Audit Quality Report

Extract from UK Transparency
Report 2025

Contents

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Audit Quality Report

The delivery of consistent high-quality audits is core to maintaining public interest. We remain focused on performing audits that meet the needs of investors, the organisations we audit and wider stakeholders. Our commitment to the delivery of consistent high-quality audits shapes everything we do and is reflected in our refreshed Audit strategy.

Our three audit behaviours - Team first, Challenge and be open to challenge and Take pride - remain at the heart of our Audit strategy. They are critical to us delivering high-quality audits in the public interest and creating high performing teams. A robust, quality focused culture is key to maintaining an effective System of Quality Management (SoQM). As a result the three audit behaviours are embedded within our core processes and controls.

We absolutely recognise our professional responsibilities as auditors to deliver high-quality outcomes. We also recognise that audit quality cannot be delivered in a vacuum - to achieve high-quality outcomes we believe you need: a robust and high-quality auditor; a capable management team that values the audit, and that is prepared and able to support the audit with good quality supporting evidence produced in a timely manner; and those charged with governance who set the tone and engage as appropriate in the audit process.

Our operational activities are underpinned by a number of core processes and controls that support audit quality. These aim to support teams to confidently deliver quality audits, setting them up for success, and to protect our robust SoQM. Our SoQM is designed, implemented and operated on an ongoing basis and includes monitoring, assessing, evaluating, reporting, and being responsive to changes in quality risks all driven by both the internal and external environment. All actions taken as a result of these activities are prioritised and monitored for effectiveness through our Single Quality Plan (SQP).

Internal monitoring is an integral part of the SoQM. This includes our Engagement Compliance Review (ECR) programme, used to assess whether engagements are performed in accordance with relevant standards, and our Quality Management for Service Excellence (QMSE) programme, where the firm conducts its own review of its compliance with policies and procedures each year. This process is reviewed annually by the firm's regulators, and also, by a PwC Network team independent of PwC UK.

PwC is subject to monitoring by a number of regulatory authorities. We hold our reputation for quality in the highest regard and take seriously all the findings identified by the firm's regulators in relation to the quality of the firm's audit work. Through our continuous improvement activities we are committed to working constructively with our regulators.

Measuring and assessing audit quality is fundamentally important. There is no single definition or measure of audit quality. We have developed our own measurement framework with our three Audit Quality Measures (AQMs), set out on **page 24**, these provide a current and holistic view of the quality of our audits. These measures are reported quarterly to our Management Board and our Audit Oversight Body. We believe that using AQMs and appropriate metrics, relevant to the audit firm or the audit engagement, can help the users of audit services and wider stakeholders to engage in a richer discussion about what constitutes a high-quality audit and the key elements of a high-quality audit practice.

Our System of Quality Management

Consistent high-quality audits are underpinned by our System of Quality Management (SoQM). This is a structured framework of policies, processes and controls that allow us to meet our professional requirements and deliver insights that truly matter for our stakeholders. We're dedicated to investing in improvement and continue to further develop and refine our SoQM.

External standards

International Standard on Quality Management 1 (ISQM 1)

We comply with ISQM (UK) 1 as issued by the FRC. This is the UK equivalent of ISQM 1 which was issued by the International Auditing and Assurance Standards Board (IAASB). This is the second year we've been required to have designed and implemented the requirements of the standard and evaluated our SoQM under ISQM (UK) 1.

ISQM (UK) 1 adopts an objectives-based approach. It expects firms to have a SoQM that operates in a continuous and iterative manner taking into consideration the conditions, events, circumstances, actions and inactions that impact them.

It outlines the firm's responsibilities around monitoring and remediation, emphasising the need for proactive, real time monitoring of the SoQM, an effective, efficient, and timely root cause analysis process, and timely and effective remediation of deficiencies.

ISQM (UK) 1 states that the objective of the firm is to design, implement and operate a SoQM that provides the firm with reasonable assurance that:

- The firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements.
- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

The standard goes on to say that the public interest is served by the consistent performance of quality engagements and that this is enabled by an effective system of quality management. ISQM (UK) 1 requires the firm to apply a risk-based approach in designing, implementing and operating eight identified components of the system of quality management in an interconnected and coordinated manner.

Quality Control 1000 (QC 1000)

QC 1000, officially titled 'A Firm's System of Quality Control', is a new quality control standard by the Public Company Accounting Oversight Board (PCAOB) that aims to enhance the quality of audits performed by accounting firms registered with the PCAOB. Firms must evaluate their QC system as of 30 September each year and file a report with the PCAOB by 30 November of that year. The reporting will be required for the first time in 2027.

We have an established SoQM, with robust governance, processes for identifying and assessing risks and responses, and monitoring activities, which is compliant with ISQM (UK) 1. However, aligning with QC 1000 may necessitate additional efforts related to specific quality control requirements that are more detailed or broad in scope. We have a QC 1000 implementation plan in place.

The PwC Network's QMSE framework

Delivering high-quality work is at the heart of what we do. It's a key element of our Audit strategy and what investors and our stakeholders rightly expect of us.

To comply with the requirements of the standards and help us achieve our objectives, significant resources are invested in the continuous enhancement of quality across our PwC Network. This includes having a strong quality infrastructure supported by the right people and underlying tools and technology at both the Network and firm level, and a programme of continuous innovation and investment in our technology.

The PwC Network's Global Assurance Quality organisation aims to support PwC firms in promoting, enabling, and continuously improving audit quality through effective policies, tools, guidance and systems used to further promote and monitor quality and to build an appropriate level of consistency in what we do.

Responsibility for appropriate quality management lies with our leadership team. This includes the design and operation that is responsive to our specific risks to delivering quality audit engagements, using the PwC Network's QMSE framework.

The QMSE framework aligns with the objectives and requirements of ISQM 1 and provides a model for quality management in PwC Network firms that integrates quality management into business processes and the firm-wide risk management process. In the UK under QMSE, our overall quality objective is supported by a series of underlying quality management areas and our SoQM is designed and operated so that the overall quality objective - which includes meeting the objectives and requirements of ISQM (UK) 1 - is achieved with reasonable assurance.

