical 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. We've continued to focus on real time feedback using our 'Snapshot' tool 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, coaching and training programmes. 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.

We continue to recognise that completing our Graduate Programme represents a key decision point in our people's careers, and continued to provide the Senior Associate Transfer Window to create clear visibility of, and access to, opportunities to move to new or different career paths within the firm.

All employees have access to an in house Careers Service. The Careers Service sits in Resource Management and consists of a team of professional career coaches who provide impartial, confidential and personalised careers support and coaching. The service is accessible to anyone in the firm, up to and including Director.

Coaching could explore how an individual can enrich their current role, gain an insight into other opportunities, work towards promotion or through a transitional phase of their career, or discuss how to overcome personal barriers that may hinder their progression. The service also provides CV and Interview support.



### (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 three 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.

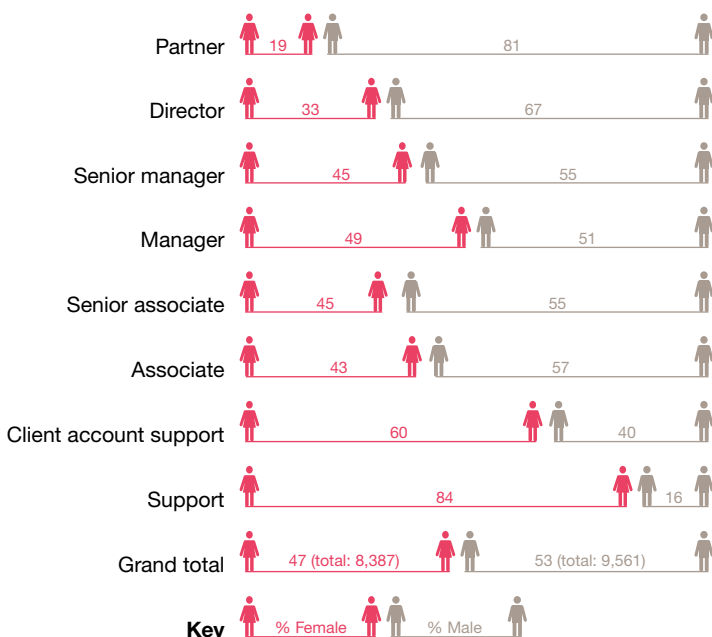
We review pay and bonus by gender, ethnicity and different working patterns (full time to part time).

In addition to our Equal Pay review we have reported our mean gender pay gap and mean bonus gap under the Gender Pay Gap regulations. For the first time this year, we have also reported our mean BAME pay and bonus gaps.

In FY17 our single figure gender pay gap was 13.7% (FY16: 15.2%). 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 2.9% (FY16: 2.6%).

## PwC workforce profile

### Gender mix by grade – 1 July 2017



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.

### (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

Our goal is to empower all our people to be the best they can be, seeking to ensure they can all fulfil their potential, whatever their background.

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 taken steps to consolidate the many activities and interventions we have made in the past to progress our Diversity ambitions into three core priority areas:

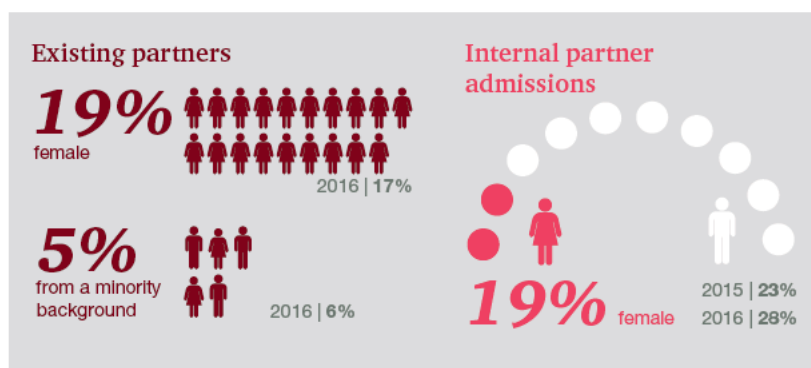


We continue to focus on ensuring that all of our talent processes are inclusive and we closely manage our talent pipelines; we are instilling stronger shared accountability by requiring our business leaders to own and deliver grade pool gender/BAME targets out to 2020. Progress is reviewed by our Executive Board on a quarterly basis as part of our Balanced Scorecard report. We also published our grade pool targets for gender in our FY16 Annual Report as part of our commitment as an early signatory to HM Treasury's Women in Finance Charter.

Our Talent and 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 includes ensuring that allocation of work opportunities is done fairly across our diverse people as on-the-job learning and development is a significant driver of career progression.

This isn't a quick fix; we are in it for the long term and recognise sustained efforts pay off. Of our existing partners, 19% are female and 5% from a minority ethnic background. We're making progress but not on a sufficiently sustained basis. For example, this year 19% of our new internal admissions to the partnership were female; this compares to 28% last year and 23% 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.

#### Diversity



During FY17 we extended our Back to Business programme for women returners and will continue to run this in FY18, extending it to the regions. We continue to prioritise mental health at PwC, growing the number of Mental Health Advocates who have all received Mental Health First Aid training. This will be extended to more of our people in FY18. Our second Green Light To Talk Day – where we encouraged our people to talk about mental wellbeing and so remove the stigma attached to mental ill health – went viral! The campaign ran across our UK network and was shared with members of the City Mental Health Alliance across London.

PwC Audit is underpinned by Aura, our global audit documentation system which is used across the entire PwC Network.

## 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

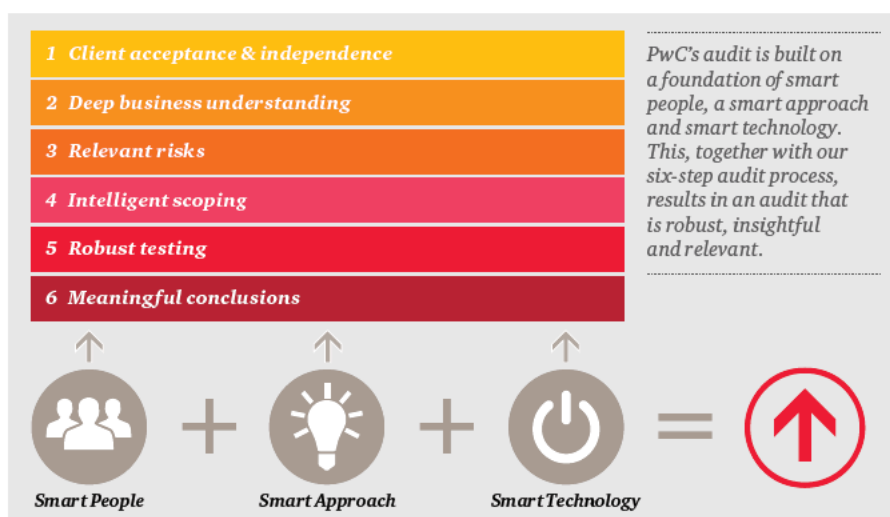
Member firms of PwCIL use a common audit methodology and process (PwC Audit), supplemented by local regulatory requirements, for their audit engagements. This common methodology allows us to provide high quality and consistent audit services from the small owner-managed business to multinational organisations, 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 technology initiatives to improve quality and efficiency, themes from external and internal quality reviews and feedback from global users. In 2017 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 Online – an online version of Aura which enables fast access to Aura files and is particularly beneficial for central functions which need access to multiple files;
- 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;
- 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 2.7) was released in October 2016 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. The analytical and visualisation capabilities allow us to analyse patterns and trends, identifying unusual and high-risk transactions, and providing invaluable insight to our engagement teams and our clients. There are four Halo products being used by our engagement teams, with 7,450 applications being created for our most mature product – Halo for Journals – and 207 applications for our newest product Halo for investments.

Global development on our data auditing capabilities continues, with the UK firm as a leading contributor and implementor. We continue to focus on standardising activities to reduce operational friction for our teams and clients in respect of data extraction, increasing levels of automation in the process, and extending the applications and data analysis functionality available.

Two further electronic tools are 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. Over 25,000 confirmations have now been sent using the system.

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 assurance engagements performed in accordance with ISAE 3402, AT-C 320 and A AF01/06. Aura can also cater for various types of engagements, including capital markets and sustainability. 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 and regulators. 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, databases and on web based applications. These are readily accessible to our people remotely at any time.

.....

*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.*



.....  
During the year  
ended 30 June  
2017, a total of

**3,604**

consultations were  
dealt with and

**7,904**

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

**34**

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; and
- 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.

The firm uses the services of PwC Network delivery centres in Katowice (Poland), Bangalore and Kolkata (India) to 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. The centres are also subject to annual quality reviews.

#### (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 focusing 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 2017, a total of 3,604 consultations were dealt with (FY16: 3,751) in addition to 7,904 enquiries (FY16: 8,841) 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 2017, 34 (FY16: 96) technical panels took place on audit clients.

.....

***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.***

#### **(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; and
- 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.

.....  
***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 fourth year in which we issued enhanced audit reports under ISA (UK) 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 has continued 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.

For example as a result of the European Union audit directive and regulation, the enhanced reports issued for public interest entities with periods beginning on or after 17 June 2016 will now also include increased transparency on our independence, more specifically:

- a declaration that the non-audit services prohibited by the FRC's Ethical Standard were not provided and that the firm remained independent of the entity in conducting the audit;
- an indication of any services, in addition to the audit, which were provided by the firm to the entity and its controlled undertaking(s) and which have not been disclosed in the annual report or financial statements; and
- the disclosure of our period of tenure. We welcome, fully support and embrace the moves towards greater transparency over the audit process.

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) 1 and the Audit Compliance Review**

ISQC (UK) 1, 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) 1 and Audit Regulations. These reviews are managed by ARQ. 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) 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 subject to a full QMR in 2017.

Whilst the review identified a few 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 are 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 to PwCIL.

