

# UK Transparency Report 2023

PricewaterhouseCoopers LLP  
Registered number: OC303525







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# Welcome

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# Welcome to our 2023 Transparency Report

At PwC we recognise how important transparency is to our reputation. This report sets out the action we've taken as a firm to ensure our audit teams have access to the right expertise and technology, and to embed a culture that has at its heart our commitment to deliver consistently high audit quality.

This last year has continued to present a number of complex challenges, ranging from economic uncertainty to political turbulence, inflationary pressures and the ongoing cost of living crisis. We've also seen high profile failures outside of the UK that serve to remind us of the importance of acting ethically, and having the right culture and governance structures in place. Within this business environment, enhancing trust remains absolutely critical, and I'm proud of the important contribution that our audit teams make to maintaining it.

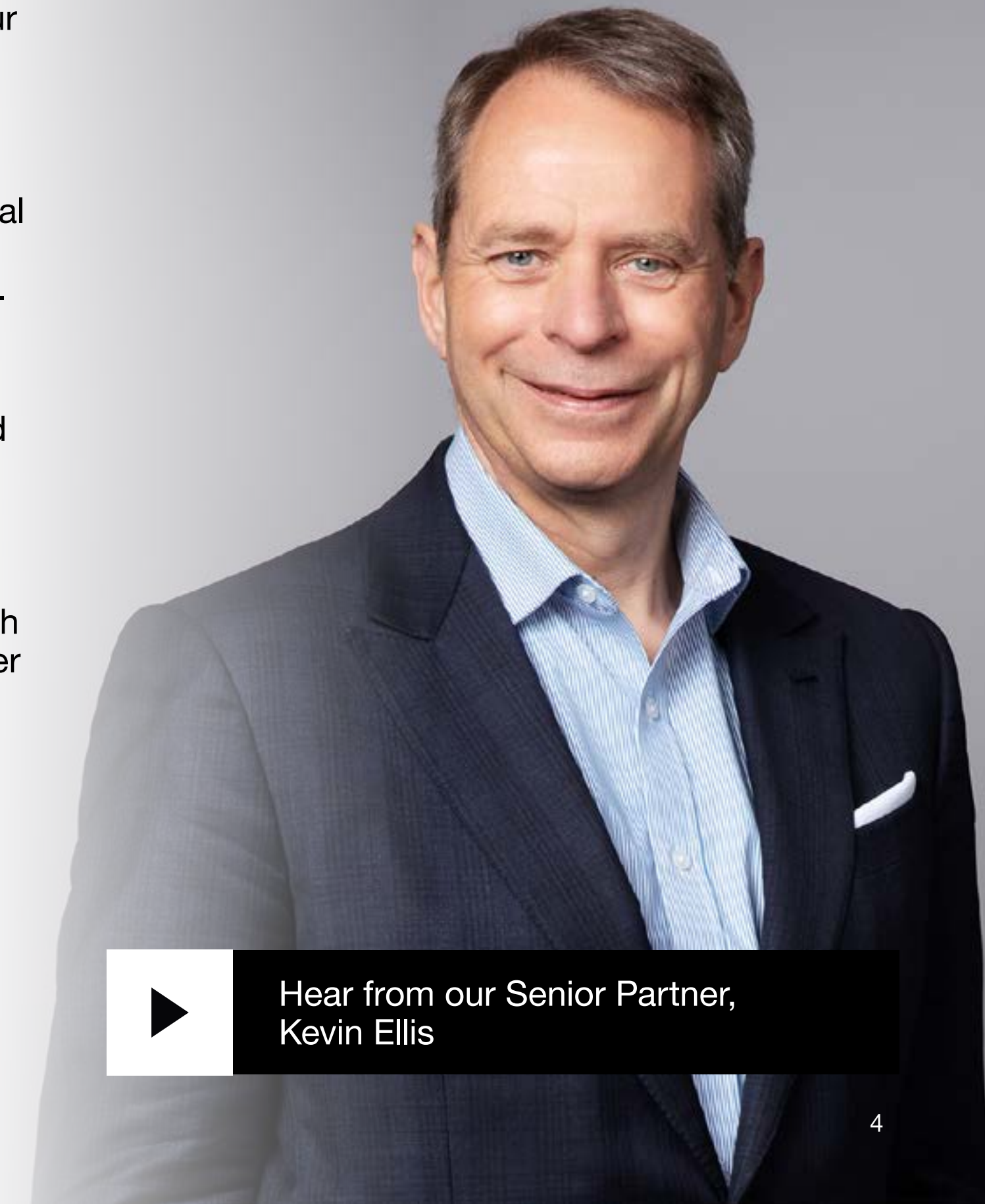
The nature and magnitude of the challenges faced by the organisations we audit require our teams to work together ever more closely, sharing knowledge, expertise and experience. I have been consistently clear about the benefits we see from being a multi-disciplinary firm and, in a complex external environment, this close collaboration is critical to enhancing both audit quality and the insight we can provide organisations through our audit work.

This approach is reflected in our New Equation strategy, which focuses on the benefits of building teams with diverse perspectives, experiences and expertise, and investing in our skills and technologies. Through this human-led, tech-powered strategy the PwC Network is making an incremental \$3bn investment in quality, including a \$1bn investment in a five-year programme to deliver a Next Generation Audit ecosystem. This will enable us to make continuous improvements to audit quality by further standardising, simplifying, centralising and automating our audit work, transforming the experience for our stakeholders and our people.

These network-wide investments sit alongside the continued investment in our UK audit practice, and our commitment to delivering high quality audits. We are pleased to have maintained a consistent quality standard in the most recent inspection cycle, and to have the Financial Reporting Council (FRC) recognise our commitment to continuous improvement.

We have continued to share our perspectives about the broader audit reform agenda with the Government, and the FRC. We are already responding to the growing demand for robust, independent assurance and insights across organisations' important non-financial information, including areas such as ESG and cybersecurity. As stakeholder expectations continue to evolve, we remain committed to ensuring the UK retains its position as a leader in audit, reporting and corporate governance, and remains a trusted, attractive and competitive business environment.

**Kevin Ellis**  
Senior Partner



Hear from our Senior Partner,  
Kevin Ellis



# Update from the UK Head of Audit

At PwC our purpose is to build trust in society and solve important problems. In an increasingly complex world investors and wider society are looking for organisations to provide transparent financial and non-financial reporting that they can rely on. The audit profession is critical to building confidence in business and we're committed to playing our part.

There's a great deal of market activity and tough competition for audit and assurance work. We are seeing a reporting and regulatory revolution as companies are extending their reporting, in particular to meet the demand for more non-financial information.

We continue to operate in a challenging and uncertain economic environment and I'm proud that our auditors support each other and work together to deliver high quality outcomes. Our people are specialists with deep industry knowledge and expertise who drive our human-led, tech-powered, and data-enabled audits.

## Audit quality

Quality remains our top priority and we are focused on delivering consistently high quality audits that meet the needs of investors, the organisations we audit and wider stakeholders. We continue to invest significantly in our audit practice and have a detailed Single Quality Plan (SQP) which we use to monitor all of our activities that are fundamental to delivering high quality work. The SQP underpins our Audit Quality Plan on [page 52](#).

We are pleased to have maintained a consistent quality standard in this inspection cycle and that the Financial Reporting Council (FRC) has again recognised our commitment to continuous improvement. However, we recognise that audit quality is challenging to measure and Audit Quality Measures (AQMs) and Audit Quality Indicators (AQIs) are a complex subject. We believe that using AQMs and AQIs together helps stakeholders to understand an audit firm's approach to, and progress with, audit quality. That is why in last year's Transparency Report we brought together a list of all of our audit quality measures in one place for the first time. You can find our AQMs on [page 77](#).

Our firm's governance plays an important role in our commitment to audit quality and continuous improvement. The Independent Non-Executives who sit on our Audit Oversight Body, a subcommittee of our Public Interest Body, are a key part of our governance structure and we certainly benefit from the independent perspective, value and constructive challenge they bring. You can read more about their activities this year in their respective updates.

Our multi-disciplinary firm model means that our audit teams continue to be able to access independent experts and specialists from across the firm. In a complex external environment this access to knowledge and industry expertise is critical and enhances both audit quality and the insight we provide to the organisations we audit.

High quality is dependent on multiple factors and we see our people, advanced technology and audit culture all playing an important role.



▶ Hear from our UK Head of Audit, Hemione Hudson



## Our people

Ensuring our teams are made up of the right people with the right skills is crucial to quality. We are focused on attracting, developing and retaining talented individuals with diverse skills, experiences and perspectives.

I'm really proud that our PwC Accounting Flying Start Programme celebrated its 20 year anniversary this year, with over 1,000 people having joined the programme over that time. This programme offers the opportunity to earn money, start a career, and gain a degree at the same time. 20% of the students who started the Flying Start Accounting Programme in September 2022 were also awarded a £10,000 bursary, to help them with costs of university life given their socio-economic background.

We remain committed to creating an inclusive working environment where everyone can be themselves at work and feel like they belong. As part of our Audit specific actions focused on inclusion and diversity we have a mutual mentoring programme for our Audit leadership team, which is now in its third year.

All of the members of our leadership team are paired with people from across the practice so they can learn from each other. The aim of the programme is for the Audit leadership to understand how it feels for those in our firm who are from a different background to them. The programme allows our leadership to obtain new perspectives on the areas they are discussing and in return they will offer guidance and support to their mentor.

An important element of attracting and retaining talented individuals is the continued investment we make in our people. One example of this is a new programme, 'Be Your Best' (BYB), which we introduced this year for our Audit Managers and Senior Managers. This population leads our audit teams on a day-to-day basis and the programme aims to develop their leadership capability and create empowered, inspirational leaders.







## Our advanced technology

Our human-led, tech-powered approach brings together the deep knowledge and experience of our auditors with powerful technology, tools and capabilities, developed both in-house and by our technology alliance partners. We utilise technology throughout our audits, from risk assessment analytics in planning to the use of AI, data auditing and visualisation techniques in our testing.

We are delighted that PwC was awarded the 2023 'Digital Innovation of the Year Award' at the 12th annual International Accounting Forum & Awards in London. Our submission entitled, 'Next generation AI services for the next generation auditor', focused on our industry leading capabilities like predictive analytics and AI-assisted financial statement disclosure checking, as well as capabilities exploring the potential of generative AI.

## Our audit culture

Our audit culture is fundamental to high quality and enables our teams to perform rigorous and challenging audits. We are focused on creating a culture that promotes quality and continuous improvement and where the best people want to stay and build their careers. To support this we have three Audit Behaviours, Team first, Challenge and be open to challenge and Take pride. These behaviours set clear expectations for our auditors and have been embedded into everything we do, from audit training to delivery and the evaluation of our people's performance.

Culture is an important element of our SQP and over the last year, we've focused on enhancing a culture of psychological safety, understanding how behaviours change when under pressure, and increasing the effectiveness of on-the-job coaching.

The organisations we audit play a vital role in facilitating high quality and this year as part of our culture work we've also concentrated on the crucial importance of the evidence that they need to provide. Our teams have been encouraged and supported to have open and transparent conversations, setting clear expectations with businesses to ensure we receive timely and quality information.

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

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



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## Audit Firm Governance Code 2022

We welcome the revised Audit Firm Governance Code 2022 which has been updated for the FRC's principles of operational separation. This newest version of the Code is applicable for financial years beginning on or after 1 January 2023 and we are carefully working through the Code's principles and provisions in the context of our business. We are also well progressed with our operational separation transition plan in order to meet the FRC's autumn 2024 deadline for implementation.

## The future of audit

We continue to engage with the investor community, Audit Committee Chairs and wider stakeholders and in November 2022 we hosted our inaugural Trust and Transparency Forum. One of the topics we discussed at the forum was the demand that companies provide greater transparency on how climate change will impact their business, now and in the future, and what we have been doing in response.

Investors, along with wider society, are also looking for organisations to provide greater transparency in other non-financial reporting areas such as ESG and controls reporting. To address this increasing demand we will continue to invest in our people, skills and technologies to deliver robust independent assurance in the public interest.

We are transforming the way we deliver audits through our ongoing commitment to people and technology to bring greater insight, quality and transparency. Leveraging a first-of-its-kind relationship with Microsoft, we are making a \$1bn global investment to build a revolutionary audit ecosystem for our Next Generation Audit (NGA). NGA is a multi-year programme to deliver a new audit ecosystem which will enable us to make continuous improvements to audit quality by further standardising, simplifying, centralising and automating our audit work.

Building this ecosystem and equipping our auditors with new digital capabilities will enable us to deliver a Next Generation Audit and continue to build trust in what matters.

**Hemione Hudson**  
UK Head of Audit





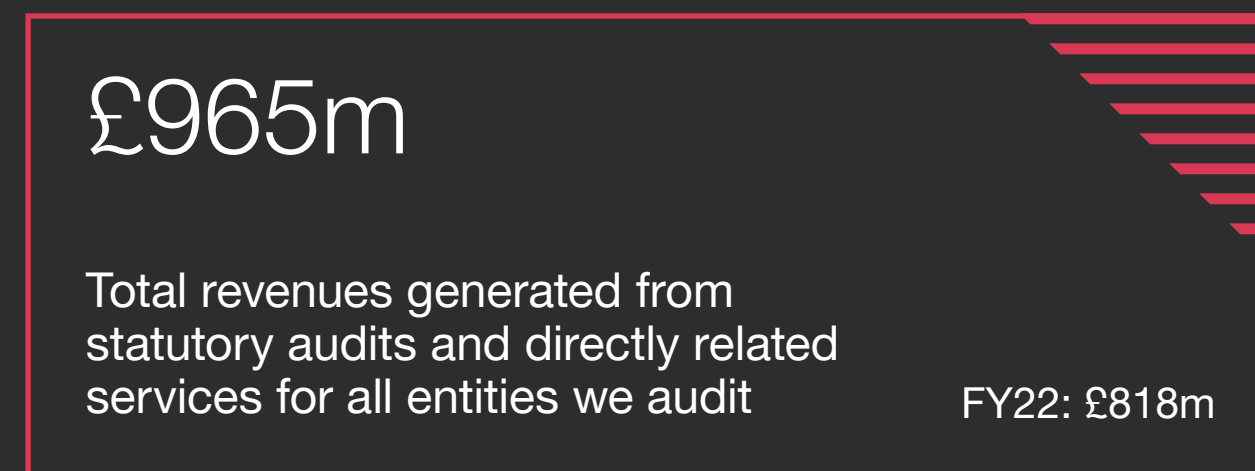
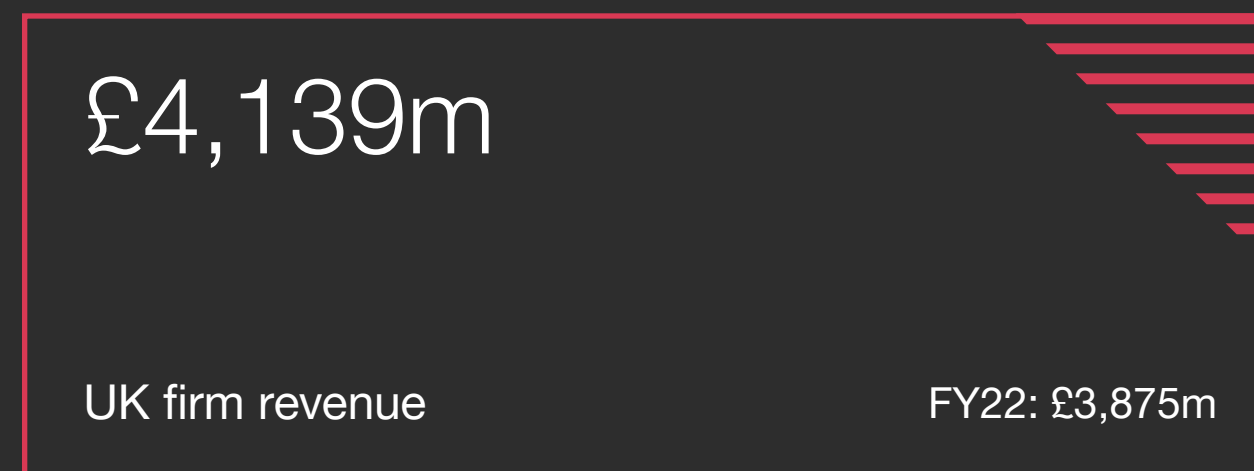
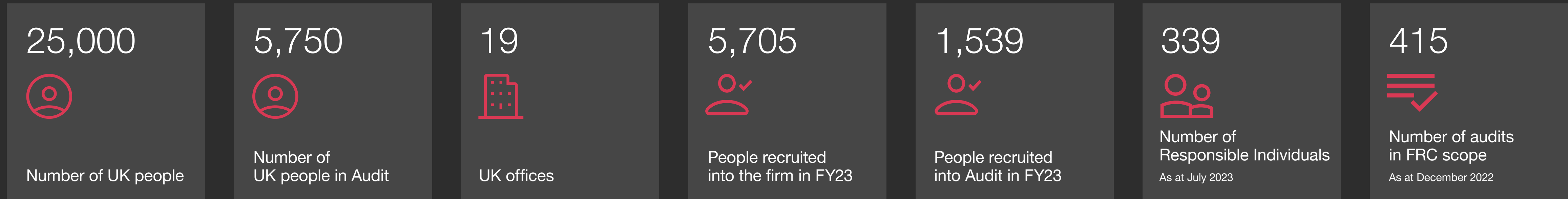
# A year in review



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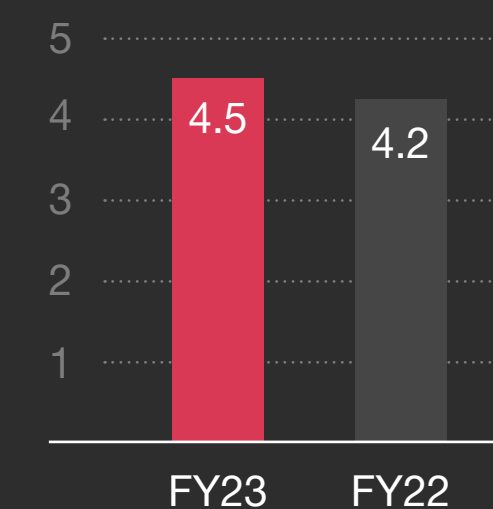
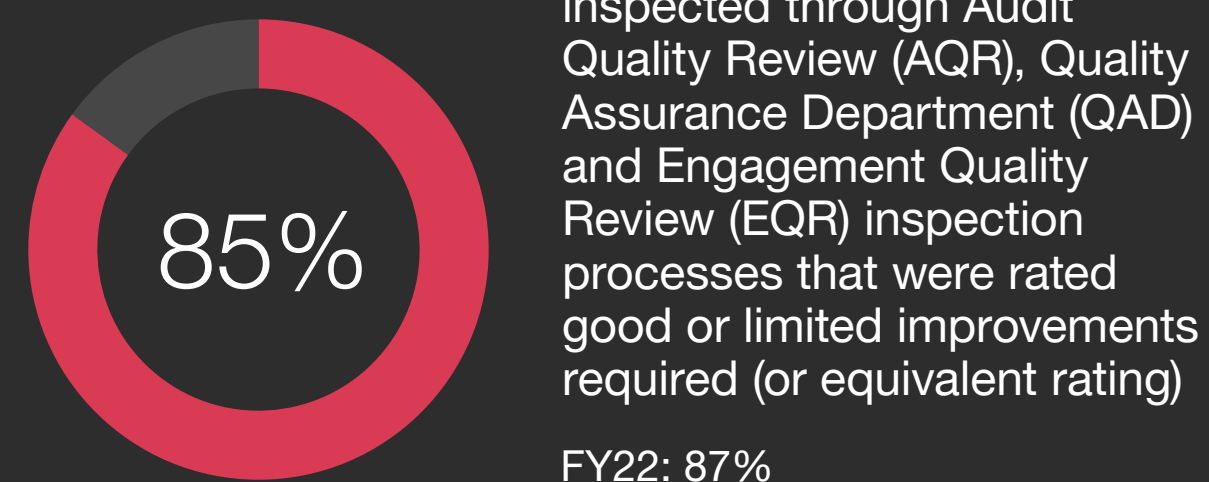


# Trust and transparency: A year in review



PwC recently won the Digital Innovation of the Year Award at the International Accounting Forum and Awards

## Audit Quality Measures

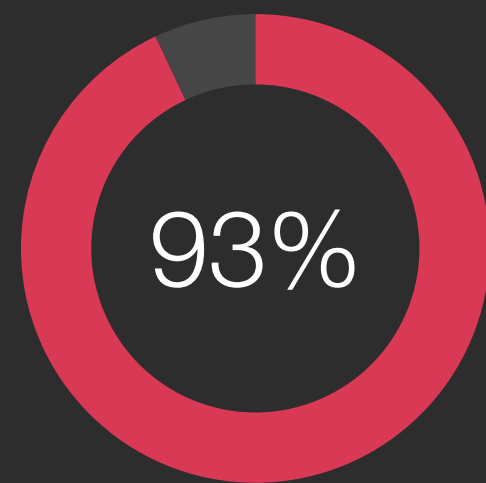


The average score audit committees and those charged with governance rated our overall audit quality\*

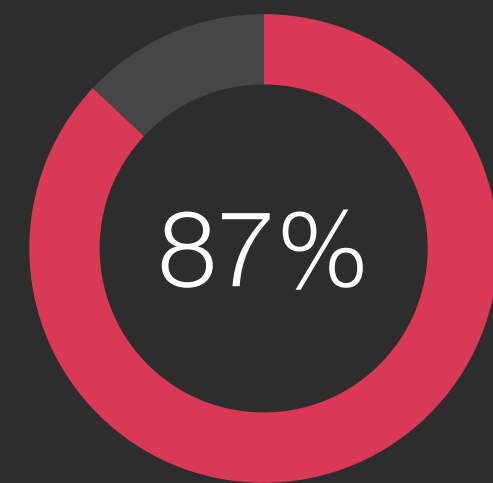
\* Scoring basis is explained further on [page 78](#)



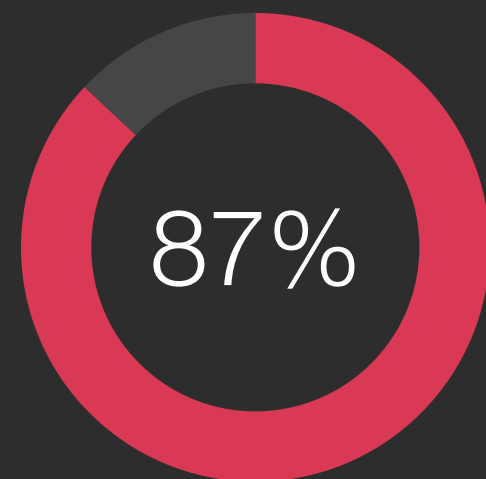
## What our people say: Our Audit Culture and Behaviours survey



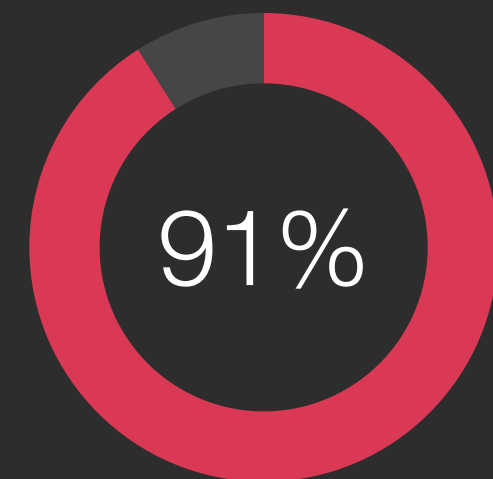
I understand how the work I do on a day-to-day basis supports the purpose of audit  
FY22: 93%



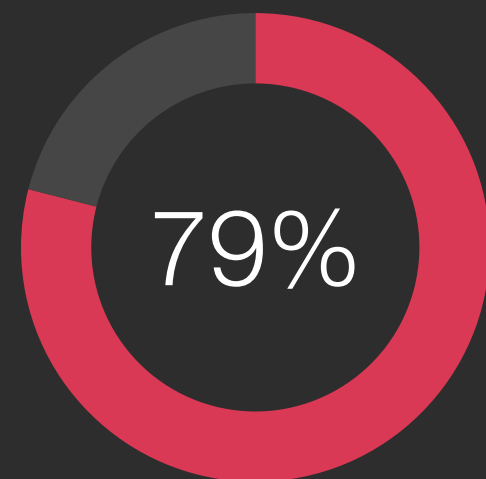
I feel confident to challenge others who demonstrate behaviours that put audit quality at risk  
FY22: 86%



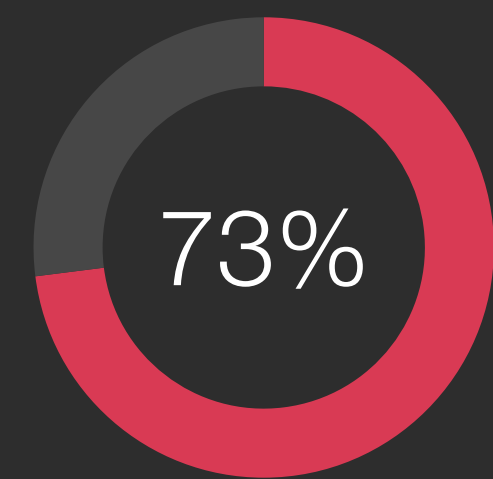
**Team first:** My team regularly shares problems with each other in order to find effective solutions  
FY22: 86%



**Take pride:** I am encouraged to perform a high quality audit  
FY22: 92%



**Challenge and be open to challenge:** My team regularly challenges each other around whether the course of action we are taking is realistic and/or will deliver a quality audit outcome  
FY22: 83%



When speaking with friends and family, I speak positively about the purpose of audit and assurance  
FY22: 71%

## Training

1.6m hours\*

The total number of hours charged to training time codes by all partners and staff in Audit during the calendar year to 31 December 2022, including exam training for staff under training contracts.

2021:  
1.4m

77%

Of respondents to our annual audit culture survey responded favourably to: I receive enough training and development to enable me to deliver quality audits.

FY22:  
80%

2,800

Digital Academy completions during the year. 1,000 of these places were from Audit.

FY22:  
4,900

102 hours\*

The average time charged to training time codes by qualified (and equivalent grade) partners and staff in Audit during the calendar year to 31 December 2022, including mandatory and elective training.

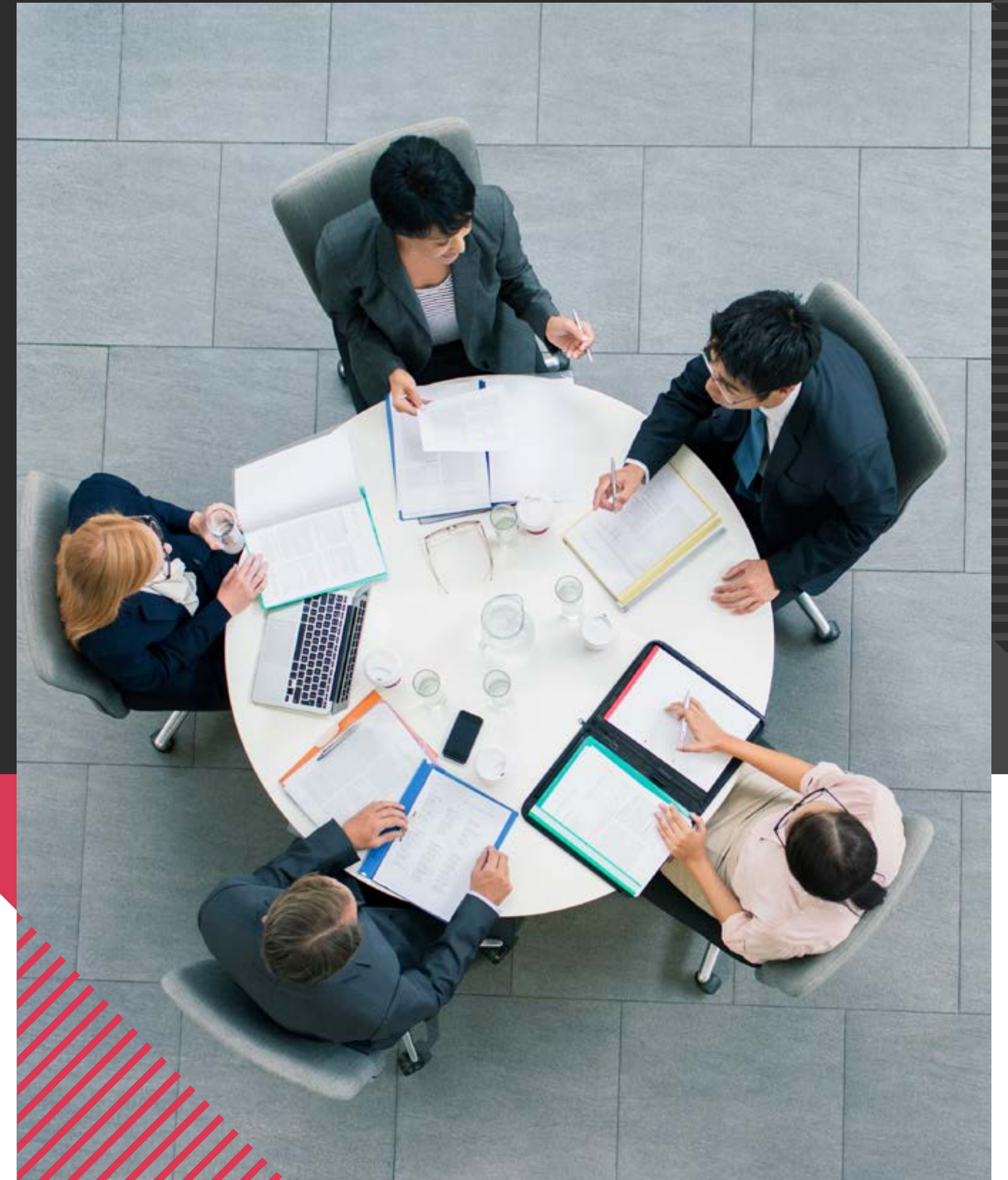
2021:  
95 hours

\* Our training cycles follow the calendar and not the financial year, hence we have presented training metrics for the calendar year to 31 December 2022 in this Transparency Report.



# Firmwide governance

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# Update from the Chair of the Public Interest Body

**It has been another very active year for the Public Interest Body (PIB), with a continuing focus on audit quality and public interest considerations. The PIB has continued to ensure that it provides an appropriate level of oversight and challenge, and has taken an active role in promoting audit quality, ensuring the firm takes account of the public interest in its decision making, and safeguarding the sustainability and resilience of both the firm's audit practice and the firm as a whole.**

## The role of the PIB

The role of the PIB is to enhance stakeholder confidence in the public interest aspects of the firm's activities through the involvement of Independent Non-Executives (INEs). The PIB considers a wide range of issues, with a particular focus on matters of public interest.

The INEs have oversight of the firm's policies and procedures for promoting audit quality, helping the firm to secure its reputation more broadly, including in its non-audit business, and reducing the risk of firm failure. As part of this oversight by the INEs, both the Supervisory Board Talent and Remuneration Committee and Risk Committee have each continued to have INEs embedded within their membership.

The Terms of Reference for the PIB can be found on the [firm's website](#)<sup>1</sup>. These Terms of Reference set out various matters in respect of the PIB, including its purpose and authority, as well as the procedure for dealing with any fundamental disagreement between the INEs and the firm's management team and/or governance structures.



Dame Fiona Kendrick DBE

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/terms-of-reference-the-public-interest-body.html#annex2>



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## Biographies of the Public Interest Body (PIB) members



### Dame Fiona Kendrick DBE

Dame Fiona Kendrick is the former Chair and CEO of Nestlé UK&I. She acted as Chair of the PIB to 15 August 2023, when she stepped down from this role. Dame Fiona is also Deputy Chair of the Institute for Apprenticeships and senior advisor for several consultancies.

She is a former member of the Productivity Leadership Council, UK Commissioner for Employment and Skills, and former Chair of the New University for Engineers NMITE.

Dame Fiona is also a founding member of the Food and Drink Sector Council and former President of the Food and Drink Federation.



### Suzanne Baxter

Suzanne Baxter is an experienced chair, director, and finance professional with substantial board and committee experience gained across the public, private and charity sectors.

Suzanne's portfolio of non-executive positions includes board appointments as Audit Committee Chair at Ascential plc and Auction Technology Group plc, and she is the External Board Member at Pinsent Masons LLP. She was formerly a non-executive director and Audit Committee Chair at WH Smith PLC and, following her longstanding work in the area of equality, was appointed as a Commissioner for Equality and Human Rights for Great Britain.



### Victoria Raffé

Victoria Raffé is a former director and Executive Committee member of the Financial Conduct Authority (FCA), where she held a number of leadership roles during a 20 year career with the FCA and its predecessor the Financial Services Authority.

Since leaving the FCA in 2015, Victoria has focused on non-executive roles in the fintech sector including Starling Bank, and is currently a non-executive director of The Bank of London and Chair of Inbotiq and Let's Think.



### Philip Rycroft CB

During a 30 year career, Philip Rycroft 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.

The biographies of [Chris Burns](#) and [Kevin Ellis](#) can be found within the 'Biographies of members of the Management Board and Supervisory Board' section of the report on [page 38](#).



## PIB FY23 meeting attendance

	Length of service*	A	B
<b>Dame Fiona Kendrick DBE †</b>	4 years	5	5
<b>Chris Burns ‡</b>	4 years, 4 months	5	5
<b>Kevin Ellis ‡</b>	7 years	5	5
<b>Victoria Raffé †</b>	3 years, 4 months	5	5
<b>Philip Rycroft CB †</b>	3 years, 4 months	5	5
<b>Suzanne Baxter †</b>	1 year	5	5

A – Maximum number of formal meetings which could have been attended.

B – Number of meetings actually attended.

‡ MB and SB members of the PIB:  
Kevin Ellis (from July 2016), Chris Burns (from February 2019).

† Independent Non-Executive

\* The length of service has been calculated as at 30 June 2023.

## The INE appointment process

The PIB consists of a majority of Independent Non-Executives (INE), and has a robust succession strategy and a clear INE appointment process. INEs are nominated by the Senior Partner, following consultation with the PIB Chair and Chair of the Supervisory Board, 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 PIB. Terms of office for the INEs are not coterminous, to facilitate rotation in future years. INEs are appointed for an initial three year term and may serve for two further three year terms, up to a maximum of nine years in total.

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 (AFGC), issued by the FRC, and the FRC's Ethical Standard, as well as considering what an objective, reasonable and informed third party would expect of an INE. 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 C2 of the AFGC 2016. The length of the term served by the INE is also taken into consideration, with the maximum tenure for any INE being nine years in total.

Each INE must 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 any other 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.

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, when considered appropriate and necessary to discharge their duties.





## Changes in the membership of the Public Interest Body

As part of the PIB's succession strategy, Philip Rycroft was appointed Chair of the PIB in August 2023. Dame Fiona Kendrick stepped down as an INE and Chair of the PIB on the same date. Dame Fiona chaired the PIB during what has been a period of significant change for the audit profession. Philip has been a member of the PIB since 2020, and has also acted as Chair of the AOB during that time. The PIB also welcomed Rob Perrins as an INE and member of the PIB in October 2023. Rob brings significant experience and expertise to the PIB from his executive career at Berkeley Group Holdings Plc, where he is currently the Chief Executive.

## Working with the Audit Oversight Body (AOB)

The AOB was established in November 2020 as part of the firm's transitional arrangements for the implementation of the FRC's principles for operational separation of audit practices (the principles of operational separation). During the year the PIB has received regular updates from the AOB and the Audit Partner Remuneration and Admissions Committee (APRAC), a Committee of the AOB. Further information on the areas of focus of the AOB, together with the changes in its membership during the year, are set out in the update from the Chair of the AOB.

## Areas of PIB focus

This has been a year of growth and development for the firm, in a challenging economic environment. Throughout this period, the PIB has continued to set its own agenda with a focus on matters that it regards as being in the public interest.



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## Key matters considered by the PIB

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### Audit and corporate governance reform

- Regulatory developments and audit and corporate governance reforms have remained a key area of focus for the PIB. During the year, the PIB discussed proposed and upcoming reforms, as well as the opportunities and challenges that these reforms may create both for the firm and the wider competitive landscape.
- The PIB also continued to focus on the firm's transitional arrangements for its implementation of the principles of operational separation.

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### Operational development of the PIB

- The PIB has continued to develop in terms of its operation and how it provides oversight and challenge in respect of the firm's audit practice through the AOB. The PIB has continued to focus on how public interest is taken into account as part of the firm's decision making. The PIB has also continued to increase its focus across the non-audit areas of the firm's business, including the Consulting, Deals, Risk and Tax Lines of Service, helping the firm to secure its reputation more broadly.

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### Audit quality

- The PIB receives regular updates from the AOB, and these updates are an important part of helping the INEs to discharge their responsibility under the AFGC to promote audit quality. These updates have included detail on how the AOB provided oversight and challenge on the Programme to Enhance Audit Quality (PEAQ). The PEAQ Programme has now concluded, and the AOB continues to provide oversight on the embedding of the PEAQ actions into business as usual activities.
- The changes introduced as part of the PEAQ to strengthen audit quality have continued to be welcomed by the PIB. In the spirit of continuous improvement and positive engagement with the regulator, the firm continues to make sure that it has processes in place to support root cause analysis, and resulting continuous improvement activities, which are all designed to ensure lessons learned reinforce audit quality in the future. Ensuring that there is consistently high audit quality remains critically important. The PIB was pleased to see a recognition of the firm's continued investment in improvements to audit quality as part of the FRC's AQR results for the year, with none of the audits inspected being found to require significant improvements.

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### Updates from Internal Audit

- The PIB receives regular updates from the Head of Internal Audit. Philip Rycroft attended the Supervisory Board Audit Committee discussion on the full year report from the Head of Internal Audit, which included details of the various reviews it had conducted to assess the effectiveness of the firm's systems of internal control.

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### Updates from the Ethics Partner

- The PIB receives biannual updates from the firm's Ethics Partner, who has a reporting line into the PIB.
- The PIB receives regular updates on the firm's 'Speak Up' whistleblowing facility and the firm's Code of Conduct from the Ethics Partner. The firm's 'Speak Up' whistleblowing facility is also considered by the Supervisory Board Risk Committee and Victoria Raffé has continued as the INE representative member of this Committee during the year.

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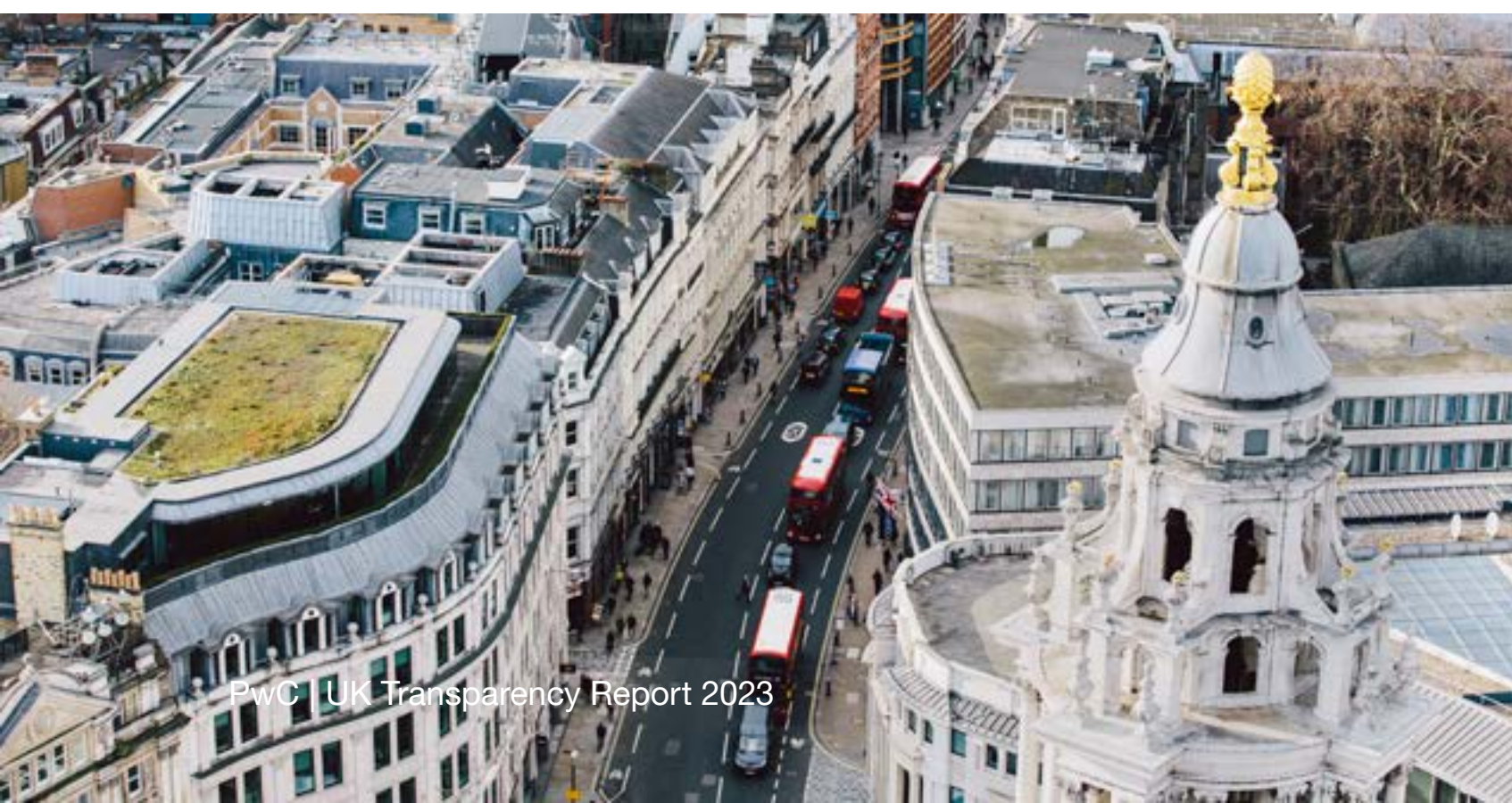
### Technology

- Given the focus on technology and AI in the wider market, the PIB discussed the developments and available tools, as well as the firm's capabilities in this area. The PIB is also mindful of the importance of the firm having appropriate governance processes in place to ensure responsible use of AI tools. The PIB will continue to take an interest in this area as it develops, taking into account the public interest.

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### Risk Management

- The PIB has continued to receive quarterly Risk Management updates throughout the year, with a focus on the top risks of the firm and the associated risk ratings. The PIB also continues to receive updates on the activities of the Supervisory Board Risk Committee, which are presented by the chair of the Committee, with input from the embedded INE member of the Committee.
- The discussions included reference to the new risk added this year following the breach of values and policies in PwC Australia.





## Effectiveness

During the prior year, the firm conducted an independent externally facilitated effectiveness review and were pleased to report as part of the 2022 Transparency Report that, in the view of the external facilitator, the PIB is an effective independent governance body. The external facilitator brought challenge to how the PIB performs and, following their review, presented the results and recommendations to the PIB at its meeting on 4 July 2022. During the year we have continued to monitor the progress made against the recommendations and outcomes of that effectiveness review and are content with the progress that has been made. In accordance with the firm's Governance KPIs, the firm looks to undertake externally facilitated effectiveness reviews every three years, with internal reviews taking place annually in the intervening years.

## Building wider relationships

During the year, there has been a continued focus on developing the level of interaction of the INEs with the wider firm. As a member of the PIB, the chair of the Supervisory Board has a standing agenda item at each meeting in order to provide an update on its activities. Victoria Raffé attended a Supervisory Board meeting in November 2022 that was held in the firm's Manchester office, while Suzanne Baxter attended a Supervisory Board meeting in May 2023 that was held at the firm's Cardiff office. Both Victoria and Suzanne enjoyed meeting the partners and staff at each of these offices respectively. Philip Rycroft has also been invited to attend a Supervisory Board meeting in November 2023 that is due to be held at the firm's Watford office.

The INEs continue to have embedded roles with certain committees of the Supervisory Board. These embedded roles were put in place following the recommendations from the governance review that the firm undertook in 2018, with the purpose of these roles being to increase the profile of the INEs and the value they bring to the broader partnership. Dame Fiona stepped down from her role as a member of the Supervisory Board Talent and Remuneration Committee at the same time as she stepped down as an INE and Chair of the PIB, and Philip Rycroft was appointed as her successor in that role.

During the year, a series of meetings between certain members of the PIB, the AOB and the Supervisory Board have been held, with meetings having taken place in January, April and June 2023. At the June meeting, the themes from the Supervisory Board Spring Partner Engagement process were discussed, including the key topics of interest among the firm's partners.

Certain INEs also attended an element of the External Auditor Training programme within the audit practice during the year and the PIB are also pleased to report that the INEs have continued their regular engagement meetings with the FRC, as well as having attended FRC roundtable discussions during the year.

The INEs also regularly meet separately to discuss matters relating to the PIB's remit.

## Culture and people

In the view of the PIB, the firm continues to have an appropriate culture, which is reflected in the information presented to the PIB as well as in the processes for decision making and in the INEs interactions with staff and partners.

During the year, the PIB received updates from the AOB in respect of the culture within the audit practice. The PIB has also continued to receive biannual updates from the firm's Chief People Officer, which include information on wellbeing, diversity and inclusion, attrition and recruitment. These updates also cover how the desired values, culture and behaviours are embedded across the firm, together with the results of feedback surveys conducted among the firm's people, to monitor engagement levels and sentiment across the business.