Our overall quality objective is to have the necessary capabilities in our organisation and to deploy our people to consistently use our methodologies, processes and technology to deliver services in an effective and efficient manner to fulfil the expectations of our clients and other stakeholders.
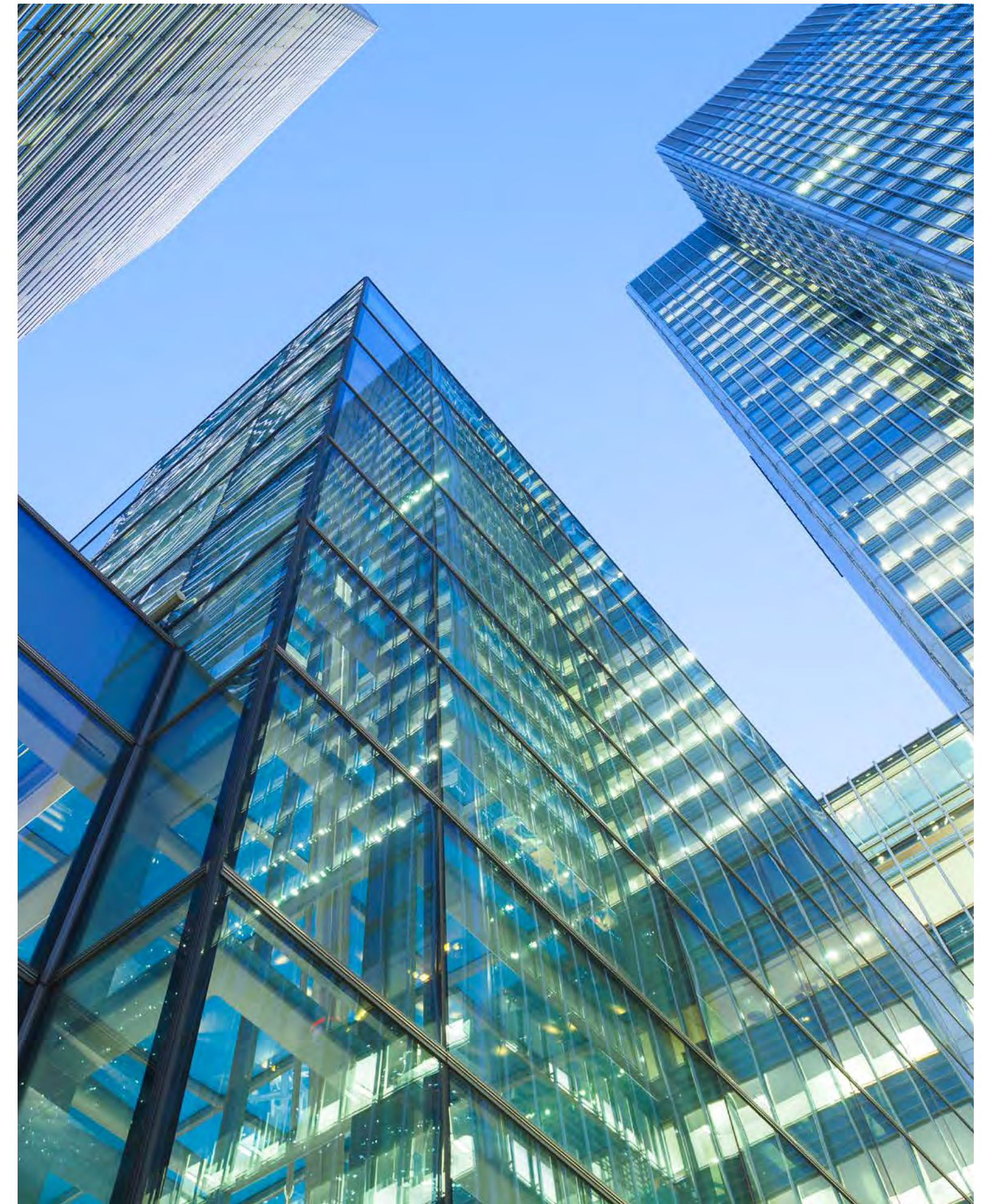
Quality management in action

The Quality Management Process

The achievement of the quality objectives of ISQM (UK) 1 is supported by a Quality Management Process (QMP) established by both firm and Audit leadership, as well as business process owners, partners and staff. This quality management process includes:

- Identifying risks to achieving the quality objectives and designing and implementing relevant risk responses
- Establishing a quality-related Recognition and Accountability Framework (RAF)
- Using Audit Quality Measures to support Audit Leadership to monitor risks to quality
- Assessing the design and monitoring the operating effectiveness of responses through our ongoing monitoring and independent periodic monitoring activities
- Continuously improving the SoQM when areas for improvement are identified by performing root cause analysis and implementing remedial actions

Our QMP involves the integrated use of Audit Quality management information, Real Time Reviews (RTR) to aim to prevent quality issues, Root Cause Analysis to learn from quality issues and a RAF to reinforce quality behaviours, culture and actions.

Our risk assessment process and responses

Our focus on quality management is not to apply prescribed rules. Rather we aim to design and implement risk responses which are fit for purpose to manage the risks identified in our own risk assessment. Our risk assessment takes into consideration both how the conditions, events, circumstances, actions and/or inactions may impact our SoQM, and the degree to which this may occur, which may result in:

- New or changing quality risks to achieving one or more of the quality objectives
- Changes to the risk assessment of existing quality risks and/or
- Changes to the design of the firm's SoQM, including the risk responses.

Recent years have seen unprecedented challenges and our SoQM has helped us navigate and respond to the impact that identified factors had on our ability to achieve the overall audit quality objective - to deliver quality audit engagements.

A quality risk is one that has a reasonable possibility of occurring and individually, or in combination with other quality risks, could adversely affect the achievement of one or more quality objectives.

In the six month QMSE period ending 30 June 2025, we saw various factors impact our SoQM but in particular, some of the more meaningful conditions, events, circumstances, actions and/or inactions that necessitated changes to our SoQM included the following:

GenAI

Emerging technologies, such as Artificial intelligence, used in the performance of audit engagements or in technology otherwise relevant to the SoQM is an area of rapid change and development.

We've focused on ensuring that our partners and staff have access to suitable, approved GenAI tools. These tools are used in accordance with policies and business rules. These are risk-focused, easy to understand, and clearly communicated, to enable effective use while maintaining human oversight to ensure reliable outputs. Our SoQM includes a quality risk to address technological advancements.

Overseas delivery models

The use of overseas delivery centres in the Audit Line of Service continues to increase both in terms of the hours they perform and the seniority of the grades within the team. Please see our People chapter for more detail.

The overseas delivery centres are required to apply the QMSE Framework in the same way as the UK or other member firms. The firm reviews the formal annual reporting received from overseas delivery centres and responds to any ad-hoc incident reporting received. We have also designed and operated our own UK specific risk responses in key areas of the SoQM where required- for example in training.

Training integrity and unethical behaviour

There remains a focus on risks relating to unethical behaviour and training integrity. We continue to take a range of preventative measures and refine detective controls to identify where individuals complete tests in an unusual or unexpected manner, which could indicate that they are cheating in some way. We expect the market and regulatory focus on training integrity and ethical behaviour in the profession to continue.

Recognition and Accountability Framework

We've established a RAF which is integrated into the performance evaluation system to hold all members of the Audit practice accountable for quality.

The RAF sets clear expectations of expected quality behaviours and outcomes including recognition for exceptional quality outcomes and behaviours. It also reinforces those expectations through consistent and transparent use in appraisals, remuneration and career progression decisions.

Audit Quality Measures

In the section Audit Quality Measures and quality management information, on **page 23**, we've described how we implement firm and engagement level metrics that support the Audit Leadership team to monitor risks to quality and our SoQM metrics.

Throughout this report, we've provided Audit Firm Metrics and insight into the policies and procedures we've designed, implemented and are operating to reduce the quality risks we've identified to an acceptable level and help us achieve reasonable assurance over the firm's SoQM.

As mentioned above, some of our policies and procedures are provided by the PwC Network which we've assessed as appropriate for use as part of our SoQM and in the performance of engagements.

Our monitoring and remediation process

Our monitoring includes an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our SoQM are designed appropriately and operating effectively to provide reasonable assurance that our audit, non-audit assurance and related services engagements are performed in compliance with laws, regulations and professional standards.

In addition to the monitoring noted above, our monitoring also encompasses a periodic assessment of our SoQM which includes the review of completed engagements (ECRs - for further details refer to **page 13**), as well as periodic monitoring of our SoQM by an objective team within our firm. The results of these procedures, together with our ongoing monitoring, form the basis for the continuous improvement of our SoQM.

We've designed, implemented and are operating ongoing and periodic monitoring to provide relevant and reliable information about our firm's SoQM. This helps us to identify deficiencies and take appropriate actions so we can remediate those deficiencies effectively and on a timely basis.

To support the timely and effective remediation of identified deficiencies, our firm has designed, implemented and operates a Root Cause Analysis programme that is described further on **page 28**.

The information gathered from our monitoring and remediation process along with other sources of information, such as external reviews, is used to help us evaluate our SoQM.

Statement on the firm's system of quality management

We conducted a six month review period in 2025 as a result of changing our SoQM year end from 31 December to 30 June.

On 15 October 2025, we completed our evaluation of the firm's system of quality management under ISQM (UK) 1 as issued by the FRC. On behalf of PricewaterhouseCoopers LLP, the Management Board evaluated whether our firm's SoQM provides us reasonable assurance that:

- The firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements.

- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

Based on the evaluation of the firm's SoQM, as at 30 June 2025, we believe our SoQM provides us with reasonable assurance that the objectives of the SoQM noted above have been achieved.

How we perform our audits

Our audit practice is a separate, standalone Line of Service that delivers financial and non-financial audit engagements, alongside non-audit assurance engagements.

Global Assurance Quality operates at the PwC Network level, and maintains the Network's risk and quality standards and methodologies in relation to Assurance services. As a key member of the PwC Network, we're regularly consulted on the development of this guidance. This allows us to consider in advance the impact of methodology changes within the UK audit practice and provide challenge and input to these changes, which is a key part of our system of quality management. We also regularly consult with Global Assurance Quality to share themes from external inspections, internal reviews and other live data sources.

As a member of the PwC Network, PwC UK has access to and uses PwC Audit, a common audit methodology and process. This methodology is based on the International Standards on Auditing (ISAs), with additional PwC policy and guidance provided where appropriate.

PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. PwC Audit provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.

PwC Audit is developed by the Global Assurance Quality - Methodology Group (GAQ - Methodology). GAQ - Methodology has responsibility for the maintenance and update of global audit policies and guidance. These include:

- The PwC Audit Guide
- Libraries of audit procedures for our global audit software (Aura Platinum)
- Template letters and other documents for use by engagement teams

We participate in a number of review and consultation groups, comprising representatives from member firms including PwC UK, which provide input to GAQ - Methodology to ensure global alignment of methodology priorities, share emerging matters in our territory, and to act as a forum for discussion.

UK professional standards, laws and regulations can include additional requirements to policies and procedures governing accounting, corporate reporting, regulatory and auditing practices. Our UK Audit Risk and Quality Business Unit (ARQ) is responsible for developing supplemental policies, guidance and tailored procedures required to address these. We update them regularly to reflect developments in professional requirements and emerging themes as well as to respond to the needs of the practice and our regulators. All policy additions are overseen by the UK firm's Audit Risk and Quality Committee, made up of senior partners from ARQ and our practice.

Our policies and procedures are supported by application guidance. Materials are readily accessible to our people remotely at any time through electronic files, databases and on web-based apps. Our processes enable the Audit line of service to meet all relevant legal and regulatory requirements within our operating environment.

New standards

We have completed our first cycle of engagements that implemented ISA (UK) 600 (Revised) during the period. The new standard, which was effective for engagements beginning on or after 15 December 2023, impacted group audit engagements.

We completed our initial roll-out of the revised methodology during FY24 in advance of planning activities commencing on our 31 December 2024 year end engagements. In FY25 as part of our flagship External Auditor Training programme we developed a specific session that focused on our group scoping process that was revised for the requirements of the new standard. This session focused on practical application, with participants following a case study that required them to make key scoping judgements in this training setting. This practical session was supplemented by an e-learn and assessment later in the period.

Our Chief Auditor Network, in tandem with ARQ, supported engagement teams through using the new Aura Platinum work programme, including the development and launch of a new UK digital tool designed to support engagement teams through the application of ISA (UK) 600 (Revised). We also continued to enhance our group audit methodology by publishing FAQs based on initial feedback from the audit practice.

The first cycle of engagements that implemented the new standard have been subject to our ECR and Audit Compliance Measure (ACM) programmes. We respond to any findings through our continuous improvement process **page 28**. We also assess feedback received directly from the practice, to identify any emerging areas to be addressed through our training programmes and guidance.

Engagement documentation

At the end of an engagement, audit teams are required to archive the audit file in accordance with a timeline that is more stringent than that required by professional standards. The act of archiving prevents any further amendments being made to the file after that date.

Unless required for legal, regulatory or internal review purposes, our audit files are only accessible by members of the engagement team or by specific individuals for risk management, quality review and compliance purposes 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 seven years after the audit report date, but can be as long as twelve years after the balance sheet date where required by applicable law or standards.

Supervision and review

The engagement leader and senior engagement team members supervise the audit, review the work performed, coach the team and drive audit quality.

Our global audit platform, Aura Platinum, is designed to help team members track the progress of the audit, including completion of work, review of that work by the relevant individuals, including the engagement leader and Quality Review Partner (QRP), where relevant, and that all matters arising are appropriately addressed.

The engagement leader's responsibilities incorporate the requirements of ISA (UK) 220 (Revised), as well as the firm's culture, values and quality expectations.

The requirements of ISA (UK) 220 (Revised) include the engagement leader having overall responsibility for managing and achieving quality on the engagement by directing, supervising and reviewing the work performed. This includes ensuring that sufficient and appropriate resources are assigned to the engagement so that conclusions to address the risks identified are reached and documented in a proper and timely manner. These values and responsibilities are also embedded in our firm's culture.

The average hours spent on audits by Responsible Individuals (Individuals in the firm who are authorised to sign audit reports) and partners, as a percentage of total audit hours is 4% (FY24: 4%) for all audits*, and 5% (FY24: 5%) for Public Interest Entity (PIE) audits*. The average ratio of audit staff managed by a partner / Responsible Individual is 19:1 (FY24: 18:1)*.

As at 1 July 2025, we had 347 Responsible Individuals. Directors who do not hold Responsible Individual status also supervise audit staff, for example, in our Audit Quality and Digital Audit functions. When such directors are included, the staff ratio is 14:1 for FY25.

The engagement leader is also responsible for implementing the firm's response to quality risks applicable to the engagement and ensuring that they and the engagement team understand the relevant ethical requirements for the engagement, remaining alert to any breaches of the requirements and taking action where necessary.

The requirements of ISA (UK) 220 (Revised) also include the engagement leader challenging engagement team members to think, analyse, question and be rigorous in their approach, to drive a culture and mindset that strives for continuous quality improvement. This is embedded in our PwC audit behaviours. They are responsible for ensuring that engagement team members undertake appropriate consultation on difficult or contentious matters, including initiating those consultations where necessary.

Together with the engagement leader, some of the responsibilities of senior engagement team members include ensuring timely reviews of audit work performed and documentation are performed, and, taking into account the nature, extent and level of reviews already performed by other members of the team, satisfying themselves that the conclusions reached are appropriate and consistent with the understanding of the engagement. They set an example in the performance of the audit by being involved throughout, including identifying the risks and being satisfied that they are responded to appropriately.

Engagement leaders and senior engagement team members display, and challenge engagement team members to display, the PwC audit behaviours. They do this by fostering a coaching culture and demonstrating a willingness to learn and to coach others, and embodying the experiences of our people in how the team delivers the audit, achieves quality and applies professional scepticism.

In addition to reviews by the engagement leader and senior engagement team members, all of our people are expected to take personal responsibility for critically self-reviewing their own work.

*These metrics align to those reported by the FRC in their Annual Firm Metrics reporting.

Engagement quality control reviews

We appoint an Engagement Quality Control Reviewer (referred to as the 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 or higher profile. Entities identified as Higher Profile Clients (HPCs) include:

- Any entity which meets the FRC definition of a UK PIE or a Listed entity
- Any entity with a significant risk over going concern and either:
  - More than 5,000 UK employees or
  - A pension deficit agreement exceeding 15 years
- Any entity with more than 5,000 UK employees and a pension deficit funding agreement exceeding 15 years
- Private companies which employ 10,000 or more individuals in the UK (excluding subsidiaries of a UK listed company which is audited by PwC UK) not included in other criteria above
- Other entities whose engagement's heightened profile, based on the firm's judgement, could represent a heightened financial risk to the firm or reputational risk to the firm or the Network

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

QRPs are appointed to an engagement based on their experience and expertise. The QRP is responsible for reviewing, challenging and discussing key aspects of the audit including independence, significant risks and responses to these risks, critical auditing and accounting judgements, uncorrected misstatements, the financial statements, communication with those charged with governance and the appropriateness of the audit report to be issued.

