

*PwC*  
*Channel Islands*  
Transparency  
Report

*PricewaterhouseCoopers CI LLP*

*Financial year ending  
30 June 2018*

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*Message from our  
Territory Senior  
Partner*

# *Message from our Territory Senior Partner*



I am delighted to provide this Transparency Report which provides key information about our firm as of 30 June 2018.

This is my first year as Territory Senior Partner for the Channel Islands, having assumed the role on 1 January 2018. In this report we share with you how we comply with our professional obligations, continue to deliver value to clients and have an ongoing focus on building public trust through assurance. This supports our stated PwC purpose: “To build trust in society and solve important problems.”

At the heart of our purpose is a high bar of excellence, doing a great job for clients. This is achieved by having a laser focus on quality and continually challenging ourselves to add value. We have found that clients are looking to us to support them in a broader range of challenges than ever before. Disruption is all around our own firm and profession and our clients and local markets are feeling it too. Helping them to navigate complexity, embrace the opportunities presented by the digital age, and remain trusted and relevant in an uncertain world, aligns completely to our purpose.

We play a key role enabling clients to operate successfully within various systems – accounting, audit, capital markets, tax, legal and so on. When these systems are challenged, our purpose brings an obligation to take an active role in the conversation with all stakeholders, including policymakers, about how to improve and keep things running smoothly. In many ways we feel our purpose has never been more relevant than it is today.

Our clients ask us for help with a vast array of issues including audits. We call on a diverse breadth of skills across our multi-disciplinary practice. Our people are critical to good governance and culture and we ensure the tone at the top is embedded and reflected across the firm. To marshal and direct our capabilities to greatest effect, we organise our business across three ‘lines of service’:

**Assurance** – Provides clients and their various stakeholders – including investors, markets, regulators, employees, customers and wider society – with confidence so they can trust in information, systems and controls, both financial and non-financial.

**Advisory** – Helping clients build and implement solutions focused on their strategy, technology, management, operations and deals, to help them do business better and generate more value from transactions or investments.

**Tax** – Helping businesses understand complex tax rules and make informed decisions, while also assisting governments in improving and running tax systems.

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### Transforming our business

PwC Channel Islands needs to continually evolve to remain relevant in society and to our clients. This year I have appointed new leadership within the operational functions of the business - Finance, HC, Strategy and Business Support. These roles were formerly performed by partners and I felt it was crucial for these important pillars of the business to be run by experienced professionals, allowing our partners to spend more time serving clients and working with our teams.

The changing world of work is impacting us too and as the millennials in our business step into management roles, their ideas and influence is changing how we look at the workplace. This year I have pledged to consider all flexible working arrangements to create an environment that is attractive to all staff and particularly parents and carers. I am a strong believer in the enhanced value that diverse teams bring to our clients and our firm must be inclusive and a place where all talent can thrive. I have also introduced a 'Dress For Your Day' policy, allowing staff the flexibility to dress up or dress down depending on their particular commitments each day.

### Inspiring confidence in a digital world

The world is changing faster than anyone could have predicted, with dramatic implications for our clients and for us. We are conscious of the need to inspire confidence in this new world. We believe our unique use of technology in executing our audits helps us continually build on our reputation as the world's leading provider of audit services, to become the leading provider of trust services. Within our own business this year we adopted Salesforce as our new opportunity management system and Workday to manage our people - both of these tools will gradually be adopted by the whole PwC network, we are pleased to have been among the first adopters.

Continually challenging ourselves to be innovative and 'self-disrupt' is something I believe strongly in. Our well-publicised progress auditing blockchain for private equity has grabbed global headlines this year. It is the powerful combination of the best people, quality embedded in everything that we do and working with market-leading technologies that will enable us to continue to deliver our vision.

I hope you find this report insightful.

**Simon Perry**

Territory Senior Partner

PwC Channel Islands

October 2018

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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 2018.

At PwC, as indicated earlier, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 250,000 people who are committed to delivering quality in assurance, advisory and tax services. The Transparency Report was approved and signed by Simon Perry as Territory Senior Partner on 31 October 2018 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 2018 PwC Channel Islands was made up of ten partners in addition to PwC UK; one in Tax, one in Advisory and eight in Assurance. The only subsidiary providing professional services during the year was PricewaterhouseCoopers Services (Guernsey) Limited, which is licensed by the Guernsey Financial Services Commission under the Regulation of Fiduciaries, Administration Business and Company Directors, etc (Bailiwick of Guernsey) Law, 2000.