## Audit Firm Governance Code

The PIB continues to use the AFGC as a guide to good governance as well as a compliance requirement. An updated version of the AFGC was published by the FRC in April 2022, which is applicable for financial years beginning on or after 1 January 2023. The Firm continued to apply the 2016 version of the AFGC for the financial year ended 30 June 2023 and will apply the AFGC 2022 from the next financial year. The 2016 and 2022 versions of the AFGC were discussed by the PIB at various points during the year, including assessing the firm's activities against the AFGC 2016 and reviewing updates and recommendations from the firm's management in respect of how the firm will apply the AFGC 2022 in the next financial year.

## Looking ahead

The culture of the firm will continue to be a key area of focus for the PIB, particularly with respect to the public interest, and the PIB will continue to provide constructive challenge and oversight of the firm's people and culture activities over the next year. The areas of focus will also involve understanding how the firm has considered the results of the Independent review of PwC Australia's practices and culture in the context of the UK firm. The PIB, working with the AOB, also has an important role in reviewing the strategy and culture of the firm's Audit business and ensuring there is consistently high audit quality, and the PIB will continue to focus on this. The PIB will continue to take an active role in the firm's governance, fulfilling the important role of ensuring the public interest continues to be taken into account as part of the firm's decision making.

**Dame Fiona Kendrick DBE**



# Update from the Chair of the Audit Oversight Body

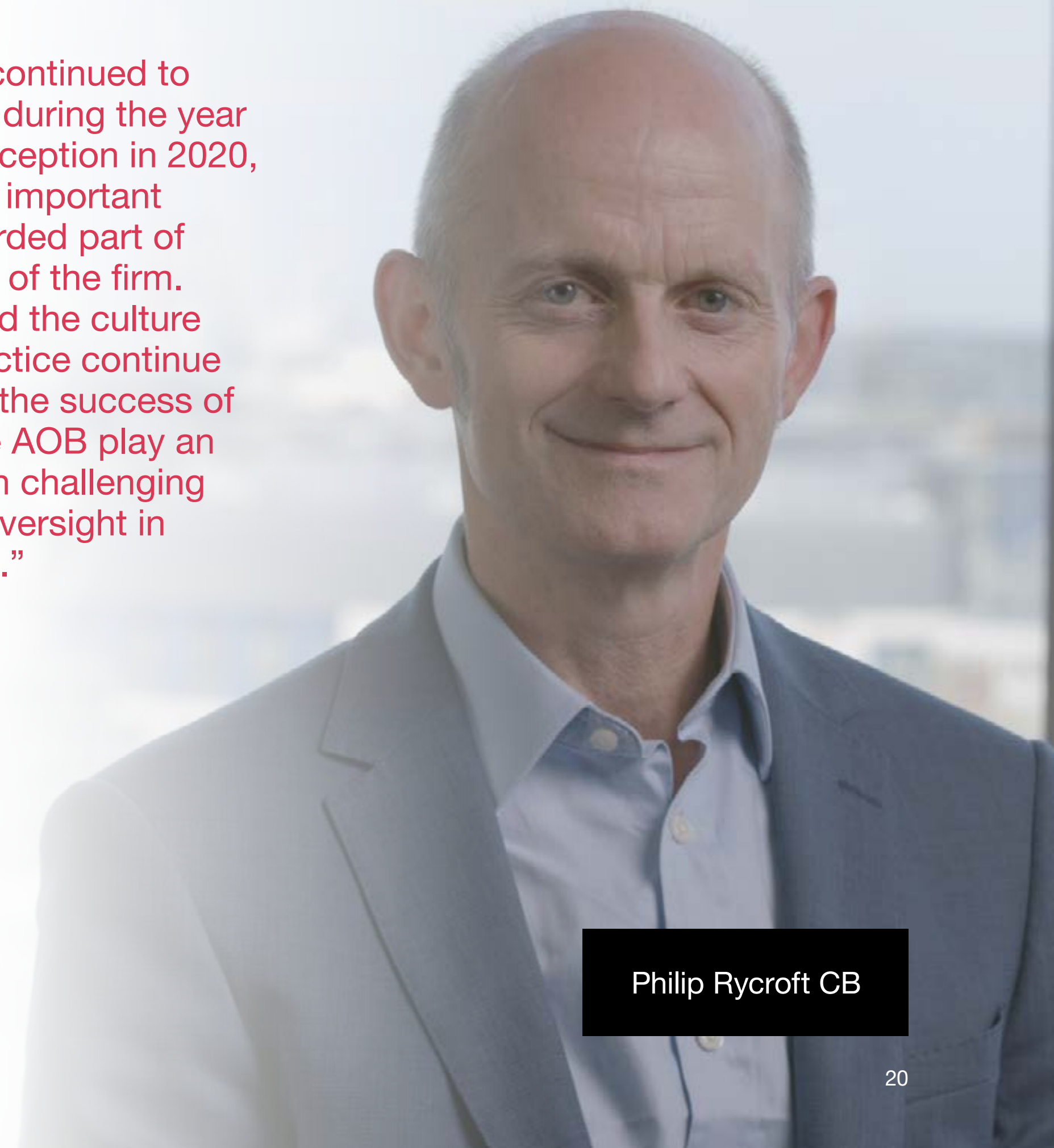
**The Audit Oversight Body (AOB) was established to strengthen the governance and oversight of the audit business as part of our implementation plans to address the FRC's principles for operational separation of audit practices, and to enhance the firm's ability to fulfil certain responsibilities set out in the Audit Firm Governance Code.**

The responsibilities of the AOB include:

- overseeing the firm's audit practice to ensure it remains focused on the delivery of consistently high quality audits, including providing independent oversight of the audit strategy and reviewing the audit practice's culture and control activities;
- supporting (as appropriate) the firm's senior management in the execution of their responsibilities through robust oversight and constructive challenge;
- promoting a culture supportive of the public interest; and
- overseeing the FRC's objective to improve audit quality by ensuring that people in the audit practice are focused above all on delivery of high quality audits in the public interest.

The membership of the AOB includes Audit Non-Executives (ANEs), as independent members. The AOB is assisted in the discharge of its duties by the Audit Partner Remuneration and Admissions Committee, which is a subcommittee of the AOB chaired by Caroline Gardner. Caroline is the AOB's doubly independent non-executive, meaning Caroline is not also a member of the Public Interest Body (PIB).

“The AOB has continued to develop its role during the year and, since its inception in 2020, has become an important and highly regarded part of the governance of the firm. Audit quality and the culture of the audit practice continue to be critical to the success of the firm and the AOB play an important role in challenging and providing oversight in these key areas.”



Philip Rycroft CB



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## Biographies of the Audit Oversight Body (AOB) members



### Philip Rycroft CB

During a 30 year career, Philip Rycroft 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.

Philip stepped down as Chair of the AOB with effect from 15 August 2023. Philip was appointed as Chair of the PIB and as a member of the Supervisory Board Talent and Remuneration Committee, with effect from the same date.



### Caroline Gardner CBE

Caroline Gardner CBE was the Auditor General for Scotland between 2012 and 2020. She is a member of the board of the Wheatley Group and of the International Federation of Accountants. She is a Fellow of the Chartered Institute of Public Finance and Accountancy (CIPFA), serving as CIPFA President during 2006-07, and was a member of the International Ethics Standards Board for Accountants from 2010 to 2015.

Caroline Gardner was appointed as Chair of the AOB with effect from 15 August 2023, succeeding Philip Rycroft.



### Victoria Raffé

Victoria Raffé is a former director and Executive Committee member of the Financial Conduct Authority (FCA), where she held a number of leadership roles during a 20 year career with the FCA and its predecessor, the Financial Services Authority.

Since leaving the FCA in 2015, Victoria has focused on non-executive roles in the fintech sector including Starling Bank, and is currently a non-executive director of The Bank of London and Chair of Inbotiq and Let's Think.



### Kate Wolstenholme

Kate Wolstenholme 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, and stepped down on 31 December 2022 at the end of her four year term. Kate also stepped down as a member of the firm's Audit Oversight Body with effect from the same date.

[Hemione Hudson](#) and [Kenny Wilson](#)'s biographies are included in the Management Board biography section and the Supervisory Board biography section respectively.



## Audit Oversight Body FY23 meeting attendance

	Length of service*	A	B
<b>Philip Rycroft CB</b> ◊	2 years, 7 months	5	5
<b>Caroline Gardner CBE</b> ◊	1 year, 9 months	5	5
<b>Victoria Raffé</b> ◊	1 year, 6 months	5	5
<b>Hemione Hudson</b>	2 years, 7 months	5	5
<b>Kate Wolstenholme</b>	1 year, 1 month	2	2
<b>Kenny Wilson</b>	5 months	3	3

A – Maximum number of formal meetings which could have been attended.

B – Number of meetings actually attended.

◊ Audit Non-Executive. Philip Rycroft and Victoria Raffé are also Independent Non-Executives as a member of the PIB. Caroline Gardner is considered ‘doubly independent’, see Changes in AOB membership section.

\* The Audit Oversight Body was formed in November 2020 and as at 30 June 2023 has been effective for 2 years 7 months.

Note: Kate Wolstenholme stepped down from the AOB in December 2022, and Kenny Wilson was appointed to the AOB in January 2023. Suzanne Baxter was appointed as an ANE member of the AOB in August 2023.

## ANE and INE appointment process

The firm has a clear process for the appointment of Audit Non-Executive (ANEs) and INEs (the process for appointing INEs is set out in the Update from the PIB). As part of the process for nominating a candidate for appointment as an ANE and as a member of the AOB, the firm’s Senior Partner will consult with the Chair of the AOB. In the case where an existing INE is considered for appointment to the AOB, the proposed appointment would not require further SB approval, but would be discussed with the AOB Chair and the SB Chair by any of the Senior Partner, Head of Audit or the General Counsel & Chief Risk Officer.

## Changes in AOB membership

We were pleased to welcome Kenny Wilson as the Supervisory Board representative member of the AOB with effect from 1 January 2023. Kenny is an experienced UK Audit Partner and a member of the Supervisory Board. Kenny has also been a member of the firm’s Audit Committee (and the Audit Committee’s Chair for a period of time), and a member of the Supervisory Board’s Risk Committee.

Kate Wolstenholme stepped down as a member of the AOB on 31 December 2022. I would like to take this opportunity to thank Kate for the valuable contribution she has made to the body since 2021.

Philip Rycroft stepped down as Chair and a member of the AOB and APRAC on 15 August 2023 in order to take up the role of Chair of the Public Interest Body. From this date, Caroline Gardner was appointed as Chair of the AOB having been a member of the body since 2021 and the existing Chair of the APRAC. Caroline is not an INE or a member of the PIB, and is therefore considered to be a “doubly independent” ANE (this being an ANE who is not also an INE, as described in the Audit Firm Governance Code 2022).

We also welcomed Suzanne Baxter as a member of the AOB and the APRAC with effect from 15 August 2023. Suzanne is already an INE and member of the PIB and brings considerable experience and expertise to the AOB. Suzanne’s biography can be found in the PIB Chair’s update.



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## Key matters considered by the AOB in the year

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### Understanding the evolving people and delivery models

- Attracting, developing and retaining talent remains an important area of focus for the audit profession and is a topic we have been focused on this year in order to ensure the public interest is protected. We have received updates on the progress of the audit practice's strategy in this area as well as monitoring near time supply of resources versus demand. We have spent time understanding and assessing the impacts of how the audit delivery model is changing including the impacts of technology and distributed delivery models.

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### Understanding and monitoring the culture of the audit practice

- We reviewed the first annual culture report for the audit practice. The report incorporated results from the annual culture survey as well as other assessment methods to provide a comprehensive assessment of culture within the firm's audit practice. We reviewed the key findings of the report and the overall conclusions, which indicated that the audit practice has established a culture that supports the delivery of high quality audits; and that Audit Behaviours that drive audit quality are well embedded, although require continued reinforcement. We were encouraged by the firm's commitment to the importance of culture and discussions of the report in the AOB and other forums were used to assist in the preparation of a plan of culture activities for FY23.
- As Chair of the AOB, I continued to enjoy shadowing an audit team and this year particularly valued the opportunity to discuss with the engagement leader the process for finalising the audit along with audit committee reporting and how key audit matters were addressed and reported. The members of the AOB have also enjoyed participating in annual external audit training events. The commitment to continual improvement was clear and we were impressed by how all individuals understood their own personal contribution.

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### Overseeing audit strategy, consideration of audit quality controls, measures and reviews and challenging outputs

- We assessed the firm's audit strategy within the context of the FRC's operational separation objectives and outcomes, including taking into account the public interest.
- Relevant members of the Audit Executive attended the AOB throughout the year and we discussed and challenged on topics of strategic priority or importance to the audit practice. We have also discussed and assessed the results of FRC reviews of the business and wider policy papers and publications produced by the FRC.
- We have challenged the audit practice on its internal and external quality review results, including its root cause assessment programme and the remedial actions being undertaken.
- We assessed the final closure report and benefits realisation framework for the PEAQ. The AOB was pleased to see the positive impact made by this programme, which has led to an overall improvement of the quality of the firm's audits.
- Last year the firm developed a detailed Audit Quality Plan (AQP) to ensure a continuing focus on performing consistently high quality audits. The AOB has reviewed the updated AQP and we have also assessed and challenged the Single Quality Plan, which underpins the AQP and sets out the actions the firm will take to continually improve audit quality.
- We reviewed the results of the annual Quality Management for Service Excellence review (which provides assurance whether the system of quality management is appropriately designed and operating effectively) to understand if any actions were required.

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### Monitoring the implementation of the FRC's principles of operational separation

- We regularly discussed and assessed the firm's progress against the implementation plan for the FRC's principles of operational separation and have been pleased with the progress that has been made.

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### Engagement with the FRC

- We have met with the FRC on a regular basis and participated in its roundtables to discuss topics such as 'the public interest' and the implementation of ISQM (UK) 1. We will also attend the roundtable scheduled in October 2023 to discuss synergies between the Corporate Governance Code and the Audit Firm Governance Code.
- Sir Jon Thompson (at the time the CEO of the FRC) and Sarah Rapson (at the time the Executive Director of Supervision at the FRC) joined an AOB meeting in February 2023. We welcomed this opportunity to hear from them about the FRC's key priorities. The firm's FRC Supervisor also joined and observed an AOB meeting.

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### Consideration of Audit Partner Remuneration and Admissions

It is important that oversight is also given to the 'levers' adopted by the audit practice to promote and reward positive behaviours, which support quality by our audit partners. We do this through a subcommittee of the AOB, the APRAC. The APRAC comprises three ANEs and is chaired by Caroline Gardner. The responsibilities of the APRAC include:

- overseeing the audit partner remuneration process to ensure individual audit partner remuneration is determined above all by contribution to audit quality; and
- overseeing the process by which candidates are selected for admission to the partnership to practise as audit partners.





## Working with the Public Interest Body

The AOB is a subcommittee of the PIB and has a clear audit-specific remit. The AOB's terms of reference are available on [our website](#)<sup>1</sup>.

As the Chair of the AOB I report to the PIB after each AOB meeting to provide an update on the challenges made, and where relevant any recommendations or action to be taken. During the year the AOB also provided specific updates to the PIB on key matters including progress against the principles for operational separation, and the results of internal and external quality reviews.

## Looking ahead

As I hand over the role of Chair and step down from the AOB I am pleased with the positive impact that the AOB has had and the extent to which the firm has embraced the benefits of the robust independent challenge provided by the AOB. The AOB is now a respected and established part of the governance of the firm. In an environment of continued uncertainty and challenge the importance of building trust in audit has never been greater and the AOB is an integral part of the safeguards that the firm has established to support this objective.

In the coming year the AOB will continue to challenge the audit practice to ensure a continued improvement in audit quality and that the culture of the practice supports the delivery of high quality audits in the public interest. It will also continue to monitor the firm's progress against plans for operational separation. All members of the AOB look forward to continued engagement with relevant stakeholders, including the FRC. As I take up my new role as Chair of the PIB, I look forward to continuing to develop and support the important linkage between the AOB and the PIB.

**Philip Rycroft CB**

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/terms-of-reference-audit-oversight-body.html>



# Our committee structure and what they do

## Firmwide governance

The firm's governance is guided by our purpose – to build trust in society and solve important problems. Our purpose is central to our decision making processes and how we manage our risks. It also informs how we manage our business in the interests of our partners and stakeholders.

This governance section explains the firm's governance arrangements. We explain the roles of the Senior Partner, the Management Board (MB) and its committees, and the Supervisory Board (SB) and its committees.

Information relating to the PIB, and its committee the AOB, is disclosed in their respective updates.

## Good governance

We are required to report on how we have applied each of the principles of the Audit Firm Governance Code (AFGC) 2016 and make a statement on our compliance with the AFGC 2016 provisions. In doing so, we also consider good governance practices under the UK Corporate Governance Code (2018). During the year we have fully complied with the AFGC 2016 as detailed in the 'Compliance mapping' appendix on [page 157](#).

We welcome the revised Audit Firm Governance Code 2022 which has been updated for the FRC's principles of operational separation. This most recent version of the Code is applicable for financial years beginning on or after 1 January 2023 and we are working carefully through the Code's principles and provisions in the context of our business. We are also well progressed with our operational separation transition plan in order to meet the FRC's autumn 2024 deadline for implementation. 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 Independent Non-Executives (INEs) are a key part of our governance structure, providing independent oversight of the firm. The PIB comprises a majority of INEs. The firm considered that having a separate body comprised of high calibre INEs, which was able to determine its own agenda, would be the most appropriate way to ensure the public interest is served. This structure helps the PIB to oversee audit quality in addition to its consideration of wider public interest issues. The Audit Oversight Body, a Committee of the PIB, comprises a majority of Audit Non-Executives (ANEs).





## Stakeholders and dialogue

We recognise that as a regulated business with approximately 25,000 people, 75,000 alumni, revenue for the financial year ended 30 June 2023 of £4,139m, we are a substantial firm with a broad range of stakeholders.

We engage regularly with investors and held a number of roundtable and educational events for them throughout the year on topical issues. The insights and feedback from these meetings are shared with the PIB through periodic briefings. You can find more information on our engagement with investors on [page 114](#).

Throughout the year, internal stakeholder engagement included biannual partner meetings led by the Management Board with partners from across the firm and biannual partner engagement meetings led by the Supervisory Board. The Senior Partner held town hall meetings with partners and all staff within the firm, utilising technology for live webcasts; in addition to the periodic communication via multiple platforms to all partners and staff.

## Governance structure

Our governance structure reflects our partnership model. The Senior Partner is elected by the partners of the firm for an initial term of four years, with the option to stand for a second four year term. Once elected, the Senior Partner forms the Management Board and committees. The role of the Talent and Remuneration Committee of the Supervisory Board (SB) includes providing governance oversight of any succession planning in respect of the MB.

The SB comprises members who are elected by partners, certain ex-officio members (the 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 elected members of the SB are elected by the partners of the firm for a term of four years, with six of the twelve seats being subject to election every two years. There is no limit to the number of terms that an SB member can be elected for, save only that no elected member will serve for a period of more than four years without submitting themselves for re-election.

The Public Interest Body is made up of Independent Non-Executives, plus representatives from the firm's MB and SB, each of whom are nominated by the Senior Partner and Chair of the SB respectively. Details of the appointment process and terms of appointment for the Independent Non-Executives are set out in the Update from the Public Interest Body. The firm's Head of Audit and Chief Risk Officer and General Counsel both have 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](#)<sup>1</sup>. 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 Board Secretariat team who are responsible for advising on governance matters.

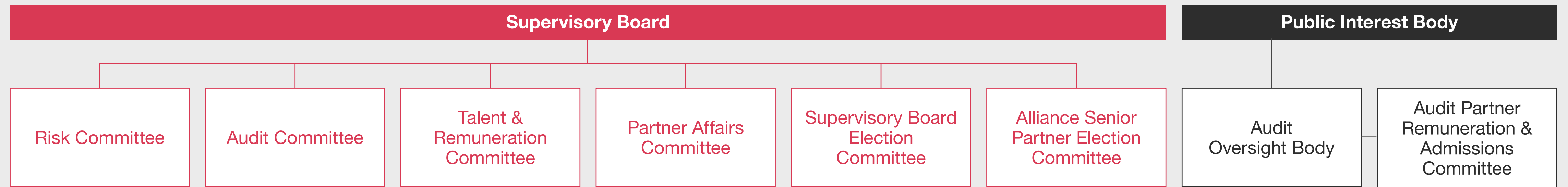
<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/terms-of-reference-governance-structure.html>



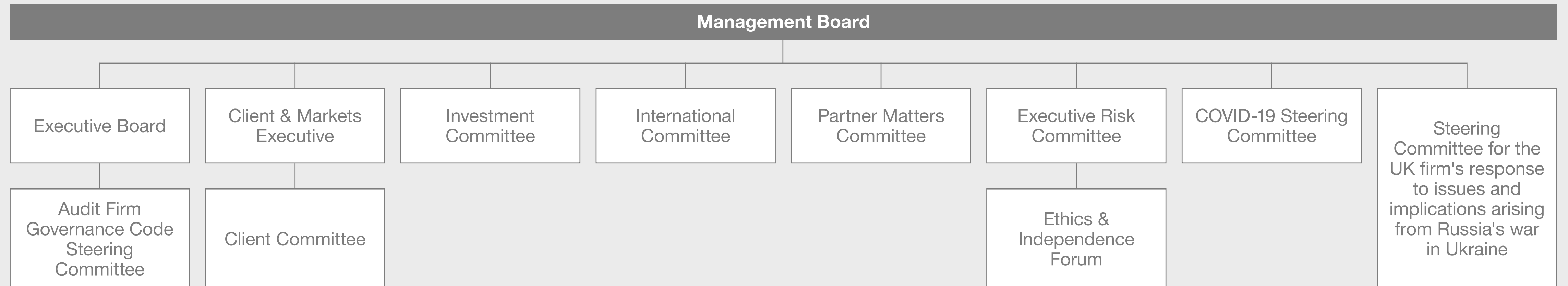


The key governance and executive bodies of the firm are:

### Governance bodies



### Executive bodies





## Activities

The key matters considered in the year by our executive and governance bodies included strategy, culture, people, quality, performance, technology and investment, 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 relevant agendas.

Further information on our risks and how these are managed is available within the principal risks and responses, on [page 34](#).

## Supervisory Board

The Supervisory Board (SB) considers a wide range of issues such as risk, strategy, reputation, people matters including health and wellbeing, technology, return on investments, and culture. It has supported, given guidance to, and challenged, the Senior Partner and the Management Board (MB). The SB has particular insight on the views of partners and reflects these in conversations with management.

Twice a year the SB holds engagement meetings at which any UK partners from around the country can speak directly to SB members on any matters of concern. The partner feedback is discussed with the MB and a report together with the MB's response is made available to partners.

The SB met eleven times (excluding ad-hoc meetings) throughout the period. The SB visited the Manchester and Cardiff offices during the year.

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.

## Committees of SB

During the year there have been six committees of the SB: the Risk Committee, the Audit Committee, the Talent & Remuneration Committee, the Partner Affairs Committee, the Supervisory Board Election Committee and the Alliance Senior Partner Election Committee.

### 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.

## 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' on [page 35](#).

## Talent & Remuneration Committee

The Talent & Remuneration Committee reviews the remuneration, talent development and, where appropriate, succession plans for the Talent & Remuneration population (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.

● Governance bodies

● Executive bodies



### 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, retired partner programmes, and involuntary retirements.

### Supervisory Board Election Committee

The Supervisory Board Election Committee meets in the year of an SB election period. The primary purpose of the Committee is to consider the SB election process and timetable and make recommendations to the SB. The Supervisory Board Election Committee was dissolved in February 2023 following the conclusion of the 2022 Supervisory Board Election.

### Alliance Senior Partner Election Committee

PwC UK has an equity holding in, and a strategic Alliance with, the PwC Middle East firm. The Alliance Senior Partner chairs the Alliance Leadership team and appoints the UK and Middle East Senior Partners. The current Alliance Senior Partner is Kevin Ellis.

The Alliance Senior Partner Election Committee was formed in April 2023 to support the Supervisory Board in matters relating to the 2024 Alliance Senior Partner election. Partners in the UK and Middle East firms are able to vote in the election. The Committee's role is to consider matters relating to the Alliance Senior Partner election process and timetable, and to make recommendations to the SB. The committee is chaired by the Chair of the UK Supervisory Board. To reflect the fact that the Alliance Senior Partner Election spans the UK and Middle East firms, the membership of the committee includes the Chair and another member of the Middle East Supervisory Board, both of whom are partners within the Middle East firm. A UK Partner and member of the UK Supervisory Board, who is also a member of the Middle East Supervisory Board, is also a member of the committee.

### Public Interest Body

The purpose of the Public Interest Body (PIB) is to enhance stakeholder confidence in the public interest aspects of the firm's activities. The PIB is comprised of four independent non-executives and two representatives from the firm (one from the Management Board and one from the Supervisory Board).

### Audit Oversight Body, a Committee of the PIB

In November 2020 the firm established the Audit Oversight Body (AOB), as a committee of the PIB, to oversee governance of the firm's audit practice. The AOB is comprised of a majority of Audit Non-Executives, as well as at least one representative from the SB and the UK firm's Head of Audit ex-officio. The purpose of the AOB is to oversee the firm's obligations with respect to the pursuit of the FRC's objectives, outcomes and principles for operational separation insofar as they are within the control of the audit practice, and to enhance the UK firm's ability to fulfil certain responsibilities set out in the Audit Firm Governance Code.

The representative from the SB on the AOB is nominated by the Chair of the Supervisory Board in consultation with the Senior Partner, AOB and Chair of the PIB. The appointment process and terms of appointment for the AOB Audit Non-Executives are consistent with the appointment process and terms of appointment for the Independent Non-Executives, as set out in the Update from the Public Interest Body.

### Audit Partner Remuneration and Admissions Committee, a Committee of the AOB

The Audit Partner Remuneration and Admissions Committee (APRAC) is a committee of the AOB. The APRAC, which is comprised of Audit Non-Executives, oversees the audit partner remuneration process to ensure individual audit partner remuneration is determined above all by contribution to audit quality, and the process by which candidates are selected for admission to the partnership to practise as audit partners.



● Governance bodies

● Executive bodies



## The Management Board

The Management Board (MB) oversees the firm's long term strategy and certain partner matters under the Members' Agreement (including dealing with involuntary partner retirements). During the year 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 been held for strategy sessions and certain partner matters. In the year, the MB met five times (excluding ad-hoc meetings). At its formal meetings, the MB considers matters in line with its Terms of Reference, including updates with respect to the audit practice.

## Committees of the Management Board

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

## Executive Board

The Executive Board (EB) is responsible for execution of the policies, strategy and management of the UK firm, and receives regular reports from the committees of the MB. The EB holds monthly meetings and conducts business at additional meetings as necessary. During the year, the EB met 14 times (excluding ad-hoc meetings) and considered the day-to-day governance and business performance of the firm.

## Audit Firm Governance Code (AFGC) Steering Committee

The AFGC Steering Committee, which is a committee of the Executive Board, was established in January 2023 for the purpose of considering the firm's activities regarding the revised AFGC 2022.

## Clients and Markets Executive

The Clients and Markets Executive (CME) is responsible for overseeing the UK firm's client facing and market activities.

## 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.

## Investment Committee

The purpose of the Investment Committee is to support the growth of the Firm by providing governance for acquisitions for investments and divestitures.

## 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). The committee also receives updates relating to performance in EMEA and approval of any matters on behalf of the MB relating to Network issues. The International Committee also has oversight of matters relating to Alternative Delivery Models where such delivery occurs outside of the United Kingdom.

## Partner Matters Committee

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

## Executive Risk Committee

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

## Ethics & Independence Forum

The Ethics & Independence Forum, which is a committee of the Executive Risk Committee, considers policy matters related to professional ethics and independence.

## COVID-19 Steering Committee

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

## Steering Committee for the UK firm's response to issues and implications arising from the Russian Government's war in Ukraine

This Steering Committee, which is a committee of the Management Board, was established in May 2022 and considers and makes recommendations to the MB or EB in respect of any matters relating to or arising from the Russian Government's war in Ukraine, as well as to oversee any related business as usual decisions.

● Governance bodies

● Executive bodies



## How often do the boards and governance bodies meet and what is member attendance?

The MB typically meets five times per year with additional meetings being called when required. The EB, which is a committee of the MB, and the SB, each usually meet monthly with additional meetings being called when required. Meeting attendance by individual board members is provided, together with their biographies, on [page 43](#) and [page 49](#).

The PIB meets at least four times a year, with additional meetings being called when required. The Independent Non-Executives also meet as a separate group to discuss matters relating to their remit. Further information on the activities of the PIB, including Meeting attendance by individual members and their biographies is set out in the Update from the Chair of the PIB.

## Compliance with the Audit Firm Governance Code

The EB and PIB have reviewed the principles and provisions of the Audit Firm Governance Code (AFGC) 2016 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 2023 the firm is in compliance in full with the principles and provisions of the AFGC 2016.

The AFGC includes a requirement for firms to determine governance KPIs in full the first time 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 2023 without any changes being made. The KPIs are set out in the tables on [pages 32 and 33](#).

During the year, the firm 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.

In April 2022, the FRC published an updated version of the Audit Firm Governance Code, which is applicable for financial years beginning on or after 1 January 2023. As a result, we established a specific steering committee to carefully work through the Code's principles and provisions in the context of our business.

## Externally facilitated board reviews

In accordance with its Governance KPI for Board Effectiveness, the firm undertook externally facilitated reviews of the MB, EB, SB and PIB in 2022. The output and recommendations from these reviews were set out in the FY22 Transparency Report.

The MB, EB, SB and PIB have continued to review the progress made on the recommendations from these reviews during the year.





Governance KPI		Notes	Performance
<b>Board attendance</b>	MB, EB, SB, PIB and AOB members should attend a sufficient number of meetings as set out in the Terms of Reference.	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.	The number of meetings was in line with the firm's requirements, attendance was also in line with requirements, with the exception of one member of the SB. This has been considered and the circumstances deemed to be exceptional. Attendance records of individual participants of each board are stated elsewhere in the report.
<b>Board composition</b>	That there is a diverse mix on each board, taking into account, for example, the requirements of the 30% club (a club which seeks a minimum of 30% of boards to be women) and ethnic minority targets. That there is a diverse population of people presenting at board meetings (e.g. an annual update from each LoS and different mix of presenters at each meeting).	Information on the composition of the MB, SB and PIB is on the <a href="#">firm's website</a> . <sup>1</sup> Board presentations include sponsors and presenters to help achieve a diverse and inclusive population of people presenting at Board meetings.	MB – five out of 13 MB members are female, and there are two ethnic minority members. EB – two out of six EB members are female. SB – three out of 14 SB members are female, and there are two ethnic minority members. PIB – three out of six members of the PIB are female.
<b>Board activities</b>	That meetings are formally scheduled for the following year and sufficient balance is given in the forward agendas for: strategy; governance; internal controls and risk management; financial performance; and people.	The Chair and the Secretary 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.	The firm considers that this was complied with in the year.
<b>Board effectiveness</b>	That formal, internal effectiveness reviews are carried out annually and externally every three years as set out in the AFGC and summaries of outputs published.	The firm completed externally facilitated board effectiveness reviews of the PIB, SB, MB and EB in 2022, and internal reviews of the progress made on the recommendations from these were undertaken during the year.	Externally facilitated board effectiveness reviews of the PIB, SB, MB and EB were conducted by the Perform Partnership in 2022. The PIB, SB, MB and EB have each reviewed the progress made on the recommendations from these reviews during the year.
	The Terms of Reference of boards and committees are reviewed annually.	The firm reviewed the Boards' and Committees' Terms of Reference during the year.	The Terms of Reference for the AOB, PIB, SB, EB and MB were reviewed during the year.
	That the minimum number of INEs, and the appropriate balance of management and INEs on the PIB, is achieved in accordance with the Terms of Reference.	PIB Terms of Reference are available on the firm's website and its composition is determined by the Members' Agreement.	As at 30 June 2023 there were four INEs on the PIB.
	That the minimum number of Audit Non-Executives (ANEs), and the appropriate balance of management and ANEs on the Audit Oversight Body, is achieved in accordance with the Terms of Reference.	AOB Terms of Reference are available on the firm's website, which include details of the composition of the AOB.	As at 30 June 2023 there were three ANEs on the AOB.

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are.html>



Governance KPI	Notes	Performance
<p><b>Values</b></p> <p>Integrity, compliance, whistleblowing, and people surveys are reviewed at least annually (and updates from PAC/PMC at least half yearly).</p> <hr/> <p>The INEs review reputation, the risk register and audit quality at least annually.</p>	<p>Integrity is covered at all Board meetings. Compliance is covered at the Audit &amp; Risk Committees, Partner Affairs Committee (PAC) 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.</p> <hr/> <p>Reputation and audit quality is covered at every PIB meeting. With the creation of the AOB in November 2020, the PIB receives regular reporting on audit quality from this committee to ensure appropriate oversight. 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. An INE member of the PIB acts as an embedded member of the Supervisory Board Risk Committee, which has a delegated authority from the Supervisory Board to review management's risk framework, assessment and recommendations on enterprise wide risks including financial, operational and reputational risk. Updates from the Supervisory Board Risk Committee are presented at each PIB meeting.</p>	<p>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.</p> <hr/> <p>These matters were reviewed during the year and confirmed at the July 2023 PIB meeting.</p>
<p><b>Systems and Risk</b></p> <p>The Boards review the effectiveness of firm's systems of internal control at least annually.</p> <hr/> <p>The Audit Committee meets at least four times a year.</p>	<p>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.</p> <hr/> <p>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 is submitted to the Audit Committee at least annually.</p>	<p>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. The Audit Committee met eight times and the Risk Committee met six times in FY23.</p>
<p><b>Dialogue</b></p> <p>That the firm shall meet with investors at least annually.</p> <hr/> <p>INEs attend a SB meeting at least annually. The firm should consider the perspective of listed companies and their investors by, for example, inputting into consultations.</p> <hr/> <p>The Boards should consider the Sustainability KPIs at least annually.</p>	<p>The firm held a number of roundtable and educational events for investors, retail investors and analysts throughout the year.</p> <hr/> <p>INEs held triannual meetings with members of the Supervisory Board during the year.</p> <hr/> <p>Investor engagement was covered at PIB meetings as part of the Purpose, Community and Corporate Affairs (PCCA) updates. The Sustainability year-end report is approved by the EB (on behalf of the MB) and reviewed by the Audit Committee.</p>	<p>The firm considers that it complied with this KPI through internal and external dialogue, investor engagement and considering sustainability matters during the year. Whilst compliant, the firm will consider further engagement with investors.</p>



## Principal risks and responses

The Audit Firm Governance Code 2016 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 MB takes overall responsibility for establishing systems of internal control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these systems, the ongoing monitoring of risk, and the effectiveness of controls rests with senior management.

In the year ended 30 June 2023, we have carried out a robust assessment of the principal risks facing the firm. This included considerations of risks that would threaten the firm's business model, future performance, and solvency or liquidity. We performed analysis of the external environment the firm operates in, which is continuing to evolve at pace and with risks materialising more quickly as a result. We also considered Internal Audit activity that is performed throughout the year.

The principal risks therefore bring together the external and internal risks the firm faces, including agreed mitigation strategies and provide the confidence that we're prepared for the changing, complex environment we find ourselves in.

The MB is continually reviewing these risks and mitigations to navigate this complexity and change at speed, in response to the principal risks. Each of our Lines of Service also have dedicated teams considering these risks in real time, under the MB's direction.

## Changes this year

There are a number of external influences which have contributed to the principal risk updates this year. The speed at which new risks are developing is increasing, whilst the public trust held in business and organisations is decreasing. At the same time, technology is advancing at pace, with AI having the potential to completely transform organisations. Combined, this makes the external environment more volatile than ever before.

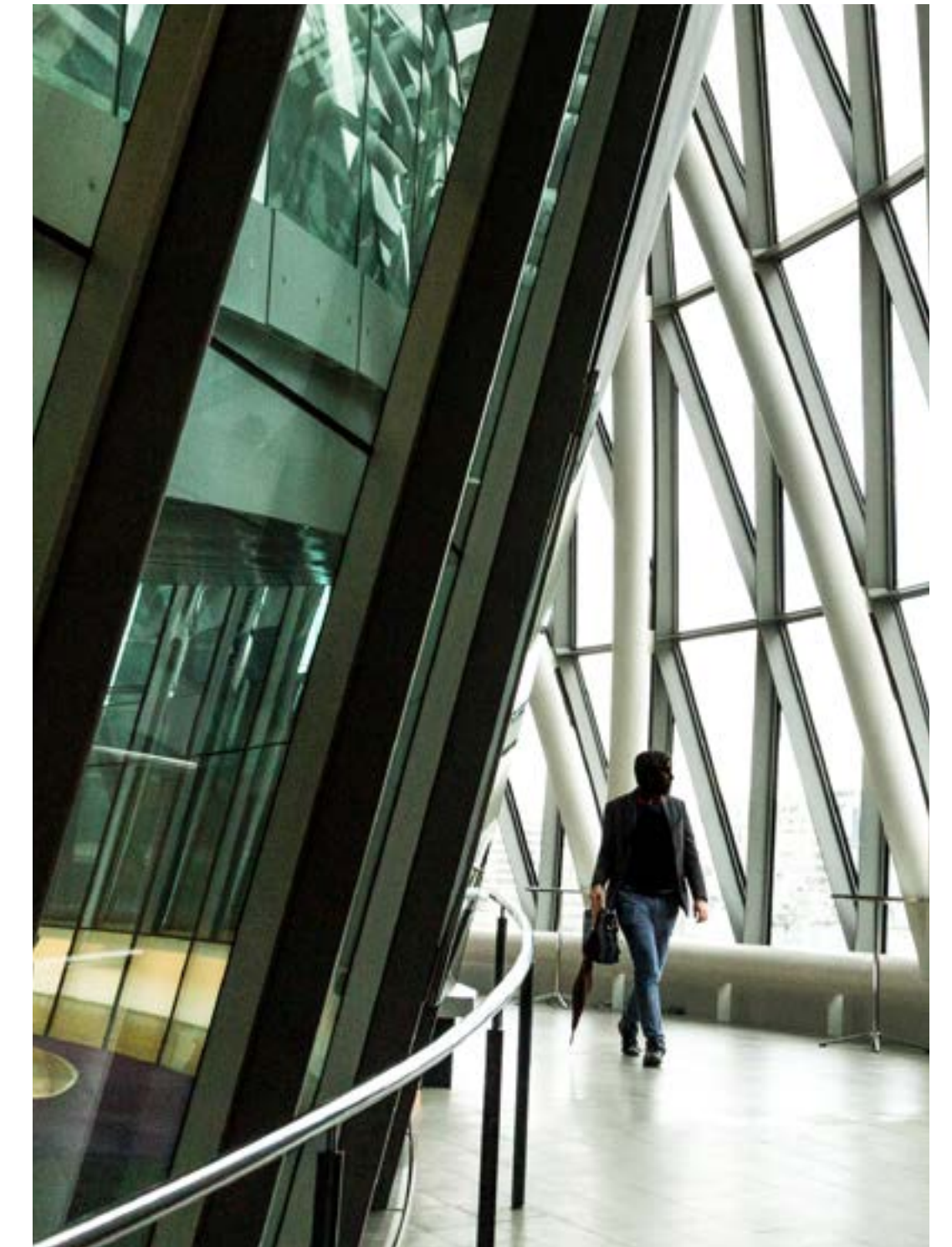
The way we behave as individuals, as a firm, and as a profession are rightly judged against the high standards of integrity and ethical conduct that we set.

Our reputation as a UK firm is also linked to that of the PwC Network. A breach of values and policies in PwC Australia highlights starkly how quickly trust can be lost, and this year we have included a new Network related risk to our principal risks. It also reinforces why it has been so important for us in the UK to maintain clear and robust firmwide governance and processes, supported by independent non-executives, together with a continuing focus on embedding our culture and ethical behaviours. An Independent review of PwC Australia's practices and culture has recently been published, and we are carefully reviewing the findings in the context of the UK firm.

The impacts of climate change are becoming more apparent every year and so we have also added a new risk to reflect the increasing importance of climate and environmental risks to our clients and markets, as well as our internal operations. We recognise the role we have to play in this area, and the risks that could materialise if we get it wrong.

Our previous geopolitical risk has been broadened to incorporate macroeconomics. As has been seen by various events of the last year, including the ongoing war in Ukraine, the macroeconomic environment is directly influenced by the geopolitical uncertainty and it's important for the firm to be considering the broader implications of both.

Lastly, we've removed safety and physical security from our principal risks. This is an ongoing operational risk that the firm continues to manage; however, controls around our offices and our people's travel, coupled with an easing of COVID-19 restrictions and lower levels of international travel, have lessened the overall net risk.





## The Audit Committee Report

The Audit Committee of the SB comprises five members of the SB, having both audit and non-audit backgrounds. The Audit Committee met eight times in the year ended 30 June 2023 (FY22: nine times). The Managing Partner and Chief Operating Officer, the Finance Partner, the Head of Internal Audit, and the external Auditors from Crowe UK LLP (Crowe) have a standing invitation to attend Committee meetings. Both the internal and external auditors also meet privately with the Committee members 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 reporting.

### 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

There is a dedicated Internal Audit team that performs the required work, supplemented by specialist resources from the business as appropriate. 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 appropriate consideration 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 business on a risk basis. This encompasses gaining an understanding of the firm and its environment, including information technology and inherent risk factors. The main areas of focus are Public Reporting; Technology, Cyber and Data; Firmwide operations (including regulatory compliance); and Line of Service specific reviews. The Internal Audit team complete both assurance and consulting reviews with the objective of both reporting on the effectiveness of the existing controls and helping support continual improvement in control. The Committee reviews the annual plan to ensure that it is satisfied with the level and type of work being performed.

The Committee approves the plan annually, including the required resources.

The Committee reviews progress against the plan, proposed 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 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 as well as the implementation of recommendations to support continued improvement.

## Internal control – other reporting

The Committee also considered reports from other parts of the UK firm charged with governance and the maintenance of internal control, including in respect of the management of the firm's own tax affairs. The Committee reviewed and considered the statements in respect of the effectiveness of the firm's internal quality control system (see 'Our system of quality management' section on [page 55](#) within the Audit quality chapter) and in respect of the systems of internal control from an ethics, independence and objectivity perspective (refer to the Ethics and independence chapter), 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 2023 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.

- **Investment in clients (including revenue recognition):** The Committee continued to review the firm's approach regarding revenue recognition in acknowledgement of the complexity of some of the underlying contracts, the range of potential estimates involved and the accounting judgements required. 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 judgemental matter, the Committee was satisfied that the level of provisions held was reasonable based on the information available.

## 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 18.0% (FY22: 18.1%) 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.



## MB and Independent Non-Executive remuneration

### Partners, including members of the MB

All partners, including members of the MB, 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 the 'Our audit methodology' section on [page 63](#), 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 Partner Matters Committee, with oversight from the Partners Affairs Committee and, as applicable, the Talent and Remuneration Committee, once performance has been assessed and the annual financial statements have been approved. The SB approves the process and oversees its application.

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

- performance income – reflecting how a partner and their team(s) have performed; and
- responsibility and equity unit income – reflecting a 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 EB, on behalf of the MB, with the approval of the SB, 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 £50,000 (increased from £40,000 in February 2023).
- The chair of the AOB also receives an additional £20,000 (increased to £30,000 in August 2023).
- Where an INE is also a member of the AOB they receive a further £30,000 for this role.
- Where a member of the AOB is also a member of the Audit Partner Remuneration and Admissions Committee (APRAC), they also receive a further £10,000 for this role.
- Where an INE is also a member of a SB Committee, they receive a further £20,000 for this role.

## Governance of the Audit Line of Service (Audit LoS)

Hemione Hudson is the Head of Audit and the member of the firm's MB responsible for the Audit LoS.

From an operational perspective, and consistent with all other Lines of Service, Hemione Hudson leads an executive team, the Audit Executive, which includes a Chief Operating Officer, Head of Audit Risk and Quality, Head of People and Resourcing, Head of Public Policy, a Market and Services Leader, and three Market Leaders. From 1 October 2023 the Audit Executive also includes a Head of Transformation.

The firm's EB is responsible for the policies, strategy, direction and management of the firm as a whole, on behalf of the MB. 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 approves the application of the firm's Accountability Framework.

The Audit Executive meets formally on a monthly basis for a full day and meets informally twice a week. There is a meeting of the Audit Executive and Business Unit leaders monthly. The Audit Executive escalates significant matters to the MB, the EB or the CME, as appropriate.



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# Biographies of members of the Management Board and Supervisory Board





## The Management Board

The following partners are or were members of the Management Board during the year. 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.



**Kevin Ellis (E)**  
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 Senior Partner of the UK and Middle East alliance in 2016. He joined the firm in 1984 on the graduate training programme and qualified as a Chartered Accountant (ICAEW). Kevin specialised in providing turnaround and crisis management support to businesses in the public and private sectors for over 26 years.



**Marco Amitrano (E)(CME)**  
Managing Partner and  
Head of Clients and Markets

Marco is PwC UK's Head of Clients and Markets. He has 30 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. He previously also served as UK and EMEA Head of Consulting and UK and Global Head of Risk Assurance. Marco is a Chartered Accountant with the ICAEW, a Chartered Management Consultant 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.