The responsibilities of the QRP also include consideration of the firm's monitoring and remediation processes, in particular any identified deficiencies that may impact significant judgements made by the engagement team. In addition, the QRP responsibilities also include evaluating the engagement leader's determination that relevant ethical requirements relating to independence have been fulfilled, appropriate consultation has occurred and the engagement leader's involvement is sufficient and appropriate. QRPs are involved throughout the audit process so that their input is raised and addressed by the audit team on a timely basis.

Certain types of non-audit assurance work requires a second partner to be appointed and, depending on the nature of the engagement, they 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 engagement working papers.

Consultation

Consultation is a key aspect of our continuous improvement and progression with audit quality. We take a collaborative approach and our culture empowers engagement leaders and teams to engage in consultative conversations to ensure they reach appropriate conclusions and support achieving quality, particularly when dealing with challenging or judgemental topics. In addition to this, our policies and guidance outline when teams are required to consult on accounting, auditing and risk management matters. Our technical experts track new developments and emerging themes to update our policies that set out where this consultation is either mandatory or discretionary.

We use a consultation database within Audit that has been specifically designed to aid the consultation process, ensuring the documentation of consultations within ARQ is in accordance with relevant professional standards.

Our 'Challenge and be open to challenge' culture also means that our engagement teams regularly consult with each other, as well as with experts, on an informal basis where formal consultation is not required. Our Chief Auditor Network is based across our practice to provide real-time, local support to audit teams throughout an engagement. They host bitesize sessions based on recurring themes and are available for engagement teams to consult informally.

Real Time and Financial Statement Reviews

Our accounting and corporate reporting specialists perform Financial Statement Reviews (FSRs) on certain annual reports, preliminary announcements and interim financial reports. An FSR considers the transparency, clarity and balance of reporting. It looks at the consistency of the annual report between the financial statements and the other information. The extent and depth of the review process reflects the assessed level of risk.

During FY25, our objective in performing these reviews has been to enhance the risk focus by aligning FSR support with the auditing support we provide through Real Time Reviews (RTRs), and widening the reach of the FSR programme.

RTRs provide live support to teams on certain aspects of their audit work. The review focus is flexible but often centres on risk assessment, the resolution of judgemental matters and our reporting to those charged with governance. We continue to monitor our processes and controls in respect of FSRs and RTRs and we amend and evolve these to ensure we continue to meet our objectives in supporting engagement teams.

Technical panels

We convene panels of experienced partners and technical experts for our engagement leaders to consult where an engagement has particular complexities, risk characteristics or where auditing or accounting areas require significant judgement. For example, this may be where potential uncertainty exists around an organisation's going concern or impairment assessment. The technical panels may include specialists in a particular audit or industry area.

Technical panels consisting of independent partners may also be used to resolve situations where there is a difference of opinion between the engagement leader and either the QRP, another audit partner or a central function such as ARQ or compliance.

Engagement conversations

PwC UK operates an independent senior partner review programme of obtaining direct feedback from the organisations we audit via interviews, undertaken by senior partners independent of the engagement team, 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.
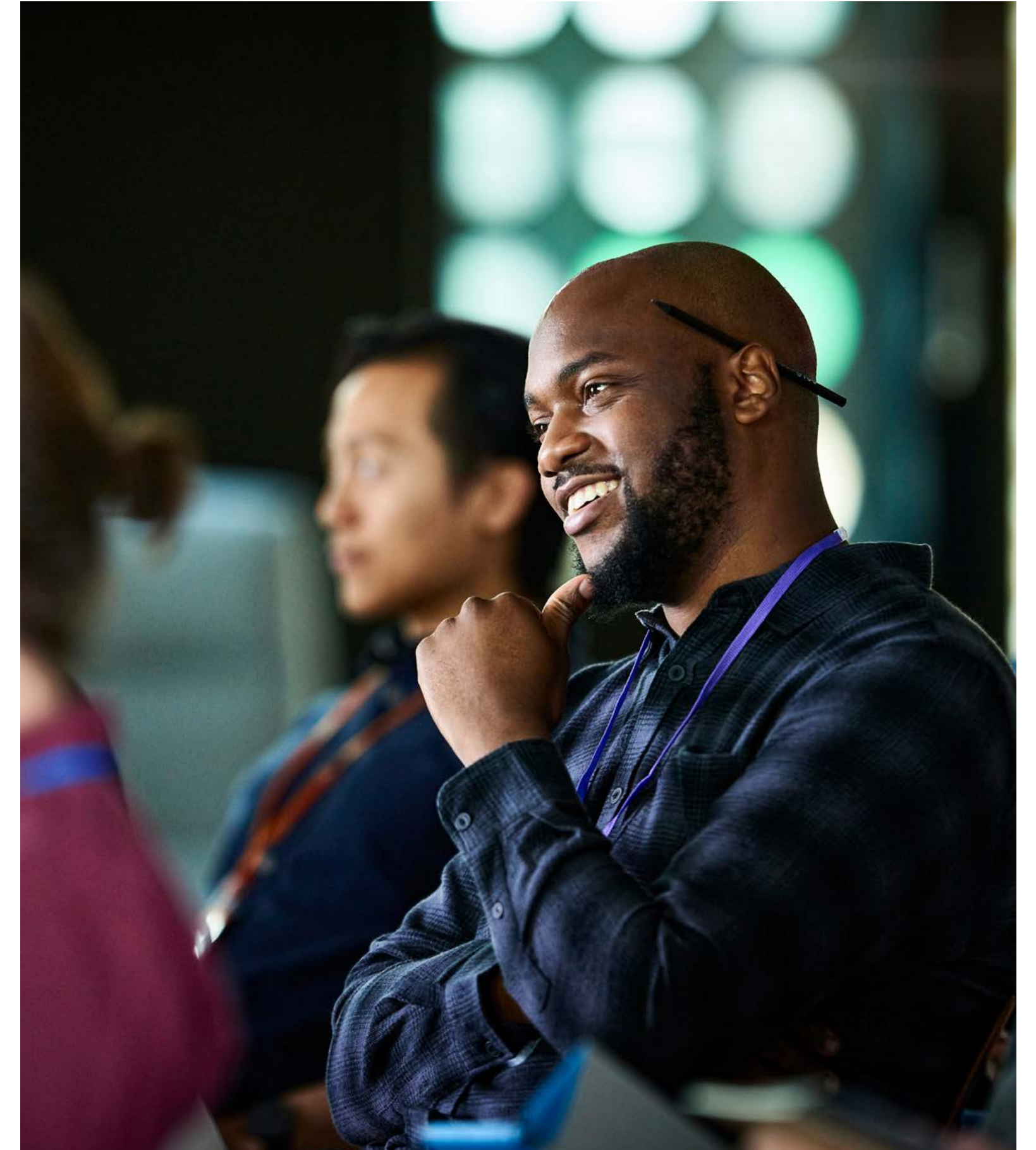
Engagement Compliance Review (ECR)

The ECR programme is an integral part of the firm's internal monitoring, is used to assess whether engagements are performed in accordance with relevant auditing, assurance, accounting, professional standards and policies.

ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorised to sign audit, non-audit assurance or related services reports. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other applicable engagement-related policies and procedures. Partners and staff are informed on a timely basis about the review results to enable them to apply any relevant learnings and for appropriate action to be taken.

Reviews are led by experienced assurance partners, supported by objective teams of partners, directors, senior managers and other specialists. ECR reviewers may be sourced from other PwC firms if needed to provide appropriate expertise or objectivity. Review teams receive training to support them in fulfilling their responsibilities and utilise a range of checklists and tools including a number developed at the network level when conducting their inspection procedures. The network inspection team supports review teams by monitoring the consistent application of guidance on classification of engagement findings and engagement assessments across the network.

Key features of the annual ECR programme:

- A cold 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 the ICAEW 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 a six year period.

