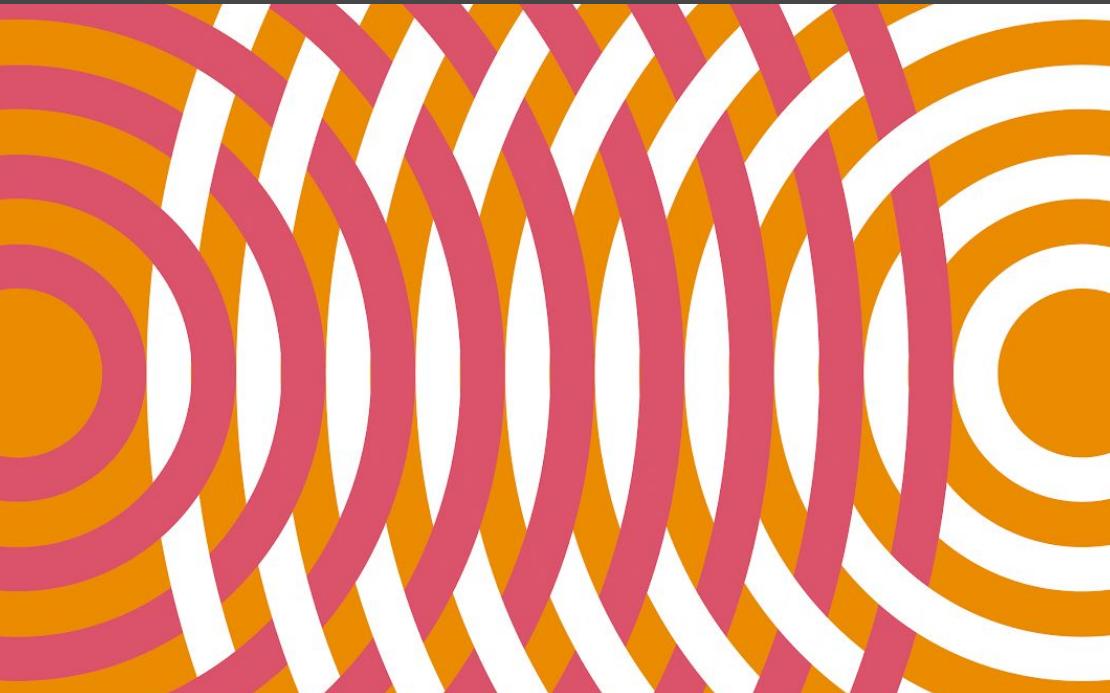


# Transparency Report

PricewaterhouseCoopers  
Channel Islands  
Year end 30 June 2020





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# Message from leadership



Simon Perry

I'm delighted to introduce our Transparency Report. The annual publication is designed to help our key stakeholders and wider society within the Channel Islands to understand our objectives, what we expect from our people and how we're governed. While PwC is a multidisciplinary firm, this report is primarily focused on our audit practice and related services.

This year's report includes an overview of how we've managed the impact of COVID-19. The pandemic has affected every aspect of our work, our personal and family lives, and how we engage with the clients and communities we serve.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with more than 284,000 people who are committed to delivering quality in assurance, advisory and tax services. We're committed to driving a strong culture of quality and excellence that is core to our purpose.

## Sustaining confidence

Lockdown and recession have imposed enormous challenges on the organisations we audit, while highlighting the important role auditors play in society. Building trust in the transparency, objectivity and effectiveness of our audit work is key to our purpose and critical to providing reporting that shareholders can rely on.

Local regulators offered the option to delay audit opinions and filing. However, we chose from the outset to keep to existing timelines. Given the uncertainty within the economy, we believe that clear, credible and timely audit is critical in sustaining market confidence and helping local businesses steer through uncertainty.

## Protecting livelihoods

As a leadership team, we need to do everything we can to protect and enhance the wellbeing of our people, their families and communities. It's hard to underestimate the emotional toll of being stuck for weeks and months at home. Many of our people were looking after children while trying to get on with work, while others have faced the isolation of being in lockdown alone. As a working community that brings together people from all over the world, many of our colleagues have also faced the anxiety of not being able to visit loved ones abroad. The other big worry is of course livelihoods and careers at a time when so many jobs across our islands and other parts of the world are at risk. Supporting each other and allaying concerns over possible redundancies have therefore been our absolute priorities.

That was the first and most important decision we made at the outset of the crisis to guarantee, that for as long as possible, nobody within our team would face the threat of redundancy. That message formed a central part of our commitment to staff that we're managing the business for the long-term, and not looking at any short-term responses. To protect employment across our firm, our partners came together to agree they would take a pay cut, along with suspension of pension contributions and dividends in order to strengthen our own balance sheet and help us weather the storm. Beyond the money this retained in the business, this commitment sent a clear message to our team that we're prepared to put our money where our mouth is in protecting all livelihoods and career aspirations.

## Pulling together as a team

To stay connected as a team during lockdown, we made sure that our people had access to the tools and technology they needed to work safely and easily from home. We also set up group chats, virtual socials, a buddy system and lots of other ways we could stay together virtually and minimise as best we could, feelings of stress and isolation.

Once lockdown was eased, people living alone were given the first opportunity to return to the offices, so they could enjoy the company of colleagues once again. At the same time, no pressure was applied to anyone to come into the office if they were feeling in any way anxious. Everyone can work remotely as and when they want – this is a long-term commitment.

As a leadership team, we were determined to stay on top of any issues or concerns, meeting every day in 'huddles' to discuss staff welfare and what our people might need and what more we could do. This was supported by regular virtual 'town hall' meetings, where colleagues came together and shared ideas and concerns and asked questions of the leadership team.

One of the most satisfying aspects of these past few months has been seeing how the developments in flexible working and digital connectivity we've put in place in recent years have demonstrated their value. We want people to have the autonomy and flexibility to get the job done in a way that best suits them personally and professionally. Our investment in technology and digital upskilling has opened the door. However, what really makes this possible is the right culture and trust. This autonomy and work-life balance are now expectations for the generations coming into the workforce and moving up through our organisation.