144 audit engagements (FY16: 156) were reviewed in FY17, covering 41% (FY16: 43%) of the firm's Responsible Individuals. 66 non-audit assurance engagements (FY16: 44) were also reviewed.

.....

*The assurance 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 FY17*

**135 |  
94%**

*audit  
engagements  
reviewed were  
classified as either  
'compliant', or  
'compliant with  
review matters'.*

**64 |  
97%**

*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 relating to a significant account or area not performed or not documented substantially in accordance with standards
  - 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
  - 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 there are financial implications for the individual RI.

In FY17, 135 audit engagements (FY16: 153), representing 94% (FY16: 98%) of the audit engagements reviewed were classified as either 'compliant', or 'compliant with review matters'.

64 non-audit assurance engagements (FY16:43) representing 97% (FY16: 98%), of the 66 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 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 fortnightly technical update emails. We also issue additional or revised guidance to assist teams, where we consider 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. 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 FY16 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 2017 Member Firm Report will be issued in October 2017.

### (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 2017, 12 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 2017 was 97% (FY16: 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 have made changes to the audit quality KPIs for the year ending 30 June 2018 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 2017 was 96% (FY16: 95%) against a target score for both years of 95%.

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 2017:*

**97%**  
audit

**96%**  
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

In June 2016, the FRC became the 'competent authority' for audit in the UK under new legislation which came into force following the EU Audit Regulation and Directive. Enforcement action is taken under the FRC's Audit Enforcement Procedure (AEP) which is effective from 17 June 2016. 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 five open investigations (FY16: four) in respect of certain audits of the financial statements of BHS Limited, BT Group plc, Redcentric plc, our reporting on Barclays' compliance with the FSA client asset rules, as well as one which remains confidential. The FRC's investigation of Connaught plc has concluded following a tribunal hearing in late 2016 – the firm and former partner were fined and severely reprimanded. In addition, as reported in our Transparency Report 2016, a settlement was reached following the FRC's investigation of our 2007 audit of Cattles plc under which the firm and former partner were fined and severely reprimanded. On 16 August 2017 a settlement was reached following the FRC's investigation of our 2011 audit of RSM Tenon Group plc under which the firm and the engagement partner were fined and severely

reprimanded. The FRC's investigation of PwC in relation to Tesco plc has been dropped. 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 2017 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 appropriate.

## 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 (APB) of the Financial Reporting Council (FRC), 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 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.
- procedures to review a random selection of partners and staff 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 Standard), 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 2017.



---

## 7. External monitoring

### **(a) UK regulators**

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. They also review aspects of the firm's policies and procedures supporting audit quality.

The scope of AQR inspection was amended for the 2016/17 cycle 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](http://www.frc.org.uk). 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). 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 2016/17 Audit Quality Inspection Report on PwC UK on 15 June 2017. A full copy of the report is available on the FRC website at [www.frc.org.uk](http://www.frc.org.uk). The FRC report focuses on the key areas requiring action by the firm to safeguard and enhance audit quality, and is not intended to provide a balanced scorecard of the quality of the firm's audit work.

The AQR review selected aspects of audits, and took into consideration areas identified by the auditor or Audit Committee as an area of heightened risk, their knowledge and experience of audits of similar entities and the significance of an area in the context of the audited financial statements. Areas reviewed on a number of audits included communications with the Audit Committee, Revenue, audit of valuations and impairments, tax and other provisions.

The inspection comprised reviews of 27 (2015/16: 25) individual audit engagements relating to FTSE 100, FTSE 250 and other listed and major public interest entities, and a review of aspects of the firm's policies and procedures supporting audit quality.

The report overview sets out the scope of the 2016/17 inspection, including the number and type of entities audited by PwC within their scope, progress made by PwC UK in addressing findings from the 2015/16 inspection, and for the first time, good audit practice identified by their inspectors during the cycle. These good practices include:

- On group audits, the extent of involvement in the direction and review of the work of component auditors and the evidence of that involvement.
- The interaction with the firm's specialists, including their attendance at meetings with management's experts, and involvement in arriving at a range of estimates and benchmarking key assumptions.
- Effective use of data analytic techniques in the audit of revenue and journals.
- The quality of the firm's 'significant matter' summaries of the audit procedures performed and key audit judgments made for higher risk areas of the audit.
- The quality of written communications with Audit Committees.

The FRC report highlighted the following key findings:

#### *Individual audit reviews*

- Improve the evidence of appropriate consideration and challenge in relation to the valuation of assets and impairment reviews.
- Enhance the quality of audit evidence to support the level of tax provisions.
- Improve the assessment of key assumptions supporting other provisions.

#### *Review of firm-wide procedures*

- Further strengthen the firm's monitoring of compliance with ethical requirements.

The matters driving lower quality audit assessments, i.e. those graded as ‘improvements required’, are also separately presented. These were.

- There was insufficient evidence of the audit team’s consideration and challenge as to why no brand value was included for most of the acquisitions in the year.
- There was insufficient consideration or evidence of challenge in relation to the basis of uncertain tax provisions and insufficient evidence obtained to support the level of use of Internal Audit testing of IT general controls.

Of the 27 audits reviewed in the current cycle, (25 in 2015/16), the AQR concluded that:

- 25 audits (21 in 2015/16) were assessed as ‘good or limited improvements required’.
- Two audits (Four in 2015/16) were graded as ‘improvements required’, and
- No audits (None in 2014/15) had ‘significant improvements required’.

We are very pleased with the continued trend of improvement in our results.

The FRC are now publishing the names of entities whose audits are subject to inspection on their website. The names are published after the entity’s next Annual Report has been issued, with the final list for the 2016/17 inspection published in June 2017.

Last year the AQR asked each firm to carry out root cause analysis (RCA) into each of their key findings before developing proposed actions. They have recognised that the firm has continued to develop the RCA process during 2016/17, including implementing a number of the recommendations from the AQR’s thematic review into RCA. In response to the RCA, specific actions have been taken, including:

- Tailored training, guidance clarification, and a re-emphasis of key findings to engagement teams; and
- Monitoring of ethical requirements has been enhanced with additional training, enhancements to the partner consequences management framework, and a reconsideration of the operation of certain internal controls;

During the year, the FRC also completed its thematic reviews into ‘Root Cause Analysis’ (September 2016), ‘The use of Data Analytics’ (January 2017) and Quality Control Review Processes’ (March 2017). These reviews focus on specific aspects of the audit process across all the major audit firms. We have reflected the findings of these reviews in our 2017 action plan.

The FRC is currently in the process of conducting two further thematic reviews, one into ‘materiality’, and one into ‘Audit Firm’s governance and culture’. We expect a third review into ‘Auditors’ responsibilities relating to other information’ to commence during the latter part of 2017.

We will continue to use the output of these thematic reviews to enhance our policies and procedures supporting audit quality.

## **(ii) QAD inspection**

The QAD provides us with a confidential report summarizing their findings. This report is not publicly available. In summary, the QAD concluded that the audit work was of an overall high standard with no key findings identified within the report. Whilst the inspection results were an improvement on 2015, some specific matters, and some less significant thematic issues particularly around audit explanations, were identified.

Of the thirteen (FY16: ten) audit files reviewed, eleven (FY16: seven) were assessed as satisfactory with a small number of documentation matters identified. Two files (FY16: two) were assessed as generally acceptable, with documentation improvements required in respect of impairment of investments and cost of sales on one file, and on information systems documentation and related risk assessment on the second file. No files were assessed as improvement required (FY16: one) and none as significant improvement required (FY16: none).

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

The QAD performed a follow up inspection on the file assessed as requiring improvements in FY16. This file was concluded to be good quality and confirmed that the matters raised at the previous review had been satisfactorily addressed.

The QAD were also satisfied that the firm's action in response to a thematic finding in revenue had led to improvements, and whilst some matters continued to be raised in respect of the risk of related parties from close family members, these were not significant on any individual audit but suggested some further work is needed in this area.

## **(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 June 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 noted the firm had maintained its overall performance against regulatory compliance indicators since 2015. The matters noted through the quality monitoring arrangements have been actioned.

## **NHS Improvement**

NHS Improvement (formerly Monitor) is the regulator of NHS Foundation Trusts. Annually, NHS Improvement requests that QAD review a sample of audits for NHS Foundation Trusts. QAD reports the results of its reviews privately to NHS Improvement. NHS Improvement writes to each engagement leader reviewed to inform him/her of the outcome. NHS Improvement 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. NHS Improvement advised the relevant engagement leaders and NHS Foundation Trusts there were no 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 to the PRA and FCA in respect of matters set out in 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 also 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);
- Kazakhstan (Kazakhstan Stock Exchange's JSC ('KASE')); and
- 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 2017 and reviewed the audit files of two FPI audits and one other engagement together with the firm's related quality control procedures. The PCAOB has yet to publish its report in respect of its 2017 inspection of PwC UK. The most recent report, which was in respect of the PCAOB's 2014 inspection of PwC UK, was published in August 2015.

The PCAOB's 2014 inspection 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 in respect of the 2014 inspection of PwC UK can be found at [https://pcaobus.org/Inspections/Reports/Documents/2015\\_PricewaterhouseCoopers.pdf](https://pcaobus.org/Inspections/Reports/Documents/2015_PricewaterhouseCoopers.pdf).



**(ii) The Crown Dependencies**

Under arrangements with the relevant regulatory authorities in the Crown Dependencies, the AQR undertakes the review of relevant audits performed by PwC UK of the financial statements of certain entities registered in the Crown Dependencies. In their 2016/17 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 use PwC global methodology to undertake a root cause analysis (RCA) on each external inspection to establish the underlying reasons why findings have arisen which helps inform the development of our action plans to address those findings, together with a clear time frame for their resolution, and appoint specific named individuals to be responsible for making sure that those actions are achieved.

We consider the RCA findings from the external inspections alongside the internal review RCA to consider whether further correlations or information are present against which actions should be developed.

