

*PricewaterhouseCoopers
East Caribbean Firm
and
PricewaterhouseCoopers
SRL*

Transparency Report 2016/17

Introduction

At PwC¹, 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. PwC EC has a 150 year history in Barbados and the Eastern Caribbean and constantly strives to deliver services to our clients that demonstrate quality and value.

Enhancing public trust and confidence in the audit profession is at the core of what we do. Our priorities are to maintain high levels of investment in, and focus on, the quality and skills of our people, first class audit processes and methodologies, and, vitally, an environment that upholds high standards of integrity and personal responsibility.

This Transparency Report is published in accordance with EU Audit Regulation (Article 13) and is in respect of the financial year ended June 30, 2017.

It has been approved by the Territory leader, Territory Assurance Leader and Territory Risk Management Partner of PricewaterhouseCoopers East Caribbean Firm on November 21, 2017.

We hope you find this report useful and informative.

¹ "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.

Strategy and leadership

PwC EC's leadership is committed to ensuring audit quality and has established a system of assurance quality control. This includes effective monitoring processes aimed at evaluating whether the policies and procedures which constitute our Quality Management System (QMS) are designed appropriately and are operating effectively to provide reasonable assurance that our audit engagements are performed in compliance with laws, regulations and professional standards. The firm embraces high standards in independence and professional ethics and there are detailed policies which are endorsed by leadership dealing with ethics, human resources and engagement performance. It also has dedicated quality resources.

Governance and structure

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, 2017 there were 9 equity partners, of whom 6 are audit partners. The firm has established a Risk and Quality Committee which has the responsibility for assurance quality. This Committee comprises the Territory Leader (TL), the Territory Assurance Leader (TAL), the Territory Risk Management Partner (RMP), the Partner Responsible for Independence (PRI) and the senior manager responsible for Risk and Quality.

Firm's structure

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 its members and a Management Committee. This Management Committee is chaired by the Territory Leader. Other members of the Management Committee are the line of service leaders for Assurance, Tax, Legal and Advisory. The firm's partner responsible for operations while not a member of the Committee attends meetings by invitation. The Management Committee along with the wider partnership reviews PwC EC's mission, core values, goals and objectives for the period ahead and administers the firm on a day-to-day basis. 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 periodically as appropriate. A three-member East Caribbean Partnership Board, including a chairman, has powers to monitor 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.

PwC 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 practice 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.

PwC Network cont'd

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 judgment. 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.

PwC Network cont'd

PwC EC has systems and controls in place to ensure that it complies with all of the PwC Network Standards and PwC Risk Management Policies including supplemental risk management policies that have been established to ensure compliance with local laws and regulations.

PwC Network cont'd

Included below are the names and locations of EU/EEA audit firms/statutory auditors within the PwC network.

Member State	Name of firm
Austria	PwC Wirtschaftsprüfung GmbH, Wien
Austria	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz
Austria	PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt
Austria	PricewaterhouseCoopers Vorarlberg Wirtschaftsprüfungs GmbH, Dornbirn
Austria	PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH , Graz
Austria	PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg
Austria	PwC Österreich GmbH, Wien
Belgium	PwC Bedrijfsrevisoren bcvba/Reviseurs d'enterprises scrl
Belgium	PwC Audit Services SPRL
Bulgaria	PricewaterhouseCoopers Audit OOD

PwC Network cont'd

Member State	Name of firm
Croatia	PricewaterhouseCoopers d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit s.r.o
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
Finland	PwC Julkistarkastus Oy
France	PricewaterhouseCoopers Audit SAS
France	PricewaterhouseCoopers Entreprises SARL
France	Diagnostic Révision Conseil SAS
France	PricewaterhouseCoopers PME Commissariat aux comptes
France	PricewaterhouseCoopers PME CAC
France	PricewaterhouseCoopers France
France	Ampersand Audit

PwC Network cont'd

Member State	Name of firm
France	Ampersand Associés
France	FNP Commissaires Associés
France	Fiduciaire d'Expertises Comptables et d'Etudes Economiques – Fidorex
France	Société Fiduciaire d'Expertise Comptable et de Révision – Sofecor
France	M. Philippe Aerts
France	M. Jean-François Bourrin
France	M. Jean-Laurent Bracieux
France	M. Didier Brun
France	M. Didier Cavanie
France	M. Hubert de Rocquigny