- A review of a sample of risk-based completed non-audit assurance engagements in scope of ISQM 1 (or equivalent national standards). 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 partners, supported by teams of partners, directors and senior managers who are all independent of the Business Unit and engagement leader being reviewed.

- The results are reported to the Audit Executive, the Audit Oversight Body, and to the Global Board (PwCIL). The FRC and ICAEW also obtain these results as part of their annual inspections.

Each engagement reviewed is assessed using the following categories:

'Compliant'

Relevant auditing, assurance, accounting, professional standards and policies have been complied with in all material respects.

'Compliant with improvement required' (Cwir)

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, but it is determined that due to the audit evidence in other sections of the archived work papers no additional procedures are required to be performed or documented.

- Assurance procedures that failed to detect a departure from applicable accounting standards that was considered both quantitatively and qualitatively insignificant.

- Evaluation of control weaknesses was not performed substantially in accordance with professional standards, but the impact was not considered to be sufficiently significant to require modification to the audit report on internal control over financial reporting if applicable and/or adequate consideration was not given to any necessary modifications to the substantive approach applied due to the control weaknesses. However, in all cases, sufficient audit work has been performed in all other respects.

'Non-compliant'

Relevant auditing, assurance, accounting, professional standards and policies were not complied with in respect of a material matter.

In addition, we annually assess engagements for our 'Quality Recognition Award'. These are engagements where all relevant auditing, assurance, accounting and professional standards have been complied with in all material respects and key aspects of the work made the engagement stand out from others as an example of best practice. This is designed to celebrate the achievements of engagement teams that bring the audit behaviours of Team first, Challenge and be open to challenge and Take pride to life on their engagement to drive exceptional audit quality.

In the case of an engagement awarded a 'Quality Recognition Award', there is a mechanism to ensure that the high-quality work is recognised as part of key personnel's annual performance assessment.

In the case of a non-compliant engagement, a follow up review is undertaken as soon as practical, the engagement leader will be reviewed again in the subsequent year's ECR and there are financial implications for the individual engagement leader. Following root cause analysis, consideration is also given as to whether additional support, training and/or monitoring of the engagement leader is required.

The circumstances giving rise to non-compliant findings are also considered in order to assess whether additional work is needed to support the report, if the auditor's report needs to be withdrawn, or if a correction in the entity's previously issued financial statements or information is required.

For engagements which were found compliant with improvement required, the engagement leader is included in the following year's ECR, and this may also lead to financial implications depending on that engagement leader's previous quality track record.

The firm undertakes Root Cause Analysis (RCA) for all inspections with non-compliant outcomes and a number of compliant with improvement required and compliant engagements, including engagements awarded a 'Quality Recognition Award'.

The 'Quality Recognition Award' analysis helps identify success factors that inform potential actions. Following RCA, an action plan is developed to respond to the drivers of systemic issues and specific matters arising from the ECR and the actions are prioritised and included in the Single Quality Plan (SQP). Responsive actions may be identified at either the engagement delivery and/or Line of Service levels. All quality action plans are monitored by the Audit Risk and Quality leadership, the Audit Executive and the AOB.

2025 ECR Results

Reviewers select a number of focus areas to tailor the review based on risk as appropriate.

165 audit engagements (FY24: 151) were reviewed in FY25, covering 46% (FY24: 42%)* of the firm's Responsible Individuals. 30 non-audit assurance engagements (FY24: 33) were also reviewed.

Audit ECR results*

	Compliant		Cwir		Non-compliant		Total
	No.	%	No.	%	No.	%	No.
FY25	146	89%	12	7%	7	4%	165
FY24	127	84%	12	8%	12	8%	151

PIE audit ECR results*

	Compliant	Cwir	Non-compliant
	%	%	%
FY25	88%	6%	6%
FY24	97%	3%	0%

Non-audit ECR results

	Compliant		Cwir		Non-compliant		Total
	No.	%	No.	%	No.	%	No.
FY25	26	87%	4	13%	-	0%	30
FY24	25	76%	5	15%	3	9%	33

Responsive actions have been identified and incorporated into our SQP following completion of root cause analysis both in respect of findings and 'Quality Recognition Award' outcomes.

*These metrics align to those reported by the FRC in their Annual Firm Metrics reporting.

External inspections

We operate in a highly regulated field and we're subject to monitoring by a number of regulatory authorities.

UK regulators

Each year, the FRC's Supervision Division team undertakes inspections of the quality of our work as statutory auditors of Public Interest and other entities, and reviews aspects of our policies and procedures that support audit quality. The Quality Assurance Department (QAD) of the Institute of Chartered Accountants of England and Wales (ICAEW) undertakes an annual inspection of non-FRC PIE audits.

The Audit Registration Committee of the ICAEW (ARC) considers the findings from the most recent FRC and QAD inspection reports as part of their annual consideration of our UK audit registration. The ARC also considers our registrations as a recognised auditor in Jersey, Guernsey and the Isle of Man.
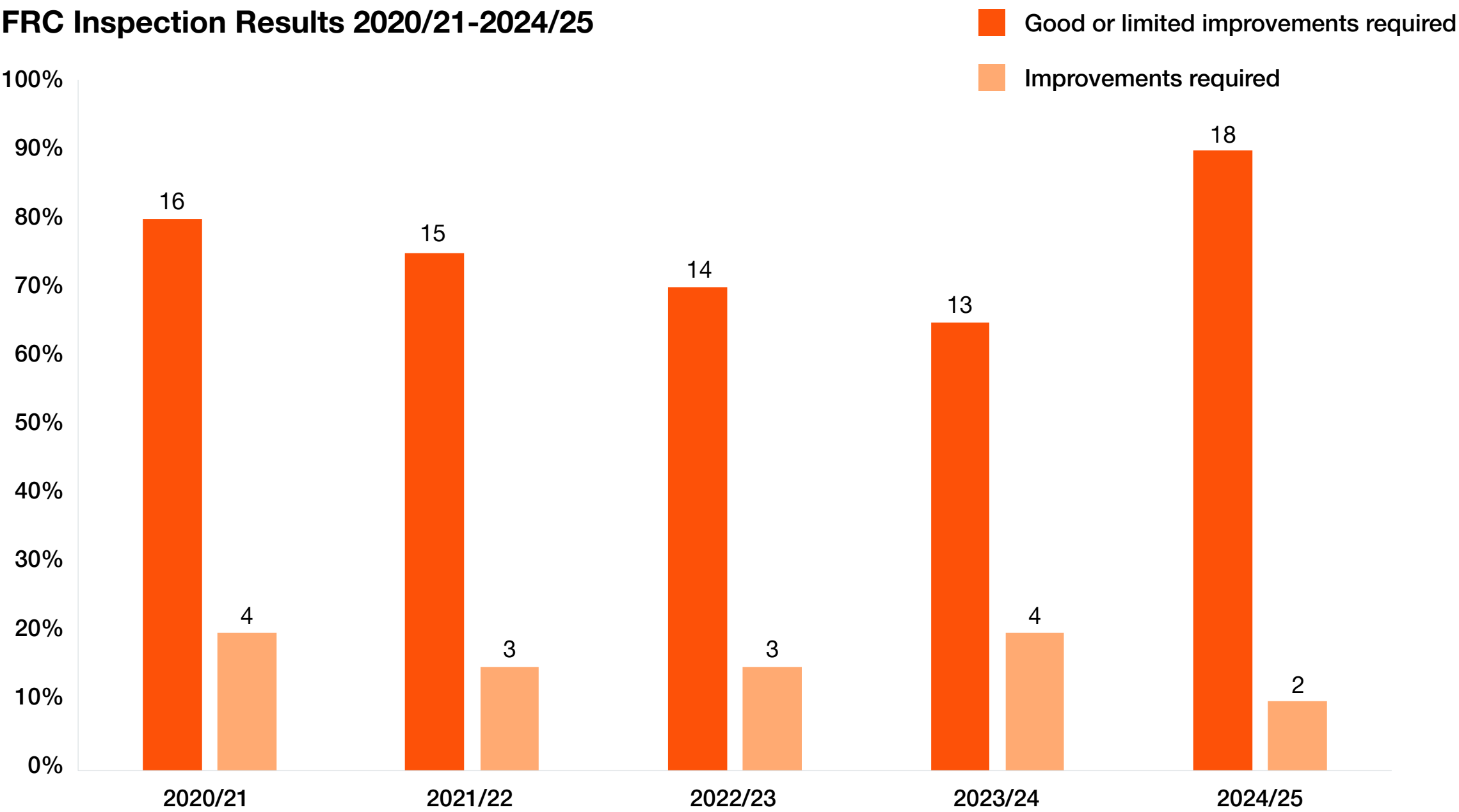
FRC - Audit Quality Inspection and Supervision Report