The firm has three PwC offices within the Channel Islands:

Jersey	Guernsey	Alderney
PwC Channel Islands 37 Esplanade ST Helier Jersey JE4 4XA	PwC Channel Islands Royal Bank Place 1 Gategny Esplanade ST Peter Port Guernsey GY1 4ND	PwC Channel Islands Upper Floor Maison Des Venelles Venelles Des Gaudion Alderney GY9 3TW
Tel: +44 1534 838200	Tel: +44 1481 752000	Tel: +44 1481 752000
<a href="http://www.pwc.com/jg">http://www.pwc.com/jg</a>	<a href="http://www.pwc.com/jg">http://www.pwc.com/jg</a>	<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 Network

PwC is the brand under which the member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. Together, these firms form the PwC network. 'PwC' is often used to refer either to individual firms within the PwC network or to several or all of them collectively.

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

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

### PricewaterhouseCoopers International Limited

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

The PwC network is not one international partnership and PwC member firms are not otherwise legal partners with each other. Many of the member firms have legally registered names which contain "PricewaterhouseCoopers", however there is no ownership by PwCIL. A member firm cannot act as agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm, and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control member 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 and regions of the network, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy.
- **Global Leadership Team** is appointed by and reports to the Network Leadership Team and the Chairman of the PwC network. Its members are responsible for leading teams drawn from network firms to coordinate activities across all areas of our business.

The Territory Senior Partner of PwC Channel Islands is connected to the Strategy Council and maintains our relationships with the Network Leadership Team.



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### Quality Management for Service Excellence

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

To help PwC Channel Islands put this strategy into effect, the PwC network has established a framework for quality management which integrates quality management into business processes and the firm-wide risk management process. The framework introduces an overall quality objective for the Assurance practice focused on having the necessary capabilities in our organisation and deploying our people to consistently use our methodologies, processes and technology in the delivery of services in an effective and efficient manner to fulfil the valid expectations of our clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and our quality management system (QMS) must be designed and operated so that these objectives are achieved with reasonable assurance.

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*Legal structure  
and ownership of  
the firm*

# *Legal structure and ownership of the firm*

The members appoint the Territory Senior Partner who is responsible for the management of the business and affairs of PwC Channel Islands. The current Territory Senior Partner was appointed on 1 January 2018. He has appointed functional leaders comprising the partners of PwC Channel Islands as detailed below.

The responsibilities of the Territory 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 2018:

Name	Role(s)	Experience as a Partner within PwC Channel Islands	Location
Simon Perry	Territory Senior Partner	13 years	Guernsey
Evelyn Brady	Risk and Quality Leader	9 years	Guernsey
Mike Byrne	Asset Management Leader	3 years	Jersey
Karl Hairon	Markets Leader, Technology Leader, and Jersey Managing Partner	8 years	Jersey
John Luff	People Partner and Business Transformation Leader	5 years	Guernsey
John Roche	Partner Responsible for Independence and Ethics, and Business Conduct Leader and Guernsey Managing Partner	12 years	Guernsey
Nick Vermeulen	Innovation and Technology Leader	7 years	Guernsey
Neil Howlett	Advisory Leader	1 year	Jersey
Justin Woodhouse	Tax Leader	3 years	Jersey
Roland Mills	Partner	2 years	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 of Assurance Quality

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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 and integrity.

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 Territory 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. The firm takes compliance with these ethical requirements seriously and strives 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 the firm operates. 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.

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.

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### 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. The firm has 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. The firm reassesses 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.

##### **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, code of conduct and core attributes of PwC – Act with integrity, Make a difference, Care, Work together and Reimagine the possible. PwC Channel Islands recruit only top quality staff that can operate in supporting high quality audits and who share in the firm's aim for excellence. Candidates are considered according to multiple criteria (based on network standards), including their academic achievement.

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Individuals joining our Higher Apprenticeship and Graduate schemes, and thus entering at Associate level, firstly complete online psychometric tests, if successful they are then invited to a first stage competency based interview where they are assessed according to their ability to show their competency in each of the five attributes of PwC Professional; Whole Leadership, Global Acumen, Technical Capabilities, Business Acumen and Relationships. The final section of the recruitment process consists of a second stage competency based interview with an Assurance Director and in-house psychometric tests, consisting of numerical and diagrammatic questions, and given under exam conditions.

Candidates joining us as 'experienced hires' (Senior Associate 2 and above) undergo a rigorous two stage competency based interview process, in which we again use the PwC Professional framework to ask questions which require them to answer using examples of their previous experiences - be those in an auditing role or in their day to day life. This style of interviewing allows us to investigate the level of standard and quality which the individual works to, in all walks of life, and ensures the firm is recruiting individuals who we feel will promote and live by the values and core attributes of PwC during their professional work.

In FY15, the firm launched The PwC Professional, a global leadership framework which articulates the skills and capabilities the firm expect from all our people to deliver an outstanding experience to our clients and our people. 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 involves the leadership team and network standard processes.