The agreed action plans typically involve the inclusion of specific technical training and behavioural 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. The firm's Public Interest Body is kept apprised of progress against the action plan periodically via the Assurance Leader's Quality Update.

## 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.

Three 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 2017 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

The questions are applicable across all lines of service and the results feed into our global reporting on people engagement. Significant changes were made to our youmatter survey in 2017 to align questions and survey methodologies across the global PwC network and streamline reporting. Items focus primarily around drivers of engagement, alignment to PwC's values & behaviours and measuring Vision 2020 progress. The People Engagement Index reported in our annual report is now based on an index of four items (instead of seven). 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.

Results are now reported on a percent favourable basis which is the percent of responses that are a 4 or 5 (Agree and Strongly Agree) – the higher the value, the more favourable the result. This is different to previous year's reports which have reported youmatter results on a mean score basis.

To meet PRG requirements on reporting audit quality, information is provided for these questions, the results of which are provided in respect of the UK Assurance line of service.

We take the workloads of our partners and staff very seriously and recognise the issues highlighted by the responses to question 3a below. We are continuing to look closely at the factors impacting this score and are already taking steps to address those issues.

For example, a programme has been running within Assurance designed to redistribute headcount capacity from areas with over-supply to areas with recruitment needs.

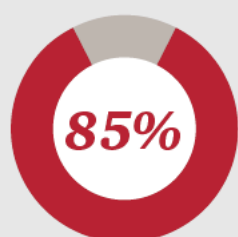
We also have a Flexible Associate programme which provides contingent capacity to Assurance should an unexpected need occur, and phase the start of our Flying Start graduate programme to provide capacity at our time of peak demand.

Future headcount is reviewed each month against budget with the objective to ensure that sufficient recruitment is in place to meet the forecasted headcount and demands from the volume of client work ahead. Regular reviews also take place of forecast chargeable hours with the objective being to balance workload levels across Assurance more evenly.

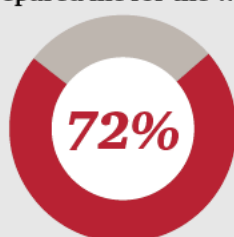
Assurance has been promoting guidance on how to run engagements, in a quality way, with greater efficiency. This guidance has been in place through the annual external audit training, through weekly communications and through specific in-depth client team reviews.

While we are disappointed with the score of question 3a below 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 for question 1 below.

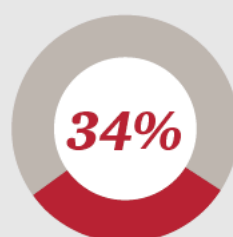
1. The leaders I work encourage me to deliver high quality services



2. The learning and development I receive from PwC (including on the job development, self study and e-learns) has prepared me for the work I do



3a. I have sufficient time and resource to do my work



3b. The leaders I work with act with integrity



Comparatives are not available as there are no equivalent questions in the prior year



## 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 2017 there were 2 cases (2016: 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 2017 there were no cases (2016: nil) found against the firm by the Audit Registration Committee of the ICAEW.

*This year, we had two 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.*

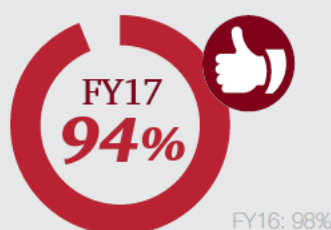


## Engagement performance

### Internal

#### Results of firm's own audit quality reviews

In FY17, 135 audit engagements, representing 94% 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

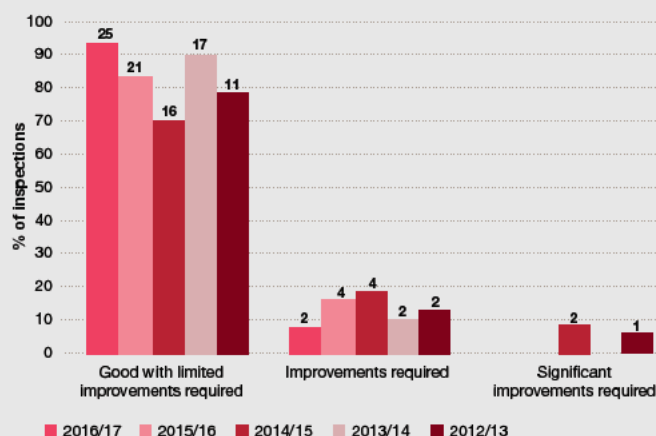
#### PCAOB inspection results

The PCAOB, in cooperation with the AQR, inspected PwC UK in 2017 and reviewed the audit files of two FPI audits and one other engagement together with the firm's related quality control procedures. The PCAOB has yet to publish its report in respect of its 2017 inspection of PwC UK. The most recent report, which was in respect of the PCAOB's 2014 inspection of PwC UK, was published in August 2015.

The PCAOB's 2014 inspection 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.

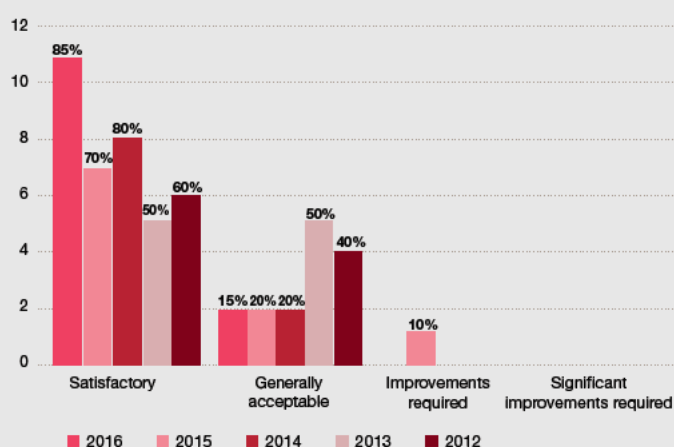
In addition to evaluating the quality of the audit work performed on specific audit engagements, the inspection included review of certain of the firm's practices, policies, and procedures related to audit quality. The inspection team did not identify anything during its quality control review that it considered to be a quality control defect that warranted a discussion in a Board inspection report.

## 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 2016/17. 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 65.

## 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 2016.

2016	2015	Metric	Explanation for variance
<b>22 hours</b> per person	<b>20 hours</b> 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. The 2016 update training was two hours longer than the 2015 equivalent as a result of mandatory IFRS 15 training. The training on the firm's information protection and market abuse in 2015 was replaced by a module on EU independence in 2016.
<b>22-112 hours</b> per person	<b>20-85 hours</b> 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 higher end of the range of hours increased significantly in 2016 following the introduction of mandatory training for practitioners working on a range of specific industry audits, in place of the recommended training programmes.
<b>101 hours</b> per person	<b>91 hours</b> per person	The average time charged to training time codes by qualified partners and staff during the calendar year, including mandatory and elective training <sup>1</sup>	The average number of hours charged to training time codes by qualified staff has increased for several reasons including the increase in the minimum number of training hours for all qualified staff (explained above) and the increase in mandatory training for specialist audits (explained above).
<b>1.60 million</b> hours	<b>1.38 million</b> 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 contributors to the increase in total hours charged to training codes include an 11% increase in client facing Assurance practitioners, increases in mandatory training requirements for qualified staff (outlined above) and cross-training junior staff to perform both external audit and other assurance work.

<sup>1</sup> 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 2016 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.



### Investment community engagement

We have a dedicated investor engagement team who works with shareholders and other members of the investment community, ranging from asset managers, analysts, corporate governance and credit ratings agencies. Through this engagement we are able to get their views on a range of reporting and assurance matters to ensure that we understand the needs and expectations of this important stakeholder group.

Our engagement with the investment community focuses primarily on the reporting, regulatory and governance issues facing UK companies and the audit profession. This year we've had an increasing level of engagement on the future of audit using technology as well as emerging macro trends such as cyber security, sustainability and artificial intelligence and data analytics. By understanding investors' and analysts' questions about these reporting and governance areas, and the resulting assurance aspects, we are able to help audit teams, executives and non-executives respond better to shareholder needs.

Some key highlights of our investor engagement team's work this year include the following:

#### 2017 global investor survey

In February 2017 we published our 2nd annual global investor survey companion to the global CEO survey. The survey compares the views of 554 investment professionals globally in 59 countries with responses from the 1,379 CEOs in the 20th CEO survey. Both groups were asked about growth prospects, the threats that companies face today and the challenges and opportunities presented by technological innovation. We also sought their views on the factors that influence the trust placed in business and on the effect and future of globalisation.

#### 'It's not just about the financials' joint report with the IIRC

We held interviews with eight investors around the world to understand how they use integrated reporting and sustainability information in their investment analysis and making investment decisions. We published the findings in August 2016 in collaboration with the International Integrated Reporting Council.

#### 'The new top line – what investors want to know as you implement IFRS 15' publication

In June 2017 we published a short document for clients summarising investors' and analysts' views on what they think companies should do and communicate as they prepare to implement IFRS 15 *Revenue with Contracts from Customers* in 2018.

## **2nd annual PwC Investor Update event**

We held a half day educational event for shareholders and analysts in September 2016 with sessions including non-GAAP reporting, Brexit implications, the role of the Public Interest Body at PwC, cybersecurity and artificial intelligence.

## **Continued dialogue between shareholders, investors, analysts and senior partners in audit and other lines of service**

We met with shareholders and analysts across a number of sector specialisms to discuss various topics including:

- the reporting implications of recently issued accounting standards,
- the audit process, particularly with respect to the application of judgement,
- the use of technology in our audits,
- the implications of new tax reporting requirements,
- governance of cyber security matters within companies, and
- the impact of climate change on financial and other reporting.

In February 2017, our Public Interest Body met with the Corporate Reporting and Auditing Group (CRAG), a group of investors in UK companies drawing members of the Investment Association and the Pensions and Lifetime Savings Association. Issues discussed the PIB's influence on the operations and the governance structure of the firm, audit quality including audit of judgmental areas, use of technology in audit, and independence and perceived conflicts of interest.

