Transparency Report

Building trust through our audits

Year ended 30 June 2020
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Welcome to our 2020 Transparency Report

Kevin Ellis

Every aspect of our firm’s operations has been impacted by the COVID-19 crisis. It has been a difficult time for everyone with many of our people personally affected. Our priority throughout has been taking care of our people and our suppliers and continuing to support the organisations that we work with.

The pandemic has brought enormous challenges for many of the businesses we audit, at a time when confidence and trust are at a premium. As organisations navigate their way through the crisis, the important role auditors play in society has been reinforced. Building trust in the transparency, objectivity and effectiveness of our audit work is key to our purpose - to build trust and solve important problems - and critical to providing reporting that shareholders can rely on.

Adapting to new ways of working through the pandemic

The timing of lockdown, and our move overnight to virtual working during one of our Audit practice’s busiest periods, meant that our teams had to adapt quickly and make changes to the way our audits are undertaken. In this report, Hermione Hudson, our Head of Audit, provides more detail on this challenge including how we are ensuring that the quality of the firm’s audits is maintained throughout the pandemic and how we continued to implement our Programme to Enhance Audit Quality (PEAQ), which we launched in June 2019.

Our 2020 Transparency Report gives information on our firm’s systems of quality control over audits, as required by various regulations. You’ll read about how the firm is governed as well as more detailed descriptions of our policies and processes. There are updates from Dame Fiona Kendrick, Chair of our Public Interest Body, as well as from Hermione Hudson, who leads our Audit practice. While PwC is a multidisciplinary firm, this report is primarily focused on our Audit practice.
Audit quality is fundamental to how we reward and promote our people. Attracting and retaining people with diverse skills and perspectives is key to our strategy. As one of the UK’s largest graduate employers and the leading social mobility employer, we continued to recruit throughout the pandemic, onboarding more than 2,000 people virtually, over 1,200 of whom have joined our Audit practice, and honouring all of our job offers.

Our experiences of working through the pandemic have given us an unparalleled view across businesses in many industries and how they respond to crisis. These insights will be of value as we progress our commitment to consistently high-quality audits.

Audit reform

While the COVID-19 crisis has dominated, the year has also brought further debate and discussion on the reform of the audit sector. We have contributed to the profession-wide reviews and consultations, while committing to playing our part and introducing changes to further improve audit quality. We are continuing to engage constructively with our regulator, the Financial Reporting Council (FRC), on a range of issues including in addressing the findings of the FRC’s annual Audit Quality Review results.

While we are working hard to enhance the quality of our own audits through the PEAQ, we recognise that auditing needs to evolve as part of a wider reform of corporate governance and reporting.

In July 2020, the FRC published its principles for operational separation. We share the FRC’s objectives of improved quality and confidence in audit, market resilience and the continued attractiveness of the profession as a career and we will continue to engage with the FRC on these principles. We maintain our commitment to continuing as a multidisciplinary firm, including a vibrant and successful Audit practice. The proactive steps we took a year ago to create a distinct Audit practice as part of our PEAQ mean we are already aligned with many of the principles. I’m grateful for the contribution of Dame Fiona Kendrick, our Public Interest Body Chair, along with our Independent Non-Executives as we develop our plans to implement operational separation.

Looking ahead

Whilst I remain optimistic, I recognise that challenges will continue though as we navigate the uncertain times ahead and address a range of national imperatives, including post-Brexit trading relationships, making progress towards our net zero emissions targets and digitally upskilling our country’s workforce. These will all impact the organisations that we audit: the risks they face, the results they report and the disclosures they make. We remain strongly committed to playing our part in the recovery and delivering high quality audits.

Kevin Ellis

28 October 2020
Update from the Chair of the Public Interest Body (PIB)

Changes in the Membership of the Public Interest Body

Having joined the PIB in 2019 as an Independent Non-Executive (INE), I was delighted to be asked to become Chair when Lord Gus O’Donnell stepped down as an INE and Chair at the end of 2019. Lord O’Donnell had been a member of the PIB since 2015 and I would like to thank him for the important contribution he made during this time.

As part of the PIB’s succession strategy, Victoria Raffé and Philip Rycroft CB were appointed as INE members in February 2020. Victoria, a former director and Executive Committee member of the Financial Conduct Authority, and Philip, formerly the Permanent Secretary for the Department for Exiting the EU, each bring significant experience and expertise. During the year, Paul Skinner CBE stepped down after serving for nine years as an INE and Samantha Barrass also stepped down as an INE. I’m grateful for the insights and contributions each made in these roles.

I am also pleased to report that Sir Ian Gibson CBE and Justin King CBE extended their INE terms to September 2021 and June 2022 respectively.

During the year, I was appointed as a member of the Risk Committee of the Supervisory Board, replacing Sir Ian Gibson. Sir Ian was appointed as a member of the Talent and Remuneration Committee of the Supervisory Board, replacing Paul Skinner.

The PIB has once again had a very active year in an environment where public interest and the effectiveness of audit rightly remain under close scrutiny. The onset of the COVID-19 crisis has had a severe humanitarian and economic impact with the organisations that the firm audits experiencing huge disruption. Against this backdrop the PIB has ensured that it provides the appropriate level of oversight and governance focused on audit quality, the firm’s culture, reputation and resilience.
Diversity and succession planning remain a focus of the PIB as we seek to ensure we have the balance of skills and experience to deliver on our responsibilities. Following the PIB membership changes we now have four women represented on the PIB out of a total of nine members, which is ahead of the target of 33% set by the Hampton Alexander Review for FTSE 350 Boards.

**Activities**

The PIB continues to set its own agenda with a focus on matters that it regards as being in the public interest. Alongside regular updates on audit quality, regulatory and litigation matters, culture, and risk the PIB considered the key actions and decisions that were taken across the firm in response to the COVID-19 pandemic and the firm’s resilience. These included how the firm would continue to support its clients, while helping to support the physical and mental wellbeing of its 21,000 people. The PIB also considered how audit quality was being maintained during this period, including the extra rigour that was introduced around the judgements and estimates that underpinned the firm’s audit work.

This was particularly relevant given the PIB’s involvement in the development of the PEAQ, which was introduced by the firm’s Audit practice in June 2019. The PIB agreed that enhancing quality control processes within the firm’s Audit practice and placing a greater emphasis on the culture of challenge in audit would improve audit quality. The PIB also engaged with the firm’s leadership on strengthening the governance and enhancing the oversight of the public interest aspects of the firm’s Audit practice. The PIB is supportive of the firm having aligned its audit business behind audit quality, including the separation of Audit and Risk Assurance into two distinct businesses.

Since the introduction of the PEAQ, the PIB has received detailed updates on its progress from Hemione Hudson, the Head of Audit at each of its meetings. With the launch of the PEAQ, the firm made a decision to invest further in audit quality by committing an additional £30m a year for training, people and technology initiatives. The PIB also invited the FRC’s Audit Quality Review (AQR) team to attend two of its meetings during the year, to discuss the progress made with the PEAQ.

The PIB recognises that a key aspect of the PEAQ has been in respect of reviewing the responsibilities and workload of the firm’s auditors and making changes to the objectives and recognition of audit partners and staff. This year, for the first time, the INEs were involved in reviewing the audit partner remuneration process with particular consideration being given to how audit quality was embedded within the process. The outcomes of the FY20 audit partner remuneration process were also discussed with the INEs to demonstrate the correlation between audit quality and overall performance.
Ensuring that there is consistently high audit quality is critically important. The PIB was concerned to see a reduction in the firm’s performance in the FRC’s AQR results for the year and will continue to monitor carefully the firm’s response to the FRC’s findings. This includes the root cause analysis undertaken by the Audit practice in respect of these findings and any associated new or amended actions which may then be completed as part of the PEAQ. It is the view of the PIB that these actions, together with the other measures within the PEAQ, represent a significant commitment to strengthening audit quality.

Building wider relationships

The PIB recognises the importance of maintaining and developing links to the wider partnership. As a member of the PIB, the chair of the Supervisory Board (SB) has a standing agenda item at each meeting in order to provide an update on the activities of the SB. As part of promoting these close links, the PIB held a joint meeting with the SB during the year. I also had the pleasure of being invited to attend a SB meeting that was held in the firm’s Edinburgh office in November 2019 and enjoyed meeting with the partners and staff there. Moving forward, the INEs have agreed to hold biannual meetings with members of the SB to discuss matters of mutual interest, the first of which took place in July 2020. The INEs will also be resuming visits to regional offices when is safe to do so.

Despite the practical challenges posed by the lockdown during in the year, the INEs have continued to increase awareness and understanding of their role and responsibilities among partners and staff, including through attendance at a number of internal events, such as auditor training seminars for members of the Audit practice.

The Audit Firm Governance Code identifies audit committees in listed companies as a key stakeholder group. In July 2020, the INEs, together with members of the firm’s leadership, met with members of the Board of Audit Committee Chairs’ Independent Forum (ACCIF) to discuss the activities of the PIB and a range of related matters. The dialogue at the meeting covered the key issues of audit quality and the future of audit. I am also pleased to report that the INEs have continued their regular engagement meetings with the FRC, including participating in the FRC’s INE round table event.

Reputation and audit reform

The reputation of the firm, and business more widely, is a key area of focus for the PIB. Building confidence and trust remain critical imperatives.

The firm continues to contribute and engage constructively on issues of audit reform and wider issues of corporate reporting with key stakeholders. The PIB is supportive of the firm’s leadership in its commitment for the firm to play its part in introducing changes to improve audit quality and help rebuild confidence in audit and the corporate reporting system.

The INEs have been engaged with the firm’s leadership and with the FRC on the principles for operational separation, including with the development of the firm’s implementation plan. The PIB supports the FRC’s objectives on audit quality and also recognises the importance of maintaining the attractiveness of audit as a profession.

Culture and Governance

In the view of the PIB, the firm continues to have an appropriate culture. Through the INEs’ interactions and in testing the decision making of the leadership the firm’s culture is experienced first hand by the INEs.
During the year, the PIB reviewed the "Building a culture of challenge in audit firms" paper by Karthik Ramanna, Professor of Business & Public Policy at the University of Oxford's Blavatnik School of Government. This paper had been commissioned by the firm as part of its Future of Audit initiative and the PIB discussed the themes and findings from this paper with the firm's leadership. The PIB agrees that strong audit quality is rooted in a healthy culture of challenge and it is reliant upon an auditor's ability to ask the right questions, take an independent view and challenge management when necessary.

**Audit Firm Governance Code**

The PIB uses the Audit Firm Governance Code as a guide to good governance as well as a compliance requirement, and the INEs have continued to work during the year to fulfil the requirements of the AFGC. A key priority is to identify opportunities to increase the effectiveness and efficiency of our involvement in the firm’s governance. We remain mindful of the PIB’s role in promoting audit quality, helping the firm to secure its reputation more broadly and reducing the risk of firm failure.

The PIB receives regular updates from the firm’s Ethics Partner, who has a reporting line into the PIB. Appropriate indemnity insurance is in place in respect of legal action against an INE and sufficient resources are provided by the firm to enable each INE to perform their duties. This includes access to independent professional advice at the expense of the firm, where considered appropriate and necessary to discharge their duties.

**Look ahead**

The long term implications of COVID-19 to the economy remain uncertain but it is clear that it will continue to have an impact on the organisations that are audited by PwC. It is therefore essential that as a PIB we remain focused on audit quality and how the Audit practice needs to respond to these emerging challenges. At the same time we need to ensure we continue to monitor and have input into regulatory matters, including how the firm implements the principles of operational separation. It remains a very important time for the profession and we will continue to fulfil our role and support the development of the firm’s governance.

**Dame Fiona Kendrick**

Chair of the Public Interest Body

28 October 2020

Contact: uk.secretariat@pwc.com
We will deliver the highest quality audits, combining passionate people with leading technology and building trust in society.

As I pause and reflect on the year to 30 June 2020, it does not feel like an overstatement to say that it has been a pivotal 12 months not only for us as auditors, but for society as a whole. The COVID-19 global pandemic has had an extraordinary impact on human life – in terms of health but also on wider areas such as working practices. These events have rightly dominated everyone’s focus and in this foreword I’ll outline how the pandemic has changed the way we’ve audited. I’ll also share what we as an audit practice have achieved during the year, against this backdrop of profound change in society.

Last year we created our new Audit Line of Service encompassing all of our people who are substantially focussed on delivering audits and audit-related services. I am delighted with the progress we have made in our first full year of operating Audit as a single line of service, but recognise that our journey is far from over and that there is more to do in order to keep up with expectations. We’ve enhanced the level of independent oversight over our Audit practice, we have identified and begun to embed our “critical few behaviours” amongst our auditors and we have forged a renewed enthusiasm and pride within the practice. In a cultural survey we carried out at the end of the year, 83% of our auditors reported feeling pride in the quality of audit work they deliver; this pride is a critical component of our route to enhanced audit quality.
Our Programme to Enhance Audit Quality

Establishing Audit as a single Line of Service was just one element of our Programme to Enhance Audit Quality and we’ve worked hard to progress all four of the PEAQ workstreams this year. We report progress to our Executive Board and PwC’s Public Interest Body at each of their meetings and the key achievements under each workstream are set out below. You can read more about these in Sections 5 to 9 of this report.

<table>
<thead>
<tr>
<th>Structure and governance</th>
<th>Culture and recognition</th>
<th>Quality control activities</th>
<th>Supply and demand</th>
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<tr>
<td>• We created a new Audit line of service, with a focus on audit and audit related services.</td>
<td>• We conducted an internal cultural review to identify the critical few behaviours that would enhance audit quality. This was informed by the independent paper we commissioned from Karthik Ramanna, Professor of Business &amp; Public Policy at the University of Oxford’s Blavatnik School of Government, on the culture of challenge in audit firms.</td>
<td>• We increased the number of specialists in our Audit quality control team.</td>
<td>• We hired almost 500 additional experienced auditors across the UK.</td>
</tr>
<tr>
<td>• We strengthened the governance through increased oversight by our Independent Non-Executives.</td>
<td>• We integrated and embedded these critical few behaviours (Team first; Challenge and be open to challenge; Take pride) in the audit practice through interventions in our processes.</td>
<td>• We doubled the face-to-face training for all our experienced auditors, and have since adapted the training to meet the changing environment due to COVID-19.</td>
<td>• We undertook a comprehensive review of the organisations that we audit to ensure we achieve a return that allows continual investment in and focus on quality.</td>
</tr>
<tr>
<td>• We established a new business unit structure, including a national digital audit team focusing on the development and application of innovative technologies that will help drive audit quality.</td>
<td>• We changed the way auditors are recognised and remunerated, with even more emphasis on quality being at the heart of reward, career development and progression.</td>
<td>• We established a network of Chief Auditors across all of our business units and offices.</td>
<td>• We ensured that our senior auditors are substantially focused on audit and audit related work.</td>
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PEAQ is a three year programme, and whilst we have made good progress during the first year, we have plenty more to do. One important area of focus for the future will be a continued emphasis on cultural change - driving home the critical few behaviours, integrating them into the way we work as auditors and embedding them into our daily professional life. Throughout FY21 we will continue to integrate and embed the critical few behaviours to enhance audit quality, recognising that cultural change requires a sustained focus. You can read more about this aspect of the PEAQ in section 7. We will also be enhancing our project management procedures to introduce formal milestones into the audit and will evolve our resourcing processes to achieve a more optimal deployment of our people to our audit engagements.

I am very proud of what our people have achieved so far as part of the PEAQ programme. But the results of the FRC’s Audit Quality Review team’s (AQR) inspections this year (discussed in detail in section 10) show that it will take time for the PEAQ initiatives to translate into improved inspection results - not least because the AQR examines audits which were completed up to 2 years ago.

We monitor a variety of metrics to provide us with a more current and holistic view of audit quality. These metrics include the results of internal and external file inspections, feedback from Audit Committee Chairs and from our own people, as well as a number of audit quality indicators. We have disclosed a number of these metrics in this year’s transparency report and will continue to refine them as our practice evolves.
I remain confident that the PEAQ activities will result in more consistent high quality audits being delivered across our portfolio.

This year, we have structured our Transparency Report around the key workstreams of the PEAQ programme; we are committed to transparency for our stakeholders, and to sharing insights into the work we are doing and steps we are taking to improve the quality of the audits we deliver.

Auditing through the pandemic

The COVID-19 pandemic has taken a huge toll on the world’s health and wellbeing, both directly through people becoming infected with the virus, but also indirectly through the impact on businesses and the global economy. Our priority continues to be doing everything we can to safeguard our people: across PwC we have worked hard to provide a safe working environment for our employees, whether that be in their homes or in our “covid-secure” offices.

We’ve also had to make some major, and rapid, changes to how we undertake our audits. We are a profession that has spent more than 100 years working alongside the organisations we audit in close physical proximity, allowing real time debate and discussion of audit and accounting issues. We have always been able to validate the existence of assets through physical inspection and to scrutinise original copies of documents as we have gathered audit evidence. Our auditors are used to travelling to work side-by-side with overseas supporting teams in order to assess the quality of their work. At the peak of the pandemic, all 5,500 of our people were working from home, with no physical access to the organisations they audit, meaning that approaches we have always taken for granted had to be completely rethought.

The pandemic has shown the true value of our extensive investment in technology over recent years. When the UK went into full lockdown, all of our auditors were immediately able to access our suite of audit technology tools remotely, and to engage with each other, and with those we were auditing, on a face to face basis – albeit through a video screen. Audit teams created “virtual audit rooms” where whole teams worked together via secure wireless technology. Inventory inspections were carried out remotely, using video technology and drones. Throughout, I have been hugely impressed with the resilience of our auditors, and their agility in adapting technology to enable us to continue with our audit work.

Between March and June we completed over 1,000 audits and over 200 half year reviews, and a similar number of each during the period from July to September, many of which have been delivered entirely remotely. Of course, we have not forgotten our overarching commitment to highest audit quality. The pandemic presented numerous reporting, accounting and auditing challenges and our technical support teams responded by issuing more than 100 technical alerts and reminders before the end of September, examples of which are included in the box on this page. For particularly judgemental issues we held technical panels to validate our conclusions - these panels bring together senior practice partners and technical experts to support engagement teams in making difficult judgements. From March to
September 2020 we held 98 such panels, compared to 62 in the same period last year. Many of the panels considered the validity of going concern assumptions, a particularly important and difficult area for companies and auditors to navigate.

These activities often leveraged areas of expertise from other parts of PwC. Our business recovery and insolvency specialists supported in critically appraising business models and prospects as part of our going concern work, and our tax specialists helped our auditors understand fully the impact of the many different government support packages. What we have learnt throughout this pandemic is that, more than ever during periods of uncertainty, having a multidisciplinary firm with specialists in a wide range of subject matters is vital to performing high quality audits.

One positive during this difficult time was that we found a different approach to working with our regulators. The unprecedented situation meant that we had to tackle a huge volume of entirely new regulatory issues, from finding ways to amend filing deadlines to determining appropriate alternatives to obtaining physical audit evidence. Between March and July, representatives of the largest audit firms met at least weekly with a group of regulators and policy setters, including the Bank of England (PRA), the Department for Business, Energy and Industrial Strategy (BEIS), the FCA, the FRC, and HM Treasury, in order that emerging issues could be debated and resolved on a rapid basis. We are grateful for the support of all of our regulatory colleagues for their responsiveness and openness in these conversations.

**Continuing the debate on audit reform**

During the global pandemic, the debate on audit reform has continued, with stakeholders continuing to ask important questions about the quality and effectiveness of audit. This year saw the conclusion of the final of the three external reviews of the audit sector, “the Brydon Review”, which resulted in 64 recommendations for improving quality and engagement across the whole corporate reporting system. The BEIS Select Committee continued to focus on the future of audit, requesting written evidence on the proposed package of reforms in summer 2020 and the FRC pushed ahead with implementation of a number of the review recommendations, in particular around operational separation (see below). As we move into the second quarter of FY21, we expect BEIS will issue their consultation on the recommendations from the three reviews with changes to regulation and legislation following thereafter.

We recognise that change is needed, and we are committed to audit reform and improving audit quality. It is now critical to bring together reforms into a coherent package that explicitly addresses all areas of the corporate governance system, not just the audit.

In July, the FRC issued its principles of operational separation and has asked the largest audit firms to embrace these on a voluntary basis. We have submitted a transition plan to the FRC explaining how we will implement the principles. In some areas, we are already in line with the FRC’s principles. For example, setting up our Audit line of service last year means that we already have a distinct business delivering audit and audit related services. Our operational separation transition plan still has a multidisciplinary firm at its heart; we strongly believe that this is necessary to protect audit quality, and that any deeper separation would do more harm than good.

**Looking forward**

This year has shown us that the future cannot be predicted, but nonetheless I believe that our continued investment into the Audit line of service will result in meaningful improvements in the quality and consistency of our audits. Our people have tackled some enormous challenges, both personally and professionally, and I’m immensely proud of the way we have worked together in these very unusual circumstances. I would like to end with a sincere thank you to all of our auditors for the agility and commitment they have shown in continuing to deliver high quality audits throughout the year.

**Hemione Hudson**

For and on behalf of PricewaterhouseCoopers LLP

28 October 2020
Statement on the effectiveness of the firm’s internal quality control system

PwC UK’s internal quality control systems for Audit and Risk Assurance are a subset of the firm’s internal control systems and are outlined throughout this report.

We believe our quality control system for the Audit practice, as explained in Appendix 8, has been suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards.

Last year, our external and internal inspection results have declined. We believe that the issues giving rise to these problems, whilst not compromising the overall effectiveness of our system of internal quality control, do require us to take action to ensure that we can meet our ambition of delivering consistently high quality audits.

Section 10 includes a detailed description of our root cause analysis process, which we use to understand how each issue arose and the underlying causes for it. It also provides information on our action planning process, setting out how we make use of this understanding of our issues in order to implement effective responses and changes to processes to prevent recurrence.

Furthermore, the changes to our systems, policies and procedures that we are introducing as part of our PEAQ will lead to an evolution of our system of quality control, helping ensure that it remains fit for purpose in a changing environment.
In June 2019, the firm introduced a package of measures designed to ensure it delivers consistently high quality audits that meets the needs of investors, companies and wider society. The firm is investing an additional £30m annually as part of a wide ranging action plan to provide greater focus on the quality and public interest responsibilities of PwC’s statutory audit services.

Our Programme to Enhance Audit Quality (the PEAQ) has four workstreams: structure and governance; culture and recognition; quality control activities; and supply and demand. Taken together these represent a significant transformation of our audit business that will support our high performing teams in an environment which places a culture of challenge at its heart.

Leading up to this plan’s announcement, we listened to the views of a wide range of stakeholders about the future of audit, including regulators - exploring how it needs to change to meet society’s evolving expectations. Given the important role that auditing plays in the modern economy, everyone that relies on audit work needs to have the same high level of confidence in its transparency, objectivity and effectiveness.

Our plan is a demonstration of our commitment to audit and to continually improving and strengthening audit quality. We have said for some time that we support changes that will improve audit quality. The investments and changes we are putting in place will ensure that our people have the skills, knowledge and mindset to perform audits to a consistently high quality day-in, day-out.

It is right to continually review how our Audit practice operates to ensure we are focused on conducting the most challenging and objective audits. Our key actions will ensure more consistent audit quality and increased transparency while at the same time strengthening our market resilience. We expect these actions to generate tangible and measurable impact to the quality of our audit.

Hemione Hudson, Head of Audit, June 2019

Sections 6 to 9 that follow are a summary and update of each workstream within the PEAQ, and our progress against the actions related to each workstream.
Structure and Governance of the Audit Practice

Structure and governance were key areas of focus throughout the formulation of the PEAQ. Having a business that is aligned behind audit quality and a governance structure that promotes consistently high audit quality led to us separating our Audit practice from the broader Assurance practice, and creating a distinct Audit line of service.

Key actions that we have already taken within this workstream include:

- Creating an Audit line of service, focused entirely on audit and audit-related services
- Establishing a new national Digital Audit team, focusing on the development and application of technologies to help scale our ability to audit technology, and deliver more audits digitally
- Setting up new national Financial Services audit practices, uniting the previous financial services audit groups from across the UK into a single umbrella group
- Strengthening the governance over the audit practice, in conjunction with our Independent Non-Executives, to focus on audit quality and our public interest responsibilities.

Many of the actions falling under this workstream are structural in nature, and have been completed during the course of the year. However, these structural changes are foundational to the work in other workstreams of the PEAQ that are very much still ongoing - whilst the activities discussed below have largely already been completed, their relevance to other actions within our PEAQ cannot be understated.

An Audit line of service

On 1st July 2019, PwC UK created separate Audit and Risk Assurance lines of service from its previous Assurance line of service. By creating an Audit line of service, the firm assembled a single unit with more than 5,000 staff and partners focused on audit and audit related services. Alongside audits, the Audit line of service also delivers other services very similar in nature to audits - this includes interim reviews, reasonable assurance engagements and reporting accountant work that precedes an entity’s capital market transactions.

This has underlined the firm’s commitment to audit and our focus on continuing to develop partners and staff with the specialist skills required to deliver high quality audits.

Creating an Audit line of service has also been a key enabler for the cultural changes we are making as part of the Culture and Recognition workstream - see section 7 for further information.

As part of creating the Audit line of service we required all audit engagement leaders to be substantially focused on audit and audit related work. Audit is a specialism, and it is important that our engagement leaders focus on this specialist skill. This will in turn lead to engagement leaders with more time to provide insightful coaching, direction supervision and review of their engagements.

In July 2020, the Financial Reporting Council introduced principles for operational separation of the audit practices of the largest four firms. The changes we made as part of the PEAQ mean that we are already aligned to a number of these principles. We will further strengthen the governance of our audit practice through the creation of an Audit Oversight Body.
Strengthening the governance of audit

The current Audit practice’s governance structure is headed by the Audit Executive. Hemione Hudson, the firm’s Head of Audit, chairs the Audit Executive, the executive body responsible for decisions relating to the Audit practice, executing on audit strategy and the day-to-day running of the Audit line of service. Appendix 6 of this report sets out the Audit line of service’s other groups that assist in setting audit methodology and creating technology tools to assist our auditors in their roles.

As part of her role, Hemione represents the Audit line of service on the PwC UK Management Board (see overall firm governance in section 12). Hemione is also a member of the PIB, and represents the UK firm on the Global Assurance Leadership Team (GALT) (refer to Appendix 2 for Network structures and governance).

Interaction with the Public Interest Body

Following a review of the governance of the Audit line of service and discussions with the Public Interest Body, it was agreed that the PIB’s standing agenda items relating to audit quality would be enhanced. These now include a regular summary of the progress that is being made on the PEAQ. As part of their enhanced oversight of the Audit Line of service, the PIB reviewed the audit partner remuneration process. INEs from the PIB gave particular consideration to how audit quality was embedded within the remuneration process. The outcomes of the FY20 audit partner remuneration process were also reviewed by the INEs to ensure correlation between audit quality and overall performance.

Integrating audit governance into firm-wide governance

The firm’s overall governance structure is set out in section 12 of this report. The actions taken as part of the PEAQ relate specifically to the Audit line of service’s governance arrangements, focusing on audit quality and our public interest responsibilities.

The PwC UK Executive Board is responsible for the firm’s overall internal control and quality control systems. The Management Board and Executive Board discuss audit quality at every meeting, and are also provided with regular updates on the PEAQ’s progress.

Digital audit

A new national Digital Audit team was established in July 2019, within the Audit line of service. This team includes our systems experts who evaluate an entity’s systems and processes, and whether we as auditors can place reliance on their outputs such as reports and analyses. Other specialists within the team also evaluate management’s other systems and controls that contribute to the maintenance of an entity’s financial records.

The Digital Audit team include specialists who develop new and innovative ways to perform an audit using technology and new delivery models. For example, the Digital Audit team have:

- Pioneered the use of drone flights within audits, for example during inventory counts involving volumetric measurements of large stockpiles of raw materials, such as coal or metal.
• Contributed to the global development of new software and tools such as GL Revenue - a digital, web-based application that categorises all revenue entries, assisting engagement teams to focus their testing on unexpected and higher risk journal entries. It gives greater transparency over journal flows, may reduce the level of manual substantive testing that is required, and automates the process within a centrally approved framework to further promote audit quality.

Alongside this specific Digital Audit team, both the Audit line of service and overall firm leadership recognise the increasing importance of technology within our profession. To that end, every business unit has identified “digital accelerators” who have attended detailed, week-long residential training events to develop their skills in certain software packages, such as Alteryx and Tableau.

Engagement teams can use these tools when performing their work, and risk assessing data obtained from management during the course of their audit. A two-day course is also offered to all partners and staff across the Audit line of service, aimed at upskilling the practice more generally in these tools.

By increasing the use of technology within our audits, we are able to make better use of data in the course of our risk assessments and evidence gathering phases. This will enable the PwC Audit to be more focused on heightened risk areas, and unusual transactions.

National Financial Services Audit Practices

As part of creating the Audit line of service, we brought together our specialist financial services auditors into three national business units: Asset and Wealth Management, Banking and Capital Markets, and Insurance.

These new, national practices have enabled further specialisation of staff within these sectors, allowing audit quality to be further enhanced. It also enables easier resourcing of engagements across the country using this pool of experts, creating a more agile talent base for such audits. Critically, however, the nationalisation of these groups also enables us to centre our specialists in line with the sector’s geographical spread.

These industry groups also receive targeted risk and quality (R&Q) and learning and education (L&E) communications and training materials as a result of their specialism.
Culture and Recognition in the Audit Practice

Our critical few behaviours: team first, take pride, challenge and be open to challenge

Having a “culture of challenge” and applying professional scepticism is key to delivering high quality audits. When we launched the PEAQ we commissioned an independent paper from Professor Karthik Ramanna on “Building a culture of challenge in audit firms”.