All PwC Channel Islands Partner candidates undergo an overall assessment validation carried out by an independent UK Partner admission process. All potential admissions to Partnership are considered and ratified by the Partnership in consultation with the UK member and the UK Partner Affairs Committee.

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

### *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.

PwC Channel Islands, and other PwC firms in the Network are committed to delivering quality assurance services around the world. To maximise consistency in the Network, the formal curriculum, developed at the Network level, provides access to training materials covering the PwC audit approach and tools, updates on auditing standards and their implications, and areas of audit risk and areas of focus for improved quality.

This formal learning is delivered using a blend of delivery approaches, which include remote access, classroom learning and on-the-job support. The curriculum supports our primary training objective of audit quality, while providing practitioners with the opportunity to sharpen their professional judgement, scepticism, technical and professional skills.



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The curriculum allows us to select when we will deliver different portions of the training based on local needs. The modular content along with other innovative learning approaches have led to formal recognition from the broader learning community. In 2016, PwC's Learning and Education was recognised by the Corporate Learning Network (CLN)<sup>1</sup> with the 2016 International 'Corporate University Best-in-Class' (CUBIC) Award, and in both 2017 and 2018, PwC's Learning and Education won a Brandon Hall Group silver award for excellence in the "Best Strategy for a Corporate Learning University" © 2017, 2018 Brandon Hall Group, Inc.

Our Learning & Education leader then considers what additional training is appropriate – formal and/or informal – to address specific local needs. This involves specific industry updates on the areas we work in, software and technology training and various other soft skill development programmes. The Firm uses the Global Assurance Curriculum which is released by the Global Learning & Education team, and between local L&E and staff, these materials are tailored to become more Channel Islands specific. The Firm has a wealth of resources available on a central learning system which allows staff to curate and choose their own learning based around their goals and personal development objectives.

#### *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.

#### *Diversity and Inclusion*

We strive for an inclusive culture in which everyone, irrespective of gender, culture, background or beliefs is valued. Diversity is critical for our business, bringing different experience, skills and perspectives together to enable us to meet our clients' needs.

### **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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<sup>1</sup> The CLN is the leading online resource and event hub for the global training and learning community. The CUBIC Awards are the most prestigious independent awards for training, learning and organisational development professionals worldwide, celebrating the most innovative, creative and forward-thinking learning organisations.

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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*

PwC Channel Islands continues 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 Mobile is the mobile version of Aura, providing critical functionalities to users on the go, any time, anywhere. Engagement teams can easily monitor status of engagement tasks using the enhanced dashboard, review EGAs, and manage Coaching Notes, including dictating them with voice to text capabilities.
- The Connect Suite is our collaborative workflow tools providing fast, efficient and secure information sharing with our clients and multi-location audit teams at every stage of the audit:
  - Connect monitors the status of requests and information between 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 through a consolidated dashboard showing all sites, a digitisation of engagement matters, and automated key performance indicators.
  - Connect Audit Manager streamlines, standardises and automates group and component teams coordination for multi-location and statutory/regulatory audits. Connect Audit Manager provides a single digital platform to see all outbound and inbound work and digitises the entire coordination process, providing greater transparency, compliance and quality for complex multi-location audits.
- 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 analyse 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.
- Count is an electronic portal that facilitates the end-to-end process for inventory counts, allowing our engagement teams to create and manage count procedures, counters to record results directly onto their mobile device or tablet and engagement teams to export final results into Aura. Engagement teams with multiple locations benefit from the ability to standardise instructions and manage results through a single portal.

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- PwC's Confirmation System is a web-based application whereby third-party confirmations can be securely created, sent, responded to and managed end-to-end. It includes flexible technology that works for virtually all confirmation types and provides detailed real-time status of confirmation activity.

#### *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**

The firm recognises 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 (ITLs) 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 enables 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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Assurance ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorised 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 applicable engagement related policies and procedures. Assurance 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 utilise 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 Recognition and 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 their 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 member 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: YouMatter. 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.

#### *Root cause analysis*

PwC Channel Islands performs analyses to identify any potential factors impacting 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. The firm looks 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.

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For individual audits, a team of reviewers that is independent from the engagement team identifies potential factors contributing to the quality of the audit. The firm considers factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, amongst others. Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing selected audit working papers to understand the factors that may have contributed to audit quality.

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. The Firm evaluates the results of these analyses to identify enhancements that may be useful to implement across the practise. The firm believes these analyses contribute significantly to the continuing effectiveness of our quality controls.