The FRC issued its 2024/25 Audit Quality Inspection and Supervision Report on PwC UK on 15 July 2025. Alongside the results of the FRC Supervision activities, including the Audit Quality Review (AQR) inspection, Audit Market Supervision (AMS) reviews and observations from the Audit Firm Supervision (AFS) team, the report also included our 2024 internal quality monitoring results and those of the 2024 annual QAD inspection.

The report's overall assessment is that we continue to focus on delivering high audit quality and have responded positively to the FRC's previous findings, including identifying innovative solutions. Our publicly available response to the FRC's report, including identified root causes of reported findings and actions determined in response to those findings, is included in summary on page 5, and in further detail within Appendix B, of the **FRC's report**[1].

FRC Inspection Results 2020/21-2024/25

The 2024/25 AQR inspection comprised reviews of 20 (2023/24: 17) individual audit engagements. Of the 20 audits reviewed in the 2024/25 cycle, the AQR assessed that:

- 90% or 18 audits (76% or 13 audits in 2023/24) were graded 'good or limited improvements required'*
- 10% or two audits (24% or four audits in 2023/24 were graded as 'improvements required'*
- No audits (no audits in 2023/24) had 'significant improvements required'*

Consistent high-quality audits are core to maintaining public trust and we are committed to delivering high-quality audits. Our audit quality focused culture, current and future resourcing models and the adoption of new and emerging technologies are key enablers in delivering sustainable high-quality audits. We are grateful for the continued efforts of our audit teams in seeking to achieve our quality objectives

The FRC's report highlighted the following findings in respect of their AQR individual file reviews, and concluded that we should:

- Improve the audit of inventory, with specific findings relating to inventory valuation, existence and provisioning
- Improve aspects of the audit of goodwill impairment and/or the carrying value of parent company investments

The report also includes examples of good practice identified by the AQR, and it is pleasing that these have been identified across the risk assessment and planning, execution, and completion and reporting phases. We will continue to utilise these examples within training programmes and to reinforce our audit behaviours.

Whilst we are pleased with the outcome of the FRC inspection, we continue to learn from every inspection cycle. Our Continuous Improvement (CI) team has completed RCA activities on all inspection findings within the FRC 2024/25 audit inspection cycle. This includes seeking to understand what good looks like from the identified examples of good practice. Responsive actions have been developed in conjunction with the relevant process or control owner, with oversight and challenge from Audit Risk and Quality (ARQ).

[1] Source: https://media.frc.org.uk/documents/PricewaterhouseCoopers_LLP_Audit_Quality_Inspection_and_Supervision_2025.pdf
*These metrics align to those reported by the FRC in their Annual Firm Metrics reporting.

System of Quality Management

The FRC AMS team also reported on the findings from their inspection of our SoQM under ISQM (UK) 1.

Each year, the AMS team annually reviews our Monitoring and Remediation (M&R) activities and SoQM Annual Evaluation. The AMS team scoped certain additional areas for inspection based on a rotational approach to the components set out in ISQM (UK) 1, and for each component, based their consideration of risk, including the results of previous monitoring and root cause analysis. The AMS team selected, and focused on:

Annual review	Governance and Leadership (G&L) Reporting to leadership and the culture of quality.	Relevant Ethical Requirements (RER) Approval of Non-Audit Services (NAS) and the length of involvement, on audit engagements, by key audit partners and the firm.
Rotational review	Information and Communication (I&C) Promoting and driving two-way communication with and between audit personnel.	Human resources (HR) Resource management and allocations for audit engagements and SoQM activities.

For each component, the AMS team inspected a small sample of the monitoring procedures performed by our testing team to assess the operating effectiveness of responses. This sample focused on responses with a significant element of judgement, including management review, controls and process.

The AMS team concluded that we have an established SoQM, with robust governance, processes for identifying and assessing risks and responses, and monitoring activities. The AMS team also concluded that we should enhance aspects of our monitoring of the operation of certain responses, including responses operated elsewhere in the PwC Network, to ensure ethical compliance (RER component), and strengthen aspects of our Annual Evaluation process.

Actions in response to all ISQM (UK) 1 inspection findings have been developed in conjunction with the relevant process or control owner, again with oversight and challenge from the ARQ team.

Detailed findings and areas of good practice were reported by the AMS team as follows:

Design and implementation of responses to quality risks

The AMS team reported two findings, the first in respect of consistency of workload monitoring (HR component) and the second in relation to the commencement of NAS by network firms without relevant UK approvals (RER component). The AMS team also reported two areas of good practice, relating to the use of granular factors in risk descriptions (RER component) and in the allocation of resources to engagements (HR component).

Monitoring procedures

In respect of monitoring procedures, the AMS team reported findings relating to our assessment of reliance on global monitoring and the role of cold file reviews (both relating to the RER component) and in respect of inconsistency in monitoring procedures performed over responses within their tested sample (M&R Component).

The templates used in our monitoring procedures and in our processes to ensure the independence of the second line monitoring team were also identified by the AMS team as good practice (both in relation to the M&R component).

Annual Evaluation

The AMS team reported a finding in relation to our assessment of themes from root cause analysis and key findings from AQR inspections. A good practice example was identified in relation to the identification of a wide range of other sources of information used in the Annual Evaluation process.

Audit Firm Supervision

The FRC's AFS team adopts a proportionate, risk-focused and outcome based approach to supervising the firms. The AFS team includes observations, findings and examples of good practice in their report. These are reported under three areas: SQP and other key quality initiatives; Upholding high standards and continuous improvement, and Emerging risks and trends.

The report included a finding in relation to required enhancement to effectiveness measures (SQP), and good practice relating to the use of innovative solutions (Quality initiatives) and a joined up CI team approach to analysis and reporting (Continuous Improvement). We have already taken proactive steps to address the finding.

The FRC Audit Quality Inspection and Supervision report on PwC UK is available on the **FRC website**[1].

In August 2025 the FRC launched the next phase of engagement on its Future of Audit Supervision Strategy (FASS) which aims to evolve its supervisory approach. We have provided feedback on the discussion paper's proposals and are actively engaged and supportive of FASS and its objective for a proportionate supervisory framework.

ICAEW – QAD inspection

The QAD 2024 Audit Monitoring 2024 results were published within the FRC's Audit Quality Inspection and Supervision report on 15 July 2025. They will also be included within the **ICAEW's Audit Monitoring report 2025**.[2]

The 2024 QAD inspection comprised standard scope reviews of ten (2023: ten) individual audit engagements, of which:

- 100% or ten audits (100% or ten in 2023) were assessed as 'good or generally acceptable'*
- No audits (none in 2023) were graded as 'improvement required'*
- No audits (none in 2023) was graded as 'significant improvement required'*

We are pleased that the QAD concluded that overall the work reviewed was of a good standard. All ten files were either good or generally acceptable, with no significant issues arising. The report did not include any key findings.