We used this independent perspective, and PwC’s cultural experts in our People and Organisation team, to review our culture and develop our “critical few” behaviours to drive audit quality.

**Reinforcing the culture of challenge in audit**

Within the PEAQ we set out to drive the culture of our audit practice forwards - moving beyond the professional scepticism described in professional standards, pushing the bar higher and improving on our audit quality. To do this, first we had to think of a way to describe where we want to get to; core behaviours that would always be seen in our aspirational auditors. We came up with three behaviours that get to the heart of what defines our best auditors and which can be applied by every single person, from partner to intern. These critical few behaviours are a cornerstone to the work we still have to do on cultural change.

Having decided on our critical few behaviours, we are in the integrate and embed phase. We are doing this by:

- Embedding the critical few behaviours into our performance evaluation process for auditors
- Reiterating these behaviours through practice-wide messaging, and encouraging others to engage in this messaging through initiatives such as visual messaging upward feedback aligned to these behaviours, etc.

Our critical few behaviours are:

<table>
<thead>
<tr>
<th>Team first</th>
<th>Challenge and be open to challenge</th>
<th>Take pride</th>
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<td>Being inclusive, working together and encouraging a problem shared ethos on the team. Investing in personal and professional development and openly communicating expectations. For example, team members investing in their own and others, coaching, being present in all interactions and supporting each other to ensure we drive quality for our ultimate clients.</td>
<td>Ensuring that all our people role model constructive challenge, create a safe space for others to challenge by providing air cover and speaking up to ensure audit quality. For example, senior team members role modelling constructive challenge of others to provide air cover or psychological safety that will empower junior team members to challenge themselves and management in pursuit of the highest quality</td>
<td>Recognising that audit is a deep specialism and that it has a very wide value to society. Taking pride in every piece of work that we do, celebrating our successes and recognising every instance of audit quality. It’s not just the big picture, on our day to day work we critically self-review to ensure every piece of work is completed to the highest quality and use our internal recognition platform GEMS to share our positive stories and recognise instances of audit quality.</td>
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• Including sessions in our External Auditor Training syllabuses that embed points relating to the critical few behaviours; and

• Continually demonstrating them at leadership levels, setting the tone at the top of the audit practice and setting an example for all partners and staff to follow.
  – Professor Ramanna has also been involved in our integrate and embed phase, having presented to all partners and directors in the Audit line of service, including question and answer sessions. We recognise that an evolution in culture such as this will take years to embed into every aspect of our Audit line of service, and that there is much to do in order to facilitate this.

Two important drivers of behavioural change are the performance assessment and promotion mechanisms that are in place within the Audit line of service.

Different assessment and recognition for auditors, putting quality at the heart of career development and progression

We adapted the performance appraisal process in the Audit line of service, putting audit quality at the heart of career progression. Changes include:

• All staff are now required to complete a self-assessment of their audit quality alongside their general performance throughout the year. This self-assessment requires individuals to provide evidence on how they have demonstrated the critical few behaviours. It also includes consideration of an individual’s involvement in local or national quality initiatives, and their commitment to audit quality throughout the work they do.

• Engagement leaders, both partners and directors, receive upwards feedback from other staff that has this year been redesigned around the critical few behaviours. This focus on the critical few puts quality at the heart of the upward feedback submissions they receive.

• Other milestones within an individual’s career, such as promotion to manager, senior manager or director also require specific audit quality evaluations.

These actions are also supported by our Accountability Framework. This framework assists in holding engagement leaders within the Audit line of service to account if the quality of their work falls below the expected standards, and considers factors such as internal and external quality review outcomes, compliance with the firm’s independence policies and procedures, among other topics.
Quality Control Activities in the Audit line of service

Quality control activities are distinct activities we perform that directly assess and control the quality of engagements as they occur. Even before we began our PEAQ programme, we had a number of quality control activities in place - most notably our internal Quality Management for Service Excellence (QMSE) and Quality Management Review (QMR) programmes, described in more detail in section 10 and appendix 8 of this report.

This workstream of the PEAQ seeks to enhance some key aspects of our quality control framework, and quality monitoring activities.

**Additional resource for the national quality team**

Audit Risk & Quality (ARQ), our national quality team, includes our specialists in risk management, accounting and audit standards. ARQ establishes the audit practice’s technical risk and quality framework, and supports engagement teams in meeting professional standards, regulatory and legal requirements. The team also performs quality reviews of a selection of engagements as they are conducted.

One target within the PEAQ is to increase the staff levels within this national quality team by two thirds. Early on in the PEAQ, we recognised that historically resourcing levels in ARQ had not kept pace with the twinned demands of an expanding line of service and the increasing level of requirements and expectations placed on auditors. The investments we are making in the PEAQ allow us to address this, and will allow the team to scale up its activities in many aspects, including the number of engagement reviews that it performs and to extend the level of detail these reviews go into. It will also allow the team to generate additional guidance materials and be more available to assist as the needs arise. We have not yet achieved this goal and whilst we are making progress, we had hoped to have been able to move quicker in this workstream. It is important that in increasing the staff levels in ARQ we do not adversely impact the capacity of frontline engagement teams.
Chief Auditor Network

In addition to the increase in size of our ARQ team, we also established a Chief Auditor Network. The purpose of the Chief Auditor Network (the CAN) is to support engagement teams in delivering consistently high audit quality. Over 75 staff and partners now support the practice in an active CAN role.

The Chief Auditor Network provides a link between ARQ and practitioners, allowing engagement teams to ask questions such that technical queries can be dealt with locally as soon as they arise. The CAN is able to help teams by:

- Providing ad hoc insights and feedback on specific audit related topics;
- Being a ‘sounding board’ for methodology related questions;
- Providing bitesized learning, workshops and more;
- Reading and providing verbal input and feedback on a potential consultation; and
- Supporting central risk and quality activities.

The CAN also reinforces our key audit behaviours, supporting engagement teams in the delivery of high quality audits, working constructively with teams to challenge their work and help them articulate how they have challenged each other and management during their audits and by emphasising the value of audit in society and driving forward the quality agenda.

The CAN has members in each business unit and office location throughout the country, and is intended to integrate the knowledge and competence of the central team into the entirety of the audit practice.

Increased audit training

Training our auditors is a key part of our quality control activities. We continually invest in our training curriculum to ensure our people are informed, prepared and empowered to deliver their role as auditors. Our annual training needs analysis is undertaken with the Audit line of service to identify new areas of technical and non-technical training or areas needing reinforcement and focus. It is prepared in consultation with Audit Risk & Quality and considers the current regulatory findings and root cause analysis. Emerging needs are considered on an on-going basis and we release guidance and/or training materials as appropriate throughout the year - this allows us to respond to emerging performance gaps promptly when they are identified and ensure our people are prepared for the work they do.
One key element of the PEAQ is the increased investment in audit training, in particular the fundamental redesign of External Auditor Training (‘EAT’), our mandatory training programme for all our qualified staff and partners. In FY20 we more than doubled the amount of face to face training our people are required to attend. The face to face training is supplemented by regular Risk & Quality and regulatory findings webcasts and assessments. The aim of increasing the face-to-face training element of our training programme was to create a more effective learning environment with dedicated time for training and more opportunities to share experiences with and learn from other auditors.

In addition to continued investment in the EAT programme, we are also investing in other areas of audit training. Our Experienced Hires training was refined in 2019 to provide a more personalised approach for each individual joiner, reflecting the increase and variety of entry routes to the firm. In 2020, our Year 1 to 4 curriculum has been redesigned to benefit from recent innovations in learning technology. Finally, enhanced mandatory curricula have been developed in order to address each group individually – this includes those performing other assurance services, our specialists and experts from other lines of service that contribute to audits as part of our multidisciplinary model, and those who audit specific types of entities.

Following the establishment of government restrictions in an attempt to curtail the spread of the COVID-19 virus in early 2020, all face to face classroom events were stopped. All audit training programmes were redesigned for virtual delivery, including the proposed classroom element of EAT 2020, preserving engagement team simulations and SME Q&A sessions from the 2019 events.
CASE STUDY

Our External Auditor Training programme (EAT) was fundamentally redesigned in 2019, with behaviours and mindset that support a culture of challenge underpinning the technical content.

All auditors completed the programme in 2019. Some 2,800 auditors attended our EAT summer events in 2019, with 10 events taking place across the country, bringing our teams together for technical training delivered in a fun and innovative way.

At the classroom event, engagement team environments were simulated throughout the event, with engagement leaders facilitating a number of practical exercises across topics as varied as project management, long-term contract accounting and estimates.

As well as classic instructor-led sessions, participants also had access to subject matter experts through a live Q&A clinic, and innovative technologies such as silent disco headphones and jamboards were utilised to enhance the learning experience and immerse people in the training.

The autumn event followed a similar format, timed to provide training on certain topics closer to the point of need, such as financial statements and disclosures and inventory counts.

Learning was reinforced outside the classroom through the development of additional guidance and the use of the mandated assessments. Quarterly webcasts supplemented the classroom events to provide just-in-time messages to our practitioners.

The programme was well received, with average classroom scores of 4.44 out of 5. (2018: 4.42). All of the ‘best bits’ from 2019 have been incorporated into the 2020 “virtual programme” e.g. the simulated engagement teams and Q&A sessions, and scores for 2020 are currently outstripping 2019 levels (2020 summer: 4.57).

Key content from these post-qualified programmes is also built into the pre-qualified curriculum, ensuring that our more junior staff receive consistent training, as relevant to their grade and role on audits.
The supply and demand workstream is intended to ensure that our audit practice has sufficient staff to perform all our audits to a consistently high quality. The workstream involves actions on both workforce recruitment and retention, and our audit portfolio.

**Additional audit resource**

Increasing societal and regulatory expectations of auditors has led to an increase in the amount of time it takes to do a high quality audit. Our root cause analysis findings indicated that staffing and utilisation rates could have been contributing factors to some audits going wrong.

As part of the PEAQ, we set ourselves a target of recruiting 500 additional experienced auditors by the end of summer 2021, alongside our existing graduate recruitment and training contract pathways (further detail on these pathways is included in Appendix 4). We are well on our way to achieving our target, having recruited 496 experienced auditors in FY20 from across the UK and overseas.

We are also working to reduce the number of leavers from our audit practice in order to retain talented staff of all grades. We are particularly focused on retention of managers and senior managers, grades that have a significant impact on audit quality given their roles in the coaching, supervision and review of junior staff.

**Reviewing our portfolio of audited entities**

To manage the demand for our audit services, we undertook a comprehensive review of the entities we audit. We want to work with organisations who share our standards, values and commitment to quality. This includes ensuring that we achieve a return that allows for continual investment in audit quality. Where our values do not align, or we cannot achieve a sufficient return, we will exit the appointment, freeing up capacity within our audit practice.

Sometimes we encounter situations which aren’t consistent with our aspirations to deliver consistently high audit quality. These might include:

- Management might not be reputable or the governance structures of an entity may not be sufficiently robust to promote a culture where the audit is valued.
- Management may not have kept adequate books and records to the extent that we are unable to perform an audit. Management may also persistently provide us with the schedules and analyses we require for our audit late, or of poor quality.

We also introduced a new approval process for all audit tenders or potential new audit appointments in December 2019. A sub committee of the Audit Executive, the Audit Tender Approval Panel (ATAP), in conjunction
with the relevant business unit leader, must review and approve the acceptance of any new audit, or participation in any audit tender, including retenders. The ATAP considers risk, commercial outcomes and whether we have sufficient appropriate resources to support both the bid process and the subsequent audit.

The ATAP is now integrated into our wider acceptance and continuance process, which is detailed in Appendix 5 of this report.

The actions taken in this workstream will increase the capacity of our audit practice. Having a better alignment between the supply and demand sides of our business will help us deliver consistently high quality audits and meet the increasing societal and regulatory expectations of auditors.
We operate in a highly regulated field, with many different laws and regulations that need to be followed. We comply with the applicable rules and regulations set out in Appendix 8 of this report. As a requirement of some of these registrations, PwC UK is subject to monitoring by a number of regulatory authorities. This section of the report covers:

- External inspections
- Internal inspections
- Investigations
- Root cause analysis and continuous improvement

**External inspections**

**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 of public interest entities and aspects of the firm’s policies and procedures supporting audit quality. The QAD inspects 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). On 9 September 2020, the ARC considered the findings arising from the most recent AQR and QAD inspection reports and decided that the firm’s audit registration should be continued on the basis of the firm’s action plan to address the findings of the AQR’s report and the actions the firm has already undertaken, and the undertakings given in response to the matters raised in the QAD report.

In addition, audit engagements have been subject to inspection under the The Local Audit and Accountability Act 2014 (undertaken by the AQR), and by NHS Improvement (undertaken by the QAD) during the year ended 30 June 2020.

**FRC - Audit Quality Inspection Report**

The AQR issued its 2019/20 Audit Quality Inspection Report on PwC UK on 14 July 2020. Alongside the results of the AQR inspection, for the first time the report also included the firm’s own 2019 internal quality monitoring results and those of the QAD inspection (see below).

The 2019/20 inspection comprised reviews of 17 (2018/19: 26) individual audit engagements relating to FTSE 100, FTSE 250 and other listed and major public interest entities. In their individual audit inspections, the AQR paid particular attention to audit work performed over going concern and the viability statement, the other information in the annual report, long-term contracts, the impairment of assets and fraud risk assessment. They focused on audits in specific industries, including financial services, general retailers, business support services, construction and materials and retail property.

Of the 17 audits reviewed in the 2019/20 cycle, the AQR assessed that:

- 11 audits (20 in 2018/19) were ‘good or limited improvements required’,
- Five audits (four in 2018/19) were graded as ‘improvements required’, and
- One audit (two in 2018/19) had ‘significant improvements required’.
The AQR’s report highlighted the following key findings in respect of their individual file reviews, and concluded that PwC should:

- improve the challenge of short-term cash flow forecast growth assumptions in relation to impairment reviews and going concern assessments;
- improve the challenge and supporting evidence in relation to the audit of long term contracts;
- enhance the audit work performed for the valuation of certain, pension, property and intangible assets; and
- further improve group audit teams’ direction and supervision of components audit teams.

We are disappointed with the results of the individual audit engagement inspections, as we have not delivered audits with the consistent quality that we know is expected of us and that we expect of ourselves, and regard the issues raised in this cycle to fall below the high standards we aim to achieve on all our audits. The results relate to audits completed before the PEAQ (details of which are set out in Sections 5 to 9 of this report) was launched in June 2019 - with the emerging findings from these inspections, and our internal reviews, helped shape the workstreams and actions.

The AQR have continued to draw out areas of good practice identified during the course of their work which included the quality of our written communication with Audit Committees, the quality of the summaries of audit responses to significant risks and related findings, the quality of group audit scoping on those first year audits inspected and the use of, and interaction with, the firm’s internal specialists and experts including in areas such as property valuations and tax.

The AQR also reported on their inspection of firm-wide areas. The following matters were identified, and along with the firm’s response, included within the AQR’s report:

- Partner and staff matters for the 2017/18 performance cycle - The AQR concluded that there was a need for clearer consideration of audit quality in staff appraisals, and within the manager and senior manager promotion process;
- Acceptance and continuance procedures during 2019/20 - The AQR noted that the A&C system has limited functionality to provide explanations for conclusions drawn through the approval process;
- Audit quality initiatives during 2019/20 - The AQR reviewed the PEAQ programme, and reported on two work streams - the first relating to the number and depth of inflight Higher Profile Client reviews, and the second relating to project management procedures;

- Root cause analysis (RCA) for the 2018/19 inspection results - The AQR concluded that further improvements could be made to the timing of the RCA procedures relating to individual inspections, and the scope of procedures where significant improvements are required; and

- Independence - The AQR continued to report that changes to the firm's global systems and procedures would enhance controls relating to the timing of non-audit service approval.

The AQR recognised the enhancements made to the root cause analysis performed by the firm in respect of the 2019/20 individual inspection outcomes and firmwide procedures, and the identification of responsive actions, both within the PEAQ, and at the engagement delivery level. Further information on our Root Cause Analysis process is included below.

During the year, the AQR completed its thematic reviews into 'Transparency Reporting' (September 2019), 'The use of technology in audits' (March 2020) and 'Use of Audit Quality Indicators' (May 2020). Thematic reviews focus on specific aspects of processes across all the major audit firms. The firm has considered the findings and examples of best practice within each of these reports, and determined actions where appropriate.

The full scope of independent inspection by the AQR, details of the audits selected for inspection, and a copy of the report on PwC can be found at www.frc.org.uk.

ICAEW - QAD inspection
For the first time, the standard-scope QAD individual engagement inspection results were published within the AQR’s report on 14 July 2020. The outcome of these inspections were included within the ICAEW’s 2020 Audit Monitoring report, which was released in September 2020.

The 2019 QAD inspection comprised reviews of 10 (2018: 10) individual audit engagements, of which:

- Seven audits (Eight in 2018) were assessed as ‘satisfactory/acceptable’,
- Two audits (Two in 2018) were graded as ‘improvement required’, and
- One audit (None in 2018/19) had ‘significant improvement required’.

In addition, the QAD undertook two focused reviews and did not identify any issues. The specific findings identified in the three audits requiring improvements are consistent with the nature of the matters identified in the AQR’s inspection of the firm and include:

- The audit of a contracting business needed significant improvement, specifically in the combination of controls and substantive testing on particular contracts; and

- In two other audits, the file documentation did not demonstrate appropriate challenge of management in relation to key audit judgments. These related to a change in accounting policy and the revaluation of tangible fixed assets, and intangible fixed asset impairment.
The QAD also found scope for improved documentation in isolated aspects of audit evidence and documentation, with no particular themes. The QAD identified and shared a number of examples of good practice.

As with the AQR 2019/20 inspection, we are disappointed with the outcome of the 2019 QAD inspection. The QAD’s findings have been incorporated into our RCA and actions identified, in particular in respect of challenge of management assumptions and long term contracts. Further information on our Root Cause Analysis process is included below.

**Local Audit monitoring**

In 2019, the second year of monitoring under the Local Audit and Accountability Act 2014, the firm had four Local Audit clients subject to monitoring under the scope of the LAAA, all of which were health bodies. The inspection was undertaken by the AQR team.

One NHS Trust audit, classified as a Major Local Audit and with a year end of 31 March 2019, was inspected by the AQR during 2019/20. The file was rated as ‘improvements required’, with the AQR concluding that the quality of the audit work in respect to valuation of property, plant and equipment; and payroll and journals testing should be improved. The work on the Value For Money (VFM) conclusion was satisfactory.

The inspection findings have been incorporated into our 2020 Root Cause Analysis and Continuous Improvement Programme (detailed further below), with specific actions identified, in particular in respect of the key assumptions in the valuation of NHS properties. Further information on our Root Cause Analysis process is included below.

**NHS Improvement**

Annually NHS Improvement, the regulator of NHS Foundation Trusts, requests that QAD review a sample of audits of 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.

One audit of an NHS foundation trust was reviewed for the year ended 31 March 2019 inspection cycle. NHS Improvement advised the engagement leader and the Trust that there were no significant issues arising from the review that it wished to raise.

**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, 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 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 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.

**Overseas regulatory bodies with which we have interactions**

PwC UK is also registered with a number of overseas regulators or oversight bodies. A complete list of all these registrations is included in Appendix 7. Below is a summary of the bodies that have inspected PwC UK.

**Public Company Accounting Oversight Board**

The Public Company Accounting Oversight Board (‘PCAOB’) is the regulator for the audits of public companies with securities listed in the US. Engagements covered by the scope of the PCAOB inspection include any US registrant including Foreign Private Issuers (‘FPIs’) as well as UK components of groups listed in the US.

As we disclosed in our 2019 Transparency Report, the PCAOB, in cooperation with the AQR, inspected PwC UK in 2017 and reviewed the audit files of two FPI engagements and one UK component of a US listed engagement together with the firm’s related quality control procedures.
In January 2019, the PCAOB published its final report in respect of its 2017 inspection of PwC UK.

The 2017 inspection of PwC UK 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, 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. A full copy of the report in respect of the 2017 inspection of PwC UK can be found at:


The PCAOB commenced its most recent triennial inspection of PwC UK in September 2020. The inspection is again covering two FPI engagements and one UK component of a US listed company. We will report the results of the inspection in due course.

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 2019/20 inspection of PwC UK, no such audits were reviewed by the AQR.

Canadian Public Accountability Board

The Canadian Public Accountability Board (CPAB) is the regulator for the audits of reporting issuers in Canada. CPAB inspected PwC UK in 2019 and reviewed one component audit of a Canadian reporting issuer, which was graded satisfactory. CPAB provided us with a confidential report summarising their findings. This report is not publically available.

Internal monitoring

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 our accountability framework, financial penalties can be imposed on engagement leaders in case of adverse quality findings. Similarly, engagement leaders on any files that are considered ‘exceptional’ will have their reward positively impacted.

Engagement Compliance Review (ECR)

The Audit engagement compliance review (ECR) programme considers the full population of audits performed and is designed to cover both the firm’s Responsible Individuals (“RIs”) and specific categories of audit clients, such as Higher Profile Clients. The ECR programme involves a post-signing cold review of an audit engagement for each RI at least once every three years, and twice in any six-year period for audits identified by the firm as having a high public profile. ECRs are led by experienced partners and are supported by teams of partners, directors and senior managers who are independent of the audit and RI under review. The outcome of each review is evaluated using a standard set of principles set by the PwC Network to assess whether relevant auditing, accounting and professional standards have been complied with. A moderation panel, composed of the review team, the firm’s UK Audit Quality Review Leader and a member of the firm’s Global Inspections team, forms an overall engagement assessment considering the nature and severity of the individual findings in each review.

PwC UK’s monitoring programme is also designed to meet the requirements of ISQC (UK) 1, the ICAEW Audit Regulations and requirements of our other registrations including the Crown Dependencies’ Audit Rules and PCAOB regulations and include the requirement to undertake an annual Audit Compliance Review (ACR). This monitoring programme comprises of two parts:

1. the ECR programme is used to assess whether engagements are performed in accordance with relevant standards; and

2. whole firm review of policies and procedures adopted by PwC UK in respect of audit quality and ISQC (UK) 1 compliance. The firm conducts its own review of its compliance with policies and procedures each year as part of its Quality Management for Service Excellence (QMSE) review programme.

This process is reviewed annually by the firm’s regulators, and also by a PwC Network team independent of PwC UK as part of the Quality Management Review (QMR) programme. Partners and employees
of our firm are informed on a timely basis about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of engagements. In addition, the Global Assurance Quality - Risk Leader informs engagement leaders 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 and take action if needed to mitigate any quality issues identified in either the firm or individual engagement leader.

Further details about the QMSE, QMR, and ECR can be found in Appendix 8, including a description of what constitutes a “best in class”, “compliant”, “compliant with improvement required” or “non-compliant” rating. Details of the coverage and results of the 2020 ECR are as follows:

- 142 audit engagements (FY19: 142) were reviewed in FY20, covering 43% (FY19: 41%) of the firm’s Responsible Individuals. 28 non-audit assurance engagements (FY19: 43) were also reviewed.

- 116 audit engagements (FY19: 119), representing 82% (FY19: 84%) of the audit engagements reviewed were classified as “compliant”. Nineteen audit engagements (FY19: 20), representing 13% (FY19: 14%) of the audit engagements reviewed were classified as ‘compliant with improvement required’, and 7 (FY19: 3) were classified as ‘non-compliant’.

- 23 non-audit assurance engagements (FY19: 39) representing 82% (FY19: 91%), of the 28 reviewed non-audit assurance engagements were classified as ‘compliant’. Five non-audit assurance engagements (FY19: 3) representing 18% (FY19: 7%) of the 28 reviewed non-audit assurance engagements were classified as ‘compliant with improvement required’. No non-audit assurance engagements (FY19: 1) were classified as ‘non-compliant’.

- In addition, a further 17 audit engagements (FY19: 8) were subjected to limited scope, targeted reviews of a specific aspect of the overall audit engagement. All seventeen were found ‘compliant’. Two non-audit assurance engagements were also subjected to limited scope, targeted reviews. Both were found ‘compliant’.

### Audit Compliance Measures (ACM)

The Audit Compliance Measures (ACM), previously called the Quality Key Performance Indicators (KPIs), are set each year to take account of matters arising from regulatory reviews and the previous year’s ECR findings, in order to ensure that they focus on those aspects of our work where behavioural change and improvements in quality are considered necessary.
In the year to 30 June 2020, 11 audit quality KPIs were assessed, covering various aspects of the audit from planning to execution and completion. Since 1 July 2020, 14 ACMs are now being assessed. These metrics 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 a national level. The overall metrics for the Audit line of service are reported to the Executive Board.

The overall audit quality KPI score for the year ended 30 June 2020 was 93.5% (FY19: 96.3%). Against the target score of 95%, there has therefore been a decline in KPI scores for the current year. These results are analysed by specific question as well as by business unit, and form the basis of amendments to policies, procedures and training materials. As in previous years, we made changes to the ACMs for the year to 30 June 2021 to help deliver further improvements in key areas of the audit process.

Audit Quality Indicators (AQIs)
Throughout the year to 30 June 2020, we also monitored 21 separate Audit Quality Indicators (‘AQIs’) ranging from engagement management to people metrics, on a quarterly basis to identify trends in audit quality. Separately to this, the PRG previously 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; and
3. I have sufficient time and resource to deliver quality audits.

For the first time this year, we asked a series of specific questions to our auditors, rather than the more general questions that we asked to all PwC UK staff and partners. Respondents were 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 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.

**I am encouraged to perform a high quality audit**

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<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY19</th>
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<tbody>
<tr>
<td><strong>%</strong></td>
<td>92%</td>
<td>89%</td>
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**I receive enough training and development to enable me to deliver quality audits**

<table>
<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY19</th>
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<tbody>
<tr>
<td><strong>%</strong></td>
<td>78%</td>
<td>69%</td>
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**I have sufficient time and resource to deliver quality audits**

<table>
<thead>
<tr>
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<th>FY20</th>
<th>FY19</th>
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<td><strong>%</strong></td>
<td>31%</td>
<td>37%</td>
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</table>
We take the workloads of our partners and staff very seriously and recognise the issues highlighted by the responses to the question in relation to sufficiency of time and resources below. In section 9 of this report we have set out the actions we are taking in order to address these issues within the Audit Supply and Demand workstream of our PEAQ. These include the recruitment of more experienced auditors and management of demand for our services.

We are pleased to see the improvements made in relation to encouragement to deliver high quality audits, showing that our continuing focus on audit quality is being recognised and engaged with by our auditors throughout the firm.

**Responding to matters raised by our Regulators**

**Investigations**

The Investigations Team works alongside PwC's Office of General Counsel ("OGC") to resolve Troublesome Practice Matters ("TPMs") which arise on either ongoing or completed audits. TPMs include FRC regulatory enquiries and enforcement actions, ICAEW enquiries and, in some cases, matters raised by clients and litigation. The team sits within Audit Risk & Quality and acts as internal experts providing advice on accounting and auditing related matters. OGC and more specifically, the litigation team, provide legal advice relating to TPMs.

Having an established Investigations Team within the Audit line of service is part of our recognition that we do not always get things right. When necessary, we investigate our own work, using an independent team, to establish whether we have met our own standards and those expected of us. We actively work with stakeholders, learn lessons, put in place remedial actions and, where necessary, defend our work by being clear about what we do, why we do things and how we comply with our obligations under international auditing standards.

We recognise and accept any identified shortcomings in our audit work, and are sorry whenever our work falls below the professional standards expected of us and that we demand of ourselves. We acknowledge mistakes when they are made and ensure that lessons are learned.

**FRC Investigations**

The FRC is the 'competent authority' for audit in the UK under the EU Audit Regulation and EU Audit Directive. The FRC deals with cases that appear to raise important issues affecting the public interest in the UK, and investigates whether there is evidence of misconduct (under the Accountancy Scheme) or breach of a relevant requirement (under the Audit Enforcement Procedure) by an accountant or accountancy firm.

In the year to 30 June 2020, there have been no cases (2019: one case) found against the firm by the Enforcement division of the FRC.

We have three ongoing FRC investigations which are in the public domain. These are in respect of the audit of the financial statements of BT Group plc for the years ended 31 March 2015 to 2017, Eddie Stobart Logistics plc for the year ended 30 November 2018 and London Capital & Finance plc for the year ended 30 April 2016. There are other ongoing FRC investigations which are confidential and to which the firm is responding.

**FRC Case Examination and Enquiries ("CEE")**

The Constructive Engagement process, handled by the CEE team, seeks to resolve cases where the FRC considers that any audit quality concerns identified are able to be appropriately and satisfactorily addressed without full enforcement action. A key part of resolving Constructive Engagement enquiries is for the CEE to agree appropriate remedial actions with the audit firm.

Through the year, we have successfully resolved enquiries from the CEE team by promptly responding to enquiries and putting in place the necessary remedial actions to prevent similar matters from reoccurring. These actions include providing additional training to the audit practice in specific areas, updating Aura file workpapers, issuing additional guidance in the form of the firm's "InBriefs" technical updates to the audit practice or updates to the PwC Audit Guide and updating policies to require mandatory consultation with Audit Risk & Quality in certain circumstances. As part of resolving enquiries, we provide evidence to CEE that the actions have been completed.
We also have open enquiries and are committed to working with the CEE team to constructively resolve these, and to proactively take the steps we need to to improve audit quality.

Further details of the constructive engagement process, Accountancy Scheme and Audit Enforcement Procedures can be found on the FRC’s website at www.frc.org.uk.

ICAEW

In the year to 30 June 2020 there were no audit cases (2019: nil) found against the firm by the Audit Registration Committee of the ICAEW. One case was closed after the year-end, in September 2020 with a fine and reprimand for the firm. We have ongoing enquiries with the ICAEW which we are committed to continuing to work with the ICAEW in resolving.