**Quentin Cole (CME)**  
Head of Industries

Quentin has been a Partner since 2010. He graduated from Cardiff University in 1997 with a degree in History and has a Masters degree in Business Administration from the University of Gloucestershire. Quentin began his career in industry before joining PwC where he was a member of our Operational Restructuring team in Deals for 20 years. While in Deals Quentin worked on many high profile and complex assignments in the private sector before specialising in turnaround and crisis management in the public sector and healthcare markets in 2005. Quentin became UK Industry Leader for Health Industries in 2015 and from 2018 to 2021 led the combined UK Government & Health Industries practice.





**Ian Elliott (E)**  
**Chief People Officer**

Ian is PwC UK's Chief People Officer. He joined the firm in 1988 on the graduate training programme and qualified as a Chartered Accountant (ICAEW). Prior to moving into his current role, Ian led the UK Forensic Services practice, where he specialised in Forensic Investigations in the public and private sectors. Ian joined the UK firm's Executive Board as Chief People Officer on 1 January 2022.



**Ben Higgin (E)**  
**Head of Technology and Investments**

Ben is a member of PwC's UK Executive Board, responsible for Technology and Investments. He works closely with Technology leaders across the PwC Network to develop technology solutions and to promote our technology to a global client audience especially as part of our New world. New skills initiative.

Ben is based in Manchester, where he is establishing a new PwC Technology Centre and building a collaborative technology ecosystem with other technology leaders in the North West.

Ben's previous roles have included leading our Client Assets practice, advising financial services clients on regulation and leading work on organisational design, culture and behavioural change. Ben is a passionate advocate for mental health and wellbeing, and a champion for inclusion and diversity in technology roles. Ben is a trustee of Tech She Can and has been a partner at PwC since 2012.



**Laura Hinton (CME)**  
**Head of Tax**

Laura is a member of PwC's UK Management Board, where she holds the position of Head of Tax, which includes leadership of PwC UK's Tax, Legal, and People and Organisation practices. As of September 2022, Laura also chairs the PwC Network's EMEA Executive team.

Prior to taking on these roles, Laura was PwC UK's Chief People Officer, and a member of the Executive Board for over five years, where she was also responsible for leading on our External Reputation and Communications agenda.

Laura has over 25 years experience as a business consultant, specialising in HR and Workforce transformation, operating model programmes and culture change. She graduated from King's College London with a degree in Business Management and is a qualified Chartered Accountant.



**Hemione Hudson (CME)**  
**Head of Audit**

Hemione is the UK Head of Audit and is a member of the UK Management Board. She is also a member of the Public Interest Body, Audit Oversight Body, the Clients & Markets Executive, Executive Risk Committee and the Global Assurance Leadership Team.

As part of her role on the Management Board, Hemione is responsible for setting and delivering the UK firm's Audit strategy, including financial audit, non-financial audit, assurance and ESG assurance. This encompasses oversight of, and responsibility for audit quality.

Hemione has been with the firm for 28 years and is a fellow of the ICAEW having qualified as a Chartered Accountant in 1998 and became a Partner of the firm in 2007.





**Warwick Hunt (E)**  
Managing Partner until his retirement  
from the firm on 31 August 2022

Warwick graduated from the University of the Witwatersrand in Johannesburg with a Bachelor of Accountancy (with honours), and holds FCA (Australia and New Zealand) and ACA (ICAEW) qualifications.

He chaired the International and Partner Matters Committees, led the PwC Network's EMEA Executive Team and sat on the EMEA Leadership Team before retiring from the firm on 31 August 2022.

Before joining the Executive Board in October 2013, Warwick 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 led the provision of services to a range of clients.



**Carl Sizer (CME)**  
Head of Regions and Platforms

Carl graduated from Birmingham University and joined the firm in 1999, making Partner in 2009 and going on to join the Management Board as Head of Regions on 1 July 2020. From 1 January 2022 he has also taken responsibility for Platforms; whereby he is responsible for driving our market approach to addressing the most significant challenges and opportunities that our clients face with a particular focus on ESG.

Carl is focused in the Financial Services sector and previously led the growth in our Midlands Financial Services practice and was 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 ICAEW, 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.



**Sam Samaratunga (CME)**  
Head of Risk

Sam is PwC UK's Head of Risk. In January 2022, Sam also took on the role of PwC's Global Risk Services 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 ICAEW.



**Lucy Stapleton (CME)**  
Head of Deals

Lucy is a member of PwC's UK Management Board, where she holds the position of UK Head of Deals. As Head of Deals she is responsible for the leadership of PwC UK's Lead Advisory, Transactions, Value Creation & Realisation and Restructuring & Forensics businesses.

Lucy has over 25 years experience in advising private equity and corporate clients on multinational carve outs and vendor due diligence; bid defence; buy-side due diligence and was the founder of PwC UK's market leading healthcare transaction services practice. Lucy is a Chartered Accountant, member of the ICAEW and has been a UK PwC partner since 2006. In addition to her market focus, Lucy has been the UK Pharmaceutical and Life Sciences Leader; Chief Operating Officer for Deals and People Leader for Transaction Services.





**Alison Statham (E)**  
**Chief Risk Officer and General Counsel**

Alison is the UK firm's Chief Risk Officer and General Counsel and has been a member of the UK Management Board since 1 July 2020. In her role on the Management Board, Alison leads the Office of the General Counsel and the Risk Management function for the UK firm, and is responsible for our Commitment to High Quality agenda, regulatory engagement and for providing counsel to Network matters. She attends the meetings of the Public Interest Body and the Audit Oversight Body, and the Supervisory Board Risk Committee.

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.



**Paul Terrington CBE (CME)**  
**Head of Consulting**

Paul sits on PwC's UK Management Board as Head of Consulting. He was previously Regional Chairman of PwC in Northern Ireland from 2011 to 2020. Paul has been a PwC Partner since 2003 and has over 30 years experience as a consultant. He has extensive experience in large-scale transformation and change programmes with public sector and large private sector businesses.

Paul is a former member of the Council of the Institute of Directors in the UK and past Chair of the Institute of Directors in Northern Ireland. He is the current Chair of Ulster Rugby Management Committee and previous Chair of NI Hospice capital appeal fund. He is a Northern Ireland Hospice Ambassador. Paul holds an LLB (Hons) Degree in Law from the University of Reading and a Postgraduate Diploma in HR Management from the University of Ulster. In January 2021 he was awarded a CBE for services to the economy in Northern Ireland.



**Marissa Thomas (E)**  
**Managing Partner and Chief Operating Officer**

Marissa is PwC's UK Chief Operating Officer and has been with the firm for 28 years. For the last 25 years Marissa has been advising private equity, sovereign investors and large corporate clients on tax related matters on transactions. This includes 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 has held two other Management Board roles – the Head of Deals and more recently the Head of Tax.





## Management Board FY23 meeting attendance

	Length of service*	A	B
Kevin Ellis	6 years	5	5
Marco Amitrano	6 years	5	5
Quentin Cole	1 year, 6 months	5	5
Ian Elliott	1 year, 6 months	5	5
Ben Higgin	3 years	5	5
Laura Hinton	6 years	5	5
Hemione Hudson	6 years	5	5
Warwick Hunt**	5 years, 2 months	0	0
Carl Sizer	3 years	5	5
Sam Samaratunga	4 years	5	5
Lucy Stapleton	1 year, 6 months	5	5
Alison Statham	3 years	5	5
Paul Terrington	6 years	5	4
Marissa Thomas	6 years	5	5

A – Maximum number of formal meetings which could have been attended. In addition to this number, there were a further three meetings held on an ad-hoc basis to consider specific matters.  
B – Number of meetings actually attended.

\* The length of service has been calculated as at 30 June 2023.

\*\* Warwick Hunt stepped down from the Management Board on 31 August 2022.

## Executive Board FY23 meeting attendance

	Length of service*	A	B
Kevin Ellis	15 years	8	8
Marco Amitrano	3 years	8	7
Ian Elliott	1 year, 6 months	8	8
Ben Higgin	3 years	8	8
Warwick Hunt**	8 years, 10 months	2	2
Alison Statham	3 years	8	7
Marissa Thomas	1 year, 6 months	8	8

A – Maximum number of formal meetings which could have been attended. In addition to this number, there were a further six meetings held on an ad-hoc basis to consider specific matters.  
B – Number of meetings actually attended.

\* The length of service has been calculated as at 30 June 2023.

\*\* Warwick Hunt stepped down from the Executive Board on 31 August 2022.



## The Supervisory Board

The following partners have served as members of the Supervisory Board during FY23.



### \*Chris Burns

**Chair (initially elected to the SB on 1 January 2017, re-elected as Chair of the SB with effect from 1 January 2023)**

Chris is the Chair of the UK Supervisory Board and became Chair of the Alliance (UK and Middle East) Supervisory Board on 9 May 2019. He is a member of the Talent and Remuneration Committee and the firm's Public Interest Body. Chris was also elected to the Global Board of the international PwC Network in 2020 and serves on the Global Markets Committee. 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.



### \*Simon Ager

**Deputy Chair (elected to the SB on 1 January 2021),**

Simon is a Partner in our Deals Tax team. He has over 23 years experience advising a wide range of corporate, fund and infrastructure clients on tax due diligence, joint ventures, restructuring, M&A and capital markets transactions. Simon founded the PwC UK Tax SPA team advising clients on the negotiation and protection of tax risks/value items in sale and purchase and other agreements. He is also a member of our Africa Business Group.

He was elected to the Supervisory Board from 1 January 2021 and from 1 January 2023 was appointed the Deputy Chair. Simon is also a member of the Partner Affairs Committee and the Supervisory Board engagement and communication leader.



### Glen Babcock

**(elected to the SB on 1 January 2019. Stepped down from the SB on 31 December 2022)**

Glen is a Deals Partner in Restructuring with experience in legal entity and operational restructuring, cost reduction and cash generation. Glen works with UK and international clients across all sectors and industries. He joined the firm as an auditor in San Francisco in 1993, joining our UK practice in 1997 and became a Partner in the UK in 2007. Glen was elected to the Supervisory Board on 1 January 2019 and was Chair of the Country Admissions Committee until 30 June 2021. Glen was Chair of the Talent and Remuneration Committee and a member of the Audit Committee until he stepped down on 31 December 2022.

\*Those marked with an asterisk will serve until 31 December 2024, and the others until 31 December 2026. Ex-officio members of the SB are the Senior Partner (Kevin Ellis) and Duncan Skales, as a member of the Global Board.





**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).



**\*Imran Farooqi**  
(elected to the SB on 1 January 2021)

Imran is a Deals Partner in Restructuring & Forensics. He is the UK & EMEA Head of Financial Crime and specialises in delivering global Anti-Money Laundering, Know Your Customer compliance programmes in the Corporate & Investment Banking sector. He joined the firm in 2015 after ten successful years at another Big 4, where he was responsible for delivering a number of critical compliance related regulatory programmes. Imran was elected to the Supervisory Board in January 2021 and is a member of the Partner Affairs Committee and the Risk Committee. Imran was appointed Chair of the Risk Committee in January 2023.



**\*Karen Finlayson**  
(elected to the SB on 1 January 2021)

Karen is a Partner in our Risk Line of Service and she specialises in governance, risk, controls and internal audit across the government and public sector. She is also the Regions Lead for Government and Health Industries and the Lead Client Partner for NHS National Bodies. Karen joined the firm in 1997 and became a Partner in 2015. She was elected to the Supervisory Board on 1 January 2021 and is a member of the Risk Committee and the Partner Affairs Committee. Karen is also the Channel Islands Protector, which includes providing guidance to the Channel Islands Senior Partner on certain matters, as set out in the constitution of PricewaterhouseCoopers CI LLP.



**\*Sandie Grimshaw**  
(elected to the SB on 1 January 2021)

Sandie is a Consulting Risk Partner focused on working with client facing partners to navigate bidding, contracting and delivering complex transformation engagements. Sandie was elected to the Supervisory Board on 1 January 2021 and was appointed as a member of the Partner Affairs Committee. Sandie was appointed Chair of the Partner Affairs Committee in January 2023. She also became Chair of the Country Admissions Committee on 1 July 2021 which oversees the admission of direct admit and internal promotions to Partners, and she stepped down from this role in July 2023.

\*Those marked with an asterisk will serve until 31 December 2024, and the others until 31 December 2026. Ex-officio members of the SB are the Senior Partner (Kevin Ellis) and Duncan Skales, as a member of the Global Board.





**Zelf Hussain**  
(elected to the SB on 1 January 2023)

Zelf is a Deals Partner in the Restructuring team with over 25 years of experience working across a wide range of sectors. He regularly works with companies to help them through difficult financial situations. He was elected to the Supervisory Board on 1 January 2023, and is a member of the Partner Affairs Committee and the Audit Committee.



**David Kenmir**  
(appointed to the SB on 8 May 2019.  
Stepped down from the SB on  
31 December 2022)

David is a Risk Partner specialising in the authorisation and operationalisation of new bank start-ups; and the regulation of the retail financial services market. 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 joined the Supervisory Board on 8 May 2019 and was Chair of the Partner Affairs Committee until he stepped down from the SB.



**Andy Key**  
(initially elected to the SB on 1 January 2019 and was re-elected to the SB on 1 January 2023)

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 now holds a number of leadership roles within our Government & Public Sector business with a range of client and market responsibilities, in particular leading our National Government Consulting business. He was elected to the Supervisory Board from 1 January 2019, and was appointed Deputy Chair of the Supervisory Board in January 2021. Andy was appointed Chair of the Talent and Remunerations Committee in January 2023 at which time he also stepped down as Deputy Chair of the SB. Andy is a member of the Audit Committee, the Supervisory Board of PwC Middle East and the Alliance Supervisory Board.



**Mark Pugh**  
(elected to the SB on 1 January 2023)

Mark is an Audit Partner based in London. He joined the firm in 1993 and became a Partner in 2004. Mark has experience in leading the audits of multinational and listed groups in the financial services sector. He was also the Business Unit leader for our Asset & Wealth Management audit practice from 2017 to 2021. Mark joined the Supervisory Board on 1 January 2023 and was also appointed as a member of the Audit Committee and the Risk Committee.

\*Those marked with an asterisk will serve until 31 December 2024, and the others until 31 December 2026. Ex-officio members of the SB are the Senior Partner (Kevin Ellis) and Duncan Skales, as a member of the Global Board.





**Brendan O'Driscoll**  
(elected to the SB on 1 January 2023)

Brendan is a Partner in our Deals business, where he specialises in financial due diligence on M&A transactions, and also sits on the leadership team of our Deals Value Creation & Realisation team.

He joined the firm in 1997 and became a Partner in 2012. He was elected to join the Supervisory Board from 1 January 2023 and is a member of the Risk Committee and the Talent and Remuneration Committee.



**Danielle Perfect**  
(elected to the SB on 1 January 2023)

Danielle is a Partner in the firm's Office of General Counsel, overseeing the provision of non-contentious legal advice to partners and staff, with a particular focus on our Government & Public sector. Danielle is a qualified solicitor with over 20 years legal experience. Prior to joining PwC, she worked in private practice as well as a number of in-house roles specialising in commercial and technology law. Danielle was elected to the Supervisory Board on 1 January 2023 and is a member of the Audit Committee and Talent & Remuneration Committee.



**Duncan Skales**  
(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 Supervisory Board of PwC Middle East and Alliance Supervisory Board.



**\*Dave Walters**  
(elected to the SB on 1 January 2021)

Dave is a Partner in the Audit Line of Service based in Birmingham within the Risk and Quality function, where he specialises in corporate accounting issues. He joined the firm in Birmingham in 1989 and became a Partner in 2013. He joined the Supervisory Board on 1 January 2021. Dave was appointed as a member of the Audit Committee and Partner Affairs Committee in January 2021. He stood down from the Partner Affairs Committee in December 2022. Dave was appointed Chair of the Audit Committee in February 2022.

\*Those marked with an asterisk will serve until 31 December 2024, and the others until 31 December 2026. Ex-officio members of the SB are the Senior Partner (Kevin Ellis) and Duncan Skales, as a member of the Global Board.





**Lorna Ward**  
(elected to the SB on 1 January 2019.  
Stepped down from the SB on  
31 December 2022)

Lorna is a Consulting Partner specialising in technology across public and private sectors 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 was a member of the Partner Affairs Committee and the Risk Committee.



**Kenny Wilson**  
(initially appointed to the SB on  
4 April 2019 and re-elected to the SB  
on 1 January 2023)

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 in April 2019, and was appointed Chair of the Audit Committee and a member of the Risk Committee. He stood down as Chair of the Audit Committee in February 2022 but remained a member until December 2022. He is currently a member of the Partner Affairs Committee, a member of the PwC Partner Savings Governance Committee and the firm's Audit Oversight Body. Kenny also has a standing invite to attend the firm's Public Interest Body meetings.



**Kate Wolstenholme**  
(elected to the SB on 1 January 2019.  
Stepped down from the SB on  
31 December 2022)

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 reappointed Chair of the Risk Committee in January 2021, and was also a member of the firm's Audit Oversight Body. Kate represented the Supervisory Board as a member of the Public Interest Body until November 2021 and had a standing invite to attend PIB meetings.



\*Those marked with an asterisk will serve until 31 December 2024, and the others until 31 December 2026. Ex-officio members of the SB are the Senior Partner (Kevin Ellis) and Duncan Skales, as a member of the Global Board.



## Supervisory Board FY23 meeting attendance

	Length of service*	A	B
Chris Burns	6 years, 6 months	12	12
Simon Ager	2 years, 6 months	12	12
Glen Babcock	4 years	5	5
Kevin Ellis***	7 years	12	10
Imran Farooqi	2 year, 6 months	12	11
Karen Finlayson	2 year, 6 months	12	12
Sandie Grimshaw	2 year, 6 months	12	12
Zelf Hussain	6 months	7	7
David Kenmir	4 years	5	4
Andy Key	4 years, 6 months	12	12
Mark Pugh	6 months	7	5
Brendan O'Driscoll	6 months	7	7
Danielle Perfect	6 months	7	7
Duncan Skales**	11 years, 2 months	12	11
Dave Walters	2 years, 6 months	12	12
Lorna Ward	4 years	5	4
Kenny Wilson	4 years, 3 months	12	12
Kate Wolstenholme	4 years	5	5

A – Maximum number of formal scheduled meetings which could have been attended. In addition to this number, there were a further three meetings held on an ad-hoc basis to consider specific matters, including Partner moderation and income.  
B – Number of meetings actually attended.

\* The length of service has been calculated as at 30 June 2023.

\*\* Duncan Skales was a member of the SB for six years, stepping down in 2012, and rejoined the SB as an ex-officio member when he joined the Global Board in 2017.

\*\*\* Kevin Ellis is appointed as an ex-officio SB member and does not typically attend SB meetings convened on an ad-hoc basis.





# Audit quality

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# Audit Quality Plan (AQP) and continuous improvement

Achieving consistently high quality audits underpins the current and future Audit Line of Service strategy. The Programme to Enhance Audit Quality (PEAQ) transitioned to business as usual at the start of FY23 with the development of the Audit and Single Quality Plans.





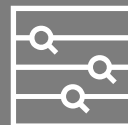
Our Audit Quality Plan (AQP) is aligned with our Audit Strategy, and includes five pillars to support the delivery of consistently high quality audits. The pillars bring together our actions and activities relating to: Quality; Passionate people; Technology and transformation; Commercials and Responsible growth. These are underpinned by our audit culture and behaviours.





## Audit Quality Plan

**Audit vision:** We will deliver the highest quality audits and assurance to build trust in society.

<b>Quality</b> 	<b>Passionate people</b> 	<b>Technology and transformation</b> 	<b>Commercials</b> 	<b>Responsible growth</b> 
<b>Objective</b>				
<p>We will deliver consistently high quality audits and assurance that meet the needs of investors, stakeholders and the organisations we audit and have regard to the public interest.</p>	<p>We will be an inspiring and inclusive place to work where the best people want to stay and build their careers.</p>	<p>We will innovate and transform using the latest technology to improve the quality of what we do, the efficiency and effectiveness of our audits, the insight we provide and our working experience.</p>	<p>We will achieve a return that allows continual investment in our people and technology with a focus on quality.</p>	<p>We will balance our portfolio and work with organisations who share our standards, values and commitment to quality. We will invest in our future through the development of products and services to build trust in our chosen markets.</p>
<b>Core activities that drive audit quality</b>				
<p>We are committed to delivering consistently high quality work. As a profession and as a practice, we believe that everyone in Audit has a role to play to enhance the quality of our work and deliver to the highest quality. Central support is provided to the practice through a team of experienced auditors and technical specialists. These individuals support consistent quality through the setting of guidance and methodology, the delivery of internal and external review programmes, timely responses to audit and risk management queries and the provision of accounting advice to facilitate high quality financial reporting.</p>	<p>We have a clear employee value proposition which outlines the benefits, expectations and opportunities at each grade, which is consistently and openly communicated to our people. We have an effective, flexible and agile approach to resourcing which enables high quality audits and a great people experience. We have a focused recruitment and onboarding strategy for the areas and grades with the greatest need. We provide a range of talent development opportunities to our people at all grades where quality is at the heart of career progression.</p>	<p>We recognise the ever-changing technology environment in our clients, and the increasingly important role technology plays in delivering consistently high quality audits. We are focused on making best use of technology to innovate and improve our audit procedures, as well as ensuring a high level of expertise to respond to client-based technology. There are a wide range of tools available to support the practice to simplify, optimise and automate the audit. A high quality outcome is also dependent on successful contracting with the entities we audit. In order to achieve consistent high quality tools are available to the practice to support them to agree a clear plan, confirm the audit evidence required and to take clear actions where deliverables are late or of poor quality.</p>	<p>Audits have become more complex, and as such we have invested more in technology and people. Our commercial strategy is focused on ensuring we are achieving a return that allows continual investment in audit quality. Where we are not achieving an appropriate return, support is available for engaging in discussions with the entities we audit in order to achieve a balanced, fair and optimal outcome in each circumstance. In considering our portfolio as a whole, we take into account the risk associated with the entities we audit and whether they share our standards and commitment to quality.</p>	<p>We stand for audit quality – above everything else and will never compromise on audit quality. Our overall market strategy aims to improve the quality of our portfolio and supports the practice to ensure we are recognised for getting it right, demonstrating robust challenge and rigour in all interactions. We will pursue growth responsibly, in targeted areas. Growth will be managed so as not to compromise quality or profitability. Our tender approval processes, the proposals hub, client listening programmes and industry thought leadership help support the delivery of our market aspirations.</p>
<b>Culture and behaviours</b>				
<b>Team first</b>	<b>Challenge and be open to challenge</b>		<b>Take pride</b>	



## Case study: Client contracting

**We continue to recognise that working effectively with the organisations we audit is critical to help support consistent high quality audits. We use client contracting as a term to describe the interaction between audit teams and the organisations we audit, in order to support the provision of timely and relevant audit evidence.**



We believe that this concept of contracting is key to a successful, high quality audit and is crucial to the audit experience both for our own teams and for the organisations we audit.

The FRC highlighted in their most recent Tier 1 Firms Audit Quality Report that management of audited entities and their audit committees are also a critical element of a high quality audit and financial reporting ecosystem. This reinforced similar messages in their ‘What makes a good environment for auditor scepticism and challenge’ (November 2022) and their ‘What makes a good audit guide’ (November 2021).

These views are also shared by the Audit Committee Chairs’ Independent Forum (ACCIF). ACCIF published the Spring Report in June 2023 which noted that “delivering a high quality audit relies on the auditor, management and those charged with governance working effectively together.”

Acknowledging that the organisations we audit play a vital role in facilitating high quality, we launched our ‘A New Conversation: Have you had it yet?’ client contracting campaign.

The campaign highlighted the importance to quality of having open and transparent conversations with the organisations we audit about the information we require and when we need it.

Effective contracting helps us to be clear on what we, as the auditors, require to complete our work, including the agreed timelines and desired format of deliverables, as well as the PwC tools, such as Connect, available to the organisations we audit when providing evidence.

In turn, this enables our audit teams to have a considered plan which they can execute in a timely manner, allowing us to focus on delivering high quality audit work.

To embed these behaviours we introduced the ACT framework: Agree a plan, Confirm evidence required, Take action.

The integral contracting behaviours and resulting actions that formed the foundation of our campaign aligned to what the FRC identified as key elements that make a good audit in their ‘What makes a good audit guide?’.

We provided our teams with educational videos that could be shared with the organisations we audit, covering key messages and technical areas to help them understand the procedures, methodology and complexity of the auditing process. In addition, we provided our teams with a framework including specific roles and responsibilities for each team member so that all individuals felt empowered and confident to discuss client contracting with their audit contacts.

Successful client contracting is helping us to enable a more effective high quality audit, supporting an improved audit experience for our people and those involved at the organisations we audit.

### Working with the organisations we audit





In August 2022, following guidance from the FRC, we developed our Single Quality Plan (SQP), a prioritised plan including key audit quality actions, which follows the principles set out in guidance. The SQP is underpinned by a number of detailed action plans developed in response to quality processes, and overlaid with actions identified by the Audit Executive. The SQP is approved by the Audit Executive, and is discussed with, and challenged by, the Audit Oversight Body (AOB). The AOB has the responsibility to oversee the FRC's objective to improve audit quality by ensuring that people in the audit practice are focused on delivery of high quality audits in the public interest; to promote a culture supportive of the public interest; and to support (as appropriate) the firm's senior management in the execution of their responsibilities under the principles through robust oversight and constructive challenge.

The SQP is a detailed action plan which contains all of the actions we are taking to continually improve audit quality and underpins the AQP. This includes priority focus areas in line with the strategy covering methodology implementation, people initiatives and transformation programmes.

## Root cause analysis and action planning

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

Our Continuous Improvement (CI) Team, a separate team which is independent from engagement teams, is responsible for undertaking all root cause analysis (RCA) on a continual basis. The team proactively gathers 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. RCA is also undertaken on other firmwide activities, processes and controls where there is an impact on audit quality.

The RCA process is well established and is performed on a continuous basis across the quality spectrum. In conducting RCA, the CI Team applies a consistent methodology that utilises a range of quantitative and qualitative techniques. The team assesses the relevant data, conduct interviews and focus group discussions against a taxonomy of risk factors that incorporates key behavioural factors. This approach drives consistency in the identification and analysis of the risk and causal factors impacting audit quality and enables analysis of patterns and trends of both causal factors and other quality indicators over time.

We evaluate the results of our RCA to identify and develop actions at either an engagement level, or across the practice, and build these into the SQP. Each action has an individual sponsor at the Audit Executive level and a clear timeline for completion. Regular status meetings take place to monitor outstanding actions and individuals are held to account where actions are not completed without an acceptable justification.

To support our overall assessment of audit quality, the CI team assess action effectiveness through our SQP. The framework for assessing the effectiveness is to monitor the package of actions under the priority areas as a whole, rather than the individual actions. We continue to develop how action effectiveness is measured so that both immediate and long term effectiveness is considered.

The learnings from RCA are shared with the practice in a number of different ways, including, at learning and development events, in all Audit communications, the annual CI 'Insights from Root Cause Analysis' publication, and through the Chief Auditor Network (CAN).



# Our system of quality management

## Overall quality objective:

To have the necessary capabilities in our organisation and to deploy our people to consistently use our methodologies, processes and technology to deliver services in an effective and efficient manner to fulfil the expectations of our clients and other stakeholders.

## A specific focus on audit quality across the Network

### The PwC Network's Assurance QMSE framework

Delivering high quality work is at the heart of what we do at PwC; it is what our stakeholders rightly expect of us.

To deliver services in an effective and efficient manner that meets the expectations of our clients and other stakeholders, the PwC Network has established the Quality Management for Service Excellence (QMSE) framework which integrates quality management into how each firm runs its business and manages risk.

This framework introduces an overall quality objective that is supported by a series of underlying quality management objectives. Each firm's system of quality management (SoQM) should be designed and operated so that the overall quality objective, which includes meeting the objectives of ISQM (UK) 1, is achieved with reasonable assurance.

### The International Standard on Quality Management 1 (ISQM (UK) 1)

ISQM (UK) 1 became effective from 15 December 2022 and requires all firms performing audits or review of financial statements, or other assurance or related service engagements, to have designed and implemented a SoQM to meet the requirements of the standard. The PwC Network's Assurance QMSE framework was designed to enable the firms to meet the requirements of ISQM (UK) 1.

In the UK, three interrelated quality management standards have been issued by the FRC:

- ISQM (UK) 1;
- ISQM (UK) 2; and
- ISA (UK) 220 (Revised).

We implemented ISQM (UK) 1 by the deadline of 15 December 2022. Both ISQM (UK) 2 and ISA (UK) 220 (Revised) are applicable for financial periods beginning on or after 15 December 2022. This suite of standards interact together to support quality on engagements. As auditors we welcome these new standards as they align with our focus on quality. These standards replace ISQC (UK) 1.

To help us achieve these objectives, the PwC Network invests significant resources in the continuous enhancement of quality across our Network. This includes having a strong quality infrastructure supported by the right people, underlying tools and technology at both the Network level and within the firm, and a programme of continuous innovation and investment in our technology. The PwC Network's Global Assurance Quality (GAQ) organisation aims to support PwC firms in promoting, enabling, and continuously improving assurance quality through effective policies, tools, guidance and systems used to further promote and monitor quality and to build an appropriate level of consistency in what we do.

These elements have been integrated and aligned by our Network to create a comprehensive quality management framework that each firm tailors to reflect their individual circumstances. Each firm is responsible for using the resources provided by the Network as part of our efforts to deliver quality to meet the expectations of our stakeholders.



## The Quality Management Process

The achievement of these objectives is supported by a quality management process (QMP) established by the firm and Audit leadership, business process owners, and partners and staff. This quality management process includes:

- identifying risks to achieve the quality objectives;
- designing and implementing responses to the assessed quality risks;
- monitoring the design and operating effectiveness of the responses, including policies, procedures and controls through the use of 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 cause analyses and implementing remedial actions; and
- establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration, and career progression decisions.

The QMP encompasses the following four strategic quality initiatives which are key to making sustainable improvements to quality. This involves the integrated use of Audit Quality Indicators to aim to predict quality issues, Real Time Assurance to aim to prevent quality issues, Root Cause Analysis to learn from quality issues, and a Recognition and Accountability Framework to reinforce quality behaviours, culture and actions.

### Quality Management Review

The UK SoQM and the Quality Management for Service Excellence (QMSE) self-assessment are subject to an independent annual review by partners and staff from other PwC firms through the Quality Management Review (QMR) programme.

The QMR team assesses the firm's own assessment of its SoQM and performs independent testing where appropriate. Reviews take place each year, ensuring that each of the 15 quality objectives are covered at least once every three years.

The QMR also monitors progress on remediation of any findings raised in the last review and assesses the impact of any new developments on the internal quality control systems.

## The key factors that impacted our system of quality management

Our system of quality management (SoQM) is made up of policies, processes and controls that support the delivery of quality assurance engagements.

The SoQM must be designed, implemented and operated on an ongoing basis to achieve the quality objectives. This ongoing process includes monitoring, evaluating, assessing, reporting, and being responsive to changes in quality risks, driven by the firm's internal and external environment. This is our QMP. Our focus on quality management is therefore not to apply prescribed rules but rather to design and implement risk responses which are fit for purpose to manage the risks we identify in our own risk assessment and achieve the quality objective taking into consideration the conditions, events, circumstances, actions and/or inactions that may impact our SoQM.

On an annual basis, we conduct a review of the effectiveness of our SoQM. The QMSE period runs each calendar year.

The Executive Board and the Head of Audit have ultimate responsibility for the SoQM.

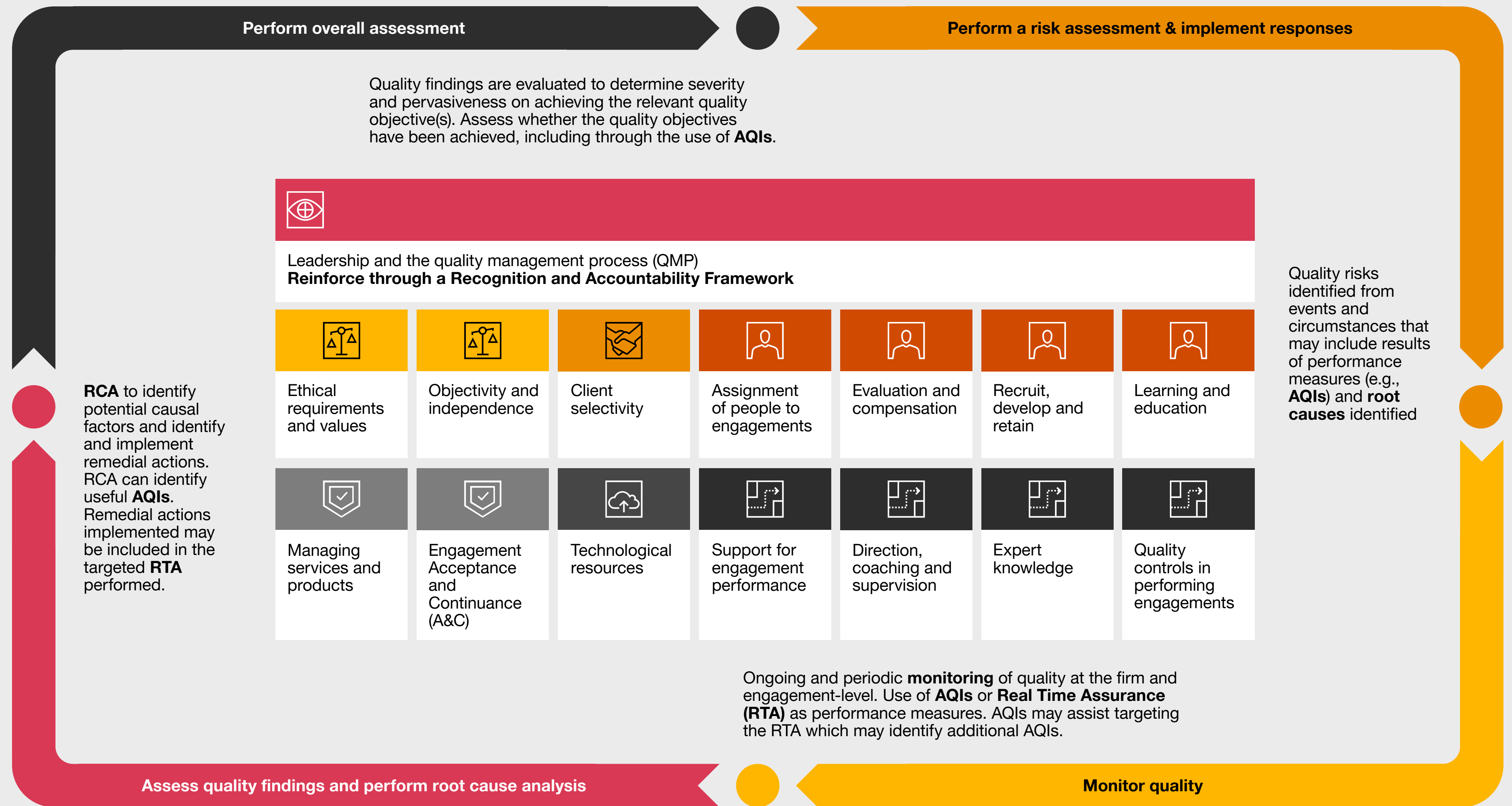
Our SoQM involves a dynamic risk assessment process that takes and analyses the information about the conditions, events, circumstances, actions or inactions which may result in:

- new or changing quality risks to achieving one or more of the quality objectives;
- changes to the risk assessment of existing quality risks;
- changes to the design of the firm's SoQM, including the risk responses.

We continue to invest in and improve our SoQM, tailoring it to the risks we face as a firm and building upon our existing system of policies, processes and controls that enable us to achieve our quality objectives whilst demonstrating compliance with relevant standards.



This diagram illustrates the 15 QMSE quality objectives and the various components of our QMSE Framework and how they fit together.





In the 2022 QMSE year, which runs from 1 January to 31 December, we saw various factors impact our SoQM but in particular some of the more meaningful conditions, events, circumstances actions and/or inactions that necessitated changes to our SoQM included the following.

**Implementing ISQM (UK) 1 and embedding it into the SoQM –**

In 2021, we performed a gap analysis to identify aspects of the new standard which required additional consideration ahead of the implementation date. Whilst we had already implemented a number of the requirements of ISQM (UK) 1 prior to 2022, there were some areas which required further work in 2022 to fully comply with the standards.

A detailed ISQM (UK) 1 implementation plan was formalised in consultation with the business process owners and included key milestones, relevant stakeholders and impact on risk responses. We reviewed this on a regular basis to ensure that all outstanding actions were completed in advance of the implementation date.

As at 15 December 2022, we had designed and implemented the relevant components of the SoQM to ensure compliance with ISQM (UK) 1.

**Technological resources** was an area of continued focus for QMSE in 2022. This was driven by the updates introduced in ISQM (UK) 1 as well as the focus on and developments in Global PwC guidance on Network Resources, Network Assurance Software Tools (NAST) and other service providers.

Given the focus we had already given on technological resources in 2021, we were well positioned to respond to this additional guidance with key risks already identified, as well as embedded risk responses.

**Resourcing** – retention of our best people is one of the most important aspects in maintaining audit quality. A limited and competitive market provides ongoing challenges in retaining and recruiting qualified staff.

To respond, we’ve expanded the use of our offshore Service Delivery Centres (SDCs) and we’ve reassessed our recruitment strategies to attract a broader demographic. Additional QMSE risks have been added to recognise the increased use of the SDCs, in particular the use of a Remote Team Model.

Further information about our Distributed Delivery Model can be found on [page 96](#), and recruitment and resourcing on [page 93](#).

**Training integrity and unethical behaviour** – a key development in 2022 was around responding to training integrity and unethical behaviour related risks. There has been an increased market and regulatory focus on unethical behaviour and training integrity in the profession and we expect this to continue.

Additional QMSE risk responses were added in 2022.

**Impact of the Russia/Ukraine conflict** – the impact of this rapidly evolving conflict, including the separation of the Russian firm, was considered and documented across all the QMSE objectives from a risk perspective to assess if any changes were required in the 2022 risk assessments. No changes were considered necessary.

Based on the results of the activities described above, as well as consideration of regulator reviews and the results of other monitoring activities, we are satisfied that our SoQM provides us with reasonable assurance that the objectives of the SoQM are being achieved. Whilst certain areas of improvement were self-identified, no significant or pervasive deficiencies have been identified by us, or identified by the 2023 QMR review which covered the calendar year to 31 December 2022.

**Our system of quality management**





## Engagement Quality Reviews (EQR)

EQR reviews are an integral part of the firm's system of quality management. The key features of the annual EQR programme are as follows:




- 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 Institute of Chartered Accountants in England and Wales (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 (HPCs) and the audits of these clients are reviewed twice in a 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 examples of high quality, where relevant, are taken into consideration in determining the reward and promotion of engagement leaders.
- The results are reported to the Audit Executive, the Audit Oversight Body, and to PwCIL. The FRC 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. This is designed to celebrate the achievements of engagement teams that embody the Audit Behaviours: Team first, Challenge and be open to challenge, and Take pride; bringing them to life on their engagement to drive exceptional audit quality.

	<b>Team first</b>
	<b>Challenge and be open to challenge</b>
	<b>Take pride</b>

- **‘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 work papers 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;
- evaluation of control weaknesses was not performed substantially in accordance with professional standards, but the impact was not considered to be sufficiently significant to require modification to the audit report on internal control over financial reporting if applicable and/or adequate consideration was not given to any necessary modifications to the substantive approach applied due to the control weaknesses.

However, in all cases, sufficient audit work has been performed in all other respects.

- **‘Non-compliant’** – relevant auditing, assurance, accounting 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 that the high quality work is recognised as part of key personnel’s annual performance assessment.

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 EQR and there are financial implications for the individual engagement leader. Following root cause analysis, consideration is also given as to whether additional support, training and/or monitoring of the engagement leader is required.

The circumstances giving rise to non-compliant findings are also considered in order to assess whether additional work is needed to support the report, if the auditor’s report needs to be withdrawn, or if the entity’s financial statements for the current period of the following period need to be restated.

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

The firm undertakes root cause analysis (RCA) for all inspections with non-compliant outcomes and a number of compliant with improvement required and compliant engagements, including engagements 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 EQR. Responsive actions may be identified at either the engagement delivery and/or Line of Service levels. All quality action plans are monitored by the Audit Risk and Quality leadership, the Audit Executive, the AOB and the firm’s PIB.



# Our audit methodology

## Audit methodology

PwC UK operates Audit as a separate, standalone Line of Service that delivers audit and other assurance engagements.

Within other Network firms, it is more common for these services to be offered within a wider Assurance line of service. 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, including: the PwC Audit Guide; libraries of audit steps for our global audit software (Aura Platinum); and template letters and other documents for use by engagement teams.

The UK firm, along with other Network members, supports GAQ – Methodology by periodically seconding staff to work alongside GAQ'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.

PwC UK is represented on the Global Assurance Quality – Methodology Leaders Group by the UK Chief Auditor. The group exists to ensure global alignment of methodology priorities, sharing of territory emerging matters, providing input on PwC's implementation of new or revised auditing and assurance standards, and acting as a forum for discussion.

Our UK Audit Risk and Quality group (ARQ) is responsible for developing policy and guidance to supplement the global methodology where required to address additional requirements included in UK professional standards and laws and regulations. The additions to policy are subject to oversight by the UK firm's Audit Risk and Quality Committee, a group of senior Risk and Quality and practice partners.

## Comprehensive policies and procedures

PwC UK 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.





## Consultation

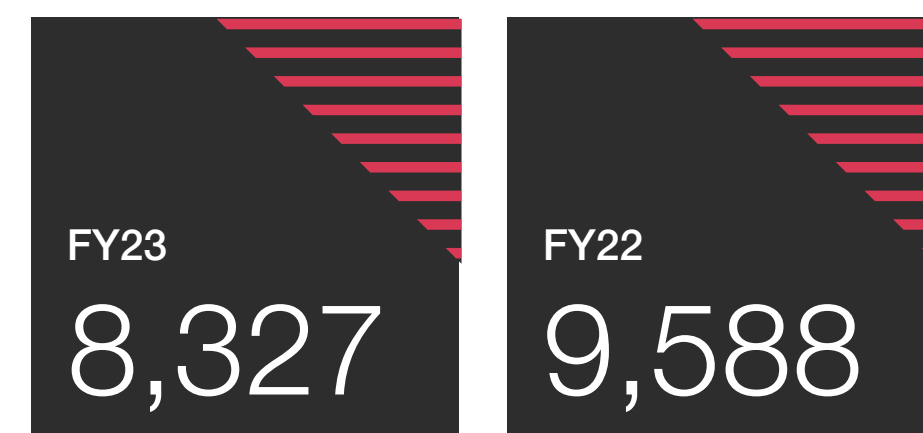
Consultation is a key element of quality control. The firm has policies setting out the circumstances under which consultation on accounting, auditing and risk management matters is mandatory. The firm's technical experts track new developments in relevant areas and provide updates to the appropriate 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, often in situations where consultation is not formally required.



### Consultations

Within Audit, we use a consultation database that has been specifically designed to aid the consultation process. It also makes sure documentation of consultations within ARQ is in accordance with relevant professional standards. ARQ, whose remit is to establish the UK 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.

During the year ended 30 June 2023, a total of 8,327 consultations were completed (FY22: 9,588). One of the factors that has reduced the total number of consultations is the continued involvement of the Chief Auditor Network (CAN). Engagement teams consult with the CAN on an informal basis on audit related matters, continuing to reduce the number of consultations logged with ARQ. These cover a range of topics, including audit, accounting and risk management matters.



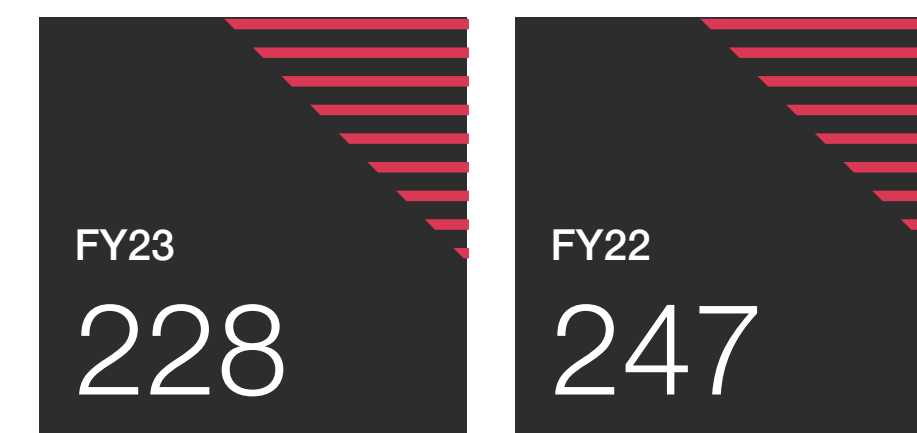
### Hot reviews of financial statements and reports

ARQ's accounting specialists perform quality 'hot reviews' on interim financial reports, preliminary announcements and annual reports of certain entities prior to issuance. These reviews consider the financial statements' and reports' compliance with relevant laws and regulations (including listing rules) 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 judgemental 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.

228 hot reviews of financial statements and reports were completed during the year (FY22: 247).