PwC Network cont'd

Member State	Name of firm
France	M. François Miane
France	M. Yves Moutou
France	M. Claude Palméro
France	M. Antoine Priollaud
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Germany	Wibera WPG AG
Germany	PwC FS Tax GmbH Wirtschaftsprüfungsgesellschaft
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Iceland	PricewaterhouseCoopers ehf

PwC Network cont'd

Member State	Name of firm
Ireland	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers Spa
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Vaduz
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers
Netherlands	PricewaterhouseCoopers Accountants N.V.
Netherlands	Coöperatie PricewaterhouseCoopers Nederland U.A
Norway	PricewaterhouseCoopers AS

PwC Network cont'd

Member State	Name of firm
Poland	PricewaterhouseCoopers Polska sp. z.o.o.
Poland	PricewaterhouseCoopers sp. z.o.o.
Portugal	PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais do Contas Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovak Republic	PricewaterhouseCoopers Slovensko s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB
Sweden	Ohrlings PricewaterhouseCoopers AB
UK	PricewaterhouseCoopers LLP

PwC Network cont'd

Member State	Name of firm
UK	PricewaterhouseCoopers AS LLP
UK	James Chalmers
UK	Richard Sexton

The turnover achieved, to the best extent calculable, from the statutory audit of annual and consolidated financial statements of these statutory auditors and audit firms is approximately Euros 3 billion. This represents the turnover from each entity's most recent financial year converted to Euros at the exchange rate prevailing at that financial year end date.

QMS

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

Introduction

Each PwC member firm is a separate legal entity. All member firms are obliged to adopt certain common audit and quality control standards and policies approved by PwCIL and to conduct risk and quality reviews. The policies of PwC EC are based on these common standards and policies, which are supplemented to address local professional standards and regulatory requirements.

In 2015, certain member firms of PwCIL operating in the Caribbean finalized a multi-year transformation programme to integrate certain aspects of their businesses while remaining separate legal entities. This included alignment and centralization of some elements of member firms' operations including their assurance quality management systems. Wherever practical and efficient, controls and processes have been centralized and are now performed at the regional level by regional work teams. Controls/processes that need to continue to operate at the territory level have been standardized under a common regional approach.

QMS cont'd

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. PwC EC’s Risk and Quality Committee is satisfied that the Firm’s quality control system is in compliance with International Standards on Quality Control 1 (“ISQC1”), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, 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 and Accountability
2. Ethical Requirements
3. Acceptance and Continuance Process
4. Human Capital
5. Engagement Performance
6. Monitoring

QMS cont'd

1. Leadership and Accountability

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. Risks to audit quality are identified and incorporated into PwC EC's strategic business planning process and Partners/engagement leaders are held accountable for their quality performance by PwC EC's accountability framework and through its performance management systems.

PwC EC has a Risk and Quality Committee that meets regularly and is responsible for assurance quality within the firm. The committee comprises the Territory Leader, the firm's Assurance Leader, Risk Management Partner, the firm's partner responsible for independence matters (PRI) and a full-time Risk and Quality senior manager.

QMS cont'd

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 judgments.
- 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 practice, 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 Behavior** – to comply with relevant laws and regulations and avoid any action that discredits the profession.

QMS cont'd

2. Ethical Requirements, continued

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/engagement leaders 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/engagement leaders and staff uphold and comply with the standards developed by the PwC Network and leadership and PwC EC monitors compliance with these obligations.

PwC EC has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviors expected of our partners/engagement leaders and other professionals- behaviors 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.

QMS cont'd

2. Ethical Requirements, continued

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.

The TL is responsible for appointing PwC EC's Ethics and Business Conduct leader who provides oversight for the Ethics and Business Conduct programme. Processes are in place to identify and resolve departures from PwC Network and local policies on Ethics and Business Conduct including a confidential communication process/system established in accordance with the PwC Network Complaints and Allegations Policy.

QMS cont'd

2. Ethical Requirements, continued

Independence

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

The PwC Global Independence Policy, which is based on the 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 Policy also includes the independence requirements of the United States Securities and Exchange Commission ('SEC') for application where relevant.

PwC EC has a designated partner (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 PRI reports directly to the Risk Management Partner locally and is a member of the firm's Risk and Quality Committee.

QMS cont'd

2. Ethical Requirements, continued

Independence continued

The PwC Global 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 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.

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

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.

