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*PricewaterhouseCoopers  
East Caribbean Firm  
and  
PricewaterhouseCoopers  
SRL*

Transparency Report 2014/15

**pwc**

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# ***Introduction***

This Transparency Report is published in accordance with Article 40(1) and 45(5) (e) of the Directive on Statutory Audit 2006/43/EC.

The Transparency Report is in respect of the financial year ended June 30, 2015.

The Transparency Report was approved by the Management Committee of PricewaterhouseCoopers East Caribbean Firm, and by the Managers of PricewaterhouseCoopers SRL and signed on their behalf by Michael Bynoe on September 24, 2015.

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## ***Legal structure and ownership of the firm***

PricewaterhouseCoopers East Caribbean ( the Firm ) is based in Barbados and provides services to the East Caribbean. Assurance services in Barbados are delivered through an affiliated entity PricewaterhouseCoopers SRL, a society with restricted liability. Throughout this report PricewaterhouseCoopers East Caribbean and PricewaterhouseCoopers SRL are collectively referred to as PwC EC. The firm is wholly owned by its members who are generally referred to as partners or principals. As of June 30, 2015 there were 12 partners, of whom 7 are statutory audit partners.

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## ***Network arrangements***

“PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited (“PwCIL”) and/or one or more of its member firms, each of which is a separate legal entity.

PwC member firms operate locally in countries around the world. Being a member of the PwC network means firms can use the PwC name and draw on certain resources, methodologies, knowledge and expertise within the PwC network. Each member firm also agrees to abide by certain common policies and maintain the standards of the PwC network. Each PwC member firm engages in quality control and compliance monitoring activities, covering the provision of services, ethics and business conduct, and the compliance with specific, strict standards for independence monitoring and protection.

PwCIL is an English private company limited by guarantee. PwCIL does not practise accountancy, provide services to clients or do business with third parties. PwCIL acts as a co-ordinating entity for PwC member firms in the PwC network. PwCIL develops and implements standards and policies and initiatives that create a common approach for member firms. PwCIL focuses on key areas like strategy, brand and risk and quality, including compliance with independence processes.

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## ***Network arrangements***

Each member firm of PwCIL is a separate legal entity and does not act as an agent of PwCIL, or any other PwC firm. PwCIL is not responsible or liable for the acts or omissions of any of its member firms, nor can it control the exercise of their professional judgement or bind them in anyway. No member firm is responsible or liable for the acts or omissions of any other member firm, nor can it control the exercise of another member firm's professional judgement, or bind another member firm, or PwCIL in any way. The governance bodies of PwCIL are:

- Global Board, which is responsible for the governance of PwCIL and for the oversight of the Network Leadership Team. The Board does not have an external role. Board members are elected by partners from all PwC member 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 member firms agree to adhere.
- Strategy Council, which is made up of the leaders of the largest member firms of the network, agrees changes to the strategic direction of the network, in order to facilitate their consistent implementation.
- Network Executive Team, which reports to the Network Leadership Team, coordinates the service lines and the key functional areas (such as Risk & Quality, Human Capital, Operations, Brand & Communication) across the network.

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## ***Governance structure of the firm***

The Firm has a partnership agreement and other documents which together set out in appropriate detail the Firm's governance structures and systems.

During FY 2015 the Firm entered into an agreement with a PwC network member firm based in the Caribbean that acts as the coordinating entity for the network of certain PwC member firms operating in the Caribbean region including PwC EC. The coordinating entity is managed by a separate leadership team and overseen by its board of directors.

Management of PwC EC is provided by a Management Committee. This team is chaired by Michael Bynoe, the Territory Leader ("TL"). The Management Committee reviews PwC EC's mission, core values, goals and objectives for the period ahead, along with action plans from each line of service ("LoS"). Plans for key functional areas such as Human Capital, Risk Management, etc. are developed in conjunction with other member firms of the PwC network operating in the Caribbean. Plans are monitored regionally or locally as appropriate. A three-member East Caribbean Partnership Board, including a chairman, has powers to monitor the income allocation process, as well as the East Caribbean firm's financial performance and strategic plans. The Chairman is elected by the Board, who are themselves elected by a full vote of the local partners.

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# *Internal quality control system*

The following is a summary of the system of quality control that PwC EC and PricewaterhouseCoopers SRL have adopted over their accounting and auditing practices.

## **Introduction**

Firms of the PwC<sup>1</sup> network are members of, or otherwise connected to PricewaterhouseCoopers International Limited (“PwCIL”), an English private company limited by guarantee. Each member firm is a separate legal entity. All member firms are obliged to abide by certain common audit and quality control standards and policies approved by PwCIL and to conduct risk and quality reviews. The policies of PwC EC and PricewaterhouseCoopers SRL are based on these common standards and policies, which are supplemented to address local professional standards and regulatory requirements.