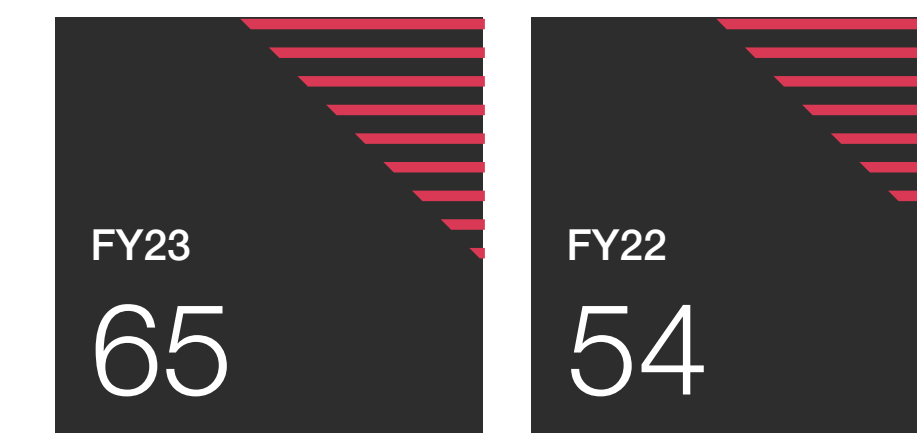


### Technical panels

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 2023, 65 (FY22: 54) technical panels took place on audit clients, the majority of which related to the consideration of a client's going concern status.

Protocols exist to resolve the situations where a difference of opinion arises between the engagement leader and either the Quality Review Partner (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 (QRP)), and that all matters arising have been appropriately addressed.

Some of the key aspects which the engagement leader is expected to perform includes the following:

- actively managing 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;
- ensuring sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner;
- driving a cultural mindset that strives for continuous quality improvement, challenges engagement team members to think, analyse, question and be rigorous in their approach, display and challenge engagement team members to display the PwC Audit Behaviours, and embody the experiences of our people in how the team delivers the audit and applies professional scepticism;
- fostering an integrated coaching culture and demonstrate a willingness to learn and to coach others;
- being responsible for the engagement team undertaking appropriate consultation on difficult or contentious matters, initiating those consultations where necessary;
- being responsible for ensuring that they and the engagement team understand the relevant ethical requirements for the engagement, remaining alert to any breaches of the requirements and taking action where necessary;
- having an ongoing involvement in assessing the progress of the audit, and in making key judgements;
- implementing the firm's response to quality risks applicable to the engagement and be satisfied that the review, supervision and quality control procedures in place are adequate and effective; and
- having an overall responsibility for the direction, supervision and review of work on the engagement, ensuring that conclusions are reached and documented in a proper and timely manner and taking overall responsibility for managing and achieving quality on the engagement.



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 and display and challenge engagement team members to display the PwC Audit Behaviours;
- 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 themselves 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.

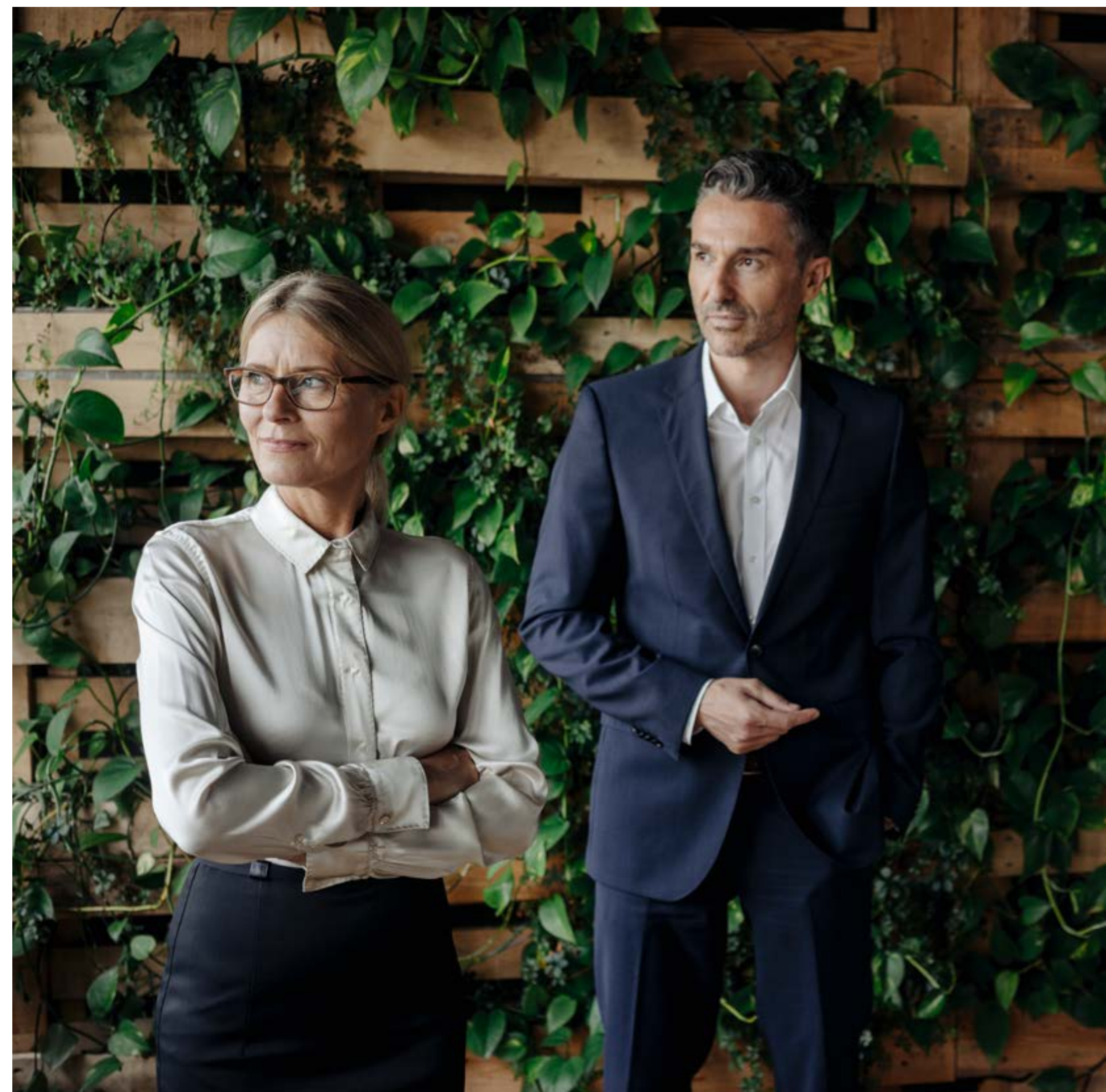
In addition to reviews by the engagement leader and senior engagement team members, all staff are expected to critically self-review their own work to make sure that it meets the relevant requirements.

## 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 (HPCs) include:

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

QRPs are experienced individuals, usually partners, who are independent of the core engagement team; they receive training when appointed as a QRP and on an 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. The QRP is also required to understand the firm's monitoring and remediation processes, in particular any identified deficiencies that may impact areas involving significant judgements made by the engagement team. Furthermore, the QRP is responsible for evaluating the engagement leader's determination that relevant ethical requirements relating to independence have been fulfilled, appropriate consultation has occurred and the engagement leader's involvement is sufficient and appropriate. QRPs are involved throughout the audit process so that their input is 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 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 issuing the audit report.

As explained below, our guidance in relation to QRPs was reviewed in light of the implementation of ISQM (UK) 2 and ISA (UK) 220 (Revised) 'Quality Management for an Audit of Financial Statements'.

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.

## New standards

During the year, we have invested significant time into the implementation of the suite of quality management standards ISQM (UK) 1, ISQM (UK) 2 and ISA (UK) 220 (Revised) 'Quality Management for an Audit of Financial Statements'. This included revising certain Aura Platinum workpapers and sections within the PwC Audit Guide to respond to the new quality management requirements, including the responsibilities of the engagement leader and Engagement Quality Control Reviewer detailed above. The implementation effort was not as significant as it may otherwise have been as a number of the new requirements were already embedded into our existing methodology and audit culture. Training modules were developed to educate our people on the new standards.





We also moved onto the next stage of our implementation of ISA (UK) 315 (Revised) during the period after completion of initial training and roll-out of the revised methodology during FY22. Our Chief Auditor Network, in tandem with ARQ, supported engagement teams through using the new Aura Platinum work programme developed to meet the requirements of ISA (UK) 315 (Revised) through workshops and further training sessions, and new practical guidance was developed to respond to the initial feedback received from engagement teams. We are reflecting on the initial findings from both our EQR and Audit Compliance Measure (ACM) processes, as well as feedback received directly from the practice, to identify any emerging themes to be addressed through our training programs.

In the coming year, we will evaluate our initial implementation of the new quality management standards. We are also working towards the implementation of ISA (UK) 600 (Revised), 'Special considerations – Audits of group financial statements (including the work of component auditors)' which is effective for audits of financial statements for periods commencing on or after 15 December 2023.

## Engagement documentation

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

Unless required for legal, regulatory or internal review purposes, our audit files are only accessible by members of the engagement team or by specific individuals for risk management, quality review and compliance purposes until they are destroyed.

All engagement files are destroyed after periods specified by law or professional standards. In the case of audit files, this is generally seven years after the audit report date, but can be as long as 12 years after the balance sheet date where required by applicable law/standards.

## Engagement conversations

PwC UK operates a programme of obtaining direct feedback from our clients via interviews, undertaken by senior partners independent of the engagement team, as well as client satisfaction surveys. We use this feedback to make sure that we continue to provide high quality services and address any service issues promptly.





# Inspections and investigations on our audits

We operate in a highly regulated field and PwC UK is subject to monitoring by a number of regulatory authorities.



## External inspections – UK regulators

Each year, the FRC's Audit Supervision team undertakes inspections of the quality of the firm's work as statutory auditors of public interest and other entities, and on a cyclical basis perform a review of aspects of the firm's policies and procedures supporting audit quality. The Quality Assurance Department (QAD) of the Institute of Chartered Accountants of England and Wales (ICAEW) undertakes an annual inspection of non-PIE audits. The results of the inspections undertaken by the FRC and QAD are reported to the ICAEW for PIE Auditor Registration purposes and to the Audit Registration Committee (ARC).

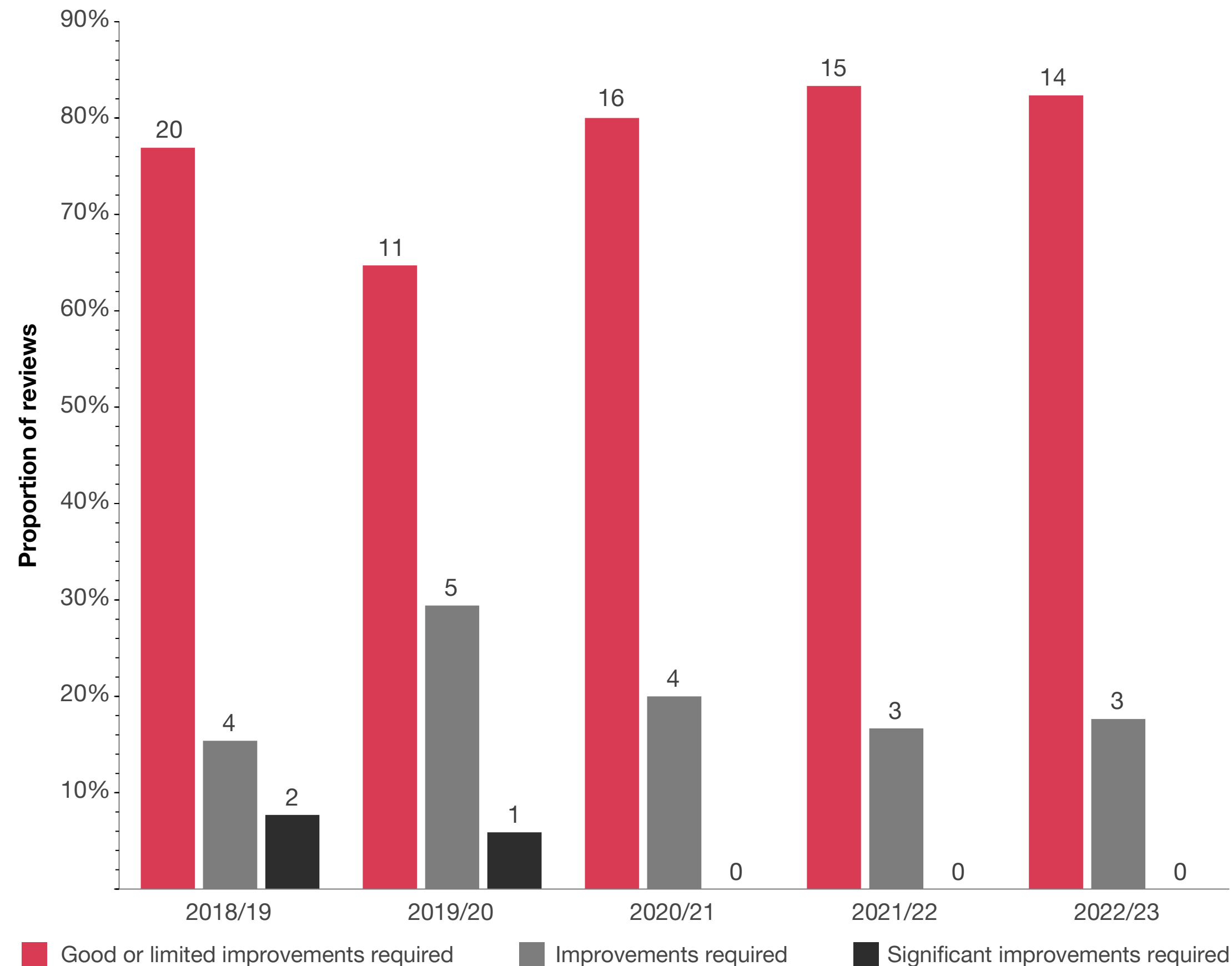
The ARC is due to consider the findings arising from the most recent FRC and QAD inspection reports as part of their consideration of the firm's UK audit registration. The ARC will also consider the UK firm's registrations as a recognised auditor in Jersey, Guernsey and the Isle of Man.



## FRC – Audit Quality Inspection and Supervision Report

The FRC issued its [2022/23 Audit Quality Inspection and Supervision Report on PwC UK](#)<sup>1</sup> on 6 July 2023. Alongside the results of the FRC inspection, the report also included the firm’s own 2022 internal quality monitoring results and those of the annual ICAEW QAD inspection.

**FRC Inspection Results 2018/19 – 2022/23 PwC – All reviews**



The 2022/23 inspection comprised reviews of 17 (2021/22: 18) individual audit engagements relating to FTSE 100, FTSE 250 and other listed and public interest entities. Of the 17 audits reviewed in the 2022/23 cycle, the AQR assessed that:

- 82% or 14 audits (83% or 15 audits in 2021/22) were graded ‘good or limited improvements required’;
- 18% or three audits (17% or three audits in 2021/22) were graded as ‘improvements required’; and
- no audits (no audits in 2021/22) had ‘significant improvements required’.

We are proud of our people and how they work together to deliver high quality audits, which has resulted in the overall outcome of the 2022/23 Audit Quality Review (AQR) inspection cycle. Achieving consistently high quality audits is a key objective of our audit culture programme and a focus of our audit teams.

The FRC’s report highlighted the following key findings in respect of their individual file reviews, and concluded that PwC should:

- improve the audit of cash and cash flow statements, in particular in respect of classification;
- continue to improve the testing of revenue and profit margin recognition; and
- further improve aspects of the audit of impairment.

We also recognise there are instances where the outcome of an inspection is disappointing, if parts of our audits do not meet the high standard expected by ourselves and other stakeholders. We continue to learn lessons from these instances through focused Root Cause Analysis (RCA), and have reflected on the engagement specific findings, and are taking responsive action as appropriate.

The report also includes examples of good practice identified by the AQR, and it is pleasing that these have been identified across audit planning, execution and completion phases, and in areas where the AQR have previously reported findings. We will continue to utilise these examples within our RCA and in demonstrating what high quality looks like with our people.

<sup>1</sup> Source: [https://media.frc.org.uk/documents/PricewaterhouseCoopers\\_LLP\\_Audit\\_Quality\\_Inspection\\_and\\_Supervision\\_Report\\_2023.pdf](https://media.frc.org.uk/documents/PricewaterhouseCoopers_LLP_Audit_Quality_Inspection_and_Supervision_Report_2023.pdf)



The FRC also reported on their review of four areas of the firm's quality control procedures. The following areas were reviewed with key findings and areas of good practice reported.

**Compliance with the FRC's Revised Ethical Standard 2019:** The FRC evaluated the firm's compliance with the FRC's Revised Ethical Standard 2019. The work considered the breadth of the Ethical Standard, focusing on the areas where there were more significant changes to the requirements in the 2019 revisions. The key findings related to:

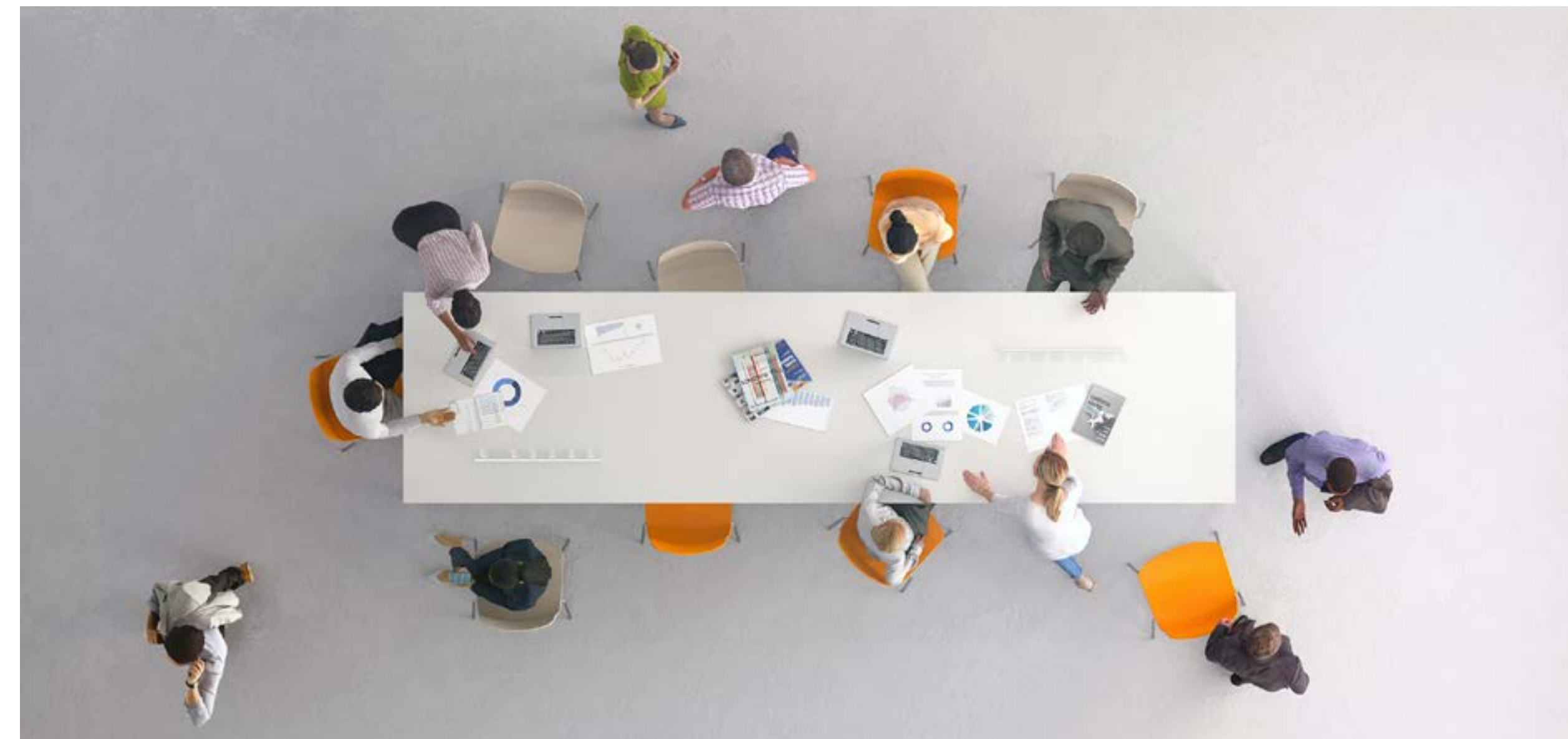
- the firm's assessment of proposed accounting advice services;
- ensuring appropriate approvals are obtained before commencing non-audit services;
- enhancing monitoring of UK audited entities with overseas activities to ensure required approvals for non-audit services are obtained prior to commencement of the service; and
- ensuring that relevant individuals' pension investments are logged to facilitate prompt identification of any conflicts.

The FRC also identified areas of good practice. These included an example of a communication to an entity setting out the impact on the non-audit service should the firm be appointed as auditor; the firm's policy on the provision of gifts and hospitality to/from audited entities and an example of an internal communication to a non-audit service team explaining why they could not accept a gift from an audited entity; and the analysis of conflict checks undertaken by the firm's Independence, Compliance and Ethics function.

**Partner and staff matters:** recruitment, management of partner and senior staff engagement portfolios, appraisals, remuneration and promotion processes. The FRC reviewed the firm's policies and procedures in these areas and tested their application for a sample of partners and staff for the 2021 appraisal year processes. The key finding related to inconsistencies in the consideration of quality in staff appraisals and the process to ensure that results of internal or external inspections are appropriately considered where senior staff below Responsible Individual (RI) level are deemed to have significantly contributed to adverse or positive quality outcomes. The FRC identified good practice in the firm's requirement for all audit RI promotion candidates to pass two internal file reviews to evidence their attainment of audit quality.

**Acceptance, continuance and resignation procedures:** the FRC reviewed policies and procedures relating to acceptance, continuance and resignation procedures, including the firm's wider risk assessments of entities. The FRC also reviewed the application of these policies for a sample of audits accepted, continued and ceased in the year. The FRC had no key findings to report and identified one area of good practice relating to the Bid Review process for prospective audits.

**Audit Methodology:** settlements and clearing processes for banks and building societies. The FRC evaluated the quality and extent of the firm's methodology and guidance relating to the audit of the cash and payments process for the audit of banks, building societies, other credit institutions and payment service providers. The review did not identify any key findings, or specific examples of good practice.





The firm has considered the findings and examples of best practice identified as part of each of these reviews, and developed responsive actions as appropriate.

The FRC report also sets out the FRC's observations relating to their forward looking supervision activities, including in respect of: the firm's Single Quality Plan; other quality improvement plans and audit quality initiatives; root cause analysis process; PIE auditor registration; other activities focused on holding firms to account; culture and conduct; initiatives to ensure compliance with the Revised Ethical Standard 2019; and operational separation of audit practices. The firm was not subject to increased supervisory activities during the year.

The report outlines that in response to the inspection the FRC will:

- maintain the reduced number of audits inspected at PwC in proportion to the number of audits in scope compared with other Tier 1 firms;
- continue to review the Single Quality Plan and use it to monitor the actions taken to improve audit quality, their effectiveness (over the short and long term) and its use in complying with ISQM (UK) 1; and
- continue to monitor and assess the firm's initiatives in relation to audit quality, in particular resourcing, culture and ethics.

We are also committed to working with the FRC to ensure that the high value of audit is recognised, and the profession remains attractive in years to come. To do this, delivering high quality audits consistently is our priority, and this is embedded in our continuous improvement mindset, our Audit Behaviours and our audit culture.

Copies of the FRC Audit Quality Inspection and Supervision report on PwC UK are available on the [FRC website](https://www.frc.org.uk)<sup>1</sup>.

### Other FRC review activity

The Audit Market Supervision (AMS) team of the FRC have undertaken a number of reviews during 2022/23, including of the firm's:

- firmwide processes to support the auditor in responding to the risk of climate change;
- methodology around IFRS 9, focusing on the audit of Expected Credit Losses (ECL) for larger banks; and
- audit culture supporting professional scepticism and challenge behaviours.

The AMS team are undertaking thematic reviews as part of their 2023/24 inspection cycle on audit sampling methodology, hot reviews, the identification and assessment of network resources and service providers and Root Cause Analysis. Copies of the published reports are available on the [FRC website](https://www.frc.org.uk)<sup>2</sup>.



<sup>1</sup> Source: [https://media.frc.org.uk/documents/PricewaterhouseCoopers\\_LLPAudit\\_Quality\\_Inspection\\_and\\_Supervision\\_Report\\_2023.pdf](https://media.frc.org.uk/documents/PricewaterhouseCoopers_LLPAudit_Quality_Inspection_and_Supervision_Report_2023.pdf)

<sup>2</sup> Source: <https://www.frc.org.uk>



## ICAEW – QAD inspection

The QAD audit engagement 2022/23 inspection results were published within the FRC’s Audit Quality Inspection and Supervision report on the firm on 6 July 2023. They will also be included within the ICAEW’s 2022 Audit Monitoring report, expected to be released in autumn 2023.

The 2022/23 QAD inspection comprised standard scope reviews of ten (2021/22: ten) individual audit engagements, of which:

- nine audits (ten in 2021/22) were assessed as ‘good or generally acceptable’;
- no audits in 2022/23 or 2021/22 were graded as ‘improvement required’; and
- one audit (none in 2021/22) was graded as ‘significant improvement required’.

As highlighted above, the QAD concluded that overall, the audit work reviewed was of a good standard, with nine out of ten engagements graded either good or generally acceptable, including the AIM-listed and both public profile audits. The QAD identified one engagement as requiring significant improvement. The audit was of an entity significantly impacted by the COVID-19 pandemic and lockdowns. The audit team had dealt with various challenges due to restructuring of the business and issued a modified audit report. The QAD identified a very specific error in transactions following the refinancing within the group with a risk that the parent company balance sheet was materially misstated. The issue did not alter the group balance sheet position.

The report included one key finding relating to the audit requiring significant improvements required. The report also included a number of good practice examples across two broad themes: demonstrable professional scepticism and challenge of management in audit approaches to accrued income, going concern and impairment reviews; and comprehensive audit documentation, including consideration of risks relating to accounting estimates and IT systems; and closing down matters raised by the firm’s specialist teams.

As with the AQR 2022/23 inspection, whilst we are pleased with the overall outcome of the 2022/23 QAD inspection, we are disappointed that one of our audits did not meet the high standard expected by ourselves and other stakeholders. The QAD’s findings have been incorporated into our RCA processes and responsive actions identified.

## Local Audit monitoring

The AQR did not undertake any Local Audits inspections at PwC as part of the 2022/23 cycle.

## ATOL inspections

As an ATOL reporting accountant, the firm is subject to inspection as part of the Licensed Practice Scheme. The review takes place on a tri-annual cycle. No review was undertaken during 2022/23.

## Other UK regulatory bodies with which we have interactions

As statutory auditors we engage in ongoing dialogue with regulators of entities we audit. For example, many audit engagement 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 Financial Services and Markets Act 2000 and Client Asset/Client Money reporting, as set out in the FCA’s Supervision Manual. Additionally, PwC LLP is authorised and regulated by the FCA for, inter alia, designated investment business and consumer credit related activity; details of our status can be viewed on the [FCA website](https://register.fca.org.uk/s/)<sup>1</sup> under firm reference number 221411.

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

## 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 in scope for inspection by the PCAOB are US registrants including Domestic Filers and Foreign Private Issuers (FPIs), and UK components of groups listed in the US.

As we disclosed in our 2022 Transparency Report, the PCAOB, in cooperation with the AQR, inspected PwC UK in September 2020. The inspection covered the 2019 audits of two FPI engagements and one UK component of a US listed company. The PCAOB inspection report dated 10 March 2022, describes the PCAOB’s 2020 inspection.

The PCAOB inspection report contains an overview of the inspection procedures, observations on the engagements inspected and instances of non-compliance with PCAOB standards or rules. There were no identified audit deficiencies on the three engagements inspected nor other instances of non-compliance with PCAOB standards or rules.

The PCAOB commenced its most recent triennial inspection of PwC UK in September 2023, again in cooperation with the AQR. The inspection is ongoing. We will report the results of the inspection in due course.

<sup>1</sup> Source: <https://register.fca.org.uk/s/>



## Canadian Public Accountability Board

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

## The Crown Dependencies

Under arrangements with the relevant regulatory authorities in the Crown Dependencies, the FRC undertakes the review of relevant audits performed by PwC UK of the financial statements of certain entities registered in the Crown Dependencies. In their 2022/23 inspection of PwC UK, no such audits were reviewed by the FRC.





## 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 and supported to improve performance. In addition, under our Recognition and Accountability framework, financial penalties can be imposed on engagement leaders in case of adverse quality findings. Similarly, engagement leaders for any files that are considered 'exceptional/best in class' can have their reward positively impacted.

PwC UK's monitoring programme is designed to meet the requirements of ISQM (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 EQR programme is used to assess whether engagements are performed in accordance with relevant standards. Partners and staff are informed on a timely basis about the review results to enable them to apply any relevant learnings and for appropriate action to be taken.

2. Whole firm review of policies and procedures adopted by PwC UK in respect of audit quality and ISQM (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. The Global Assurance Quality – Risk Leader informs engagement leaders of the 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 by either the firm or individual engagement leader.

## Engagement Quality Review (EQR)

Within the '[Our system of quality management](#)' section of the report on [page 59](#), the key features of the annual EQR programme, formerly the Engagement Compliance Review (ECR) programme, were outlined. The programme is an integral part of the firm's internal monitoring. Experienced reviewers select areas of key audit matter that enable a focused review to take place.

Details of the coverage and results of the 2023 EQR are as follows:

- 163 audit engagements (FY22: 156) were reviewed in FY23, covering 46%\* (FY22: 44%) of the firm's Responsible Individuals. 35 non-audit assurance engagements (FY22: 39) were also reviewed.
- 139 audit engagements (FY22: 135), representing 85% (FY22: 87%) of the audit engagements reviewed were classified as 'compliant'. 15 audit engagements (FY22: ten), representing 9% (FY22: 6%) of the audit engagements reviewed were classified as 'compliant with improvement required', and nine (FY22: eleven) were classified as 'non-compliant'.
- 32 non-audit assurance engagements (FY22: 35), representing 91% (FY22: 90%) of the 35 non-audit assurance engagements reviewed were classified as 'compliant'. Two non-audit assurance engagements (FY22: three) representing 6% (FY22: 8%) of those reviewed were classified as 'compliant with improvement required'. One non-audit assurance engagement (FY22: one) was classified as 'non-compliant'.

### Audit EQR results

	Compliant	CwIR	Non-compliant	Total
<b>FY23</b>	139	15	9	163
<b>FY22</b>	135	10	11	156

### Non-audit EQR results

	Compliant	CwIR	Non-compliant	Total
<b>FY23</b>	32	2	1	35
<b>FY22</b>	35	3	1	39

EQR results are subject to a RCA in order to assess findings, identify potential causal factors and implement remedial actions.

\* The coverage is 47% if we consider only the firm's Responsible Individuals that signed an audit opinion during the year.



## Audit Compliance Measures (ACMs)

The Audit Compliance Measures (ACMs), which assess compliance against quality measures at an engagement level, are set each year to take account of matters arising from regulatory reviews and the previous year's EQR findings, in order to ensure that they focus on those aspects of our work where behavioural change and improvements in quality are considered necessary. They also consider areas where our audit methodology has changed, which merit examination to determine how methodology is being implemented.

In the year to 30 June 2023, 13 ACMs were assessed, covering various aspects of the audit from planning to execution and completion. 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 LoS level.

The overall metrics for the Audit LoS are reported to the Executive Board. The overall ACM compliance score for the year ended 30 June 2023 was 94.6% (FY22: 94.3%).

These results are analysed by specific questions as well as by Business Units, and form the basis of amendments to policies, procedures and training materials.

## Audit Risk & Quality Investigations (ARQI)

The Audit Risk & Quality Investigations (ARQI) team works alongside PwC's Office of General Counsel (OGC) to resolve Troublesome Practice Matters (TPMs) which arise on completed audits. TPMs include FRC regulatory enquiries and enforcement actions, investigations by other regulatory agencies – including ICAEW enquiries, overseas agencies, and, in some cases, matters raised by clients and litigation. The ARQI team sits within Audit Risk & Quality and acts as internal experts who review and assess the quality of audit work under enquiry/investigation under the instruction of OGC. The OGC litigation team provides 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. 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 identified shortcomings in our audit work, and acknowledge whenever our work falls below the professional standards expected of us and that we demand of ourselves.







## FRC investigations

The FRC is the ‘competent authority’ for audits under the UK Audit Regulation and Audit Directive. The FRC is responsible for cases that may 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. The FRC conducts enforcement investigations, some of which are made public. We have the following FRC investigations which are in the public domain as at 30 June 2023:

- London Capital & Finance plc for the year ended 30 April 2016;
- Babcock International Group plc for the years ended 31 March 2019 to 31 March 2020;
- Wyelands Bank plc for the year ended 30 April 2019; and
- Intu Properties plc for the years ended 31 December 2017 and 31 December 2018.

In the year to 30 June 2023, there have been three (FY22: two) FRC Final Decision Notices issued against the firm following investigations by the FRC Enforcement division.

- In August 2022, the FRC published the outcome of its investigation into our audit of BT Group plc for the financial year ended 31 March 2017. The firm received a financial sanction of £2.5m adjusted for admissions/early disposal to £1.75m and non-financial sanctions which comprised a Severe Reprimand and a declaration that the Audit Report did not satisfy the relevant requirements. There were no additional non-financial sanctions.
- In March 2023 the FRC published the outcome of its investigations into our audit of Babcock International Group plc (Babcock) consolidated financial statements for the year ended 31 March 2017 and 31 March 2018 and Devonport Royal Dockyard Limited (DRDL) financial statements for the year ended 31 March 2018. The firm was fined £7.5m, adjusted for aggravating/mitigating factors and admissions/early disposal to £5.625m. The firm received a Severe Reprimand and non-financial sanctions were also imposed. These require PwC to:
  - ensure that the correcting action in relation to the audit of long term contracts previously agreed in a non-financial sanction imposed in June 2022 arising from a separate FRC investigation is broadened to cover the matters arising in the Babcock/DRDL investigation.
- In June 2023 the FRC published the outcome of its investigation into our audit of Eddie Stobart Logistics plc. The firm was fined £3.5 million, adjusted for aggravating/mitigating factors (in particular reflecting an exceptional level of cooperation) by a reduction of 12.5% and further discounted for admissions/early disposal by 25% to £1.99m. The firm received a Severe Reprimand. In addition a non-financial sanction was imposed requiring PwC to report to the FRC on (i) its monitoring of its audit teams’ compliance with its policies regarding consultations; and (ii) its training in this area of new audit partners.

The Final Decision Notices applicable to these cases are available on the [FRC website](https://www.frc.org.uk)<sup>1</sup>.

<sup>1</sup> Source: <https://www.frc.org.uk>



## Case examination and enquiries

The FRC's Case Examiner and the Case Assessment team makes enquiries to determine whether there is a question as to whether the firm or a Statutory Auditor has breached a relevant requirement. Following their assessment, the Case Examiner may decide to: take no further action; arrange for constructive engagement (see below); or refer the matter on to determine whether or not it is appropriate for an FRC enforcement investigation (see above) or to another regulator for investigation.

The FRC may seek to resolve cases through constructive engagement. This may be used where audit quality concerns can be appropriately and satisfactorily addressed, and the risk of repetition mitigated through engagement with the firm without the time and expense of full enforcement action. A key part of resolving an enquiry through Constructive Engagement is for the FRC to agree appropriate remedial actions with the audit firm.

Throughout the year, we have successfully resolved enquiries from the Case Examiner by responding promptly to enquiries and putting in place the necessary remedial actions to prevent similar matters from reoccurring. These actions have included, for example, updating Aura file work papers and issuing additional guidance in the form of the firm's 'In brief' technical updates to the audit practice. As part of resolving enquiries, we often provide evidence to the FRC that the actions have been completed.

We also have open enquiries and are committed to working with the FRC to resolve these constructively, and to proactively take the steps we need to, to improve audit quality.

Further details of the Case Examination and Enquiries process, the Accountancy Scheme and Audit Enforcement Procedures can be found on the [FRC's website](https://www.frc.org.uk)<sup>1</sup>.

## ICAEW

In the year to 30 June 2023 there were no audit cases (2022: nil) found against the firm by the Investigation Committee of the ICAEW. We have ongoing enquiries with the ICAEW which we are committed to continuing to work to resolve with the ICAEW. Further details of the ICAEW's disciplinary process can be found on the [ICAEW's website](https://www.icaew.com)<sup>2</sup>.

## Complaints and allegations

If the organisations we audit 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 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 ICAEW or the institute of which the individual PwC UK partner or member of staff is a member, may also be contacted directly.

<sup>1</sup> Source: <https://www.frc.org.uk>

<sup>2</sup> Source: <https://www.icaew.com>





# Audit Quality Measures and Audit Quality Indicators

Measuring and assessing audit quality is fundamentally important. Using measures and indicators to do this effectively can help the users of audit services and wider stakeholders to engage in a richer discussion about what constitutes a high quality audit and the key elements of a high quality audit practice.

Audit Quality Indicators are complex and the term 'AQI' can often mean different things to different stakeholders. AQIs can be considered at both a firmwide and at an engagement level; and they can also be used internally or externally by audit firms. PwC's use of AQIs includes the following:

- Internally, we monitor AQIs and other management information for our Audit LoS, and Audit Business Units to identify thematic insights, whilst also using engagement level AQIs within our root cause analysis process. These areas of work combine qualitative insights with quantitative analysis to provide robust conclusions into how we can continuously improve our system of quality management.
- Externally, we use AQIs to provide information to the users of audit services and to wider stakeholders to enable a richer discussion about what constitutes both a high quality audit and a high quality audit practice. We are actively engaged with the FRC and other stakeholders, including audit committee chairs, to support their consideration of AQIs and how best they can be used with external stakeholders at both a firmwide and engagement level.

We have engaged with the FRC on two main projects through 2022/23 concerning external level AQIs as follows.

The first of these was the conclusion of the FRC's engagement level AQI pilot and our own extended engagement level AQI pilot. Through this we learnt a great deal about the information audit committee chairs are interested in. The non-prescriptive approach to this pilot promoted innovation and allowed for continuous improvement in the use of AQIs. Our observations from this project included:

- AQIs provide the most value and insight for users of audit services at an engagement level as opposed to firm level; with AQIs at this level leading to a richer discussion about audit quality;
- AQIs cannot cover all aspects important to audit quality, they require context and there are practical challenges to using them; a 'one size fits all' approach is not necessarily the best;
- where AQIs are used with an Audit Committee, we believe they should be focused in areas key to a high quality audit, including those relating to the resources allocated to the engagement, the project management of the audit, and the quality and timeliness of management deliverables.

Secondly, we have engaged in the FRC's consultation and proposal on the use of a consistent, publicly disclosed set of firm level AQIs. We will continue to work with the FRC on this proposal in the pilot year to June 2024, through to the first set of public reporting in June 2025.





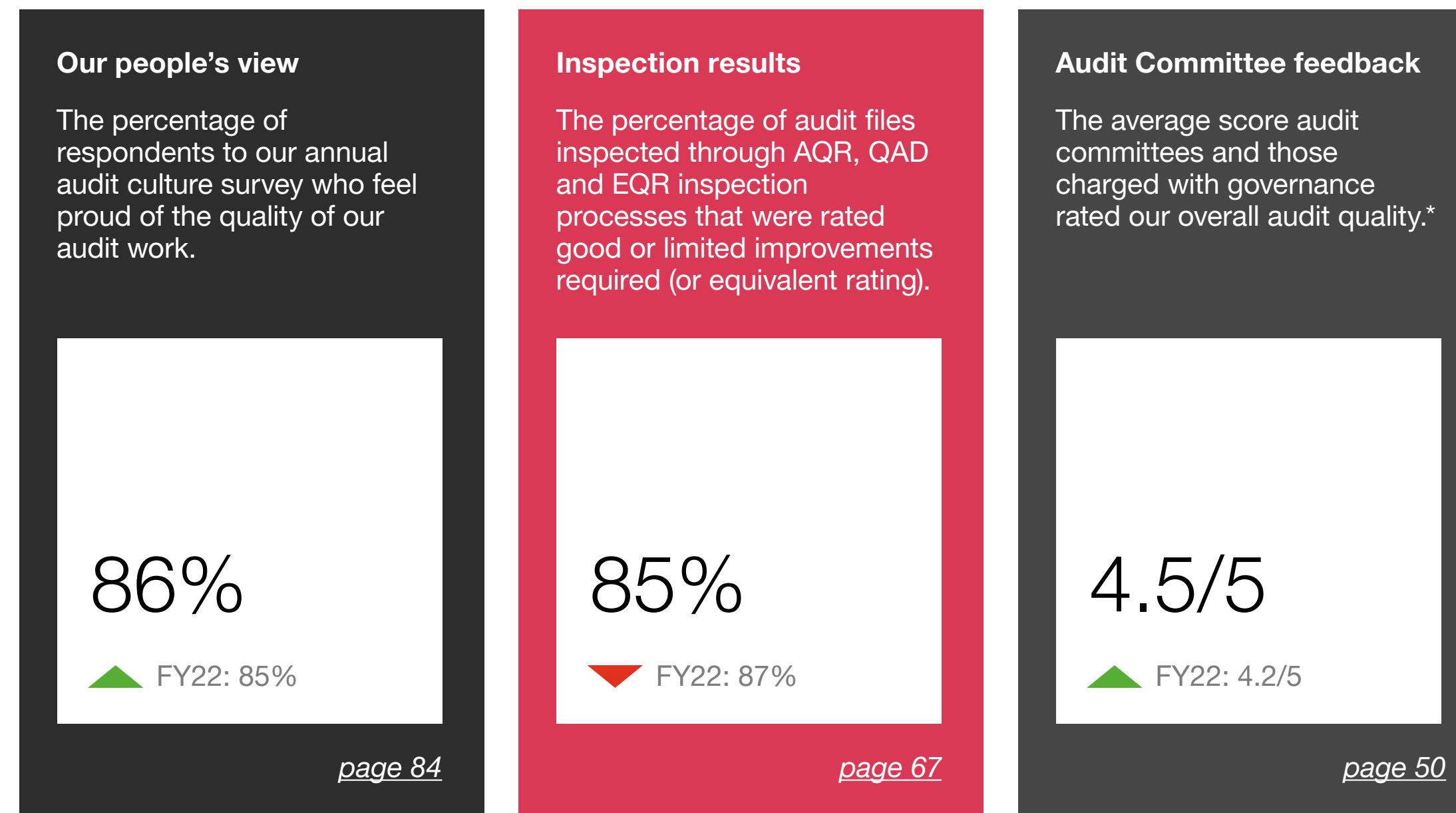
## AQIs and measuring audit quality

It is important to understand that AQIs are only indicators of risk to quality rather than actual measures of audit quality. This is because it is still possible to have a high quality audit when particular AQIs might be of concern, because the risks to quality can still be mitigated through controls or other interventions.

There is no single definition or measure of audit quality. The most public measure in the UK is the AQR inspection results, although these are based on a limited, risk based sample of files inspected. We have developed our own Audit Quality Measurement framework with three key measures of audit quality to provide a more comprehensive view of the quality of our audits. These measures are included in the internal firmwide balanced scorecard that is reported to our Executive Board each quarter.

Our Audit Quality Measures and supporting data, along with our AQIs are set out in their respective sections below.

### Audit Quality Measures (AQMs)



During FY23 we refreshed our AQMs with the following updates.

- Previously we had reported how the organisations we audit scored us when asked whether our teams challenged them during the audit. We have now replaced this with the score Audit Committees and those charged with governance give our overall audit quality. We did this so the measure reflects a more holistic view of audit quality. The challenge score is now reported for further context in the supporting data table.
- The 'Audit Inspection restatements (Percentage of files inspected which required a restatement)' measure which had previously been an AQM is now added as context to the overall Audit Inspection measures rather than as a standalone headline AQM. This metric is now included in the supporting data table.

\* In FY23 Audit quality scoring has moved from a ten point scoring system to a five point scale. The FY22 score has been halved from 8.4 to generate a comparative.



## Supporting data

We present below the supporting data referenced elsewhere in this report which provides further context in relation to the inspection and audit committee feedback related Audit Quality Measures.

	FY23	FY22	Page
<b>Audit Committee feedback – challenge</b>			
How the organisations we audit score us when asked whether our teams challenged them during the audit (out of 5)*	<b>4.3</b>	4.3	<a href="#">50</a>
<b>All audit file inspections</b>			
Percentage of the audits inspected that did not require a restatement of the financial statements or for the audit opinion to be withdrawn	<b>98%</b>	99%	<a href="#">67</a>



	FY23	FY22	Page
<b>Internal inspections</b>			
EQR audit file inspections performed**	<b>163</b>	156	<a href="#">73</a>
Percentage of the firm's Responsible Individuals covered by EQR audit file inspections**	<b>46%</b>	44%	<a href="#">73</a>
EQR audit file inspections graded 'compliant'***	<b>85% / 139</b>	87% / 135	<a href="#">73</a>
EQR audit file inspections graded 'compliant with improvement required'***	<b>9% / 15</b>	6% / 10	<a href="#">73</a>
No. of EQR audit file inspections graded 'non-compliant'***	<b>9</b>	11	<a href="#">73</a>
No. of EQR non-audit file inspections graded 'compliant'	<b>32</b>	35	<a href="#">73</a>
No. of EQR non-audit file inspections graded 'compliant with improvement required'	<b>2</b>	3	<a href="#">73</a>
No. of EQR non-audit file inspections graded 'non-compliant'	<b>1</b>	1	<a href="#">73</a>
The overall Audit Compliance Measure reviews compliance score for the year	<b>95%</b>	94%	<a href="#">74</a>
<b>External inspections</b>			
AQR file inspections graded 'good' or 'limited improvements required'**	<b>82% / 14</b>	83% / 15	<a href="#">68</a>
AQR file inspections graded 'improvements required'	<b>18% / 3</b>	17% / 3	<a href="#">68</a>
AQR file inspections graded 'significant improvements required'***	<b>0</b>	0	<a href="#">68</a>
No. of QAD file inspections graded 'good' or 'generally acceptable'	<b>90% / 9</b>	100% / 10	<a href="#">71</a>
No. of QAD file inspections graded 'improvement required'	<b>0</b>	0	<a href="#">71</a>
No. of QAD file inspections graded 'significant improvement required'	<b>10% / 1</b>	0	<a href="#">71</a>

\* In FY23 Audit Quality scoring has moved from a ten point scoring system to a five point scale. The FY22 score has been halved from 8.5 to generate a comparative.

