

# *PwC Channel Islands* Transparency report

*PricewaterhouseCoopers CI LLP*

*Financial year ending  
30 June 2016*

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# *Introduction*

# Introduction

## Report overview

This Transparency Report is published in accordance with the requirements for third country auditors in Article 45 (5)(e) of the European Communities (Statutory Audits) (Directive 2006/43/EC) for our financial year ended 30 June 2016.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 208,000 people who are committed to delivering quality in assurance, advisory and tax services. The Transparency Report was approved and signed by Brendan McMahon as Senior Partner on 29 September 2016 on behalf of PricewaterhouseCoopers CI LLP ('PwC Channel Islands').

## Legal structure and ownership

PwC Channel Islands is a limited liability partnership. It is wholly owned by its members, who are commonly referred to as partners. Its members include PricewaterhouseCoopers LLP ('PwC UK'). Other than PwC UK, all members of PwC Channel Islands are natural persons and partners of the firm. As of 30 June 2016 PwC Channel Islands was made up of 10 partners; 1 in Tax, 1 in Advisory and 8 in Assurance. The only subsidiary providing professional services during the year was PricewaterhouseCoopers Services (Guernsey) Limited, which is licenced by the Guernsey Financial Services Commission under the Regulation of Fiduciaries, Administration Business and Company Directors, etc (Bailiwick of Guernsey) Law, 2000.

We have three PwC offices within the Channel Islands:

Jersey	Guernsey	Alderney
PwC Channel Islands 37 Esplanade ST HELIER Jersey JE1 4XA  Tel: +44 1534 838200 <a href="http://www.pwc.com/jg">http://www.pwc.com/jg</a>	PwC Channel Islands Royal Bank Place 1 Gategny Esplanade ST PETER PORT Guernsey GY1 4ND  Tel: +44 1481 752000 <a href="http://www.pwc.com/jg">http://www.pwc.com/jg</a>	PwC Channel Islands Upper Floor Maison Des Venelles VENELLES DES GAUDION Alderney GY9 3TW  Tel: +44 1481 752146 <a href="http://www.pwc.com/jg">http://www.pwc.com/jg</a>

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# *Network arrangements*

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# Network arrangements

## *PwC Network*

### *PwC<sup>1</sup> Network*

PwC is a global network of separate firms, operating locally in countries around the world. PwC firms are members of PricewaterhouseCoopers International Limited and have the right to use the PricewaterhouseCoopers name. As members of the PwC network, PwC firms share knowledge, skills and resources. This membership facilitates PwC firms to work together to provide high-quality services on a global scale to international and local clients, while retaining the advantages of being local businesses – including being knowledgeable about local laws, regulations, standards and practices.

Being a member of the PwC network means firms also agree to abide by certain common policies and maintain the standards of the PwC network. Each 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.

### *PricewaterhouseCoopers International Limited*

PricewaterhouseCoopers International Limited (PwCIL) is a UK private company limited by guarantee. PwCIL acts as a coordinating entity for PwC firms and does not practise accountancy or provide services to clients. PwCIL works to develop and implement policies and initiatives to create a common and coordinated approach for PwC firms in key areas such as strategy, brand, and risk and quality. PwC firms use the PwC name and draw on the resources and methodologies of the PwC network. In return, PwC firms are required to comply with common policies and the standards of the PwC network.

A PwC firm of PwCIL cannot act as agent of PwCIL or any other PwC firm, and it is only liable for its own acts or omissions and not those of PwCIL or any other PwC firm. PwCIL has no right or ability to control any member 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. Board members are elected by partners from all PwC firms around the world every four years.
- **Network Leadership Team**, which is responsible for setting the overall strategy for the PwC network and the standards to which the PwC firms agree to adhere.
- **Strategy Council**, which is made up of the leaders of the largest PwC firms of the network, agrees the strategic direction of the Network and facilitates alignment for the execution of strategy.
- **Network Executive Team** is appointed by and reports to the Network Leadership Team. Its members are responsible for leading teams drawn from Network firms to coordinate activities across all areas of our business. The Senior Partner represents PwC Channel Islands as a member of the EMEA (Europe, Middle East and Africa) Cluster. The EMEA Cluster and underlying governance arrangements have been enacted for the benefit of Cluster Members to further share vision and values and maintain our relationship with the Network Leadership Team.