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

PwC continues to provide secretariat support to the Corporate Reporting Users' Forum (CRUF) in the UK and across their global

## 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 2017:

- consolidated profit for the financial year before members' profit share was £822m (FY16: £829m)
- consolidated profit available for division among members was £717m (FY16: £747m).

### 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 2017, which shows the relative importance of UK-related statutory audit work, is shown below:

	FY17 £m	FY16 £m
Statutory audits and directly related services for audit clients (EU PIE and subsidiaries of EU PIE) <sup>1</sup>	337	
Statutory audits and directly related services for audit clients (other entities)	289	
Statutory audits and directly related services for audit clients	676	659
Non-audit services to audit clients <sup>2</sup>	351	384
Services to audit clients	1,027	1,043
Services to clients we do not audit	1,975	1,905
UK firm revenue	3,002	2,948
Revenue from non-UK subsidiary undertakings	596	489
Group revenue	3,598	3,437
Revenues from statutory audits and directly related services for audit clients as a percentage of UK firm revenue	23%	22%

1 If an entity met the definition of an EU PIE (or a subsidiary of) as at 30 June 2017 we have included related revenues in this category. No comparative figures are available because the EU Directive requiring this disclosure was not effective for FY16.

2 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:

	FY17 £m	FY16 £m
Revenue	676	659
Operating profit	106	141

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

.....  
**38%**

*of average profit share for the year ended 30 June 2017 was based on performance.*

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 (FY17: 38%, FY16: 37%)
- Responsibility and equity unit income – reflecting the partner's role and contribution ('responsibility income') and the firm's overall profitability ('equity unit income') (FY17: 62%, FY16: 63%)

Each partner's performance income, which in the year ended 30 June 2017 represented on average approximately 38% of their profit share (FY16:37%), 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% (2016: 48%) of distributable income.



---

## ***11. Public interest entities***

In Appendix 4 we included a list of:

- the public interest entities for whom we issued a statutory audit opinion between 1 July 2016 and 30 June 2017, who have issued transferable securities on a regulated market (as defined in the Statutory Auditors (Transparency) Instrument 2008); and/or
- EU public interest entities (as defined in EU Directive 2014/56/EU) for which we carried out statutory audits between 1 July 2016 and 30 June 2017.



---

# *Appendices*

---

## Appendix 1: Lines of service

.....  
*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, 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 and listings and assurance on non-financial information.

**Risk assurance:** IT risk assurance including data assurance and cyber security, business resilience, commercial assurance, performance assurance, treasury and commodity services and internal audit.

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

**Capital Markets, Accounting Advisory and Structuring Services:** Assurance on capital market transactions and listings, raising debt or equity capital, accounting advisory, GAAP conversions, structuring services, equity advisory and navigating deals and mitigating risk.

### **Consulting**

**Consulting, including delivering deal value:** Combines industry and functional expertise to help our clients address complex business issues from strategy through to execution, with specialists in strategy (including Strategy&), operations, people and change, risk, portfolio and programme management, and technology consulting. Delivering deal value has dedicated specialists with backgrounds of working in and alongside the deals channel with specific insight and delivery capabilities in carve out/separation activities (vendor assistance, sell side vendor due diligence, buy-side diligence, operational due diligence (buy-side and sell-side vendor due diligence), M&A integration, and rapid value creation pre or post deal.

**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.

**PwC Research:** Primary research, data and insight services that help our clients develop strategy, drive performance improvement and support change.



## **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 commercial litigation and international arbitration, transaction and shareholder disputes, expert determination and early neutral evaluation, construction and insurance claims and eDisclosure; investigations including asset tracing, 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, capital projects reviews and delivery, financial crime risk, monitoring and regulatory compliance, fraud prevention, project delay analysis, litigation readiness, revenue leakage, forensic technology, data analytics, cyber response and contract governance and compliance.

## **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.

**Legal:** Corporate law, International Business Reorganisations, M&A, banking and finance, employment and pensions law, real estate advice, immigration law, intellectual property law, sourcing, technology and intellectual property law, general commercial and contractual law, tax, commercial and regulatory dispute resolution, financial services regulatory law, cyber security and data protection law, government and public sector law, managed legal services, legal function consulting and legal entity management and governance advice.

## Appendix 2: Biographies



### The Executive Board from 1 July 2016

#### 1 Kevin Ellis

##### Chairman and Senior Partner

Kevin joined the UK firms Executive Board in 2008, first as Head of Advisory and, from 2012 as Managing Partner. He was elected Chairman and Senior Partner on 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 Management 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.

## 7 **Stephanie Hyde**

### **Head of Regions (to August 2017)**

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 Entrepreneurial and Private Business Leader. With effect from July 2017, Stephanie is the Global Clients & Industries Leader.

With effect from 1 July 2016 a Clients and Markets Executive was established and appointed by Kevin Ellis and comprises Kevin Burrowes – Head of Clients and Markets as Chair, Marco Armitrano – Head of Consulting, John Dwyer – Head of Deals (up to 30 June 2017), Hemione Hudson – Head of Assurance, Kevin Nicholson – Head of Tax, Dan Schwarzmenn – Head of Market Initiatives and Industries, Marissa Thomas – Head of Deals from 1 July 2017 and Paul Terrington – Head of Regions from 31 July 2017.

The Executive Board and the Clients and Markets Executive became committees of the firm's new Management Board on 31 July 2017.

The Management Board now comprises:

Kevin Ellis  
Kevin Burrowes  
Warwick Hunt  
Margaret Cole  
Laura Hinton  
Jon Andrews  
Dan Schwarzmenn  
Kevin Nicholson  
Marco Armitrano  
Marissa Thomas  
Hemione Hudson  
Paul Terrington

## Supervisory Board

### **Anne Simpson – Chair**

(from 16 January 2017)

Anne became Chair of the UK Supervisory Board and the Alliance Supervisory Board from January 2017. She is an Assurance partner in London Banking & Capital Markets where she is a senior regulatory partner. She joined the firm in 1981 and became a partner in 1993. Anne joined the Supervisory Board on 1 January 2015 and is also a member of the firm's Public Interest Body.

### **Christine Adshead (to 31 December 2016)**

Christine 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 was Chair of the Strategy and Governance Committee and Deputy Chair of the Supervisory Board until 31 December 2016.

### **Dave Allen**

Dave 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. Dave was re-elected onto the Supervisory Board on 1 January 2017.

### **Chris Burns**

Chris is an Assurance partner based in London with a portfolio of multinational, listed clients. He joined the firm in 1992 and became a partner in 2005, following secondments to Eastern Europe and Australia. Chris joined the Supervisory Board on 1 January 2017.

### **Pauline Campbell**

Pauline is an Assurance partner in the London Top Tier business unit where she deals with listed companies. She joined the firm in 1985 and became a partner in 1996. She was Chair of the Audit and Risk Committee until 31 December 2016 and was re-elected to the Supervisory Board from 1 January 2015. She became a member of the Global Board, the body responsible for the governance of the PwC Network in April 2017 and has been involved with the Public Interest Body since inception.

### **Duncan Cox (to 31 December 2016)**

Duncan is a Tax partner in London, specialising in mergers and acquisitions. He joined the firm in 1994 and became a partner in 2007 and retired from the Supervisory Board on 31 December 2016.

### **Simon Friend (to 30 April 2017)**

Simon 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 until April 2017.

### **Mark Hudson (to 31 December 2016)**

Mark was Chairman of the UK Supervisory Board and the Alliance Supervisory Board until end December 2016. 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 was also a member of the PIB until 31 December 2016 and retired from the UK firm on 30 June 2017.

### **Gerry Lagerberg (to end April 2017)**

Gerry was a Deals partner in Forensic Services in London. He joined the firm in 1983 and became a partner in 1995. He was 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 until April 2017 and retired from the UK firm on 30 June 2017.

### **Bill MacLeod**

Bill 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 and became Chair of the Audit and Risk Committee in January 2017.

### **John Minards**

John is an Assurance partner in St Albans. He joined the firm in 1984 and became a partner in 1996 and has worked in our London, St Albans and Birmingham offices.

He is a practising audit partner, having served clients across the whole spectrum of our portfolio from FTSE 100 and Mid Cap, private companies, private equity, public sector and inbound. He has held a number of leadership roles across the firm including Assurance Business Unit Leader, Assurance Executive and Regional Leader for the South East. He continues to lead our National Pursuits Team, supporting our major bids and was elected to the Supervisory Board in with effect from January 2017.

### **Mary Monfries**

Mary is a Tax partner in London. She joined the firm in 1989 and became a partner in 2005. She was a member of the firm's tax leadership team for eight years, firstly as Market Leader for Private Business and then leading across the firm's tax practice on policy, reputation and regulation. She now leads the firm's UK Private Client practice on tax reputation for PwC's global tax network. She has always retained a client-facing relationship partner role alongside her leadership responsibilities, focussing primarily on private business owners, families and trustees. She joined the Supervisory Board on 1 January 2017 and chairs the Senior Management Remuneration Group.

### **Teresa Owusu-Adjei**

Teresa is a Tax partner in London. She joined the firm in 1995 and became a partner in 2008. Teresa joined the Supervisory Board on 1 January 2017.

### **Zafar Patel**

Zafar is a Tax partner in London. He joined the firm in 1989 and became a partner in 2001. Zafar joined the Supervisory Board on 1 January 2017. Zafar is the Supervisory Board representative on the Partner Pensions Governance Committee.

### **Sue Rissbrook (to 31 December 2016)**

Sue is a partner in London specialising in retail. She joined the firm in 2000 and became a partner in 2007 and retired from the Supervisory Board on 31 December 2016.



**Caroline Roxburgh** (to 31 December 2016)

Caroline was an Assurance partner, based in the Edinburgh office. She was Audit Engagement Leader for a mixture of middle-market clients, both listed and private companies. Caroline joined the firm in 1981, became a partner in 1995 and retired from Supervisory Board and the UK firm on 31 December 2016.