\*\* These metrics are those which have been mutually agreed with the Policy and Reputation Group (PRG) to be disclosed in Transparency Reports. The PRG is a group made up of representatives from the seven largest UK Audit Firms that develop an understanding of evolving public interest issues and how these might be addressed to help maintain confidence in the profession to support the UK economy, and to participate constructively in shaping public policy.



## Audit Quality Indicators (AQIs)

Presented below are the additional metrics included within this Transparency Report. They include metrics that have been mutually agreed with the Policy and Reputation Group (PRG) to be disclosed in Transparency Reports.

	FY23	FY22	Page
<b>Metrics from partner and staff surveys</b>			
I am encouraged to perform a high quality audit*	91%	92%	84
The teams I work with have sufficient resources to enable them to deliver quality services* <sup>1</sup>	66%	63%	-
I receive enough training and development to enable me to deliver quality audits*	77%	80%	11
My team regularly shares problems with each other in order to find effective solutions	87%	86%	84
My team regularly challenges each other around whether the course of action we are taking is realistic and/or will deliver a quality audit outcome	79%	83%	84
I feel confident to challenge others who demonstrate behaviours that put audit quality at risk	87%	86%	11
I understand how the work I do on a day-to-day basis supports the purpose of audit	93%	93%	11
<b>External investigations</b>			
Decision notices issued against the firm by the Enforcement division of the FRC	3	2	75
Audit cases found against the firm by the Investigation Committee of the ICAEW	0	0	76

	FY23	FY22	Page
<b>Resource</b>			
Number of UK people in Audit	5,750	5,400	10
People recruited into Audit	1,539	1,355	10
Number of Responsible Individuals	339	337	10
Number of PIE Responsible Individuals <sup>2</sup>	137	N/A	-
Responsible Individual to total number of UK Audit staff ratio	5.9%	6.2%	-
<b>Training</b>			
The average time charged to training time codes by qualified (and equivalent grade) partners and staff in Audit during the calendar year, including mandatory and elective training <sup>3</sup>	102 hours per person	95 hours per person	91
The total number of hours charged to training time codes by all partners and staff in Audit during the year, including exam training for staff under training contracts <sup>3</sup>	1.6m hours	1.4m hours	91
The minimum structured training hours provided to qualified audit partners and staff within the annual mandatory audit, accounting and compliance update programme* <sup>3</sup>	28 hours per person	30 hours per person	91
The range of possible structured mandatory training hours required by qualified audit partners and staff based on their grade, experience and role (defined by their learner profile responses) <sup>3</sup>	28-270 hours per person	30-270 hours per person	91
Digital Academy completions during the year	2,800 (Audit: 1,000)	4,900 (Audit: 1,300)	11

<sup>1</sup> Responses in relation to the question 'The teams I work with have sufficient resources to enable them to deliver quality services' include both favourable (47%) and neutral responses (19%).

<sup>2</sup> New metric this year as a result of The Public Interest Entity (PIE) Audit Registration Regulations, which took effect on 5 December 2022. The figure presented is as at 1 July 2023.

<sup>3</sup> Our training cycles follow the calendar and not the financial year, hence we have presented training metrics for the calendar year to 31 December 2022 in this report.

\* These metrics are those which have been mutually agreed with the Policy and Reputation Group (PRG) to be disclosed in Transparency Reports. The PRG is a group made up of representatives from the seven largest UK Audit Firms that develop an understanding of evolving public interest issues and how these might be addressed to help maintain confidence in the profession to support the UK economy, and to participate constructively in shaping public policy.



	FY23	FY22	Page
<b>Inclusion and diversity</b>			
We believe that a diverse and inclusive audit practice enables better quality outcomes. Our commitment to building a diverse and inclusive workforce is further detailed on <a href="#">page 85</a> , with specific reference to our recruitment initiatives on <a href="#">page 94</a> . We also report diversity metrics for both gender and ethnic minority, at a firmwide level, on our <a href="#">Integrated Reporting Hub</a> <sup>1</sup> .			
<b>Other quality focused activities</b>			
Consultations completed	8,327	9,588	<a href="#">62</a>
Technical panels completed	65	54	<a href="#">62</a>
Hot reviews of financial statements and reports completed	228	247	<a href="#">62</a>



<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/reporting-hub.html>



# People

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5



# Culture

Our purpose, culture and values are inextricably linked, and together they define who we are as a firm. Our culture, which is supported by our values, guides 'how' we deliver our purpose and our strategy. It sets the tone for how we behave and how we work together to deliver high quality outcomes that have a positive impact on the organisations we work with and our communities.

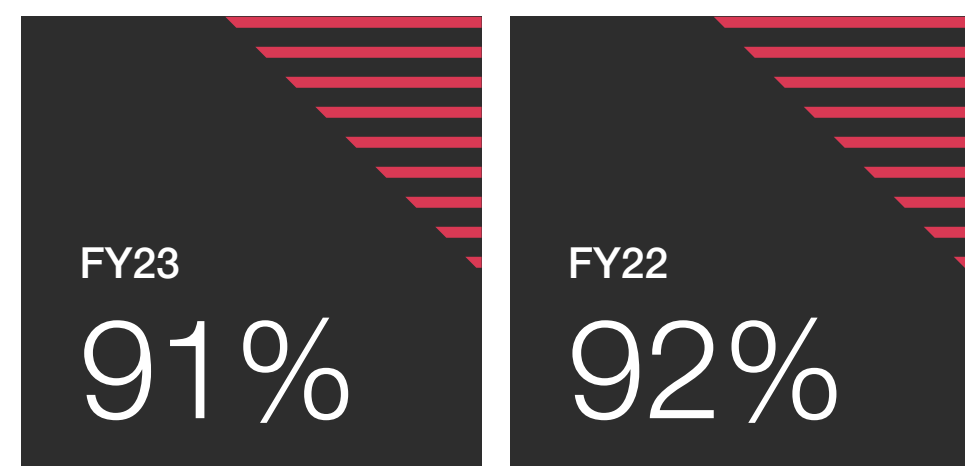
Our culture means our people are empowered to be the best they can be, embracing change and opportunities in a technology driven world. This is underpinned by a strong team ethos creating an inclusive environment where everyone feels valued, and that they can bring their whole self to work.

Having the right people with the right skills is fundamental to audit quality and we aim to attract, develop, reward and retain top talent by creating an inclusive culture where the best people want to stay and build their careers.

Importantly, our audit culture is also supported and reinforced by our firmwide consideration of ethics, explained in more detail within the 'Ethics and independence' chapter on [page 117](#).

Through our Audit Culture and Behaviours survey, we measure whether our people feel that our leaders encourage high quality work.

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



## Our values



**Act with integrity**

We expect and deliver the highest quality outcomes, speak up for what's right, even in difficult situations, and make decisions as if our personal reputation is at stake.



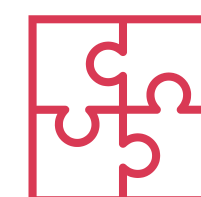
**Make a difference**

We stay informed and respond with agility to the ever-changing business environment in which we operate—always looking to create a positive impact on our colleagues, clients and society.



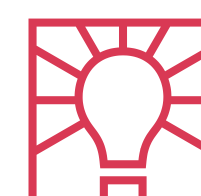
**Care**

We aim to understand every individual and what matters to them, recognising each person's value and contribution, while enabling them to grow in a way that brings out their best.



**Work together**

We collaborate, share ideas and integrate a diverse range of perspectives to improve ourselves and others.






**Reimagine the possible**

We empower innovation and challenge the status quo by keeping an open mind to the possibilities in every idea.



## Audit Culture and Behaviours

Our people in the audit practice are focused above all on the delivery of high quality audits in the public interest. To support this focus we have three Audit Behaviours that set clear expectations for our auditors and have been embedded into everything we do, from audit training to delivery and the evaluation of our people's performance. Our behaviours are:

	<b>Team first</b>
	<b>Challenge and be open to challenge</b>
	<b>Take pride</b>

### How does our audit culture support high quality?



### Team first

Our teams are inclusive and work together, encouraging a 'problem shared' ethos. We invest in our teams' personal and professional development, coaching with purpose, communicating expectations openly and being present.

### Challenge and be open to challenge

Being comfortable to challenge the organisations we audit – and each other – is fundamental to audit quality. It's vital our teams make a safe space for challenge, role model constructive challenge and empower challenge.

### Take pride

Audit is fundamental to capital markets and the trust it creates delivers great value to society. Our people are deep specialists and we encourage them to take pride in the work they do. Taking pride in their day-to-day work is also critical to achieving high quality.

## Audit Culture and Behaviours survey

We undertake an annual Audit Culture and Behaviours survey to measure how well the behaviours are embedded and identify any barriers to demonstrating them. In addition, our Audit Culture team has observed audit teams delivering engagements, held focus

groups and collected feedback to assess how our Audit Behaviours are embedded in the day-to-day interactions of our audit teams. We use these findings to inform our activities to ensure our culture continues to drive high quality.

By understanding our people's experiences and perceptions of the actions of those around them we are able to track our progress in embedding the behaviours. This insight enables the continued refinement and tailoring of our cultural programme to meet the current needs of the practice.

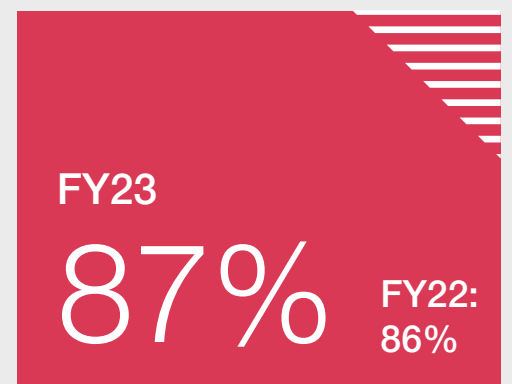
Culture is a fundamental element of our Single Quality Plan (SQP). Over the last year, key areas of focus have included:

- enhancing a culture of psychological safety where our teams can safely learn from mistakes to support continuous improvement;
- understanding how behaviours change when under pressure;
- increasing the effectiveness of on-the-job coaching; and
- client contracting, with a renewed focus on reinforcing the critical importance of timely and quality information and supporting evidence.

We believe that these focus areas will help further empower our auditors and support quality in everything that we do.

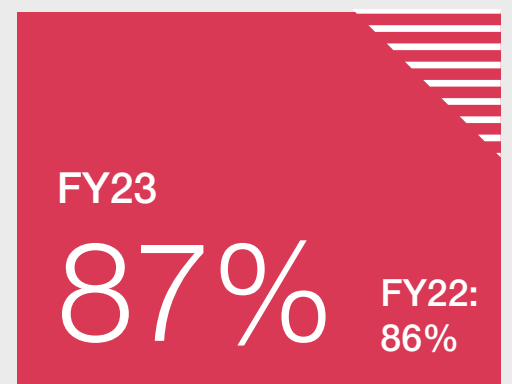
### Our 2023 Audit Culture and Behaviours survey showed:

I feel confident to challenge others who demonstrate behaviours that put audit quality at risk.



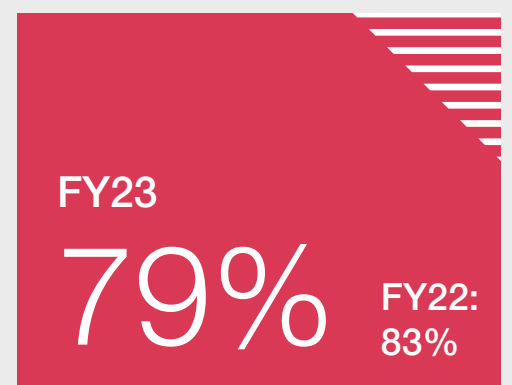
#### Team first:

My team regularly shares problems with each other to find effective solutions.

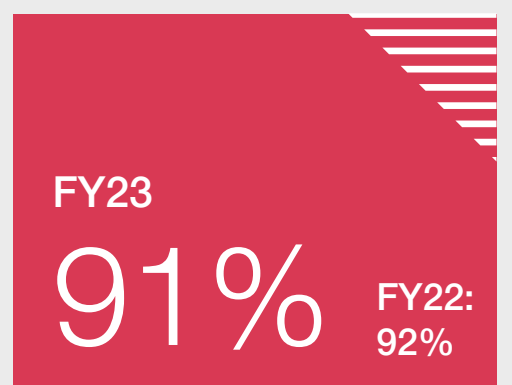


#### Challenge and be open to challenge:

My team regularly challenges each other around whether the course of action we are taking is realistic and/or will deliver a quality audit outcome.



**Take pride:** I am encouraged to perform a high quality audit.





## Inclusion and diversity

We have made both internal and external commitments to building an inclusive culture where everyone at PwC can thrive and fulfil their potential.

We continue to design interventions and actions to drive inclusion and diversity ensuring that we are able to recruit and retain different types of people with diverse skills, experiences and perspectives to deliver distinctive outcomes for our clients and to the communities in which we operate. Interventions fall under three priorities:

- leadership sets the tone from the top;
- visibility of diverse role models in leadership positions to inspire our diverse talent; and
- equal opportunities for career progression which is fundamental to our culture of equity, inclusion and belonging.

These priorities are enabled by action plans focused on five different areas:

- **Creating an inclusive culture:** developing strong inclusive leadership skills and leadership role modelling underpinned by a sustained engagement and communications strategy;
- **Senior level accountability:** delivering on our publicly disclosed diversity targets for both gender and ethnicity, aligning our accountability framework to both performance management and reward;
- **Fair work access:** ensuring people from diverse backgrounds are in key roles throughout the firm and have access to roles that support their development and progression;
- **Targeted recruitment activity** to attract diverse talent for our student and experienced hire opportunities; and
- Access to **career sponsorship** and development.

## Case study: Developing a more inclusive working environment through our Mutual Mentoring programme

Alongside our firmwide focus on equality, our teams are working to create an inclusive culture where everyone feels that they belong and have equal access to opportunities.

The Audit Leadership Mutual Mentoring programme pairs people from across the PwC audit practice with members of the leadership team so they can learn from each other. Now in its third year, members of the Audit Executive and Wider Leadership Team are paired with a mentor who is from a minority ethnic background. The programme has been further expanded this year to include anyone who identifies as being either neurodivergent, or a working parent.

Mutual mentoring is a two-way partnership in which both parties learn from each other – the junior person shares insights and perspectives with the more senior person who, in return, offers guidance and support.

These relationships help increase our understanding of others' experiences and perspectives, they generate greater empathy and understanding, and help develop a more inclusive working environment.

At the conclusion of the formal programme each year, all of the pairings come together as a group to share reflections. Participants have the opportunity to share the ways in which the programme has made a real difference and share ideas to enhance it going forward.

### Audit Leadership Mutual Mentoring programme





We monitor the impact of these interventions and measure progress against grade pool targets for gender and ethnicity for all grades, including an Executive Board review on a quarterly basis as part of our balanced scorecard report. We first set targets in 2015 to be achieved by 2020, and have now set further stretching targets out to 2025. These targets and our progress against them, are published in our [Integrated Reporting Hub](#)<sup>1</sup> and [Annual Report](#)<sup>2</sup> in accordance with our obligations under both HM Treasury's Women in Finance Charter and also Business in the Community's Race at Work Charter.

Performance against these targets, and actions taken to support the firm's work to increase inclusion and diversity, are recognised financially as part of partner performance and remuneration and their contribution is specifically captured and moderated with a final review by an independent party within the firm.

We first published our gender pay gap voluntarily in 2014, prior to the regulations being introduced in 2015. Since then we have held ourselves accountable to disclose more than we are required to, including our partners in our data. We have published our ethnicity pay gap since 2018 and now publish a breakdown showing our Black, Asian, Mixed Ethnicity and Chinese pay and bonus gaps.

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/reporting-hub.html>

<sup>2</sup> Source: <https://www.pwc.co.uk/who-we-are/annual-report.html>

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. We are confident that our people are paid equally for doing equivalent jobs across our business and our reward team carries out an annual exercise to ensure this is the case. We continue to take action to address any gaps and to make sure our policies and practices are fair.

In 2021, we took our pay gap reporting a step further by reporting our Socio-Economic Background (SEB) and disability pay and bonus gaps. In 2022, we started to disclose our sexual orientation pay and bonus gaps (Lesbian, Gay and Bisexual). We continue to retain our focus on ensuring that all of our people have equal opportunity to work and that all of our talent processes are fair and inclusive.

Alongside our Partner Diversity Council, in 2020 we established a Staff Diversity Council made up of representatives of different communities across the firm. The Staff Diversity Council has 25 members from different backgrounds who provide challenge and invaluable insights to leadership on how they experience the culture of the firm; these in turn serve to shape our people strategy and priorities.

In support of our commitment to an inclusive culture, in addition to our inclusive leadership training for partners, we have invested significantly in firmwide training for all of our people using Virtual Reality to build racial awareness and, specifically empathy, with 65% of our people completing the training since its introduction in 2021.

All of our new joiners are required to complete our race and bias awareness training within their first six months from joining. We want to continue to create an inclusive culture where all of our people are able to feel they belong and we believe this creates the conditions for everyone to thrive within the firm.





## Wellbeing

We continue to invest in both the mental and physical wellbeing of our people. Our people's wellbeing is a top priority and this is reinforced in communications from all levels of leadership.

We understand the importance of getting our people the right support at the right time, and continuing with our goal to expand pathways of access to mental health support continuously, we made the AXA health app available through each person's company issued mobile phone. The app provides 24/7 access to a wide range of support programmes available through our private medical provider, like our Virtual GP service, the phone Employee Assistance Programme (EAP) that offers counselling and support service and Peppy, an app focused on early parenthood, menopause, fertility and pregnancy support, along with mental and physical health self assessments, wellbeing programmes and line manager support. This is in addition to our onsite mental health pre-assessment service that we have now launched in offices, with clinicians from our private medical scheme onsite weekly, which we plan to expand into an on-site mental health counselling programme.

It is important that all of our people feel confident in supporting each other, as well as looking out for their own wellbeing. We have continued our rolling Mental Health (MH) literacy programme which spans basic mental health awareness through to Mental Health First Aider accreditation. Our goal is that all of our people will have at least a foundational level of mental health literacy, achieving this through completion of the Samaritans' wellbeing conversations and listening training. We have also now started to train our People Consultant population to be able to deliver MH literacy training within their functions.

This year, we expanded our private medical benefit to include neurodiversity support in response to our people's feedback. Now our people, their partner/spouse and child dependents over the age of seven, can receive a diagnosis following a GP referral. They can also receive short term support for ADHD and Autism, along with guidance on accessing support for educational needs.

We are now in our third year of offering 'Headspace' to our people as part of our wider benefits package. This is a mobile app where users can explore meditation and mindfulness. Due to the popularity of the programme with our people, we now offer free Headspace licences to those who are joining the firm as part of our graduate intake, at the point of offer, to support them in forming healthy routines before transitioning to a professional services workplace.

Care is an important part of our culture within the firm, and is one of our core values. We have signed the 'Working with Cancer' pledge, demonstrating our commitment to continuing to build a supportive workplace for those who are living with cancer. As part of our pledge commitment we will continue to encourage open conversations about cancer to reduce stigma and raise awareness of the signs, symptoms, and support available to our people, along with formalising peer to peer support for our people who have been affected by cancer, whether directly or indirectly.





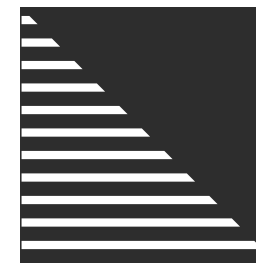
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Reflecting on the cost of living crisis, and following on last year's introduction of the Money Talks hub, which offers employees guidance on financial related subjects, and the practical steps they can take to improve financial wellbeing, we have hosted various 'financial expert led' activities throughout the year, and launched a Reward Gateway portal to give our people easier access to a wider range of discounts.

We also continue to tackle topics that can feel difficult to discuss in the workplace, as we have done for mental health and menopause. As more than half of all employees have experienced bereavement in the last five years, we collaborated with our PwC Foundation charity partner, Hospice UK, to design, create and launch a new interactive, online learning 'Compassionate Bereavement Conversations'. The training provides a safe space to become more comfortable and confident when having conversations with people who are grieving. As well as providing all our people with these valuable conversation skills, this training is now a key element of Hospice UK's publicly available Compassionate Employers programme, another example of the firm's Purpose in action.

This year, PwC collected two awards and recognitions from the City Mental Health Alliance part of Mind Forward Alliance:

- the **Social Impact award** – recognising the work we have done around mental health awareness in schools; and
- the **Health Creating accreditation** – awarded for the second year in a row and the highest acknowledgement in their annual 'Thriving at Work Assessment'. PwC is one of only four firms to achieve this status.





# Training

## The year\* in numbers

471,917

Individual pieces of mandatory training, across the firm, were issued and tracked to completion in the year

4.5/5

Feedback scores on all Audit mandatory training programmes exceeded local stretch targets with a weighted average of **4.5/5** across all programmes

3,500

External Auditor Training programme was delivered to around **3,500** qualified staff and partners

54,000

Individual assessments taken to support learners' ongoing development through reinforcement of key technical topics (both across Year 1 to 4 assessments and EAT topic based assessments)

2,546

Of our auditors completed 'In my shoes' training, which is designed to create emotional engagement and connect you to how it feels to be treated differently or excluded as a result of your race

5,900+

Of our auditors have been trained through a Digital Academy since its inception

\* Our training cycles follow the calendar and not the financial year, hence we have presented training metrics for the calendar year to 31 December 2022 in this report.





## The learning landscape

Throughout our people's careers, they are presented with a variety of development opportunities, classroom, virtual classroom and on-demand learning (both formal and informal), as well as on-the-job real time coaching. Our extensive training portfolio allows individuals to personalise their development journey with access to a variety of education materials, including webcasts, podcasts, articles, videos and in person and virtual courses, to supplement their formal training and, where applicable, professional qualifications.

Achieving a professional credential supports the firm's commitment to quality through consistent examination and certification standards. Our goal is to provide our people with a more individualised path to promotion and support them in prioritising and managing their time more effectively when preparing for professional exams. Providing our people with the ability to meet their professional and personal commitments is a critical component of our people experience.

For new joiners, a firmwide induction is provided to all staff followed by a Line of Service event. In addition, the Audit Line of Service has specific mandatory training for new hires before they can work on engagements, as well as certain other specific training requirements necessary to perform work on a specific engagement (for example, PCAOB training for SEC registered clients).

Our PwC Professional career progression framework underpins a training curriculum which provides a wealth of opportunities for our people to learn and develop. Training is generally a combination of remote access training and virtual or face to face classroom training.

We adopt a hybrid approach to training our people, taking relevant learnings from virtual delivery and focusing the physical classroom elements on the areas that most benefit from coming together in person.



18

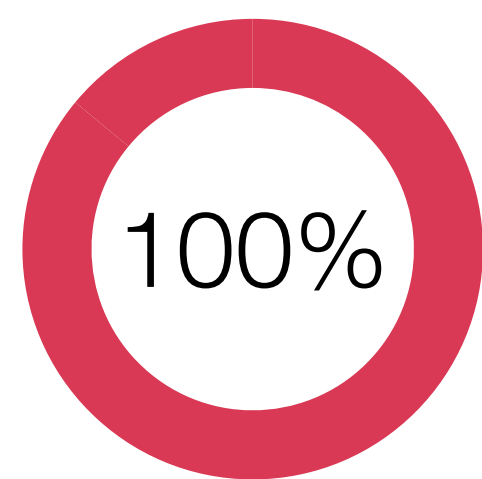
ICAEW Institute prizes awarded to PwC staff



## Audit mandatory training

The firm's core mandatory audit training is categorised into pre-qualified pathways and a post-qualified curriculum, covering both technical and broader skills content. Experienced hires follow a defined series of onboarding activities prior to joining the post-qualified curriculum. Core audit training is supplemented by US, Financial Services and other industry curricula for those individuals deployed on such engagements. Certain roles, such as Quality Review Partners, also require specific additional training.

Completion of mandatory training is tracked and compliance of all staff and partners is closely monitored. Our training complies with the continuing education of statutory auditors referred to in paragraph 11 of Schedule 10 to the Companies Act 2006. Sanctions apply for non-completion of mandatory training up to and including dismissal.



Of partners and staff have completed all mandatory training in 2022\*  
2021: 100%

Within the Audit Line of Service, annual training needs are analysed to identify new areas of technical and non-technical training or areas needing reinforcement and focus. Our training needs analysis is prepared in consultation with the audit practice and Audit Risk & Quality\*\* and considers the current regulatory findings and root cause analysis.

Emerging training needs are considered on an ongoing basis and we release new guidance and training materials as appropriate throughout the year. This allows us to respond promptly when areas for improvement are identified.

We continue to invest in our training curriculum so that our people are informed, prepared and empowered to deliver high quality work whilst navigating an increasingly complex political, economic, technological and regulatory landscape.

We are proud of what we have achieved in the year, receiving consistently positive feedback whilst continuing to drive improvements in quality.

Metric	2022 (calendar year)	2021 (calendar year)	Explanation
The average time charged to training time codes by qualified (and equivalent grade) partners and staff in Audit during the calendar year, including mandatory and elective training	102 hours per person	95 hours per person	The increase in average training hours is attributable to the addition of the US annual update workshop in 2022 and the launch of the Be Your Best programme which was a development day focused on leadership skills delivered to Managers and Senior Managers. To find out more about the Be Your Best programme please see the case study on <a href="#">page 92</a> .
The range of possible structured mandatory training hours required by qualified audit partners and staff based on their grade, experience and role (defined by their learner profile responses)	28 - 270 hours per person	30 - 270 hours per person	The introduction of IFRS 17 training within the Financial Services curriculum resulted in an increase to the existing catalogue. Further, all qualified US practitioners attended a virtual US update training event which did not take place in 2021. However, this increase in possible training hours was offset by a reduction in training for experienced joiners due to a comprehensive review of legacy training assets that were no longer relevant or incorporated into new bespoke assets.
The minimum structured training hours provided to qualified audit partners and staff within the annual mandatory audit, accounting and compliance update programme	28 hours per person	30 hours per person	The reduction in minimum structured hours is largely attributable to one less monthly webcast in 2022, as well as reduced compliance training requirements.
The total number of hours charged to training time codes by all partners and staff in Audit during the year, including exam training for staff under training contracts	1.6 million hours	1.4 million hours	The increase in training hours is due to several factors, including the introduction of the Study First programme (bringing forward some professional qualification exams for some of our year 1 population); an increase in training hours within the years 2 and 3 programmes and for post-qualified staff working on US engagements; and the introduction of the Be Your Best programme. These changes are combined with an overall increase in headcount over the year.

\* Our training cycles follow the calendar and not the financial year, hence we have presented training metrics for the calendar year to 31 December 2022 in this report.

\*\*Team consisting of central technical audit and accounting subject matter experts.



## Be Your Best

This year we introduced a new programme, 'Be Your Best' (BYB) for our Audit Managers and Senior Managers. This population leads our audit teams on a day-to-day basis and the programme aims to develop their leadership capability and create empowered, inspirational leaders. The BYB programme is divided into three pillars:

### Develop

The develop pillar consists of an annual Development Day, along with scenario based workshops throughout the year. The pillar focuses on a broad range of leadership skills relevant to our Manager and Senior Manager roles to unlock their leadership capabilities.

A case study for the 2022 Development Day event has been included adjacent.

### Empower

Empowerment is about giving our Managers and Senior Managers the right tools and support to make decisions and drive change as leaders of our business all underpinned by the empowerment principles.

Over the past 12 months, peer group meetings have been held in business units to encourage debate and discussion on key topics. The ideas generated from these meetings have been taken to business unit leadership and worked on collaboratively to lead to positive local changes.

### Pride

We want the Managers and Senior Managers, as leaders in our business, to feel valued and proud of the roles that they play at PwC and that they can then inspire others to be their best.

The Be Your Best programme is underpinned by a culture of storytelling. We have encouraged people to share their stories on a range of topics. For example, promotion, wellbeing and project success. The GEMs recognition system helps us highlight stories of the impact our people have on each other and encourages everyone to take pride in their work and in their achievements.

## Case study: Development Days

During November 2022, six in-person Development Days were delivered to a total of 722 Managers and Senior Managers in Audit. The focus of the Development Day was 'Leadership' with sessions held on:

- audit strategy;
- resilience through high performance routines;
- human inclusive leadership; and
- fundamentals of leading teams.

Participants were also able to choose an elective session that was most suitable for them:

- Managers: your impact on others or performance coaching; and
- Senior Managers: change agility or motivate.

The days were opened by members of the Audit Executive and then the majority of the sessions on the day were delivered by external presenters, Cognacity and MindGym. The Human Inclusive Leadership session was delivered by members of the Learning Design team and BYB project team.

Overall, the Development Day programme achieved its objective, which was "to improve participants' understanding of how leadership practices can be applied in an audit setting, and to equip them with the skills and authority to inspire, lead and manage their teams."

Feedback was collected from participants on both their overall assessment of the training course, as well as individual sessions. Feedback scores were 4.3/5 overall and an average of 4.6/5 for the individual sessions.





# Recruitment and resourcing

PwC UK aims to recruit, train, develop and retain the best people who share the firm's commitment to delivering high quality services. We encourage students and graduates to join us at any stage of their academic careers including later in life, offering a range of programmes from work experience to permanent roles, across the whole of the UK.

Across the firm in FY23, this included:

5,705

Total recruits

▼ FY22: 5,856

1,984

Graduates\*

▲ FY22: 1,418

124

One year placements

▲ FY22: 110

1,034

Shorter placements

▲ FY22: 269

121

School leavers

▲ FY22: 105

614

Summer interns

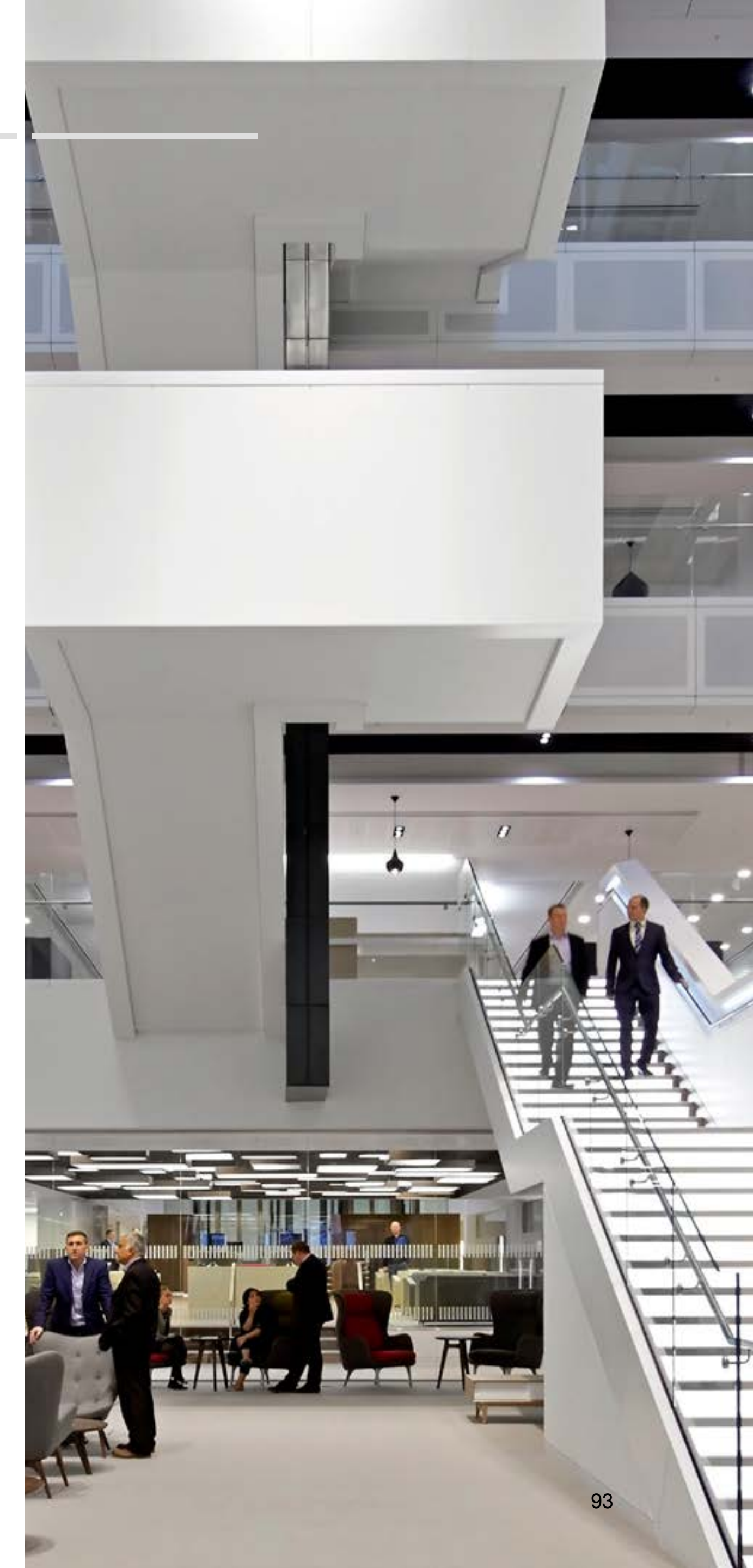
▲ FY22: 528

\* Including flying starts and school leavers

## Selection process

Our robust 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. Candidates are required to submit an application form and are assessed via a range of methods from online assessments, a video interview and an assessment centre. We focus on our candidates having the opportunity to demonstrate their potential throughout our process rather than focusing on their past experience. Once an offer has been made, we offer various touch points including in-person events, online drop in sessions, newsletters and recruiter connect calls.

From September 2023, all graduates who are applying for the Audit Graduate scheme will have their final interview conducted in person, in the office that they are applying to. Interviews will be led by a partner or director from the Audit Line of Service.





## Inclusion and diversity programmes

We believe that investing in diverse skills, experiences and backgrounds puts us in a stronger position to understand and meet the needs of our clients. In FY23 we've expanded our suite of programmes with an inclusion and diversity focus.

275

Women in Business

▲ FY22: 203

236

New World New Skills

▲ FY22: 222

146

Black talent in Business

▲ FY22: 66

2,945

Virtual Insight Week (unpaid)

▲ FY22: 1,596

We welcomed 421 students onto our Diversity Programmes in April 2023, which is our biggest intake yet. This was partly due to our newly introduced Social Mobility Pathway in partnership with upReach, which saw us welcome 46 students from lower socio-economic backgrounds.

The programme has provided us with a great pipeline of talent for future programmes, and currently 90% of the students who completed the diversity programme have been offered either a summer internship or graduate role for 2024.

We have continued to partner with the 10,000 Black Interns programme and have offered over 45 black students work experience this year through this partnership, alongside our Black Talent in Business programme which makes in total 146. This is on top of the 275 students who joined us on the Women in Business work experience programme. New for 2023, we also partnered with the 10,000 Able Interns programme and have been able to offer two students a 2023 summer internship, pledging support for its aims to provide work experience to disabled students.

## Apprenticeships and partnership degrees

Alongside our graduate programmes and internships, we recruit and support a high volume of students into our apprenticeships, Degree Apprenticeships and Flying Start Degree programmes.

We've also expanded our Technology Degree Apprenticeship programmes this year to enable us to continue building a pipeline of diverse technology candidates. Our first cohort of apprentices joined us on this programme at Queen Mary University of London, and with Ada, the National College for Digital Skills in Manchester. Our Technology apprentices benefit from fully funded tuition fees.

476

Current Technology Degree apprentices

▲ FY22: 432





## Case study: The Flying Start Programme

The Accounting Flying Start Degree Programme is a four year university degree programme, which currently can be studied at five universities. Flying Start students obtain a degree, complete three paid work placements at PwC and complete 80% of their ICAEW exams as part of their degree.

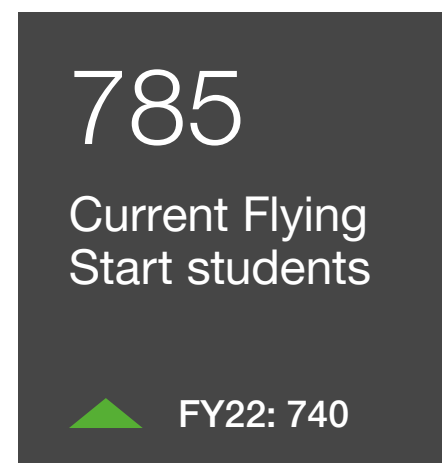
The vast majority of finalists on the programme receive a job offer after graduation, joining in year three of the graduate programme, meaning potentially becoming a fully qualified ICAEW chartered accountant, just over a year after graduation.

For the first time in September 2022, students who joined the Flying Start Accounting Programme, that fulfilled certain criteria related to their socio-economic background, were offered a £10,000 bursary to help them with the cost of university life. The bursary was granted to a total of 60 students.

In September 2022, the first cohort of students joined the new Flying Start Accounting Degree at Queen Mary's University London, the fifth Flying Start Accounting PwC partnership programme. 47% of our joiners on this programme were from lower socio-economic backgrounds.

This year, the Accounting Flying Start Degree Programme has celebrated its 20 year anniversary, which launched at Newcastle University in September 2002.

In the video below, Chris Shepherd, who was the first Flying Start alumni to be admitted into the partnership, talks to Manraj Nagra, a Senior Manager in our audit practice, and Anna Cromwell, who is one of the 750+ students currently on the programme, about their experiences.



### Celebrating 20 years of our Flying Start Programme



## Schools work experience

Our brand new Career Launch Work Experience programme has been established in 2023 due to the recognition that across the industry there is demand for a return to in-person work experience. Taking place in our Manchester and Belfast offices, as pilot locations based on where we have high school and college leaver hiring targets, the programme aims to provide participants with a deep understanding of the business areas they can join as a school leaver through interactive sessions run by business ambassadors. Participants will have the opportunity to receive a fast tracked application for a 2024 school and college leaver role, or on one of our Flying Start Degree Programmes.

## ESG internships

As we look ahead, non-financial reporting is becoming increasingly important as organisations are being judged on more than just financial performance, with stakeholders calling for reporting they can trust on areas such as ESG. Therefore, we have introduced a number of targeted recruitment campaigns as well as undergraduate internships focused on ESG. In FY23, we have hired over 50 summer interns nationally, with the premise that they will be offered a graduate role should they be successful during their internship.

## Experienced talent

We remain competitive in the market in sourcing talent and acquiring the skills that we need to deliver client requirements. In FY23, we welcomed a total of 3,657 experienced hires, i.e. new hires with previous work experience.





## Assignment of engagement teams

Partners and staff are assigned to engagement teams, based on their experience, competencies and grade. Our internal resourcing function (split by teams that support each Business Unit (BU) within each Line of Service) oversees the placement of staff into client assignments to maximise the best match of skills and experience required for the role, and to allocate work fairly whilst balancing the capacity and demand requirements within the Line of Service at that time. The assignment of staff is managed by the Resourcing team within each of the BUs, allowing the management of skills to be considered more accurately.

The nature of competence and skill required will differ between industry, size and/or nature of the clients, and for certain types of work, specified levels of experience and specific additional training may be required to ensure that the individuals are competent to undertake the work (for example only certain individuals can lead or undertake certain types of work, such as capital market transactions and due diligence work). Factors, such as independence or security clearance requirements, will be considered.

In addition, some teams, such as Financial Services BUs in the Audit Line of Service (that service a specialised industry) will require a Financial Services specialism and accordingly, this will be considered when staffing teams.

Each Line of Service has an established process for an engagement team to escalate and report resource shortfalls. If demand is greater than the capacity available in a Line of Service we consider whether there is sufficient capacity with the appropriate capability elsewhere in the firm that can support the engagement. If such capacity and capability is not available then we will review if we will accept the engagement or not.

The firm uses Smart Budget which is a transformational tool that provides an effective, clear and consistent way for us to build resource plans. These plans are recorded in TalentLink which is the system of recording individuals' job allocations and capacity. The Audit Line of Service uses Juggler, an automated optimisation tool to schedule resources to engagements in accordance with predefined business rules and priorities for deployment. The Juggler logic has been designed to produce quality resource allocations that meet capacity, continuity, employee preference and audit quality requirements for the junior grades of staff (with the senior grades of staff being directly assigned by the resourcing team, in conjunction with the business).

## Our Distributed Delivery Model (DDM)

We continue to evolve the way we deliver our audits to enhance audit quality, the experience for both our people, and the organisations we audit, 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.

Our Distributed Delivery Model (DDM) supports our front line delivery teams and is formed of five key elements, 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;
3. **Operate – Controls:** Working alongside our front line delivery teams to support with testing primarily on Business and IT controls, from Belfast;
4. **The Remote Team Model (RTM):** Working alongside our front line delivery teams, exercising limited professional judgement to deliver work on defined areas of the audit, from Kolkata. The RTM team receive equivalent training to their UK audit counterparts; and
5. **Centres of Excellence:** Delivering highly complex technical and judgemental areas, from primary locations in Manchester, Glasgow, Newcastle and Birmingham.

The DDM 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.



# Talent, performance and reward

## 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.

All our people set goals annually which are linked to wider goals and values. This includes: firmwide and LoS goals, which are cascaded to all partners and staff to set the strategic context; BU/function goals include measurable targets and expectations; and individual goals which define how an individual’s contribution and impact for the performance year ahead will support achievement of the firmwide vision and strategy.

Our people are encouraged to review their individual goals on a regular basis and ensure they are updated as they see fit, in order to ensure their relevance.

For the Audit LoS, our people continue to set goals focusing on quality, change and simplification in the way that we deliver our audits, through demonstration of the Audit Behaviours.

Alongside regular informal feedback conversations with colleagues we expect written feedback to be provided regularly throughout the year by all staff and partners using our core people management tool, Workday.

Last year we introduced quarterly Career Coach check-ins. These are regular opportunities for our people to discuss progress with their Career Coach, review feedback and goals and discuss any concerns. We formally evaluate the performance of our people on an annual basis to recognise the contribution and impact in delivering upon their goals and contributing to the firm’s strategy. The performance year runs from 1 April to 31 March.

Individuals self-evaluate their performance against their agreed goals and with reference to the PwC values, the Audit Behaviours, and

the grade-related skills and capabilities of the PwC Professional. Individuals’ self-assessments are then passed to Career Coaches for review and comment.

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 ratings scale is used for performance outcomes, ‘exceptional performance’ (impact tier 1) being the highest and ‘below high performing’ (impact tier 4) being the lowest, with a simplified scale for more junior grades of staff. 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.

During the year the FRC reviewed our compliance with the FRC Revised Ethical Standard 2019, see [page 69](#) for further details.



Everyone in Audit is required to complete an audit quality assessment form within their annual self-evaluation. The purpose of this supplementary form is to give additional focus on how our people in Audit had delivered their Audit quality goals with examples of where they had shown the Audit Behaviours of Team first, Challenge and be open to challenge, and Take pride.

\*Each member of staff has a Career Coach assigned to them, who supports them with career planning and development.



## Remuneration

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

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

We are delighted to report that we have seen a reduction in nearly all our pay gaps compared to FY22. Once again this reflects our commitment to delivering against our [five-point action plan](#)<sup>1</sup>. These actions serve to strengthen our talent pipeline. Of our internal admissions to partnership, 42% were female and 16% from an ethnic minority background. In FY23 our median gender pay gap was 4.3% (FY22: 6.8%) and our single figure ethnicity pay gap was below zero at -2.8% (FY22: -6.4%). Our single figure gender and ethnicity pay gaps do not take into account objective reasons for pay difference such as grade, location or performance level.

We publish our earnings gap voluntarily 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 median gender pay gap was 7.1% (FY22: 10.3%) and the median ethnicity pay gap was 0.0% (FY22: -3%)<sup>2</sup>. Pay gaps continue to be primarily driven under-representation in senior roles within our business which is why we set new targets last year to accelerate our progress over the next five years. Very simply, delivering our targets is essential to closing our pay gaps. But in this first year of working towards our 2025 targets, we have laid a strong foundation for our future and we will continue to focus on all drivers of our pay gaps.

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/our-purpose/empowered-people-communities/inclusion.html>

<sup>2</sup> Source: <https://www.pwc.co.uk/who-we-are/annual-report/people/inclusion-and-diversity.html>

### Median pay gap

#### Gender

4.3%

April 22: 6.8%\*

#### Ethnicity

-2.8%

April 22: -6.4%\*

Our median pay gaps are calculated following regulatory methodology, excluding partners, as at 5 April.