What's really good is that these developments are helping to clear away the last vestiges of presenteeism, in which ambitious professionals might have believed that they need to be seen working late in the office to move up the ladder. They should be with their children, singing in a choir in the evening or whatever they want to do, while knowing that this in no way holds back their chances of promotion. Indeed, we believe that trust, autonomy and work-life balance make us more productive and better able to meet client needs.

Therefore, as hard as the past year has been, adversity has brought out the best in our people. We've also discovered fresh possibilities and made strides in digitisation, flexibility and workforce empowerment that might otherwise have taken much longer. I've learned a great deal about myself and all our people and how resilient we are.

### Enhancing audit quality

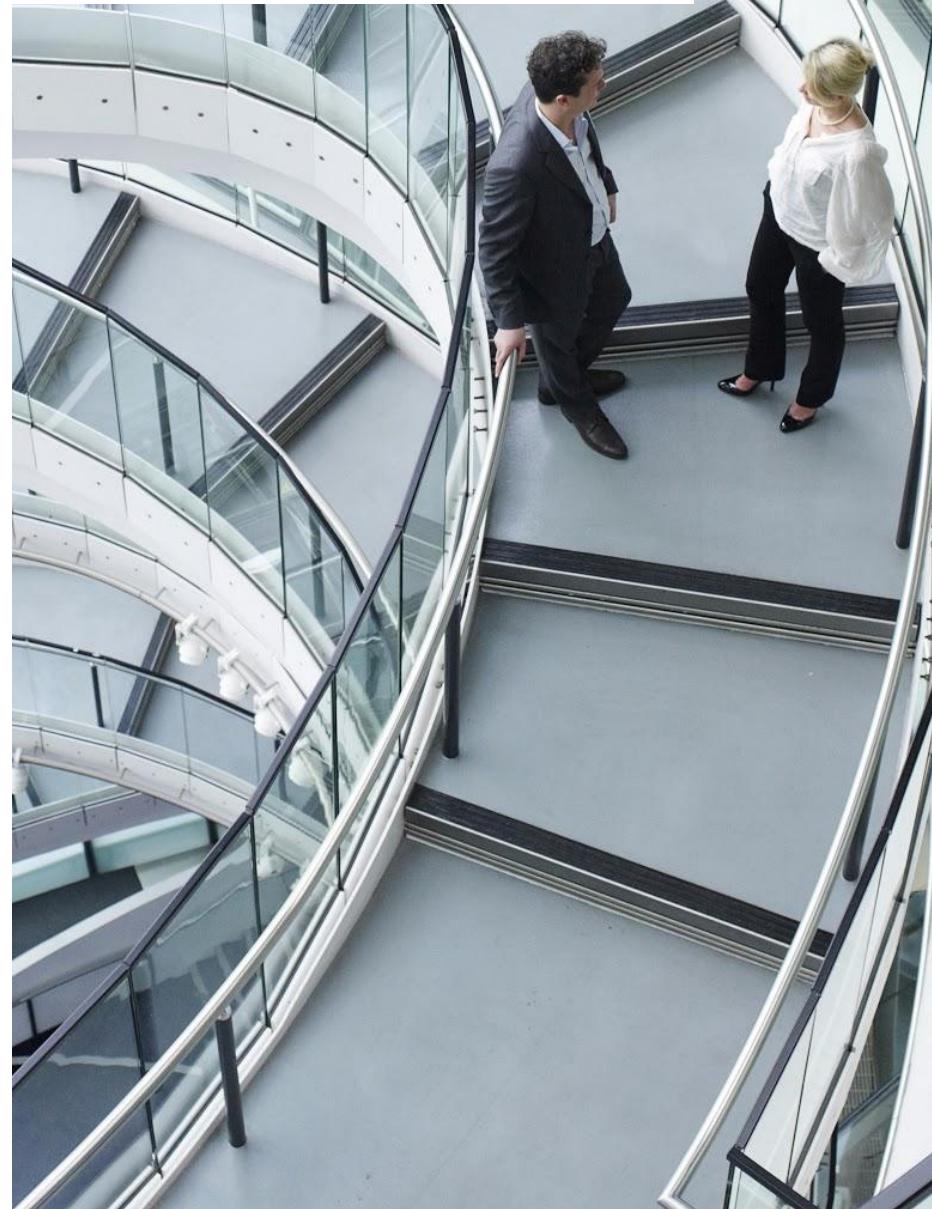
As scrutiny and challenge of audits intensify, we're actively seeking to strengthen quality, oversight and control.

In July, this included separating the role of External Audit Leader and Territory Senior Partner. This will enable the new audit lead, Karl Hairon, to dedicate all his time and expertise to developing audit quality and ensuring audit suitability. I'll continue in my role as Territory Senior Partner.

Other key developments include separating our Risk and Quality divisions. Risk will focus on setting the right approach and ensuring the appropriate people are assigned to particular roles and engagements. Quality will focus on day-to-day management and compliance with regulations and internal procedures. These two areas are growing as the business grows and becomes more complex and I felt it was right to split the functions and have two partners sharing the burden.

### Strengthening diversity

Diversity and inclusion are critical to how we operate, from both a fairness and business perspective. We want everyone who works here to feel they can bring their whole self to work and realise their own unique potential. The breadth of experience and perspective that comes from promoting diversity and inclusion are a critical part of our ability to sustain quality and thrive.



In July 2020, we appointed seven new directors, four of whom are women. These new leaders also come from all continents of the world. This more diverse team offers new and different role models to help inspire people coming into and up through our organisation.

A further sign of sustained progress on diversity is once again achieving a narrow gender pay gap of 2% within PwC Channel Islands. To put this into perspective, the pay gap for UK businesses as a whole is more than 10% in favour of men.

However, we recognise that we still have a long way to go, especially at the most senior levels of the firm. A particular focus is female retention at these levels. We need to be looking at the pressures staff face and take proactive steps to ease them. We also want our people to feel they can share concerns and know that line managers and leaders will do all they can to address them.

### Picking up the pace of digital upskilling

Last year, I reported on the launch of our workforce transformation drive. This aims to ensure that all of our 400+ colleagues here in the Channel Islands have the digital skills to improve client service and boost their employability. We call it #dontgetleftbehind.