Further details of the ICAEW’s disciplinary process can be found at www.icaew.co.uk.

Lessons learnt

In respect of the past cases against the firm, we deeply regret that there have been times when our work has found to have been below the professional standards expected of us and that we demand of ourselves. However, we continually respond to these instances and take numerous steps to strengthen our processes, particularly with regard to the supervision and review of our audits. We issue updated and additional guidance to the audit practice and provide further training in any areas identified for improvement. The introduction of the Chief Auditor Network in 2019 has also enabled us to provide audit teams with additional support and guidance on audits.

We carefully consider all lessons learnt whenever we are reflecting on our work. We are committed to ensuring that our partners and audit teams reflect on the lessons learned from each situation, and put these into practice. A root cause analysis is performed to better understand and address thematic issues which have arisen during investigations and other regulatory inspections. The root cause analysis process is detailed later in this section of the report.

Audit quality is of paramount importance to us and, as outlined in Sections 5 to 9 of this report, the PEAQ has been implemented to provide greater focus on the quality and public interest responsibilities of PwC’s statutory audit services.

During the year, for example, the Investigations Team identified some factors which are key to ensuring a high quality audit is performed - getting the basics right, demonstrating appropriate challenge and professional skepticism, and effective project management. Specific training was delivered to the audit practice to highlight the importance of these factors and the impact they can have on an audit and audit quality. We continue to remind individuals that everyone in the firm has a personal responsibility to make sure that our audit methodology is followed correctly. We try to encourage all individuals to demonstrate the right behaviours and to put into practice the firm’s values in all the work that we do.

Acting with integrity, which in the context of an audit means with objectivity, independence and professional scepticism, is fundamental to what we do. We continue to encourage and remind all partners and staff to speak up if they see something not quite right, or think we might have made an error.

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 Alison Statham, 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. 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.

Root cause analysis

We hold our reputation for quality in the highest regard and 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 root cause analysis (RCA) on both external inspections and internal reviews to establish the underlying reasons why findings have arisen which helps inform the development of our action plans so that we continuously improve. One of our primary objectives when conducting RCA is to identify how our firm can provide the best possible environment for our engagement
teams to deliver a high quality audit. We look at audits both with and without deficiencies 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, and largely drawn from the Audit Risk & Quality team, identifies potential factors contributing to the quality of the audit. 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 on specific audit areas which are supported by behavioural specialists, reviewing training and guidance, and, where appropriate, reviewing audit working papers, to understand the factors that may have contributed to audit quality utilising recognised root cause approaches.

In addition, for audits both with and without deficiencies, certain data points and Audit Quality Indicators (AQIs) are 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, the number of years that key engagement team members have been on the engagement, the timing of when the audit work was performed and other audit milestones.

We evaluate the results of these analyses to identify enhancements to implement across the practice and build this into the action plan.

As part of the 2019/20 inspection cycle we made a number of changes to our approach to root cause to enhance the process further. We introduced a more holistic, standardised approach across the internal and external inspections to ensure we applied a consistent process. We also used behavioural specialists working with the Audit line of service as part of the Programme to Enhance Audit Quality (PEAQ) to enhance interview scripts and focus group materials and to train the RCA reviewers.

In 2020, we piloted an enhanced methodology on the review findings by identifying twelve categories of risk factors against which interview discussions were evaluated that included behavioral factors. The objective of this process was to identify overarching and engagement specific risk factors and to retain a clear audit trail from the underlying data to the risk factor conclusions.

On 1 July 2020 we established a new Continuous Improvement Team which will undertake all root cause activity going forward. The team will proactively gather intelligence from a range of sources including findings from external inspections, internal reviews and other live data sources to identify risks and issues as they emerge. The team will perform RCA on identified issues and prepare an action plan to address those findings. Each action plan will have a clear time frame for their resolution and a specific named individual to be responsible for making sure that those actions are achieved. We will monitor actions regularly and measure their effectiveness over time. A cycle of activity will be established to identify and address causal factors on a timely basis with the goal to continuously enhance audit quality.

**Action plans**

Action plans are developed in response to findings from regulatory inspections and investigations, internal reviews and other sources. 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.

Individual actions are agreed with named individuals together with a timeline for completion. Each action plan is then approved by the relevant individuals in the Audit Line of Service governance structure and in a number of cases, agreed with third parties such as the AQR in respect of the action plan responding to AQR findings, or PwC's Global Audit Quality team in respect of the action plan responding to the ECR findings.
Regular status meetings take place to monitor outstanding actions and individuals are held to account where actions are not completed without and acceptable justification.

The Head of Audit, the Head of Audit Risk & Quality and other partners responsible for the regulatory process within the firm also monitor progress against agreed action plans on a regular basis. The firm’s Public Interest Body is kept appraised of progress against the action plan periodically via the Audit Leader’s Quality Update.

Once actions are considered to be completed, evidence is provided to the action planning team to demonstrate completion of the action. This evidence is also reviewed, in some cases, by regulators in subsequent years as part of their inspections into the firm to evaluate timely completion of agreed actions.
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. We take good ethical behaviour seriously and seek to embrace the spirit and not just the letter of relevant ethical requirements.

Bill MacLeod was PwC UK’s Partner Responsible for Independence and the Ethics Partner, a role defined by the FRC’s Ethical Standard, prior to his retirement in June 2020. The Ethics Partner role is now held by Nicola Shield, a senior partner within the firm, and Jon Walters, has been appointed as PwC UK’s Partner Responsible for Independence. Both Nicola and Jon are supported by a team of specialists to help our people and the firm navigate compliance with the PwC Network Independence Policy and apply comprehensive and consistent processes and tools.

The multilayered independence rule-sets under which our audit professionals are required to operate cover independence requirements for auditors as individuals and for audit firms. The Independence Team is aligned with this and comprises both a Personal and Corporate Independence Team as both areas carry their own unique challenges.

**New regulations**

In December 2019 the Financial Reporting Council issued a new Ethical Standard effective for periods commencing on or after 15 March 2020. This new standard introduced further restrictions on non-audit services that can be provided to Public Interest Entity (UK PIE) audit clients through the introduction of a list of permitted services. In addition to the permitted services list for PIE audit clients, the 2019 Ethical Standard has introduced a new entity classification, Other Entities of Public Interest (“OEPI”), to which the permitted list of services will also apply for audit periods commencing on or after 15 December 2020.

In July 2020 an exercise was carried out to identify those UK audit clients that will meet the new definition of an OEPI to enable audit teams to review existing relationships that may no longer be permissible and take any necessary action.

The changes to the personal independence rules have been limited to extending the restrictions on gifts and hospitality to the audit tender period for prospective audit clients and requiring the members of all component audit teams including those outside of the UK to comply with the rules set out in the revised FRC Ethical Standard.

The core elements of the new rules along with reminders relating to the those requirements that only exist in the FRC Ethical Standard, were covered in our Revised Ethical Standard mandatory training for all UK Partners and staff, including those outside of Audit, and our supporting guidance has also been updated.

As the Revised Ethical Standard does not just apply to UK audit firms, we also continue to invest in our global systems to manage compliance with the rules. This year we have invested further in our Central Entity Service (CES) by adding the functionality to specifically flag those audit clients that are either a UK PIE or an OEPI with their associated non-audit service restrictions so this can be seen by all Network firms. In addition specific communications were issued to the Partners Responsible for Independence across the global PwC Network, so that non-UK Network territories are aware of the new rules and their impact on local teams.

Further detail on our independence policies and systems, including how the UK policy implements the PwC Network policy and the IESBA International Code of Ethics for Professional Accountants, including International Independence Standards, is included in Appendix 3.
The impact of COVID-19
The global pandemic saw an increase in support and advice requested by a number of our clients. As a firm we needed to ensure that we were effectively managing any actual or perceived conflicts of interest with Covid-19 engagements. A specific risk process was developed and put into place at the start of the pandemic to ensure that non-audit service engagement teams were not accepting COVID-19 engagements without assessing any potential conflicts. The specific approval process enabled risk teams to identify particularly sensitive matters such as engagements for the government/public sector for consideration by the Ethics Partner and the Client Committee. Additional monitoring procedures were also put in place for any ethical walls that were set up in relation to COVID-19 engagements.
Independence challenges

**Personal Independence**

Complying with the personal independence rules is an ongoing challenge for our partners and staff. The rules don’t just apply to individual members of the audit teams, they also cover family members, and the rules themselves are complicated. In particular, individuals are required to continuously monitor all financial relationships held by themselves and their dependents and assess any new financial relationships that they might choose to enter into. Keeping on top of this is challenging given the vast numbers of financial products available from multiple providers and the fact these products as well as the rules themselves keep evolving.

The firm uses a global portfolio logging system, Checkpoint, to assist our partners and staff in monitoring the restriction status of financial investments. However we continue to see exceptions identified by our Personal Independence Compliance Testing (PICT), particularly in relation to the completeness and accuracy of investments recorded, even where the discrepancies themselves do not lead to a breach of the independence rules. A full description of our PICT process is contained in appendix 3.

In specific response to this we have developed a strategy of planned improvements under the headings Simplify, Automate, and Support. Further details and examples of some of the key activities that we are undertaking are set out below;

**Simplify – Walled Gardens of pre-approved and centrally monitored investments**

We have been working closely with financial services providers used by our Partners to develop ‘walled gardens’ of pre-approved and centrally monitored investments. These walled gardens significantly reduce the risk of exceptions arising and greatly simplify Checkpoint reporting requirements. Going forward our intention is to create walled gardens with several other providers to ensure that a wide choice of providers is available.

**Automate – Automated Investment Recording**

We commenced the implementation of Automated Investment Recording (AIR) on the firm’s Checkpoint system in early 2020. AIR provides a daily data feed from wealth managers, investment platforms and independent financial advisers into the Checkpoint system which is then automatically updated for any relevant changes. This eliminates human error and will significantly improve the completeness and accuracy of what is recorded on the Checkpoint system.

**Support – Awareness campaign and training**

As mentioned the personal independence rules are complex and a key challenge is ensuring that our partners and staff are aware of and fully understand the rules and what they are required to do as individuals to comply.

During the year we developed our Independence – The Essentials training package. This adopted a back to basics approach and was mandatory for all client facing Partners and staff across the firm, to ensure that all of the key independence messages had been communicated and understood.

We also developed a number of innovative awareness campaigns, including Personal Independence – A Walk in the Park, which focused on 12 life events when people need to stop and consider the impact on their independence, such as moving in with a partner or taking on a power of attorney, and our recent “New Client, New Role, New Relationship” campaign which provided reminders of what to consider from an independence perspective in these situations.

**Activities planned for the next 12 months**

We have also developed a new 6-8 week programme “Protecting you; protecting the
partnership” to take Partners on a step by step journey from determining their independence risk profile, how they can better manage their independence culminating in completing a full reconciliation of their investment portfolio and correcting any discrepancies. This is designed to enhance their understanding of independence and their compliance with the rules, including maintaining their Checkpoint portfolio.

Furthermore in response to the creation of the separate Audit Line of Service on 1 July 2019 and the planned operational separation of the Audit practice in the future, we are in the process of changing our audit engagement office definition from being based on a geographic office location to being based on the relevant Audit business unit. This change better aligns with the audit engagement office based independence restrictions and greatly simplifies things for everyone.

Corporate Independence

Corporate independence focuses on the rules surrounding non-audit services including fee arrangements, business relationships and conflicts of interest. These rules depend upon the type of entity and restriction status of the client.

Mandatory firm rotation across the globe and evolving regulations sees the restriction status of our clients, both audit and non-audit, change on a regular basis. In addition, market activity means that the rules that apply to an individual engagement can change overnight. This landscape of change poses a number of challenges. Two key areas where we continue to encounter difficulty as highlighted by the FRC as part of the most recent Audit Quality Review are those surrounding the timing of non-audit service pre-approval and data quality.

Non-audit service pre-approval

A key control for ensuring that new relationships are not entered into that might be in contravention to the rules is the pre-approval of non-audit services to our audit clients, which is achieved using our Authorisation for Service (AFS) System, and we continue to face challenges in the operation of this control.

In the UK audit Engagement Leaders receive approximately 11,000 AFS forms for approval every year. UK instances of non-compliance with the Firm’s Network policy on approval of non-audit services are at less than 0.12%. As we know that any failure can result in a breach of the independence rules, we are striving for 100% compliance. A major contributory factor to non-compliance is that the firm’s systems do not currently require audit Engagement Leader approval before service teams obtain engagement codes to charge their time. A Network wide solution requires a common finance platform which will take time to develop and implement, however in the interim we are developing manual controls in the UK and assessing whether it is possible to change UK IT systems to achieve this. For example, as part of the improvement in the non-audit service control environment during 2019, amendments were made to our Client Record Management system to embed the automated generation of an AFS approval request for non-audit service delivery to the audit engagement leader. Furthermore we are currently piloting a manual AFS approval to engagement specific finance code generation in one line of service, with a view to rolling this out during 2021 should it be successful.

Data quality

In recognition of the importance of data quality the Network has established the Global Chief Data Office (GCDO) and a Data Stewards team (DST) and a CES Data Quality Team (DQT) was established in the UK in August 2019 to support this agenda. The first major activity of the GCDO was to identify and remediate duplicate entities in CES. The DST was notified of 20,000 duplicate records at the start of this exercise and this has been reduced to less than 500 as of August 2020. Failure to maintain accurate data, specifically logging new audit relationships in CES heightens the risk that we find ourselves in contravention to the rules and this has led to breaches of the independence rules in the past. Specific monitoring activities now performed by the CES DQT to address this include notifications of new audit tenders received by our relationship checking team to enable a prospective assurance deliverable to be promptly added to CES and a completeness review of CES records for new audit clients.
Firm-Wide Governance

This Governance section explains the firm’s governance arrangements. We explain the roles of the Senior Partner and Management Board and its committees, the Supervisory Board and its committees, and the Public Interest Body. A personal statement is provided from the Chair of the Management Board and from the Chair of the Public Interest Body in Sections 1 and 2.

The firm’s governance is guided by our purpose – to build trust in society and solve important problems. Our purpose is central, not only to our decision making processes and our risk appetite, but also to how we manage our business in the interests of our partners and stakeholders.

Further information on the PwC Network and its governance is contained in Appendix 2.

Good Governance

We are required to report on how we have applied each of the principles of the Audit Firm Governance Code (AFGC) and make a statement on our compliance with the AFGC’s provisions. In doing so, we also have regard to good governance practices under the UK Corporate Governance Code (2018). During the year we considered that we complied with the AFGC in full. Further information on our compliance, including our governance KPIs, is provided below.

We continually seek to enhance our governance arrangements as part of our ongoing commitment to quality. Within our governance arrangements, we acknowledge and support the heightened interest in audit and audit related services and the quality of our delivery of these. We have a common cause with investors, regulators, government and society to ensure the right actions are taken to build world-leading levels of trust in audit and the profession itself.

Our INEs are a key part of our governance structure, providing external oversight of the firm. The PIB is comprised of a majority of INEs. By having a separate body, able to determine its own agenda and with high calibre INEs, the firm considered this to be the most appropriate way to ensure the public interest is served, by helping the PIB to oversee audit quality in addition to its consideration of wider public interest issues.

Stakeholders and dialogue

We recognise that with approximately 22,000 people, 72,000 alumni, a turnover of over £3bn and a regulated business, we are a substantial firm with a broad range of stakeholders. We communicate with our stakeholders through various channels. We engage regularly with investors, including through individual meetings as well as our annual investor update meeting and meetings between the investor community and the PIB members. In the year, representative internal stakeholder engagement included biannual partner meetings led by the Management Board with partners from across the firm; biannual partner engagement meetings led by the Supervisory Board; the Senior Partner holding town hall meetings with staff, utilising technology for live webcasts; and regular communication via multiple platforms to all partners and staff.
Governance structure leadership

How is PwC’s governance structured?

Our governance structure reflects our partnership model. We have a Senior Partner who, once elected, forms their Management Board and Committees. The Supervisory Board comprises of members who are elected by partners and certain ex-officio members (the UK Senior Partner ex officio (or Acting UK Senior Partner ex officio), and those partners who have been elected to the board of PricewaterhouseCoopers International Limited (also known as the “Global Board”). The Public Interest Body is made up of Independent Non-Executives, plus representatives from the UK firm’s MB and SB, being the Senior Partner, Chair of the SB, Head of Audit, and a member of the SB. The firm’s Chief Risk Officer and General Counsel has a standing invitation to attend Public Interest Body meetings.

The Boards’ activities are governed by the Terms of Reference which are available on the firm’s website, and the Members’ Agreement. Each member of the MB is subject to formal, rigorous, and ongoing performance evaluation. In addition, consideration is given to PwC’s Network standards. Support is given to the Boards by our Secretariat team who are responsible for advising on governance matters. A diagram setting out the firm’s governance structure is included overleaf.

How often do the Boards meet and what is member attendance?

The Management Board meets quarterly, while the Executive Board which is a committee of the Management Board, and the Supervisory Board, each meet monthly with additional meetings being called when required. The Public Interest Body meets five times a year, with additional meetings being called when required. Meeting attendance by individual members is provided with their biographies in Appendix 1.
Activities

The key matters considered in the year by our governance bodies included strategy, culture, people, quality, performance, regulation and reputation. Within these matters, the governance of key risks facing the firm (including cyber, regulatory and litigation risks) were considered and included on the Boards’ agendas. Further information on our risks and how these are managed is contained in Appendix 9, and more detail in relation to each of the Boards is set out below.

PwC UK
Areas of focus for the Boards

The Supervisory Board considers a wide range of issues for the firm such as risk, strategy, reputation, people matters including health and wellbeing, technology, return on investments, and culture and has supported, given guidance to and challenged the Senior Partner and the Management Board. The SB has particular insight on the views of the partners of the firm and reflects those in conversations with management. Partners are able to review notes of SB meetings.

Twice a year the SB holds engagement meetings around the country at which partners can speak directly to SB members on matters of concern. The partner feedback is discussed with the MB. This year, and in response to the social distancing requirements resulting from COVID-19, the Spring engagement meetings took place virtually.

The SB met 14 times (excluding ad hoc meetings) throughout the period and in November 2019 the SB held its meeting in Edinburgh. The SB’s visit to Belfast in June 2020 was postponed due to COVID-19.

The SB has two members who are also Global Board members. The Global Board members provide PwC Network updates and a Network perspective at SB meetings, while helping to ensure consistency across the PwC Network.
The purpose of the **Public Interest Body** is to enhance stakeholder confidence in the public interest aspects of the firm’s activities, through the involvement of INEs. The PIB considers a wide range of issues, as determined by the independent Chair, with a particular focus on matters of public interest. The membership of the PIB includes the Senior Partner, the Head of Audit, the Chair of the SB and a further member of the SB. In the year there were seven formal meetings.

During the year, the INEs oversaw the firm’s policies and procedures for promoting audit quality; helped the firm to secure its reputation more broadly including for audit and other businesses; considered matters to reduce the risk of firm failure resulting from audit matters and more widely, and the firm’s response to the COVID-19 pandemic. In accordance with the Audit Firm Governance Code (AFGC), the role of the INEs includes enhancing 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.

Additionally, the INEs regularly received updates on compliance with professional standards, and legal and regulatory requirements. As well as those duties that are prescribed by the AFGC, the members of the PIB provide input on other matters, including the public interest aspects of the firm’s strategy, external reporting, and policies and procedures relating to operational risk management, internal control, quality and compliance more broadly, including its promotion and people management.

In addition, the PIB and SB held one joint meeting during the year, which provided opportunity for both bodies to discuss matters of common interest.

The Chair of the PIB, Dame Fiona Kendrick DBE, has provided an update on the PIB’s work, including its activities and oversight of audit quality related matters, in section 2 of this Report.

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The **Management Board** provides oversight of the long term strategy and certain partner matters under the Members’ Agreement (including dealing with involuntary partner retirements).

The MB has focused on strategic matters, utilising the knowledge and experience of both Executive Board and Clients and Markets Executive members. The formal meetings are scheduled to be held at least quarterly but further ad-hoc meetings have also been held for strategy sessions and certain partner matters. In the year the MB met ten times. At its formal meetings, the MB considers matters in line with its Terms of Reference, including updates with respect to the audit practice.

The **Executive Board**, which is a committee of the MB, meets more frequently, at least monthly, for a full day. During the year it met 17 times and considered the day-to-day governance and business performance of the firm. Accordingly, the EB consists of senior executives, including the chair of the Clients and Markets Executive (but not the Line of Service Leaders who sit on the CME). The Executive Board received updates from its members, with topics including: people, technology and investments, litigation and investigations, clients and markets, finance, international matters, and regular business updates from Lines of Service leaders and subject matter experts.
Committees of the Management Board

The executive structure of the UK firm primarily comprises of a Management Board consisting of members of the Executive Board and Clients and Markets Executive, responsible for policies, strategy, direction and management of the UK firm.

Executive Board

The Executive Board (a Committee of the MB) is responsible for execution of the policies, strategy and management of the UK firm.

Executive Risk Committee

The Executive Risk Committee is responsible for establishing a risk framework, overseeing and challenging the management of risk across PwC UK.

Clients and Markets Executive

The Clients and Markets Executive is responsible for overseeing the UK firm’s client facing and market activities.

International Committee

The International Committee is responsible for decision making in relation to, and oversight of, the UK firm’s strategic alliances (currently Africa, Central and Eastern Europe and Middle East), matters relating to regionalisation and/or EMEA and approval of any matters on behalf of the MB relating to Network issues.

Investment Committee

The Investment Committee whose purpose is to consider acquisitions, joint ventures, disposals and investments to support the growth of the firm i.e. the strategic technology portfolio and similar commercial deals.

Partner Matters Committee

The Partner Matters Committee is responsible for certain Partner HR matters on behalf of the MB.

Client Committee

The Client Committee, which is a committee of the CME, considers engagement or client acceptance decisions that carry significant risks to the firm or that relate to particularly sensitive or confidential circumstances, including commercial and other conflicts.

Covid-19 Steering Committee

The COVID-19 Steering Committee was established in March 2020 to consider and make recommendations to the MB or Executive Board in respect of any matters relating to or impacted by the COVID-19 pandemic as well as to oversee any related BAU decisions.

Committees of the Supervisory Board

There are five committees of the Supervisory Board: the Audit Committee, the Risk Committee, the Partner Affairs Committee, the SB Election Committee, and the Talent & Remuneration Committee.

Audit Committee

The Audit Committee assists the SB in fulfilling its legal and fiduciary obligations with respect to matters involving the external audit, internal controls, internal audit and financial reporting functions of the firm. This includes monitoring the effectiveness and independence of the firm’s statutory auditor as well as the statutory auditor’s reappointment, remuneration and engagement terms, and the policy in relation to, and provision of, non-audit services. In addition, the Audit Committee reviews the effectiveness of the firm’s internal control framework; the scope, results and effectiveness of the firm’s internal audit function; the integrity of the Group’s Financial Statements and digital annual report and the significant reporting judgements contained in them; and the firm’s Transparency and Sustainability reports.

Further information can be found in the Audit Committee report later in this section.

Risk Committee

The Risk Committee reviews the firm’s risk framework on behalf of the SB. It also receives reports and recommendations from management and from the firm’s Executive Risk Committee, which enables it to review and challenge the firm’s enterprise-wide risk framework, including financial, operational and reputational risks and policies and procedures that fall within the context of the firm’s strategy. The Committee also reviews the firm’s approach to Audit Quality and Non-Audit Services Quality, and oversees the effectiveness of the firm’s whistleblowing procedures.

Partner Affairs Committee

The Partner Affairs Committee ensures that all partners are treated fairly, which includes monitoring and overseeing the annual partner income moderation process, reviewing partner medical provision, development, changes to benefits, flexible working and diversity. It also ensures that appropriate processes and procedures are in place to provide robust governance, including for direct partner admissions, and the retired partner programme.

Supervisory Board Election Committee

The SB Election Committee was convened in 2020 to consider the 2020 SB election process and timetable and to make recommendations on the election to the SB.

Talent & Remuneration Committee

The Talent & Remuneration Committee reviews the remuneration, talent development and, where appropriate, succession plans for the T&RC population. The T&RC population comprises the UK Senior Partner, members of the Management Board, and any UK partners on the Global Leadership Team or EMEA Leadership Team.
Compliance with the Audit Firm Governance Code

The EB and PIB have reviewed the principles and provisions of the AFGC together with details of how the firm is complying with those. Following this review, the EB, on behalf of the MB, has concluded that, as at 30 June 2020 the firm is in compliance with the principles and provisions of the AFGC.

During the year, the firm also carefully considered the provisions of the 2018 UK Corporate Governance Code. It was decided that, while the firm did not intend to implement any of the provisions of the 2018 UK Corporate Governance Code not already included in the AFGC, it would keep this under review pending any future updates to the AFGC.

The AFGC includes a requirement for firms to determine governance KPIs and to report against them. The EB and PIB considered the KPIs that the firm had reported against in the prior year and confirmed that they remained supportive of them being applied for the year ended 30 June 2020 without any changes being made. The governance KPIs are set out in the table below.

<table>
<thead>
<tr>
<th>Governance KPI</th>
<th>Notes</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board attendance</strong></td>
<td>Sufficient meetings should be held for the Boards to achieve their objectives and in line with their Terms of Reference. Attendance should be achieved by all members for 80% of meetings.</td>
<td>The number of meetings and attendance was in line with the firm’s requirements, except for certain members of the SB, EB and MB. These attendance records will be considered further for FY21. Attendance records of individual participants of each Board are stated in Appendix 1.</td>
</tr>
<tr>
<td><strong>Board composition</strong></td>
<td>Information on the composition of the MB, SB and PIB is on the firm’s website, <a href="http://www.pwc.co.uk/who-we-are.html">www.pwc.co.uk/who-we-are.html</a></td>
<td>MB – 4 out of 13 MB members are female, and there are 2 BAME members. EB - 2 out of 6 EB members are female. SB – 4 out of 13 SB members are female and there are 2 BAME members. PIB - 4 out of 9 PIB members are female and there is 1 BAME member.</td>
</tr>
<tr>
<td><strong>Board activities</strong></td>
<td>The Chair and the Secretary of each Board regularly meet to consider the matters appropriate for future meetings to ensure that sufficient time is spent on the most relevant matters for the firm. This is also considered during the Board effectiveness reviews.</td>
<td>The firm considers that this was complied with in the year.</td>
</tr>
<tr>
<td><strong>Board effectiveness</strong></td>
<td>Further consideration will be given in FY21 to the timing of any externally facilitated reviews of the PIB, MB, SB and EB.</td>
<td>An externally facilitated effectiveness review of the PIB was carried out in 2018 and the PIB have reviewed the progress made on the recommendations from this review during the year. Terms of Reference of Boards and Committees are due to be reviewed in Spring 2021. There are 5 INEs on the PIB. Victoria Raffé and Philip Rycroft were each appointed as INEs and as members of the PIB during the year. Sir Ian Gibson agreed to extend his term as an INE and as a member of the PIB for a further year. Justin King also agreed to extend his term as an INE and as a member of the PIB for a further two years. Lord Gus O’Donnell, Paul Skinner and Samantha Barrass each stepped down as INEs and as members of the PIB during the year.</td>
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</tbody>
</table>
Governance KPI | Notes | Performance
--- | --- | ---
**Values** |  |  
Integrity, compliance, whistleblowing, and people surveys are reviewed at least annually (and updates from PAC/PMC at least half yearly). | Integrity is covered at all Board meetings. Compliance is covered at both the Audit and Risk Committees, PAC (sanctions) and EB meetings. Whistleblowing is discussed at EB, PIB and RC meetings. People surveys are discussed at EB and PIB meetings. The MB and EB receive PMC reports and minutes. The SB receives PAC reports. | The firm considers that it complied with this KPI ensuring certain matters relating to the firm’s values and reputation are considered during the year, including by the INEs.

INES review reputation, the risk register and audit quality at least annually. | Reputation and audit quality is covered at every PIB meeting. The top risks are discussed and agreed with the PIB, SB and EB (on behalf of the MB). The PIB receives quarterly Risk and Quality updates. | These matters were reviewed during the year and confirmed at the June 2020 PIB meeting.

**Systems and Risk** |  |  
Boards review effectiveness of firm’s systems of internal control at least annually. | The SB receives regular updates from both the Audit and the Risk Committee. Additionally, the PIB also receives updates from the Risk Committee in order to assess both the key risks and the adequacy of related controls. | The firm considers that it complied with this KPI ensuring certain matters relating to the firm’s operations and oversight by the Audit Committee and the Risk Committee are considered during the year.

Audit Committee meets at least 4 times a year and the Risk Committee meets at least 4 times a year. | Annually the Audit Committee confirms an Internal Audit plan which is compiled using a risk based approach. Internal Audit reports are received by the Audit Committee and EB periodically. In addition, the External Auditors report to the Audit Committee at least annually. | The Audit Committee met 10 times and the Risk Committee met 9 times in FY20.

**Dialogue** |  |  
Firm shall meet with investors at least annually. | The INEs met with the ACCIF on 26 June 2020. The Ethics Partner periodically meets with investors as part of their role and the firm also held its annual investor update event in September 2019, which focused on building confidence in business and reporting in a digital world. The PIB and SB have held one joint meeting this year and the INEs have agreed to hold biannual meetings with members of the SB moving forward, the first of which took place in July 2020. | The firm considers that it complied with this KPI through internal and external dialogue, investor engagement and considering sustainability matters during the year.

INES attend a Supervisory Board meeting at least annually. | Investor engagement was covered at PIB meetings as part of the Corporate Affairs updates. | 

Firm should consider the perspective of listed companies and their investors by, for example, inputting into consultations. | The Sustainability year-end report is approved by the EB (on behalf of the MB) and Audit Committee. | Whilst compliant, the firm will consider further engagement with investors.