\*Numbers have been restated for April 2022 pay gap due to a change in methodology relating to the eligible population for inclusion and inaccuracies relating to additional payments which should have been included in the 2022 data.

### Median earnings gap

#### Gender

7.1%

FY22: 10.3%

#### Ethnicity

0.0%

FY22: -3.0%

Our median earnings gaps are calculated including partners, for the financial year ended 30 June.





## 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 firm's Executive Board. Pathway 2 Partner (P2P) is our development pathway for potential partner candidates and is designed to enhance professional skills and readiness for partnership. Each Line of Service nominates partner candidates for the Internal Partner Admissions (IPA) process. The Partner Affairs Committee, a subcommittee of the Supervisory Board, conducts and manages the overall assessment validation process for all 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.

### Internal admissions to the firms' partnership

**Female**

42%

FY22: 41%

**Ethnic minority**

16%

FY22: 13%





# Technology



6



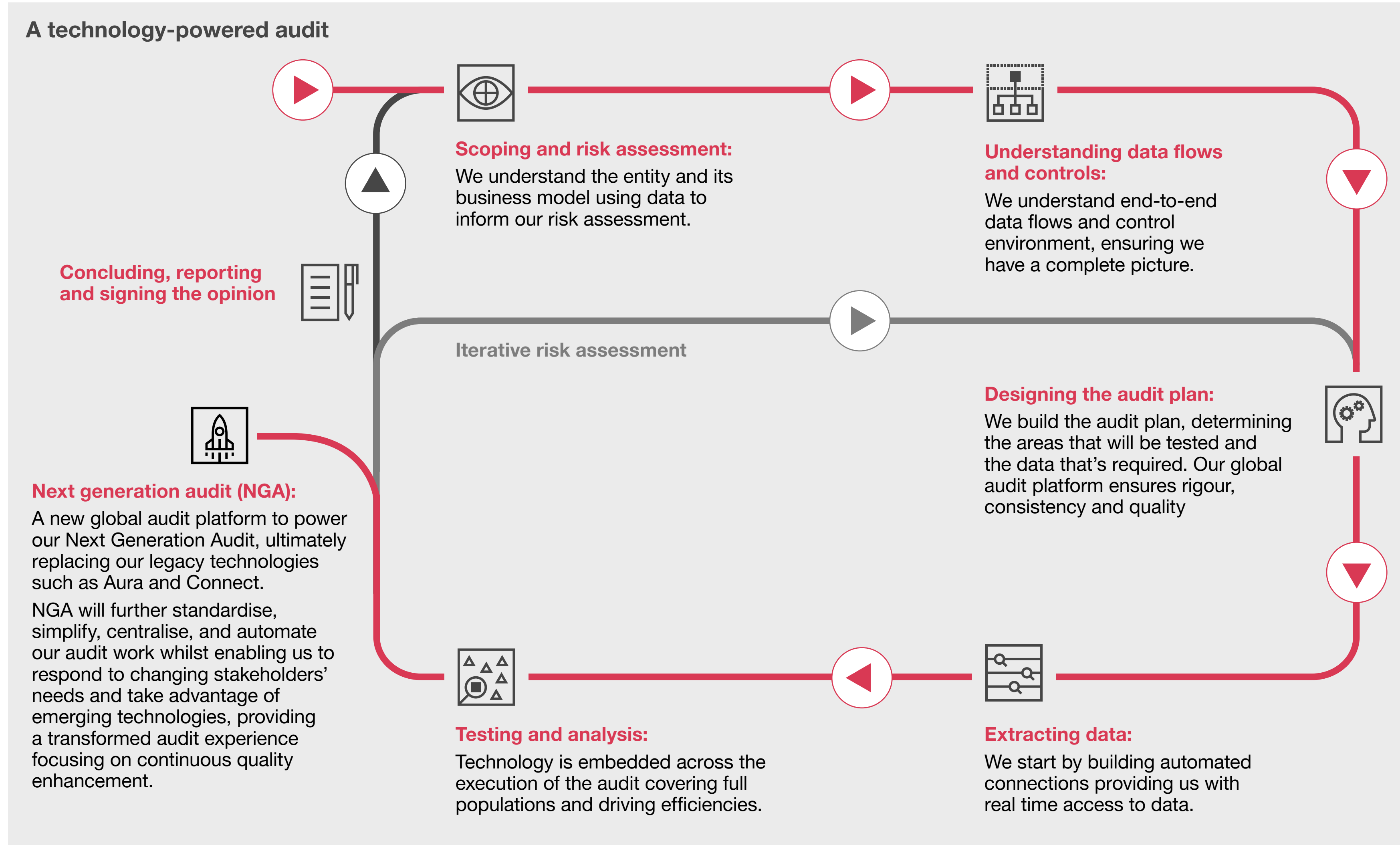
## Our technology

At PwC, we employ a human-led, tech-powered approach to deliver a high quality audit. We bring together the deep industry and functional expertise of our auditors with powerful technology tools and capabilities, developed both in-house and by our technology alliance partners.

Technology is central to how we operate, and the use of technology is embedded in our end-to-end audit lifecycle, from risk assessment analytics in planning to the use of artificial intelligence, data auditing and visualisation techniques in our audit testing. This targeted use of technology enables our auditors to generate insights to focus on the risks and judgements that really matter.

Our advanced technology drives:

- high quality audits, with the increasing use of data auditing providing increased coverage and higher levels of audit comfort;
- effective communication and integrated real time project management;
- transparency and clarity over our important audit judgements;
- greater efficiency in testing; and
- unique insights – around data, process, controls, systems and people.

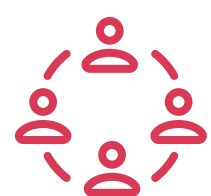




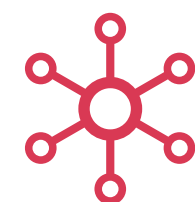
## Our core technology



**Aura Platinum**, our global audit platform, is used across the PwC Network. Aura helps drive 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. Real time dashboards show teams' audit progress and the impact of scoping decisions more quickly.



**Data Acquisition** is the process of connecting to our clients' systems, allowing us to access and collect the data in a standardised format with little or no manual intervention through a common PwC platform. It ensures that the data is extracted securely and correctly the first time, increasing audit quality through eliminating the risk of incorrect or incomplete data being extracted.



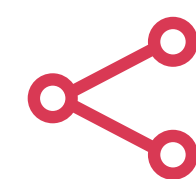
**Connect** is our collaborative platform that allows clients to quickly and securely share audit documents and deliverables.

Connect also eases the burden of tracking the status of deliverables and resolving issues by automatically flagging and tracking outstanding items and issues identified through the audit for more immediate attention and resolution. Clients are also able to see audit adjustments, control deficiencies, and statutory audit progress for all locations in real time.



**Halo**, our series of data auditing tools, test large volumes of data, analysing whole populations to improve risk assessment, analysis and testing.

For example, Halo for Journals enables the identification of relevant journals based on defined criteria making it easier for engagement teams to explore and visualise the data to identify client journal entries to analyse and start the testing process. Halo for Funds can gather, ingest, and transform funds data, in combination with third party valuation information, to quickly yield high quality visualisations and perform automated audit tests.



**Connect Audit Manager** streamlines, standardises and automates group and component teams coordination for multi-location and statutory/regulatory audits. It provides a single digital platform to see all outbound and inbound work and digitises the entire coordination process which facilitates greater transparency, compliance and quality for complex multi-location audits.



**Aura Count**, which facilitates the end-to-end process for inventory counts, allows 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 Platinum.



**PwC Confirmations**, is our web-based confirmations platform integrated into Aura Platinum, which facilitates, automates, and standardises the end-to-end process for all types of external confirmations. This allows our engagement teams to create requests and receive external confirmation in a secure environment that helps mitigate the risks associated with receiving confirmation responses electronically.

## Reliability and auditability of audit technologies

The firm has designed and implemented processes and controls to underpin the reliability of all of these audit technologies.

This includes clarification of the roles and responsibilities of audit technology owners and users. In addition, we have training and guidance focused on the sufficiency of audit documentation included in the workpapers related to the use of these audit technologies, including consideration of the reliability of the solution, and the documentation needed to assist the reviewer in meeting their supervision and review responsibilities as part of the normal course of the audit.



## Driving innovation through our people

Innovation at PwC is about more than just technology and using our data specialists. It is deeply rooted into our people's mindsets and behaviours. We achieve this by providing our employees with the tools and skills needed to enable them to reimagine the possible. We also empower them to revolutionise all aspects of their work and drive digital transformation from the ground up. Our journey has continuously evolved and improved over the years, with one key theme throughout: putting technology in the hands of our people.

This is our citizen-led innovation approach. To enable this, we have focused on five key drivers.

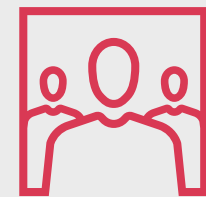


### Digital Academies

Hands-on training in data manipulation and visualisation technologies such as Alteryx, PowerBI and UiPath. Our people are digitally upskilled to be citizen innovators, continually seeking opportunities to automate audit tasks for improved accuracy.

5,900+

of our auditors have been trained through a Digital Academy since its inception



### Digital Accelerators

Our Digital Accelerators drive our digital transformation efforts. They are deep technical specialists combined with change agents who are deployed across our audit practice.

They are auditors with specialised technology training and play a crucial role in our audit teams. As well as technical training, they receive leadership and upskilling training so they can act as change agents on the ground. They spot audit areas suitable for digital improvement and build the automations to make it happen. They create, and encourage others to create, customised audit innovations.



### Digital Lab

Our citizen-led collaboration platform for developing and sharing automations across teams. This ensures technology built by one audit team can quickly be adopted and used by other teams.

Since its inception, hundreds of new tools have been created which have been applied to audits over 17,000 times, with over 800 digital assets that are actively deployed in our audits.



### Change network

Across the Audit Line of Service we have implemented a change network structure so that each individual BU (split by either location or financial services industry type) has a designated Change Leader and Digital Driver to support the delivery of the central digital strategy. These are digitally inclined individuals within the BU who understand the day-to-day operations but have a focus on driving forward the digital agenda.



### Digital Quest

Digital Quest is our intuitive, web-based app that is designed to assess our digital readiness across the audit practice and help us apply a digital mindset. It was created by our Digital Audit Innovation & Data team this year. The focus of Quest is to help our teams understand what digital tools they are currently engaging with, and most importantly, helps them plan how to increase the use of technology on the engagement going forwards.



## Case study: Digital Quest

The purpose of the Digital Quest is to encourage consistent adoption of the latest technology on all of our audits.

Audit engagement teams set up a Quest instance for their client and configure it to the specific attributes of the engagement including the industry, relevant ERP, group/standalone client and size of client. Through this configuration the digital tools and solutions suggested to the team are tailored to ensure there is a focused list for them to select from. Solutions are bucketed by core assets, data solutions and citizen-led assets.

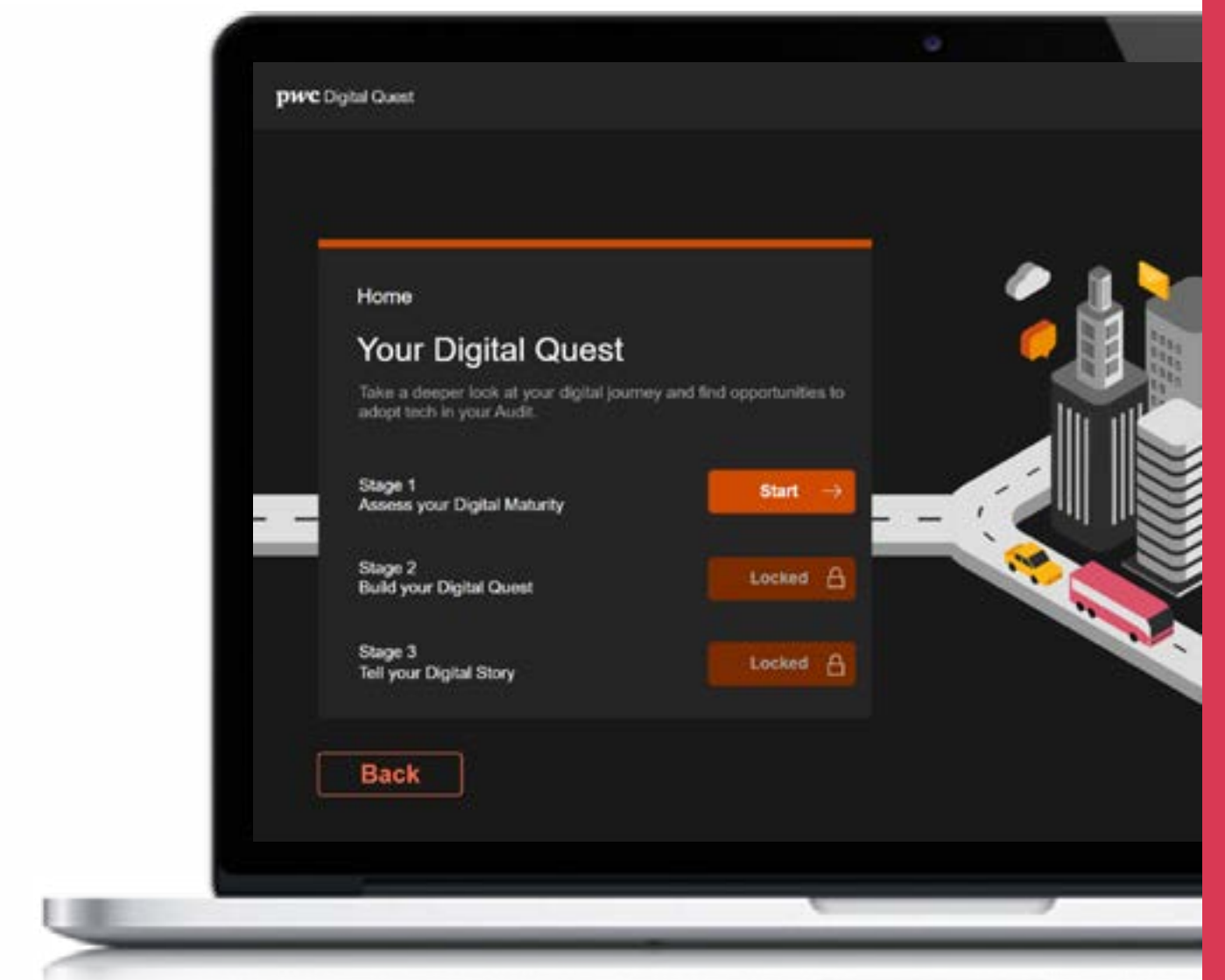
Individuals input their technical capabilities against a range of core technologies so that teams can identify their strengths and potential skill gaps. Where the team has the right skills this helps drive their decision making around which technology solutions to engage with. Alternatively, where there are potential skill gaps it helps focus the correct upskilling and training available to the team.

### A tech-powered audit: Our Digital Quest



As well as helping teams engage with the technology that is available right now, it promotes collaboration and challenges the engagement team on which teams and specialists within the digital network could support in delivering an effective, quality audit.

This gives an opportunity for teams to better understand the different parts of the digital network and drives the right conversations with the organisations we audit.



On the completion of Quest teams have created a bespoke digital journey for their client showcasing the current application of digital solutions as well as the planned solutions over the upcoming 12 months. This helps clients understand how and where technology is being used as well as what digital commitments the team is making over the next 12 months.



## Data at the heart

Examples of advanced technology used by our engagement teams.

### Automated Revenue Testing

A digital mindset and data-driven approach is at the heart of our audit proposition. A key area in which we have continued to evolve is using data to automate our approach to revenue testing.

Our data acquisition technology allows us to extract and analyse large volumes of data, transforming the way we can audit revenue with analytics and transactional population testing that can trace, reconcile, and test revenue from the general and sub ledger all the way through to cash and other settlements, delivering up to 100% coverage.

### Key benefits

- Increased testing coverage, driving a high quality approach to revenue testing.
- Analytics and intuitive outputs through data visualisation that provide insights into the revenue cycle by highlighting anomalies and allowing target based risk testing to be conducted.
- Deeper understanding of actual client processes and controls.

## Group Scoping

We continue to drive innovation in every aspect of the work we perform. Group Scoping is our intelligent tool that performs group scoping by considering different scenarios and quantitative factors to obtain the most optimal audit coverage across the group, all in real time. From here, we can plan our audit procedures rigorously to address the audit risks for the balances in scope.

### Key benefits

- Automated scoping of components to reduce the extent of manual intervention and likelihood of human errors.
- Instant and continuous transparency into our scoping decisions and gives clarity over our important audit judgements by clearly visualising and articulating the results.
- Continuous updates to the audit plan as balances change over time.



“The significant number of scoping components, the use of multiple benchmarks add huge complexities to the scoping assessment. The Group Scoping tool increases audit quality through less manual processing and reducing the risk of error...”

Audit engagement team

“The scoping exercise for our client is complex, with the UK team acting as both the Group auditor and component auditor for numerous overseas entities each of which require different materiality levels and specified procedures over balances. Digitising this scoping process allowed us to streamline our scoping exercise, reducing input time from the senior engagement team and also reduced the likelihood of human error...The outputs are easy to understand and make it significantly easier to collate required information into a single user-friendly document – a previously time consuming manual task.”

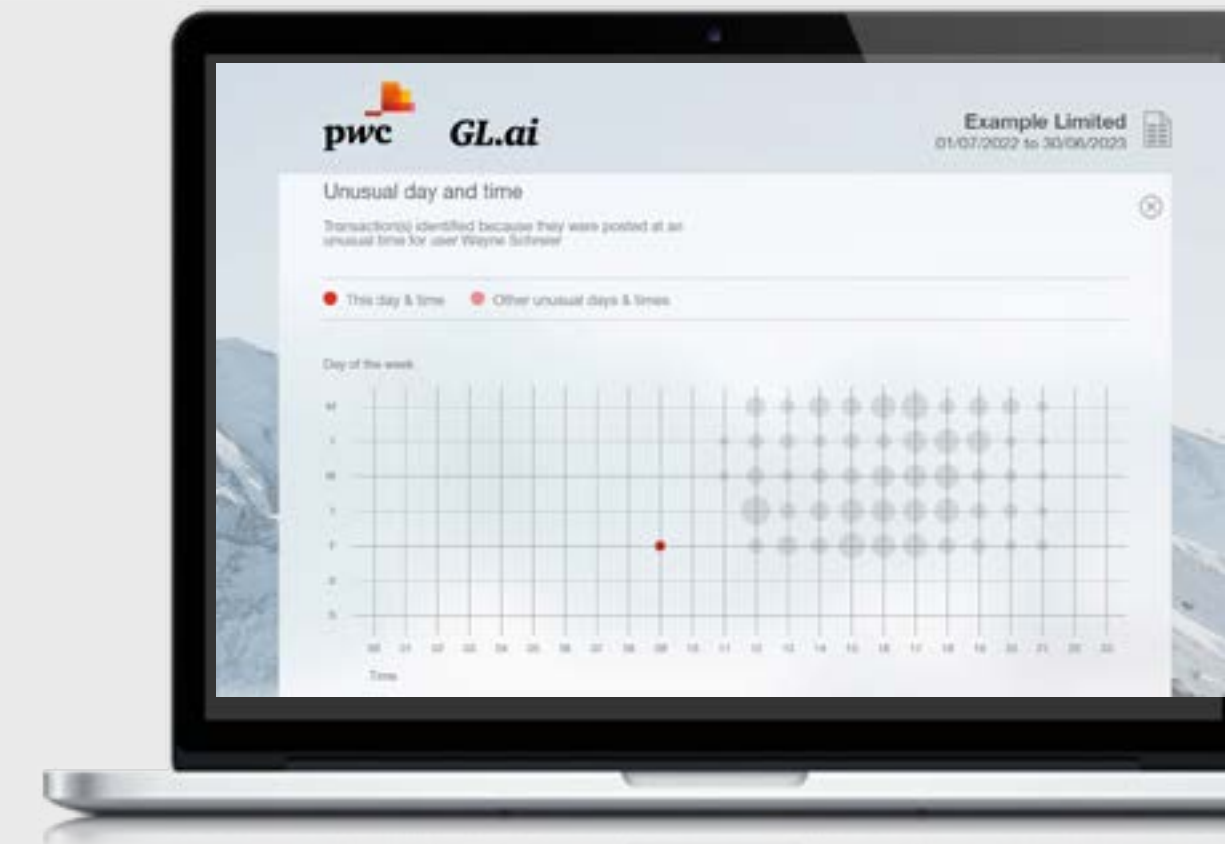
Audit engagement team

## Using Artificial Intelligence (AI) – AI Prototype for the General Ledger (GL)

AI Prototype for the GL is our groundbreaking application that detects anomalies in the GL using bespoke anomaly detection algorithms trained by experienced PwC auditors.

It replicates the decision-making processes of experienced auditors, analysing billions of data points in milliseconds and applying judgement to identify entries deemed to have higher-risk characteristics which can then be robustly challenged by our auditors.

AI Prototype for the GL is currently used in the planning stage for risk assessment with plans to expand this to our fraud risk tests over journals, subject to regulatory approval.





Example audit assets designed and developed by our auditors that are available for every engagement team to use include the following.

**Related Party Director Search** – an automation which performs an Application Programming Interface (API) call for a company number to the UK Companies House and returns a list of directors and their other appointments.

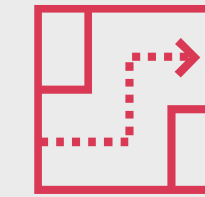
**Identify Reversing Journals in Listings** – this workflow identifies debits and credits that net to nil within client listings. The output separates reversing entries into separate tabs and provides a listing without reversing entries ready to input into a sampling tool.

**IFRS 16 Lease liability calculator** – a tool for auditing leases under IFRS 16 which automates the calculation of the opening and closing lease liability, total repayments and total interest charge, total depreciation charge, and accumulated depreciation.

**ITGC Access Management** – Joiners and Leavers workflow – this workflow performs a reconciliation between one or more user/system access listings and one HR listing which contains employee joining/leaving dates, to identify joiners/leavers who have access to the system.

**Search for Unrecorded Liabilities Tool** – a tool which identifies transactions that can be target tested based on value and risk for the search for unrecorded liabilities testing.

**Insurance: calculate Unearned Premium Reserve in Alteryx** – an Alteryx workflow which calculates unearned premium for a general insurer with a straight line earning pattern, based on 100% of gross written premium for the year.



## Future of the Audit Open Banking

At PwC, we are constantly evolving and digitising our audits. We are taking the next steps in the audit of cash transactions by piloting Open Banking.

Open Banking allows us to obtain digital access to our client's bank account transaction information directly from the bank, digitally. This new source of data gives the promise of better-quality audit evidence through greater comfort over the accuracy of transactional data. Clients will no longer need to submit responses to Connect requests for bank statements from every account as all banking transactional data will instead be accessible by auditors on a single platform in a consistent easy to use format.





## Case study: Using innovative imaging and AI to audit hard to reach farms

As part of PwC's audit of Westfalia Fruit we developed an innovative use of satellite imagery, radar and AI to audit their fruit farms across two continents.

The Westfalia Fruit Group operates the largest avocado-growing footprint in the world, with farms located in South Africa, Chile, Colombia, Peru, Portugal, the US and India. The company's crop constitutes a considerable asset, therefore determining its correct scale was critical.

A number of Westfalia's farms are in particularly remote locations, making it difficult for the audit team to undertake site visits to determine the correct percentage of the planted areas. These hard to reach locations encouraged us to devise an innovative approach.

**“Thanks to PwC's approach it gave us comfort that reported planted areas are accurate which is an important factor in our procurement strategy.”**

**Rian Du Toit**  
Group Chief Financial Officer at Westfalia Fruit

We brought together expertise from across the firm to advise on the options available to our auditors. Drawing on the digital imaging and analysis experience within our drones team, the innovative method we devised involved commissioning satellite images of a sample of Westfalia's farms, and then employing an AI analysis tool to determine the percentage of the area that had been planted. We then tested the results produced by the AI programme against a manual assessment of the same images, concluding that the AI analysis provided accurate data.

We commissioned satellite imagery of 30 Westfalia sites across three countries (Colombia, Mozambique and Chile) and used the AI powered analysis to determine the planted areas. Persistent cloud cover over a number of the farms made it even more challenging to make an accurate assessment. Returning to our digital imaging and analysis experts, we identified that Synthetic Aperture Radar data could also be collected via satellite, through the clouds, and provided us with the evidence we needed. Using these two methods we were able to assess Westfalia's farms total planted areas.

The deep expertise and collaboration across PwC allowed our team to employ satellite data within an audit in a way that has never been used before. Given the importance of their crop to the financial health of Westfalia's business, our ability to assess their total planted area was crucial to the robustness of our audit. By designing an innovative, technology powered process to collect and evaluate an unprecedented level of audit evidence, we were able to make that assessment with great efficiency and confidence.





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## Next Generation Audit

As part of our commitment to building trust and delivering sustained outcomes, the PwC Network is investing in a multi-year effort to deliver a new global audit platform to power our Next Generation Audit, ultimately replacing our legacy technologies such as Aura and Connect. By exploring and investing in new technologies and redefining underlying audit processes, PwC will further standardise, simplify, centralise, and automate our audit work.

PwC's investment will accelerate ongoing innovation and enable us to respond to changing stakeholders' needs while taking advantage of emerging technologies, providing a transformed audit experience focusing on continuous quality enhancement. PwC's vision for NGA is to provide efficient, robust and independent assurance and audit insights across financial and non-financial information, helping to build trust in what matters to our stakeholders. As PwC gains momentum around the Next Generation Audit programme, we will continue to release new capabilities on an ongoing basis to enhance quality and the overall audit experience.





# Building trust

Non-financial assurance

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Interaction with stakeholders

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# Non-financial assurance

Organisations are now being judged on more than just financial performance. In a complex world that is changing at pace stakeholders are looking to businesses for information they can trust.

## The future of audit



In the market we are seeing a rise in ethical consumerism and investors increasingly looking beyond the numbers – to climate, biodiversity, social impact and purpose. And information on regulation, technology and ESG play an important role in helping stakeholders to understand full enterprise value.

In response to this changing environment we are seeing a reporting and regulatory revolution. Companies are expanding their reporting to meet the increased demand for more information and more complex reporting requirements, creating a gap between the information organisations report and what is assured.

We will continue to invest in our people, skills and technology to bridge that gap and address the demand for independent, robust assurance over non-financial information that is in the public interest.

More information on how we provide assurance over ESG, regulatory, third party and other non-financial reporting can be found on our Non-financial assurance [page](#)<sup>1</sup>.

<sup>1</sup> Source: [www.pwc.co.uk/services/audit/non-financial-assurance.html](http://www.pwc.co.uk/services/audit/non-financial-assurance.html)

<sup>2</sup> Source: [www.pwc.co.uk/audit/assets/pdf/review-of-year-two-tcf-reports.pdf](http://www.pwc.co.uk/audit/assets/pdf/review-of-year-two-tcf-reports.pdf)

## A focus on climate change

Over the past few years, we have heard requests from the investment community to provide additional transparency in our audit reports, particularly about whether, and how material climate risk exposure has been assessed and factored into our audit process, where relevant. This has been further outlined in our 'Interaction with stakeholders' section on [page 114](#).

## Assurance over climate related information

Carbon and climate change performance data is a key part of non-financial reporting, where investors and other stakeholders demand reporting they can trust. Existing reporting frameworks such as Streamlined Energy & Carbon Reporting (SECR) and the Taskforce on Climate related Financial Disclosures (TCFD) already require disclosure of carbon emissions and other climate related metrics. Further reporting frameworks worldwide require the same.

Our [recent analysis of TCFD reports](#)<sup>2</sup> shows that organisations now disclose up to 16 metrics under the metrics and targets pillar to demonstrate how they are measuring and managing climate change. 80% of companies reported a carbon reduction related measure linked to executive remuneration. It is therefore more important than ever that this data is accurate and can be relied upon.

Critically, accurate carbon emissions data informs an accurate carbon reduction strategy and pathway to Net Zero. Reliable data is needed for accurate decision making as well as satisfying stakeholder needs, including employee engagement.



A summary of the non-financial services currently being delivered from our Audit Line of Service, in line with the FRC ethical standard for permissible work, are outlined below.



### ESG assurance

#### **Sustainability and carbon reporting.**

Making sure that the reports of the organisations we audit stand up to rigorous scrutiny. This is about more than just data – it’s about challenging the measures and context they’re using to tell the story of their progress and ensuring compliance with the relevant reporting standards.

#### **Diversity and inclusion reporting.**

From reporting on gender pay to equal employment opportunities, stakeholders expect organisations to be creating an equitable, inclusive and progressive workplace. We make sure the organisations we audit can stand behind this information.

**Social impact reporting.** Providing assurance over how companies are measuring the positive impacts their actions are having on society.

**Supply chain management reporting.** Providing assurance that organisations understand and control their supply chains. From health and safety data to waste and water usage.

**Green, social and sustainable financing.** Checking that investors' funds are deployed in the manner intended.

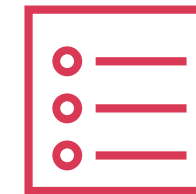
**Corporate governance.** Making sure that companies have adequate processes and controls over the governance considerations that matter most to their stakeholders – and that those processes and controls are working as intended.



### Third-party assurance

Service providers are judged on more than just the services they provide. Customers of service providers are exposed to a broader set of risks such as IT resilience, cyber attacks, data loss, ethical sourcing, potential use of slave labour, and compliance. Customers are demanding greater transparency on how service providers are managing these risks.

- Financial services businesses, from assuring platforms for asset and wealth management, clearing, settlement and exchange, to performing reviews of various controls reports (SOC1, SOC2, ISAE3402 and AAF).
- IT systems and platforms, including assurance over market infrastructure, eCommerce, fulfilment and logistics platforms.
- Critical business systems, such as payment infrastructure and payroll systems.
- Cybersecurity systems, assuring resilience, privacy and security controls.
- Emerging risks, such as blockchain assurance and cryptocurrency.
- Supply chain, covering service levels, sustainability and regulatory/legal commitments.



### Regulatory assurance

**Client assets and money.** For authorised investment firms, we scrutinise the processes and controls that are being operated to ensure their clients' funds are being adequately segregated from their own.

**Benchmarks and indices.** Testing policies, processes and controls to make sure organisations produce indices transparently and in accordance with their methodologies; avoid conflicts of interest; and play their part in protecting customers and investors.

**Safeguarding.** For authorised payment institutions (PI) and electronic money institutions (EMI), we scrutinise their ability to protect customers' funds.

**Prudential reporting.** Risk-weighted assets (RWA) Assurance. Scrutinising the reporting provided to regulators, to assess for compliance with prudential requirements.

**Data privacy.** Subjecting processes and controls of organisations to rigorous testing, so regulators can be confident that personal data and sensitive information has been adequately controlled and protected.

As new and emerging business areas demand scrutiny, we build assurance models to effectively scrutinise and challenge the data, metrics and controls that are being established. When these areas need specific expertise – such as blockchain and cybersecurity or emissions and offsets – we engage subject matter experts from across the firm, bringing industry or technical knowledge to help us design the right assurance approach.



## Case study: Building trust in Unilever's global sustainability reporting

**13** We attended 13 Unilever premises in eleven countries to assess their sustainability progress.

**Our role** Testing data to provide an accurate picture of Unilever's sustainability reporting.

**Featuring** Independently assessing a variety of performance measures in diverse locations.

**Outcome** Greater confidence in the transparency and accuracy of Unilever's sustainability reporting.

**To build trust in the progress Unilever is making towards its sustainability performance goals, PwC UK works to independently assure its annual reporting.**

### Setting the scene

In 2020, Unilever launched its fully integrated corporate strategy called Compass. Central to this strategy is its ambition to be the global leader in sustainable business, and it has put in place company-wide sustainability commitments for all of its brands, as well as a set of performance measures reported annually to track progress.

While it's not currently mandatory for companies to have their non-financial reporting externally assured, Unilever wants its customers, employees and investors to have confidence in the progress they are making, and asked PwC to independently verify the accuracy of the sustainability data generated across its global operations.

### How we helped

Unilever is one of the world's largest consumer goods companies, employing 127,000 people and operating 400 brand names in over 190 countries. While providing assurance for a company of this size can often prove challenging, when combined with the broad scope of sustainability performance measures Unilever tasked us with assuring, this year was particularly complex.

We worked to assure measures ranging from the amount of their ice cream products sold that meet WHO-aligned nutritional standards, to the amount of reusable plastic in their packaging. We assessed the amount of hazardous waste being generated in a number of their production facilities, through to the percentage change in greenhouse gas emissions from energy and refrigerant use across their operations. And, with support from colleagues across our global network, we conducted a combination of virtual and in person site audits of different Unilever production processes around the world including: ice cream in America; laundry detergent in Brazil; soap in Indonesia; and skin cleanser in South Africa.

By attending these sites, either in person or remotely, we were able to test the integrity of data that Unilever reported, challenging the methodologies used to provide an accurate picture of its sustainability reporting.

### Making a difference

Having conducted the site visits, and tested the performance, we were then able to produce our report for Unilever confirming the progress it is making in the various areas we assured. This report, when combined with the ones we have previously produced, demonstrates to Unilever's customers, employees, investors and other stakeholders the impact that efforts to improve the business' sustainability is having.

As concerns over the level of corporate 'greenwashing' continue to grow, this type of regular independent assurance can help to build real confidence that companies are being transparent in their reporting and living up to their commitments.



**“Sustainability matters are increasingly important for all businesses, and critical to their success. At Unilever, we committed some time ago to report on sustainability performance across our business and, where possible, our extended value chain, and PwC's independent assurance has been crucial to building confidence in the progress we're making.”**

**Lysanne Gray** Executive Vice President, Sustainable Business, Unilever



## Case study: Building trust in the charity sector through audit

**5** PwC UK audits five of the top 20 most famous charities in the UK

**Our role** Our auditors underline trust in the charity sector

**Featuring** Some of the UK's best known charities

**Outcome** A sustainable future for the UK's charity sector

**PwC is proud to audit some of the UK's most iconic charities, helping ensure transparency and reliability is at the heart of the country's most purposeful organisations.**

### Setting the scene

Whether securing safe water at WaterAid, supporting seriously ill young people at Great Ormond Street Hospital Children's Charity, or providing first aid and emergency medical services at St John Ambulance, all the charitable organisations we audit deliver solutions to some of society's most important problems every day.

Charities comply with the same standards and scrutiny during an audit as other companies but because they interact with some stakeholders differently – people donate money to support causes they care about, instead of investing for financial return – there is an additional lens of scrutiny.

### How we helped

As societies grapple with a myriad of challenges, millions of people continue to rely on the vital work of charities.

But these organisations face challenges of their own. Donors, trustees and regulators want assurance that funds are being used as intended. They want to know that risk management and strong internal controls are driving the best possible outcomes while providing for a sustainable future. This includes compliance with the Charity Governance Code. On top of this, charities face the same rising expectation of transparency around environment, social and governance (ESG) issues.

All of the above is considered by our charity sector audit team. The audit opinion underpins confidence in the financial information presented in the annual report and accounts. Our audit teams are also in a unique position to give independent feedback on the internal control environment.

We encourage the charities we audit to invest in good practice reporting, particularly through the Charities Award, part of our annual Building Public Trust Awards, and our annual reporting workshop. Charities Audit Leader Daniel Chan MBE explains: "The 'S' in ESG is what charities inherently do, so this represents an opportunity for the sector to set an example on important non-financial disclosures in this area."

Running a charity requires specialist skills. We help foster networks through regular events for Finance Directors, CFOs and Trustees, in particular Audit Committee members of larger charities.

### Making a difference

Among the iconic charities we audit are Charities Aid Foundation, Cancer Research UK, Great Ormond Street Hospital Children's Charity, Macmillan Cancer Support, MSI Reproductive Choices, The Royal National Theatre, Plan International, St John Ambulance, The Prince's Trust, and WaterAid.

Our people use technology and sector expertise to scrutinise the inner workings of charities, providing independent reasonable assurance that the financial statements are reliable.

We also review a charity's response to additional requirements, including how they report on their fundraising activities. Our clients tell us they find our insights and benchmarking useful, including visualisations from technology tools which identify trends in their activities.

By providing an independent opinion we help charities build and maintain trust with their stakeholders, supporting the wider sector in its long term goals to solve some of society's most important problems.

**"Compliance and governance are critical to us as a charity, being responsible for the stewardship of our donors' money. Requirements continue to increase and having the support of PwC and their skills in audit and assurance is extremely valuable to us in ensuring high quality reporting."**

**Kevin Thompson** Trustee and Chair of Finance & Resources Committee, Great Ormond Street Hospital Children's Charity



# 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 listen to the views of stakeholders on a range of reporting, regulatory and governance issues facing UK companies, as well as hear their thoughts on assurance matters and the role of the audit profession in their work. This dialogue ensures that we understand the needs and expectations of investors. This enables us to help our client engagement teams, as well as our clients' executive and non-executive directors, to better respond to shareholder needs.

"If there is assurance on sustainability reporting, I think the purpose should be the same as the audit of the financial statements to that the reader can be comfortable that what's reported is reasonably accurate and relevant."

UK based investor

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

### Investor-focused events and publications

We engage with institutional investors, retail investors and analysts throughout the year on relevant and topical issues. These engagements cover a variety of themes including implementing major new accounting standards, tax reporting, audit reform, political developments, and climate reporting. Over the course of FY23, we sought investor input into multiple PwC research reports and publications, including the firmwide campaign 'Rethink Resilience', the Purpose of Work Survey and our Materiality Matrix. You can view our current material issues on our [website](#)<sup>1</sup>.

As part of our ongoing work to understand the views of the investment community, PwC conducted a global investor survey in September 2022. A [UK cut of the survey](#)<sup>2</sup> was issued in February 2023, with 99 investment professionals focused on the UK market responding to the online survey, which was in tandem with in-depth conversations. The UK survey explored investors' views on how well they thought organisations are addressing the ESG issues they face; how companies are delivering their top priorities; and, the role of the audit and high quality information in building trust.

We also hosted investors at PwC's Building Public Trust Awards and the Trust and Transparency Forum 2022. Based on our regular dialogue with investors on the topics most important to them, we have reset and refreshed our investor events agenda to ensure it meets investor demands for information, including how companies can evolve for disruption, cybersecurity and supply chain issues. The first event of the new programme took place in July 2023.

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/our-purpose/strategy/materiality.html>

<sup>2</sup> Source: <https://www.pwc.co.uk/issues/esg/investors-demand-greater-clarity-on-esg-data-how-can-businesses-keep-up.html>

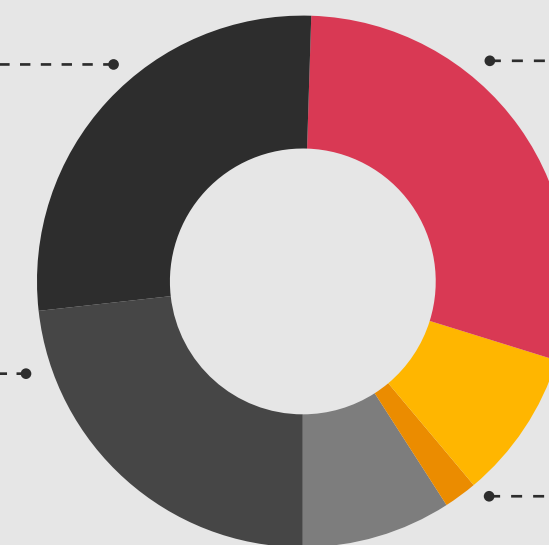
89%

of respondents who invest in the UK suspect corporate disclosures still contain some greenwashing

% of respondents who think corporate reporting contains unsupported claims about a company's sustainability performance to this extent

To a large extent **27%**

To a very large extent **23%**



To a moderate extent **29%**

To a limited extent **9%**

Not at all **2%**

Don't know **9%**

74%

of UK investors say independent reasonable assurance opinion gives them confidence in the accuracy of a company's sustainability reporting.





## Climate risk in the financial statements and audit

Investors and wider society are demanding that companies provide greater transparency on their emissions, more detail on their environmental strategies, and further insight into how climate change will impact their business in the future. Our [2022 CEO Survey](#)<sup>1</sup> found that over 40% of CEOs say they will invest in decarbonising their business model this year and are investing in technology to support their ESG efforts.

Climate risk has remained a critical area of audit focus over recent years and we've made significant strides in responding to the growing expectations of us in this area, including:

- providing all of our qualified auditors with training on climate related risks and their impact on the statutory audit;
- encouraging the sharing of knowledge through our audit climate change industry networks; and
- setting up a climate audit technical team to provide practical support to our people.

<sup>1</sup> Source: <https://www.pwc.co.uk/ceo-survey.html>

<sup>2</sup> Source: <https://accif.co.uk/ACCIF%20-%20The%20Spring%20Report%20-%20full%20Report%20June%202023.pdf>

From a policy perspective, below are some of the actions we have taken in recent years:

- mandatory consideration of climate related risks in all audits; and
- policy requiring specific reference to our audit work on climate in our FTSE 350 audit opinions.

For premium listed companies there are mandated climate related disclosures, and other businesses are now also choosing to include climate related statements in their reporting. With more regulation on the horizon, businesses must navigate their way through layers of complexity in order to ensure clarity and transparency.

### The Spring Report

In autumn 2022 the Audit Committee Chairs' Independent Forum (ACCIF) brought together a group of experienced audit committee chairs, auditors, and executives from the FRC with the objective of further enhancing audit quality. The group met a number of times over the course of several months and discussed a range of different aspects of audit quality. The output from these discussions was ACCIF's [Spring Report](#)<sup>2</sup> which was published in June 2023. The report includes key learnings from the discussions and the next steps that ACCIF, the FRC and the audit firms that participated agreed to take to share the learnings and put them into practice.

PwC participated in the project and we have already taken a number of actions in response to the commitment we made to share the learnings of the project, with further engagement planned. The project reaffirmed to us the benefits of engagement between key stakeholders across the ecosystem we work in and we look forward to further opportunities to engage with all stakeholders on this important topic.

### 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 facilitate the submission of comment letters, and provide assistance on technical points when requested. This year we have continued to help the CRUF raise awareness of the group and their views on reporting.

### Ongoing dialogue between the investment community and senior partners

We met with shareholders, analysts and proxy advisers across a number of sector specialisms through one-on-one meetings to discuss various topics, including audit reform, sustainability-related matters, including climate reporting, and accounting standards. The strong relationships and open dialogue we have with the investment community enable high quality engagement on a range of topics of mutual interest.

## Communicating with our Public Interest Body (PIB)

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 year, key topics such as corporate reporting and governance, climate risk in the financial statements, and audit transparency have been discussed with the investment community and included in the briefings provided to the PIB so that these topics can be discussed amongst the executives and Independent Non-Executives (INEs) at their regular meetings.

### Trust and Transparency Forum

We actively invite members of the investment community, alongside audit committee chairs, non-executive directors and other stakeholders, to our Trust and Transparency Forum. This forum was held in November 2022 for the first time and is an important part of our commitment to transparency and building trust in our approach to audit.

At the forum, guests had the opportunity to hear from our people including our leadership team on multiple topics, such as climate reporting, the use of technology, our commitment to audit quality and the future of audit and assurance. The second event will be held in autumn 2023.



## 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.

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/the-leadership-exchange/the-audit-committee-network.html>

## Audit Committee Network

The PwC Audit Committee Network supports audit committee chairs and members in an ever changing market landscape. The role of the Audit Committee is becoming more challenging due to increasing demands from regulation and an expanding risk environment. We offer a series of workshops designed for FTSE 350 (and equivalent) audit committee chairs and members. Our workshops include updates on regulatory, accounting and corporate reporting developments, as well as other topics high on the Audit Committee agenda. Further information can be found [here](#).<sup>1</sup>

## External reporting

The form and content of our audit reports for UK entities are laid down by UK legislation and the 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 UK Public Interest Entities as defined by the FRC Ethical Standard and company law 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.





# Ethics and independence

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# Engagement acceptance and continuance

## 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 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.

## Assessing an opportunity

All opportunities are subject to a rigorous Business Unit Audit Tender Approval Panel (ATAP) process, with input from a defined combination of the Business Unit leader, risk management partner, commercial partner and market leader of the relevant Business Unit. The ATAP considers the commercial, operational and engagement risk aspects of audit and non-audit opportunities at the tender stage.

Those opportunities that meet pre-defined commercial, resourcing or risk criteria (or where the Business Unit ATAP has requested it) are further considered by the National ATAP. The National ATAP is a subcommittee of the Audit Executive chaired by a member of the Audit Executive and includes an eligible risk management representative, the proposed engagement leader and, typically, the respective Business Unit leader and market leader. The ATAP considers a range of matters including whether the potential client meets our quality objectives; whether we have sufficient appropriate resources to support both the bid process and the subsequent engagement; and whether the commercial outcomes of the tender meet our goals.

In addition, the Client Committee, a subcommittee 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. The opportunities that are considered by the Client Committee are those that meet certain pre-defined risk-based criteria or those that are referred by National ATAP.







## Supporting systems and tools

Within the Audit Line of Service, two IT systems (A&C for audit work and Clientwise for all other work) are used to assist in determining acceptability of a given engagement.

Both 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 as follows:

- Using 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 enables the firm to put in place safeguards to mitigate identified risks.