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<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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*Legal structure  
and ownership of  
the firm*

# *Legal structure and ownership of the firm*

The members appoint the Senior Partner who is responsible for the management of the business and affairs of PwC Channel Islands. The current Senior Partner was appointed on 1 January 2013. He has appointed functional heads comprising the partners of PwC Channel Islands as detailed below.

The responsibilities of the Senior Partner and the Partnership Team include establishing and determining the effectiveness of the Firm's system of internal control, including those relating to the quality of the Firm's audit services.

Partners and their key roles as of 30 June 2016:

<b>Name</b>	<b>Role(s)</b>	<b>Location</b>
Brendan McMahon	Senior Partner and Assurance Leader	Jersey
Evelyn Brady	Partner Responsible for Independence and Ethics and Business Conduct Leader	Guernsey
Mike Byrne	Asset Management leader	Jersey
Karl Hairon	Markets Leader and Jersey Office Leader	Jersey
Mark James	Risk & Quality Partner	Jersey
John Luff	People Partner and Business Transformation Leader	Guernsey
John Roche	Guernsey Office Leader	Guernsey
Nick Vermeulen	Finance Partner and Advisory Leader	Guernsey
Justin Woodhouse	Tax Leader	Jersey
Simon Perry	Partner	Guernsey

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# *Internal quality control system*



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# *Internal quality control system*

## *Introduction*

Firms of the PwC network are members of, or otherwise connected to PwCIL. 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. PwC Channel Islands' policies are based on these common standards and policies, which are supplemented to address local professional standards and regulatory requirements.

## *Quality control standards*

Compliance with International Standards on Auditing (“ISA”) requires PwC Channel Islands to have a system of quality control over its auditing practice. These controls are embedded as part of PwC Channel Islands’ 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 Channel Islands' 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
4. Human Resources
5. Engagement Performance
6. Monitoring

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## 1. Leadership responsibilities for quality within the firm

PwC Channel Islands' leadership is committed to audit quality and has established a firm culture embracing high standards in independence and professional ethics. This leadership is embedded throughout the detailed policies endorsed by leadership, including ethical, human resources and engagement performance 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 Channel Islands' client service operations who reports directly to the Senior Partner.

## 2. Ethical requirements

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

- a. **Integrity** – to be straightforward and honest in all professional and business relationships.
- b. **Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- c. **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 practise, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- d. **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.
- e. **Professional Behaviour** – to comply with relevant laws and regulations and avoid any action that discredits the profession.

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

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PwC Channel Islands has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals- behaviours that will enable us to earn the trust that we seek. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal- to do the right thing.

Upon hiring or admittance, all staff and partners of PwC Channel Islands 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.

### 3. Acceptance and Continuance

#### *Considerations in accepting and continuing an audit client relationship*

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

#### *Client and Engagement Acceptance and Continuance*

PwC Channel Islands has implemented a process to identify acceptable clients based on the PwC 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 should be associated with the particular client and its management. More specifically, this system enables:

- **Engagement teams:**
  - to document their consideration of matters required by professional standards related to acceptance and continuance;
  - to identify and document issues or risk factors and their resolution, for example through consultation, by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
  - to facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement;

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- **Member firms (including member firm leadership and risk management):**

- to facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements;
- to provide an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio; and
- to understand the methodology, basis and minimum considerations all other member firms in the Network have applied in assessing audit acceptance and continuance.