The Boards should consider the Sustainability KPIs at least annually. | | The EB (on behalf of the MB) and Audit Committee considered the Sustainability KPIs in August 2020.
The Audit Committee Report

This was the first full year of operation of the Audit Committee. The Audit Committee was created in December 2018 following the dissolution of the firm’s Audit & Risk Committee (A&RC) in response to a governance review carried out by the firm. The Audit Committee of the Supervisory Board comprises five members of the Supervisory Board, having both audit and non-audit backgrounds. The Audit Committee met 10 times in the year ended 30 June 2020 (FY19 Audit Committee/A&RC: 10 times). The Managing Partner and Chief Operating Officer, the Finance Partner, the Head of Internal Audit, the external auditors and Crowe U.K. LLP (Crowe), have a standing invitation to attend Committee meetings. 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 systems;
- 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; and
- The firm’s Transparency Report and Sustainability Report.

Internal control and risk management systems

The Committee’s review of internal controls includes considering reports from the firm’s internal and external auditors.

Internal audit

During the year, the Committee considered and approved the Internal Audit work programme, the appropriateness of resources and the adequacy of management’s response to matters raised.

Internal Audit plan

The Internal Audit plan is compiled using a risk based approach to ensure that the appropriate focus is given to the top risks faced by the firm. A risk assessment is undertaken to ensure that appropriate assurance is provided across the audit universe on a risk basis. The main areas of focus are Financial Reporting, Technology, Firmwide operations (including regulatory compliance) and Line of Service specific reviews. The Committee reviews the annual plan to ensure that it is satisfied with the level and type of work being performed.

The plan is approved including the required resources. We have a dedicated Internal Audit team that performs the required work supplemented by specialist resource from the business as appropriate.

The Committee reviews the progress against the plan, changes to the plan and the adequacy of resources on a quarterly basis with monthly updates provided to the Chair of the Committee.

Internal audit findings

Each internal audit review provides assurance in relation to control effectiveness for the relevant scope area alongside any matters arising. There is a robust process in place to assign findings to an action owner and to monitor the status of the open findings. On a monthly basis an open findings report is shared with management and the summary position is shared with the Executive Board and the Committee quarterly. The Committee ensures that it is satisfied with the adequacy of management’s response to the findings raised and the implementation of recommendations to support continued improvement.

The Committee also considered reports from other parts of the firm charged with governance and the maintenance of internal control, including in respect of and the management of the firm’s own tax affairs. The Committee reviewed and considered the statements in section 4 and from appendix 3 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 Group’s Financial Statements with both management and the external auditors. The significant issues the Committee considered in relation to the Group’s Financial Statements for the year ended 30 June 2020 are set out below. The Committee has discussed these with Crowe, together with Crowe’s Key Audit Matters described in the independent auditor’s report on our Financial Statements. The impact of the COVID-19 pandemic on the firm’s internal control systems and its significant reporting judgements, and in particular as regards to going concern, was carefully considered by the Committee.

Investment in Clients (including revenue recognition)
The Committee continued to review the firm’s approach regarding revenue recognition and the carrying value of unbilled amounts for client work, in recognition of the complexity that existed in some client contracts given the range of activity carried out by the firm. These reviews included discussions with management and the internal and external auditors. The Committee was satisfied that the firm’s approach to revenue recognition and to the valuation of unbilled amounts for client work were appropriate.

Provisions for claims and regulatory proceedings
The Committee considered that this continued to be a complex and higher risk area given the political, regulatory and economic environment and the inherent judgement involved in determining provisions. The Committee considered the controls that were in place to ensure the appropriateness of judgements and estimates made in determining the level of provisioning. The Committee was briefed by the firm’s Head of Litigation and Regulatory Investigations on the status of claims and regulatory matters involving the firm. 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.

New accounting standards
The Committee received updates over the course of the year in relation to the implementation of IFRS 16.
Following consideration of the matters presented to it and discussion with both management and Crowe, 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 Financial Statements.

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 Crowe’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 Crowe engagement partner on Crowe’s independence, objectivity, integrity, audit strategy and its relationship with the Group; and

• Taking into account information provided by Crowe 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 Crowe is engaged to provide non-audit services. Fees paid to Crowe 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 18.4% (FY19: 18.4%) of Crowe’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 Crowe to be reappointed as external auditor.
Appendix 1 - The Management Board, Executive Board, Supervisory Board and Public Interest Body

Membership of the Firm’s governance bodies - Biographies, meeting attendances and other matters

The Management Board

The following partners are or were members of the Management Board. Those with an (E) next to their names are also members of the Executive Board. Those with (CME) next to their name are members of the Clients and Markets Executive.

1 Kevin Ellis (E)
Chairman and Senior-Partner
Kevin joined the UK firm's Executive Board in 2008 as Head of Advisory, and was made Managing Partner in 2012. Kevin was elected as Chairman and Senior Partner of the UK and Middle East alliance in 2016 and was re-elected in 2020. 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 private and public sectors for over 28 years.

2 Marco Amitrano (CME) (E, from 1 July 2020)
Head of Consulting (to 30 June 2020) (Marco became the Head of Clients and Markets from 1 July 2020)
Marco was UK and EMEA Head of Consulting during the year and was previously PwC’s Global and UK Risk Assurance Services Leader. Marco was appointed Head of Clients and Markets on 1 July 2020. He has 28 years of international experience in Advisory and Assurance services, serving major clients in the UK and around the world across a range of industries, including technology, engineering and consumer products. Marco is a Chartered Accountant with the Institute of Chartered Accountants in England and Wales and has also served on the board of British American Business. Prior to joining PwC, he qualified with a Masters degree in Electrical and Electronic Engineering at the University of Newcastle-upon-Tyne and is a graduate of Columbia Business School in New York.

3 Jon Andrews (E, to 30 June 2020)
Head of Technology and Investment
Jon was the UK Firm’s Head of Technology and Investment during the year. He 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 Jon led our People and Organisation Network in the UK and globally. He has worked with clients across several industry sectors including tech, FMCG, financial services, government and pharmaceuticals and has spent time working and living abroad in Kuala Lumpur and Zurich.

4 Kevin Burrowes (CME, E, to 30 June 2020)
Managing Partner - Head of Clients and Markets
Kevin was the UK Firm’s Managing Partner - Head of Clients and Markets during the year. He is also the Global Relationship Partner for a global bank and UK Lead Relationship Partner for a global technology company. Previous roles include the Global Banking & Capital Markets Leader and Financial Services Leader in the UK. Kevin was an audit partner on JP Morgan and Barclays. He has subsequently focused on advising and delivering local and global transformation projects for banks and insurance companies across a broad agenda from strategy, process improvement, controls implementations, Front Office transformations to culture change. His clients have included RBS, UBS, Aviva, Deutsche Bank, 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. Kevin also sits on the UK Government’s GREAT Britain Private Sector Council, which helps to promote British business and set the narrative about the UK.

5 Margaret Cole (E, to 30 June 2020)
Chief Risk Officer and General Counsel
Margaret was the UK firm’s Chief Risk Officer and General Counsel during the year. Prior to joining PwC, Margaret was Managing Director of Enforcement and Financial Crime and a Board member of the FSA. Margaret has over 20 years’ experience in private practice, specialising in commercial litigation with an emphasis on financial services. She was formerly a partner at Stephenson Harwood and White & Case. She is a Trustee of the Institute for Fiscal Studies and graduated from Cambridge with a degree in law. In the last year Margaret has become an independent non-executive director of Toronto Dominion Bank Europe Limited and Toronto Dominion Securities Limited.

6 Ben Higgin (E, from 1 July 2020)
Head of Technology and Investment
Ben is responsible for Technology & Investment. He also works with clients as part of our New world. New skills initiative, working closely with the PwC Network to develop client technology solutions for digital upskilling. Previous roles include leading our Client Assets audit and advisory practice, advising clients on prudential regulation and more recently, leading the work to focus on quality in Audit including organisational design and culture and behavioural change. Ben is a chartered accountant and has spent time seconded to the Department of Trade and Industry as their Accountancy Advisor. He has also spent time working and living in Hong Kong and the US. Ben is an advocate for mental health.
7 Laura Hinton (E)
Chief People Officer
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 became partner in 2008. She is the 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.

8 Hemione Hudson (CME)
Head of Audit
Hemione is PwC’s UK Head of Audit and is a member of the UK Management Board. She has 25 years of experience, having joined PwC in 1995 and became a partner in 2007. She is an auditor and specialises in the banking and capital markets sectors. She has worked with a range of Global, European and UK-based clients.

9 Warwick Hunt (E)
Managing Partner and Chief Operating Officer
Warwick graduated from the University of the Witwatersrand in Johannesburg with a Bachelor of Commerce (with honours) in addition to holding CA (Australia and New Zealand) and CFA (ICAEW) qualifications. He chairs the Management Board’s Investment, International and Partner Matters Committees, in addition to leading the firm’s Finance and Operations functions, and leads the PwC Network’s EMEA Executive Team and sits on the EMEA Leadership Team. 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. In addition to his management responsibilities, Warwick leads the provision of services to a range of clients.

10 Sam Samaratunga (CME)
Head of Risk Assurance
Sam is PwC’s UK Risk Assurance Leader. During his career, Sam has primarily been focused on banking, capital markets and financial services market infrastructure, advising clients on the analysis of risk, control and change within complex information systems. He has specialised in financial services and led client engagements with a range of major banks, clearing houses, regulators and stock exchanges. Sam is a Chartered Accountant with the Institute of Chartered Accountants in England and Wales.

11 Dan Schwarzmann (CME)
Head of Market Initiatives and Industries
Dan has been a Partner since 1998 and involved in company restructuring and insolvency work from 1990 with a focus on Financial Services, acting on high profile companies such as Lehman. Prior to becoming responsible for Market Initiatives & Industries in July 2016, he spent two years on the Executive Board and was also responsible for the Business Recovery Services team for six years. He has a Masters degree in Business Administration from City University and is a member of the Institute of Chartered Accountants in England and Wales.

12 Carl Sizer (CME, from 1 July 2020)
Head of Regions
Carl graduated from Birmingham University and joined the firm in 1999, making Partner in 2009. Prior to joining the Management Board as Head of Regions on 1 July 2020, Carl has been focussed in the Financial Services sector most recently leading the growth in our Midlands Financial Services practice and for the last year has been responsible for the National Banking & Capital Markets Audit practice. Carl has worked with a number of our global clients and spent two years in the Banking and Capital Markets practice in New York. Externally, Carl is a member of the Institute of Chartered Accountants in England and Wales, where he has previously served as deputy chairman of the Learning and Professional Development Board and is also a member of the Institute of Chartered Accountants in Scotland.

13 Alison Statham (E, from 1 July 2020)
Chief Risk Officer and General Counsel
Alison is the UK firm’s Chief Risk Officer and General Counsel. Before joining the Management Board, she was the firm’s Deputy General Counsel overseeing a wide range of commercial, risk, regulatory, governance and other practice issues. Prior to joining PwC, Alison qualified as a solicitor at Linklaters and worked in private practice specialising in commercial litigation with an emphasis on professional services. She graduated from King’s College London with a degree in law and holds a Masters in International Business Law.

14 Paul Terrington (CME)
Head of Regions (to 30 June 2020)
(Paul became the Head of Consulting from 1 July 2020)
Paul was the UK Firm’s Head of Regions during the year and became the Head of Consulting on 1 July 2020. He was also Regional Chairman of PwC in Northern Ireland from 2011 to 2020 and led the establishment and growth of our Belfast office as an innovation, technology and service delivery hub for the firm in the UK and globally. It is now our largest office outside London, with over 2,300 people. Paul holds an LLB (Hons) Degree in Law from University of Reading and a Postgraduate Diploma in HR Management from University of Ulster. His client-facing background is in large-scale public sector transformation programmes and organisational governance and change across private businesses. He is a member of the Council of the Institute of Directors in the UK and past Chair of Institute of Directors in Northern Ireland. He is currently Chair of Ulster Rugby management Committee and previous Chair of NI Hospice capital appeal fund. He is now a Northern Ireland Hospice Ambassador.

15 Marissa Thomas (CME)
Head of Tax
Marissa is PwC’s UK Tax Leader. Marissa has over 22 years’ experience of advising private equity, sovereign investors and large corporate clients on tax related matters on transactions. Including advice on investment structures, due diligence and various aspects of fund manager set-up and ongoing operation. Prior to moving into her current role, Marissa’s role on the Management Board was leading the UK Deals business. Previous roles held include leader of the UK private equity and sovereign wealth / investment fund business, and Clients and Markets Leader for Tax.

16 Ken Walsh (CME)
Head of Deals
Ken is PwC’s UK Deals Leader. Ken has over 23 years’ experience of working with larger private equity and corporate clients in buying and selling businesses in the UK, Continental Europe and North America. Ken joined the firm in 1990 on the graduate training program, in Jersey and qualified as a chartered accountant (ICAEW). He subsequently completed a three year secondment in Toronto. Ken has been a Partner in the UK Transaction Services business since 2004. Along with a strong client focus, Ken has been the Chief Operating Officer for Deals and People Leader for Transaction Services. As UK Deals Leader, Ken leads and is responsible for our Transaction Services, Corporate Finance, Forensics and Restructuring businesses.
### Management Board FY20 Meeting Attendance

<table>
<thead>
<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Kevin Ellis</td>
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<td>10</td>
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<td>Marco Amitrano</td>
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<tr>
<td>Jon Andrews*</td>
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<td>Kevin Burrowes*</td>
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<td>Margaret Cole*</td>
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<td>Laura Hinton</td>
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<td>Hermione Hudson</td>
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<td>Warwick Hunt</td>
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<td>Sam Samaratunga</td>
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<td>Dan Schwarzmann</td>
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<td>Paul Terrington</td>
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<td>Marissa Thomas</td>
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<tr>
<td>Ken Walsh</td>
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</tbody>
</table>

A = Number of meetings held in the year  
B = Number of meetings actually attended.

*Jon Andrews, Kevin Burrowes and Margaret Cole were appointed to the Management Board and Executive Board until 30 June 2020. Ben Higgin, Carl Sizer and Alison Statham were appointed to the Management Board with effect from 1 July 2020. Marco Amitrano, Ben Higgin and Alison Statham were also appointed to the Executive Board with effect from 1 July 2020.

### Executive Board FY20 Meeting Attendance

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<tr>
<th>Name</th>
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<tr>
<td>Kevin Ellis</td>
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<td>Laura Hinton</td>
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<td>Warwick Hunt</td>
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<tr>
<td>Margaret Cole</td>
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</table>
The Supervisory Board

The following partners have served as members of the SB during FY20

1 Chris Burns* – Chair (elected to the SB on 1 January 2017, elected as Chair of the SB on 18 January 2019)

Chris was elected Chair of the UK Supervisory Board from 18 January 2019, became Chair of the Alliance Supervisory Board on 9 May 2019 and is a member of the Talent and Remuneration Committee and the firm’s Public Interest Body. He is an Audit partner based in London with lead responsibility for a portfolio of listed clients, having joined the firm in 1992 and becoming a partner in 2005. Chris is also a Global Board member of the international PwC Network.

2 Dave Allen (initially elected to the SB on 1 January 2013 and retired from the firm on 30 September 2020)

Dave was 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 was a member of the Partner Affairs Committee and Talent and Remuneration Committee and was re-elected onto the Supervisory Board on 1 January 2017. Dave was a member of the PwC Middle East Board and Alliance Supervisory Board until January 2020.

3 Glen Babcock (elected to the SB on 1 January 2019)

Glen is a Deals partner in Business Recovery Services with experience in legal entity and operational restructuring, cost reduction and cash generation. Glen works with local and international clients across all sectors and industries. He joined the firm in San Francisco in 1993 and became a partner in the UK in 2007. Glen was elected to the Supervisory Board on 1 January 2019 and was appointed Chair of the Country Admissions Committee on 5 February 2019 and is also a member of the Partner Affairs Committee and Talent and Remuneration Committee.

4 Pauline Campbell (initially elected to the SB on 1 January 2010 and stepped down from the SB on 31 March 2020)

Pauline is an Audit partner in Audit Risk & Quality. She joined the firm in 1985 and became a partner in 1996. She became a member of the Global Board, the body responsible for the governance of the PwC Network, in April 2017. Pauline was a member of the PIB from its inception until 31 December 2018 and was also a member of the Audit and Risk Committee until 31 December 2018.

5 Stuart Hatcher (elected to the SB on 1 January 2019 and retired from the firm on 31 May 2020)

Stuart was a solicitor and partner within PwC’s legal business. He first joined the firm in 1999, leaving in 2004 and re-joining in 2007, and retired from the firm on 31 May 2020. He became a partner in PwC’s then legal business in 2013 and formally a partner in PwC LLP in 2016 when the legal business was combined with PwC LLP. He was elected to the Supervisory Board with effect from 1 January 2019 and was a member of the Audit Committee and the Risk Committee until he retired from the firm on 31 May 2020.

6 David Kenmir (elected to the SB on 8 May 2019)

David is a Risk Assurance partner specialising in the authorisation and operationalisation of new Bank start-ups. He is a member of PwC’s Financial Services Risk and Regulation practice. He joined the firm in 2010 and became a partner in 2011. He was elected to the Supervisory Board on 8 May 2019 and is a member of the Audit Committee and Partner Affairs Committee.

7 Andy Key (elected to the SB on 1 January 2019)

Andy is a Consulting partner with experience primarily across aerospace, defence and security clients in the public and private sector. He was part of PwC’s management consulting practice from 1995-2000, spent five years growing technology start-up businesses, then rejoined the firm in 2005. Andy was admitted to the partnership in 2009 and is now a member of our Government & Public Sector leadership team with a range of client and market responsibilities.

He was elected to the Supervisory Board from 1 January 2019 and is a member of the Audit Committee and Risk Committee. Andy is also a member of the Board of PwC Middle East and Alliance Supervisory Board.

8 Mary Monfries* (elected to the SB on 1 January 2017)

Mary is a Private Client Tax partner in London. She joined the firm in 1989, training in audit, 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 & Private Client and then leading across the firm’s tax line of service on policy, reputation and regulation. She led the UK firm’s Private Client practice until handing over that role in November 2019 and has led our thinking on tax reputation for PwC’s global tax network for six years leading up to 30 June 2020. 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, has been the Chair of the Talent and Remuneration Committee since that time and was appointed Deputy Chair of the Supervisory Board on 5 February 2019. Mary was also a member of the Alliance Senior Partner Election Committee in 2019/20 leading up to Kevin Ellis’ re-election.

9 Teresa Owusu-Adjei* (elected to the SB on 1 January 2017)

Teresa is a Financial Services 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 and was formerly the Supervisory Board engagement and communication leader and also a member of the Partner Affairs Committee. Teresa was appointed Chair of the Partner Affairs Committee on 5 February 2019.

10 Zafar Patel* (elected to the SB on 1 January 2017)

Zafar is a Tax partner in London specialising in deals, infrastructure and restructuring. He joined the firm in 1989 and became a partner in 2001. Zafar joined the Supervisory Board on 1 January 2017 and was a member of the Risk Committee and became Protector of the PwC Channel Islands partners from 2 April 2019. Zafar is a member of the Partner Savings governance Committee and has also joined the Partner Affairs Committee this year.

11 Duncan Skailes (initially elected to the SB on 1 January 2007)

Duncan is a Deals partner in London. He joined the firm in 1987 and became a partner in 1999. Duncan rejoined 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 is a member of the PwC Middle East Board and Alliance Supervisory Board.

12 Lorna Ward (elected to the SB on 1 January 2019)

Lorna is a Consulting partner specialising in Retail and Consumer Products industries based in Bristol. She joined the firm in 2011 and became a partner in 2015. She joined the Supervisory Board on 1 January 2019 and is a member of the Partner Affairs Committee and was appointed the SB engagement and communications leader on 5 February 2019.

13 Kenny Wilson (elected to the SB on 4 April 2019)

Kenny is an Audit partner with experience of working with both listed and privately owned companies. He joined the firm in 1993 and became a partner in 2007. Kenny joined the Supervisory Board on 4 April 2019 and was appointed Chair of the Audit Committee and is a member of the Risk Committee.

14 Kate Wolstenholme (elected to the SB on 1 January 2019)

Kate is an Audit partner based in London. Kate leads our Law Firms Advisory Group and has a particular focus on professional partnerships. She joined the firm in 1991 and became a partner in 2011. Kate joined the Supervisory Board on 1 January 2019, was appointed Chair of the Risk Committee on 5 February 2019, and is also a member of the Audit Committee and the firm’s Public Interest Body.

15 Kevin Ellis (elected to the SB as Alliance Senior Partner on 1 July 2016 and re-elected on 1 July 2020)

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

Those marked with an asterisk will serve until 31 December 2020, and the others until 31 December 2022. Ex officio members of the SB are the Senior Partner (Kevin Ellis), Pauline Campbell (to 31 March 2020) and Duncan Skailes, as members of the Global Board.
## Supervisory Board FY20 Meeting Attendance

<table>
<thead>
<tr>
<th>Name</th>
<th>Length of Service</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris Burns</td>
<td>3 years, 6 months</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Dave Allen</td>
<td>7 years, 6 months</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Glen Babock</td>
<td>1 year, 6 months</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Pauline Campbell †</td>
<td>10 years, 3 months</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Stuart Hatcher ††</td>
<td>1 year, 5 months</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>David Kenmir</td>
<td>1 year, 2 months</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Andy Key</td>
<td>1 year, 6 months</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>Mary Monfries</td>
<td>3 years, 6 months</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Teresa Owusu-Adjei</td>
<td>3 years, 6 months</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Zafar Patel</td>
<td>3 years, 6 months</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Duncan Skailes</td>
<td>8 years, 2 months</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Lorna Ward</td>
<td>1 year, 6 months</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>Kenny Wilson</td>
<td>1 year, 3 months</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Kate Wolstenholme</td>
<td>1 year, 6 months</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Kevin Ellis †††</td>
<td>4 years</td>
<td>14</td>
<td>10</td>
</tr>
</tbody>
</table>

A = Maximum number of formal meetings which could have been attended. In addition to this number, there were a further eight meetings held for the purpose of considering certain partner matters, an awayday meeting, and a meeting to consider the Alliance Senior Partner election. There was also an informal meeting held jointly with the PIB.

B = Number of meetings actually attended.

† Pauline Campbell was appointed as an ex officio SB member and stood down from the SB on 31 March 2020.

†† Stuart Hatcher stood down from the SB on 31 May 2020.

††† Kevin Ellis is appointed as an ex officio SB member and does not typically attend SB meetings convened on an ad hoc basis, including meetings concerning partner matters.
Public Interest Body (PIB)

The Public Interest Body (PIB) comprises Independent Non-Executives and, as at 30 June 2020, four representatives from the firm (two from the Management Board and two from the Supervisory Board).

1 Dame Fiona Kendrick DBE (appointed as Chair of the PIB on 1 January 2020)

Fiona Kendrick, former Chairman and CEO of Nestlé UK&I, is Chair of the PwC Public Interest Body and is Deputy Chair of the Institute for Apprenticeships Board. Fiona is an advisor for Newton Europe and for Innovate UK, and sits on the Productivity Leadership Council for the Government. Having started her career initially in teaching, Fiona joined Nestlé UK in 1980 in a commercial role, and spent her working life with Nestlé in key strategic roles in the UK market as well as at global level. Fiona led Nestlé’s global coffee business for 5 years in Switzerland. Fiona has a personal passion for the youth employment and skills agenda, and has led a number of lighthouse projects in this area both for Industry and Government. Fiona was a UK Commissioner for Employment and Skills and played a lead role in supporting the development and delivery of strategies for skills and employment across the four UK nations. Fiona was President of the Food and Drink Federation, the association that represents the UK food and drink manufacturing industry (2015-2017). She previously led the F&D sector’s skills and competitiveness agenda and co-chaired the UK Food and Drink Export Forum. In the 2015 New Year’s Honors’ list Fiona was created Dame Commander of the British Empire for services to the food industry and support for skills and opportunities for young people. In recognition of services to the food and drink industry and young people’s employment and skills, Fiona has been awarded honorary degrees by Sheffield Hallam University, York University and Warwick University. Fiona has been awarded the Chartered Management Institute Gold Medal for Leadership 2017.

2 Lord Gus O’Donnell (stepped down from the PIB on 31 December 2019)

Lord Gus O’Donnell was the Chair of the PIB until stepping down in December 2019 and has held a number of positions including 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. 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.

3 Samantha Barrass (stepped down from the PIB on 30 November 2019)

Samantha Barrass was appointed on 1 July 2018 and stepped down from the PIB in November 2019. She was appointed the Chief Executive of the Business Banking Resolution Service in December 2019. Samantha was previously the Chief Executive Officer of the Gibraltar Financial Services Commission and an Executive Director at the Solicitors Regulatory Authority (SRA). Prior to the SRA, Samantha’s career included 10 years with the Financial Services Authority and five years as a Director at the London Investment Banking Association.

4 Sir Ian Gibson CBE

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. Sir Ian stepped down from the PIB in April 2014, but was later reappointed to the Body in May 2015. These are considered two separate terms of office.

5. Justin King

Justin King is an operational leader with over 30 years of experience at leading customer-facing businesses, including Sainsbury’s, Marks & Spencer, Asda, Hilagen-Dazs, PepsiCo and Mars. 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 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. He is currently Vice Chairman and serves as a non-executive director of Annington and of EverPower. Justin became a non-executive director of Marks and Spencer Group plc in January 2019 and was appointed as a senior adviser by Abrato Capital, the Investment Advisor to Supermarket Income REIT Plc, in March 2019. He recently launched, and now chairs, the Made by Sport charity, which champions the

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power of sport to change young lives. In 2011, Justin was awarded CBE (Commander of the British Empire) for his services to the retail industry.

6 Victoria Raffé (appointed to the PIB on 26 February 2020)

Victoria Raffé is a former Director of Authorisations director and Executive Committee member of the Financial Conduct Authority, where she held a number of leadership roles during a 20 year career with the regulator and its predecessor the Financial Services Authority. Since leaving the FCA in 2015 Victoria has focused on non-executive roles in the financial services and technology sectors and currently holds a number of executive director positions, including non-executive director of Starling Bank.

7 Philip Rycroft CB (appointed to the PIB on 26 February 2020)

During a 30 year career, Philip held senior leadership positions in departments such as the Cabinet Office, Office for the Deputy Prime Minister, Department for Business, Innovation and Skills and the Scottish Executive. Most recently Philip was Permanent Secretary for the Department for Exiting the EU before retiring from the Civil Service in 2019.

8 Paul Skinner CBE (stepped down from the PIB on 30 September 2019)

Paul Skinner stepped down from the PIB in September 2019. Paul served a 5 year term as Chairman of Defence Equipment and Support, a trading entity within the Ministry of Defence responsible for defence procurement and related support activities, and was a member of the Defence Board of MoD. 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.

PIB – INE appointment process

The Independent Non-Executives are nominated by the Senior Partner and approved by the Supervisory Board. Each INE 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 INEs are not coterminous, to facilitate rotation in future years. Each INE letter of appointment includes obligations and restrictions on the INEs in order to ensure they remain independent of the firm. In developing these conditions, the firm considered the Audit Firm Governance Code, issued by the Financial Reporting Council, and the FRC’s Ethical Standard, as well as considering what a reasonable third party would expect of an Independent Non-Executive. The firm’s criteria for assessing the independence of an INE from the firm include whether an INE holds any relationships with the firm and its owners, which may be inconsistent with principle C.2 of the AFGC. The length of the term served by the INE is also taken into consideration, with any term in excess of nine years being subject to rigorous review.

Each INE has to go through a thorough independence check and clearance process before they can be appointed. Under the letter of appointment, an INE must comply with certain prohibitions in respect of their financial interests and relationships, including employment relationships, and these form a key aspect of the firm’s criteria for assessing the independence of an INE from the firm’s audit clients. As part of these prohibitions, an INE or an immediate family member must not control or have significant influence over an audit client of the firm or another PwC firm, or any of its related entities. In the case of an SEC restricted entity, an INE or an immediate family member must not own more than 5% of the outstanding equity securities of that entity. An INE must not be employed by an audit client of the firm or any of its related entities, nor serve as a director (or similar position) of such an entity. An INE must not have an immediate family member who is a director or officer or is employed in a senior executive position with an SEC audit client or any of its related entities. INEs also must not promote, deal in, or underwrite any securities issued by an audit client of the firm or another PwC firm. Each INE must confirm compliance with the letter of appointment in respect of their financial, business and personal relationships before being appointed and, thereafter, annually.

During the year, Sir Ian Gibson was reappointed and an INE and as a member of the PIB, which will mean that his tenure as an INE will exceed nine years during the course of FY21. The SB and the PIB carefully reviewed Sir Ian’s reappointment and were of the view that it would not affect his independent status.

<table>
<thead>
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<td>Samantha Barrass</td>
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<td>Sir Ian Gibson CBE</td>
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<tr>
<td>Justin King CBE</td>
</tr>
<tr>
<td>Victoria Raffé</td>
</tr>
<tr>
<td>Philip Rycroft CB</td>
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<tr>
<td>Paul Skinner</td>
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<tr>
<td>Kevin Ellis</td>
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<tr>
<td>Chris Burns</td>
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<tr>
<td>Hermione Hudson</td>
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<tr>
<td>Kate Wolstenholme</td>
</tr>
</tbody>
</table>

A = Maximum number of formal meetings that could have been attended.  
B = Number of meetings actually attended.
Appendix 2 - The PwC Network

At PwC, our purpose is to build trust in society and solve important problems. We're a Network of firms in 155 countries with more than 284,000 people who are committed to delivering quality in assurance, advisory and tax services. We are committed to drive a strong culture of quality and excellence that is core to our purpose. PwC is the brand under which the member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. Together, these firms form the PwC Network. ‘PwC’ is often used to refer either to individual firms within the PwC Network or to several or all of them collectively.