The starting point is our digital fitness app. The app assesses each person's baseline digital capabilities – their 'digital health' – and then helps to create a personalised plan for skills' development and application. Employees can also use the app to measure progress and set new goals.

To make learning more suited to personal preferences, our tech-enabled learning includes podcasts, gamification and multimedia content. People can therefore be listening to a podcast when out running or learning in a traditional classroom setting – whatever suits them best.

To be successful, we believe that upskilling should inspire and empower. Our people are encouraged to apply new skills in their day-to-day work, and also develop digital innovations and solutions.

To take upskilling to the next level, we've introduced a digital accelerator programme. This enables employees to explore fresh career paths and deepen their skills in digital specialities. 'Accelerators' also take the lead in challenging what we do, and how it could be done better to make it more efficient and useful to clients.

This resulting 'playlist' of developments ranges from harnessing tech to reduce costs and free up staff time, to introducing visualisation tools to make information for clients more interactive and usable.

### Leading the fight against financial crime

Effective anti-money laundering (AML), know your customer (KYC) and other customer due diligence safeguards are a critical part of the global fight against financial crime.

We're determined to be at the forefront of developments in customer due diligence. In recognition of our work in this area, we were chosen to take the lead in developing a new KYC system for the Global PwC network, which will be rolled out across the world from November 2020.

### Nurturing the workforce of tomorrow

Beyond our own work, lockdown has been a catalyst for exploring new ways of engaging with the community. One example was this year's virtual work experience programme. While it's always great to have young people in the office on work experience, this wasn't possible at the time. However, we actually had more people on work experience than ever before (more than a hundred rather than the usual dozen or so), and the level of engagement was better than ever. The virtual programme enabled us to offer the kind of interactive and intuitive experience that students are accustomed to in other aspects of their lives.

Building on the success of our virtual work experience, we're now launching Hive Academy, a tech skills programme, in schools across the Channel Islands. Rather than solely focusing on tech training in isolation, the Hive Academy programme also looks at the kind of capabilities and skills that are critical in helping children be better equipped for the future of work. These programmes include creativity, design thinking, problem-solving, emotional intelligence, negotiation and collaboration. We've hired a dedicated training team to lead the initiative and it will soon be rolled out to local schools across the Channel Islands. Many of our people will also be contributing their time and expertise through our volunteering hours initiative.

As we explored in our [Upskilling the Channel Islands' workforce for a digital world](#) report, these digital skills can not only help to make people more employable and ready for the future, but also open the way to more fulfilling work and bolster the long-term prosperity of our islands.

“ **I hope you find this report useful. If there are any issues that you would like to discuss, please feel free to get in touch.**

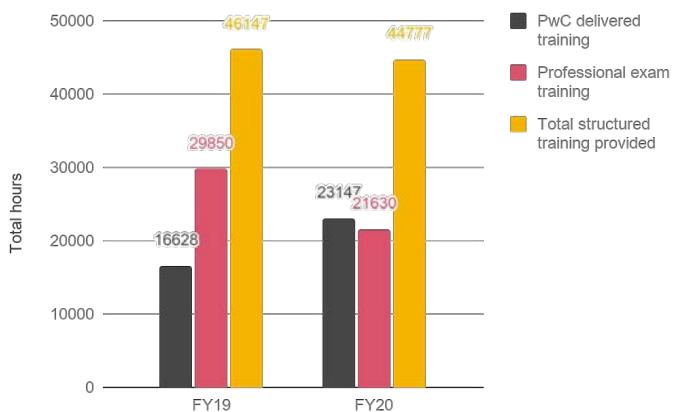
### Simon Perry

Territory Senior Partner  
PwC Channel Islands

October 2020

# Year in review

## Assurance and Professional exam training (hours)



## Financial statement restatements



Number of financial statement restatements involving Market Traded Companies due to material errors

## Mandatory training attendance

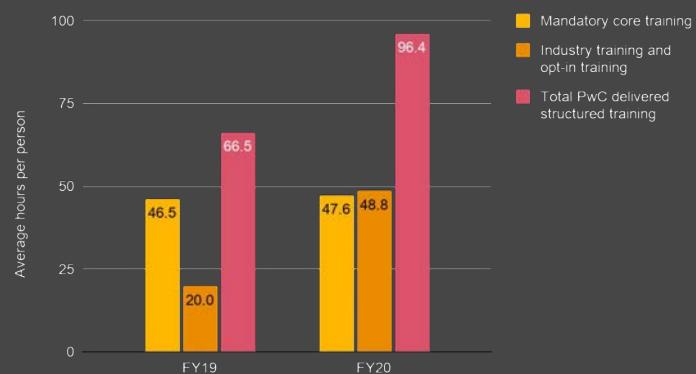
**100%**

of partners and staff have completed all mandatory training attendance in FY20

## FY20 Assurance overtime hours by level



## Assurance training (hours)



## Our system of quality management

Hours spent by the core testing team performing the year end ISQC1/ QMSE review

**2,056 hours**

**3 Findings**  
**5 Observations**

Quality management findings and observations identified are being remediated

## Real time reviews

Number of audit engagements included in the real time review program

**19** audit engagements

With 490 hours spent by reviewers

### Core Assurance Training FY20

Average hours achieved by partners and staff

**14.7** online | **32.9** classroom | **47.6** total

Total hours completed

**11,424.0**

### Core Assurance Training FY19

Average hours achieved by partners and staff

**15.3** online | **31.2** classroom | **46.5** total

Total hours completed

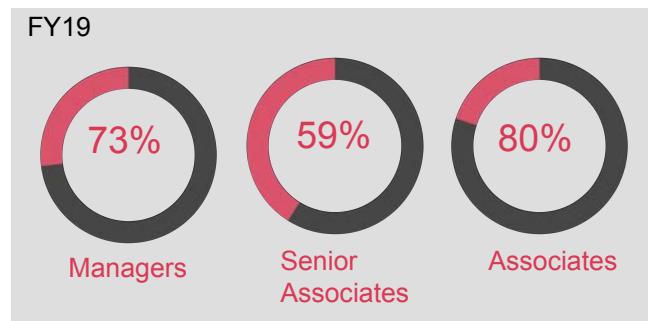
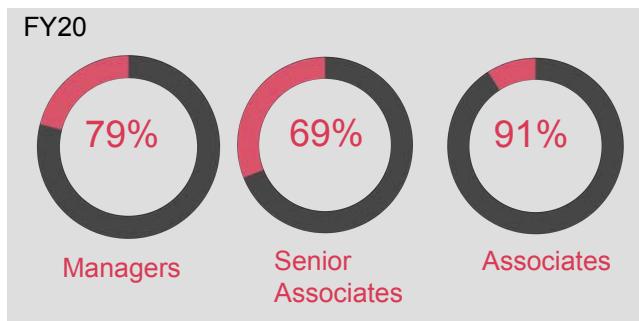
**11,625.0**