<sup>1</sup> “PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited and/or one or more of its member firms, each of which is a separate legal entity.

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# ***Internal quality control system***

## **Quality Control Standards**

Compliance with International Standards on Auditing (“ISA”) requires PwC EC to have a system of quality control over its auditing practice. These controls are embedded as part of PwC EC’s day-to-day activities. The quality control system is in compliance with International Standards on Quality Control 1 (“ISQC1”), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, issued by the International Federation of Accountants (“IFAC”). The IFAC standards and requirements and, therefore, PwC EC's quality control system, encompass the following six elements of quality control:

1. Leadership Responsibilities for Quality within the Firm
2. Ethical Requirements
3. Acceptance and Continuance of Client Relationships and Specific Engagements
4. Human Resources
5. Engagement Performance
6. Monitoring

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# *Internal quality control system*

## *1. Leadership Responsibilities for Quality within the Firm*

PwC EC's leadership is committed to audit quality and has established a firm culture embracing high standards in independence and professional ethics. This culture is embedded throughout the detailed policies endorsed by leadership, including ethical, human resources and engagement performance which are discussed below. It is also demonstrated by the dedication of resources to quality. There is a partner responsible for risk management and quality control relative to PwC EC's client service operations who reports directly to the TL.

## *2. Ethical Requirements*

**Integrity and Objectivity:** The reputation and success of PwC EC depend on the professionalism and integrity of each and every partner/engagement leader and employee. All PwC EC partners/engagement leaders and staff are expected to uphold and comply with the standards developed by the PwC global network and PwC EC. PwC EC's leadership monitors compliance with these obligations by PwC EC's partners/engagement leaders and staff.

Upon hiring or admittance, all staff and partners/engagement leaders of PwC EC are provided with a copy of the PwC Global Code of Conduct. They are expected to live by the values expressed in the code in the course of their professional careers.

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## ***Internal quality control system***

**Independence:** PwC EC has adopted the PwC Global policies and related rules regarding independence and compliance, complemented when necessary by more restrictive local professional and regulatory rules. PwC EC strictly monitors compliance with regulatory, professional, and PwC network independence requirements related to financial interests in, and business and service relationships with, clients.

### ***3. Acceptance and Continuance of Client Relationships and Specific Engagements***

PwC EC has implemented a process to identify acceptable clients based on the PwC global network's proprietary decision support systems for audit client acceptance and retention (called Acceptance and Continuance ("A&C")). A&C facilitates a determination by the engagement team, business management and risk management specialists of whether the risks related to an existing client or a potential client are manageable, and whether or not PwC EC should be associated with the particular client and its management.

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# *Internal quality control system*

## **4. Human Resources**

PwC EC partners/engagement leaders and staff regularly receive a thorough orientation to the culture, values and core attributes of PwC – Quality, Trust, Teamwork, Excellence and Leadership. PwC EC aims to recruit only high quality staff that can operate as accounting and other experts in support of audits and who share in PwC EC's strong sense of responsibility for auditing. Candidates are considered according to multiple criteria, including their academic achievements.

**Professional Development:** Training and development is an ongoing process. Training starts when a person is hired and continues throughout his or her career. PwC EC's people participate in a variety of local, regional and international formal training courses, as well as being trained through on the job coaching and supervision.

**Supervision and Direction:** Each engagement leader is responsible, in consultation with others as appropriate, for staffing engagements with partners/engagement leaders and staff who have the professional competence and experience required in the circumstances. Further, each engagement leader is ultimately responsible for determining the extent of direction, supervision and review of the work of more junior staff to whom work is delegated.

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# *Internal quality control system*

## **5. Engagement Performance**

**Consistent Global Methodology:** PwC EC uses a consistent audit methodology and process for audit engagements. The methodology is enhanced as necessary to respond to the changing environment. All audit engagement leaders and staff receive ongoing training in this methodology.

**Comprehensive Policies and Procedures:** To complement the Global policies and procedures, PwC EC, in conjunction with other PwC network firms operating in the Caribbean, has developed policies and procedures covering accounting and auditing practices that are updated to reflect new professional developments and the operating environment, and to address emerging issues, as well as the needs and concerns of the practice. These policies cover not only professional and regulatory standards, but also reflect the guidance provided to staff about how best to implement them. They are available in electronic files and databases, are regularly updated or supplemented for all current developments and are accessible remotely at any time.

**Risk and Quality (“R&Q”):** Consultation is a key element to quality control. PwC EC has formal protocols setting out the circumstances under which consultation is mandatory. PwC EC, in conjunction with other PwC network firms operating in the Caribbean, is supported by a team that tracks new developments in accounting and auditing standards and provide updates to the appropriate professional staff. PwC EC’s consultative culture means that our engagement teams will regularly consult with experts and others beyond those that are formally required.