#### 4. Human resources

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

In FY15, we launched The PwC Professional, a global leadership framework which articulates the skills and capabilities we expect from all our people to deliver an outstanding experience to our clients. Our recruitment process is closely aligned to this framework, enabling us to select the best talent, based not only on their technical skills but also on their behaviours and ways of working.

Any promotion in the firm is based on an individual's performance, their skills and the business case. In the case of promotion to director or admission to partnership, the process is particularly thorough and involves the Line of Service leadership teams. The PwC Channel Islands Partners conduct and manage the overall assessment validation process on all Line of Service partner candidates. All potential admissions to partnership are considered by the Senior Partner in consultation with the UK member and the Partner Affairs Committee, and are put to the full PwC Channel Islands partnership for consideration.

Within Assurance, the process for promotion to director and admission to partnership involves a formal assessment of the quality of the individual's work and their adherence to ethical requirements and professional standards. We take this process seriously and will not promote an individual to director or admit an individual to the partnership if we have concerns about the quality of their work.

In determining remuneration for our staff, we carefully balance several elements including: the economic climate and the external market; recognition of people's hard work, including the quality of the work they deliver; the performance of the firm; and investment for the future. We have common firm-wide reward principles, but in rewarding our people we recognise that we operate in different markets.

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### *Learning and education*

Our PwC Professional global leadership framework underpins a training curriculum which provides a wealth of opportunities for our people to build professional skills and knowledge to support the delivery of high quality assurance services to our clients.

We, and the other PwC firms in the Network are committed to delivering quality audits around the world. To maximise consistency in the Network, a formal curriculum developed at the Network level provides access to courses covering the PwC audit approach and tools, updates on auditing standards and their implications, and areas of audit risk and engagement quality.

This formal learning is delivered using blended learning, which includes remote access and classroom learning. This learning supports our focus on audit quality and provides our practitioners with the opportunity to sharpen their professional judgement, scepticism, technical and professional skills.

Our Learning & Education leader then considers what additional training is appropriate – formal and/or informal – to address specific local needs in the way of videos, workshops and forums for staff to share their experiences. This training is then supplemented with learning from others, whether by receiving and discussing feedback, or by shadowing, observing and/or working with others in order to support them on the job.

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

## **5. Engagement performance**

### *Consistent global methodology:*

As a member of the PwC Network, PwC Channel Islands 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, including the use of ISA (UK and Ireland) 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.

The PwC Audit Guide explains PwC's methodology. The Guide along with PwC's technology-based audit support tools, templates and content support engagement teams in conducting assurance and related services engagements.

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### *Aura*

As a member of the PwC Network, PwC Channel Islands has access to and uses Aura, which is the application that powers PwC's audits and supports its Assurance practices. It provides engagement teams with an application that integrates a broad range of capabilities, including built-in tools to promote audit quality, consistency and ease of documentation. Aura also integrates with a variety of other tools and applications, creating one work space for client work. Our audit work is planned, executed and documented using Aura which supports teams in applying our methodology effectively, by creating a transparent linkage between risks identified and the work done to address those risks, as well as providing comprehensive project management capabilities.

### *Developed technology*

We continue to invest in audit technology that builds quality into the audit and enhances our ability to provide insights to our clients. Our technology is built and implemented globally ensuring consistency across the PwC Network.

These new tools that enhance audit quality and efficiency through automation, connectivity and mobility include:

- *Aura Now* is an online, multi-engagement dashboard tool that allows teams to monitor progress towards completion and other key information across their portfolio of Aura engagement databases. It visualises the progress of an engagement, which enables our people to priorities their efforts. It also provides information regarding readiness for file archiving to assist in preparing for and timing of archiving the audit file.
- *Connect* is our collaborative workflow tool, providing fast, efficient and secure information sharing at every stage of the audit. It monitors the status of requests and information between our clients and the engagement team on a real time basis. Connect provides visibility for both our clients and us to be able check progress on the go, anytime, anywhere.
- *Halo* is our new data auditing suite of tools allowing us to identify and assess risks and determine where to focus audit efforts. The analytical and visualisation capabilities allow us to analyses patterns and trends, identifying unusual and high-risk transactions, and providing invaluable insight to both ourselves and our clients. Halo comprises of three key components – acquisition of client data, transformation of data and applications for automated testing and analysis of data, for example, Halo for Journals allows engagement teams to gather all journal entries and utilise built-in functionality to apply engagement-specific criteria designed to focus testing on higher risk entries.