A number of good practice examples were identified in the audit files reviewed. These included examples of: comprehensive documentation on involvement of auditors' experts; consideration of management's experts and interaction with component audit teams in relation to the audit of the organisation's shared service centre; challenge of management on significant accounting estimates, including defined benefit assets and liabilities valuations, share-based payments and contract margins; and uses of digital resources in fraud risk assessment and digital tools as part of audit work in areas of significant risk.

Local Audit monitoring

We do not undertake any Local Audits and therefore the AQR did not perform any inspections as part of the 2024/25 cycle

ATOL inspections

As an Air Travel Organisers License (ATOL) reporting accountant, the firm is subject to inspection as part of the Licensed Practice Scheme. The review takes place on a tri-annual cycle, and was last completed in July 2025 as part of the 2024/25 ICAEW inspection cycle.

Other UK regulatory bodies with which we have interactions

As statutory auditors we engage in ongoing dialogue with regulators of entities we audit. For example, where relevant, audit engagement teams meet with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) on a regular basis. We also have a duty, for example, 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, certain matters set out within ISA (UK) 250 Section B and to report to the Charity Commission for England and Wales, the Office of the Scottish Charity Regulator (OSCR) and the Charity Commission for Northern Ireland matters required by applicable charities legislation.

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, inter alia, designated investment business and consumer credit related activity; details of our status can be viewed on the **FRC website**[1] under firm reference number 221411.

We also work with audited entity management to enable them to assist the Corporate Reporting Review team of the FRC in their work monitoring company reporting.

Canadian Public Accountability Board

The Canadian Public Accountability Board (CPAB) is the regulator for the audits of reporting issuers in Canada. No reviews were performed on UK audits in the current year.

The Crown Dependencies

Under arrangements with the relevant regulatory authorities in the Crown Dependencies, the FRC undertakes the review of relevant audits performed by PwC UK of the financial statements of certain entities registered in the Crown Dependencies. In their 2024/5 inspection of PwC UK, no such audits were reviewed by the FRC.

Public Company Accounting Oversight Board

The Public Company Accounting Oversight Board (PCAOB) is the regulator for audits of public companies with securities or debt listed in the US. Engagements in scope for inspection by the PCAOB are US registrants, including Domestic Filers and Foreign Private Issuers (FPIs), and UK components of groups listed in the US.

The PCAOB, in cooperation with the AQR, commenced its most recent triennial inspection of our 2022 audits in September 2023. The inspection covered two FPI engagements and one UK component of a US listed company. The PCAOB published its final **inspection report**[2] on 5 December 2024. There were no instances of audits with unsupported opinions within Part I.A. We've evaluated the observations of the PCAOB and have taken responsive actions where appropriate. We recognise the importance of the inspection process and have taken the PCAOB's insights into account in formulating our actions to continuously improve audit quality.

Audit investigations

The firm's approach to regulators' enquiries and investigations

Our Office of General Counsel (OGC) manages Troublesome Practice Matters (TPMs) in relation to completed audits. The Audit Risk & Quality Investigations (ARQI) team assists by reviewing the quality of audit work under OGC's instruction. TPMs may include enquiries and investigations by the FRC and other regulators and litigation matters raised by clients or third parties.

We actively work with stakeholders and regulators to progress matters effectively. We acknowledge when our work falls below the professional standards expected of us and that we demand of ourselves. Where appropriate, we defend our work by clearly explaining our actions, processes, and reference our professional obligations. As part of our focus on continued audit quality improvement, we take actions following Root Cause Analysis (see **page 28**).

The FRC has been established by Statutory Auditors and Third Country Auditors Regulations 2016 (SATCAR) as the Competent Authority for Statutory Audits with powers to investigate and sanction breaches of applicable standards.

The Audit Enforcement Procedure (AEP) is the process for enforcement matters and applies to Statutory Audit Firms and Statutory Auditors. In PwC, Statutory Auditors are those partners and directors who are responsible for signing an audit opinion. The AEP includes Case Assessment enquiries, Constructive Engagement and Enforcement investigations (see below). Further details of the AEP and the FRC's Annual Enforcement Review can be found on the FRC's **website**[1].

FRC Case Assessment enquiries and Constructive Engagement

The FRC's Case Assessment team makes enquiries to question whether the firm or a Statutory Auditor have met applicable standards. Following assessment, the FRC Case Assessment team may consider that it's appropriate to: (i) take no further action; (ii) arrange for Constructive Engagement; or (iii) refer the matter to an FRC committee to determine whether to commence an enforcement investigation (or refer to another Recognised Supervisory Body).

The FRC resolves cases through Constructive Engagement where audit quality concerns can be addressed and the risk of repetition can be mitigated through the FRC Supervision Division's engagement with the firm, without the need for enforcement action. Under Constructive Engagement the FRC and the firm agree appropriate actions, such as issuing additional guidance or training to the audit practice. We're committed to working with the FRC to resolve Case Assessment enquiries and Constructive Engagement cases and to proactively take the steps needed to improve audit quality.

FRC Enforcement investigations

As at 30 June 2025, we had one (2024: two) **publicly announced FRC Enforcement investigation:** Babcock International Group plc, for the years ended 31 March 2019 and 31 March 2020[1].

In the year to 30 June 2025, there was one (2024: one) Final Decision Notice issued against the firm. In March 2025, the FRC published the outcome of its investigation into the 2019 audit of Wyelands Bank plc. The firm received a sanction of £4.5m, adjusted for exceptional co-operation, admissions and early disposal to £2.9m, and non-financial sanctions, which included reporting to the FRC on the firm's assessment of the effectiveness of improvement measures. This Final Decision Notice is available on the FRC **website**[2].

FRC's end-to-end enforcement process review

In March 2025, the FRC announced it would conduct an 'end-to-end' review of the enforcement process. We welcome this review and will participate in the FRC's planned consultation process.

FCA investigation

The Financial Conduct Authority (FCA) regulates the financial services industry in the UK and under the Financial Services and Markets Act 2000 (Communications by Auditors) Regulations 2001 (SI 2001/2587) auditors have certain reporting obligations. The FCA investigated PwC's 2016 audit of London Capital & Finance (LCF) and concluded its investigation in August 2024. The FCA found that the firm failed to report to the FCA the belief that LCF might be involved in fraudulent activity but that the breach was not reckless or deliberate. The firm was fined £15m. This Final Notice is available on the FCA **website**[3].The firm was sanctioned by the FRC previously on this audit in May 2024.

ICAEW

Details of the ICAEW's disciplinary process can be found on the ICAEW's **website**[4]. In the year to 30 June 2025, there were no audit cases (2024: nil) found against the firm by the Investigation Committee of the ICAEW. We have ongoing enquiries with the ICAEW which we're committed to continuing to work to resolve.

Complaints and allegations

If the organisations we audit are not satisfied with the services we've delivered, or have suggestions for how we can improve, they may contact either the engagement leader, or the firm's General Counsel and Chief Risk Officer, who is located at our registered office. We look carefully and promptly at any complaints or allegations we receive.

Where appropriate, the FRC, ICAEW or the institute of which the individual PwC UK partner or member of staff is a member, may also be contacted directly.

[1] The FRC's Annual Enforcement Review 2025 states that as at 31 March 2025, FRC had 27 open audit investigations, of which 21 had been publicly announced **(p.26)**. Please note that not all FRC investigations are publicly announced.
[2] Source: https://www.frc.org.uk/library/enforcement/enforcement-cases/
[3] Source: www.fca.org.uk/publication/final-notices/pricewaterhousecoopers-llp-2024.pdf
[4] Source: www.icaew.com/regulation/complaints-process

Audit Quality Measures and quality management information

Measuring and assessing audit quality is fundamentally important to us. We use measures and data points to help the users of audit services and our wider stakeholders to engage in a richer discussion about what constitutes a high-quality audit and the key elements of a high-quality audit practice.