- Providing an overview of the risks associated with accepting or continuing with entities and engagements across the client portfolio.
- Enabling engagement teams and the firm to:
  - document their consideration of matters required by professional standards related to acceptance and continuance;
  - identify and document issues or risk factors together with their resolution, which may include consultation, adjusting the resource plan or approach to the engagement, putting in place other safeguards to mitigate identified risks or declining to perform the engagement; and
  - facilitate the evaluation of the risks associated with an engagement, including whether or not PwC UK should be associated with a particular entity, its management and/or the proposed services.

## 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:

- UK, US, EU or other sanctions being imposed on the entity, its parent company or its ultimate beneficial owner;
- 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.



## Engagement acceptance and continuance

The firm's Independence, Conflicts and Ethics team, which includes our central Relationship Checking team, provide engagement leaders with regulatory compliance subject matter expertise, not only during the acceptance of prospective engagements, but throughout every step of an engagement's life cycle.

## Relationship checks and independence assessments

Before accepting any new engagement, the firm's specialist Relationship Checking team performs a variety of specific checks designed to identify pre-existing or prospective relationships that might be considered to impact on our objectivity in relation to audit clients, or their related entities.



## Conflicts of interest and sensitive situations

Where potential conflicts of interest or sensitive situations are identified, we either decline the prospective engagement or put in place appropriate safeguards to make sure that the potential conflicts of interest are managed appropriately.

Where we believe potential conflicts of interest and sensitive situations can be managed appropriately, we will apply a variety of safeguards including, but not limited to, obtaining appropriate consents and putting in place ethical walls procedures to ensure that our objectivity is maintained (both in fact and appearance), and that confidential information is appropriately protected.

With this in mind, we have clear policies, guidance and training which are provided to engagement leaders and staff to recognise that potential conflicts of interest need to be dealt with carefully and sensitively to protect the best interests of the firm and its stakeholders. These firmwide policies and procedures are then reinforced with engagement-specific measures.

The use of specific consents and/or information barriers, including ethical walls, is normally identified as a result of performing a relationship check (whether at the start or during an engagement, if matters change) and the Relationship Checking team is responsible for coordinating and leading the implementation and monitoring of these throughout the life of the relevant engagement.

Whilst the Relationship Checking team generally leads the identification and implementation of safeguards, engagement leaders are ultimately responsible for ensuring their teams comply with any relevant ethical wall instructions that relate to their engagement. Engagement leaders are also responsible for promptly updating the Independence Conflicts and Ethics team, and their Line of Service Risk Management teams, with changes to the scope of the engagement or composition of the team.

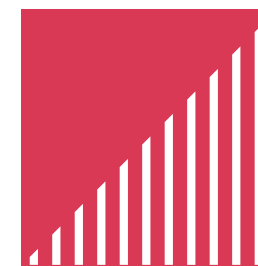


## Independence Assessments for new audit clients

In the case of new audit clients, an Independence Assessment is performed to identify and assess all relevant independence considerations which may impact the firm's objectivity in connection with the prospective client before the appointment 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, Conflicts and Ethics or by the prospective audit engagement team with advice from Independence, Conflicts and Ethics Team.

The Independence Assessment is designed to enable the firm to identify existing connections with the prospective audit entity (and its related entities), including business relationships, non-audit services and firm and personal arrangements, whether in the UK or elsewhere in the PwC Network. Once any such connections have been identified, they are individually assessed to determine the following:

- Whether they are prohibited by the FRC Ethical Standard and need to be terminated before we are appointed as auditor. Where this is possible, and the prospective audit client is in agreement, the relevant partners and staff are instructed to terminate the service and required to 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 would decline the audit appointment.
- 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), there may still be a threat to our independence and objectivity. Where such threats are identified and appropriate safeguards can 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 non-audit/ other services would again be terminated in advance of our appointment or we would decline the audit appointment.





# Ethics

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:

- 1 Integrity:** to be straightforward and honest in all professional and business relationships.
- 2 Objectivity:** to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- 3 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.
- 4 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.
- 5 Professional behaviour:** to comply with relevant laws and regulations and avoid any action that discredits the profession.

As well as adhering to the fundamental principles of IESBA and the ICAEW, PwC also adheres to the Revised FRC Ethical Standard 2019, following the overarching principles of;

- 1. Integrity and objectivity:**  
The firm, its partners and staff shall behave with integrity and objectivity in all professional and business activities and relationships.
- 2. Independence:** In relation to each engagement, the firm, and each covered person, shall ensure (in the case of a covered person, insofar as they are able to do so) that the firm and each covered person is free from conditions and relationships which would make it probable that an objective, reasonable and informed third party would conclude the independence of the firm or any covered person is compromised.

During the year the FRC reviewed our compliance with the Revised FRC Ethical Standard 2019, see [page 69](#) for further details.

In addition to the above regulatory requirements, the PwC Network Standards (applicable to all PwC Network firms) also cover a variety of areas including ethics and business conduct, independence, anti-money laundering, antitrust/fair competition, anti-corruption, information protection, firm's and partners' taxes, sanctions laws, internal audit and insider trading. We take compliance with these internal and external ethical requirements seriously and strive to embrace both the spirit and the letter of the requirements.

As part of this, all partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations. This is part of the firm's system to support appropriate understanding for the ethical requirements under which we operate and to monitor compliance with these obligations.



## Code of Conduct

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's Code of Conduct and related policies that clearly describe the behaviours expected of our partners and other professionals – behaviours designed to 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 ensure that we live our network's purpose of building trust and delivering sustained outcomes.

As part of recruitment to the firm or admission to the partnership, all staff and partners of PwC UK are provided with a copy of the Code of Conduct. They are expected to live by these values 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 which are inconsistent with the Code of Conduct.

The 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 Code of Conduct can be found on our [website](#)<sup>1</sup>. 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.

PwC UK has an Ethics Partner, who has responsibility for the adequacy of the firm's policies and procedures relating to our Code of Conduct; compliance with these; the effectiveness of their communication to partners and staff within the firm and providing related guidance to individual partners and members of staff. The Ethics Partner reports directly to the Chief Risk Officer and General Counsel, a member of the firm's Executive Board.

## Risk Management principles

Each Line of Service (LoS) has a Risk Management team which is led by a Risk Management partner. The risk management teams support engagement teams on a wide range of risk and regulatory topics including audit independence, reputational risk; client and engagement acceptance procedures and anti-money laundering procedures. These activities are designed to ensure that the firm's clients and engagements comply with all appropriate laws and regulations and to ensure the correct engagement contracts and protection are in place when providing services to our clients.

## Speak Up helpline

The Code of Conduct encourages partners and staff to “speak up” when dealing with behaviour or facing a situation that doesn't seem right. PwC UK has an anonymous and confidential whistle-blowing helpline and online reporting tool called the Speak Up helpline. This is available to any partner or member of staff who observes inappropriate business conduct or unethical behaviour that cannot be resolved locally, or where the normal consultation processes are not appropriate.

In addition, third parties may also call the Speak Up helpline (0800 069 8056) or report via the online reporting tool. In the last financial year the firm received 152 Speak Up cases.

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 matters reported are dealt with by trained individuals within our Business Conduct team, and are discussed regularly with the firm's Ethics Partner, who is responsible for making sure that the issues raised are appropriately investigated and resolved. The Ethics Partner discusses any significant matters with the firm's Chief Risk Officer and General Counsel, the Management Board member responsible for identifying and managing risks to the firm, and there are annual updates provided to the firm's Executive Board; the Public Interest Body and the Risk Committee of the Supervisory Board.

<sup>1</sup> Source: [www.pwc.co.uk/who-we-are/code-of-conduct.html](http://www.pwc.co.uk/who-we-are/code-of-conduct.html)



## Procedures for managing potential and actual conflicts of interest

### Conflicts of interest and sensitive situations

As a large professional services firm PwC has processes and procedures to identify and manage conflicts of interest and sensitive situations. Where potential conflicts of interest or sensitive situations are identified, we either decline the prospective engagement or we put in place appropriate safeguards to make sure that the potential conflicts of interest are appropriately managed.

Where we believe conflicts of interest and/or sensitive situations can be appropriately managed, we will apply a variety of safeguards (including, but not limited to, obtaining consents and implementing ethical walls) to ensure that our objectivity is maintained (both in fact and appearance), and that confidential information is appropriately protected.

With this in mind, we have clear policies, guidance and training which are provided to partners and staff so that they recognise that potential conflicts of interest need to be dealt with carefully and sensitively to protect the best interests of the firm and its stakeholders. These policies and procedures are then reinforced with engagement-specific

measures such as the use of appropriate consents and/or the establishment of ethical walls or other forms of physical or digital separation barriers.

### 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

PwC operates an Information Security Management System (ISMS), to preserve the confidentiality, integrity and availability of client confidential data.

The ISMS has been certified by the British Standards Institute (BSI) as compliant with the requirements of ISO 27001 since 17 June 2011 and has been subject to subsequent periodic external reviews by BSI against the Code of Practice for Information Security Management, within the certification scheme underwritten by the United Kingdom Accreditation Service (UKAS). The latest recertification was in April 2023.

The PwC Information Security Policy (ISP) is aligned with ISO/IEC 27001, financial services industry standards, and other reputable frameworks (COBIT, NIST, etc.) as benchmarks for security effectiveness across the network of member firms. The PwC ISP directly supports the firm's cyber security strategy, to proactively safeguard its assets and client information.

PwC takes the protection of confidential and personal data very seriously. The firm's Head of Technology and Investment is the UK Management Board member responsible for information security. In this role they are supported by the Cyber Committee, which is chaired by the Chief Operating Officer, who is responsible for providing oversight, policy and strategic direction on information risk and cyber security matters.

As a firm regulated by the ICAEW, all partners and staff are required to comply with the ICAEW's fundamental principle of confidentiality. In addition, there are other legal and regulatory obligations on staff concerning the handling of confidential information and personal data. Contract terms with clients may also require the implementation of specific data handling requirements.

The firm provides information security and data protection training to all new joiners to the firm, 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 both the UK and EU General Data Protection Regulations, 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 Z7486412. Our [standard privacy notice](#)<sup>1</sup> is publicly available. Our Privacy Information Management System (PIMS) has been certified by the BSI as compliant with ISO 27701.

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/privacy-statement.html>



# 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 Code of Ethics for Professional Accountants contains minimum standards with which PwC Network has agreed to comply, including processes that are to be followed to maintain independence from audited entities and their affiliates, where necessary.

PwC UK supplements the PwC Global Independence Policy where required to ensure compliance with additional independence requirements issued by the UK's Competent Authority, the FRC in relation to audits of UK incorporated entities and their related entities via their Revised Ethical Standard 2019. PwC UK also supplements the Global Independence Policy to include additional independence requirements of the United States Securities and Exchange Commission (the SEC) and those of the US Public Accounting Oversight Board of the United States (PCAOB).

PwC UK has a designated partner (known as the Partner Responsible for Independence or PRI), who is responsible for implementation of the PwC Global Independence Policy including managing and updating the related independence processes and guidance when changes arise such as updates to laws and regulations or in response to operational matters.

## 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 network wide 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 which we audit including public interest and SEC restricted entities as well as their related entities and issued securities. The CES assists partners and staff in determining the independence restriction status of entities audited by PwC UK and those audited by other PwC member firms before entering into new non-audit engagements or business relationships. This system also feeds into the Independence Checkpoint and Authorisation for Services (AFS) systems (see below);
- **Independence Checkpoint** facilitates the pre-clearance of publicly traded securities by all partners and managerial practice staff prior to acquisition by indicating whether a potential security is permissible for an individual based on their role within the firm and/or the services they provide to clients. The system also records any subsequent purchases and disposals of financial interests so that when a PwC member firm wins a new audit, the system automatically informs those holding securities in that entity of the requirement to sell the security where required;
- **Authorisation for Services (AFS)** is a system that facilitates structured communication between a non-audit services engagement leader and the audit engagement leader, regarding prospective non-audit services. It assists in the documentation of any potential independence threats created by the service and proposed safeguards and acts as a record of the audit partner's conclusion on the overall permissibility of the service and fee arrangements;
- **Global Breaches Reporting System (GBR)** which is 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); and
- **Joint Business Relationship Application** is a system for recording the approval of significant business relationships with third party entities entered into by the firm (other than the purchase of goods and services in the normal course of business). These relationships, once approved, are reviewed bi-annually to ensure that they continue to remain permissible.

PwC UK also has a number of UK specific systems and processes designed to support compliance with independence requirements 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;
- **Automated Investments Recording (AIR)**, automated data feeds from certain financial institutions and brokers which automatically updates individual PwC partner and staff Checkpoint portfolios for new acquisitions and disposals of investments held with that provider;
- **'Walled Gardens'**, collections of centrally monitored and pre-approved investments arranged with certain providers to help simplify independence compliance;
- **'SaFE' (Suitable for Everyone) lists** for financial arrangements and fund groups, showing at a glance which organisations are suitable for everyone to use, subject to conditions; and
- **Checkpoint Partner Support**, a 'concierge' service designed to provide active support and assistance to our partners (and certain senior directors) in accurately maintaining their Checkpoint portfolios.





## 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. Additionally, ad-hoc face-to-face training is delivered by the firm's independence specialists and risk management teams, as required.

All partners and practice staff are required to complete an annual compliance confirmation, where they confirm their compliance with relevant aspects of the firm's independence policy, including their own personal independence. In addition, all partners and directors are required to confirm that all non-audit services and business relationships for which they are responsible comply with the firm's policies and procedures. These confirmations serve two primary purposes: to identify potential inadvertent 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:

- **Specific independence confirmations** from engagement team members prior to working on the firm's larger financial services clients which provide financial products to the general public;
- **Standalone Checkpoint confirmations** where individuals who have Checkpoint portfolios are asked to confirm that this has been reconciled and is up to date. These are issued in January and April each year and supplemented with the more detailed firmwide Annual Independence Confirmation in August. Additionally, a Checkpoint confirmation is also issued to all staff promoted to manager grade and above as well as all new joiners to the firm of manager grade or above within a month of their new role; and
- **A Checkpoint Healthcheck call**, made with every individual receiving a Checkpoint portfolio for the first time, to talk through the logging requirements, check common omissions and help ensure their portfolio is accurate from the outset.







## Engagement leader, Quality Review Partner (QRP) and Key Audit Partner rotation policy

We comply with the rotation requirements of the independence rules published by IESBA, the FRC and the SEC as applicable to a particular audited entity.

For entities designated as Public Interest Entities (PIE) under the FRC's Ethical Standard, the engagement leader and key audit partners\* have a tenure set at five years, with a five year cooling off period.

For entities that are subject to SEC independence rules, or listed entities that are subject to FRC independence rules, but are not PIEs as defined by the FRC, 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 a five year cooling off period. For public interest and 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 PIE, the tenure for engagement leader, QRP and key partners involved in the audit is set at seven years. Engagement leaders have a five year cooling off period, the QRP has three years and key partners involved in the audit have a two year cooling off period.

For all other entities, neither the IESBA code or the ethical standard set out a required period of tenure or cooling off, therefore we have determined our own policy, which sets tenure for engagement leader, QRP and key audit partner at a maximum of ten years with a two year cooling off period.

\*Key Audit Partners are engagement leaders on any material component of a PIE group which is involved in the group audit.



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## 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 the personal independence compliance of partners at least once every five years (and more regularly for certain other partners, including annually for those on the Management Board and Supervisory Board), as well as procedures to review a selection of staff and all partner candidates;
- central monitoring of independence KPIs; 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 Risk Committee (a subcommittee of the firm's Executive Board) at the end of each quarter, and any personal independence breaches by partners are also reported to the Partner Matters Committee and 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 Independence, Conflicts & Ethics team to determine if a reportable breach has occurred. 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.

Where a violation of independence policies by a partner or staff member is identified it has consequences that may include a fine or other disciplinary action up to and including dismissal. In addition, it would include discussions with the entity's audit committee, or those charged with governance where there is no 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 oversights, all breaches are taken seriously and investigated appropriately. 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.





# Appendices

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# Appendix A: Risk Register

## Principal risks and responses




A Risk Register that includes the details of the firm's principal risks, agreed mitigation strategies and their trend direction is included overleaf.







FY23			Risk trend direction			
	Risk landscape	Mitigations	FY21	FY22	FY23	
<b>Externally influenced</b>						
	<p><b>Regulatory developments impacting the business</b></p> <p>Failure to adapt and respond to the impact of further significant regulatory change on our business and the competitive landscape.</p>	<ul style="list-style-type: none"> <li>Continued focus on the audit profession and broader professional services sector, with a growing trend towards regulatory reform both in the UK and globally.</li> <li>There's increased regulatory supervision of the Audit practice by the FRC, and potential for increasing powers for ARGAs.</li> </ul>	<ul style="list-style-type: none"> <li>Regular engagement and direct interaction, where possible, with government bodies and regulators to understand objectives, provisions of changes and the implications for our businesses.</li> <li>Regular/continuous monitoring of the cumulative impact of changes in the regulatory environment on the firm's ability to provide services to audit clients.</li> <li>Regulatory affairs specialists who lead the firm's efforts track changes in applicable regulatory regimes, of whatever origin, under which the UK firm operates.</li> <li>Regular updating of firm processes and procedures to ensure compliance by all our people, on all our clients, with all applicable regulations.</li> <li>Business contingency planning.</li> </ul>	↔	↔	↔
	<p><b>Geopolitical &amp; macroeconomic risk</b></p> <p>Failure to identify and respond to geopolitical and macroeconomic changes resulting in financial impacts and / or challenges to our ability to service our clients.</p>	<ul style="list-style-type: none"> <li>Political and economic volatility after changes in UK Government; with economic impacts likely to persist.</li> <li>Widespread industrial action continues, albeit with a number of agreements starting to be reached between government and labour unions.</li> <li>Ukraine war still ongoing and likely to continue for the medium term.</li> <li>Increased likelihood of further geopolitical tensions in other regions.</li> </ul>	<ul style="list-style-type: none"> <li>Regular engagement with experts and the global PwC Network to understand the changing political landscape.</li> <li>Standing agenda points on Management and Executive Boards, with regular expert opinion sought.</li> <li>Firmwide steerco for response to war in Ukraine.</li> <li>Liaison with PwC Network firms.</li> </ul>	↑	↔	↑
	<p><b>Public perception and reputation</b></p> <p>Failure to:</p> <ul style="list-style-type: none"> <li>Respond in an impactful and transparent manner to relevant UK or global 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; or</li> <li>Appropriately manage the firm's reputation by not proactively positioning the firm's communications.</li> </ul>	<ul style="list-style-type: none"> <li>Risk of negative sentiment as scrutiny of the audit profession continues to be a driver of media coverage.</li> <li>Expectations from society that we deliver tangible actions in relation to issues such as Diversity and Inclusion (D&amp;I) and ESG continue.</li> <li>Employers are becoming more of a trusted source of information and expected to take a position on issues of the day.</li> <li>Risk of damage to the UK firm's reputation through negative media coverage of issues, litigation or regulatory enforcement in PwC Global Network firms, for example, the situation with PwC Australia.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Engaging in open and serious debate with network territories and relevant stakeholder groups on trust-related and public interest issues to inspire change.</li> <li>Sharing of knowledge and insights on trust to sustain, widen and enrich the discussion.</li> <li>More actively promote the firm's positive contributions including those to our clients, our people and to broader society, e.g. through our commitments to net zero, D&amp;I and social mobility.</li> <li>Independent review of PwC Australia's practices and culture.</li> </ul>	↔	↔	↔











FY23			Risk trend direction			
	Risk landscape	Mitigations	FY21	FY22	FY23	
<b>Evolving the firm</b>						
	<p><b>Evolving client services and products</b></p> <p>Failure to stay relevant, to invest and evolve services/products to meet changing market and client needs which could lead to poor business performance and impact the brand.</p>	<ul style="list-style-type: none"> <li>• Evolving client needs requiring us to identify changes, be agile and adapt at speed. This is increasing as we move into new products and services.</li> <li>• Increased demand for Execution Managed Services from clients.</li> <li>• Potential for new services to lead to increased regulatory and independence requirements.</li> <li>• Widely expected market downturn in the professional services market due to macroeconomic uncertainty has not fully materialised.</li> </ul>	<p>Well-established procedures for responding to changing client needs, including the following:</p> <ul style="list-style-type: none"> <li>• Monitoring of business dynamics and client trends.</li> <li>• Upskilling programme to provide partners and staff with enhanced business and commercial skills.</li> <li>• Client and Markets Executive review and consideration of new client service and product offerings.</li> <li>• Client Committee involvement in acceptance of higher risk engagements and new significant offerings.</li> <li>• Markets Connected Execution Group (MCEG) in place to execute Go To Market strategy.</li> </ul>	↑	↔	↔
	<p><b>Evolving delivery models and use of third parties</b></p> <p>Failure to evolve and manage resilient delivery models, including appropriate use of third parties and alliances, leading to quality issues, delivery disruption, financial and/or brand implications.</p>	<ul style="list-style-type: none"> <li>• Focus on improving efficiencies and evolving the way we deliver client services.</li> <li>• Increased reliance on resilience/business continuity of entities providing services to our clients from entities outside PwC UK.</li> <li>• Increased demand for non-core skills and services to be provided by third parties in the delivery to clients.</li> <li>• Increased use of alliances as part of our services to clients.</li> <li>• The success of remote working over the pandemic has increased the risk that competitors from locations with lower costs of delivery target our clients.</li> </ul>	<ul style="list-style-type: none"> <li>• Firmwide process for reviewing new delivery models to identify and address relevant risks.</li> <li>• Internal focus on relevant on-boarding and operating processes and procedures.</li> <li>• Developing a third party risk management approach to ensure risks associated with third parties are identified and managed throughout the lifecycle of engagements.</li> <li>• Recently launched an EMEA Alliance Impact Centre to support the use of alliances.</li> </ul>	↔	↔	↑
	<p><b>Delivering value through data</b></p> <p>Risk that inadequate data strategy, governance, and infrastructure are in place which impedes the firm's ability to realise the benefits of responsibly using data to enhance services delivered to clients.</p>	<ul style="list-style-type: none"> <li>• The 'value of data' continues to increase in the market and so does the push for us to make use of the data that is available to us.</li> <li>• This needs to be balanced against legal / regulatory requirements and controls in place to make sure data use is responsible and ethical.</li> <li>• Clients are expecting us to be able to do more with their data, and to provide even more data-driven insights.</li> <li>• This direction of travel has been ongoing for a number of years and with the introduction of generative AI is likely to continue.</li> </ul>	<ul style="list-style-type: none"> <li>• The Data Committee combines input from the CDO, risk community and the business, to address data matters and decisions.</li> <li>• Privacy Committee meets on a quarterly basis.</li> <li>• Data Use Policy and Data Governance model to enable the firm to commercialise data and data products safely.</li> <li>• Technology Risk Management team approves the use of all secondary use of data.</li> <li>• XLoS data/GDPR focused engagement acceptance questions and guidance and increased focus on data risk at client committee.</li> </ul>	↑	↔	↔











FY23			Risk trend direction		
	Risk landscape	Mitigations	FY21	FY22	FY23
<b>Operational</b>					
 <p><b>Audit services delivery quality</b></p> <p>Significant audit quality failure in the UK firm or the PwC Network due to either:</p> <ul style="list-style-type: none"> <li>Engaging with an inappropriate client;</li> <li>Inadequate delivery of services; or</li> </ul> <p>leading to a potential service failing, reputational risk, litigation and/or regulatory action.</p>	<ul style="list-style-type: none"> <li>Pressure on the audit profession potentially leading to fewer people joining the profession, and experienced professionals leaving the profession, which may negatively impact quality.</li> <li>Programme to Enhance Audit Quality has been transitioned into BAU to ensure delivering consistently high quality audits is part of everyday life.</li> <li>There is continued regulatory scrutiny and challenging litigation environment in the audit market.</li> <li>Careful consideration of organisations as part of the acceptance process will continue to be important.</li> <li>Network failures may result in some contagion risk for the UK.</li> </ul>	<p>Internal quality management systems, including:</p> <ul style="list-style-type: none"> <li>Regular reporting on audit quality and internal quality control procedures to various governance committees including the Audit Executive and the Management Board;</li> <li>Recruitment standards and staff development procedures;</li> <li>Client engagement and acceptance processes, including the Audit Tender Acceptance Process and Client Committee;</li> <li>Client engagement standards supported by methodologies and tools;</li> <li>Increased communications and consultations to keep quality and professional scepticism front of mind in a hybrid working model;</li> <li>Real-time support for engagements through hot reviews of active engagement files through the Higher Profile Client (HPC) review programme;</li> <li>Programme to Enhance Audit Quality (PEAQ) practices embedded into day to day activities;</li> <li>Continuous Improvement team focused on root cause analysis, dynamic issue identification and action planning;</li> <li>Quality reviews of PwC network firms, including the UK firm; and</li> <li>Monitoring and review of key performance indicators by various governance groups including the Executive Board and the Audit Oversight Body.</li> </ul>	↔	↓	↔
	 <p><b>Non-audit services delivery quality</b></p> <p>Significant quality failure in the UK firm or the PwC Network due to:</p> <ul style="list-style-type: none"> <li>Engaging with an inappropriate client; or</li> <li>Inadequate delivery of services; leading to a potential service failing, reputational risk, significant cost to remedy, perceived or actual conflict of interest, litigation and/or regulatory action.</li> </ul>	<ul style="list-style-type: none"> <li>Increasing complexity of the work we are performing, the client situations we are supporting and the length of contracts.</li> <li>Execution Management Services, which can have different risk profiles to other types of typical services, is a growing area of the business.</li> <li>Increased use of technology to deliver services or licensing of technology to clients.</li> <li>Evolving skills and resources needed to deliver specific engagements, in particular technology and data.</li> <li>Network failures may result in some contagion risk for the UK.</li> </ul>	<p>Internal quality management systems, including:</p> <ul style="list-style-type: none"> <li>Recruitment standards and staff development procedures;</li> <li>Client engagement and acceptance processes, including Line of Service Panels and Client Committees;</li> <li>Client engagement standards supported by methodologies and tools;</li> <li>Established quality policies, processes and procedures;</li> <li>Monitoring and reporting of higher risk engagements, including use of Delivery Governance Forums;</li> <li>Firmwide Quality Partner (QP) programme;</li> <li>Quality reviews of PwC Network firms, including the UK firm; and</li> <li>Monitoring and review of key performance indicators by various governance groups including the Executive Board.</li> </ul>	↔	↔





FY23			Risk trend direction		
	Risk landscape	Mitigations	FY21	FY22	FY23
 <p><b>Cyber Security</b> Inadequate protection of the technology landscape leading to:</p> <ul style="list-style-type: none"> <li>Leakage of the firm's or our clients' confidential data; or</li> <li>Reduced defences against ransomware attacks.</li> </ul>	<ul style="list-style-type: none"> <li>External geopolitical environment evolving with cyber warfare becoming more likely.</li> <li>Increasing ransomware activity in prior year has waned slightly as a result of war in Ukraine.</li> <li>Increased reliance on technology to deliver services leading to a greater risk of cyber security threats.</li> <li>Continued need to prepare for the technology environment of the future affecting the ability to serve clients in rapidly changing markets.</li> <li>Access to greater volumes of data from clients could put the firm into a target position.</li> </ul>	<ul style="list-style-type: none"> <li>Cyber Committee, chaired by a member of the Executive Board, which provides overall strategic direction, framework and policies for information security.</li> <li>The firm operates an ISO/IEC 27002:2013 certified information security management system which includes: <ul style="list-style-type: none"> <li>Governance – including policies, processes, leadership (Cyber Committee) and assessment for client data and other information;</li> <li>Mandatory security education and awareness training for all and regular phishing simulations;</li> <li>Data leakage prevention controls and enhanced controls for high risk groups including financial services clients and leavers;</li> <li>Physical, technical and human resource control;</li> <li>Threat intelligence;</li> <li>Incident response capability;</li> <li>Regular monitoring and independent review systems;</li> <li>Continual investment in established cyber security controls;</li> <li>Security awareness and education programmes; and</li> <li>Introduction of the monitoring of ISO27701.</li> </ul> </li> </ul>			
 <p><b>Managing the data lifecycle</b> Failure to implement appropriate controls and mitigations in order to manage the data lifecycle, including access, loss and misuse of the firm's or clients' data, which may lead to reputational damage and/or commercial implications</p>	<ul style="list-style-type: none"> <li>Changes in the way data is being used, due to us evolving our products and services as well as ways of working, means the risks around the data lifecycle are increasing.</li> <li>The amount of data being held is also increasing as the nature of engagements change.</li> <li>Client expectations, and regulatory requirements (cross multiple jurisdictions) are also shining a greater light on how data is handled and secured when it's being used.</li> <li>Improvements internally continue to be made on governance and control around how the firm manages data.</li> </ul>	<ul style="list-style-type: none"> <li>Data Use Policy and Data Governance model in place.</li> <li>Upskilling of partners and staff to align the use of data analytic tools across the business.</li> <li>CDO appointed to oversee data strategy and governance.</li> </ul>			







FY23			Risk trend direction		
	Risk landscape	Mitigations	FY21	FY22	FY23
 <p><b>Regulatory compliance</b> Failure to comply with relevant independence, legal, regulatory (including sanctions) or professional requirements leading to regulatory action, financial penalties, reputational damage and/or a client conflict of interest.</p>	<ul style="list-style-type: none"> <li>The global regulatory environment is more assertive and the financial crime sanctions environment has increased, leading to increased monitoring and reporting to ensure the firm is compliant.</li> </ul>	<p>Established compliance and independence management systems, including the following:</p> <ul style="list-style-type: none"> <li>Clear policies, procedures and guidance.</li> <li>Regular updating of firm processes and procedures to facilitate compliance by all our people, on all our clients, with all applicable regulations.</li> <li>Mandatory annual training for all partners and staff.</li> <li>Client and engagement acceptance procedures.</li> <li>Annual independence and compliance submissions for all partners and staff enforced by penalties for non-compliance.</li> <li>Ongoing consultation and proactive dialogue with relevant stakeholders given the changing landscape around regulation.</li> <li>Regular monitoring and reporting to the Executive Risk Committee and Executive Board.</li> </ul>			
 <p><b>Operating and leveraging the technology environment</b> Failure to ensure the IT infrastructure and applications across the technology ecosystem, including third parties and the PwC Network, support the running of the business now and in the future.</p>	<ul style="list-style-type: none"> <li>Importance of preparing for the IT infrastructure of the future which will affect the ability to serve clients in rapidly changing markets.</li> <li>The speed at which generative AI is being deployed has the potential to be disruptive.</li> <li>Complexity of the technology environment is increasing, and will continue to increase at pace.</li> <li>Increasing reliance on technology from other territories, Global or third parties.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Continuing programme of testing provides assurance of our ability to rebuild systems from backups.</li> <li>Regular Business Impact Analysis identifies priority applications and recovery order in case of major outage.</li> <li>Regular reviews of third parties including leadership visits, reviews of offshore facilities, risk assessments for outsourcing and review of IT suppliers.</li> <li>Technology Risk Board in place to approve use of new technology.</li> <li>Active participation in Global governance bodies.</li> </ul>			




FY23			Risk trend direction		
	Risk landscape	Mitigations	FY21	FY22	FY23
 <p><b>Client assets</b> Failure to adequately manage the risks associated with handling and processing client assets (monies and physical) leading to regulatory, financial, commercial and reputational implications.</p>	<ul style="list-style-type: none"> <li>The firm continues to manage significant client assets via the BRS practice; with long-standing controls in place.</li> <li>UK Insolvency numbers are increasing.</li> <li>Threat of theft is amplified by increasing cyber security risks.</li> <li>Mature controls and mitigants in place.</li> </ul>	<p>Well-established procedures for dealing with client assets and related matters, including:</p> <ul style="list-style-type: none"> <li>Portfolio diversification policy;</li> <li>Daily monitoring of credit and related ratings and maturities;</li> <li>Monitoring and independent review;</li> <li>Ongoing training for those who handle client money or direct client money; and</li> <li>A Treasury Committee which receives regular updates on the above.</li> </ul>	↔	↔	↓
 <p><b>People (current)</b> Issues impacting our people and business in the short term (i.e. next 12-18 months) including:</p> <ul style="list-style-type: none"> <li>Failure to attract and retain the right talent, including offering a competitive total reward package;</li> <li>Failure to create and maintain a diverse and inclusive culture;</li> <li>Failure to demonstrate the core competencies and capabilities of our people, including their ability to anticipate and adapt quickly to changing client needs;</li> <li>Failure to adequately address employee wellbeing; and</li> <li>Failure to ensure compliance with firm procedures and to police unacceptable behaviour.</li> </ul>	<ul style="list-style-type: none"> <li>Importance of a diverse workforce and the risk of not achieving targets set such as a narrowing of pay gaps.</li> <li>Evolving skills needed to deliver services to clients.</li> <li>The multigenerational make up of our workforce leads to different expectations and ways of working.</li> <li>Increasing need for technologists and the challenge in attracting and retaining them in professional services.</li> <li>Evolving expectations of our current workforce, in particular at the most junior grades, and the increasing use of offshore / delivery models is changing what people expect from the firm as an employer, and what we need our people to do.</li> </ul>	<ul style="list-style-type: none"> <li>Regular reviews of the market for student and experienced talent to benchmark the firm's relative competitive position and ensure agile management of resources.</li> <li>Use of various communication and discussion channels to engage with our people.</li> <li>Continued practical focus on building people engagement and supporting retention.</li> <li>Monitoring and review of key performance indicators by the Executive Board, including staff surveys, external data and regular client feedback.</li> <li>Regular review of the Learning and Development curriculum to ensure it supports the development of the skills and behaviours required for our people to deliver their roles and aligns to our culture and strategy.</li> <li>Diversity targets and action plans in place.</li> <li>Equal pay audit completed annually.</li> </ul>	↔	↑	↓





FY23			Risk trend direction		
	Risk landscape	Mitigations	FY21	FY22	FY23
 <p><b>People (future)</b> Failure to adapt people strategies today to be ready for changes in employee expectations and business models in the future, including:</p> <ul style="list-style-type: none"> <li>• Failure to offer a sufficiently appealing proposition to future talent which restricts our ability to attract and retain the right talent;</li> <li>• Failure to develop the skills and leaders needed for the future business;</li> <li>• Failure to maintain the firm culture in a changing business environment; and</li> <li>• Failure to implement the strategic workforce planning required to anticipate and adapt to changing, people and client needs.</li> </ul>	<ul style="list-style-type: none"> <li>• Evolving expectations of employees potentially negatively impacting the attractiveness of the firm and professional services to highly talented individuals.</li> <li>• The acceleration of the pace at which new disruptions with profound people impacts come (e.g. cost of living, climate, AI) make it increasingly difficult to define trends and anticipate how the future people model will look.</li> <li>• Changing needs of clients and the importance of our people continually developing skills (e.g. technology and data analytics) to provide high quality services to clients.</li> <li>• At least four generations are now in the workforce with potentially different desires and needs.</li> <li>• Societal shift away from traditional career paths is being seen.</li> <li>• Evolving understanding of hybrid working for the future is ongoing.</li> </ul>	<ul style="list-style-type: none"> <li>• People Council, representing a group of diverse backgrounds and roles within the firm, in place to obtain feedback to understand the future needs of our staff.</li> <li>• People strategies are regularly reviewed and updated to ensure they are relevant.</li> <li>• Diversity and inclusion targets and action plans in place.</li> <li>• Ongoing reviews of reward and incentives to ensure that they are relevant to the new world of work.</li> <li>• Development of strategic workforce planning to manage future workforce requirements.</li> </ul>		New risk in FY22	
 <p><b>Financial performance</b> Failure to adequately plan for, and appropriately respond to, the broad financial effects of internal or external forces impacting the business, including macroeconomic developments, changing market conditions and evolving resourcing models, resulting in a failure to optimise the business' growth and profitability, appropriately manage its working capital needs and/or withstand a crisis.</p>	<ul style="list-style-type: none"> <li>• Increased uncertainty of the path to lower inflation and interest rates across the UK economy.</li> <li>• Business growth is continuing at a strong rate.</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive budgeting and planning processes that look forward three years across multiple scenarios, covering growth, profitability, resourcing and working capital perspectives.</li> <li>• Regular monitoring of the business through Executive Board, Client &amp; Markets Executive, Regions and Industries, COO, People Partner and Risk forums. Use of forward looking sales, financial and resource deployment forecasts and assessments.</li> <li>• Investment and Client Committees ensuring that only the best opportunities receive funding and that high risk engagements are carefully assessed prior to acceptance.</li> <li>• A Treasury Committee sets and regularly monitors the firm's funding position, foreign currency exposures and cash flows.</li> <li>• Appropriate levels of banking facilities and below the line reserves are maintained, providing additional resilience.</li> <li>• Ongoing focus on working capital management with clear targets and daily monitoring to ensure optimisation.</li> </ul>		New risk in FY22	



FY23		Risk trend direction						
	Risk landscape	Mitigations	FY21	FY22	FY23			
<b>New risks: Evolving the firm</b>								
 <b>Climate and environment (clients and markets)</b>	<p>Failure to lead our clients and markets in appropriately mitigating and responding to the impacts of climate change and degradations to the environment, including preparing for its implications and:</p> <ul style="list-style-type: none"> <li>• Failure to support our clients in their transition to a low carbon world;</li> <li>• Failure to evolve our markets strategy, products and services to the impacts of climate change and environmental degradation; and</li> <li>• Failure to consider our client portfolio appropriately in line with societal changes that are relevant to the firm, and revenue dependency on sectors or organisations that may become obsolete.</li> </ul>	<ul style="list-style-type: none"> <li>• Evolving client needs requiring us to identify changes, be agile and adapt at speed.</li> <li>• While the energy crisis has strengthened the case for climate change, it has also highlighted some of the trade-offs that need to be addressed for an orderly transition.</li> <li>• As demands on our clients grow, so do concerns of greenwashing and climate litigation.</li> <li>• Increasing scrutiny from a multitude of internal and external stakeholders on our role in supporting Net Zero transition for clients.</li> </ul>	<ul style="list-style-type: none"> <li>• The Clients and Markets Executive considers climate issues in relation to client-facing and market opportunities.</li> <li>• Environmental, Social and Governance (ESG) platform in place, within which our climate specialists are working with all our LoS to evolve our core propositions.</li> <li>• Growth Accelerators in place covering Net Zero Transformation (NZZ) and Sustainability Reporting (SR).</li> <li>• Client Committee involved in acceptance of higher risk engagements.</li> <li>• Ongoing review and tracking of market indicators (e.g. client feedback, competitors, market dynamics etc).</li> <li>• Development and roll-out of training programmes to upskill workforce, e.g. awareness training to all qualified audit staff.</li> </ul>			New risk in FY23		



FY23		Risk trend direction			
	Risk landscape	Mitigations	FY21	FY22	FY23
<b>New risks: Operational</b>					
 <p><b>Climate and environment (internal)</b></p> <p>Failure to appropriately mitigate and respond to the impacts of climate change and degradations to the environment on our operations and the UK firm, including preparing for its implications and:</p> <ul style="list-style-type: none"> <li>• Failure to transition our own business (including SDCs) to adapt to the impacts of climate change and environmental degradation;</li> <li>• Failure to meet our climate and environmental commitments; and</li> <li>• Failure to comply with regulatory disclosure and other regulatory requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• TCFD reporting regulations become a compliance requirement in 2023.</li> <li>• Increasing scrutiny from a multitude of internal and external stakeholders on transitioning our business.</li> </ul>	<ul style="list-style-type: none"> <li>• Science-based commitment to reach Net Zero by 2030.</li> <li>• Voluntary annual Task Force Climate-related Financial Disclosures (TCFD) for the past five years.</li> <li>• ‘Going Circular’ programme to reduce material, water and carbon impacts.</li> <li>• Net Zero Committee in place to consolidate the focus and investment around our Net Zero commitments.</li> <li>• Supply Chain Sustainability programme designed to drive down carbon emissions, with all UK offices now powered by 100% renewable electricity since last year.</li> </ul>	New risk in FY23		
	 <p><b>Network risk</b></p> <p>Risks associated with the actions of other firms within the PwC Network resulting in reputational damage or operational constraints including:</p> <ul style="list-style-type: none"> <li>• Overseas litigation or regulatory sanctions; or</li> <li>• Overseas ethical or conduct issues, such as a breach of PwC code of conduct.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential contagion effect from other Network firm’s actions becoming more prevalent.</li> <li>• Potential of overseas litigation affecting the Network and UK firm.</li> <li>• Increasing number of engagements which involve multiple territories and Shared Delivery Centres.</li> </ul>	<ul style="list-style-type: none"> <li>• Close relationships and regular interactions with key Global and Network stakeholders.</li> <li>• Management Board members represent UK firm interests on committees and global forums.</li> <li>• Annual Network standard monitoring performed by PwC Global to ensure alignment to Network standards.</li> <li>• LoS specific reviews take place at network level to ensure that the UK and other firms are meeting their obligations as a network firm.</li> <li>• The UK firm has invested in a XLoS team to manage its EMEA delivery ecosystem.</li> </ul>	New risk in FY23	



# Appendix B: Network and UK firm structure

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. The PwC Network is not a global partnership, a single firm, or a multinational corporation. The PwC Network consists of firms which are separate legal entities.

## Global network

Firms in the PwC Network are members in, or have other connections to PwCIL, an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for PwC firms in the PwC Network.

Focusing on key areas such as strategy, brand, and risk and quality, PwCIL coordinates the development and implementation of policies and initiatives to achieve a common and coordinated approach amongst individual PwC firms where appropriate. PwC firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC Network. In addition, PwC firms may draw upon the resources of other PwC firms and/or secure the provision of professional services by other PwC firms and/or other entities. In return, PwC 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. A PwC firm cannot act as agent of PwCIL or any other PwC firm, cannot obligate PwCIL or any other PwC firm, and is liable only for its own acts or omissions and not those of PwCIL or any other PwC firm. Similarly, PwCIL cannot act as an agent of any PwC firm, cannot obligate any PwC firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control any PwC firm's 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. The Board is comprised of 19 members. One is appointed as an external, independent director, and the other Board members are elected by partners from 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**, which 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 member firms to coordinate activities across all areas of our business.

The Senior Partner of PwC UK is a member of the Strategy Council, and the Network Leadership Team.





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:

#### PwC UK partners



#### Partners on secondment overseas



#### Total



### b) UK office structure

PwC UK operates out of 19 (FY22:19) offices throughout the United Kingdom – a full list can be found on our [website](#)<sup>3</sup>

### 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 2023, within our [Annual Report 2023](#)<sup>1</sup>.

#### (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 included in the PwC UK Financial Statements 2023. All entities listed in the table are 100% owned.

PwC UK has an equity holding in and a strategic alliance with the PwC Middle East and PwC Channel Islands firms. The non-controlling interest in profits and capital attributable to the members of PricewaterhouseCoopers CI LLP and to the Middle East partners of PricewaterhouseCoopers (Middle East Group) Limited are shown as non-controlling interests in the PricewaterhouseCoopers LLP Members’ report and financial statements for the year ended 30 June 2023, in our [Annual Report 2023](#)<sup>1</sup>.

#### (ii) Jointly controlled entities and associates

The Group held interests in four significant jointly controlled entities and associates at 30 June 2023:

- PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V., which owns a delivery centre in Poland which provides shared services for PwC Network firms;
- PwC Service Delivery Centre (Egypt) Holdings No.1 Limited, which owns a delivery centre in Egypt which provides shared services for PwC Network firms;
- PwC Poland Services Limited, which owns a delivery centre in Poland that provides services to PwC Network firms; and
- PwC Service Delivery Centre South Africa Holdings (Pty) Limited, which owns a delivery centre in South Africa which provides services to PwC Network firms.

#### (iii) Other investments

PwC UK also holds a number of investments, including repayable interest-bearing preference shares issued by PwC Poland Services Limited and repayable interest-bearing subordinated loan notes from, and minority equity holdings in entities in the PwC Network. Further details are provided in the [PwC UK Financial Statements 2023](#)<sup>2</sup>.

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/annual-report.html>

<sup>2</sup> Source: <https://www.pwc.co.uk/annualreport/assets/2023/pwc-uk-financial-statements-2023.pdf>

<sup>3</sup> Source: <https://www.pwc.co.uk/who-we-are/office-locations.html#/>



## UK registered trading subsidiary undertakings

## Country of incorporation

### Companies

Beyond Food Community Interest Company	England
Embankment Place Primary Healthcare Limited	England
PricewaterhouseCoopers Advisory Services Limited	England
PricewaterhouseCoopers (UK) Advisory Services (KU) Limited	England
PricewaterhouseCoopers (UK) Advisory Services (IE) Limited	England
PricewaterhouseCoopers Business Services Limited	England
PricewaterhouseCoopers Consulting Services UK Limited	England
PricewaterhouseCoopers Overseas Limited	England
PricewaterhouseCoopers Services Limited	England
PwC Business Consulting Services Limited	England
PwC Customs Intermediary Services Limited	England
PwC Change Management Limited	England
PwC Digital Services (UK) Limited	England
PwC Holdings (UK) Limited	England
PwC Strategy& (UK) Ltd	England
PwC Digital Technology Services Limited	England
PricewaterhouseCoopers (UK) Advisory Services (FI) Limited	England

### Limited Liability Partnerships

PricewaterhouseCoopers CI LLP	England
Accounting Advisory (UK) LLP	England





## d) Principal lines of business

Throughout the year, PwC UK operated through five principal Lines of Service (LoS), being Audit, Consulting, Deals, Risk and Tax. Support services were provided by Business Solutions. 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 SIRs, 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

Our core Consulting services combine strategy, technology and management consulting expertise with the power of our alliance relationships to help our clients address complex issues to transform their businesses and deliver sustained outcomes.