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*Comprehensive policies and procedures:* To complement the Global policies and procedures, PwC Channel Islands has comprehensive policies and procedures governing local accounting and auditing practice that are constantly updated to reflect new professional developments and 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 that PwC provides to its professionals 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 Channel Islands has formal protocols setting out the circumstances under which consultation is mandatory. PwC Channel Islands has access to all the technical resources to track new developments in accounting and auditing and provide updates to the appropriate professional staff. PwC Channel Islands' consultative culture means that our engagement teams will regularly consult with experts and others where appropriate.

## 6. Monitoring of Assurance Quality

We recognize that quality in the Assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element to our Assurance strategy.

Responsibility for appropriate quality management lies with the Leadership of PwC Channel Islands ("our firm"). This includes effective monitoring processes aimed at evaluating whether the policies and procedures which constitute our Quality Management System are designed appropriately and operating effectively to provide reasonable assurance that our audit engagements are performed in compliance with laws, regulations and professional standards. Our firm's monitoring program is based on the PwC Network's Global Assurance Quality Review (GAQR) Program. This program which is based on professional standards relating to quality control including ISQC1, contains policies, procedures, tools and guidance which are used by PwC Network firms. The GAQR program is coordinated by a central team which consists of a GAQR Leader with a group of International Team Leaders (ITL) who are senior partners seconded to the GAQR central team by PwC member firms. Provision of oversight by the ITLs and their continuous involvement and support enable a consistent and effective performance of reviews across the PwC network.

Our firm's monitoring procedures include an ongoing assessment of the design and effectiveness of our quality management system, as well as a review of completed engagements (Engagement Compliance Reviews - ECR). The results of these procedures form the basis for the continuous improvement of our quality management system.

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ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorized to sign audit or non-audit assurance reports. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other engagement related policies and procedures. ECRs are undertaken so that significant risk-based engagements are reviewed at least twice every six years. All assurance partners and signing directors must have at least one of their engagements reviewed every five years. The Quality Review process also involves periodic testing of the effectiveness of PwC Channel Islands' quality controls in functional areas such as hiring, training, advancement and independence.

Reviews are led by experienced Assurance partners, supported by independent teams of partners, directors, and senior managers and other specialists. Review teams receive training to support them in fulfilling their responsibilities, and utilize a range of GAQR-approved checklists and tools when conducting their review procedures.

The results of the quality reviews are reported to our firm's leadership who are responsible for analysing the findings and implementing remedial actions as necessary. In situations where adverse quality issues on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or our firm's Assurance leadership personnel may be subject to additional mentoring, training or sanctions in accordance with our firm's accountability framework.

Partners and employees of our firm are informed about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of engagements. In addition, the GAQR Leader informs engagement partners of our firm who are responsible for group audits involving cross-border work about relevant quality review findings in other PwC firms which enables our partners to consider these findings in planning and performing their audit work.

The members of PwC Channel Islands believe that the quality control environment described above complies with all applicable regulations and provides a reasonable basis for believing that statutory audits carried out by PwC Channel Islands consistently meet the required quality standards.

#### *Partner and staff survey*

PwC conducts an annual staff survey: You Matter. This is derived from PwC's global staff survey, the questions are applicable across all lines of service and the results feed into our global reporting on people management. Our Your Matter survey was updated for 2016 and now incorporates additional questions focused on audit quality, enabling us to report our peoples view on quality.