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## ***Internal quality control system***

PwC EC is responsible for monitoring the effectiveness of its quality control systems which includes carrying out, or arranging to be carried out on its behalf, independent reviews both at the management level of the Assurance practice's systems and procedures (known as Quality Management Review – QMR) and at the individual engagement level (known as Engagement Compliance Reviews) collectively referred to as the "Quality Review" process. Certain of the Assurance practice's systems and procedures are performed regionally in conjunction with other PwC network member firms operating in the Caribbean and are reviewed on that basis. The independent Quality Management Review and Engagement Compliance Reviews are undertaken so that, generally, the firm and significant engagements are reviewed at least every three years. All engagement leaders must have at least one of their engagements reviewed every five years.

Quality monitoring is an integral part of the PwC EC's overall system of quality control. PwC EC constantly evaluates inputs from formal programs such as this and a variety of informal sources in an ongoing effort to improve policies, procedures and the consistency of the quality of work. Instances of failure to meet performance standards are treated seriously with the engagement leader responsible being counselled to improve performance and appropriate steps being taken to fully encourage improvement including, where appropriate, the imposition of financial penalties.

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# *Internal quality control system*

## **6. Monitoring**

The Management Committee of PwC EC in reviewing the effectiveness of the system of internal control (which includes controls relating to quality), can confirm that necessary actions have been or are being taken to remedy any failings or weaknesses identified in reviews conducted over the year ended June 30, 2015.

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## ***External inspections***

PwC EC is eligible to undertake statutory audit work in Barbados by virtue of its authorisation by the Institute of Chartered Accountants of Barbados (“ICAB”). ICAB is a member of the Institute of Chartered Accountants of the Caribbean (“ICAC”) which has introduced a practice monitoring scheme, contracted out to the Association of Chartered Certified Accountants (“ACCA”). Our firm was subject to practice monitoring quality reviews in the year ended June 30, 2011 which concluded that “The Member Firm was in compliance with ISQC1 and ISAs” and that “the outcome of the monitoring visit is considered satisfactory”.

In November 2014 an external inspection was conducted by the UK’s Financial Reporting Council.

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## ***Public interest audit clients***

The list below includes those audit clients for whom we have issued an audit opinion between July 1, 2014 and June 30, 2015 and whose shares are listed on an EU Regulated Market. Where our audit client is a parent undertaking, we have not included any of its subsidiaries:

- Sagicor Financial Corporation

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# *Independence procedures and practices*

## **Organisation**

PwC EC has a designated partner, Ann Wallace-Elcock, (known as the “Partner Responsible for Independence” or “PRI”) with appropriate seniority and standing, who is responsible for providing appropriate support and processes such that partners/engagement leaders and staff are knowledgeable about independence matters and that they take the actions required of them by the firm’s independence policies and supporting guidance. The partner is supported by a small team of independence specialists.

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# *Independence procedures and practices*

## **Policies and guidance**

The PwC Network Independence Policy, which is based on the International Ethics Standards Board for Accountants (“IESBA”) Code of Ethics for Professional Accountants, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

The independence requirements of the United States Securities and Exchange Commission and those of the Public Company Accounting Oversight Board of the United States are, in certain instances, more restrictive than the firm’s policy. Given the reach of these requirements and their impact on PwC Network Firms, the policy identifies key areas where these requirements are more restrictive.

PwC EC supplements the PwC Network Independence Policy as required by local policy.

The firm’s 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/engagement leaders, 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 rendered to assurance clients; and
- 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.

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# *Independence procedures and practices*

## **Training and confirmations**

PwC EC provides all partners/engagement leaders and staff with annual or ongoing training on independence matters. Training typically focuses on the details of current independence policy, changes in policy or external regulation and, as relevant, provision of services. Partners/engagement leaders and staff receive computer-based training on PwC EC's independence policy and related topics. Additionally, face-to-face training is delivered to members of the practice on an as-needed basis by PwC EC's independence specialists and risk and quality team.

PwC EC requires all partners/engagement leaders and staff to confirm annually their compliance with all aspects of PwC EC's independence policy, including their own personal independence. In addition, all partners/engagement leaders confirm that all non-audit services and business relationships for which they are responsible are in compliance with independence and other policies and that PwC EC processes have been followed in accepting these engagements and relationships. These confirmations serve two primary purposes: to identify any threats to independence that may have arisen; and to provide a periodic reminder of PwC EC's independence policies and procedures. These annual confirmations are supplemented by engagement level confirmations for PwC EC's listed audit clients.