In many parts of the world, accounting firms are required by law to be locally owned and independent. Although regulatory attitudes on this issue are changing, PwC member firms do not and cannot currently operate as a corporate multinational. The PwC Network is not a global partnership, a single firm, or a multinational corporation.

For these reasons, the PwC Network consists of firms which are separate legal entities.

PricewaterhouseCoopers International Limited

The firms that make up the Network are committed to working together to provide quality service offerings for clients throughout the world. Firms in the PwC Network are members in, or have connections to, PricewaterhouseCoopers International Limited (PwCIL), an English private company limited by guarantee. PwCIL does not practice accountancy or provide services to third parties. Rather its purpose is to act as a coordinating entity for member firms in the PwC Network. Focusing on key areas such as strategy, brand, and risk and quality, the Network Leadership Team and Board of PwCIL develop and implement policies and initiatives to achieve a common and coordinated approach amongst individual member firms where appropriate. Member firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC Network. In addition, member firms may draw upon the resources of other member firms and/or secure the provision of professional services by other member firms and/or other entities. In return, member firms are bound to abide by certain common policies and to maintain the standards of the PwC Network as put forward by PwCIL.

The PwC Network is not one international partnership and PwC member firms are not otherwise legal partners with each other. Many of the member firms have legally registered names which contain “PricewaterhouseCoopers”, however there is no ownership by PwCIL. A member firm cannot act as agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm, and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control member firms’ exercise of professional judgement.

The governance bodies of PwCIL are:

- Global Board, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of Network standards. The Board does not have an external role. Board members are elected by partners from all PwC firms around the world every four years.

- Network Leadership Team, which is responsible for setting the overall strategy for the PwC Network and the standards to which the PwC firms agree to adhere.

- Strategy Council, which is made up of the leaders of the largest PwC firms and regions of the Network, agrees on the strategic direction of the Network and facilitates alignment for the execution of strategy.

- Global Leadership Team is appointed by and reports to the Network Leadership Team and the Chairman of the PwC Network. Its members are responsible for leading teams drawn from Network firms to coordinate activities across all areas of our business.

The Senior Partner of PwC UK is a member of the Strategy Council and maintains our relationships with the Network Leadership Team.
Appendix 3 - Ethics, independence and objectivity

Ethics and professional conduct

At PwC, we adhere to the fundamental principles of both the International Ethics Standards Board for Accountants (IESBA) and the ICAEW Codes of Ethics for Professional Accountants, which are:

i. Integrity - to be straightforward and honest in all professional and business relationships.

ii. Objectivity - to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.

iii. Professional Competence and Due Care - to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.

iv. Confidentiality - to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.

v. Professional Behaviour - to comply with relevant laws and regulations and avoid any action that discredits the profession.

In addition, the PwC Network Standards applicable to all PwC Network firms cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/fair competition, anti-corruption, information protection, firm’s and partner’s taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding for the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC Network and leadership in PwC UK monitors compliance with these obligations.

In addition to the PwC Values (Act with Integrity, Make a difference, Care, Work together, Reimagine the possible) and PwC Purpose, PwC UK has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals - behaviours that will enable us to build public trust. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal - to do the right thing.

Upon hiring or admittance, all staff and partners of PwC UK are provided with the PwC Code of Conduct. They are expected to live by the values expressed in the Code of Conduct in the course of their professional careers and have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing behaviours inconsistent with the Code of Conduct. PwC UK has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

The PwC Code of Conduct 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. The PwC Code of Conduct can be found at www.pwc.co.uk/who-we-are/code-of-conduct.html

Further information on how PwC UK takes the global Code of Conduct and other resources and adapts them for local requirements and policies is included below.

Speak up helpline

PwC UK has an anonymous and confidential 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.

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. In addition, third parties may also call the Speak Up helpline.

The Speak Up helpline number for partners, staff and third parties is 020 721 25233. 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 Alison Statham, the Management Board member responsible for Risk and Quality, Compliance and Corporate Affairs, and there are annual updates provided to the firm’s Public Interest Body and the Audit and the Risk Committees of the Supervisory Board.

Anti-bribery
We are opposed to bribery in any form. The PwC 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 and disciplinary procedures if bribery is detected, are in place.

Preventing facilitation of tax evasion
We are opposed to tax evasion and the facilitation of tax evasion. In accordance with the PwC Code of Conduct, it is unacceptable for anyone providing services for or on behalf of PwC to evade tax or to facilitate tax evasion. Policies, training and procedures designed to prevent the facilitation of tax evasion are in place.

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.

We take the protection of confidential and personal data very seriously. The firm’s Managing Partner and Chief Operating Officer, Warwick Hunt, is the Management Board member responsible for information security. In this role he is supported by the Cyber Committee, and the Information Management Steering Committee, which are responsible for providing oversight, policy and strategic direction on information risk and cyber security matters.

Membership of the Committees comprises representatives from Risk and Quality, Office of General Counsel, Network Information Security, Information Technology and the Lines of Service. These committees’ objectives are to:

a. Provide overall governance and oversight of the Information Management programme;

b. Act as an approval body for Information Management policies and procedures;

c. Agree and allocate Information Management accountability and responsibilities;

d. Identify and initiate Information Management remediation projects; and

e. Monitor progress of the Information Management programme.

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. We also have in place an accountability framework and the appropriate technical and organisation measures to promote compliance with the EU General Data Protection Regulation (GDPR), and other relevant worldwide data protection regulation.

We are registered with the UK Data Protection authority. Our registration can be seen on The Information Commissioner’s Office website under reference Z7488412. Our standard privacy notice is available to
the public at https://www.pwc.co.uk/who-we-are/privacy-statement.html. 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; and
- appropriate classification of data confidentiality to ensure it is appropriately handled.

Our policies and procedures include:

- encryption of all the firm’s laptops, PCs and removable media;
- secure and PwC managed apps for data accessed by mobile devices;
- software restricting the use of removable media;
- data is appropriately classified to ensure correct handling of data;
- access to engagement files – both electronic and hard copy paper files – is restricted to those with a ‘need to know’ and is regularly reviewed to ensure that such access remains appropriate;
- data is regularly backed up on individual laptops and PCs;
- secure workspace policy – including clear-desk, in our offices, if working from home, 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; and
- 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.

**Objectivity and Independence**

As auditors of financial statements and providers of other types of professional services, PwC member firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance engagements, including audits, independence underpins these requirements. Compliance with these principles is fundamental to serving the capital markets and our stakeholders.

The PwC Global Independence Policy, which is based on the IESBA International Code of Ethics for Professional Accountants, including International Independence Standards, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from entities, where necessary.

PwC UK has a designated partner (known as the ‘Partner Responsible for Independence’ or ‘PRI’) with appropriate seniority and standard, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a team of independence specialists. The PRI reports directly to the Chief Risk Officer and General Counsel, Alison Statham, a member of the firm’s Executive Board.

In addition, there is a Network Risk Management Policy governing the independence requirements related to the rotation of key audit partners.

These policies and processes are designed to help PwC comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Policies and supporting guidance are reviewed and revised when changes arise such as updates to laws and regulations or in response to operational matters.

PwC UK supplements the PwC Network Independence Policy as required by relevant requirements issued by UK professional
bodies such as the Ethical Standard issued by the Financial Reporting Council (FRC) in relation to audits of UK incorporated entities and their related entities. PwC UK also supplement the Network Independence Policy to include the independence requirements of the United States Securities and Exchange Commission and those of the Public Accounting Oversight Board of the United States and of the EU Audit Regulation where they are more restrictive than the Network’s policy.

Independence policies and practices

Our Independence Policy covers, among others, the following areas:

- Personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. 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 entities PwC audits and their related entities;
- Business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business;
- Acceptance of new audit and assurance engagements, and the subsequent acceptance of non-assurance services for audited entities; and
- The rotation of audit engagement personnel.

Independence related systems and tools

As a member of the PwC Network, PwC UK has access to a number of systems and tools which support PwC member firms and their personnel in executing and complying with our independence policies and procedures. These include:

- The Central Entity Service (CES), which contains information about corporate entities including public interest entities and SEC restricted entities and their related securities. CES assists in determining the independence restriction status of entities audited by a member firm and those of audited by other PwC member firms before entering into a new non-audit engagement or business relationship. This system also feeds Independence Checkpoint and Authorisation for Services;
- ‘Independence Checkpoint’ which facilitates the pre-clearance of publicly traded securities by all partners and practice managers before acquisition and records their subsequent purchases and disposals. Where a PwC member firm wins a new audit, this system automatically informs those holding securities in that entity of the requirement to sell the security where required;
- Authorisation for Services (AFS) which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, regarding a proposed non-audit service, documenting the analysis of any potential independence threats created by the service and proposed safeguards, where deemed necessary, and acts as a record of the audit partner’s conclusion on the permissibility of the service; and
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory).

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. It also tracks entities subject to the mandatory firm rotation rules and calculates when we are required to rotate off an audit engagement; and
- 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.
Independence 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 leads to disciplinary action being taken. Additionally, face-to-face training is delivered by the firm’s independence specialists and Risk Management teams, as required. Prior to the COVID-19 pandemic, the independence team also regularly visited PwC offices to provide briefings and drop in sessions to advise on specific issues Partners and staff may have.

All partners and practice staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the member firm’s independence policy, including their own personal independence. In addition, all partners and directors confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required 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.

Independence monitoring and disciplinary policy

PwC UK is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, we perform:

• Engagement reviews to confirm compliance with the firm’s risk management procedures, including independence;
• Compliance testing of independence controls and processes;
• Procedures to review partners at least once every 5 years (3 years for those in the chain of command), as well as procedures to review a selection of staff and all partner candidates, as a means of monitoring compliance with independence policies;
• central monitoring of independence KPIs; and annual assessment of the firm’s adherence to the PwC Network’s risk management standard for independence; and
• An annual assessment of the member firm’s adherence with the PwC Network’s Standard relating to independence.

The results of the firm’s monitoring and testing are reported to the Executive Board at the end of each quarter, and any partner independence breaches are reported to the Partner Affairs Committee.

Our firmwide procedures are also subject to an annual review by the FRC and a triennial review by the PCAOB, and any potential issues or recommendations arising from these reviews are carefully considered and action taken in order to address them.

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 up to and including dismissal.

PwC UK has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

This would include discussion with the entity’s audit committee regarding the nature of the breach, an evaluation of the impact of the breach on the independence of the member firm and the need for safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. Supplemental UK-specific breach reporting is also conducted as set out in section 11 of this report. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in systems and processes and for additional guidance and training.

Based on the reviews outlined above, we confirm that we have conducted an internal review of independence practices during the year ended 30 June 2020. Actions are developed to respond to issues identified by our internal review processes or external regulatory inspections.

Engagement leader, Quality Review Partner (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 engagement 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 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 are engagement leaders on any material component of an EU PIE group that are involved in the group audit.

For all other entities our policy sets tenure for engagement leader, QRP and key audit partner at a maximum of ten years with a two year cooling off period.
Appendix 4 - Our people

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.

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 talented 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:

<table>
<thead>
<tr>
<th>Across the firm in FY20, we recruited:</th>
<th>We invested in a range of approaches to recruit talented students at any stage of their academic life. In FY20, places offered included:</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,517</td>
<td>115 FT and 388 shorter placements</td>
</tr>
<tr>
<td>FY19: 5,084 New people, including:</td>
<td>FY19: 109 FT and 376 shorter placements</td>
</tr>
<tr>
<td>1,534</td>
<td>Students in our degree partnership with the ICAEW and the Universities of Newcastle, Nottingham and Reading</td>
</tr>
<tr>
<td>FY19: 1,345 Graduates and school leavers</td>
<td>172</td>
</tr>
<tr>
<td>FY19: 201 school leavers, including Higher apprentices, into full time paid and professional roles</td>
<td></td>
</tr>
<tr>
<td>FY19: 536 Paid intern and placement opportunities for students</td>
<td></td>
</tr>
</tbody>
</table>

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 and any previous employment 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 into our organisation.

The PwC Professional

The PwC Professional is our global leadership development framework. It supports the development and career progression of our staff by providing a single set of expectations across all lines of service, geographies, and roles; outlining the capabilities needed to thrive as purpose-led and values-driven leaders at every level.

Our purpose and values are the foundation of our success. Our purpose is to build trust in society and solve important problems, and our values help us deliver on that purpose. 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. This forms the foundation of our system of quality management and permeates how we operate, including guiding our leadership actions, and how we build trust in how we do business, with each other and in our communities.
When working with our clients and our colleagues to build trust in society and solve important problems, we:
- Act with integrity
- Make a difference
- Care
- Work together
- Reimagine the possible

Key messages are communicated to our firm by our Senior Partner and our leadership team and are reinforced by engagement partners. These communications focus on what we do well and actions we can take to make enhancements. We track whether our people believe that our leaders’ messaging conveys the importance of quality to the success of our firm. Based on this tracking, we are confident our people understand our audit quality objectives.

Delivering service of the highest quality is core to our purpose and our audit strategy, the focus of which is to strengthen trust and transparency in the entities we audit, in the capital markets and wider society.

The learner journey

Our PwC Professional career progression framework underpins a training curriculum which provides a wealth of opportunities for our people to learn and develop. An individual’s development journey starts when they join the firm and continues throughout their career, tailored to the grade, role and experience. Training is generally a combination of remote access training and classroom training. Remediation options are available where learners are (in exceptional circumstances) unable to attend planned classroom training.

The firm’s core mandatory audit training is categorised into pre-qualified pathways and a post-qualified curriculum and covers both technical and skills content. Experienced hires follow a defined series of onboarding activities prior to joining the post-qualified curriculum. Core audit training is supplemented by a US and industry curricula for those individuals deployed on such engagements. Certain roles also require specific additional training, such as Quality Review Partners. All mandatory training is tracked and compliance of all staff and partners is closely monitored. Sanctions apply for non-completion up to and including dismissal.
Embedded throughout the audit technical training are the Audit behaviours of Team first, Challenge and be open to challenge and Take Pride, as we recognise the importance of creating a culture which best supports audit quality.

Mandatory audit training is further supplemented by firmwide training e.g. annual risk and quality update training spanning matters relating to compliance, independence and ethics, and our milestone, leadership and talent programmes, localised training through the Chief Auditor Network and a wealth of non-mandatory training assets available to learners to help them navigate their learner journey.

We actively encourage individuals to take personal responsibility for their own development needs and engage with their peers and career coaches to take learning beyond the classroom. Our learning management system, Vantage, which was launched in 2018, provides a personalised, holistic learning experience, from the initial search through to managing and tracking learning. Vantage allows individuals to access internal learning and other curated content, as well as to create and share playlists with others, and actively manage their learner pathway and training.

Much of the training on Vantage is mobile-enabled and can be completed at any time and when on the move. We have a “You’re Learning” initiative which pushes topic-based playlists of non-mandatory content to individuals to explore each month - these cover both technical and skills elements. These playlists are agreed with the business and scheduled to align with other activities in the practice, for example the August 2020 posting focused on goal setting with the deadline for the start of the performance period being 31 August 2020.

In addition to formal and informal learning activities, our people further hone their technical knowledge and professional skills through practical experience and coaching. We recognise that learning from others as part of performing our day-to-day roles is incredibly powerful. We deploy people to engagements and projects to support continuous development. Each engagement leader is responsible for building a team with appropriate professional competence and experience, and also to provide growth opportunities through sharing experiences across the team, coaching and supervision.

The learning that comes from on-the-job experience, coaching and training programmes 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 Career Coach assigned to them, who supports them with career planning and development. The Career Coach supports individuals through the performance management process; reflecting on feedback received; understanding their individuals’ unique strengths and areas for development; and exploring opportunities for growth and progression. The Career Coach is a critical role and there is a raft of guidance and training available to Career Coaches to support them to confidently lead our people through change and navigate the development changes identified by their people.

All employees also have access to our in-house Careers Service. The Careers Service consists of a team of professional 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. This service will typically offer individual employees the opportunity to 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.

**Investment in training**

In a world with continued political, economic, technological and regulatory change, it is critical that we continue to focus on our people and their professional development. We recognise that our people are key to delivering exceptional client service and performing high quality audits and we continue to invest in them to support consistent delivery in an environment that has a culture of challenge at its heart.

Our people develop technical knowledge and professional skills through practical experience, coaching, and from formal and informal learning activities. Personal responsibility for ongoing development is encouraged, with individuals in the firm supported by their career coach.
Our investment in training is set out in the below table:

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019 (Calendar year)</th>
<th>2018 (Calendar year)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The minimum structured training hours provided to qualified audit</td>
<td>25 hours per person</td>
<td>21 hours per person</td>
<td>Increased minimum training hours is due to the investment in the External Auditor Training (EAT) programme. Not only was there an investment in the total number of hours of training, as highlighted here, there was a shift in 2019 toward bringing more of the overall programme into the classroom, in an effort to create a more effective learning environment, with dedicated time for training and more opportunities to share experiences with and learn from other auditors.</td>
</tr>
<tr>
<td>partners and staff within the annual mandatory audit, accounting and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>compliance update programme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The range of possible structured mandatory training hours required to</td>
<td>25–129 hours per</td>
<td>21–118 hours per</td>
<td>Both minimum and maximum hours increased, as expected. The change on maximum possible structured mandatory training hours is more than the minimum level.</td>
</tr>
<tr>
<td>be completed by qualified audit partners and staff based on their</td>
<td>person</td>
<td>person</td>
<td>Items included in the maximum hours relate to those which are grade or role specific (as opposed to applying to the whole population) and there are a number of additional increments in 2019 which have resulted in an overall increase to the hours per person:</td>
</tr>
<tr>
<td>grade, experience and role (defined by their learner profile</td>
<td></td>
<td></td>
<td>• New modules were introduced into the Experienced Joiners (EJs) program to fill gaps identified in training needs, such as introduction to UK GAAP for all new joiners; and</td>
</tr>
<tr>
<td>responses)</td>
<td></td>
<td></td>
<td>• New financial services content, such as the Asset Wealth Management introductory elearn, was introduced in 2019.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Minor reductions in the US curriculum and some elements of government and public sector work have been offset in full by the increases seen across all other curricula, reflective of the overall investment made in training.</td>
</tr>
<tr>
<td>The average time charged to training time codes by qualified</td>
<td>114 hours per person</td>
<td>94 hours per person</td>
<td>Increase in average hours is driven by increase in qualified technical training in 2019, with the extension of the External Auditor Training (EAT) programme, increased experienced hires training and an expansion of the target audience for HPC training (to all partners), increased investment in heads within Audit and the introduction of Stratosphere for Senior Managers.</td>
</tr>
<tr>
<td>(and equivalent grade) partners and staff in Audit during the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>calendar year, including mandatory and elective training.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The total number of hours charged to training time codes by all</td>
<td>1.2 million hours</td>
<td>1.1 million hours</td>
<td>Increase in total hours is driven by both the increase in average hours noted above and movement in headcount year on year.</td>
</tr>
<tr>
<td>partners and staff in Audit during the year, including exam training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for staff under training contracts.</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
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 assignments 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.

Performance evaluation

Performance is defined for our people as ‘what you do (your contribution and the impact this has) and how you do it (the behaviours you demonstrate)’. Managing contribution, impact and behaviours is a year round activity and all of our people have regular meetings with their career coach to discuss their ongoing performance.

Goals are set annually. Firmwide and LoS goals are cascaded to all partners and staff to set the strategic context; BU/function goals include measurable targets; and individual goals define how an individual’s contribution and impact for the performance year ahead will support achievement of the firmwide vision and strategy.

We expect feedback to be provided regularly throughout the year by all staff and partners. To simplify and streamline our feedback approach, in September 2019 we stopped using our ‘Snapshot’ tool for feedback so that we only use Workday for all feedback. Alongside regular informal feedback conversations with colleagues, written feedback is encouraged throughout the year with volumes peaking ahead of mid-year and year-end conversations.

We formally evaluate the performance of our people on an annual basis to recognise the contribution and impact each of our people has had in delivering upon their goals and contributing to the firm’s strategy. The performance year usually runs from 1 April to the end of March. For 2020, due to the COVID-19 pandemic, the performance year was extended to be the 15-month period to 30 June 2020.

Individuals assess their performance against their agreed goals and with reference to the PwC values and the grade-related skills and capabilities of the PwC Professional. Individuals document their performance in a self-evaluation form which their career coaches review and comment on. For the June 2020 performance review, all Audit staff were also required to complete an audit quality assessment form within their self-evaluation. The purpose of this supplementary form was to give additional focus on how Audit staff had delivered their Audit quality goals with examples of where they had shown the Audit LoS behaviours of Team First, Challenge and be open to Challenge and Take Pride.

The contribution and impact of each of our people is initially assessed by their career coach. A robust moderation takes place, led by Relationship Leaders, to ensure fair outcomes for our people.

A five-point impact tier scale is used for performance outcomes, 1 being the highest and 5 being the lowest and we use an expected distribution across the scale. Individuals with lower performance will progress more slowly, and where performance is unsatisfactory corrective action is taken. Our bonus plan is aligned to an individual’s impact and contribution with higher performers receiving more. Individuals with sustained higher performance also have the opportunity to progress more quickly.
Remuneration

In determining remuneration for our staff, we carefully balance several elements including: the economic climate, the external market; engagement and 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 reflect different markets and skills. We have a firm-wide bonus plan, but individual bonuses are determined by each Line of Service. Following the extension of our performance year to 30 June 2020, this year we have also deferred our FY20 bonus and promotions round.

We review pay and bonus by gender, ethnicity and different working patterns (full time to part time). We have conducted Equal Pay Reviews for more than 10 years. We continue to publish our gender and BAME pay gaps both on a regulatory basis and on a total income basis including our partners.

In 2019 our single figure mean regulatory gender pay gap was 9.7% (April 18: 12.2%). Our single figure mean BAME pay gap is 10.8% (April 18 13.5%). 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 demographic across the grades; this adjusted pay gap figure for gender is 1.6% (April 18: 2.1%) and for BAME is less than zero.

We voluntarily publish our earnings gap including partners. This data, unlike the regulatory pay gap data is based on actual pay and bonus for employees and financial year distributable income for partners. Our mean gender pay gap was 40.9% (2018: 43.2%) and mean BAME pay gap 34.7% (2018: 35.7%). While the majority of our gender and BAME pay gaps have improved, they still reflect the fact that we have more non-BAME men in senior roles within the business.

We continue to take actions to address the gaps and also to take action through wider policies and activities to make sure our policies and practices are fair. Pay differences reflect the proportion of women and ethnic minorities in senior roles and we are committed to doing more to reduce these differences as outlined in our diversity and inclusion action plan.

The firm will publish updated pay and gender data for 2020 in due course.

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 and the Executive Board. Pathway 2 Partner (P2P) is our 3-year development pathway for partner candidates and is designed to enhance professional skills and readiness for partnership. The Partner Affairs Committee, a subcommittee of the Supervisory Board, conducts and manages the overall assessment validation process for 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 Audit, 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. The process includes a written assessment against the PwC Professional framework and the proposed business case for promotion, and an interview with a panel of partners who seek to corroborate that assessment and business case. 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.
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. As we look to the future and our plans to grow our business, based on the delivery of high quality products and services, we recognise the value that different types of people, bringing diverse skills, experiences and perspectives, bring to our firm.

A highly inclusive working environment is needed to enable this, and the actions we have been taking during the year have been designed with that in mind. Now, more than ever, diversity is critical to the success of our business.

Our approach is based on a range of interventions to create an inclusive working environment. Progress is measured and based on our performance against grade pool targets for gender and ethnicity at manager grade and above. Interventions fall under three priority areas:

- Leadership sets the tone from the top.
- Visibility of diverse role models in leadership positions.
- Minorities have equal opportunities to progress their careers.

We continue to focus on ensuring that all of our talent processes are inclusive, that our work opportunities are allocated fairly and proportionately, and that we closely manage our talent pipelines. We are achieving greater leadership accountability for diversity by requiring our business leaders to set, own and deliver their gender/ethnicity targets with success recognised financially as part of partner remuneration.

Progress is reviewed by our Executive Board on a quarterly basis as part of our Balanced Scorecard report. Our diversity targets are published in our Annual Report according to our obligations under HM Treasury’s Women in Finance Charter. In 2019 we once again published our ethnicity pay gap alongside our gender pay gap despite the fact this is not yet a regulatory requirement. The majority of our gaps continue to be driven by the fact there are fewer ethnic minorities and females in senior roles within our business. However, this is different from equal pay. At PwC we are confident that our people are paid equally for doing equivalent jobs across our business and we continue to take action to address any gaps and to make sure our policies and practices are fair.

Wellbeing

Wellbeing is a top priority and during the year we launched our Be Well Work Well microsite to support a holistic approach to workplace wellbeing. In this context, mental health continues to be a focus:

- We rolled out Mental Health Awareness and First Aid Training.
- We have twenty Mental Health Advocates (Partners & Directors) who are on hand to talk and signpost people to the various sources of support.
- We had our fourth Green Light To Talk day during a packed Mental Health Awareness Week when we encourage our people to talk about their mental wellbeing.
- We continued to build resilience as a core skill through our onboarding and key leadership & development programmes.
Appendix 5 - Acceptance and continuance of audit relationships

Acceptance and continuance considerations
Our principles for determining whether to accept or continue an audit appointment are fundamental to delivering quality, which we believe goes hand-in-hand with our purpose to build trust in society. We have established policies and procedures for the acceptance of client relationships and audit engagements that consider whether we are competent to perform the engagement and have the necessary capabilities including time and resources, can comply with relevant ethical requirements, including independence, and have appropriately considered the integrity of the entity and its management. We reassess these considerations in determining whether we should continue in an audit appointment and have in place policies and procedures related to withdrawing from an engagement or client relationship where necessary.

Relationship checks and independence assessments during Acceptance
Before accepting any new engagement, a dedicated Relationship Checking team within Independence perform specific checks to identify relevant relationships that might bear on our objectivity in relation to our audit client.

Where potential conflicts of interest are identified, we either decline to accept an engagement or we put in place robust arrangements to make sure that the potential conflicts of interest are appropriately managed, (see the “Conflicts of interest and sensitive situations” section below).

In the case of new audit clients, an independence assessment is performed covering all relevant independence considerations before an audit engagement is accepted. The nature and complexity of either the relationship or the structure of the prospective audit client determines whether the assessment is performed by a dedicated team within Independence or by the prospective audit engagement team with advice from Independence. The assessment enables us to identify existing relationships including business relationships, non-audit services and firm and personal arrangements and determine whether:

- those relationships which are prohibited by the FRC Ethical Standard can be terminated before we are appointed as auditor. Where this is possible, the relevant partners and staff are instructed to terminate the service prior to our appointment and confirm to the prospective audit engagement leader 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 or where the service can be amended to be made permissible and can therefore continue after our appointment as auditor, they may still create a threat to our independence and objectivity. Where such 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 safeguards are not acceptable or the nature of the service could be considered by third parties to be inappropriate given our role as prospective auditors, the services would again be terminated in advance of our appointment.

Risk based acceptance considerations
Within the Audit line of service, two IT systems are used to determine acceptability of a given engagement:

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

- Clientwise is used for non-audit assurance work.

Both systems:

- Enable engagement teams to:
  - Document their consideration of matters required by professional standards related to acceptance and continuance;
  - To identify and document issues or risk factors and their resolution, for example through consultation...
by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement;

– To facilitate the evaluation of the risks associated with accepting or continuing with an engagements, including whether or not PwC UK should be associated with a particular entity, its management and/or the proposed services in question

• Enable the firm to:
  – Facilitate the evaluation of the risks associated with accepting or continuing with engagements
  – Provide an overview of the risks associated with accepting or continuing with entities and engagements across the client portfolio
  – Understand the methodology, basis and minimum considerations all other member firms in the PwC Network have applied in assessing audit acceptance and continuance.
  – Use automated criteria to trigger required consultations with appropriate individuals or committees within business units and/or at the firm level. 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.

These systems serve as automated tools to support engagement teams in complying with policies and responding to risks identified as they make acceptance and continuance decisions.

In addition:

• The Audit Tender Approval Panel ("ATAP") process was introduced in December 2019 to further enhance the acceptance and continuance process for all audit tenders, or potential new audit appointments. The ATAP is a sub-committee of the Audit Executive, chaired by a member of the Audit Executive and including at least two members of the Audit Executive and attended by the proposed engagement leader, his/her business unit leader and the relevant market leader. The ATAP will also consider a range of matters including whether the potential audit client meets our quality objectives; whether we have sufficient appropriate resources to support both the bid process and the subsequent audit; and whether the commercial outcomes of the tender meet our goals; and

• the Client Committee, a sub-committee of the Clients and Markets Executive (CME), will convene to consider engagement or client acceptance decisions, and in some cases continuance decisions, that carry significant risks to the firm or that relate to particularly sensitive or confidential circumstances.

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. We have previously resigned from audit appointments for a variety of reasons, which include:

• threats to our independence being, in our judgement, too great to apply effective safeguards;
• where we have been provided evidence in the course of our audit that our testing has revealed to have been falsified;
• where management has, without reasonable cause, failed to provide us with information that we have requested or has otherwise obstructed our audit; or
• because we are required to under the UK’s mandatory firm rotation rules.

Our policies in this area 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. This may include informing our and/or the entity’s regulators of the reasons for our resignation.

We have processes in place to make sure that we notify those charged with governance in good time when mandatory firm rotation rules require the entity to rotate their auditor, or put the audit out to competitive tender.

Our policies and procedures also deal with circumstances where we become aware of information after accepting an engagement which, had we been aware of it earlier, would have led us to decline the engagement.