Respondents are able to score on a scale of 1-5 where 1= strongly disagree; 2= disagree; 3= neither agree nor disagree; 4= agree; and 5= strongly agree. When asked whether delivering quality work is a priority for individuals and whether the leaders we work with are committed to providing high quality services to external clients, results were received across all lines of service between 4 and 5. We are pleased to see that partners and staff continue to prioritise the delivery of quality work to our clients, as reflected in these high scores.



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### *Root cause analysis*

We perform analyses to identify any potential factors impacting to our firm's audit quality so that we can take actions to continuously improve. One of our primary objectives when conducting such analyses is to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at audits both with and without deficiencies—whether identified through our own internal inspections process or through external inspections—to help identify possible distinctions and learning opportunities. For individual audits, a team of reviewers that is independent from the engagement team identifies potential factors contributing to the quality of the audit. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, among others. Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing audit working papers, as appropriate to understand the factors that may have contributed to audit quality (the “why of the why”).

In addition, the data compiled for audits both with and without deficiencies is compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, whether key engagement team members are in the same geography as the client, the number of years that key engagement team members have been on the engagement, the number of other audits that engagement partners are involved in, whether the engagement was subject to a pre-issuance review, and the timing of when the audit work was performed.

Our goal is to understand how quality audits may differ from those with deficiencies, and to use these learnings to continuously improve all of our audits. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practise. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

### *Complaints and allegations*

If clients are not satisfied with the services we have delivered, or have suggestions for how we can improve, they may contact either the engagement leader or Brendan McMahon, the Senior Partner at PwC Channel Islands.

We look carefully and promptly at any complaint we receive. The Institute of Chartered Accountants in England and Wales (ICAEW) or the institute of which the individual PwC Channel Islands partner or member of staff is a member, may also be contacted directly.

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# *External inspections*

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# *External inspections*

PwC Channel Islands is eligible to undertake the required statutory audit work for Jersey and Guernsey public interest entities<sup>2</sup> listed on the Euronext by virtue of its registration with the Jersey Financial Services Commission, the Guernsey Registry and the Netherlands Authority for the Financial Markets (AFM) (the ‘regulators’).

The regulators in Jersey and Guernsey have delegated responsibility for conducting inspections of registered auditors to the Audit Quality Review (‘AQR’) team of the Financial Reporting Council in the United Kingdom. The AQR team completed its first inspection of the quality of PwC Channel Islands’ work in 2014. Following completion of that inspection, the regulators confirmed the continuance of PwC Channel Islands’ audit registration. A subsequent review which commenced in 2016 is currently ongoing and we will report the outcome from this review in the 2017 Transparency Report.

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<sup>2</sup> ‘Public interest entities’ means those companies or other bodies corporate whose transferrable securities are admitted to trading on a regulated market of any European Union Member State which requires a transparency report to be published by PwC Channel Islands under its third country auditor registrations

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# *Public interest audit clients*

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# *Public interest audit clients*

During the period covered by this Transparency Report, PwC Channel Islands has signed the audit reports of the financial statements of the following public interest entity which has transferable securities admitted on the Euronext regulated market:

- ERB Hellas Funding Limited

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# *Independence procedures and practices*

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# *Independence procedures and practices*

## *Organisation*

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

During the year to 30 June 2016, PwC Channel Islands had a designated partner, Evelyn Brady, (known as the “Partner Responsible for Independence” or “PRI”) with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a small team of independence specialists. The PRI reports directly to the Senior Partner.

## *Policies and guidance*

The PwC Global 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 US Securities and Exchange Commission (SEC) and those of the US Public Company Accounting Oversight Board (PCAOB) are, in certain instances, more restrictive than the IESBA code and the PwC Network’s policy accounts for this by including provisions that are specifically applicable to SEC restricted entities. 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 Channel Islands supplements the PwC Network policy with the regulatory requirements of UK professional bodies, such as the Ethical Standards issued by the Auditing Practices Board of the FRC (APB), and for audit engagements commencing on or after 17 June 2016, the FRC’s revised Ethical Standard, for which PwC’s policy has been, and will continue to be, updated in a number of areas.