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# *Independence procedures and practices*

## **Independence Systems**

As a member of the PricewaterhouseCoopers network, the firm has access to a number of global systems that assist PwC member firms and their personnel in complying with independence policies and procedures. These systems include:

- The Central Entity Service (“CES”), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related subsidiaries. CES assists in determining the independence status of clients of the firm before we enter into a new non-audit engagement or business relationship. This system also feeds GPS;
- The Global Portfolio System (“GPS”) which facilitates the pre-clearance of publicly traded securities by all partners/engagement leaders, directors and practice managers before acquisition and records their subsequent purchases and disposals. When a member firm wins a new audit client, this system automatically informs those holding securities in this client of the requirement to sell the security where required. This system has recently been reviewed and is being replaced by an enhanced system (Checkpoint); and
- Authorisation for Services (“AFS”) which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documenting the potential independence threats of the service and proposed safeguards, and acts as a record of the audit partner’s /engagement leader’s conclusion on the acceptability of the service.

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# *Independence procedures and practices*

## **Independence Systems**

PwC EC also has a number of specific processes which include:

- A rotation tracking system which monitors compliance with PwC EC's audit rotation policies for engagement leaders and other key audit partners/engagement leaders involved in an audit; and
- A centralized repository that maintains significant approved business relationships into which PwC EC has entered. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.

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# *Independence procedures and practices*

## **Internal reviews and independence procedures and practices**

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

- Quality control reviews of engagements to confirm compliance with risk management processes, including independence;
- Personal independence compliance testing of a random selection of partners/engagement leaders;
- Compliance testing of independence controls and processes; and
- Annual assessment (in conjunction with other PwC network firms operating in the Caribbean) of PwC EC's adherence with the PricewaterhouseCoopers network's independence risk management standard.

In addition, policies and guidance are reviewed and revised when changes arise such as updates to laws and regulations, when PwC Network policies and guidance change, or as a result of the above reviews and of our monitoring and testing programme.

The results of PwC EC's monitoring and testing are reported to its management.

The investigations of any identified violations of policies also serve to identify the need for improvements in PwC EC's systems and processes and for additional guidance and training.

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# *Independence procedures and practices*

## **Disciplinary Policy**

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

A partner/engagement leader or staff member may be subject to disciplinary action for a violation of independence policies.

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## ***Continuing professional education of partners/engagement leaders and staff eligible for appointment as statutory auditors***

PwC EC maintains up-to-date comprehensive reference materials which are accessible by all assurance practice partners/engagement leaders and staff. These cover audit policy, procedure and methodology, and include a library of international accounting, auditing and ethical standards. To support and keep staff and partners/engagement leaders' knowledge up to date, partners/engagement leaders and staff receive regular communications on technical and regulatory topics as they arise. Support is available to partners/engagement leaders and staff on auditing, accounting and regulatory requirements, including access to subject matter experts in specialist industries or technical areas.

PwC EC's internal training curriculum provides a broad range of technical programmes as well as business and personal skills programmes. There are also specialised training programmes available for those with clients in specialist industries. Through their participation in the internal objective setting and related performance appraisal processes, engagement leaders assess their ongoing personal development and identify any necessary development activities, including in relation to quality.

The PwC Global Code of Conduct, which has been adopted by PwC EC, sets expectations of behaviour and values. Mandatory ethics and business training covers the Code of Conduct as well as ethical, accounting, auditing and other regulatory matters.

PwC EC also monitors compliance with Continuing Professional Development requirements, including the completion of mandatory training programmes, so that PwC EC's services are delivered by individuals who have the right experience and – where required – are qualified under relevant legislative and other applicable requirements.

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## *Financial information*

An analysis of the combined turnover of PwC EC, PricewaterhouseCoopers SRL and their affiliated entities for the financial year ended June 30, 2015 is shown below:

	<b><u>2015</u></b>	<b><u>2014</u></b>
Assurance	70%	68%
Advisory	8%	10%
Tax	13%	13%
Corporate	9%	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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# *Remuneration*

Partners/engagement leaders are remunerated out of profits of the Firm and its affiliated entities. Audit partners/engagement leaders are not permitted to be incentivised, evaluated or remunerated for the selling of non-audit services to their audit clients. The final allocation and distribution of profit to individual partners/engagement leaders is made by the Management Committee once their performance has been assessed and the annual financial statements have been completed. The Partnership Board is responsible for supervising the process and reviewing the final allocations.

Profits are allocated to partners/engagement leaders based on individual personal plans which outline an individual's contribution to the firm, coupled with that person's ability to achieve or exceed planned targets. As well, each partner/engagement leader is required to complete a detailed plan in advance of each financial year end, and a self-assessment against plan is completed at the end of the year. From time to time, special awards may be made to partners/engagement leaders for exceptional performance during a period.

Personal plans focus on a wide range of performance criteria, including risk and quality objectives which are designed to ensure that all partners/engagement leaders deliver quality service while maintaining both their independence and objectivity.