QMS cont'd

2. Ethical Requirements, continued

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 our 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/engagement leaders, 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 that client of the requirement to sell the security where required;
- Authorization 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; and

QMS cont'd

2. Ethical Requirements, continued

Independence-related tools continued

- 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). It can also be used for intra-territory reporting (e.g. in a single territory situation) in the absence of a local equivalent alternative system or procedure.

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

- A rotation tracking system which monitors compliance with PwC EC's audit rotation policies for PwC EC's engagement leaders, other key audit partners/engagement leaders and senior staff involved in an audit; and
- Approved business relationships entered into by PwC EC are recorded on a spreadsheet. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.

QMS cont'd

2. Ethical Requirements, continued

Independence training and confirmations

PwC EC provides all partners/engagement leaders and practice staff with annual or on-going training in independence matters. Training typically focuses on milestone training relevant to position or role, changes in policy or regulation and, as relevant, provision of services. Partners/engagement leaders and staff receive computer-based training on independence policies 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 teams.

All partners/engagement leaders and practice 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/engagement leaders 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 written confirmations for public interest entities.

QMS cont'd

2. Ethical Requirements, continued

Independence monitoring and disciplinary policy

PwC EC 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:

- Compliance testing of independence controls and processes;
- Personal independence compliance testing of a random selection of, at a minimum, partners/engagement leaders and managers as a means of monitoring compliance with independence policies; and
- An annual assessment of the firm's adherence with the PwC Network's independence risk management standard.

The results of PwC EC's monitoring and testing are reported to the firm's management on a regular basis.

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.

QMS cont'd

2. Ethical Requirements, continued

Independence monitoring and disciplinary policy continued

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. Any 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 EC's systems and processes and for additional guidance and training.

Rotation

We adhere to the rotation requirements of the independence rules published by IESBA and the SEC as applicable to a particular audited entity. For entities that are subject to SEC independence engagement leader tenure is set at five years, with a five year cooling off period and for key partners involved in the audit, tenure is seven years with a two year cooling off period. The QRP on SEC engagements has a five year tenure with five year cooling off period.

QMS cont'd

2. Ethical Requirements, continued

Rotation continued

For entities which meet the IESBA or our internal definition of public Entity (PIE) the tenure for engagement leader, QRP and key partners involved in the audit is set at seven years with a two year cooling period. For PIE clients in exceptional circumstances an extension of up to one year may be obtained from Assurance Risk Management. PwC EC will adopt the IESBA's new rotation rules for PIEs that come into effect in 2018.

For all other entities our policy sets tenure for engagement leader, QRP and key audit partner at ten years with a two year cooling off period though extensions may be permitted with Risk Management approval provided that appropriate safeguards are put in place.

QMS cont'd

3. Acceptance and Continuance Process

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.

Acceptance and continuance

3. Acceptance and Continuance Process, continued

Client and Engagement Acceptance and Continuance

PwC EC 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.

Acceptance and continuance

3. Acceptance and Continuance of Process, continued

Client and Engagement Acceptance and Continuance continued

and 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.

QMS cont'd

4. Human Capital

PwC EC partners/engagement leaders and staff regularly receive a thorough orientation to the culture, values and core attributes of PwC. 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. PwC EC has adopted the "PwC Professional" development framework for its partners/engagement leaders and staff.

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.

QMS cont'd

4. Human Capital, continued

Learning and education: We, and the other PwC firms in the Network are committed to delivering quality audits around the world. To maximize 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 curriculum is supplemented where necessary to address locally identified training needs and requirements of local laws and regulations.

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 judgment, skepticism, technical and professional skills.

Consideration of what additional training is appropriate, both formal and informal, to address specific local needs is completed in conjunction with other PwC network firms operating in the Caribbean. Such training includes 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.

QMS cont'd

4. Human Capital, continued

Learning and education continued

Assurance partners/engagement leaders, managers and senior staff attend annual Audit Quality training and all assurance partners/engagement leaders and managers receive annual update IFRS training either locally or at a regional event with trainers provided by PwC's Global Accounting Services Group.

PwC EC has processes in place to a) track attendance at mandatory training events, b) monitor compliance of partners and staff with continuing professional education requirements c) monitor and evaluate course instructors and training materials.

QMS cont'd

4. Human Capital, continued

Partner Remuneration: Partners/engagement leaders are remunerated out of profits of the Firm and its affiliated entities. Assurance 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 determined once their performance (including consideration of the results of any internal and external quality reviews) has been assessed and the annual financial reporting process been completed.