Conflicts of interest and sensitive situations

Conflicts of interest and sensitive situations arise when two or more clients have conflicting interests in a matter and the services being provided relate to that matter. Where applicable, appropriate measures (e.g. specific consents, ethical walls or other separation barriers) will be put in place to safeguard both the confidentiality of client
information and mitigate the actual or perceived conflict. The need for specific information barriers including ethical walls is normally identified as a result of performing a relationship check, and the Relationship Checking Team within our Compliance function will coordinate and lead the process of establishing these.

It is important that engagement leaders are alert to whether conflict of interest or sensitive situations exist and that engagement leaders and staff recognise they need to be dealt with carefully and sensitively to protect the best interests of the firm and its clients. Policies, guidance and training are provided to engagement leaders and staff to facilitate this.

If a conflict of interest or sensitive situation is identified, engagement leaders are responsible for implementing the relevant information barrier or ethical wall instructions that relate to their team, and ensuring they are followed, and for promptly providing Compliance and their line of service risk management team with details of the engagement, as well as for keeping Compliance apprised of updates to the scope of the engagement or composition of the team.
Appendix 6 - Engagement performance

Audit methodology

On 1 July 2019, PwC UK established Audit as a separate, standalone line of service that delivers audit and other reasonable assurance engagements. Within other Network firms, it is more common for these services to be offered within a wider Assurance line of service that also delivers other services alongside these. Global Assurance Quality operates at the PwC Network level, and develops and maintains the Network’s risk and quality standards and methodologies in relation to Assurance services.

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. Our common audit methodology 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, 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 GAQ - Methodology by seconding staff to work alongside the group’s permanent staff. There are also a number of review and consultation groups, comprising representatives from member firms including PwC UK, which provide input to GAQ - Methodology via regular conference calls and review of materials prior to release to the PwC Network.

The Global 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.

The governance of Global Assurance Technology and Tools is covered by two complimentary committees. The Global Assurance Implementation Team is responsible for oversight and implementation of assurance technology solutions. The future technology strategy and investment is overseen by the Global Assurance Project Approval Committee. Both groups include the Global Assurance Chief Operating Officer and Chief Digital Officer, along with partner representation from major territories, including the UK.

Audit technologies and tools

PwC Audit is underpinned by Aura Platinum, our global audit documentation system which is used across the entire PwC Network. Aura Platinum is the heart of how we build and execute our audit plans by supporting 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. Targeted audit plans specify risk levels, controls reliance and substantive testing. Smart dashboards show teams audit progress and the impact of scoping decisions more quickly.

New features and functionality for Aura are continually being 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. Requests for new features and functionality are approved by the Assurance Working Group, which is composed of PwC partners and directors and IT specialists from across the Network including PwC UK. Aura changes impacting methodology involve GAQ - Methodology, 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. Aura Platinum is supported by a series of technology-based audit support tools and templates which are accessible via a range of electronic devices ranging from PCs to smartphones. These tools increasingly integrate with Aura, populating audit evidence directly into Aura. The main tools include:

- The Connect Suite is our collaborative platform where we share data, document requests and audit status. It provides fast, efficient and secure information sharing with our clients and multi-location audit teams at every stage of the audit:
  - Connect monitors the status of requests and information between management and the audit engagement team in real time. Audit teams and management know where things stand at all times through a consolidated dashboard showing all sites, digitisation of engagement matters, and automated key performance indicators.
  - Connect Audit Manager streamlines, standardises and automates group and component teams’ coordination for multi-location and statutory audits. It provides a single digital platform to see all outbound and inboard work and digitises the entire coordination process so there’s greater transparency, compliance and quality for complex multi-location audits.
- Halo is our market-leading audit technology that allows us to identify and assess risks and determine where to focus audit efforts. Halo interrogates, tests and analyses huge volumes of business-critical data, analysing whole populations, spotting and visualising anomalies and trends in financial information. It enables us to analyse patterns and trends, identify unusual and high-risk transactions, and provide valuable insight to our teams and to management.
- Count facilitates the end-to-end process for inventory counts, allowing our engagement teams to create and manage count procedures, counters to record results directly onto their mobile device or tablet and engagement teams to export final results into Aura.
- PwC’s Confirmation System makes it easy for clients to return requested information securely. Automated, flexible technology means it works for virtually all confirmation types - from accounts receivable to derivatives to loans to inventory.

These other 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.

**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.

**Our Distributed Delivery Model**

We continue to evolve the way we deliver our services so that we give our people and our clients an even better experience, improve the quality of what we do and create the economic capacity to invest in the future.

We recognise that the way we operate needs to continually evolve, as the technological world around us changes. We cannot afford to stand still – our clients and our people are expecting us to make some big changes.

Our Distributed Delivery Model supporting our front line delivery teams is formed of three key elements, with increasing levels of complexity of work performed in support of our Assurance engagements, namely:

1. Service Delivery Centres: Delivering tasks that do not require audit judgement, from offshore locations;
2. Competency Centre: Delivering lower complexity areas, where some judgement is required, from Bradford; and
3. Centres of Excellence: Delivering highly complex technical and judgemental areas, from primary locations in Manchester, Glasgow, Birmingham and Belfast.

The Distributed Delivery Model enables us to deliver on our ambitions by:

- Enhancing the quality of the work we do, by creating centres to deliver our work in specialist areas and in turn drive increasing levels of standardisation;
• Automating as much of what we currently do manually, through standardisation;
• Adding further value to our clients; and
• Improving the working experience of our partners and staff.

Service Delivery Centres

Under our Distributed Delivery Model, we reallocate certain administrative and common audit procedures that do not require auditor judgement to be applied to offshore Service Delivery Centres, based in Poland and India. Allocating certain tasks 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 our front line delivery teams 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. The firm uses delivery centres to carry out 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 detailed testing, including vouching to supporting documentation, reconciliations and recalculation of amounts;
• 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.

The centralisation and standardisation of work in these areas (which are prerequisites to our offshoring process) have improved the consistency and quality of work done. Specific steps that we take to ensure quality in our offshored work include:
• The onshore front line delivery team retaining overall responsibility for the quality of any work that is done by offshore delivery. The onshore front-line delivery team reviews all work done by the delivery centre on their audit, and interacts with the delivery centre teams to the extent needed for the services being performed;
• Delivery centres are permitted to carry out only specific procedures that have been authorised by the UK firm’s audit governance bodies;
• Staff in delivery centres are recruited in accordance with the firm’s standards, and receive training in the specific audit activities they carry out;
• The delivery centre carries out quality checks on the work they do before outputs are returned to front line delivery teams;
• Service Delivery Centres are subject to annual quality reviews that assess the design and operating effectiveness of controls and procedures within the delivery centres’ quality management system and ultimately concludes on their compliance with the Network requirements; and
• Service Delivery Centres invest heavily in driving continuous improvements, including the automation of certain standardised activities, automatic allocation of work to appropriate staff to drive efficiencies, as well as adopting latest behavioural methodologies to change the ways staff engage to be even more effective and continue to drive excellence in performance.

Competency Centre

Our Competency Centre, called Nexus internally, was launched in January 2019 to complete the audit work of financial statement line items in less complex and judgmental areas of our audit engagements. Following the launch, the Competency Centre performed aspects of the audit of Cash and Property, Plant and Equipment. These activities have been expanded in 2020 to cover aspects of the audit of Accounts Payable and Accounts Receivable, but with continued ambition to grow the number and scale of services to realise the benefits of this model.

PwC took the decision to open the new Assurance Competency Centre in Bradford. Last year the Government launched twelve Opportunity Areas in social mobility ‘coldspots’, where businesses and schools come together to offer business skills, training and experience to young people in areas of disadvantage. This is to help improve young people’s employment and education outcomes. Bradford is one of these Opportunity Areas. We have already recruited eighty members of staff from the local area who will be based in Bradford, with the potential to increase this number to 225 creating further job opportunities in the city over the next few years. Whether someone is ready for a career change; at the
start of their working life or just after a new challenge, the Competency Centre helps develop skills and boost employability irrespective of background.

While delivering lower complexity areas of the audit, having Competency Centre staff specialise in delivering these areas is driving increasing levels of standardisation. The centre will help PwC continue to provide quality and exceptional client service in changing times, standardising work in key areas of their engagements to be able to use technology effectively through automation. For example, the Competency Centre successfully piloted the use of our new Cash.ai automation tool in 2020 and this will be further rolled out during 2021.

Centres of Excellence

Centres of Excellence were established in 2017, to deliver the audit in more complex technical and judgmental areas of our audit engagements. Centre of Excellence staff members specialise in delivering areas that engagement teams may come across less frequently, enabling them to drive a more standardised approach and ultimately further enhance quality in delivery.

Centre of Excellence team members are specialist staff based in the UK, who have completed additional in-depth training in these more complex areas. They interact directly with clients, but do so virtually from primary locations in Belfast, Birmingham, Glasgow and Manchester.

To further capitalise on the potential for enhanced quality in these more complex technical areas, the Centre of Excellence undertakes a portfolio of activities including Pensions, Share Based Payments, Earnings per Share, the Audit of Tax and Controls testing activities.

Consultation and differences of opinion

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 strong 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 Audit, 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 Audit Risk & Quality group (ARQ) is in accordance with relevant professional standards. ARQ, whose remit is to establish the Audit Practice’s technical risk and quality framework, supports engagement teams in a number of areas, including accounting and corporate reporting, risk management and audit methodology. ARQ also helps teams to meet professional standards, regulatory and legal requirements and in some instances, provides support to clients when the need arises.

For example, ARQ’s accounting specialists perform quality “hot reviews” on interim review reports, preliminary announcements and annual IFRS financial statements of certain entities prior to issuance. These reviews consider the financial statements’ and reports’ compliance with law, regulation, and the relevant accounting framework. 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 2020, a total of 6,409 consultations were dealt with (FY19: 4,532) in addition to 7,872 enquiries (FY19: 7,286) covering audit, accounting and risk management issues, and 360 hot reviews of financial statements and reports (FY19: 307). 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 2020 132 (FY19: 77) technical panels took place on audit clients, the majority of which related to the consideration of a client’s going concern status. COVID-19 has been one of the main factors of the number increase of queries and technical panels.

### Table: Risk & Quality Time Spent Figures vs Accounting Consulting Services Time Spent Figures

<table>
<thead>
<tr>
<th></th>
<th>Risk &amp; Quality (R&amp;Q) Time Spent Figures</th>
<th>Accounting Consulting Services (ACS) Time Spent Figures</th>
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<tbody>
<tr>
<td>YE June 2019</td>
<td>15,970 hours</td>
<td>21,628 hours</td>
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<td></td>
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<td>YE June 2019</td>
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<tr>
<td>YE June 2020</td>
<td>22,198 hours</td>
<td>25,266 hours</td>
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<tr>
<td></td>
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<td>YE June 2020</td>
</tr>
</tbody>
</table>
The above metrics show a material increase in the number of queries, and time spent in responding to those queries, over the year to 30 June 2020.

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

**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 Platinum, 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, the 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 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.

**Engagement Quality Control Reviews**

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 or higher profile. Higher Profile Clients include those 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) or:

- 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; and
- any entity with more than 5,000 UK employees and a pension deficit funding agreement exceeding 15 years.

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 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 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 discusses the results of their review with the Key Audit Partners (which include those engagement leaders of material components in group engagements which are involved in the group audit) on EU Public Interest Entity engagements defined by the FRC Ethical Standard.

The QRP will 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.

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 a timeline that is more stringent than that required by professional standards. In the case of the electronic audit file, the act of archiving prevents any further amendments being made to the file.

The hard copy paper file is similarly archived and retained in a secure access controlled filing system either within the office or off-site, with an electronic logging system used to manage the archive.

Unless required for legal, regulatory or internal review purposes, electronic and hard copy paper 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 12 years after the balance sheet date where required by applicable law/standards.

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 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.

Governance of the Audit Line of Service

As noted above, Hermione Hudson is the Head of Audit and the member of the firm’s Management Board responsible for the Audit Line of Service (Audit LoS). Hermione Hudson is also a member of the firm’s Public Interest Body (PIB) and reports to the PIB on audit quality matters at each meeting including progress of the Programme to Enhance Audit Quality.

From an operational perspective, and consistent with all other Lines of Service, Hermione Hudson leads an executive team, the Audit Executive, which includes a Chief Operations Officer, Head of Audit Risk and Quality, Head of People and Resourcing, Head of Audit Strategy and Public Policy, Partner Matters and various Market Leaders.

The firm’s Executive Board is responsible for the policies, strategy, direction and management of the firm as a whole, on behalf of the Management Board. The Audit Executive takes responsibility for day-to-day policies, strategy and direction of the Audit LoS, including translating the firm’s overall vision and strategy into practical actions and decisions specific to the LoS, in particular in relation to audit quality. The Audit Executive oversees the Programme to Enhance Audit Quality and approves the application of the firm’s Accountability Framework.

The Audit Executive meets monthly, with the exception of August, and more regularly as needed - for example, at the height of the COVID-19 pandemic the Audit Executive met daily. The Audit Executive escalates significant matters to the Management Board, the Executive Board or the Clients and Markets Executive, as relevant.
Appendix 7 - PwC UK registrations

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);
- Hong Kong (Hong Kong Financial Reporting Council);
- Japan (Japanese Financial Services Agency);
- Kazakhstan (Kazakhstan Stock Exchange’s JSC (‘KASE’));
- New Zealand (New Zealand Companies Office);
- Norway (Finanstilsynet); and
- South Africa (the Johannesburg Stock Exchange).

As a requirement of these registrations, PwC UK is subject to monitoring by the respective regulatory authorities. Details of these monitoring activities are included in section 10 of this report.

As a result of these registrations, 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 controls systems have been documented, and are embedded as part of the firm’s day-to-day activities. There is a monitoring regime in place to enable the Management Board to review the extent to which these policies and procedures are operating effectively and to respond to issues that arise. For further information on this monitoring regime, please refer to section 10 of this report.
Appendix 8 - Our system of quality management and monitoring processes

PwC UK’s Audit internal quality control systems 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 to compliance with ISQC (UK) 1, the FRC’s International Standards on Auditing (UK) 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 and Ireland;
- we are 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, the Financial Conduct Authority and the Prudential Regulation Authority in the UK.

In addition, each PwC firm around the Network is required to have in place a rigorous system of quality management (SoQM); to annually complete a SoQM performance assessment; and to communicate the results of these assessments to global leadership. These results are then discussed in detail with the leadership of each local firm and if they are not at the level expected, a remediation plan is agreed with local leadership taking personal responsibility for its successful implementation.

As our services change and develop, and the needs and expectations of our stakeholders also change, we are continually reviewing and updating the scale, scope and operations of our system of quality management and investing in programmes to enhance the quality of the services that we provide.

This appendix sets out further details about our SoQM.

Quality Management for Service Excellence (QMSE)

The PwC Network has established a framework for quality management which integrates quality management into business processes and the firm-wide risk management process. The framework introduces an overall quality objective for the Audit practice focused on having the people and processes to deliver services in an effective and efficient manner that meets the expectations of the entities we audit and other stakeholders.
This overall quality objective is supported by a series of underlying quality management objectives and our SoQM must be designed and operated so that these objectives are achieved with reasonable assurance. The achievement of these objectives is supported by a quality management process established by our firm and Audit leadership, business process owners, and partners and staff.

This quality management process includes:

- Identifying risks to achieving the quality objectives
- Designing and implementing responses to the assessed quality risks
- Monitoring the design and operating effectiveness of the policies and procedures through the use of process-integrated monitoring activities such as real-time assurance as well as appropriate Audit quality indicators
- Continuously improving the system of quality management when areas for improvement are identified by performing root causes analyses and implementing remedial actions and
- Establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration, and career progression decisions.

One important component of the System of Quality Management is that of monitoring. Results of monitoring at the engagement level, both internal and external, is included in section 10 of this report. The below summarises the principles of our internal monitoring processes.

**Engagement Compliance Reviews (ECR)**

The key features of the annual ECR programme are:

- 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 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 significant deficiencies are identified;
- adverse findings, and exceptional quality, are taken into consideration in determining the reward and promotion of engagement leaders; and
- the results are reported to the Audit Executive, the Public Interest Body, and to PwCIL. The Financial Reporting Council and ICAEW also obtain these results as part of their annual inspections.

Each engagement reviewed is assessed using the following categories:

- ‘Best in class’ – 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 that the UK Audit Quality Review Leader wishes to recognise.
- ‘Compliant’ – relevant auditing, assurance, accounting and professional standards have been complied with in all material respects;
• ‘Compliant with improvement required’ – 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 workpapers no additional procedures are required to be performed;
  – assurance procedures that failed to detect a departure from applicable accounting standards that was considered both quantitatively and qualitatively insignificant; or
  – 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;
  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 best in class engagement, there is a mechanism to ensure this engagement’s success is recognised as part of key personnel’s annual performance appraisals.

  In the case of a non-compliant engagement, follow up reviews are undertaken in the same cycle, 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 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, or if the auditor’s report needs to be withdrawn.

  For engagements which were found compliant with improvement required, the engagement leader is included in the following year’s ECR, and may also lead to financial implications depending on that engagement leader’s previous 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 identified as ‘best in class’. The best in class analysis helps identify success factors that inform potential actions. Following RCA, a Quality Improvement Plan ("QiP") is developed to respond to the drivers of systemic issues and specific matters arising from the ECR. Responsive actions may be identified at either the engagement delivery and/or line of service levels. Completion of the ECR and Regulatory finding action plans are monitored by the Audit Risk and Quality leadership, the Audit Executive and the firm’s Public Interest Body.

Quality Management Review (QMR)

  Each PwC Network firm completes their internal monitoring procedures, the ECR and QMSE, annually. These processes are then reviewed annually by the PwC Network as part of the Quality Management Review (QMR) programme.

  The QMR scope is determined and agreed between the International Team Leader and the Member Firm and approved by the Global Assurance Quality - Inspections Leader. Reviews of similar size scopes take place each year, ensuring that each of the 15 quality objectives are covered at least once in every three years The QMR monitors progress on remediation of any control issues raised in the last review and assesses the impact of any new developments on the internal quality control systems. The QMR is led and resourced from other PwC Network
firms. No significant quality management findings have been self-identified by PwC UK, or identified by the 2020 QMR review.

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 FY19 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 2020 Member Firm Report will be issued in Autumn 2020 to the Head of Audit, the Audit Risk & Quality leader, the governance bodies of the firm, and PwCIL. The Financial Reporting Council also read the Member Firm Report as part of their annual inspection.
Appendix 9 - Risk council risks and responses

The Audit Firm Governance Code requires the firm to conduct, at least annually, a review of the effectiveness of the firm’s internal control systems, covering all material controls such as financial, operational and compliance controls, and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the firm.

The Management Board takes overall responsibility for establishing systems of internal control, and internal quality control, and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these systems and for ongoing monitoring of risk and the effectiveness of controls rests with senior management. One of our independent non-executives has been involved in the review and the results of the review are reported to all the independent non-executives.

In respect of the year ended 30 June 2020, we have carried out a robust assessment of the principal risks facing the firm, including those that would threaten the firm’s business model, future performance, solvency or liquidity, and included consideration of the sustainability of the audit practice within the UK.

We have also carried out a robust assessment of the principal risks facing the audit practice, including those that would threaten its business model, future performance, solvency or liquidity. We describe the risks which apply to both our firm and specifically our audit practice in our Annual Report, and explain how they are being managed or mitigated.

The key risks faced by our business and the management response, are summarised below:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulatory threats to business model:</strong></td>
<td>• Regular engagement and direct interaction, where possible, with governmental bodies and regulators to understand objectives, provisions of changes and the implications for our businesses.</td>
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<tr>
<td></td>
<td>• Regular/continuous monitoring of the cumulative impact of changes in the regulatory environment on the firm's ability to provide services to audit clients.</td>
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<tr>
<td></td>
<td>• Regulatory affairs specialists who lead the firm’s efforts track all changes in applicable regulatory regimes, of whatever origin, under which the UK firm operates.</td>
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<tr>
<td></td>
<td>• Regular updating of firm processes and procedures to ensure compliance by all our people, on all our clients, with all applicable regulations.</td>
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<tr>
<td></td>
<td>• Business contingency planning.</td>
</tr>
<tr>
<td><strong>Quality (audit and non-audit):</strong></td>
<td>Continued implementation of the programme to enhance audit quality. The programme has three key areas:</td>
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<tr>
<td></td>
<td>• additional investment in training, people and technology;</td>
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<td></td>
<td>• further alignment of PwC’s audit business behind audit quality; and</td>
</tr>
<tr>
<td></td>
<td>• a reinforced focus on culture and quality control.</td>
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<tr>
<td></td>
<td>This is in addition to our existing internal quality management systems, which are designed to maintain and enhance quality, including:</td>
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<tr>
<td></td>
<td>• Recruitment standards and staff development procedures.</td>
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<tr>
<td></td>
<td>• Client engagement and acceptance processes.</td>
</tr>
<tr>
<td></td>
<td>• Client engagement standards supported by methodologies and tools.</td>
</tr>
<tr>
<td></td>
<td>• Quality reviews of PwC Network firms, including the UK firm.</td>
</tr>
<tr>
<td></td>
<td>• Monitoring and review of key performance indicators by the Executive Board.</td>
</tr>
<tr>
<td><strong>Instability caused by Brexit:</strong></td>
<td>• The Executive Board, supported by the Brexit Project Team, will manage the impact on the business of Brexit negotiations and decisions.</td>
</tr>
<tr>
<td></td>
<td>• Working closely with our clients to help them adapt to, and thrive in the new environment.</td>
</tr>
<tr>
<td></td>
<td>• Providing support and practical advice to European Economic Area (EEA) staff working in the UK and UK staff on overseas assignments in the EEA.</td>
</tr>
</tbody>
</table>

Transparency Report FY20  85
<table>
<thead>
<tr>
<th>Risk</th>
<th>Response</th>
</tr>
</thead>
</table>
| **Public perception and reputation:** Failure to respond in an impactful and transparent manner to issues raised, in particular to those which contain a public interest or moral dimension, and/or are perpetuated by adverse media coverage which impacts the firm's reputation. | • Embedding a culture of 'doing the right thing' from the top to the bottom of the organisation with an emphasis on individual accountability for reputational risk.  
• Engaging in open and serious debate with relevant stakeholder groups on trust-related and public interest issues to inspire change.  
• Sharing of knowledge and insights on trust to sustain, widen and enrich the discussion.  
• More actively promote the firm's positive contributions including those to our clients, to broader society and as a significant employer. |
| **Litigation and regulatory enforcement:** Risks related to significant commercial litigation or regulatory sanction, regulatory investigation or other sensitive situation, including financial, commercial and reputational impact. | • In-house legal team with specialised resources in litigation, contract law, regulation, data privacy, compliance, sanctions and technology.  
• Further development of efficient discovery processes using e-Discovery tools.  
• Incident management protocols across all areas to allow rapid deployment of specialist resources. |
| **Economic instability:** Economic instability leading to reduced confidence, lower investment and lower growth for our clients which may have a negative effect on the firm. | • Regular review of macroeconomic and financial trends to consider the impact to client base and the services we provide.  
• Scenario planning activities to test the agility of the business to changes in the client base and services we provide. |
| **Changing client needs:** Failure to adequately develop and adapt quickly enough to the changing market and requirements of clients, as well as external disruptive innovation. | • Monitoring of business dynamics and client trends.  
• Upskilling programme to provide partners and staff with enhanced business and commercial skills.  
• Scenario planning activities to test the agility of service offerings. |
| **Information and Cyber Security:** Non-protection, loss, theft or misuse of client (or the firm's) confidential data. This risk encompasses electronic and hard copy documents, including off-shored or outsourced repositories, disclosure within social media and direct cyber-security threats. | • Cyber Committee chaired by a member of the Executive Board, which provides overall strategic direction, framework and policies for information security.  
• The firm operates an ISO/IEC 27001:2013 certified information security management system which includes:  
  – Governance - including policies, processes, leadership (Cyber Committee) and assessment for client data and other information.  
  – Physical, technical and human resource controls.  
  – Threat intelligence.  
  – Incident response capability.  
  – Regular monitoring and independent review systems.  
  – Continual investment in established cybersecurity controls.  
  – Security awareness and education programmes. |
| **Data to enhance services:** Risk that inadequate data strategy, governance and management may impede the firm's ability to realise the benefits of using data to enhance services delivered to clients. | • Data Use Policy and Data Governance model to enable the firm to commercialise data and data products safely.  
• Development of data based service offerings to increase insight obtained through the use of data analytic technologies.  
• Upskilling of partners and staff to align the use of data analytic tools across the business. |
<table>
<thead>
<tr>
<th>Risk</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulatory compliance:</strong> Failure to comply with relevant</td>
<td>Established compliance and independence management systems including:</td>
</tr>
<tr>
<td>independence, legal, regulatory or professional requirements</td>
<td>• Clear policies, procedures and guidance.</td>
</tr>
<tr>
<td>leading to regulatory action and/or a client conflict of interest.</td>
<td>• Mandatory annual training for all partners and staff.</td>
</tr>
<tr>
<td></td>
<td>• Client and engagement acceptance procedures.</td>
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<tr>
<td></td>
<td>• Annual independence and compliance submissions for all partners and staff enforced by penalties for non-compliance.</td>
</tr>
<tr>
<td></td>
<td>• Regular monitoring and reporting to the Executive Board.</td>
</tr>
<tr>
<td><strong>Criticality of IT to service delivery:</strong> Risk of being unable to</td>
<td>• Recovery of critical systems is secured by the use of two geographically distant data centres. If required, failed systems are reinstated at the second data centre, in line with Business Impact Analysis priorities.</td>
</tr>
<tr>
<td>perform or deliver assignments due to outages or failures in</td>
<td>• Continuing programme of testing provides assurance of our ability to rebuild systems from backups.</td>
</tr>
<tr>
<td>applications and/or the general IT environment.</td>
<td>• IT Incident management procedures identify key systems to determine the time criticality of impacted systems to ensure appropriate prioritisation of actions.</td>
</tr>
<tr>
<td></td>
<td>• Review of business critical systems.</td>
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<tr>
<td></td>
<td>• Continued programme of disaster recovery and cyber attack rehearsals.</td>
</tr>
<tr>
<td><strong>New business models and technology:</strong> Failure to manage</td>
<td>• Firmwide process for reviewing new business so that relevant risks are identified promptly and addressed.</td>
</tr>
<tr>
<td>adequately the risks created by new businesses, most of which</td>
<td>• Internal focus on relevant on-boarding and operating processes and procedures.</td>
</tr>
<tr>
<td>include technology. The risks include new business models and/or</td>
<td>• Member of Global Risk working group considering quality of technology solutions.</td>
</tr>
<tr>
<td>technology fails, creation of unexpected issues, threats to</td>
<td>• Development of technology risk training, including focus on training for senior management.</td>
</tr>
<tr>
<td>established business approaches and services or generation of</td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Response</td>
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<td>----------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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</tbody>
</table>
| **People and talent:** Failure to attract, develop and retain key talent. | • Regular reviews of the market for student and experienced talent to benchmark the firm’s relative competitive position and ensure agile management of resources.  
• Use of various communication and discussion channels to engage with our people.  
• Continued practical focus on building people engagement and supporting retention.  
• Monitoring and review of key performance indicators by the Executive Board, including staff surveys, external Brand Health Index and regular client feedback.  
• Wellbeing programme including Mental Health First Aid and Awareness training. |
| **Physical security:** Failure to secure the physical security of all our people wherever deployed on the firm’s business including within our own premises in the UK. | • Firmwide travel policy and processes for all our people, incorporating 24/7 tracking and, where appropriate, consultation with a dedicated security team.  
• Comprehensive security infrastructure covering all our premises.  
• Continuous monitoring of threat levels and issues in overseas travel destinations, and potential threats to our premises.  
• Regular reviews to ensure all associated risks and controls in relation to COVID-19 are considered. |
Appendix 10 - Interaction with stakeholders

Investor engagement
We have a dedicated team that works with shareholders and other members of the investment community, including asset owners, asset managers, analysts, corporate governance and stewardship professionals, proxy advisers and credit ratings agencies. Through this engagement we are able to get their views on a range of reporting, regulatory and governance issues facing UK companies, as well as their thoughts on assurance matters and the role of the audit in their work. This dialogue ensures that we understand the needs and expectations of this important stakeholder group, enabling us to help our client engagement teams, as well as our clients’ executive and non-executive directors, to better respond to shareholder needs. Some highlights of our investor engagement team’s work this year include the following:

Fifth annual PwC Investor Update event
We held our annual half day educational event for shareholders and analysts in September 2019. Topics included how audit is evolving, changes to accounting standards and risk areas (including cyber, ESG, climate change and Brexit) that may impact investment analysis. Our Head of Audit participated in the session on audit and our Ethics Partner attended the entire event to hear investor and analyst views first hand.

Climate risk in the audit
In early 2019, we received a letter from a group of long-term investors raising the important issue of how auditors take into account material climate risks in their audit work. Senior partners within the firm met with this group in September 2019 to discuss the issue in detail.

Investment Association event on audit
We participated in an Investment Association webinar alongside BDO. The webinar was an educational session aimed to provide the investment community to explain on what an audit is, how it works and the types of questions investors might consider when reading audit reports. The event was well received and has been made available online for those who were unable to listen live.

Retail shareholders
Balancing our engagement with institutional investors, we have also been engaging with retail shareholders. We have achieved this through events with representatives and members of the UK Shareholders’ Association (UKSA) and ShareSoc. Following an event earlier in 2019 on environmental reporting, feedback indicated that a further practical event on this topic would be beneficial. As a result we hosted a workshop event in November 2019 to provide attendees with practical tools to use when reading company reporting in this area.

Corporate Reporting Users’ Forum (CRUF)
PwC continues to provide secretariat support to the CRUF in the UK and across their global network. As secretariat we provide administrative support for meetings, liaise with standard setters and regulators to allow the submission of comment letters and provide technical support when needed. This year we have helped the CRUF raise awareness of the group, and have helped CRUF territories outside of the UK engage with their local investment community, and regulatory and policy-making bodies in their regions.