# Year in review

## Leveraged ratio of audit-related hours for audit team members

			FY20			FY19			FY18			FY17		
Partners & Directors	to	Manager	1	to	4.0	1	to	3.3	1	to	3.0	1	to	3.6
Manager	to	Staff	1	to	4.2	1	to	4.8	1	to	4.8	1	to	4.8
Partners & Directors	to	Staff	1	to	16.9	1	to	15.6	1	to	14.5	1	to	17.4

## Average retention rate by staff level



## Average experience of our audit partners



24 years at PwC  
9 years as partner

## Average experience of our audit directors



17 years at PwC  
5 years as director\*

\* Directors are engagement leaders with audit signing rights, who are not partners.

## Technical support

Ratio of partners serving in technical support roles to the total number of audit partners

1 to 4.5

## Use of non specialist hrs out of territory

Percentage of audit hours performed by Acceleration Centers

FY20: 11%

FY19: 9%

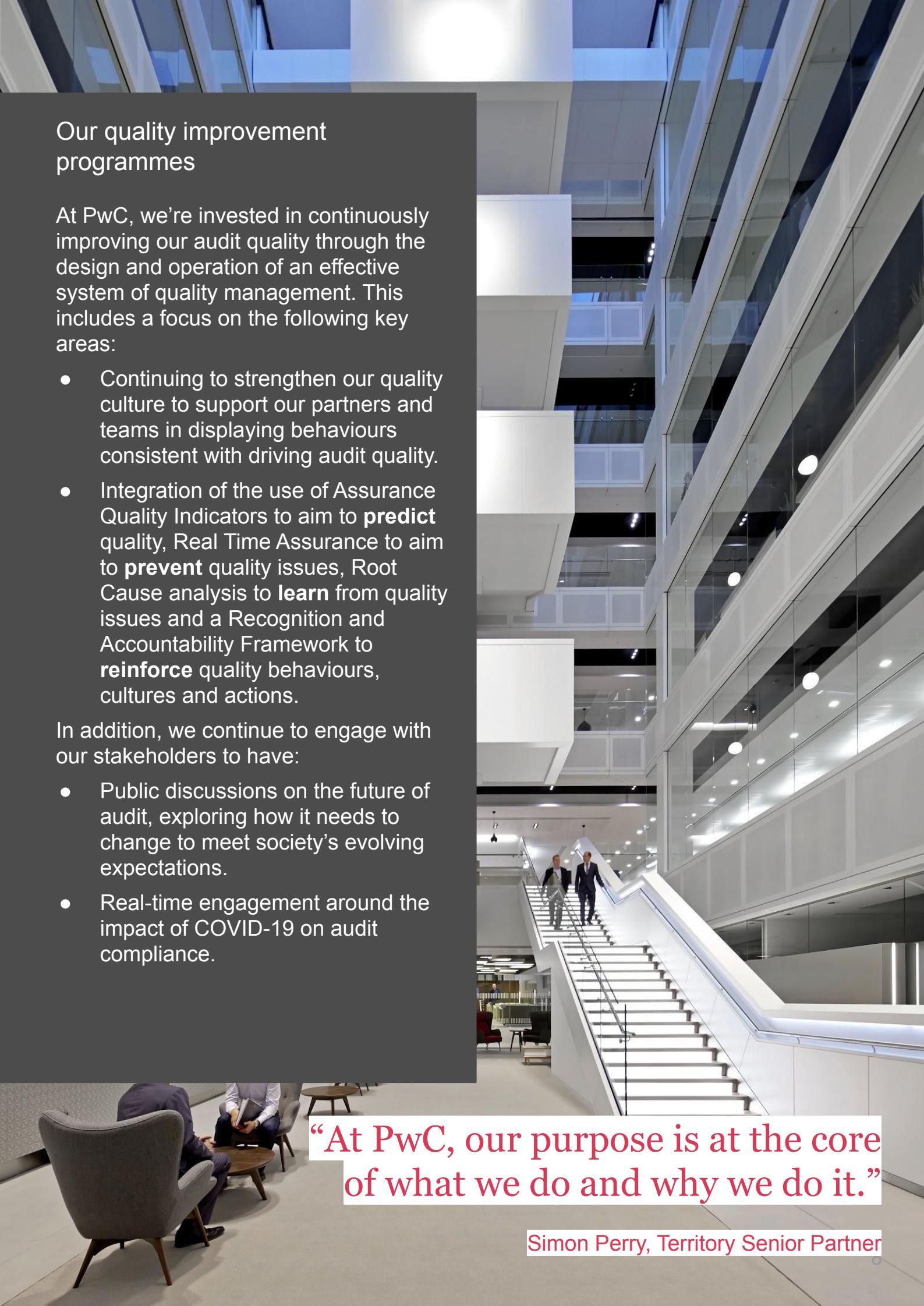
## Our quality improvement programmes

At PwC, we're invested in continuously improving our audit quality through the design and operation of an effective system of quality management. This includes a focus on the following key areas:

- Continuing to strengthen our quality culture to support our partners and teams in displaying behaviours consistent with driving audit quality.
- Integration of the use of Assurance Quality Indicators to aim to **predict** quality, Real Time Assurance to aim to **prevent** quality issues, Root Cause analysis to **learn** from quality issues and a Recognition and Accountability Framework to **reinforce** quality behaviours, cultures and actions.

In addition, we continue to engage with our stakeholders to have:

- Public discussions on the future of audit, exploring how it needs to change to meet society's evolving expectations.
- Real-time engagement around the impact of COVID-19 on audit compliance.