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.

PwC EC follows the Accountability framework adopted by the PwC network firms operating in the Caribbean. The application of this framework is a sub-set of the annual assessment of a partners/engagement leader's overall performance.

QMS cont'd

4. Human Capital, continued

Resource Management

PwC EC prepares manpower budgets by grade at least annually. These budgets are used to develop a recruitment plan. This plan is monitored monthly.

The Territory Assurance Leader has overall responsibility for the assignment of teams, including the allocation of engagement leaders, quality review partners, managers and staff who have the professional competence and experience required in the circumstances.

QMS cont'd

5. Engagement Performance

PwC Audit

As a member of the PwC Network, PwC EC 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.

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 and ensuring that documentation is in accordance with ISA requirements.

QMS cont'd

5. Engagement Performance, continued

Aura

As a member of the PwC Network, PwC EC 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.

QMS cont'd

5. Engagement Performance, continued

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 visualizes 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.
- *Count* is an electronic portal that allows our teams to create instructions for our teams to execute and document all aspects of an inventory count observation electronically. It was built by PwC in response to feedback from teams that using a mobile device would improve the quality and execution of inventory counts. Count was used on a pilot basis during FY17 and was fully rolled out as of September 30, 2017.

QMS cont'd

5. Engagement Performance, continued

Developed technology continued

- *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 visualization 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 utilize built-in functionality to apply engagement-specific criteria designed to focus testing on higher risk entries. While PwC EC expects to implement Halo shortly it was only used on a limited pilot basis during FY17.

QMS cont'd

5. Engagement Performance, continued

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.

Review and Supervision: Each engagement leader is ultimately responsible for determining the extent of duration, supervision and review of the work of our junior staff to whom work is delegated.

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 and how to deal with a difference of opinion. 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.

Engagement Quality Control: policies and processes are in place to assign quality control partners to audit engagements for listed clients and certain other audit engagements that meet the criteria outlined in the policy.

QMS cont'd

6. Monitoring

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 of our Assurance strategy.

Responsibility for appropriate quality management lies with the Leadership of PwC EC (“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.

QMS cont'd

6. Monitoring, continued

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.

QMS cont'd

6. Monitoring, continued

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. Each signer is reviewed at least once every five years, unless a more frequent review is required based on the profile of that signer's client engagements or due to local regulatory requirements.

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.

In FY2017 one file was subject to our ECR review process and a further 10 files were subject to internal reviews which are conducted by qualified reviewers from other PwC Network member firms.

PwC EC was last reviewed by the Professional Oversight Board of the Financial Reporting Council in November 2014.

PwC EC's last external inspection was conducted by the Association of Chartered Certified Accountants on behalf of the Institute of Chartered Accountants of Barbados in September 2016. The outcome of the monitoring visit was satisfactory. Such inspections are normally conducted at least once every 3 years.

QMS cont'd

6. Monitoring, continued

The results of the quality reviews are reported to our firm's leadership who are responsible for analyzing the findings and implementing remedial actions as necessary. Remedial actions may be developed in conjunction with other PwC network firms operating in the Caribbean. In situations where adverse quality issues on engagements are identified, based on the nature and circumstances of the issues, the responsible partner/engagement leader or our firm's Assurance leadership personnel may be subject to additional mentoring, training or sanctions in accordance with the Accountability framework.

Partners/engagement leaders 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/leaders of our firm who are responsible for group audits involving cross-border work about relevant quality review findings in other PwC firms which enables our partners/engagement leaders to consider these findings in planning and performing their audit work.

Root cause analysis

We perform analyses to identify potential factors contributing 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.

QMS cont'd

6. Monitoring, continued

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 skepticism, 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/engagement leaders 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 practice. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

QMS cont'd

6. Monitoring, continued

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 no specific matters were identified in FY17 that required attention.

Appendix

Clients subject to EU Regulation

The list below includes those audit clients for whom we have issued an audit opinion between July 1, 2016 and June 30, 2017 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 Limited

The audit revenue earned by PwC EC during the financial year ended June 30, from the Sagicor Financial Corporation Limited and its subsidiaries is set out below as a percentage of total revenue.

	%
Sagicor Financial Corporation	9.8
Other revenue	90.2
Total firm revenue	100.0