The 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, 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 assurance clients; and

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- 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.

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

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

### ***Independence training and confirmations***

PwC Channel Islands provides all partners and practice staff with annual or on-going training in independence matters. Training typically focuses on milestone training relevant to a change in position or role, changes in policy or external regulation and, as relevant, provision of services. Partners and staff receive computer-based training on PwC Channel Islands' independence policy and related topics. Additionally, face-to-face training is delivered to members of the practice on an as-needed basis by PwC Channel Islands independence specialists and risk and quality teams.

All partners and practise staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with all aspects of the firm's independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations for all clients.

### ***Independence-related tools***

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

- The Central Entity Service ("CES"), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the firm before entering into a new non-audit engagement or business relationship. This system drives the 'Independence List' and also feeds Independence Checkpoint;
- 'Independence Checkpoint' which facilitates the pre-clearance of publicly traded securities by all partners, directors and practice managers before acquisition and records their subsequent purchases and disposals. Where a PwC 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;



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- 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 conclusion on the acceptability of the service; and
  - Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory).

PwC Channel Islands also has a number of Channel Islands-specific systems which include:

- A rotation tracking system which monitors compliance with PwC Channel Islands' audit rotation policies for engagement leaders and other key audit partners involved in an audit; and
- A database that records all approved audit engagements entered into by PwC Channel Islands. These engagements are reviewed on an annual basis to ensure their all appropriate independence checks have been made.

## ***Independence monitoring and disciplinary policy***

PwC Channel Islands 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:

- Quality control reviews of engagements to confirm compliance with risk management processes, including independence;
- Personal independence compliance testing of a random selection of partners and directors as a means of monitoring compliance with independence policies;
- Compliance testing of independence controls and processes; and
- An annual assessment of the firm's adherence with the PwC 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 Channel Islands' monitoring and testing are reported to the firm's management on a monthly basis.

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

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## ***Disciplinary policy***

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

This would include discussion with the client's audit committee regarding the nature of the breach, an evaluation of the impact of the breach on the independence of the firm and the need for safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in PwC Channel Islands systems and processes and for additional guidance and training.

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*Continuing  
professional  
education of  
partners and staff  
eligible for  
appointment as  
statutory auditors*

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

PwC Channel Islands maintains up-to-date reference materials which are accessible by all assurance practice partners 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' knowledge up to date, partners and staff receive regular communications on technical and regulatory topics as they arise. Support is available to partners and staff on auditing, accounting and regulatory requirements, including access to subject matter experts in specialist industries.

PwC Channel Islands' internal training curriculum provides a broad range of technical solutions 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 on-going personal development needs and identify any necessary development activities, including in relation to quality. Unsatisfactory work results in reduced performance reward.

The PwC Global Code of Conduct sets expectations of behaviour and values. Mandatory ethics and business conduct training covers the Code of Conduct as well as ethical, accounting, auditing and other regulatory matters.

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

## ***Financial information***

During the year, PwC Channel Islands completed the audit of the financial statements of ERB Hellas Funding Limited for the year ended 31 December 2015. Audit fees of £20,866 (2014: £26,650) and non-audit fees of £nil (2014: £nil) were earned during the year in respect of this entity.

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# *Remuneration*

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# *Remuneration*

## *Remuneration*

Partners are remunerated solely out of the profits of PwC Channel Islands. Audit partners 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 is made by the Senior Partner, once their performance has been assessed and the annual financial statements have been approved.

Each Partner's remuneration comprises three interrelated profit-dependent components:

- responsibility income – reflecting the Partner's sustained contribution and responsibilities;
- performance income – reflecting how a Partner and their team(s) has performed; and
- equity unit income – reflecting the overall profitability of PwC Channel Islands.

Each Partner's performance income is determined by assessing achievements against an individually-tailored balanced scorecard of objectives, based on the Partner's role and responsibilities.

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