**Duncan Skales**

Duncan is a Deals partner in London. He joined the firm in 1987 and became a partner in 1999. Duncan joined the Supervisory Board in April 2017 when he became 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.

**Jim Stidham**

Jim 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, and assumed the role of Channel Islands Protector from 1 January 2017.

**Claire Stokes**

Claire Stokes joined the firm as a direct entry Consulting partner in 2008 and is a member of the UK Consulting Executive team.

Claire joined the Supervisory Board on 1 January 2015 and was the Supervisory Board representative on the Partner Pensions Governance Committee and a member of the Partner Affairs Committee until end December 2016. Claire became Chair of the Strategy and Governance Committee and Deputy Chair of the Supervisory Board in January 2017.

**Heather Swanston**

Heather 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.

**Kevin Ellis**

The Senior Partner also sits on the Supervisory Board (as an ex officio member).





## 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 Lord Gus O'Donnell PIB Chair

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. In 2014 he chaired a group which produced a report for the Legatum Institute on Wellbeing and Policy. He became President of the Institute of Fiscal Studies in 2016 and Chairman of the Trustees of Pro Bono Economics. He is honorary fellow of the British Academy and a fellow of the Academy of Social Sciences.

### 2 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 Laval Group.

### 3 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.

### 4 Justin King CBE

Justin King stepped down as CEO of Sainsburys 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, a member of the Prime Minister's Business Advisory Group from 2010–2012 and Justin acted as interim Chairman of Manor Marussia F1 Team from 2014-2015, 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.

#### PwC members (not pictured)

^†, Kevin Ellis (from 1 July 2016) ^†, Margaret Cole^ (from 1 July 2016), Mark Hudson† (to 31 December 2016), Pauline Campbell† to 5 August 2017, Anne Simpson† (from January 2017).

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 Dame Helen Alexander** (to 5 August 2017)

Dame Helen Alexander passed away on 5 August 2017. She was Chairman of UBM plc, non-executive director of Huawei UK and senior adviser to Bain Capital. She was also Deputy Chair of the Hampton-Alexander Review into the representation of women in senior levels of business, and Chancellor of the University of Southampton. Helen was Chairman of the trustees of Thomson-Reuters and was involved with other not-for-profit organisations as a director of 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, Northern Foods plc, BT plc, Centrica plc, Rolls Royce plc, as deputy chairman of esure Group Holdings plc and chairman of the Port of London Authority. Dame Helen had an MA from Oxford, an MBA from INSEAD and in 2015 was awarded the French Legion d'honneur.

## **Brief biographical details for each firm member of the PIB:**

### **1 Kevin Ellis**

Kevin joined the UK firm's Executive Board in 2008, first as Head of the Advisory business and from 2012, as Managing Partner. He was elected Chairman and Senior Partner on 1 July 2016. He joined the firm in 1984 on the graduate training program 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 Margaret Cole**

Margaret joined PwC as a partner in September 2012. She is the UK firm's Chief Risk Officer, General Counsel and a member of the Management Board and Executive Board. Her responsibilities include Corporate Affairs, Risk and Quality and Compliance.

### **3 Mark Hudson** (to 31 December 2016)

Mark Hudson, Supervisory Board Chairman from January 2015 was 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. Mark retired from the Firm on 30 June 2017.

### **4 Pauline Campbell** (to 5 August 2017)

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 is a member of the the Audit and Risk Committee of the Supervisory Board and become a member of the Global Board, the body responsible for the governance of the PwC Network in April 2017.

### **5 Anne Simpson**

Anne Simpson, Supervisory Board Chair from January 2017, joined the firm in 1981 as a graduate trainee and became a partner in 1993. Originally an audit partner in Banking & Capital Markets in Assurance in London, Anne then spent six years in Accounting Consulting Services before returning to Banking & Capital Markets in 2009 to build our Banking Regulatory practice and provide regulatory advisory services to clients.

### **6 Hemione Hudson**

During the past year, whilst not a member of the PIB, the Head of Assurance has had a standing invitation to attend PIB meetings.

## Appendix 3: EU Entities (as at 30 June 2017)

Member State	Audit firm/statutory auditor
<b>Austria</b>	PwC Wirtschaftsprüfung GmbH, Wien
	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz
	PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt
	PricewaterhouseCoopers Vorarlberg Wirtschaftsprüfungs GmbH, Dornbirn
	PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz
	PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg
	PwC Österreich GmbH, Wien
<b>Belgium</b>	PricewaterhouseCoopers Bedrijfsrevisiorn bcvba/Reviseurs d'entreprises scrl
	SPRL PricewaterhouseCoopers Audit Services
<b>Bulgaria</b>	PricewaterhouseCoopers Audit OOD
<b>Croatia</b>	PricewaterhouseCoopers d.o.o
<b>Cyprus</b>	PricewaterhouseCoopers Limited
<b>Czech Republic</b>	PricewaterhouseCoopers Audit s.r.o
<b>Denmark</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
<b>Estonia</b>	AS PricewaterhouseCoopers
<b>Finland</b>	PricewaterhouseCoopers Oy
	PwC Julkistarkastus Oy
<b>France</b>	PricewaterhouseCoopers PME CAC
	PricewaterhouseCoopers France
	Ampersand Audit
	Ampersand Associés
	FNP Commissaires Associés
	Fiduciaire d'Expertises Comptables et d'Etudes Economiques – Fidorex
	Société Fiduciaire d'Expertise Comptable et de Révision – Sofecor
	Jean-François Bourrin
	PricewaterhouseCoopers Audit SAS
	PricewaterhouseCoopers Entreprises SARL
	Diagnostic Révision Conseil SAS
	Philippe Aerts
	Didier Cavanie
	Hubert de Rocquigny
	Jean-Laurent Bracieux
	Didier Brun
	François Miane
	Antoine Priollaud
	Yves Moutou
	Claude Palméro
	PricewaterhouseCoopers PME Commissariat aux comptes
<b>Germany</b>	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
	Wibera WPG AG
	PwC FS Tax GmbH Wirtschaftsprüfungsgesellschaft
<b>Greece</b>	PricewaterhouseCoopers Auditing Company SA
<b>Hungary</b>	PricewaterhouseCoopers Konyvvizsgalo Kft.
<b>Iceland</b>	PricewaterhouseCoopers ehf
<b>Ireland</b>	PricewaterhouseCoopers



Member State	Audit firm/statutory auditor
Italy	PricewaterhouseCoopers SpA
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Vaduz
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers Malta
Netherlands	PricewaterhouseCoopers Accountants N.V. Coöperatie PricewaterhouseCoopers Nederland 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 AB
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 2016 and 30 June 2017, who have issued transferable securities on a regulated market (as defined in the Statutory Auditors (Transparency) Instrument 2008). Most of these entities are also EU public interest entities (as defined in EU Directive 2014/56/

EU) as per 30 June 2017. Entities that are not EU public interest entities are marked with an asterisk (\*). Entities that are EU public interest entities but not public interest entities as defined in the Statutory Auditors (Transparency) Instrument 2008 are marked with a double asterisk (\*\*).

4IMPRINT GROUP PLC
AA PLC**
ABBAY NATIONAL TREASURY SERVICES PLC
ABERDEEN ASSET MANAGEMENT LIFE AND PENSIONS LIMITED**
ABERDEEN ASSET MANAGEMENT PLC
ABERFORTH GEARED INCOME TRUST PLC
ACACIA MINING PLC
ACE EUROPE LIFE LIMITED**
AGGREGATOR OF LOANS BACKED BY ASSETS 2015-1 PLC
AGRICULTURAL BANK OF CHINA (UK) LIMITED**
AIG EUROPE LIMITED**
AIG LIFE LIMITED**
AIRE VALLEY MORTGAGES 2004 – 1 PLC*
AIRE VALLEY MORTGAGES 2005 – 1 PLC*
AIRE VALLEY MORTGAGES 2006 – 1 PLC*
AIRE VALLEY MORTGAGES 2007 – 2 PLC*
AIRE VALLEY MORTGAGES 2008 – 1 PLC*
ANAPTYXI SME I PLC
ANTOFAGASTA PLC
ARCH INSURANCE COMPANY (EUROPE) LIMITED**
ARIX BIOSCIENCE PLC
ARKLE MASTER ISSUER PLC
ARQIVA FINANCING PLC
ASSURANT GENERAL INSURANCE LIMITED**
ASSURANT LIFE LIMITED**
ASSURED GUARANTY (EUROPE) PLC (FORMERLY ASSURED GUARANTY (EUROPE) LTD)**
ASSURED GUARANTY (LONDON) PLC (FORMERLY ASSURED GUARANTY (LONDON) LTD. & MBIA UK INSURANCE LIMITED)**
ASSURED GUARANTY (UK) PLC (FORMERLY ASSURED GUARANTY UK LTD)**
ASTER TREASURY PLC
ASTRAZENECA PLC**
ATOM BANK PLC**
AVIVA ANNUITY UK LIMITED**
AVIVA INSURANCE LIMITED**
AVIVA INTERNATIONAL INSURANCE LIMITED **
AVIVA INVESTORS PENSIONS LIMITED**
AVIVA LIFE & PENSIONS UK LIMITED**
AVIVA PLC
AVON INSURANCE PLC**
AVON RUBBER P.L.C.
AXIA FINANCE PLC