**“At PwC, our purpose is at the core of what we do and why we do it.”**

Simon Perry, Territory Senior Partner

IT'S  
ABOUT  
THEM



# Our approach to quality

# Our approach to delivering quality services across all our operations and network

## Focus on Quality

The quality of our work is at the heart of our organisation and we invest significant and increasing resources in its continuous enhancement across all of our businesses. This investment is targeted into many different areas, including training (technical and digital, ethical and behavioural), methodologies, adding resources in key areas and exploring new ways of delivering our work. Each investment reflects a common determination to understand the factors that drive quality and identify opportunities for enhancement.

We're also investing heavily in new technology to drive continuous improvement in the capabilities and effectiveness of all of our services.

We're proud to have been the first of the global professional services networks to have published its network internal audit quality inspection results. It's very important that we're transparent about both the efforts that we're making to enhance quality across the network, and also the results and the impact that these efforts are having at a network level. The publication of this data by our network over the last few years, along with public discourse on the subject of the audit, has quite rightly put an increasing focus on the issue of audit quality, which we discuss in detail in this report.

## Definition and culture

At PwC, we define quality service as one that consistently meets the expectations of our stakeholders and which complies with all applicable standards and policies. An important part of delivering against this quality definition is building a culture across a network of 284,000 people that emphasises that quality is the responsibility of everyone including our 410 people within the Channel Islands as at October 2020. Continuing to enhance this culture of quality is a significant area of focus for our global and local leadership teams and one which plays a key part in the measurement of their performance.

## Measurement and transparency

For all our businesses, each PwC firm – as part of the agreement by which they are members of the PwC network – is required to have in place a rigorous system of quality management (SoQM); to annually complete a SoQM performance assessment; and to communicate the results of these assessments to global leadership. These results are then discussed in detail with the leadership of each local firm and if they are not at the level expected, a remediation plan is agreed with local leadership taking personal responsibility for its successful implementation.

As our services change and develop, and the needs and expectations of our stakeholders also change, we're continually reviewing and updating the scale, scope and operations of our system of quality management and investing in programmes to enhance the quality of the services that we provide.

For example, we continue to focus on 'tone at the top' of our organisation and are creating the right culture for high performance and high quality. Knowing how important tone at the top is, we're implementing an enhanced and consistent measurement of leadership effectiveness and quality right across our network.

# Specific focus on audit quality

## Specific focus on audit quality

Delivering quality audits is core to our purpose. To that end, we're committed to providing a quality audit. However, where our work falls below the standards that we set for ourselves and are set by the regulators, we're disappointed and also criticised. We take each of these instances very seriously and work hard to learn lessons and to enhance the quality of audits that we undertake in the future.

## The right objectives and capabilities

To help us put this strategy into effect, the PwC network has established clear objectives around audit quality and provides support to help us meet these objectives. Our engagement teams can only deliver quality audit services if they have access to the necessary capabilities – both in terms of people and technology. That's why our quality objectives focus on having the right capabilities – both at a member firm level and across our network – and on using these capabilities to meet our own standards and the professional requirements. These capabilities can only be developed under the right leadership and quality culture, promoting the right values and behaviours.

## Integrated and aligned in the right way

The quality objectives focus on having the right people supported by effective methodologies, processes, and technology appropriately directed and supervised. These represent the capabilities that we believe are relevant to achieving and sustaining audit quality. To help us achieve these objectives, there are a number of dedicated functions at a network level that develop practical tools, guidance and systems to support and monitor audit quality across our network. These elements have been integrated and aligned by our network to create a comprehensive, holistic and interconnected quality management framework that we tailor to reflect our individual circumstances.

## Delivering a quality end-product consistently

Central to the framework is the recognition that quality management is not a separate concept; it needs to be embedded in everything we do as individuals, teams, firms and the network. The quality objectives are supported by designated key activities which are considered necessary to achieve the quality objectives, focused mainly on building a quality infrastructure and organisation. We supplement and design those key activities as appropriate to respond to risks we've identified to achieving each quality objective.

## Values and judgments

Performing quality audits requires more than just the right processes. At its core, an auditor's role is to assess with a "reasonable" degree of assurance whether the financial statements prepared by the company's management are free of "material misstatements" – reaching a professional judgment on whether the financial statements present a fair picture of the company's financial performance and position. To carry out this assessment effectively, the auditor needs to use all the capabilities that have been built up in line with our quality objectives. These include applying ethical behaviour in accordance with PwC's values, professional scepticism, specialist skills and judgment – all supported by technology.

# Delivering audit quality during the COVID-19 pandemic

## Our response to COVID-19

This year, the global COVID-19 pandemic has had an unprecedented impact on our clients and our people, as well as global and local economies and broader society.

At PwC, in addition to safeguarding the health, safety and well-being of our people, we've remained focused on working together as a Network, with our clients and other stakeholders to continue to deliver audit quality.

We performed several surveys of our people in the Channel Islands to identify how they were feeling throughout the lockdown period. These included asking whether they wished to remain working at home or from the office and whether the level of communications and support being provided was considered appropriate.

## Sharing developments and experience

From the early stages of the pandemic, the PwC network put a team in place to monitor developments globally and to highlight areas of critical importance to ensure we didn't compromise on audit quality. We've leveraged the guidance developed by our Network to provide consistent leadership and guidance on audit quality and equip our teams to consider their clients' unique circumstances and respond accordingly.

Our Network response was comprehensive. It covered all aspects of audit quality, including regulatory and standard setting updates, auditor reporting, methodology, accounting and learning and education. Using the Network guidance, we considered changes needed to our existing policies and procedures as well as what needed to be reinforced through appropriate communications to our staff and partners.

128

Coronavirus-related notifications, alerts and reminders issued to staff up to 30 June 2020.

## Identifying and addressing risks related to COVID-19

The COVID-19 pandemic resulted in us facing a number of new challenges in our audits. This ranged from how we operate as a team to plan and complete the audit, to how we interact with our clients to obtain the necessary audit evidence and execute specific audit procedures.

Our system of quality management provided the framework to identify, assess and respond to the risks arising from the Coronavirus situation. We used the experience and examples shared with us from across the Network to support our assessment of the issues that had the potential to impact our system of quality management.