Ongoing dialogue between investors, auditors and partners in our other lines of service
We met with shareholders, analysts and proxy advisers across a number of sector specialisms through one-on-one meetings, roundtables and workshops to discuss various topics, including audit, ESG matters, cyber security, pensions and the implications of COVID-19 on accounting. The strong relationships and open dialogue we have with the investment community enables high quality engagement.

We also continue to be part of the Global Auditor Investor Dialogue (GAID), which is an informal forum comprising major global auditing networks and global institutional investors who meet on an adhoc basis to discuss emerging issues. A recent meeting focused on the implications of climate risk on financial reporting and auditing.

Communicating with our Public Interest Body
The feedback and insight received from our investor engagement activities informs the regular updates provided to our governing bodies, including our PIB. Over the last 12 months, the topics discussed with the investment community have been included in the briefings provided to the PIB so that these
topics can be discussed amongst the executives and INEs at their regular meetings. The INEs are also due to meet with a number of Audit Committee Chairs from a range of companies from across the FTSE 350 in Autumn 2020. The purpose of these meetings is for them to hear the views of Audit Committee Chairs, given their role working in the interests of shareholders with respect to financial reporting matters, and understand their main areas of focus.

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.

Reporting to audit committees

When reporting to audit committees and those charged with governance in 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 includes highlighting judgements made by management in preparing the financial statements that we believe are important to an understanding of the performance and position being presented. The nature of accounting and the need to make judgements and estimates means that there is often not a precise answer, and this is reflected in our reporting. It is also our role to inform the audit committee whether we can conclude that what is reported externally is true and fair within established norms of materiality, including considering both qualitative and quantitative aspects of accounting and reporting.

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 committed to making our reports clear and unambiguous. Enhanced audit reports provided to a range of organisations, including all listed entities, include descriptions of: how our audit was scoped; how we addressed the risks of material misstatement that we identified; and our application of materiality in determining the nature, timing and extent of our audit procedures and evaluating the effect of misstatements.

These enhanced 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. For EU public interest entities as defined by the FRC Ethical Standard the enhanced audit reports also include increased transparency on our independence including:

- 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
- disclosure of our period of tenure.

We welcome, fully support and embrace the moves towards greater transparency over the audit process that results from these enhanced audit reports. Sometimes it is necessary for us to modify our audit opinion, or to include details of a material uncertainty in respect of going concern. In such cases, engagement teams consult with others, including technical specialists, to help ensure that the modification/emphasis is warranted and that the audit report wording is clear.

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

Since the publication of Sir Donald Brydon’s review into audit, we have been determining what changes we can make to our audit reports in response to its recommendations. We are therefore making some changes to our audit reports for 31 December 2020 year-ends and continue to explore what further enhancements we could make to more effectively achieve the aims noted in the report.
Appendix 11 - PwC UK Legal structure and ownership

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:

<table>
<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY19</th>
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<tbody>
<tr>
<td>PwC UK Partners</td>
<td>910</td>
<td>899</td>
</tr>
<tr>
<td>Partners on Secondment Overseas</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>926</td>
<td>913</td>
</tr>
</tbody>
</table>

b) UK office structure
PwC UK operates out of 20 (FY19:22) offices throughout the United Kingdom – a full list can be found at www.pwc.co.uk.

c) Related firms, entities and investments
Set out below are details of PwC UK’s related firms, interests and investments. Further details can be found in the PricewaterhouseCoopers LLP Members’ report and financial statements for the year ended 30 June 2020, within our Annual Report 2020, which will be available at www.pwcanualreport.co.uk in 2021.

(i) Subsidiary undertakings
PwC UK’s trading subsidiary undertakings located in the United Kingdom are shown in the table within this appendix. A full list of all subsidiary undertakings is being included in the PwC UK Financial Statements 2020. All entities listed in the table are 100% owned. The non-controlling interest in profits and capital attributable to the members of PricewaterhouseCoopers CI LLP are shown as non-controlling interests in the PricewaterhouseCoopers LLP Members’ report and financial statements for the year ended 30 June 2020, within our Annual Report 2020, which will be available at www.pwcanualreport.co.uk in 2021.

(ii) Jointly controlled entities and associates
The Group held interests in four significant jointly controlled entities and associates at 30 June 2020:

- Perfect Ward Limited, which offers mobile applications for healthcare organisations (disposed of in September 2020);
- 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 specialised cloud-based solutions and transformational services.

(iii) Other investments
PwC UK also holds a number of investments, including repayable interest-bearing preference shares issued by PwC Poland Services Limited, preference shares issued by the PwC Central and Eastern European and PwC Central and Southern Africa firms as part of a strategic investment plan, and repayable interest-bearing subordinated loan notes from entities in the PwC Network. Further details will be provided in the PwC UK Financial Statements 2020.
**UK registered trading subsidiary undertakings**

<table>
<thead>
<tr>
<th>Companies</th>
<th>Country of Incorporation</th>
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<tbody>
<tr>
<td>Beyond Food Community Interest Company</td>
<td>England</td>
</tr>
<tr>
<td>PricewaterhouseCoopers Advisory Services Limited</td>
<td>England</td>
</tr>
<tr>
<td>PricewaterhouseCoopers Assurance UK Limited</td>
<td>Scotland</td>
</tr>
<tr>
<td>PricewaterhouseCoopers Consulting Services UK Limited</td>
<td>England</td>
</tr>
<tr>
<td>PricewaterhouseCoopers Overseas Limited</td>
<td>England</td>
</tr>
<tr>
<td>PricewaterhouseCoopers Services Limited</td>
<td>England</td>
</tr>
<tr>
<td>PwC Change Management Limited</td>
<td>England</td>
</tr>
<tr>
<td>PwC Digital Services (UK) Limited</td>
<td>England</td>
</tr>
<tr>
<td>PwC Holdings (UK) Limited</td>
<td>England</td>
</tr>
<tr>
<td>PwC Strategy&amp; (UK) Ltd</td>
<td>England</td>
</tr>
<tr>
<td>PwC Tax Information Reporting Limited</td>
<td>England</td>
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</table>

**Limited Liability Partnerships**

<table>
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<tr>
<th>Companies</th>
<th>Country of Incorporation</th>
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<tbody>
<tr>
<td>PricewaterhouseCoopers CI LLP</td>
<td>England</td>
</tr>
<tr>
<td>PricewaterhouseCoopers Legal Middle East LLP</td>
<td>England</td>
</tr>
<tr>
<td>Accounting Advisory (UK) LLP</td>
<td>England</td>
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</tbody>
</table>

**(d) Principal lines of business**

Throughout the year, PwC UK operated through five principal Lines of Service (LoS), being Audit, Consulting, Deals, Risk Assurance and Tax. Support services were provided by Internal Firm Services. Programmes to develop expertise and to share knowledge in all key industries are also in place.

**Audit**

The Audit line of service is focused on delivering audit and audit related work. The services currently delivered from the audit practice are:

- Statutory and non-statutory audits of financial statements.
- Interim reviews of financial information not required by law but performed in accordance with generally accepted auditing standards.
- Other public interest assurance work (e.g. CASS audits, reporting accountant services performed in accordance with the SIAs, ISRE2410 reviews).
- Services which law or national regulations require the auditor to provide.
- Services that are required by law or regulation, which do not have to be provided by the auditor, but which require the provider to be independent.
- Assurance services that are not required by law but which relate to financial information or controls over financial reporting.
- Assurance services related to information or matters included in the front half of the financial statements.
- Assurance services over other operational matters where that work is able to be performed to a clearly defined, external standard and where the provider is required to be independent.

**Consulting**

Consulting, including delivering deal value: Combines strategy, technology and management consulting expertise to help our clients address complex issues to transform their businesses. From strategy through to execution, our specialists (including Strategy&, our global strategy house) combine industry and functional expertise to help organisations set goals and put the right business strategy in place to deliver them. Whether that’s organisational change, technology transformation, cost reduction, improved efficiency or changes to their operating model.

Delivering deal value has dedicated specialists with backgrounds of working in and alongside the deals channel with specific insight and delivery capabilities in i) carve out/separation activities (vendor assistance, sell-side vendor due diligence, buy-side diligence), ii) operational due diligence (buy-side and sell-side vendor due
diligence), iii) M&A integration, and iv) rapid value creation pre or post deal.

Sustainability and climate change:
Specialists in climate change and low carbon transition, sustainable value chains, responsible investment, sustainable finance, technology for good and smart cities and urbanisation.

PwC Research: Providers of Consumer, Business and Employee research, data and insight services that help our clients develop strategy, drive performance improvement and support change.

Deals
Transaction services: Deal Strategy; Buy and sell-side financial due diligence, commercial and market due diligence, sale and purchase agreements, business modelling, Financial Decisions and Analysis, Valuations, bid support and defence.
Corporate finance: Mergers and acquisitions advisory, private equity, portfolio advisory, project finance and public private partnerships, infrastructure finance advisory, real estate advisory, public to private transactions, and public company advisory.
Forensic services: Capital projects advisory, Disputes including analysis and development of dispute resolution strategies, Digital and Forensic Investigations, creating response to issues that pose regulatory, financial or reputational risk, Financial Crime identifying potential vulnerabilities, strengthening monitoring systems and remediation.

Business Restructuring Services: Rapid Cost Reduction, Working Capital Improvement, Restructuring Leadership including day-to-day programme management, Debt and Capital Advisory services, Distressed Financial Restructuring, Corporate Insolvency services, Pension support to trustees and participating employers, Insurance liability restructuring and operational consulting services, and Corporate Simplification and Exit.

Risk Assurance
Technology, Data and Analytics: Digital transformation risk, managing the risk of digital integration, emerging and disruptive technology risk, data governance, data migration, data visualisation, data strategy, data quality and data protection.
Cyber Security: Cyber transformation, defence and detection, incident response and recovery, cyber risk advisory, and identifying and mitigating cyber risk across the deals lifecycle.

Business Risk and Controls:
Internal Audit, governance, risk and compliance (GRC), commercial assurance, performance assurance, IFRS 17, LIBOR, operational resilience.
Risk modelling services: 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, treasury advisory and commodity management.

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 workforce related challenges across workforce strategy, organisation design, culture and communications, inclusion and diversity, performance and reward, employment, Global Mobility Services, pensions and benefits, HR transaction/deals advice, people analytics and benchmarking, HR technology and HR function transformation.

Legal: Corporate law, international business reorganisations, M&A, banking and finance, employment and pensions law, real estate law, immigration law, sourcing, technology and intellectual property law, commercial 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 company secretarial and entity governance advice."sector law, managed legal services, legal function consulting and legal entity management and governance advice.

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Appendix 12 - Partner and Independent Non-Executive remuneration

Partners

Partners are remunerated solely out of the profits of PwC UK 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, promoted or remunerated for the selling of non-audit services to their audit clients. The expectations of audit partners are set out in Appendix 4, and audit quality forms a key part of the partner performance appraisal process. In addition, Audit Risk & Quality partners input into the assessment of performance in respect of risk and quality matters for the audit partners in their teams, and are 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 and, as applicable, the Talent and Remuneration Committee, once performance has been assessed and the annual financial statements have been approved. The Supervisory Board approves the process and oversees its application. As set out in section 6, the Public Interest Board also reviewed the Audit Partner remuneration process this year.

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

- Performance income – reflecting how a partner and their team(s) have performed; and
- Responsibility and equity unit income – reflecting the partner’s sustained contribution and responsibilities (‘responsibility income’) and the partner’s capital contribution (‘equity unit income’)

Each partner’s performance income 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. The Accountability Framework also seeks to reward good quality audit work delivered by engagement leaders. 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, on behalf of the Management 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.

Independent Non-Executives

Our INEs are paid an annual fee of £100,000 for their services. The chair of the PIB receives an additional £40,000. Where an INE is also a member of a Supervisory Board Committee, they receive a further £20,000 for this role.
Relative importance of statutory audit work

An analysis of revenue of PwC UK for the financial year ended 30 June 2020, which shows the relative importance of UK-related statutory audit work, is shown below:

<table>
<thead>
<tr>
<th>Service Description</th>
<th>FY20 £m</th>
<th>FY19 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory audits and directly related services for entities we audit (EU PIE and subsidiaries of EU PIE)</td>
<td>391</td>
<td>350</td>
</tr>
<tr>
<td>Statutory audits and directly related services for entities we audit (Major Local Audits)</td>
<td>0*</td>
<td>0*</td>
</tr>
<tr>
<td>Statutory audits and directly related services for entities we audit (other entities)</td>
<td>363</td>
<td>363</td>
</tr>
<tr>
<td>Statutory audits and directly related services for all entities we audit</td>
<td>754</td>
<td>713</td>
</tr>
<tr>
<td>Non-audit services to entities we audit</td>
<td>225</td>
<td>239</td>
</tr>
<tr>
<td>Total revenues from entities we audit</td>
<td>979</td>
<td>952</td>
</tr>
<tr>
<td>Non-audit services to clients we do not audit</td>
<td>2,499</td>
<td>2,508</td>
</tr>
<tr>
<td>UK firm revenue</td>
<td>3,478</td>
<td>3,460</td>
</tr>
<tr>
<td>Revenues from statutory audits and directly related services for entities we audit as a percentage of UK firm revenue</td>
<td>22%</td>
<td>21%</td>
</tr>
</tbody>
</table>

1. If an entity met the definition of an EU PIE (or a subsidiary of) as at 30 June 2020 we have included related revenues in this category.

2. If an entity met the definition of a Major Local Audit as at 30 June 2020 we have included related revenues in this category.

3. Typical non-audit services provided to entities we audit include some of the services listed in the line of service descriptions in Appendix 11 and are only provided where permitted by the FRC Ethical Standard and PwC Network and PwC UK policies.

* During each of the years ended 30 June 2020 and 30 June 2019, we performed one major local audit (listed in appendix 15). The revenues from this major local audit were FY20: £116,000 and FY19: £100,000. When presented in £m in the above table, these numbers round to zero.
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’).

Under the Audit Profitability Code, 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; and

- operating profit for the reportable segment is calculated based on directly assigned and allocated 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, based on appropriate cost drivers.

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.

Following the reorganisation of the Assurance business effective 1 July 2019 into two new business segments, Audit and Risk Assurance, a number of updates have been made to the cost allocation methodology to reflect the new business construct and to update the relevant cost drivers. Due to the complexity of the reorganisation, the FY19 comparative has not been restated.

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

<table>
<thead>
<tr>
<th></th>
<th>FY20 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>754</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>142</td>
</tr>
</tbody>
</table>

The previously reported FY19 data, under the previous Assurance operating construct, showed operating profit of £127m based on revenue of £713m.
## Appendix 14 - EU / EEA member state audit firms in the PwC Network

List of EU and EEA member state statutory auditors that are members of the PwC Network as at 30 June 2020

<table>
<thead>
<tr>
<th>Member state</th>
<th>Audit firm/statutory auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>PwC Wirtschaftsprüfung GmbH, Wien</td>
</tr>
<tr>
<td></td>
<td>PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz</td>
</tr>
<tr>
<td></td>
<td>PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt</td>
</tr>
<tr>
<td></td>
<td>PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz</td>
</tr>
<tr>
<td></td>
<td>PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg</td>
</tr>
<tr>
<td></td>
<td>PwC Österreich GmbH, Wien</td>
</tr>
<tr>
<td>Belgium</td>
<td>PwC Bedrijfsrevisoren bv/Reviseurs d'entreprises srl</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>PricewaterhouseCoopers Audit OOD</td>
</tr>
<tr>
<td>Croatia</td>
<td>PricewaterhouseCoopers d.o.o</td>
</tr>
<tr>
<td>Cyprus</td>
<td>PricewaterhouseCoopers Limited</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>PricewaterhouseCoopers Audit s.r.o</td>
</tr>
<tr>
<td>Denmark</td>
<td>PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab</td>
</tr>
<tr>
<td>Estonia</td>
<td>AS PricewaterhouseCoopers</td>
</tr>
<tr>
<td>Finland</td>
<td>PricewaterhouseCoopers Oy</td>
</tr>
<tr>
<td>France</td>
<td>PricewaterhouseCoopers Audit</td>
</tr>
<tr>
<td></td>
<td>PricewaterhouseCoopers Entreprises</td>
</tr>
<tr>
<td></td>
<td>PricewaterhouseCoopers France</td>
</tr>
<tr>
<td></td>
<td>PricewaterhouseCoopers Services France</td>
</tr>
<tr>
<td></td>
<td>PwC Entrepreneurs CAC</td>
</tr>
<tr>
<td></td>
<td>PwC Entrepreneurs Commissariat aux Comptes</td>
</tr>
<tr>
<td></td>
<td>PwC Entrepreneurs Audit</td>
</tr>
<tr>
<td></td>
<td>PwC Entrepreneurs Audit France</td>
</tr>
<tr>
<td></td>
<td>PwC Entrepreneurs CAC France</td>
</tr>
<tr>
<td></td>
<td>PwC Entrepreneurs Commissariat aux Comptes France</td>
</tr>
<tr>
<td></td>
<td>PwC Entrepreneurs France</td>
</tr>
<tr>
<td></td>
<td>PwC Entrepreneurs Services</td>
</tr>
<tr>
<td></td>
<td>Expertise et Audit Lafarge</td>
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<tr>
<td></td>
<td>M. Philippe Aerts</td>
</tr>
<tr>
<td></td>
<td>M. Jean-François Bourrin</td>
</tr>
<tr>
<td></td>
<td>M. Jean-Laurent Bracieux</td>
</tr>
<tr>
<td></td>
<td>M. Didier Brun</td>
</tr>
<tr>
<td></td>
<td>M. Anouar Lazrak</td>
</tr>
<tr>
<td></td>
<td>Mme Elisabeth L’Hermite</td>
</tr>
<tr>
<td></td>
<td>M. François Miane</td>
</tr>
<tr>
<td></td>
<td>M. Yves Moutou</td>
</tr>
<tr>
<td></td>
<td>M. Claude Palmero</td>
</tr>
<tr>
<td></td>
<td>M. Pierre Pegaz-Fiornet</td>
</tr>
<tr>
<td></td>
<td>M. Antoine Priollaud</td>
</tr>
<tr>
<td>Germany</td>
<td>PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft</td>
</tr>
<tr>
<td></td>
<td>Wilbera WPG AG</td>
</tr>
<tr>
<td>Member state</td>
<td>Audit firm/statutory auditor</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Gibraltar</td>
<td>PricewaterhouseCoopers Limited</td>
</tr>
<tr>
<td>Greece</td>
<td>PricewaterhouseCoopers Auditing Company SA</td>
</tr>
<tr>
<td>Hungary</td>
<td>PricewaterhouseCoopers Könyvvizsgáló Kft.</td>
</tr>
<tr>
<td>Iceland</td>
<td>PricewaterhouseCoopers ehf</td>
</tr>
<tr>
<td>Ireland</td>
<td>PricewaterhouseCoopers</td>
</tr>
<tr>
<td>Italy</td>
<td>PricewaterhouseCoopers Spa</td>
</tr>
<tr>
<td>Latvia</td>
<td>PricewaterhouseCoopers SIA</td>
</tr>
<tr>
<td>Liechtenstein</td>
<td>PricewaterhouseCoopers GmbH, Vaduz</td>
</tr>
<tr>
<td>Lithuania</td>
<td>PricewaterhouseCoopers UAB</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>PricewaterhouseCoopers, Société coopérative</td>
</tr>
<tr>
<td>Malta</td>
<td>PricewaterhouseCoopers</td>
</tr>
<tr>
<td>Netherlands</td>
<td>PricewaterhouseCoopers Accountants N.V.</td>
</tr>
<tr>
<td></td>
<td>Coöperatie PricewaterhouseCoopers Nederland U.A.</td>
</tr>
<tr>
<td>Norway</td>
<td>PricewaterhouseCoopers AS</td>
</tr>
<tr>
<td>Poland</td>
<td>PricewaterhouseCoopers Polska sp. z. o.o.</td>
</tr>
<tr>
<td></td>
<td>PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.</td>
</tr>
<tr>
<td></td>
<td>PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp. k.</td>
</tr>
<tr>
<td>Portugal</td>
<td>PricewaterhouseCoopers &amp; Associados-Sociedade de Revisores Oficiais do Contas Lda</td>
</tr>
<tr>
<td>Romania</td>
<td>PricewaterhouseCoopers Audit S.R.L.</td>
</tr>
<tr>
<td>Slovakia (Slovak Republic)</td>
<td>PricewaterhouseCoopers Slovensko, s.r.o.</td>
</tr>
<tr>
<td>Slovenia</td>
<td>PricewaterhouseCoopers d.o.o.</td>
</tr>
<tr>
<td>Spain</td>
<td>PricewaterhouseCoopers Auditores, S.L.</td>
</tr>
<tr>
<td>Sweden</td>
<td>PricewaterhouseCoopers AB</td>
</tr>
<tr>
<td></td>
<td>Öhrlings PricewaterhouseCoopers AB</td>
</tr>
<tr>
<td>UK</td>
<td>PricewaterhouseCoopers LLP</td>
</tr>
<tr>
<td></td>
<td>James Chalmers</td>
</tr>
<tr>
<td></td>
<td>Katharine Finn</td>
</tr>
</tbody>
</table>

Total turnover achieved by statutory auditors and audit firms from EU/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 €3.2 billion. This represents the turnover from each entity's most recent financial year converted to Euros at the exchange rate prevailing as of 30 June 2020.
Appendix 15 - Major Local and Public Interest Entity audits

Major local audits

Below is a list of Major Local Audits for which we carried out statutory audits (i.e. issued an audit report) between 1 July 2019 to 30 June 2020.

UNITED LINCOLNSHIRE HOSPITALS NHS TRUST

List of Public Interest Entities

Below is a list of EU public interest entities (as defined in EU Directive 2014/56/EU) for which we carried out statutory audits (i.e. issued an audit report) between 1 July 2019 and 30 June 2020, and therefore does not include all EU public interest entities for which PwC UK is the statutory auditor.

AA PLC
ACACIA PHARMA GROUP PLC
ACCSYS TECHNOLOGIES PLC
AFFINITY WATER FINANCE PLC
AGEAS INSURANCE LIMITED
AGGREGATOR OF LOANS BACKED BY ASSETS 2015-1 PLC
AIG LIFE LIMITED
AIR PARTNER PLC
ALLIANZ INSURANCE PLC
AMERICAN INTERNATIONAL GROUP UK LIMITED
ANGLO AMERICAN WOODSMITH LIMITED
ANTOFAGASTA PLC
ARCH INSURANCE (UK) LIMITED
ARIX BIOSCIENCE PLC
ARQIVA FINANCING PLC
ARTEMIS ALPHA TRUST PLC
ASHBROOKE UNDERWRITING LIMITED
ASSURANT GENERAL INSURANCE LIMITED
ASSURANT LIFE LIMITED
ASSURED GUARANTY (EUROPE) PLC
ASTRAZENECA PLC
ATOM BANK PLC
AVIVA INSURANCE LIMITED
AVIVA INTERNATIONAL INSURANCE LIMITED
AVIVA INVESTORS PENSIONS LIMITED
AVIVA LIFE & PENSIONS UK LIMITED
AVIVA PLC
BABCOCK INTERNATIONAL GROUP PLC
BAGLAN MOOR HEALTHCARE PLC
BAILLIE GIFFORD UK GROWTH FUND PLC
BAKKAVOR GROUP PLC
BANK OF AMERICA MERRILL LYNCH INTERNATIONAL DESIGNATED ACTIVITY COMPANY
BANK OF SCOTLAND PLC
BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC
BATH INVESTMENT & BUILDING SOCIETY
BAVARIAN SKY UK 1 PLC
BAVARIAN SKY UK 2 PLC
BIOPHARMA CREDIT PLC
BIRMINGHAM AIRPORT (FINANCE) PLC
BL SUPERSTORES FINANCE PLC
BLACKROCK LATIN AMERICAN INVESTMENT TRUST PLC
BLACKROCK NORTH AMERICAN INCOME TRUST PLC
BLACKROCK SMALLER COMPANIES TRUST PLC
BLACKROCK THROGMORTON TRUST PLC
BLACKROCK WORLD MINING TRUST PLC
BMO CAPITAL & INCOME INVESTMENT TRUST PLC
BODYCOTE PLC
BRASS NO. 6 PLC
BRASS NO.5 PLC
BRASS NO.7 PLC
BRASS NO.8 PLC
BRISTOL WATER PLC
BRIT LIMITED
BRITISH RESERVE INSURANCE COMPANY LIMITED
BROADGATE FINANCING PLC
BRUNNER INVESTMENT TRUST PLC(THE)
BUNZL FINANCE PLC
BUNZL PLC
BURBERRY GROUP PLC
C. HOARE & CO.
CAIRN ENERGY PLC
CAMBRIDGE MIDCO 1 LIMITED
CAPITAL & COUNTIES PROPERTIES PLC
CAPITAL GEARING TRUST PLC
CARDIFF AUTO RECEIVABLES SECURITISATION 2018-1 PLC
CARDIFF UNIVERSITY
CARNIVAL PLC
CATALYST HEALTHCARE (MANCHESTER) FINANCING PLC
CATALYST HEALTHCARE (ROMFORD) FINANCING PLC.
CATALYST HIGHER EDUCATION (SHEFFIELD) PLC
CATER ALLEN LIMITED
CENTAUR MEDIA PLC
CHEPSTOW BLUE PLC
CINEWORLD GROUP PLC
CIRCASSIA PHARMACEUTICALS PLC
CITY GREENWICH LEWISHAM RAIL LINK PLC
CITY OF LONDON INVESTMENT TRUST PLC
CIVITAS SOCIAL HOUSING PLC
CLARKSON PLC
CLAVIS 2006-1 NIM PLC
CLAVIS 2007-1 NIM PLC
CLAVIS SECURITIES PLC
CLERICAL MEDICAL FINANCE PLC
CLOSE BROTHERS FINANCE PLC
CLOSE BROTHERS GROUP PLC
CLOSE BROTHERS LIMITED
CMC MARKETS PLC
COLEG Gwent
CONTOURGLOBAL PLC
CONVEX INSURANCE UK LIMITED
CORNISH MUTUAL ASSURANCE COMPANY LIMITED
COSTAIN GROUP PLC
COUNTRYSIDE PROPERTIES PLC
COUNTRYWIDE PLC
COVEA INSURANCE PLC
COVEA LIFE LIMITED
COVENTRY BUILDING SOCIETY
CRANSWICK PLC
<table>
<thead>
<tr>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREST NICHOLSON HOLDINGS PLC</td>
</tr>
<tr>
<td>CRITERION HEALTHCARE PLC</td>
</tr>
<tr>
<td>CROWN AGENTS BANK LIMITED</td>
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<tr>
<td>CYNERGY BANK LIMITED</td>
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<tr>
<td>DAILY MAIL &amp; GENERAL TRUST PLC</td>
</tr>
<tr>
<td>DECHRA PHARMACEUTICALS PLC</td>
</tr>
<tr>
<td>DELAMARE FINANCE PLC</td>
</tr>
<tr>
<td>DERWENT LONDON PLC</td>
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<tr>
<td>DEVA FINANCING PLC</td>
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<td>DIAGEO CAPITAL PLC</td>
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<td>DIPLOMA PLC</td>
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<tr>
<td>DISCOVERIE GROUP PLC</td>
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<tr>
<td>DLL UK EQUIPMENT FINANCE 2019-1 PLC</td>
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<tr>
<td>DOMINO'S PIZZA GROUP PLC</td>
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<td>DRUM INCOME PLUS REIT PLC</td>
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<td>DUDLEY BUILDING SOCIETY</td>
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<td>DUNCAN FUNDING 2015-1 PLC</td>
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<td>DUNCAN FUNDING 2016-1 PLC</td>
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<td>DUNELM GROUP PLC</td>
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<td>EASYJET PLC</td>
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<tr>
<td>EDGBASTON RMBS 2010-1 PLC</td>
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<tr>
<td>EFG PRIVATE BANK LIMITED</td>
</tr>
<tr>
<td>ELECTROCOMPONENTS PLC</td>
</tr>
<tr>
<td>ELLAND RMBS 2018 PLC</td>
</tr>
<tr>
<td>ELVET MORTGAGES 2018-1 PLC</td>
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<tr>
<td>EQUINITI GROUP PLC</td>
</tr>
<tr>
<td>EQUITAS INSURANCE LIMITED</td>
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<td>EQUITAS LIMITED</td>
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<td>EQUITAS REINSURANCE LIMITED</td>
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<tr>
<td>EQUITY RELEASE FUNDING (NO. 1) PLC</td>
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<tr>
<td>EQUITY RELEASE FUNDING (NO. 2) PLC</td>
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<td>EQUITY RELEASE FUNDING (NO. 3) PLC</td>
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<td>EQUITY RELEASE FUNDING (NO. 5) PLC</td>
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<td>ESSENTRA PLC</td>
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<td>EUROCELL PLC</td>
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<tr>
<td>EUROMONEY INSTITUTIONAL INVESTOR PLC</td>
</tr>
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<td>EUROPEAN ASSETS TRUST PLC</td>
</tr>
<tr>
<td>EXCHEQUER PARTNERSHIP (NO.2) PLC</td>
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<td>EXCHEQUER PARTNERSHIP PLC</td>
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<tr>
<td>EXCLAIMER GROUP (HOLDINGS) LIMITED</td>
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<tr>
<td>EXETER FRIENDLY SOCIETY LIMITED</td>
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<td>FARRINGDON MORTGAGES NO.2 PLC</td>
</tr>
<tr>
<td>FCE BANK PLC</td>
</tr>
<tr>
<td>FDM GROUP (HOLDINGS) PLC</td>
</tr>
<tr>
<td>FIL LIFE INSURANCE LIMITED</td>
</tr>
<tr>
<td>FINASTRA EUROPE LIMITED</td>
</tr>
<tr>
<td>FINASTRA HOLDINGS LIMITED</td>
</tr>
<tr>
<td>FINSBURY GROWTH &amp; INCOME TRUST PLC</td>
</tr>
<tr>
<td>FIRST TITLE INSURANCE PLC</td>
</tr>
<tr>
<td>FOSSE MASTER ISSUER PLC</td>
</tr>
<tr>
<td>FRIENDS LIFE FPLMA LIMITED</td>
</tr>
<tr>
<td>FRIENDS LIFE HOLDINGS PLC</td>
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<tr>
<td>FUNDING CIRCLE HOLDINGS PLC</td>
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<tr>
<td>FUTURE PLC</td>
</tr>
<tr>
<td>Company Name</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
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<tr>
<td>INTERTEK GROUP PLC</td>
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<tr>
<td>INVEPCO PENSIONS LIMITED</td>
</tr>
<tr>
<td>ITAUB BA INTERNATIONAL PLC</td>
</tr>
<tr>
<td>J.P. MORGAN EUROPE LIMITED</td>
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TOMBAC NO. 2 PLC
TOPPS TILES PLC
TRAFALGAR INSURANCE LIMITED
TRIODOS BANK UK LIMITED
TROY INCOME & GROWTH TRUST PLC
TSB BANK PLC
TSB BANKING GROUP PLC
TT CLUB MUTUAL INSURANCE LIMITED
TYMAN PLC
UNITED BANK FOR AFRICA (UK) LIMITED
UNIVERSITY OF CAMBRIDGE
UNIVERSITY OF GREENWICH
UTMOST LIFE AND PENSIONS LIMITED
VERNON BUILDING SOCIETY
VESUVIUS PLC
VICTREX PLC
VISTRY GROUP PLC
VITALITY HEALTH INSURANCE LIMITED
VITALITY HEALTH LIMITED
VITALITY LIFE LIMITED
VIVO ENERGY PLC
VP PLC
VPC SPECIALTY LENDING INVESTMENTS PLC
WEIR GROUP PLC
WELLINGTON A LIMITED
WELLINGTON B LIMITED
WESTPAC EUROPE LTD
WH SMITH PLC
WM MORRISON SUPERMARKETS PLC
WODS TRANSMISSION PLC
WORCESTERSHIRE HOSPITAL SPC PLC
WORLDWIDE HEALTHCARE TRUST PLC
WYELANDS BANK PLC
XL CATLIN INSURANCE COMPANY UK LIMITED
YARLINGTON TREASURY SERVICES PLC
YORKSHIRE BUILDING SOCIETY
ZOPA BANK LIMITED
ZOTEOAMS PLC
ZURICH ASSURANCE LTD
ZURICH FINANCE (UK) PLC
Appendix 16 - Glossary