From strategy through to execution to run, our specialists (including Strategy&, our global strategy house) adopt a human-led, tech-powered approach. This combines industry and functional expertise to help organisations set goals and put the right business strategy in place to deliver them, whether that's cloud transformation, customer-led transformation, operations transformation, finance transformation, risk and compliance transformation, execution managed services or enterprise wide transformation.

We work with clients to unlock the opportunities transformation presents and deliver change that will make a difference to their organisation, communities and society. We are focused upon delivering sustainable outcomes to our clients. Over the years we've helped organisations around the world introduce transformational change at pace, including creating new strategies that address the Net Zero agenda; using data and insights to drive change; rolling out new business models, products and services; and delivering responsible growth.

Our 'Value Creation and Realisation – Delivering Deals Value' specialists work closely with our Deals Line of Service in order to bring specific insight and delivery capabilities in carve out/separation activities (pre deal including vendor assistance, sell-side vendor due diligence and buy-side diligence, and post deal including migration planning and implementation); operational due diligence (buy-side and sell-side vendor due diligence); M&A integration (pre deal synergy assessment and post deal integration execution); and rapid value creation pre deal and associated implementation post deal.



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## Deals

The Deals Line of Service is focused on delivering:

**Transactions:** buy and sell-side financial due diligence; sale and purchase agreements; disputes including analysis and development of dispute resolution strategies, bid support and defence.

**Lead Advisory:** mergers and acquisitions advisory, private equity, portfolio advisory, project finance and public private partnerships, infrastructure finance advisory, real estate advisory, public to private transactions, public company advisory; valuations; restructuring mergers and acquisition advisory; and debt and capital advisory.

**Restructuring and Forensics:** corporate simplification and exit; Insurance liability restructuring and pension support to trustees and participating employers; Restructuring Leadership including day-to-day programme management, distressed financial restructuring, corporate insolvency services; 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.

**Value Creation and Realisation:** deal strategy; operational restructuring and consulting services, rapid cost reduction, working capital improvement; and capital projects advisory.

**Deals Insights and Analytics:** business modelling, financial decisions and analysis.

## Risk

The Risk Line of Service is focused on delivering:

**Technology, Data and Analytics (TDA):** working with clients on technology transformation, implementation, managing the risk of digital integration, emerging and disruptive technology risk including AI, data governance, data migration, data visualisation, data strategy, data quality, data protection, data analytics and business insights.

**Cyber:** cyber strategy, cyber transformation, defence and detection, incident response and recovery, cyber risk governance and advisory, penetration testing, and identifying and mitigating cyber risk across the deals lifecycle.

**Risk Modelling Services (RMS):** 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.

**Controls, Deals, Accounting and Risk (CDAR):** accounting and reporting advisory, commercial control, deals advisory, structuring and deal accounting, governance risk and compliance (GRC), internal audit, crisis resilience and treasury advisory and commodity management.

**Financial Services – Business, Risk and Control (FS BRC):** financial, regulatory and operational risk across all three financial services sectors of Banking and Capital Markets, Insurance and Asset and Wealth Management.

**Enterprises:** newly created Business Unit to drive innovation across a range of Risk services that meet the future needs of our clients by incubating and scaling propositions and services. This includes ESG-related solutions for sustainability strategy, sustainability reporting and Net Zero transformation.



## Tax

The Tax Line of Service is focused on delivering:

**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, 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), tax technology and automations, tax operations transformation, and tax aspects of finance transformations.

**People and Organisation:** providing solutions to workforce related challenges across workforce strategy, organisation design, culture and communications, diversity, equity and inclusion, performance and reward, employment taxes and payroll, pensions and benefits, HR transaction/deals advice, people analytics and benchmarking, HR technology strategy and implementation, and HR function transformation.

**Legal:** corporate law, international business reorganisations, M&A, banking and finance, employment and pensions law, real estate law, sourcing, technology and intellectual property law, commercial law, tax, commercial and regulatory dispute resolution, financial services regulatory law, data protection and privacy law, government and public sector law, legal function consulting, legal function transformation, legal entity management and company secretarial and entity governance advice, and legal technology.





# Appendix C: Finances and other disclosures

## Relative importance of statutory audit work

An analysis of revenue of PwC UK for the financial year ended 30 June 2023, which shows the relative importance of UK-related statutory audit work, is shown below:

	FY23 £m	FY22 £m
Statutory audits and directly related services for entities we audit (UK PIE and subsidiaries of UK PIE)*	383	291
Statutory audits and directly related services for entities we audit (other entities)	582	527
<b>Statutory audits and directly related services for all entities we audit</b>	<b>965</b>	<b>818</b>
Non-audit services to entities we audit**	179	195
<b>Total revenues from entities we audit</b>	<b>1,144</b>	<b>1,013</b>
Non-audit services to clients we do not audit	2,995	2,862
<b>UK firm revenue</b>	<b>4,139</b>	<b>3,875</b>
Revenues from statutory audits and directly related services for entities we audit as a percentage of UK firm revenue	23%	21%

During the year ended 30 June 2023, we did not perform any major local audits (2022: 0 audits). Therefore, the table above does not include related revenues in this category. For further details see [page 165](#).

\* If an entity met the FRC's definition of a UK PIE (or a subsidiary of) as at 30 June 2023 we have included related revenues in this category. This is a consistent basis of preparation with last year's Transparency Report.

\*\* Non-audit services provided to entities we audit are only provided where permitted by the FRC Ethical Standard and PwC Network and PwC UK policies.

## Audit profitability

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

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.

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

	FY23 £m	FY22 £m
Revenue	965	818
Operating profit	223	176



## PwC UK registrations

PwC UK and/or certain of its Responsible Individuals are registered with regulators in the following territories in order to meet local requirements in relation to the audits of certain entities:

<b>Crown Dependencies</b>	Guernsey (Guernsey Registry); Isle of Man (Isle of Man Financial Services Authority); and Jersey (Jersey Financial Services Commission).
<b>EU and EEA</b>	France (Haut conseil du commissariat aux comptes 'H3C'); Germany (Wirtschaftsprüferkammer); Ireland (Irish Auditing and Accounting Supervisory Authority 'IAASA'); Italy (Ministry of Economy and Finance 'MEF'); Luxembourg (Commission de Surveillance du Secteur Financier 'CSSF'); Netherlands (Autoriteit Financiële Markten); Norway (Finanstilsynet); Poland (Polska Agencja Nadzoru Audytowego); and Sweden (Revisorsinspektionen).
<b>Rest of the world</b>	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); South Africa (Johannesburg Stock Exchange); and United States of America (Public Company Accounting Oversight Board).

Since the previous year end, PwC UK withdrew its registration in Belgium as it was no longer required.





During the year ended 30 June 2023 the UK firm performed the following audits that necessitate these registrations, either because of the entity's country of incorporation, their filings made in a given territory, or a listing of debt or equity within a given territory:

- Abcam plc
- Accsys Technologies PLC
- AstraZeneca PLC
- Bicycle Therapeutics plc
- Borr Drilling Limited
- Centamin plc
- COMPASS Pathways plc
- Credit Suisse International
- Diageo plc
- Digital 9 Infrastructure plc
- European Bank for Reconstruction and Development
- Exscientia Plc
- Farfetch Limited
- Goldman Sachs Finance Corp International Limited
- Goldman Sachs International
- Grit Real Estate Income Group Limited
- Hammerson plc
- HSBC Bank plc
- HSBC Bank Capital Funding (Sterling 1) L.P.
- HSBC Capital Funding (Dollar 1) L.P.
- HSBC Holdings plc
- IHS Holding Limited
- Innospec, Inc
- Integrated Diagnostics Holdings plc
- InterContinental Hotels Group PLC
- J.P. Morgan Mansart Management Limited
- Johnson Matthey plc
- Luxfer Holdings PLC
- Manchester United plc
- Merrill Lynch International & Co C.V.
- Molten Ventures plc
- Navigator Holdings Ltd.
- Nomad Foods Ltd
- Pan African Resources PLC
- Rentokil Initial plc
- Santander UK Group Holdings plc
- Santander UK plc
- Schroder Oriental Income Fund Limited
- Seadrill Limited
- SEGRO plc
- Silence Therapeutics plc
- SolGold plc
- Stolt-Nielsen Limited
- Telereal Securitisation PLC
- Vaccitech plc
- Verona Pharma plc
- Vertical Aerospace Ltd.
- Western Asset Management Company Limited
- Wizz Air Holdings PLC

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 the 'Audit quality' chapter on [page 50](#).

As a result of these registrations, 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 and the PIE Auditor Registration Regulations of the FRC, 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 the Audit quality chapter of this report.

In addition, during the year ending 30 June 2023 we separately registered with the FRC in the United Kingdom as a result of the new Public Interest Entity (PIE) Auditor Registration Regulations issued in August 2022. A transitional application under these regulations was granted and took effect from 5 December 2022.



## List of major local audit and Public Interest Entity audits performed by PwC UK

### List of major local audits

PwC UK did not perform any major local audits in the year to 30 June 2023 (2022: 0). For further details see [page 165](#).

### List of UK Public Interest Entities

Adjacent is a list of UK Public Interest Entities (PIEs) (as defined by the FRC Ethical Standard) for which we carried out statutory audits (i.e. issued an audit report) between 1 July 2022 and 30 June 2023, and therefore does not include all UK PIEs for which PwC UK is the statutory auditor.

Aberdeen Diversified Income and Growth Trust plc

abrdrn Asia Focus plc

Accelerant Insurance UK Limited (Formerly Guarantee Protection Insurance Limited)

Affinity Water Finance PLC

AIG Life Limited

Allianz Insurance plc

Anglo American Capital plc

Anglo American plc

Antofagasta plc

Aquila Energy Efficiency Trust Plc

Aquila European Renewables Plc (formerly Aquila European Renewables Income Fund Plc)

Arch Insurance (UK) Limited

Arqiva Financing Plc

Asia Dragon Trust plc

ASOS Plc

AstraZeneca PLC

Atlas Funding 2021-1 Plc

Atlas Funding 2022-1 Plc

Atom Bank plc

Aviva Insurance Limited

Aviva International Insurance Limited

Aviva Investors Pensions Limited

Aviva Life & Pensions UK Limited

Aviva plc

Baglan Moor Healthcare Plc

Bakkavor Group plc

Bank of China (UK) Limited

Bath Investment & Building Society

Beverley Building Society

BlackRock Smaller Companies Trust plc

BlackRock Sustainable American Income Trust plc

BlackRock Throgmorton Trust plc

BlackRock World Mining Trust plc

Blitzen Securities No.1 Plc

Bodycote plc

Brit Limited

The British Land Company PLC

Broadgate Financing PLC

The Brunner Investment Trust PLC

Bunzl Finance plc

Bunzl plc

Bupa Finance plc

Bupa Insurance Limited

C. Hoare & Co.

Cambridge & Counties Bank Limited

Capital & Counties Properties PLC

Capricorn Energy PLC

Carnival plc

Cater Allen Limited

Centrewrite Limited

The Chancellor, Masters, and Scholars of the University of Cambridge

Civitas Social Housing PLC

Clarkson PLC

Close Brothers Finance plc

Close Brothers Group plc

Close Brothers Limited

Convex Insurance UK Limited

Costain Group PLC

Covea Insurance plc

Coventry Building Society

Cranswick plc

Credit Suisse (UK) Limited

Credit Suisse International

Crest Nicholson Holdings plc

Criterion Healthcare PLC

Cynergy Bank Limited

Daily Mail and General Trust plc

DARAG Insurance UK Ltd

DARAG Legacy UK Limited

Darlington Building Society

Dechra Pharmaceuticals PLC

Derwent London plc

Diageo Capital plc

Diageo Finance plc

Diageo plc

Diploma PLC

discoverIE Group plc

Diversified Energy Company PLC

Domino's Pizza Group plc

Dr. Martens plc

Dudley Building Society

Dunelm Group plc

DWF Group plc

easyJet Plc



Ecclesiastical Insurance Office plc  
 Ecclesiastical Life Limited  
 Economic Master Issuer PLC  
 The Equitable Life Assurance Society  
 Equity Release Funding (No.1) Plc  
 Equity Release Funding (No.2) Plc  
 Equity Release Funding (No.3) Plc  
 Equity Release Funding (No.4) Plc  
 Equity Release Funding (No.5) Plc  
 Essentra plc  
 Eurocell plc  
 European Assets Trust PLC  
 European Opportunities Trust PLC'  
 FDM Group (Holdings) plc  
 FIL.Life Insurance Limited  
 Finsbury Growth & Income Trust PLC  
 First Title Insurance plc  
 FirstGroup plc  
 Fishguard and Rosslare Railways  
 and Harbours Company  
 Fosse Master Issuer PLC  
 Funding Circle Holdings plc  
 Gabelli Merger Plus+ Trust Plc  
 Gatwick Airport Finance plc  
 General Accident plc  
 Georgia Capital PLC  
 Great Hall Mortgages No.1 Plc  
 Gresham Insurance Company Limited  
 Halma plc  
 Hammerson plc

Handelsbanken plc  
 Hargreaves Lansdown plc  
 Hays plc  
 HCC International Insurance Company plc  
 Headlam Group PLC  
 Heathrow Finance plc  
 Heddington Insurance (U.K.) Limited  
 Henderson High Income Trust plc  
 Herald Investment Trust plc'  
 Highway Insurance Company Limited  
 Hikma Pharmaceuticals PLC  
 Hilton Food Group plc  
 Hiscox Insurance Company Limited  
 Holmes Master Issuer Plc  
 Pollen Street plc (formerly Honeycomb  
 Investment Trust Plc)  
 Hostmore plc  
 HSBC Bank plc  
 HSBC Holdings plc  
 HSBC Life (UK) Limited  
 HSBC Private Bank (UK) Limited  
 HSBC Trust Company (UK) Limited  
 HSBC UK Bank plc  
 IG Group Holdings plc  
 Indivior PLC  
 Inland ZDP Plc  
 Integrated Accommodation Services Plc  
 InterContinental Hotels Group PLC  
 International Biotechnology Trust plc

Intertek Group plc  
 Invesco Pensions Limited  
 Itau BBA International plc  
 ITV plc  
 J.P. Morgan Securities plc  
 Johnson Matthey Plc  
 JPMorgan Claverhouse Investment Trust plc  
 JPMorgan European Growth & Income plc  
 JPMorgan Indian Investment Trust plc  
 JPMorgan Japanese Investment Trust plc  
 JPMorgan Life Limited  
 JPMorgan Mid Cap Investment Trust plc  
 JPMorgan Multi-Asset Growth & Income plc  
 Jupiter Fund Management plc  
 Just Group plc  
 Just Retirement Limited  
 Kenrick No. 3 Plc  
 Keystone Positive Change Investment Trust plc  
 Kier Group plc  
 Kin and Carta plc  
 Liverpool Victoria Insurance Company Limited  
 M&G plc  
 Manchester Building Society  
 Marks and Spencer Financial Services Plc  
 McBride plc  
 Meadowhall Finance PLC  
 Mercantile Indemnity Company Limited  
 Metro Bank PLC  
 MIGO Opportunities Trust plc

MJ Gleeson plc  
 Mobius Investment Trust plc  
 Molten Ventures plc  
 Mondi Finance plc  
 Mondi plc  
 Montanaro European Smaller  
 Companies Trust plc  
 Moonpig Group plc  
 Motorpoint Group Plc  
 Murray Income Trust PLC  
 Newline Insurance Company Limited  
 NewRiver REIT plc  
 NEXT plc  
 NIE Finance PLC  
 Ninety One plc  
 North American Income Trust plc  
 NPA Insurance Limited  
 OakNorth Bank Plc  
 Octopus Renewables Infrastructure Trust plc  
 Orbita Funding 2022-1 plc  
 Partnership Life Assurance Company Limited  
 Pavillion Mortgages 2021-1 plc  
 PCGH ZDP plc  
 Personal Assets Trust plc  
 Petershill Partners plc  
 Polar Capital Global Financials Trust plc  
 Polar Capital Global Healthcare Trust plc  
 Premier Foods plc  
 Prudential Pensions Limited  
 QAH Finance Plc



QinetiQ Group plc  
 Quilter Life & Pensions Limited  
 Quilter plc  
 RBC Europe Limited  
 Reach plc  
 Redde Northgate plc  
 Rentokil Initial plc  
 Rentokil Insurance Limited  
 River Thames Insurance Company Limited  
 RL Finance Bonds No.2 plc  
 RL Finance Bonds No. 3 plc  
 RL Finance Bonds No.4 plc  
 Road Management Services (Finance) PLC  
 Rolls-Royce Holdings plc  
 Rolls-Royce plc  
 Rombalds Run-Off Limited  
 Rothesay Life Plc  
 Rothesay Limited  
 The Royal London Mutual Insurance Society Limited  
 RS Group plc  
 S4Capital plc  
 Sabre Insurance Company Limited  
 Sabre Insurance Group Plc  
 Sandwell Commercial Finance No. 1 Plc  
 Sandwell Commercial Finance No. 2 Plc  
 Santander Financial Services plc  
 Santander UK Group Holdings plc  
 Santander UK plc  
 Satus 2021-1 PLC

Schroder European Real Estate Investment Trust plc  
 Scottish Building Society  
 Scottish Equitable plc  
 Scottish Friendly Assurance Society Limited  
 Scottish Mortgage Investment Trust PLC  
 ScS Group plc  
 SDCL Energy Efficiency Income Trust plc  
 SEGRO plc  
 Seraphine Group plc  
 SolGold plc  
 South East Water Limited  
 Speedy Hire plc  
 St. James's Place plc  
 St. James's Place UK plc  
 The Stafford Railway Building Society  
 Stelrad Group plc  
 SThree plc  
 StreamBank Plc  
 STV Group plc  
 Suffolk Life Annuities Limited  
 Sutton and East Surrey Water Plc  
 Synthomer plc  
 Tandem Bank Limited  
 Taylor Wimpey plc  
 TBC Bank Group PLC  
 Ten Entertainment Group plc  
 Thames Water Utilities Finance plc  
 The Access Bank UK Limited

The Charity Bank Limited  
 The City of London Investment Trust plc  
 The Edinburgh Investment Trust plc  
 The Equitable Life Assurance Society  
 The Hospital Company (Dartford) Issuer PLC  
 The Ocean Marine Insurance Company Limited  
 The Prudential Assurance Company Limited  
 the Society of Lloyd's  
 The Veterinary Defence Society Limited  
 Threadneedle Pensions Limited  
 TI Fluid Systems plc  
 Tokio Marine Kiln Insurance Limited  
 Topps Tiles Plc  
 Trafalgar Insurance Limited  
 Trainline plc  
 Triodos Bank UK Limited  
 Troy Income & Growth Trust plc  
 Trustpilot Group plc  
 TT Club Mutual Insurance Limited  
 United Bank for Africa (UK) Limited  
 United Trust Bank Limited  
 Utmost Life and Pensions Limited  
 Vesuvius plc  
 Victrex plc  
 Vistry Group PLC  
 Vitality Life Limited  
 Vp plc  
 VPC Specialty Lending Investments PLC  
 W.A.G Payment Solutions plc

The Weir Group PLC  
 West Bromwich Building Society  
 Westpac Europe Limited  
 WH Smith PLC  
 Wise plc  
 Wm Morrison Supermarkets Limited  
 Worldwide Healthcare Trust PLC  
 Yorkshire Building Society  
 Zopa Bank Limited



## Market-traded companies

We performed audits of the following companies which are market-traded companies as defined in the Crown Dependencies Audit Rules and company legislation in those territories.

Centamin Plc

Digital 9 Infrastructure PLC

Goldman Sachs Finance Corp International Ltd

Grit Real Estate Income Group Limited

Integrated Diagnostics Holdings PLC

Schroder Oriental Income Fund Limited

Wizz Air Holdings Plc

## Other UK-traded third country companies

We also audited the following companies incorporated outside the United Kingdom and its Crown Dependencies, which have transferable securities admitted to trading on a UK regulated market.

DFI Retail Group Holdings Limited

Hiscox Ltd

Hongkong Land Holdings Limited

Jardine Matheson Holdings Limited

Mandarin Oriental International Limited

South East Water (Finance) Limited





## List of EEA Member State audit firms in the PwC Network

### EEA Audit firms in the PwC Network

Member State	Name of firm
Austria	PwC Wirtschaftsprüfung GmbH, Wien PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz PwC Österreich GmbH, Wien
Belgium	PwC Bedrijfsrevisoren bv/Reviseurs d'entreprises srl
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o PricewaterhouseCoopers Savjetovanje d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit, s.r.o.
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
France	PricewaterhouseCoopers Audit PricewaterhouseCoopers Entreprises PricewaterhouseCoopers France M. Antoine Priollaud
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft Wibera WPG AG
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Iceland	PricewaterhouseCoopers ehf
Ireland	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers Spa

Member State	Name of firm
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Ruggell
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers
Netherlands	PricewaterhouseCoopers Accountants N.V.
Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp. z. o.o. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp. k.
Portugal	PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovakia (Slovak Republic)	PricewaterhouseCoopers Slovensko, s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB Öhrlings PricewaterhouseCoopers AB

Total turnover achieved by statutory auditors and audit firms from 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 €2.8bn. This represents the turnover from each entity's most recent financial year converted to Euros at the exchange rate prevailing as of 30 June 2023.

**Total turnover**

**€2.8bn**



# Appendix D: Glossary of terms

A&C	Acceptance & Continuance	ATAP	Audit Tender Approval Panel	COO	Chief Operating Officer	EU	European Union
ACA	Associate Chartered Accountant	ARGA	Audit, Reporting and Governance Authority	CPAB	Canadian Public Accountability Board	FCA	Financial Conduct Authority
ACCIF	Audit Committee Chairs' Independent Forum	ARC	Audit Registration Committee	Crowe	Crowe UK LLP, PricewaterhouseCoopers LLP's statutory auditor	FPI	Foreign Private Issuer
ACM	Audit Compliance Measures	ARQ	Audit Risk & Quality	CRUF	Corporate Reporting Users' Forum	FRC	Financial Reporting Council
ACR	Audit Compliance Review	ARQI	Audit Risk & Quality Investigations	CwIR	Compliant with improvement required	FS	Financial Services
AFGC	Audit Firm Governance Code	ATOL	Air Travel Organiser's Licence	D&I	Diversity and inclusion	GAAP	Generally Accepted Accounting Principles
AFS	Authorisation for Services	Below the line reserves	Below the line reserves relates to capital items outside of the profit and loss account.	DDM	Distributed Delivery Model	GAQ	Global Assurance Quality - Methodology Group
AI	Artificial Intelligence	BRS	Business Restructuring Services	EAP	Employee Assistance Programme	GBR	Global Breaches Reporting System
AIM	Alternative Investment Market	BSI	British Standards Institute	EAT	External Auditor Training	GDPR	EU General Data Protection Regulation
AIR	Automated Investments Recording	BU	Business Unit	EB	Executive Board	GL	General Ledger
AMS	Audit Market Supervision	BYB	Be Your Best training programme	ECL	Expected Credit Losses	GRC	Governance, risk and compliance
ANE	Audit Non-Executive	CAN	Chief Auditor Network	ECR	Engagement Compliance Review	Group	PwC UK and its subsidiary undertakings in the UK, Channel Islands and Middle East
AOB	Audit Oversight Body	CASS	Client Asset Sourcebook audits	EEA	European Economic Area	HPC	High Profile Client
API	Application Programming Interface	CCAB	The Consultative Committee of Accountancy Bodies	EMEA	Europe, Middle East and Africa	HR	Human Resources
APRAC	Audit Partner Remuneration and Admissions Committee	CDO	Chief Data Officer	EMI	Electronic Money Institutions	ICAEW	Institute of Chartered Accountants in England and Wales
AQI	Audit Quality Indicators	CEO	Chief Executive Officer	EQR	Engagement Quality Review	IESBA	International Ethics Standards Board for Accountants
AQM	Audit Quality Measure	CES	Central Entity Services	ERP	Enterprise Resource Planning	IFRS	International Financial Reporting Standards
AQR	Audit Quality Review team of the FRC	CI	Continuous Improvement	ESG	Environmental, Social and Governance	INE	Independent Non-Executive (as described in the AFGC)
AQP	Audit Quality Plan	CIPFA	Chartered Institute of Public Finance and Accountancy	Ethical Standard	the Ethical Standard issued by the FRC in June 2019	IPA	Internal Partner Admissions process
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.	CME	Client and Markets Executive	The firm	PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales	ISAs	International Standards on Auditing
		COBIT	Control Objectives for Information and Related Technologies				



ISMS	Information Security Management System
ISP	Information Security Policy
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'
ISQM (UK) 1 and 2	International Standards on Quality Management
ISRE2410	International Standard on Review Engagements
KPI	Key Performance Indicator
LIBOR	London interbank offered rate
LoS	Line of Service
M&A	Mergers and Acquisitions
MB	Management Board
MCEG	Markets Connected Execution Group
MH	Mental Health
NAST	Network Assurance Software Tools
NGA	Next generation audit
NIST	National Institute of Standards and Technology
NMITE	New Model Institute for Technology and Engineering
NZT	Net Zero Transformation
OGC	Office of General Council
OSCR	Office of the Scottish Charity Regulator
P2P	Pathway 2 Partner
PAC	Partner Affairs Committee

PCAOB	Public Company Accounting Oversight Board of the United States of America
PEAQ	Programme to Enhance Audit Quality
PI	Payment Institutions
PIB	Public Interest Body
PIE	Public Interest Entity
PIMS	Privacy Information Management System
PMC	Partner Matters Committee
PRA	Prudential Regulation Authority
PRG	Policy and Reputation Group
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 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
QiP	Quality improvement Plan
QMP	Quality Management Process

QMR	Quality Management Review
QMSE	Quality Management for Service Excellence
QP	Quality Partner
QRP	Quality Review Partner
RCA	Root Cause Analysis
RIs	'Responsible Individuals' are the individuals in the firm allowed to sign audit reports
RTA	Real time Assurance
RTM	Remote Team Model
RWA	Risk-weighted assets
SaFE	Suitable for everyone lists
SB	Supervisory Board
SDC	Service Delivery Centre
SEB	Socio-Economic Background
SEC	Securities and Exchange Commission of the United States of America
SECR	Streamlined Energy & Carbon Reporting
SIR	Standards for Investment Reporting
SOPS	Statements of Permitted Services
SoQM	System of quality management
SOx	Sarbanes-Oxley Act
SPA	Sale and Purchase Agreement
SQP	Single Quality Plan
SR	Sustainability Reporting
TCFD	Task Force on Climate-Related Financial Disclosures
TPM	Troublesome Practice Matters

T&RC	Talent and Remuneration Committee
'us'	PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales
UKAS	United Kingdom Accreditation Service
'we'	PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England
xLoS	Cross line of service



# Appendix E: Compliance mapping

## Audit Firm Governance Code

This Transparency Report's compliance with the Audit Firm Governance Code (2016) has been set out below with details of relevant disclosures made that comply with each individual principle and provision of the Code.

Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located	Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located
<p><b>A.1 Ownership accountability principle</b> The management of a firm should be accountable to the firm's owners and no individual should have unfettered powers of decision.</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section.</p>	<p>A.1.3 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.</p>	<p><b>Governance chapter</b> – Biographies of members of the Management Board and Supervisory Board, Our committee structures and what they do sections. <b>Governance chapter</b> – Update from the Public Interest Body section. <b>Governance chapter</b> – Update from the Audit Oversight Body section.</p>
<p>A.1.1 The firm should establish a board or equivalent governance structure, with matters specifically reserved for its decision, to oversee the activities of the management team.</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section.</p>	<p>A.1.4 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.</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section.</p>
<p>A.1.2 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 audit is undertaken and the Code's purpose achieved in the UK.</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section. <b>Governance chapter</b> – Update from the Audit Oversight Body section. <b>Governance chapter</b> – Update from the Public Interest Body section.</p>	<p><b>A.2 Management principle</b> A firm should have effective management which has responsibility and clear authority for running the firm.</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section.</p>
		<p>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.</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section. <b>Governance chapter</b> – Update from the Public Interest Body and Update from the Audit Oversight Body sections.</p>



Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located
<p><b>B.1 Professionalism principle</b></p> <p>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.</p>	<p><b>Ethics and independence chapter</b> – Ethics section.</p> <p><b>Appendix C:</b> Finances and other disclosures – PwC UK Registrations section.</p> <p><b>Audit quality chapter</b> – Our system of quality management section.</p> <p><b>Audit quality chapter</b> – Our audit methodology section.</p> <p><b>People chapter</b> – Culture section.</p>
<p>B.1.1 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.</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section.</p> <p><b>Governance chapter</b> – Update from the Public Interest Body and Update from the Audit Oversight Body sections.</p> <p><b>People chapter</b> – Culture and Talent, performance and reward sections.</p>
<p>B.1.2 Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section.</p>
<p>B.1.3 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-executives should oversee compliance with it.</p>	<p><b>Ethics and independence chapter</b> – Ethics section.</p>

Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located
<p><b>B2 Governance principle</b></p> <p>A firm should publicly commit itself to this Audit Firm Governance Code</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section.</p>
<p>B.2.1 The firm should incorporate the principles of this Audit Firm Governance Code into an internal code of conduct.</p>	<p><b>Ethics and independence chapter</b> – Ethics section.</p>
<p><b>B3 Openness principle</b></p> <p>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.</p>	<p><b>Audit quality chapter</b> – Inspections and Investigations on our audits, AQP and continuous improvement, and Our system of quality management sections.</p> <p><b>Ethics and independence chapter</b> – Engagement acceptance and continuance section.</p> <p><b>Audit quality chapter</b> – Our audit methodology section.</p>
<p><b>C1 Involvement of independent non-executive principle</b></p> <p>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.</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section.</p> <p><b>Governance chapter</b> – Update from the Public Interest Body section.</p>



Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located	Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located
<p>C.1.1 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 matters relating to their remit. They should have full visibility of the entirety of the business but should pay particular attention to and report on risks 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.</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section.  <b>Governance chapter</b> – Update from the Public Interest Body and Update from the Audit Oversight Body sections.</p>	<p>C.1.2 The firm should disclose on its website and 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 chosen to position its independent non-executives in the way 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.</p> <p>C.1.3 The independent non-executives should report in the firm’s transparency report on how they have worked to meet the purpose of the Code defined as:</p> <ul style="list-style-type: none"> <li>• Promoting audit quality.</li> <li>• Helping the firm secure its reputation more broadly, including in its non-audit businesses.</li> <li>• Reducing the risk of firm failure.</li> </ul> <p>C.1.4 Independent non-executives should have regular contact with the Ethics Partner, who should under the ethical standards have a reporting line to them.</p>	<p><b>Governance chapter</b> – Update from the Public Interest Body and Update from the Audit Oversight Body sections.  <b>Governance chapter</b> – Our committee structures and what they do section.  Information can also be found <a href="#">on our website</a><sup>1</sup>.</p> <p><b>Governance chapter</b> – Update from the Public Interest Body and Update from the Audit Oversight Body sections.</p> <p><b>Governance chapter</b> – Update from the Public Interest Body.</p>

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/terms-of-reference-governance-structure.html>



Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located
<p><b>C2 Characteristics of independent non-executives' principle</b></p> <p>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 non-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.</p>	<p><b>Governance chapter</b> – Update from the Public Interest Body and Update from the Audit Oversight Body sections.</p>
<p>C.2.1 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.</p>	<p><b>Governance chapter</b> – Update from the Public Interest Body and Update from the Audit Oversight Body sections.</p>
<p><b>C3 Rights and responsibilities of independent non-executives principle</b></p> <p>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.</p>	<p><b>Governance chapter</b> – Update from the Public Interest Body and Update from the Audit Oversight Body sections.</p>

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/terms-of-reference-the-public-interest-body-annex.html#annex2>

<sup>2</sup> Source: <https://www.pwc.co.uk/who-we-are/terms-of-reference-audit-oversight-body.html>

Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located
<p>C.3.1 Each independent non-executive should have a contract for services setting out their rights and duties.</p>	<p><b>Governance chapter</b> – Update from the Public Interest Body section.</p>
<p>C.3.2 Independent non-executives should be appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation.</p>	<p><b>Governance chapter</b> – Update from the Public Interest Body section.</p>
<p>C.3.3 The responsibilities of an independent non-executive should include, but not be limited to, oversight of the firm's policies and processes for:</p> <ul style="list-style-type: none"> <li>• Promoting audit quality.</li> <li>• Helping the firm secure its reputation more broadly, including in its non-audit businesses.</li> <li>• Reducing the risk of firm failure.</li> </ul>	<p><b>Governance chapter</b> – Update from the Public Interest Body and Update from the Audit Oversight Body sections.</p>
<p>C.3.4 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.</p>	<p><b>Governance chapter</b> – Update from the Public Interest Body section.</p>
<p>C.3.5 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>	<p><b>Governance chapter</b> – Update from the Public Interest Body section.</p>
<p>C.3.6 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.</p>	<p><b>Governance chapter</b> – Our committee structures and what they do section. For the PIB, Annex 2 on the PIB Terms of Reference on <a href="#">our website</a><sup>1</sup>. For the AOB, Annex 2 on the AOB Terms of Reference on <a href="#">our website</a><sup>2</sup>.</p>



Principles and provisions of the AFGC 2016		Where information on how the principles and provisions have been addressed can be located	
<b>D1</b>	<b>Compliance principle</b> A firm should comply with professional standards and applicable legal and regulatory requirements. Operations should be conducted in a way that promotes audit quality and the reputation of the firm. The independent non-executives should be involved in the oversight of operations.	<b>Governance chapter</b> – Our committee structures and what they do section. <b>Ethics and independence chapter</b> – Ethics section. <b>Audit quality chapter</b> – AQP and continuous improvement section. <b>Governance chapter</b> – Update from the Audit Oversight Body section. <b>Appendix C:</b> Finances and other disclosures – PwC UK Registrations section.	
D.1.1	The firm should establish policies and procedures for complying with applicable legal and regulatory requirements and international and national standards on auditing, quality control and ethics, including auditor independence.	<b>Ethics and independence chapter</b> – Ethics section. <b>Audit quality chapter</b> – Inspections and Investigations on our audits, AQP and continuous improvement, Our system of quality management and Our audit methodology sections. <b>Ethics and independence chapter</b> – Engagement acceptance and continuance section.	
D.1.2	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.	<b>Ethics and independence chapter</b> – Engagement acceptance and continuance section. <b>Audit quality chapter</b> – Our audit methodology.	
D.1.3	The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.	<b>Ethics and independence chapter</b> – Engagement acceptance and continuance section.	
D.1.4	The firm should take action to address areas of concern identified by audit regulators in relation to the firm’s audit work.	<b>Audit quality chapter</b> – Inspections and Investigations on our audits and AQP and continuous improvement sections.	
<b>D2</b>		<b>Risk management principle</b>	
A firm should maintain a sound system of internal control and risk management over the operations of the firm as a whole to safeguard the firm and reassure stakeholders.		<b>Governance chapter</b> – Our committee structures and what they do section. <b>Governance chapter</b> – Update from the Public Interest Body section. <b>Ethics and independence chapter</b> – Ethics section. <b>Audit quality chapter</b> – Inspections and Investigations, AQP, and Our system of quality management sections.	
D.2.1	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 behaviour within the firm.	<b>Governance chapter</b> – Our committee structures and what they do section. <b>Governance chapter</b> – Update from the Audit Oversight Body section. <b>People chapter</b> – Culture section. <b>Audit quality chapter</b> – Our system of quality management and AQP sections.	
D.2.2	The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise 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.	<b>Governance chapter</b> – Our committee structures and what they do and Update from the Public Interest Body sections. <b>Audit quality chapter</b> – Our system of quality management, AQP and AQM & AQIs sections.	



Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located
D.2.3 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. This should reference specifically the sustainability of the audit practice within the UK.	<b>Appendix A:</b> Risk Register.
<b>D3 People management principle</b> A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code.	<b>People chapter</b> – Training, Culture, Talent, performance and reward sections. <b>Audit quality chapter</b> – Our audit methodology and AQP sections.
D.3.1 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.	<b>Ethics and independence chapter</b> – Ethics section. <b>People chapter</b> – Training, Culture, Talent, performance and reward sections. <b>Audit quality chapter</b> – Our audit methodology and AQP sections.
D.3.2 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.	<b>Governance chapter</b> – Update from the Public Interest Body and Update from the Audit Oversight Body sections. <b>Governance chapter</b> – Our committee structures and what they do section.

Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located
<b>D4 Whistleblowing principle</b> 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.	<b>Ethics and independence chapter</b> – Ethics section. <b>Governance chapter</b> – Our committee structures and what they do and Update from the Public Interest Body sections.
D.4.1 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.	<b>Governance chapter</b> – Update from the Public Interest Body section. Whistleblowing procedures on <a href="#">our website</a> <sup>1</sup> .
<b>E1 Internal reporting principle</b> 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.	<b>Governance chapter</b> – Our committee structures and what they do and Update from the Public Interest Body and Audit Oversight Body sections.
<b>E2 Governance reporting principle</b> 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 noncompliance.	Whole Transparency Report. Statement of compliance within the <b>Governance chapter</b> – Our committee structures and what they do.

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/code-of-conduct/speak-up-pwcs-whistle-blowing-helpline.html>



Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located
E.2.1 The firm should publish on its website an annual transparency report containing the disclosures required by Code Provisions A.1.2, A.1.3, B1.2, C.2.1, D.1.3, D.2.2, E.2.2 and E.3.1.	See the mapped chapters and relevant content to each of these Code Provisions throughout this document. The Transparency Report will be housed on the firm's website.
E2.2 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.	<b>Governance chapter</b> – Our committee structures and what they do.
<b>E3 Transparency principle</b> A firm should publish on an annual basis in its transparency report a commentary on the firm's performance, position and prospects.	Whole Transparency Report. The <a href="#">PwC 2023 Financial Statements</a> <sup>1</sup> are included in the <a href="#">PwC Annual Report</a> <sup>2</sup> , and also available from Companies House. <b>Appendix C:</b> Finances and other disclosures.
E.3.1 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.	<b>Appendix A:</b> Risk Register. <b>Audit quality chapter</b> – Our system of quality management, AQP.
E.3.2 The transparency report should be fair, balanced and understandable in its entirety.	Achieved throughout report as a whole.

<sup>1</sup> Source: <https://www.pwc.co.uk/annualreport/assets/2023/pwc-uk-financial-statements-2023.pdf>

<sup>2</sup> Source: <https://www.pwc.co.uk/who-we-are/annual-report.html>

<sup>3</sup> Source: <https://www.pwc.co.uk/who-we-are/terms-of-reference-the-audit-and-risk-committee.html>

Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located
<b>E4 Reporting quality principle</b> A firm should establish formal and transparent arrangements for monitoring the quality of external reporting and for maintaining an appropriate relationship with the firm's auditors	<b>Governance chapter</b> – Our committee structures and what they do.
E.4.1 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, including its 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.	<b>Governance chapter</b> – Our committee structures and what they do. Information can also be found <a href="#">on our website</a> <sup>3</sup> .
<b>E5 Financial statements principle</b> A firm should publish audited financial statements prepared in accordance with a recognised financial reporting framework such as International Financial Reporting Standards or UK GAAP, and should be clear and concise.	The <a href="#">PwC 2023 Financial Statements</a> <sup>1</sup> are included in the <a href="#">PwC Annual Report</a> <sup>2</sup> , and also available from Companies House.
E.5.1 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.	
E.5.2 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.	





Principles and provisions of the AFGC 2016	Where information on how the principles and provisions have been addressed can be located
<p><b>F1 Firm dialogue principle</b> A firm should have dialogue with listed company shareholders, as well as listed companies and their audit committees, about matters covered by this Audit Firm Governance Code to enhance mutual communications and understanding and ensure that it keeps in touch with shareholder opinion, issues and concerns.</p>	<p><b>Building trust chapter</b> – Interaction with stakeholders section. <b>Governance chapter</b> – Our committee structures and what they do.</p>
<p>F.1.1 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.</p>	<p><b>Building trust chapter</b> – Interaction with stakeholders section. And included <a href="#">on our website</a><sup>1</sup>.</p>
<p><b>F2 Shareholder dialogue principle</b> Shareholders should have dialogue with audit firms to enhance mutual communication and understanding.</p>	<p><b>Building trust chapter</b> – Interaction with stakeholders section.</p>
<p><b>F3 Informed voting principle</b> Shareholders should have dialogue with listed companies on the process of recommending the appointment and reappointment of auditors and should make considered use of votes in relation to such recommendations.</p>	<p><b>Building trust chapter</b> – Interaction with stakeholders section.</p>

<sup>1</sup> Source: <https://www.pwc.co.uk/who-we-are/our-purpose/fair-trusted-business/ethics-compliance.html>



## The Statutory Auditors (Transparency) Instrument 2008 and the Local Auditors (Transparency) Regulations 2020

In last year's Transparency Report we mapped requirements from The Statutory Auditors (Transparency) Instrument 2008. These requirements were amended by The Statutory Auditors and Third Country Regulations 2016 which was further amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019, which we map the requirements of below. As requirements of The Statutory Auditors (Transparency) Instrument 2008 have been amended we no longer report on how we meet these requirements.

Where an audit firm performs the audit of one or more major local audits, the Local Auditors (Transparency) Regulations 2020 require that auditor to prepare and publish a transparency report which meets the requirements of the Local Auditors (Transparency) Regulations 2020 issued by the FRC. PwC UK did not perform any major local audits in the year to 30 June 2023 (2022: 0 major local audits). We have therefore not prepared a compliance table against these regulations.





## The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019

This Transparency Report's compliance with Article 13 of EU Regulation 537/2014 as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 has been set out below with details of relevant disclosures are made that comply with each individual requirement of the Regulation.

Requirement	Location within this Transparency Report	Requirement	Location within this Transparency Report
<p>1. A statutory auditor that carries out the statutory audit of a public-interest entities shall make public an annual transparency report at the latest four months after the end of each financial year.</p> <p>That transparency report shall be published on the website of the statutory auditor and shall remain available on that website for at least five years from the day of its publication on the website.</p> <p>A statutory auditor shall be allowed to update its published annual transparency report. In such a case, the statutory auditor 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.</p> <p>Statutory auditors shall communicate to the competent authorities that the transparency report has been published on the website of the statutory auditor or, as appropriate, that it has been updated.</p>	Complied with the Transparency Report as a whole.	(iv) the total turnover of the members of the network identified under paragraph (ii) resulting from statutory audit work or equivalent work in the EEA States or Gibraltar;	<b>Appendix C:</b> Finance and other disclosures – List of EEA member state audit firms in the PwC Network section.
2. The annual transparency report shall include at least the following:	<b>Appendix B:</b> Network and UK Firm Structure section.	(c) a description of the governance structure of the statutory auditor, if it is a firm;	<b>Governance chapter</b> – Our committee structures and what they do.
(a) a description of the legal structure and ownership of the statutory auditor, if it is a firm;	<b>Appendix B:</b> Network and UK Firm Structure section.	(d) a description of the internal quality control system of the statutory auditor and a statement by the management body on the effectiveness of its functioning;	<b>Audit quality chapter</b> – Our system of quality management, AQP and continuous improvement (namely RCA)
(b) where the statutory auditor is a member of a network:	<b>Appendix B:</b> Network and UK Firm Structure section.	(e) an indication of when the last quality assurance review referred to in Article 26 was carried out;	<b>Audit quality chapter</b> – Inspections and investigations on our audits section
(i) a description of the network and the legal and structural arrangements in the network;	<b>Appendix C:</b> Finance and other disclosures – List of EEA member state audit firms in the PwC Network section.	(f) a list of public-interest entities for which the statutory auditor carried out statutory audits during the preceding financial year;	<b>Appendix C:</b> Finance and other disclosures – List of public interest entity audits performed by PwC UK.
(ii) the name of each member of the network that is eligible for appointment as a statutory auditor, or is eligible for appointment as an auditor in an EEA State or in Gibraltar;	<b>Appendix C:</b> Finance and other disclosures – List of EEA member state audit firms in the PwC Network section.	(g) a statement concerning the statutory auditor's independence practices which also confirms that an internal review of independence compliance has been conducted;	<b>Ethics and independence chapter</b> – Independence section.
(iii) for each of the members of the network identified under paragraph (ii), the countries in which they are eligible for appointment as auditors or in which they have a registered office, central administration or a principal place of business;	<b>Appendix C:</b> Finance and other disclosures – List of EEA member state audit firms in the PwC Network section.	(h) a statement on the policy followed by the statutory auditor concerning the continuing education of statutory auditors referred to in paragraph 11 of Schedule 10 to the Companies Act 2006;	<b>People chapter</b> – Training section.




Requirement	Location within this Transparency Report
(i) information concerning the basis for the remuneration of members of the management body of the statutory auditor, where that statutory auditor is a firm;	<b>Governance chapter</b> – Our committee structures and what they do.
(j) a description of the statutory auditor's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7);	<b>Ethics and independence chapter</b> – Independence section.
(k) where not disclosed in its accounts, information about the total turnover of the statutory auditor, divided into the following categories: (i) revenues from the statutory audit of accounts of public-interest entities and entities members of groups of undertakings whose parent undertaking is a public-interest entity; (ii) revenues from the statutory audit of accounts of other entities; (iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor; and (iv) revenues from non-audit services to other entities.	<b>Appendix C: Finance and other disclosures</b> – Relative importance of statutory audit work.
The statutory auditor 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 shall be able to demonstrate to the competent authority the existence of such threat.	Not applicable.
3. The transparency report shall be signed by the statutory auditor.	Hemione Hudson, UK Head of Audit







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