We've followed our Infectious Disease and Pandemic Management Response plans to ensure business continuity and we believe our business continuity plans both protect our people and reduce the level of potential service interruption to our clients and business operations. We're monitoring and acting on the advice of Governments in the territories in which we operate, the World Health Organisation and PwC medical advisers. Our response efforts are a continuous cycle of information sharing and activities with experts to help prevent, contain, and recover from life threatening infectious diseases and viruses impacting our people and our clients. From the outset of the pandemic we focused on regular communication with our staff including daily update emails from the Territory Senior Partner. In addition communications included technical alerts and reminders, issued by Assurance Risk and Quality, and a centralised portal was established, housing all PwC Global and PwC UK assurance guidance on COVID-19 under one site, serving to share experience and examples of disclosure seen in the market on the impact of COVID-19 on financial reporting. During the lockdown period, the PwC leadership team met virtually on a regular basis to consider and plan for the potential impact on our people, business operations, clients and the services we provide. Smaller virtual 'huddle' groups were organised to ensure all staff were given the right level of support and we conducted several targeted surveys to gauge how staff were coping with working from home as well as for the purposes of tracking staff travel and planning the return into the office.

## Using technology to support our teams

The pandemic has shown the true value of our extensive investment into technology over recent years. When the Channel Islands went into lockdown, all our audit staff were immediately able to access our suite of audit technology tools remotely, and to engage with each other and with clients, on a face-to-face basis – albeit through a video screen. This allowed for a quick and seamless transition to working remotely and enabled our people to continue to carry out their work despite the significant change in our physical work environment. The impact of the COVID-19 continues to evolve. We're continuing to monitor, assess and respond to the resulting risks in our audits.

## Staff survey

A staff survey in April 2020 asked 'What is your view of the PwC Channel Islands internal comms response to COVID-19?'

94%

of responses said 'Just the right amount, I feel well informed.'



# Cultures and values

## Leadership and tone at the top

Our purpose and values are the foundation of our success. Our purpose is to build trust in society and solve important problems, and our values help us deliver on that purpose. Our purpose reflects 'why' we do what we do, and our strategy provides us with the 'what' we do. 'How' we deliver our purpose and strategy is driven by our culture, values and behaviours. This forms the foundation of our system of quality management and permeates how we operate, including guiding our leadership actions, and how we build trust in how we do business, with each other and in our communities.



When working with clients and colleagues to build trust in society and solve important problems, the firm:

### **Acts with integrity**

- Speaks up for what is right, especially when it feels difficult.
- Expects and delivers the highest quality outcomes.
- Makes decisions and acts as if personal reputations were at stake.

### **Makes a difference**

- Stays informed and asks questions about the future of the world.
- Creates impact with colleagues, clients and society through its actions.
- Responds with agility to the ever-changing environment in which it operates.

### **Cares**

- Makes the effort to understand every individual and what matters to them.
- Recognises the value that each person contributes.
- Supports others to grow and work in the way that brings out their best.

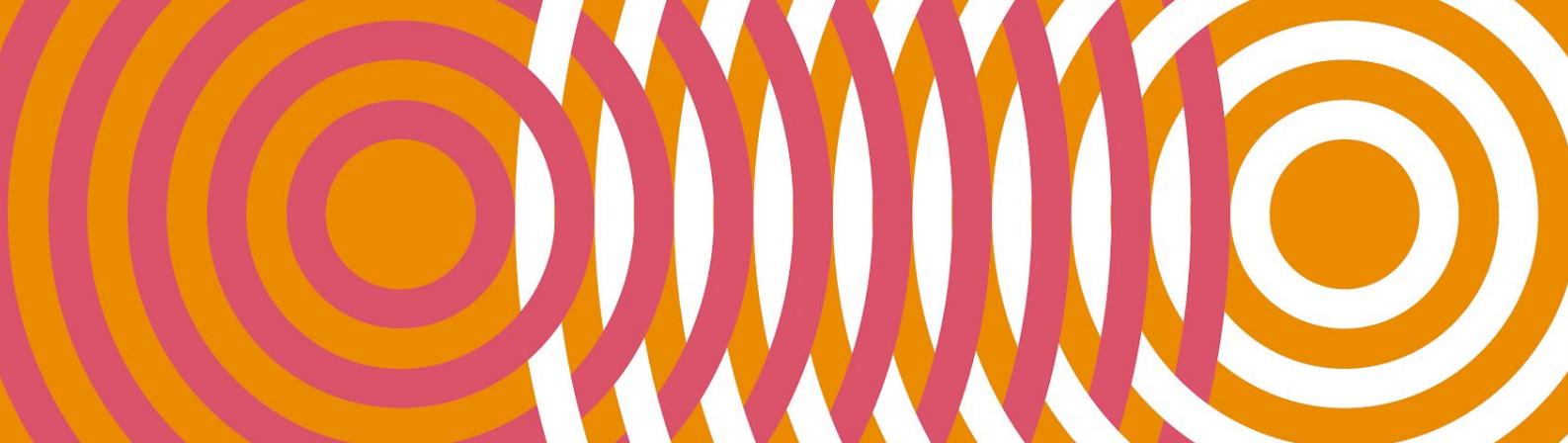
### **Works together**

- Collaborates and shares relationships, ideas and knowledge beyond boundaries.
- Seeks and integrates a diverse range of perspectives, people and ideas.
- Gives and asks for feedback to improve themselves and others.

### **Reimagines the possible**

- Dares to challenge the status quo and try new things.
- Innovates, tests and learns from failure.
- Has an open mind to the possibilities in every idea.

Key messages are communicated to our firm by our Territory Senior Partner and our leadership team and are reinforced by engagement partners. These communications focus on what we do well and actions we can take to make enhancements. We track whether our people believe that our leaders' messaging conveys the importance of quality to success of our firm. Based on this tracking, we're confident our people understand our audit quality objectives.



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 people and processes to deliver services in an effective and efficient manner that meets the expectations of our clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and our system of quality management (SoQM) must be designed and operated so that these objectives are achieved with reasonable assurance. The achievement of these objectives is supported by a **quality management process** established by our firm and Assurance leadership, business process owners, and partners and staff.