#### *Complaints and allegations*

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

The firm looks 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 as a recognised auditor to undertake the required statutory audit work for Jersey and Guernsey domiciled companies with debt or equity listed on EU regulated exchanges in:

- Austria (\*)
- United Kingdom
- Germany (\*)
- Ireland (\*)
- Luxembourg
- Netherlands (\*)

(\*) = Granted equivalence by the relevant regulator in each country under European Communities (Statutory Audits) (Directive 2006/43/EC as amended by Directive 2014/56/EU).

The Jersey Financial Services Commission and the Guernsey Registry have delegated responsibility for conducting inspections of recognised auditors to the Audit Quality Review (AQR) team of the Financial Reporting Council in the United Kingdom. The AQR team completed its most recent inspection of the quality of PwC Channel Islands' work in 2016. Following completion of that inspection, the Jersey Financial Services Commission and the Guernsey Registry each confirmed the continuance of PwC Channel Islands' registration as a recognised auditor.

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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 not signed any audit reports on the financial statements of an EU PIE as defined by Article 13.

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*Response to the  
Criminal Finances  
Act 2017*

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# ***Prevention of facilitation of tax evasion: Response to the Criminal Finances Act 2017***

The Criminal Finances Act 2017 introduced the concept of an organisation performing a corporate criminal offence if any of their associated persons (including partners and staff) criminally facilitated the evasion of tax either in the UK or overseas. Organisations need to demonstrate that they have reasonable procedures in place to prevent the facilitation of tax evasion. The deliberately wide scope of the offence requires organisations to have oversight of the risks associated with their customers, employees and third parties, over their downstream activities.

PwC Channel Islands follow the PwC Global Code of Conduct which sets out our commitment to upholding professional standards, adhering to applicable laws and regulations and fulfilling ethical obligations. Every year, every member of staff confirms that they are familiar with and have complied with this Code of Conduct.

The PwC Global Code of Conduct guides our partners and staff on our core values of: Act with integrity; Make a difference; Care; Work together; and Reimagine the possible. It defines how all partners and staff should behave and conduct business, and provides practical advice on how to take ethical decisions.

PwC Channel Islands has policies, training and procedures to enable us to comply with applicable laws and regulations, including those relating to tax. These include:

- Regular mandatory training for all partners and staff so that they understand the ethical and professional requirements under which we operate.
- Contractual terms and due diligence procedures in respect of persons who perform or will perform services for or on our behalf.
- Client and engagement acceptance procedures.
- Whistle-blowing (Speak Up) policies and procedures.
- Regular reviews of systems and processes by Internal Audit and risk and quality teams.

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Since the introduction of the Criminal Finances Act 2017, PwC Channel Islands has reviewed all existing relevant policies and procedures and has taken a number of additional steps which aim to further formalise and prevent the facilitation of tax evasion. These include:

- designating a partner responsible for our response to the new offence, reporting directly to the leadership team
- carrying out a risk assessment to identify and prioritise our response to facilitation risk across all service offerings.
- reviewing existing policies and procedures across each line of service to identify any enhancements required.
- providing training for our partners and staff.
- committing to monitoring and reviewing the risk assessment at least annually, as well as our continuing compliance with relevant policies and procedures.

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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 2018, PwC Channel Islands had a designated partner, John Roche, known as the “Partner Responsible for Independence” (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 Territory Senior Partner.

## *Policies and guidance*

The firm applies the PwC Global Independence Policy, which is based on the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, and 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.

Entities subject to independence requirements of the US Securities and Exchange Commission (SEC), the US Public Company Accounting Oversight Board (PCAOB) and the UK FRC Ethical Standard are, in certain instances, subject to more restrictive independence requirements than those required by the IESBA code and PwC’s Global Independence Policies. Given the reach of these requirements and their impact on PwC Network Firms, the policy identifies key areas where these requirements are more restrictive.

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
- 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.

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PwC Channel Islands supplements the PwC Network Independence Policy as required by local and other relevant regulations, including the independence requirements of the United States Securities and Exchange Commission, those of the Public Accounting Oversight Board of the United States and of the EU Audit Regulation where they are more restrictive than the Network's policy and are required due to the nature of the audit and non-audit assurance client to which appropriate services are being provided.

### ***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 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 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;
- 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).

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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, the firm performs:

- 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.

## ***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 ongoing 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.

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# *Financial information*

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# *Financial information*

The results shown below for the year ending 30<sup>th</sup> June 2018 have been extracted from the draft PwC CI accounts which have yet to be finalised by the Partners.

Total fee income for the years ending 30th June were:

	2018	2017
	£ Million	£ Million
Audit Services	32.2	31.0
Tax Advisory Services	3.4	3.4
Advisory Services	6.2	4.7

For clarification, PwC Channel Islands has not signed any audit reports of the financial statements of an EU PIE as referred to in the section regarding public interest audit clients.

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# *Remuneration*

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# *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 Territory 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.