AC – Audit Committee
A&RC – Audit and Risk Committee
ACCIF – Audit Committee Chairs’ Independent Forum
AFGC – Audit Firm Governance Code
AICPA – American Institute of Chartered Public Accountants
AQR – Audit Quality Review team of the FRC
Assurance Services – assurance services include statutory audits, non-statutory audits, local audits under the Local Audit and Accountability Act 2014, ISAE 3000 (Revised), ISAE 3402, and certain Capital Markets transaction work.
ATOL – Air Travel Organiser’s Licence
BAME – Black, Asian and Minority Ethnic
BAU – Business as Usual
CMA – Competition and Markets Authority
CME – Clients and Markets Executive
Crowe – Crowe UK LLP, PricewaterhouseCoopers LLP’s statutory auditor
EB – Executive Board
ECR – Engagement Compliance Review
ERC – Executive Risk Committee
ERP – Enterprise Resource Planning
Ethical Standard – the Ethical Standard issued by the FRC in June 2016
The firm – PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales
FPI – Foreign Private Issuer
FRC – Financial Reporting Council
GB – the Global Board of PricewaterhouseCoopers International Limited
GDPR – EU General Data Protection Regulation
GLT – Global Leadership Team
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
IESBA – International Ethics Standards Board for Accountants
IFRS – International Financial Reporting Standards
INE – Independent Non-Executive (as described in the AFGC)
ISAs (UK) – International Standards on Auditing (UK)
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’
KPI – Key Performance Indicator
MB – Management Board
NAMG – Network Assurance Methodology Group
NET – Network Executive Team
NLT – Network Leadership Team
NSEC – National Students Employability Challenge
PAC – Partner Affairs Committee
PCAOB – Public Company Accounting Oversight Board of the United States of America
PEAQ – Programme to Enhance Audit Quality
PIB – Public Interest Body
PMC – Partner Matters Committee
The Policy and Reputation Group (the PRG) – 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
PRI – Partner Responsible for Independence
PricewaterhouseCoopers – the Network of member firms of PwCIL
PricewaterhouseCoopers LLP (or PwC LLP) – a limited liability partnership incorporated in England and Wales
PwC – PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales
PwCIL – PricewaterhouseCoopers International Limited
PwC Financial Statements 2020 – The PricewaterhouseCoopers LLP Members’ report and financial statements for the year ended 30 June 2020, which can be found at www.pwc.co.uk/annualreport

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
QMR – Quality Management Review
QMSE – Quality Management for Service Excellence
QRP – Quality Review Partner
RC – Risk Committee
RIs – ‘Responsible Individuals’ are the individuals in the firm allowed to sign audit reports
SB – Supervisory Board
SEC – Securities and Exchange Commission of the United States of America
SOPS – Statements Of Permitted Services
T&RC – Talent and Remuneration Committee
‘us’ – PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales
‘we’ – PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales
### Audit Firm Governance Code

This Transparency Report's compliance with the Audit Firm Governance Code has been set out below with details of relevant disclosures made that comply with each individual principle and provision of the AFGC.

<table>
<thead>
<tr>
<th>Principles and Provisions of the 2016 AFGC</th>
<th>Where information on how the principles and provisions have been addressed can be located</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1 Ownership accountability principle</td>
<td>Section 12</td>
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<tr>
<td>The management of a firm should be accountable to the firm's owners and no individual should have unfettered powers of decision.</td>
<td></td>
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<tr>
<td>A1.1 The firm should establish a board or equivalent governance structure, with matters specifically reserved for its decision, to oversee the activities of our management team.</td>
<td>Section 12</td>
</tr>
<tr>
<td>A1.2 The firm should state in its transparency report how its governance structures and management operate, their duties and the types of decisions they take. In doing so the firm should explain how its governance structure provides oversight of both the audit practice and the firm as a whole with a focus on ensuring the Code's purpose is achieved. If the management and/or governance of the firm rests at an international level it should specifically set out how management and oversight of the audit is undertaken and the Code's purpose achieved in the UK</td>
<td>Section 12</td>
</tr>
<tr>
<td>A1.3 The firm should state in its transparency report the names and job titles of all members of the firm's governance structures and its management, how they are elected or appointed and their terms, length of service, meeting attendance in the year and relevant biographical details.</td>
<td>Section 12, and Appendix 1</td>
</tr>
<tr>
<td>A1.4 The members of a firm's governance structures and management should be subject to formal, rigorous and ongoing performance evaluation and, at regular intervals, members should be subject to re-election or re-selection.</td>
<td>Section 12</td>
</tr>
<tr>
<td>A.2 Management Principle</td>
<td>Section 12</td>
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<tr>
<td>A firm should have effective management which has responsibility and clear authority for running the firm.</td>
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<tr>
<td>A2.1 Management should have terms of reference that include clear authority over the whole firm including its non-audit businesses and these should be disclosed on the firm's website.</td>
<td>Section 12</td>
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<tr>
<td>B.1 Professionalism Principle</td>
<td>Section 11, Appendices 3, 7-8</td>
</tr>
<tr>
<td>A firm should perform quality work by exercising judgement and upholding values of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in a way that properly takes the public interest into consideration and meets auditing and ethical standards.</td>
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<tr>
<td>B1.1 The firm's governance structures and management should establish and promote throughout the firm an appropriate culture, supportive of the firm's public interest role and long term sustainability. This should be achieved in particular through the right tone from the top, through the firm's policies and practices and by management publicly committing themselves and the whole firm to quality work, the public interest and professional judgement and values.</td>
<td>Forewords from Senior Partner, Chair of the Public Interest Body, Sections 5-9, Appendix 4</td>
</tr>
<tr>
<td>B1.2 Firms should introduce KPIs on the performance of their governance system and report on performance against these in their transparency reports.</td>
<td>Section 12</td>
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<tr>
<td><strong>Principles and Provisions of the 2016 AFGC</strong></td>
<td><strong>Where information on how the principles and provisions have been addressed can be located</strong></td>
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<tr>
<td>B1.3 The firm should have a code of conduct which it discloses on its website and requires everyone in the firm to apply. The board and independent non-executive should oversee compliance with it.</td>
<td>Appendix 3</td>
</tr>
<tr>
<td>B2 Governance Principle</td>
<td>Section 12</td>
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<tr>
<td>A firm should publicly commit itself to this Audit Firm Governance Code</td>
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<tr>
<td>B2.1 The firm should incorporate the principles of this Audit Firm Governance Code into an internal code of conduct</td>
<td>Appendix 3</td>
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<tr>
<td>B3 Openness Principle</td>
<td>Section 7, Appendices 3-4</td>
</tr>
<tr>
<td>A firm should maintain a culture of openness which encourages people to consult and share problems, knowledge and experience in order to achieve quality work in a way that properly takes the public interest into consideration</td>
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<tr>
<td>C1 Involvement of independent non-executive principle</td>
<td>Foreword from the Chair of the Public Interest Body, Section 12</td>
</tr>
<tr>
<td>A firm should appoint independent non-executives to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of the Code.</td>
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<td>C1.1 Independent non executives should number at least three and be in the majority on a body that oversees public interest matters; and/or be members of other relevant governance structures within the firm. They should also meet as a separate group to discuss matter relating to their remit. They should have full visibility of the entirety of the business but should pay particular attention to and report on risk to audit quality and how they are addressed. If a firm considers that having three INEs is inappropriate given its size or number of public company clients, it should explain this in its transparency report and ensure a minimum of two at all times. Where the firm adopts an international approach to its management it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this market or explain why it regards a smaller number to be more appropriate, in which event there should be a minimum of two.</td>
<td>Foreword from the Chair of the Public Interest Body, Section 12, Appendix 1</td>
</tr>
<tr>
<td>C1.2 The firm should disclose on its website or in its transparency report information about the appointment, retirement and resignation of independent non-executives, their remuneration, their duties and the arrangements by which they discharge those duties and the obligations of the firm to support them. The firm should report on why it has chose to position its independent non-executives in the way that it has (for example, as members of the main Board or on a public interest committee). The firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes independent non-executives.</td>
<td>Foreword from the Chair of the Public Interest Body, Section 12, Appendix 1, and on our website</td>
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# Principles and Provisions of the 2016 AFGC

<table>
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<th>Principle</th>
<th>Description</th>
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<tr>
<td>C1.3</td>
<td>The independent non-executives should report in the firm's transparency report on how they have worked to meet the purpose of the code as defined as: - Promoting audit quality; - Helping the firm secure its reputation more broadly, including in its non-audit businesses; - Reducing the risk of firm failure.</td>
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<td>C1.4</td>
<td>Independent non-executives should have regular contact with the ethics partner, who should under the ethical standards have a reporting line to them.</td>
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<td>C2</td>
<td>Characteristics of independent non-executive’s principle: The independent non-executives’ duty of care is to the firm. They should command the respect of the firm’s owners and collectively enhance shareholder confidence by virtue of their independence, number, stature, experience and expertise. They should have a balance of relevant skills and experience including audit and a regulated sector. At least one independent no-executive should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function, as an investor or at an audit firm.</td>
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<tr>
<td>C2.1</td>
<td>The firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the firm’s independence as auditors and their independence from the firm and its owners.</td>
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<tr>
<td>C3</td>
<td>Rights and responsibilities of independent non-executives principle: Independent non-executives of a firm should have rights consistent with their role including a right of access to relevant information and people to the extent permitted by law or regulation, and a right to report a fundamental disagreement regarding the firm to its owners and, where ultimately this cannot be resolved and the independent non-executive resigns, to report this resignation publicly.</td>
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<tr>
<td>C3.1</td>
<td>Each independent non-executive should have a contract for services setting out their rights and duties.</td>
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<tr>
<td>C3.2</td>
<td>Independent non-executives should be appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation.</td>
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| C3.3 | The responsibilities of an independent non-executive should include, but not be limited to, oversight of the firm’s policies and processes for:  
  - Promoting audit quality;  
  - Helping the firm secure its reputation more broadly, including in its non-audit businesses;  
  - Reducing the risk of firm failure. |
<p>| C3.4 | The firm should ensure that appropriate indemnity insurance is in place in respect of legal action against any independent non-executive in respect of their work in that role. |
| C3.5 | The firm should provide each independent non-executive with sufficient resources to undertake their duties including having access to independent professional advice at the firm's expense where an independent non-executive judges such advice necessary to discharge their duties. |</p>
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<td>C3.6</td>
<td>The firm should establish, and disclose on its website, procedures for dealing with any fundamental disagreement that cannot otherwise be resolved between the independent non-executives and members of the firm's management team and/or governance structures.</td>
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<tr>
<td>D1</td>
<td>Compliance Principle</td>
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<tr>
<td>D1.1</td>
<td>The firm should establish policies and procedures for complying with the applicable legal and regulatory requirements and international and national standards of auditing, quality control and ethics, including auditor independence</td>
</tr>
<tr>
<td>D1.2</td>
<td>The firm should establish policies and procedures for individuals signing group audit reports to comply with applicable standards on auditing dealing with group audits including reliance on other auditors whether from the same network or otherwise.</td>
</tr>
<tr>
<td>D1.3</td>
<td>The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.</td>
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<tr>
<td>D1.4</td>
<td>The firm should take action to address areas of concern identified by audit regulations in relation to the firm's audit work.</td>
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<td>D2</td>
<td>Risk management principle</td>
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<td>D2.1</td>
<td>The firm should, at least annually, conduct a review of the effectiveness of the firm's system of internal control. Independent non-executives should be involved in the review which should cover all material controls, including financial, operational and compliance controls and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviours within the firm.</td>
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<td>D2.2</td>
<td>The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarised the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.</td>
</tr>
<tr>
<td>D2.3</td>
<td>The firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. These should reference specifically the sustainability of the audit practice within the UK.</td>
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<tr>
<td>D3</td>
<td>People management principle</td>
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<td>Principles and Provisions of the 2016 AFGC</td>
<td>Where information on how the principles and provisions have been addressed can be located</td>
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<tr>
<td><strong>D3.1</strong> The firm should disclose on its website how it supports its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code through recruitment, development activities, objective setting, performance evaluation, remuneration, progression, other forms of recognition, representation and involvement.</td>
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<tr>
<td>Appendix 4, and our website</td>
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<tr>
<td><strong>D3.2</strong> Independent non-executives should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, to ensure that the public interest is protected.</td>
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</tr>
<tr>
<td>Foreword from the Chair of the Public Interest Body, Section 12</td>
<td></td>
</tr>
<tr>
<td><strong>D4</strong> Whistleblowing principle</td>
<td></td>
</tr>
<tr>
<td>A firm should establish and apply confidential whistleblowing policies and procedures across the firm which enable people to report, without fear, concerns about the firm’s commitment to quality work and professional judgement and values in a way that properly takes the public interest into consideration. The independent non-executives should be satisfied that there is an effective whistleblowing process in place.</td>
<td></td>
</tr>
<tr>
<td>Section 12, Appendix 3</td>
<td></td>
</tr>
<tr>
<td><strong>D4.1</strong> The firm should report to independent non-executives on issues raised under its whistleblowing policies and procedures and disclose those policies and procedures on its website.</td>
<td></td>
</tr>
<tr>
<td>Section 12, Appendix 3</td>
<td></td>
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<tr>
<td><strong>E1</strong> Internal reporting principle</td>
<td></td>
</tr>
<tr>
<td>The management of a firm should ensure that members of its governance structures, including owners and independent non-executives, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.</td>
<td></td>
</tr>
<tr>
<td>Section 12</td>
<td></td>
</tr>
<tr>
<td><strong>E2</strong> Governance reporting principle</td>
<td></td>
</tr>
<tr>
<td>A firm should publicly report how it has applied in practice each of the principles of the Audit Firm Governance Code and make a statement on its compliance with the Code’s provisions or give a considered explanation for any non-compliance.</td>
<td></td>
</tr>
<tr>
<td>Section 12</td>
<td></td>
</tr>
<tr>
<td><strong>E2.1</strong> The firm should publish on its website an annual transparency report containing the disclosures required by Code Provisions A.1.2, A1.3, B1.2, C2.1, D1.3, D2.2, E2.2 and E3.1</td>
<td></td>
</tr>
<tr>
<td>Refer to these individual code provisions</td>
<td></td>
</tr>
<tr>
<td><strong>E2.2</strong> In its transparency report the firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure.</td>
<td></td>
</tr>
<tr>
<td>Section 12</td>
<td></td>
</tr>
<tr>
<td><strong>E3</strong> Transparency principle</td>
<td></td>
</tr>
<tr>
<td>A firm should publish on an annual basis in its transparency report a commentary on the firm’s performance, position and prospects.</td>
<td></td>
</tr>
<tr>
<td>Appendix 13</td>
<td></td>
</tr>
<tr>
<td><strong>E3.1</strong> The firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The firm should describe those risks and explain how they are being managed or mitigated.</td>
<td></td>
</tr>
<tr>
<td>Appendix 9</td>
<td></td>
</tr>
<tr>
<td><strong>E3.2</strong> The transparency report should be fair, balanced and understandable in its entirety</td>
<td></td>
</tr>
<tr>
<td>Achieved throughout the report as a whole</td>
<td></td>
</tr>
<tr>
<td>Principles and Provisions of the 2016 AFGC</td>
<td>Where information on how the principles and provisions have been addressed can be located</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>E4 Reporting quality principle</td>
<td>Section 12</td>
</tr>
<tr>
<td>E4.1 The firm should establish an audit committee and disclose on its website information on the committee's membership and terms of reference which should deal clearly with its authority and duties in relation to the appointment and independence of the firm's auditors. On an annual basis, the audit committee should publish a description of its work and how it has discharged its duties.</td>
<td>Section 12, and our website</td>
</tr>
<tr>
<td>E5 Financial statements principle</td>
<td>The PwC 2020 Financial Statements will be available in 2021</td>
</tr>
<tr>
<td>E5.1 The firm should explain who is responsible for preparing the financial statements and the firm's auditors should make a statement about their reporting responsibilities, preferably in accordance with the extended audit report standards.</td>
<td>The PwC 2020 Financial Statements will be available in 2021</td>
</tr>
<tr>
<td>E5.2 The firm should state whether it considers it appropriate to adopt the going concern basis of accounting and identify any material uncertainties to its ability to continue to do so, with supporting assumptions or qualifications as necessary.</td>
<td>The PwC 2020 Financial Statements will be available in 2021</td>
</tr>
<tr>
<td>F1 Firm dialogue principle</td>
<td>Appendix 10</td>
</tr>
<tr>
<td>F1.1 The firm should disclose on its website its policies and procedures, including contact details, for dialogue about matters covered by this Audit Firm Governance Code with listed company shareholders and listed companies. It should also report on the dialogue it has had during the year. These disclosures should cover the nature and extent of the involvement of independent non-executives in such dialogue.</td>
<td>Appendix 10, and our website</td>
</tr>
<tr>
<td>F2 Shareholder dialogue principle</td>
<td>Appendix 10</td>
</tr>
<tr>
<td>F3 Informed voting principle</td>
<td>We encourage dialogue between shareholders and listed companies throughout our interaction with the investor community as stated in Appendix 10</td>
</tr>
</tbody>
</table>
Local Auditors (Transparency) Instrument 2015

Where an audit firm is also a local auditor, as defined by the Local Auditor and Accountability Act 2014 (the Act), the audit firm is required to prepare and publish a transparency report which meets the requirements of the Local Auditors (Transparency) Instrument 2015 (the 2015 Instrument) issued by the FRC. Regulation 3(5) of the 2015 Instrument permits the inclusion of the disclosures relating to local audits in the transparency report required by Article 13 of the EU Regulation No. 537/2014 such that we are not required to publish a separate transparency report relating solely to local audits.

In the year to 30 June 2020, PwC UK signed the audit report on one local major audit and we are therefore required to comply with the 2015 Instrument.

<table>
<thead>
<tr>
<th>Requirement of the 2015 Instrument</th>
<th>Reference to where the disclosures can be found and additional comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>A description of the legal, structure, governance and ownership of the transparency reporting local auditor</td>
<td>The governance structures of PricewaterhouseCoopers LLP, the transparency reporting local auditor, are set out in Section 12, along with the content of Appendix 1. The legal structure and ownership of PricewaterhouseCoopers LLP is set out in Appendix 11</td>
</tr>
<tr>
<td>Where the transparency reporting local auditor belongs to a network, a description of the network and the legal, governance and structural arrangements of the network</td>
<td>PricewaterhouseCoopers LLP, the transparency reporting local auditor, is part of the PwC Network. A description of the Network and the legal, governance and structural arrangements of the PwC Network can be found in Appendix 2.</td>
</tr>
<tr>
<td>A description of the internal quality control system of the transparency reporting local auditor and a statement by the administrative or management body on the effectiveness of its functioning in relation to local audit work</td>
<td>The internal quality control system established by PricewaterhouseCoopers LLP as outlined in Appendices 5 to 8 applies equally to all audits undertaken by the firm including any local audit work that it performs. Section 10 and Appendix 8 outline the review conducted by the firm of its internal quality control systems. Section 4 includes confirmation by the firm’s Executive Board, on behalf of the firm’s Management Board, that the internal quality control system is operating effectively. As the firm’s internal quality control system covers any local audit work it performs, that confirmation applies equally in relation to local audit work.</td>
</tr>
<tr>
<td>A description of the transparency reporting local auditor’s independence procedures and practices including a confirmation that an internal review of independence practices has been conducted</td>
<td>Section 11 and Appendix 3 outline describes the independence procedures and practices of PricewaterhouseCoopers LLP, the transparency reporting local auditor, which apply to all audits including local audits. Appendix 3 also includes confirmation that an internal review of independence practices has been conducted.</td>
</tr>
<tr>
<td>Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained</td>
<td>Appendix 4 outlines our performance evaluation policies and procedures for all partners and staff in the firm irrespective of the engagement they undertake. It also sets out how our people learn and develop through practical experience and coaching, formal and informal learning, maintaining capabilities and technical competency and career development. The policies and procedures outlined in the appendix seek to ensure that partners and staff involved in audits (including local audits) are competent, remain so and are suitably trained. In addition, Section 10 outlines our internal monitoring processes covering all audits and the external monitoring of local audits which seek to identify issues as to the competency of engagement leaders. We confirm that engagement leaders and staff involved in local audits are considered to be competent and suitably trained.</td>
</tr>
<tr>
<td>A statement of when the last monitoring of the performance by the transparency reporting local auditor of local audit functions, within the meaning of paragraph 23 of Schedule 10 to the Companies Act 2006, as applied in relation to local audits by Section 17 and paragraphs 1, 2 and 28(7) of Schedule 5 to the Act, took place</td>
<td>Within Section 10, we outline the external monitoring arrangements that the firm is subject to in respect of local audits within the scope of the Local Audit and Accountability Act 2014 (“LAAA”). As noted in Section 10, during the 2019/20 AQR cycle one of our NHS Trust audits was reviewed.</td>
</tr>
<tr>
<td>A list of major local audits in respect of which an audit report has been made by the transparency reporting local auditor in the financial year of the auditor; and any such list may be made available elsewhere on the website specified in regulation 4 provided that a clear link is established between the transparency report and such a list</td>
<td>The list of major local audits in respect of which an audit report has been issued by the firm in the year ended 30 June 2020 is set out in Appendix 15.</td>
</tr>
</tbody>
</table>
### Requirement of the 2015 Instrument

A statement on the policies and practices of the transparency reporting local auditor designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.

**Reference to where the disclosures can be found and additional comments**

Appendix 4 sets out the policies and procedures that are designed to ensure that individuals approved to act as the engagement leader on local audits continue to maintain their theoretical knowledge, professional skills and values following their approval by the ICAEW to act as an engagement leader on local audits. The policies and procedures outlined in Appendix 4, which are no different for any individual acting as an engagement leader on any audit undertaken by the firm, include those covering formal and informal learning, practical experience, together with maintaining capabilities and technical competence. Appendix 4 also outlines policies and procedures around performance evaluation and career development which seek to identify, amongst other things, professional skills and other gaps which the Career Coach and the individual will agree how any gaps will be addressed.

### Turnover for the financial year of the transparency reporting local auditor to which the report relates, including the showing of the importance of the transparency reporting local auditor’s local audit work

**Reference to where the disclosures can be found and additional comments**

The revenue for the year ended 30 June 2020 in respect of local audits is set out in Appendix 13, which also shows the relative importance of local audit work to the Audit business and the firm as a whole.

### Information about the basis for the remuneration of partners

**Reference to where the disclosures can be found and additional comments**

Information about the basis for the remuneration of partners is set out in Appendix 12. The basis for the remuneration of partners responsible for the audits of local audits and local major audits is no different from that of any other audit partner.

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### Article 13 of EU Regulation 537/2014

This Transparency Report’s compliance with Article 13 of EU Regulation 537/2014 has been set out below with details of relevant disclosures are made that comply with each individual requirement of the Regulation.

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Location within this Transparency Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. A statutory auditor or an audit firm that carries out statutory audits of public-interest entities shall make public an annual transparency report at the latest four months after the end of each financial year. That transparency report shall be published on the website of the statutory auditor or the audit firm and shall remain available on that website for at least five years from the day of its publication on the website. If the statutory auditor is employed by an audit firm, the obligations under this Article shall be incumbent on the audit firm. A statutory auditor or an audit firm shall be allowed to update its published annual transparency report. In such a case, the statutory auditor or the audit firm shall indicate that it is an updated version of the report and the original version of the report shall continue to remain available on the website. Statutory auditors and audit firms shall communicate to the competent authorities that the transparency report has been published on the website of the statutory auditor or the audit firm or, as appropriate, that it has been updated.</td>
<td>The publication of this report complies with these requirements</td>
</tr>
<tr>
<td>2. The annual transparency report shall include at least the following: (a) a description of the legal structure and ownership of the audit firm;</td>
<td>Appendix 11</td>
</tr>
<tr>
<td>Requirement</td>
<td>Location within this Transparency Report</td>
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</tr>
<tr>
<td>(b) where the statutory auditor or the audit firm is a member of a network:</td>
<td>Appendix 2</td>
</tr>
<tr>
<td>(i) a description of the network and the legal and structural arrangements in the network;</td>
<td></td>
</tr>
<tr>
<td>(ii) the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;</td>
<td>Appendix 14</td>
</tr>
<tr>
<td>(iii) the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business;</td>
<td>Appendix 14</td>
</tr>
<tr>
<td>(iv) the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements;</td>
<td>Appendix 14</td>
</tr>
<tr>
<td>(c) a description of the governance structure of the audit firm;</td>
<td>Section 12</td>
</tr>
<tr>
<td>(d) a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;</td>
<td>Section 4, Appendices 7-8</td>
</tr>
<tr>
<td>(e) an indication of when the last quality assurance review referred to in Article 26 was carried out;</td>
<td>Section 10</td>
</tr>
<tr>
<td>(f) a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year;</td>
<td>Appendix 15</td>
</tr>
<tr>
<td>(g) a statement concerning the statutory auditor’s or the audit firm’s independence practices which also confirms that an internal review of independence compliance has been conducted;</td>
<td>Appendix 3</td>
</tr>
<tr>
<td>(h) a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC;</td>
<td>Appendix 4</td>
</tr>
<tr>
<td>(i) information concerning the basis for the partners’ remuneration in audit firms;</td>
<td>Appendix 12</td>
</tr>
<tr>
<td>(j) a description of the statutory auditor’s or the audit firm’s policy concerning the rotation of key audit partners and staff in accordance with Article 17(7);</td>
<td>Appendix 3</td>
</tr>
<tr>
<td>(k) where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories:</td>
<td>Appendix 13</td>
</tr>
<tr>
<td>(i) revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity;</td>
<td>Appendix 13</td>
</tr>
<tr>
<td>(ii) revenues from the statutory audit of annual and consolidated financial statements of other entities;</td>
<td>Appendix 13</td>
</tr>
<tr>
<td>Requirement</td>
<td>Location within this Transparency Report</td>
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<tr>
<td>(iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and</td>
<td>Appendix 13</td>
</tr>
<tr>
<td>(iv) revenues from non-audit services to other entities.</td>
<td>Appendix 13</td>
</tr>
<tr>
<td>The statutory auditor or the audit firm may, in exceptional circumstances, decide not to disclose the information required in point (f) of the first subparagraph to the extent necessary to mitigate an imminent and significant threat to the personal security of any person. The statutory auditor or the audit firm shall be able to demonstrate to the competent authority the existence of such threat.</td>
<td>Not applicable</td>
</tr>
<tr>
<td>3. The transparency report shall be signed by the statutory auditor or the audit firm.</td>
<td>Foreword from the Head of Audit</td>
</tr>
</tbody>
</table>
We have prepared this Transparency Report, in respect of the financial year ended 30 June 2020, in accordance with the requirements of Article 13 of the EU Regulation No. 537/2014 and the Local Auditors (Transparency) Instrument 2015.

In addition to the Regulation’s requirements, we have included those matters specified to be included in the Transparency Report by the Audit Firm Governance Code, issued by the Financial Reporting Council (FRC) in July 2016.

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.

© 2020 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 for further details.