AXIA III FINANCE PLC  
 B & C E INSURANCE LIMITED\*\*  
 BABCOCK INTERNATIONAL GROUP PLC  
 BAGLAN MOOR HEALTHCARE PLC  
 BAILLIE GIFFORD JAPAN TRUST PUBLIC LIMITED COMPANY (THE)  
 BAILLIE GIFFORD LIFE LIMITED\*\*  
 BAILLIE GIFFORD SHIN NIPPON PLC  
 BANK OF AMERICA MERRILL LYNCH INTERNATIONAL LIMITED\*\*  
 BANK OF COMMUNICATIONS (UK) LIMITED\*\*  
 BANK OF CYPRUS HOLDINGS PUBLIC LIMITED COMPANY  
 BANK OF IRELAND (UK) PLC\*\*  
 BANK OF IRELAND UK HOLDINGS PLC  
 BANK OF SCOTLAND PLC\*\*  
 BANK OF THE PHILIPPINE ISLANDS (EUROPE)\*\*  
 BARCLAYS BANK PLC\*\*  
 BARCLAYS PLC  
 BCA MARKETPLACE PLC  
 BERENDSEN PLC  
 BIOPHARMA CREDIT PLC\*\*  
 BIRMINGHAM AIRPORT (FINANCE) PLC  
 BLACKROCK EMERGING EUROPE PLC  
 BLACKROCK LATIN AMERICAN INVESTMENT TRUST PLC  
 BLACKROCK NORTH AMERICAN INCOME TRUST PLC  
 BLACKROCK SMALLER COMPANIES TRUST PLC  
 BLACKROCK WORLD MINING TRUST PLC  
 BONMARCHE HOLDINGS PLC  
 BOS (SHARED APPRECIATION MORTGAGES) NO. 1 PLC  
 BOS (SHARED APPRECIATION MORTGAGES) NO. 2 PLC  
 BOS (SHARED APPRECIATION MORTGAGES) NO.3 PLC  
 BOS (SHARED APPRECIATION MORTGAGES) NO.4 PLC  
 BOVIS HOMES GROUP PLC  
 BOWBELL NO.1 PLC  
 BRISTOL & WEST PLC  
 BRISTOL WATER PLC  
 BRIT LIMITED  
 BRITISH GAS INSURANCE LIMITED\*\*  
 BRITISH LAND COMPANY PUBLIC LIMITED COMPANY  
 BRITISH TELECOMMUNICATIONS PLC  
 BRUNEL RESIDENTIAL MORTGAGE SECURITISATION NO.1 PLC  
 BT GROUP PLC  
 BUNZL PLC  
 BURBERRY GROUP PLC  
 C. HOARE & CO.\*\*  
 CAIRN ENERGY PLC  
 CAPITAL & COUNTIES PROPERTIES PLC  
 CAPITAL GEARING TRUST PLC  
 CARDIFF UNIVERSITY  
 CARNIVAL PLC  
 CARPETRIGHT PLC  
 CARR'S GROUP PLC



CASTINGS PUBLIC LIMITED COMPANY  
 CATALYST HEALTHCARE (MANCHESTER) FINANCING PLC\*\*  
 CATALYST HEALTHCARE (ROMFORD) FINANCING PLC.\*\*  
 CATALYST HIGHER EDUCATION (SHEFFIELD) PLC\*\*  
 CATER ALLEN LIMITED\*\*  
 CATLIN INSURANCE COMPANY (UK) LTD\*\*  
 CELESTE MORTGAGE FUNDING 2015-1 PLC  
 CENTAUR MEDIA PLC  
 CENTREWRITE LIMITED\*\*  
 CENTRICA PLC  
 CHANCELLOR, MASTERS, AND SCHOLARS OF THE UNIVERSITY OF CAMBRIDGE  
 CHARLES TAYLOR PLC  
 CHARM FINANCE PLC  
 CHELTENHAM & GLOUCESTER PLC  
 CHEPSTOW BLUE PLC  
 CHESTNUT FINANCING PLC  
 CHINA CONSTRUCTION BANK (LONDON) LTD\*\*  
 CHINA TAIPING INSURANCE (UK) CO LTD\*\*  
 CHUBB EUROPEAN GROUP LIMITED (FORMERLY ACE EUROPEAN GROUP LIMITED)\*\*  
 CIRCASSIA PHARMACEUTICALS PLC  
 CITY GREENWICH & LEWISHAM RAIL LINK PLC  
 CIVITAS SOCIAL HOUSING PLC  
 CLARKSON PLC  
 CLAVIS SECURITIES PLC  
 CLERICAL MEDICAL FINANCE PLC  
 CLOSE BROTHERS GROUP PLC\*\*  
 CMC MARKETS PLC  
 COBHAM PLC  
 COMMERZBANK CCBI INVESTMENT FUNDS ICVC  
 CORNISH MUTUAL ASSURANCE COMPANY LIMITED\*\*  
 COSTAIN GROUP PLC\*\*  
 COUNTRYSIDE PROPERTIES PLC  
 COUNTRYWIDE PLC  
 COVEA INSURANCE PLC \*\*  
 CRANSWICK PLC\*\*  
 CREST NICHOLSON HOLDINGS PLC  
 CRESTON PLC\*  
 CRITERION HEALTHCARE PLC  
 CRODA INTERNATIONAL PLC  
 CROWN AGENTS BANK LIMITED\*\*  
 CURTIS BANKS LIMITED\*\*  
 DAILY MAIL AND GENERAL TRUST PLC  
 DEBENHAMS PLC  
 DECHRA PHARMACEUTICALS PLC  
 DEER FUNDING UK PLC  
 DELAMARE FINANCE PLC  
 DERWENT LONDON PLC  
 DEVA FINANCING PLC  
 DIAGEO CAPITAL PLC



DIAGEO FINANCE PLC  
 DIAGEO PLC  
 DRUM INCOME PLUS REIT PLC\*\*  
 DUNCAN FUNDING 2015-1 PLC  
 DUNCAN FUNDING 2016-1 PLC  
 DUNCAN LAWRIE LIMITED\*  
 DUNELM GROUP PLC  
 EAST WEST INSURANCE COMPANY LIMITED\*\*  
 EASYJET PLC  
 EDDYSTONE FINANCE PLC  
 EDGBASTON RMBS 2010-1 PLC  
 EE FINANCE PLC\*\*  
 EFG PRIVATE BANK LIMITED\*\*  
 ELECTRA PRIVATE EQUITY PLC  
 ELECTROCOMPONENTS PLC  
 ENDEAVOUR SCH PLC\*\*  
 EQUINITI GROUP PLC  
 EQUITAS HOLDINGS LIMITED\*\*  
 EQUITAS INSURANCE LIMITED\*\*  
 EQUITAS LIMITED\*\*  
 EQUITAS REINSURANCE LIMITED\*\*  
 EQUITY RELEASE FUNDING (NO.1) PLC  
 EQUITY RELEASE FUNDING (NO.2) PLC  
 EQUITY RELEASE FUNDING (NO.3) PLC  
 EQUITY RELEASE FUNDING (NO.4) PLC  
 EQUITY RELEASE FUNDING (NO.5) PLC  
 ERB HELLAS PLC  
 ERS DGB LIMITED\*\*  
 ESSENTRA PLC\*\*  
 ESTIA MORTGAGE FINANCE II PLC  
 ESTIA MORTGAGE FINANCE PLC  
 EUROCELL PLC  
 EUROMONEY INSTITUTIONAL INVESTOR PLC  
 EXCHEQUER PARTNERSHIP (NO.2) PLC  
 EXCHEQUER PARTNERSHIP PLC  
 EXETER FRIENDLY SOCIETY LIMITED\*\*  
 F&C CAPITAL AND INCOME INVESTMENT TRUST PLC  
 F&C GLOBAL SMALLER COMPANIES PLC  
 F&C UK HIGH INCOME TRUST PLC (FORMERLY INVESTORS CAPITAL TRUST PLC)\*\*  
 FARRINGTON MORTGAGES NO. 2 PLC  
 FCE BANK PLC  
 FDM GROUP (HOLDINGS) PLC  
 FENNER PLC  
 FIL LIFE INSURANCE LIMITED\*\*  
 FINSBURY GROWTH & INCOME TRUST PLC  
 FIRST TITLE INSURANCE PLC\*\*  
 FOSSE MASTER ISSUER PLC  
 FRIENDS LIFE AND PENSIONS LIMITED\*\*  
 FRIENDS LIFE FPLMA LIMITED\*\*

FRIENDS LIFE HOLDINGS PLC  
 FRIENDS LIFE LIMITED\*\*  
 FUTURE PLC  
 G4S INTERNATIONAL FINANCE PLC  
 G4S PLC  
 GABELLI VALUE PLUS + TRUST PLC  
 GALLIFORD TRY PLC  
 GAMES WORKSHOP GROUP PLC  
 GENERAL ACCIDENT PLC  
 GLAXOSMITHKLINE CAPITAL PLC  
 GLAXOSMITHKLINE PLC  
 GLOBALDRIVE (UK) VARIABLE FUNDING I PLC  
 GLOBALDRIVE AUTO RECEIVABLES UK 2016-A PLC  
 GOLDMAN SACHS INTERNATIONAL  
 GOLDMAN SACHS INTERNATIONAL BANK  
 GOSFORTH FUNDING 2014-1 PLC  
 GOSFORTH FUNDING 2015-1 PLC  
 GOSFORTH FUNDING 2016-1 PLC  
 GOSFORTH FUNDING 2016-2 PLC  
 GRACECHURCH CARD PROGRAMME FUNDING PLC  
 GRACECHURCH MORTGAGE FINANCING PLC  
 GREAT HALL MORTGAGES NO1 PLC  
 GREATER GABBARD OFTO PLC\*\*  
 GRESHAM INSURANCE COMPANY LIMITED\*\*  
 GRINGOLET COMPANY LIMITED\*\*  
 GUARANTEE PROTECTION INSURANCE LIMITED\*\*  
 GUARDIAN ASSURANCE LIMITED (FORMERLY REASSURE LIFE LIMITED)\*\*  
 HALMA PUBLIC LIMITED COMPANY\*\*  
 HAMMERSON PLC\*\*  
 HANLEY ECONOMIC BUILDING SOCIETY\*\*  
 HARGREAVES LANSDOWN PLC  
 HARWORTH GROUP PLC  
 HAYS PLC\*\*  
 HBOS PLC  
 HCC INTERNATIONAL INSURANCE COMPANY PLC\*\*  
 HEADLAM GROUP PLC  
 HEDDINGTON INSURANCE (U.K.) LIMITED\*\*  
 HELLENIC PETROLEUM FINANCE PLC  
 HENDERSON EUROTRUST PLC  
 HENDERSON HIGH INCOME TRUST PLC  
 HENDERSON OPPORTUNITIES TRUST PLC  
 HENRY BOOT PLC  
 HIGHWAY INSURANCE COMPANY LIMITED\*\*  
 HIKMA PHARMACEUTICALS PLC  
 HILTON FOOD GROUP PLC  
 HINCKLEY & RUGBY BUILDING SOCIETY\*\*  
 HISCOX INSURANCE COMPANY LIMITED\*\*  
 HOGG ROBINSON GROUP PLC  
 HOLMES MASTER ISSUER PLC  
 HONEYCOMB INVESTMENT TRUST PLC  
 HONOURS PLC