Historically, these data points have been referred to as Audit Quality Indicators (AQIs). 'AQIs' can mean different things to different stakeholders. Recently, the FRC have used the terms 'firm and engagement metrics', to recognise that these data points are not always a direct measure of audit quality.

PwC uses quality management information at both a firm and at an engagement level. They can also be used internally or externally by audit firms. Some of the ways we use quality metrics include the following:

- Internally, we monitor quality management information for our audit practice and audit markets to identify thematic insights, whilst also using engagement level metrics within our root cause analysis process. We combine qualitative insights with quantitative analysis to support decisions into how we can continuously improve our system of audit quality management.

- Externally, we use quality metrics to enable a richer discussion about the characteristics of both a high-quality audit and a high-quality audit practice. In July 2025, the FRC released their first public report of **Audit Firm Metrics**[1] (formerly AQIs) for FY24.

PwC's Audit Quality Measures

The most public measure of audit quality in the UK is the AQR inspection results, although these are based on a limited, risk-based sample of files inspected. See **page 16** for further details of our inspection results. As there is no single definition or measure of audit quality, we've developed our own Audit Quality Measurement framework with three key measures of audit quality to provide a more comprehensive view of the quality of our audits. These measures are included in our internal firmwide balanced scorecard reported to our Management Board each quarter. Our Audit Quality Measures and supporting data, along with other firm metrics, are set out below:

Audit Quality Measures (AQMs)

Inspection results	**Audit Committee feedback**	**Our People's view**
The percentage of audit files inspected through AQR, QAD and ECR inspection processes that were rated good or limited improvement required (or equivalent rating).	The average score audit committees and those charged with governance rated our overall audit quality.	The percentage of respondents to our annual audit culture survey who feel proud of the quality of our audit work.
89% ↑	**4.6/5**	**89%** ↑
FY24: 84%	FY24: 4.6/5	FY24: 87%

Supporting data

In addition to the inspection and audit committee feedback AQMs, we present below further supporting data referenced elsewhere in this report.

	FY25	FY24	Page
All audit file inspections			
Percentage of the audits inspected that did not require a restatement of the financial statements or for the audit opinion to be withdrawn	99%	98%	-
Internal inspections			
No. of ECR audit file inspections performed	165	151	15
Percentage of the firm's Responsible Individuals covered by ECR audit file inspections*	46%	42%	15
Percentage / No. of ECR audit file inspections graded 'compliant'*	89%/146	84%/127	15
Percentage / No. of ECR audit file inspections graded 'compliant with improvement required'*	7%/12	8%/12	15
Percentage / No. of ECR audit file inspections graded 'non-compliant'*	4%/7	8%/12	15
Percentage / No. of ECR non-audit file inspections graded 'compliant'	87%/26	76%/25	15
Percentage / No. of ECR non-audit file inspections graded 'compliant with improvement required'	13%/4	15%/5	15
Percentage / No. of ECR non-audit file inspections graded 'non-compliant'	0%/0	9%/3	15
The overall Audit Compliance Measure reviews compliance score for the year	95%	94%	26

	FY25	FY24	Page
External inspections			
Percentage / No. of AQR file inspections graded 'good' or 'limited improvements required'*	90%/18	76%/13	17
Percentage / No. of AQR file inspections graded 'improvements required'*	10%/2	24%/4	17
No. of AQR file inspections graded 'significant improvements required'*	0	0	17
Percentage / No. of QAD file inspections graded 'good' or 'generally acceptable'*	100%/10	100%/10	19
No. of QAD file inspections graded 'improvement required'*	0	0	19
No. of QAD file inspections graded 'significant improvement required'*	0	0	19

*These metrics align to those reported by the FRC in their Annual Firm Metrics reporting.

Audit Compliance Measures (ACMs)

Our Audit Compliance Measures (ACMs) assess compliance with quality measures at an engagement level. They are assessed quarterly through review of files by partners and staff independent of the engagement under review.

The FY25 ACM checklist covers 12 areas, from audit planning to completion. It takes into consideration areas where audit methodology has changed, and matters identified during regulatory and ECR reviews. This ensures focus is placed on those aspects of our work where behavioural change and improvements in quality are considered necessary.

Each engagement leader has up to two files assessed annually, with results moderated at the market level and at the Line of Service level. Results are included in engagement leaders' Risk & Quality self-assessment. We analyse the results and they inform the basis of amendments to policies, procedures and training materials.

The FY25 ACM compliance score reported to the Management Board for the year ended 30 June 2025 was

95.3%

FY24: 94.1%

Continuous improvement and the Single Quality Plan

Our refreshed Audit strategy drives our ongoing commitment to consistent quality and is core to our purpose of building trust in society and solving important problems. We are committted to delivering consistent high-quality audits that meet the needs of investors, the organisations we audit, wider stakeholders, and that serve the public interest.

Our system of quality management (SoQM) is designed, implemented and operates on an ongoing basis to achieve our consistent high-quality objectives. This process is dynamic to the fast changing internal and external environment in which we operate and includes monitoring, assessing, evaluating, reporting, and being responsive to changes in quality risks.

The Single Quality Plan (SQP) is a detailed action plan which contains all of the actions we are taking to continually enhance audit quality and prioritises those actions. The SQP is approved by the Audit Executive and is discussed with, and challenged by, the Audit Oversight Body (AOB). The AOB oversees the FRC's objective to enhance audit quality by ensuring that:

· Our people are focused on delivery of high-quality audits
· A culture supportive of the public interest is promoted and
· Support (as appropriate) is given to the firm's senior management in the execution of their responsibilities under the principles through robust oversight and constructive challenge.

Root Cause Analysis, action planning and monitoring

We hold our reputation for quality in the highest regard and take seriously all the findings identified in relation to the quality of the firm's audit work. Through our continuous improvement activities we are committed to working constructively with our regulators.

Our Continuous Improvement Function (CI) has an independent team of root cause specialists who are responsible for undertaking all Root Cause Analysis (RCA) on a continuous basis. They carry out analysis to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. Our primary objectives are to understand what our findings tell us about our SoQM and to identify how our firm can provide an effective environment for our engagement teams to deliver a quality audit. We look at quality findings from all sources including from regulators and our own ongoing monitoring of our SoQM as well as Network inspection of our SoQM.

Analyse and understand

The RCA process is well established and is performed on a continuous basis across the quality spectrum, at both an engagement level and at a broader SOQM level. In conducting RCA, the root cause team applies a consistent methodology that utilises a range of quantitative and qualitative techniques. The team assesses the relevant data, and conducts interviews and focus group discussions against a taxonomy of risk factors that incorporates key behavioural factors. They consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, amongst others.

This approach drives consistency in the identification and analysis of the risk and causal factors impacting audit quality and enables analysis of patterns and trends of both causal factors and other quality indicators over time.

Prioritise and plan actions

Our goal is to understand how high-quality audits may differ from those with engagement-level findings, and to evaluate how these learnings may be used to continuously improve all of our audits. We evaluate the results to identify enhancements that may be useful to implement as actions across the practice. Actions that are identified are prioritised and included in the SQP.

Actions are challenged and agreed via the Action Monitoring Group in ARQ. Each action has an individual sponsor at the Audit Executive level and a clear timeline for completion. Regular status meetings take place to monitor outstanding actions and individuals are held to account where actions are not completed without an acceptable justification.

Monitor effectiveness

To support our overall assessment of audit quality, the CI action effectiveness team assesses action effectiveness through our SQP. The framework for assessing the effectiveness is to monitor the package of actions under the priority areas as a whole, as well as certain individual actions. For each action, an effectiveness measurement approach is developed in order to determine whether actions have been effective and what we expect the quality benefits to be. We track the overall progress toward achieving the intended benefits as well as whether actions are completed.

The learnings from RCA are shared with the audit practice in a number of different ways, including at learning and development events; in Audit communications, including mandatory webcasts; and through the CAN.

Thank you