HPC KING'S COLLEGE HOSPITAL (ISSUER) PLC.  
 HSBC BANK PLC\*\*  
 HSBC HOLDINGS PUBLIC LIMITED COMPANY  
 HSBC LIFE (UK) LIMITED\*\*  
 HSBC PRIVATE BANK (UK) LIMITED\*\*  
 HUNTING PLC  
 HUNTSWORTH PLC  
 HYDE HOUSING ASSOCIATION LIMITED  
 ICG ENTERPRISE TRUST PLC  
 IG GROUP HOLDINGS PLC  
 IMPERIAL BRANDS FINANCE PLC  
 IMPERIAL BRANDS PLC  
 INCHCAPE PLC  
 INDIVIOR PLC  
 INTEGRATED ACCOMMODATION SERVICES PLC  
 INTERNATIONAL BIOTECHNOLOGY TRUST PLC  
 INTERTEK GROUP PLC  
 INTU (SGS) FINANCE PLC  
 INTU DEBENTURE PLC  
 INTU METROCENTRE FINANCE PLC  
 INTU PROPERTIES PLC  
 INVESCO PERPETUAL LIFE LIMITED\*\*  
 ITAU BBA INTERNATIONAL PLC\*\*  
 J D WETHERSPOON PLC  
 J.P. MORGAN EUROPE LIMITED\*\*  
 J.P. MORGAN INTERNATIONAL BANK LIMITED\*\*  
 J.P. MORGAN SECURITIES PLC\*\*  
 JARDINE LLOYD THOMPSON GROUP PLC  
 JKX OIL & GAS PLC  
 JOHN WOOD GROUP P.L.C.  
 JPMORGAN ASIAN INVESTMENT TRUST PLC  
 JPMORGAN CHINESE INVESTMENT TRUST PLC  
 JPMORGAN EMERGING MARKETS INVESTMENT TRUST PLC  
 JPMORGAN EUROPEAN SMALLER COMPANIES TRUST PLC  
 JPMORGAN GLOBAL GROWTH & INCOME PLC  
 JPMORGAN INCOME & CAPITAL TRUST PLC  
 JPMORGAN INDIAN INVESTMENT TRUST PLC  
 JPMORGAN JAPANESE INVESTMENT TRUST PLC  
 JPMORGAN LIFE LIMITED\*\*  
 JPMORGAN MID CAP INVESTMENT TRUST PLC  
 JUPITER FUND MANAGEMENT PLC  
 JUPITER US SMALLER COMPANIES PLC  
 KARTA II PLC  
 KCOM GROUP PLC  
 KEYSTONE INVESTMENT TRUST PLC  
 KIER GROUP PLC  
 KINDRED GROUP PLC (FORMERLY UNIBET GROUP PLC)  
 KINGDOM BANK LTD\*\*  
 KINGSWOOD MORTGAGES 2015-1 PLC  
 KION MORTGAGE FINANCE PLC  
 KOOKMIN BANK INTERNATIONAL LIMITED\*\*

LADBROKES CORAL GROUP PLC  
 LADBROKES GROUP FINANCE PLC  
 LANGTON SECURITIES (2008-1) PLC  
 LANGTON SECURITIES (2010-1) PLC  
 LANGTON SECURITIES (2010-2) PLC  
 LBG CAPITAL NO. 1 LIMITED (FORMERLY LBG CAPITAL NO. 1 PLC)  
 LEEK UNITED BUILDING SOCIETY\*\*  
 LEGAL & GENERAL ASSURANCE (PENSIONS MANAGEMENT) LIMITED\*\*  
 LEGAL & GENERAL FINANCE PLC  
 LEGAL & GENERAL GROUP PLC  
 LEGAL & GENERAL INSURANCE LIMITED\*\*  
 LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED\*\*  
 LINGFIELD 2014 I PLC  
 LIONTRUST ASSET MANAGEMENT PLC  
 LIVERPOOL VICTORIA FRIENDLY SOCIETY LIMITED\*\*  
 LIVERPOOL VICTORIA INSURANCE COMPANY LIMITED\*\*  
 LIVERPOOL VICTORIA LIFE COMPANY LIMITED\*\*  
 LLAMABROOK LIMITED (FORMERLY FIRST GLOBAL TRUST BANK PLC)\*\*  
 LLOYDS BANK GENERAL INSURANCE LIMITED\*\*  
 LLOYDS BANK PLC\*\*  
 LLOYDS BANK PRIVATE BANKING LIMITED\*\*  
 LLOYDS BANKING GROUP PLC  
 LONGSTONE FINANCE PLC  
 LOWLAND INVESTMENT COMPANY P L C  
 LUDGATE FUNDING PLC  
 LV PROTECTION LIMITED\*\*  
 MACQUARIE BANK INTERNATIONAL LIMITED\*\*  
 MANCHESTER BUILDING SOCIETY\*\*  
 MANSARD MORTGAGES 2006-1 PLC  
 MANSARD MORTGAGES 2007-1 PLC  
 MANSARD MORTGAGES 2007-2 PLC  
 MARKETPLACE ORIGINATED CONSUMER ASSETS 2016-1 PLC  
 MARKS & SPENCER FINANCIAL SERVICES PLC\*\*  
 MARSTON'S ISSUER PLC  
 MARSTON'S PLC  
 MCBRIDE PLC  
 MEDICLINIC INTERNATIONAL PLC  
 MEGGITT PLC  
 MERCHANTS TRUST PLC (THE)  
 METRO BANK PLC  
 MICRO FOCUS INTERNATIONAL PUBLIC LIMITED COMPANY  
 MICROGEN PLC  
 MIDAS FUNDING UK PLC  
 MITON GLOBAL OPPORTUNITIES PLC  
 MJ GLEESON PLC\*\*  
 MONDI PLC\*\*  
 MONKS INVESTMENT TRUST PUBLIC LIMITED COMPANY(THE)  
 MORTGAGES NO 6 PLC  
 MOTABILITY OPERATIONS GROUP PLC



MOTOR 2015-1 PLC  
 MOTOR 2016-1 PLC  
 MOTORPOINT GROUP PLC  
 MUNICIPAL MUTUAL INSURANCE LIMITED\*\*  
 NATIONAL DEPOSIT FRIENDLY SOCIETY LIMITED\*\*  
 NATIONAL FARMERS UNION MUTUAL INSURANCE SOCIETY LTD (THE) \*\*  
 NATIONAL GRID ELECTRICITY TRANSMISSION PLC  
 NATIONAL GRID GAS PLC  
 NATIONAL GRID PLC  
 NATIONAL PHARMACY ASSOCIATION LIMITED\*\*  
 NATIONWIDE BUILDING SOCIETY\*\*  
 NEWCASTLE BUILDING SOCIETY\*\*  
 NEWGATE FUNDING PLC  
 NEWLINE INSURANCE COMPANY LIMITED\*\*  
 NEX GROUP HOLDINGS PLC  
 NEX GROUP PLC  
 NEXT PLC\*\*  
 NGG FINANCE PLC  
 NORCROS PLC  
 NORTHGATE PLC  
 NOTTING HILL HOUSING TRUST  
 NOVAE GROUP PLC  
 NPA INSURANCE LIMITED\*\*  
 OCADO GROUP PLC  
 ONCILLA MORTGAGE FUNDING 2016-1 PLC  
 OTE PLC  
 OXFORD BIOMEDICA PLC  
 P2P GLOBAL INVESTMENTS PLC  
 PEARSON FUNDING FIVE PLC  
 PEARSON PLC  
 PENARTH MASTER ISSUER PLC  
 PERMANENT MASTER ISSUER PLC  
 PIRELLI INTERNATIONAL PLC\*\*  
 POLAR CAPITAL GLOBAL FINANCIALS TRUST PLC  
 POLAR CAPITAL GLOBAL HEALTHCARE TRUST PLC (FORMERLY POLAR CAPITAL GLOBAL HEALTHCARE  
 GROWTH AND INCOME TRUST PLC)  
 POLAR CAPITAL TECHNOLOGY TRUST PLC  
 POLICE MUTUAL ASSURANCE SOCIETY LTD\*\*  
 POOL REINSURANCE (NUCLEAR) LIMITED\*\*  
 POOL REINSURANCE COMPANY LIMITED\*\*  
 PORVAIR PLC  
 PRAXIS I FINANCE PLC  
 PRAXIS II FINANCE PLC  
 PREMIUM CREDIT LIMITED\*\*  
 PV CRYSTALOX SOLAR PLC  
 PZ CUSSONS PLC  
 QBE EUROPEAN OPERATIONS PLC\*\*  
 QBE INSURANCE (EUROPE) LIMITED\*\*  
 QBE RE (EUROPE) LIMITED\*\*

QINETIQ GROUP PLC\*\*  
 RABOBANK INTERNATIONAL – UK BRANCH\*\*  
 RBC EUROPE LIMITED\*\*  
 REASSURE GROUP LIMITED (FORMERLY ADMIN RE UK LIMITED)\*\*  
 REASSURE LIMITED\*\*  
 RECKITT BENCKISER GROUP PLC  
 RECKITT BENCKISER TREASURY SERVICES PLC  
 RECORD PLC\*\*  
 REDROW PLC  
 RELIANCE MUTUAL INSURANCE SOCIETY LTD\*\*  
 RELIANCE NATIONAL INSURANCE COMPANY (EUROPE) LIMITED\*\*  
 RENEWI PLC (FORMERLY SHANKS GROUP PLC)  
 RICARDO PLC  
 RIO TINTO FINANCE PLC  
 RIO TINTO PLC  
 RIT CAPITAL PARTNERS PLC  
 RIVERSTONE INSURANCE (UK) LIMITED\*\*  
 RIVERSTONE INSURANCE LIMITED\*\*  
 RL FINANCE BONDS NO. 2 PLC  
 RL FINANCE BONDS NO. 3 PLC  
 RMPA SERVICES PLC  
 ROAD MANAGEMENT CONSOLIDATED PLC  
 ROAD MANAGEMENT SERVICES (FINANCE) PLC  
 ROCKROSE ENERGY PLC  
 ROLLS-ROYCE HOLDINGS PLC\*\*  
 ROTHESAY LIFE PLC\*\*  
 RPC GROUP PLC  
 RSA INSURANCE GROUP PLC\*\*  
 SAFEWAY LIMITED  
 SAINSBURY'S BANK PLC\*\*  
 SANDOWN 2012-2 PLC  
 SANDOWN GOLD 2011-1 PLC  
 SANDOWN GOLD 2012-1 PLC  
 SANTANDER UK GROUP HOLDINGS PLC  
 SANTANDER UK PLC\*\*  
 SAVILLS PLC  
 SCHRODER & CO. LIMITED\*\*  
 SCHRODER ASIAN TOTAL RETURN INVESTMENT COMPANY PLC (FORMERLY ASIAN TOTAL RETURN INVESTMENT COMPANY PLC)  
 SCHRODER ASIAPACIFIC FUND PLC  
 SCHRODER EUROPEAN REAL ESTATE INVESTMENT TRUST PLC  
 SCHRODER JAPAN GROWTH FUND PLC  
 SCHRODER PENSION MANAGEMENT LIMITED\*\*  
 SCHRODER UK GROWTH FUND PLC  
 SCHRODER UK MID CAP FUND PLC\*\*  
 SCHRODERS PLC  
 SCOTTISH EQUITABLE PLC\*\*  
 SCOTTISH WIDOWS BANK PLC\*\*  
 SCOTTISH WIDOWS LIMITED

SCS GROUP PLC  
 SEGRO PUBLIC LIMITED COMPANY  
 SEPURA PLC\*  
 SILVERSTONE MASTER ISSUER PLC  
 SIRIUS MINERALS PLC  
 SKANDINAVISKA ENSKILDA BANKEN AB (PUBL) (LONDON BRANCH)\*\*  
 SMITH & WILLIAMSON INVESTMENT SERVICES LIMITED\*\*  
 SMITHS GROUP PLC  
 SOCIETY OF LLOYD'S \*\*  
 SPORTECH PLC  
 ST ANDREW'S INSURANCE PLC\*\*  
 ST. JAMES'S PLACE PLC  
 STAGECOACH GROUP PLC  
 STALLERGENES GREER PLC  
 STANDARD LIFE ASSURANCE LIMITED\*\*  
 STANDARD LIFE PENSION FUND LIMITED\*\*  
 STANDARD LIFE PLC  
 STANDARD LIFE PRIVATE EQUITY TRUST PLC (FORMERLY STANDARD LIFE EUROPEAN PRIVATE EQUITY TRUST PLC)  
 STHREE PLC  
 STONEBRIDGE INTERNATIONAL INSURANCE LTD.\*\*  
 STV GROUP PLC  
 SUFFOLK LIFE ANNUITIES LIMITED\*\*  
 SUMMIT FINANCE (WISHAW) PLC (FORMERLY SUMMIT FINANCE (LAW) PLC)  
 SUPERGROUP PLC  
 SWANSEA BUILDING SOCIETY\*\*  
 SWISS RE SPECIALTY INSURANCE (UK) LIMITED\*\*  
 SYNTHOMER PLC  
 T CLARKE PUBLIC LIMITED COMPANY  
 TATE & LYLE INTERNATIONAL FINANCE PLC  
 TATE & LYLE PLC  
 TBC BANK GROUP PLC  
 TECHNIPFMC PLC\*\*  
 TELEREAL SECURED FINANCE PLC  
 TELEREAL SECURITISATION PLC  
 TEN ENTERTAINMENT GROUP PLC\*\*  
 TESCO PROPERTY FINANCE 2 PLC  
 TESCO PROPERTY FINANCE 3 PLC  
 TESCO PROPERTY FINANCE 4 PLC  
 TESCO PROPERTY FINANCE 5 PLC  
 TESCO PROPERTY FINANCE 6 PLC  
 THE ACCESS BANK UK LIMITED\*\*  
 THE CHORLEY AND DISTRICT BUILDING SOCIETY\*\*  
 THE CITY OF LONDON INVESTMENT TRUST PLC  
 THE EQUITABLE LIFE ASSURANCE SOCIETY\*\*  
 THE EUROPEAN INVESTMENT TRUST PLC  
 THE HENDERSON SMALLER COMPANIES INVESTMENT TRUST PLC  
 THE HOSPITAL COMPANY (DARTFORD) ISSUER PLC  
 THE MERCANTILE INVESTMENT TRUST PLC

THE OCEAN MARINE INSURANCE COMPANY LIMITED\*\*  
 THE PALATINE INSURANCE COMPANY LIMITED\*\*  
 THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED\*\*  
 THE STANDARD CLUB EUROPE LTD\*\*  
 THE STANDARD LIFE ASSURANCE COMPANY 2006\*\*  
 THE VETERINARY DEFENCE SOCIETY LIMITED\*\*  
 THE WEIR GROUP PLC  
 THOMAS COOK GROUP PLC  
 THREADNEEDLE PENSIONS LIMITED\*\*  
 TOKIO MARINE KILN INSURANCE LIMITED\*\*  
 TOKIO MILLENNIUM RE (UK) LIMITED\*\*  
 TOROTRAK PLC  
 TR EUROPEAN GROWTH TRUST PLC  
 TRINITY FINANCING PLC  
 TRIODOS BANK N.V.UK BRANCH\*\*  
 TROY INCOME & GROWTH TRUST PLC  
 TSB BANK PLC\*\*  
 TSB BANKING GROUP PLC  
 TT CLUB MUTUAL INSURANCE LIMITED\*\*  
 TURBO FINANCE 4 PLC  
 TURBO FINANCE 5 PLC  
 TURBO FINANCE 6 PLC  
 TURQUOISE CREDIT CARD BACKED SECURITIES PLC  
 TYMAN PLC  
 U AND I GROUP PLC (FORMERLY DEVELOPMENT SECURITIES PLC)  
 UZBEKINVEST INTERNATIONAL INSURANCE COMPANY LIMITED\*\*  
 VERNON BUILDING SOCIETY\*\*  
 VESUVIUS PLC\*\*  
 VIRGIN MONEY HOLDINGS (UK) PLC  
 VIRGIN MONEY PLC\*\*  
 VITALITY HEALTH INSURANCE LIMITED\*\*  
 VITALITY HEALTH LIMITED\*\*  
 VITALITY LIFE LIMITED\*\*  
 VODAFONE GROUP PUBLIC LIMITED COMPANY  
 VOLEX PLC  
 VP PLC  
 VPC SPECIALTY LENDING INVESTMENTS PLC  
 WASPS FINANCE PLC  
 WATERMAN GROUP PLC  
 WATERSIDE CAMPUS DEVELOPMENT COMPANY PLC  
 WESLEYAN ASSURANCE SOCIETY\*\*  
 WESLEYAN BANK LIMITED\*\*  
 WESTPAC EUROPE LTD\*\*  
 WH SMITH PLC  
 WHEATLEY GROUP CAPITAL PLC  
 WILMINGTON PLC  
 WITAN PACIFIC INVESTMENT TRUST PLC  
 WM MORRISON SUPERMARKETS PLC  
 WODS TRANSMISSION PLC



WORKSPACE GROUP PLC  
WORLDWIDE HEALTHCARE TRUST PLC  
WS ATKINS PLC  
WYELANDS BANK PLC (FORMERLY TUNGSTEN BANK PLC)\*\*  
XL INSURANCE COMPANY SE\*\*  
YORKSHIRE HOUSING FINANCE PLC  
YORKSHIRE WATER SERVICES FINANCE LIMITED  
ZEDRA TRUST COMPANY (UK) LIMITED (FORMERLY BARCLAYS BANK TRUST COMPANY LIMITED)\*\*  
ZOTEFOAMS PLC  
ZURICH ASSURANCE LIMITED\*\*  
ZURICH FINANCE (UK) 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

**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

**IFRS** – International Financial Reporting Standards

**Statutory Instrument** – Statutory Auditors (Transparency) Instrument 2008

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

**ISAs (UK)** – International Standards on Auditing (UK)

**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'

**ISQC (UK) 1** – International Standards on Quality Control (UK) 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 2017** – The PricewaterhouseCoopers LLP Members' report and financial statements for the year ended 30 June 2017, which can be found at [www.pwcannualreport.co.uk](http://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

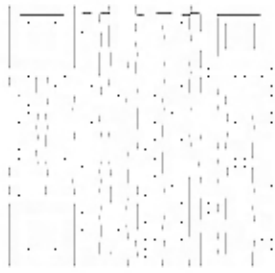
**QAD** – Quality Assurance Department of the ICAEW

**RI**s – '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 2017, in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008 (the 'Instrument') issued by the Financial Reporting Council ('FRC') and the requirements of Article 13 of the EU Regulation No 537/2014. 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.

© 2017 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.