This involves the integrated use of Assurance Quality Indicators to aim to **predict** quality issues, Real Time Assurance to aim to **prevent** quality issues, Root Cause Analysis to **learn** from quality issues and a Recognition and Accountability Framework to **reinforce** quality behaviours, culture and actions.

These programs, by design, require ongoing monitoring and continuous improvement, in particular Assurance Quality Indicators, which we expect will evolve significantly over time and as we continue to use and learn from these measures.

## The Quality Management Process

This quality management process includes:

- Identifying risks to achieving the quality objectives.
- Designing and implementing responses to the assessed quality risks.
- Monitoring the design and operating effectiveness of the policies and procedures through the use of process-integrated monitoring activities such as real-time assurance as well as appropriate Assurance quality indicators.
- Continuously improving the system of quality management when areas for improvement are identified by performing root cause analyses and implementing remedial actions.
- Establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration, and career progression decisions.

### ***Aim to Predict: Assurance Quality Indicators***

We've identified a set of Assurance Quality Indicators (AQIs) that support our Assurance leadership team in the early identification of potential risks to quality, using metrics to aim to predict quality issues. This quality risk analysis is an essential part of our SoQM, and the AQIs, in addition to other performance measures, also provide a key tool in the ongoing monitoring and continuous improvement of our SoQM.

The AQIs are calculated on a quarterly basis and an analysis is performed to determine any trends or themes. The results are then shared with the leadership team, along with a communication as to the action to be taken to address any indicators giving cause for concern.

### ***Aim to Prevent: Real Time Assurance***

We've developed a Real Time Quality Assurance (RTA) program designed to provide preventative monitoring that helps coach and support engagement teams get the 'right work' completed in real-time, during the audit.

The RTA program is designed to be a preventative monitoring program that further supports engagement teams. It enables the firm to cover both a wide range of engagements and Assurance quality indicators through internal monitoring processes with standardisation and automation, saving time and resources.

The RTA program comprises both firm-wide monitoring across all audit files against a range of preset criteria and also deep dive Real Time Reviews on selected higher risk engagements.

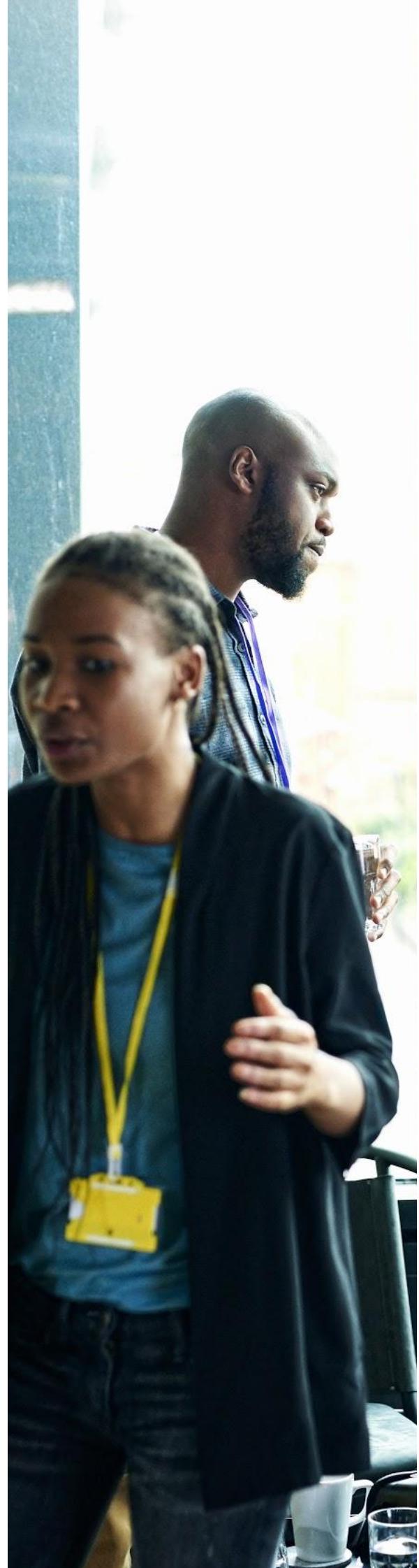
## Learn: Root cause analysis

We perform analyses to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. Our primary objectives when conducting such analyses is to understand what our findings tell us about our SoQM and 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 its own internal inspections process or through external inspections, to help identify possible distinctions and learning opportunities.

For individual audits, an objective team of reviewers identifies potential factors contributing to the overall quality of the audit. We consider 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. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practise. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

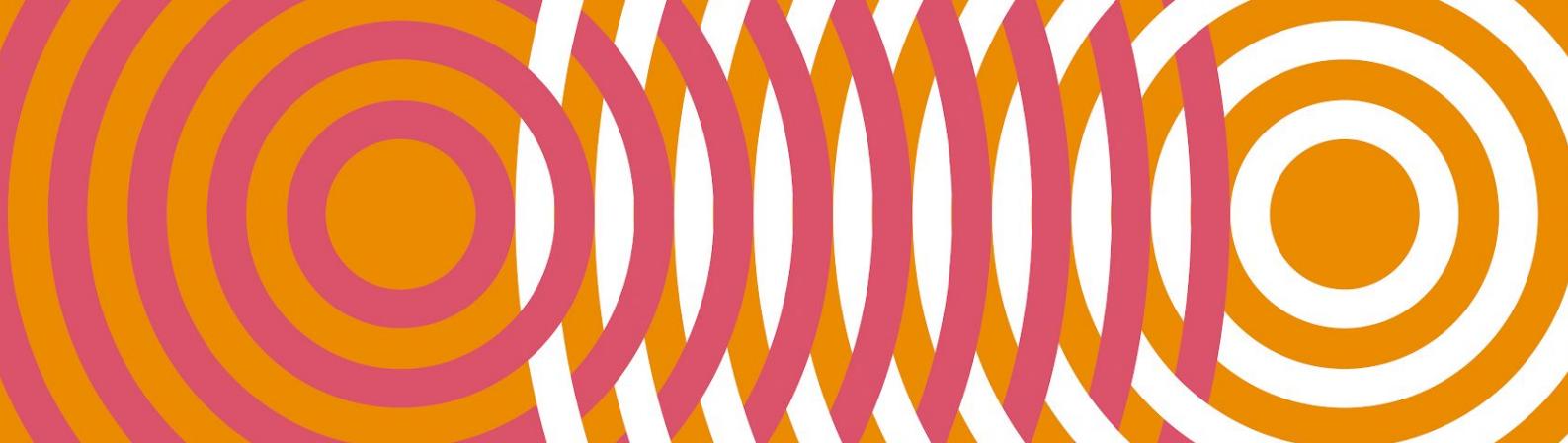


## **Reinforce: Recognition and Accountability Framework**

Our Recognition and Accountability Framework (RAF) reinforces quality in everything our people do in delivering on our strategy, with a focus on the provision of services to our clients, how we work with our people and driving a high quality culture. It holds Partners and Directors across all service lines and within internal firm services accountable for quality outcomes. Our RAF considers and addresses the following key elements:

- **Quality outcomes:** We provide transparent quality outcomes to measure the achievement of the quality objectives. Our quality outcomes take into account meeting professional standards and the PwC Network and our firm's standards and policies.
- **Behaviours:** We've set expectations of the right behaviours that support the right attitude to quality, the right tone from the top and a strong engagement with the quality objective.
- **Interventions/ recognition:** We've put in place interventions and recognition that promotes and reinforces positive behaviours and drives a culture of quality.
- **Consequences/ reward:** We've implemented financial and non-financial consequences and rewards that are commensurate to outcome and behaviour and sufficient to incentivise the right behaviours to achieve the quality objectives.





## Ethics, independence and objectivity

### Ethics

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:

- i. **Integrity** – to be straightforward and honest in all professional and business relationships.
- ii. **Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- iii. **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.
- iv. **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.
- v. **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/fair-competition, anti-corruption, information protection, firm's and partner's taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC Network and leadership in PwC Channel Islands monitors compliance with these obligations.

In addition to the PwC Values (Act with Integrity, Make a difference, Care, Work together, Reimagine the possible) and PwC Purpose, 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 build public trust. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal-to do the right thing.

Upon hiring or admittance, all staff and partners of PwC Channel Islands are provided with 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 and have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing behaviours inconsistent with the Code. Each firm in the PwC Network provides a mechanism to report issues. There is also a confidential global reporting option on [pwc.com/codeofconduct](http://pwc.com/codeofconduct). (PwC Channel Islands has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

The PwC Code of Conduct is available on-line for all internal and external stakeholders at [www.pwc.com/ethics](http://www.pwc.com/ethics).

## Objectivity and Independence

As auditors of financial statements and providers of other types of professional services, PwC member firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance 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 International Code of Ethics for Professional Accountants, including International Independence Standards, 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.

PwC Channel Islands has a designated partner, John Roche, (known as the 'Partner Responsible for Independence' or 'PRI') with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a small team of independence specialists within the Channel Islands and has access to the wider Network specialist team should the need arise. The PRI reports directly to the Territory Senior Partner.

### Independence policies and practices

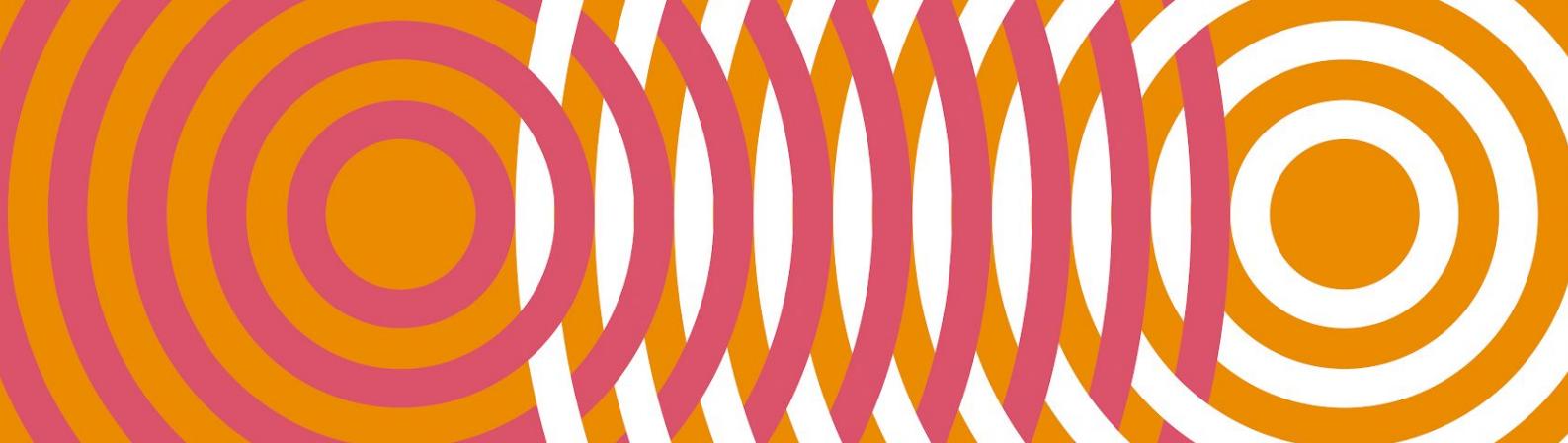
The PwC Global Independence Policy covers, among others, the following areas:

- 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, 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 audit clients and related entities.
- Business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business.
- Acceptance of new audit and assurance clients, and the subsequent acceptance of non-assurance services for those clients.

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.

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, the Public Accounting Oversight Board of the United States and the United Kingdom Financial Reporting Council's Ethical Standard where they are more restrictive than the Network's policy.



## Independence related systems and tools

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

- The Central Entity Service (CES), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence restriction status of clients of the member firm and those of other PwC member firms before entering into a new non-audit engagement or business relationship. This system also feeds Independence Checkpoint and Authorisation for Services.
- 'Independence Checkpoint' which facilitates the pre-clearance of publicly traded securities by all partners and practice managers before acquisition and records their subsequent purchases and disposals. Where a PwC member 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.
- Authorisation for Services (AFS) which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, regarding a proposed non-audit service, documenting the analysis of any potential independence threats created by the service and proposed safeguards, where deemed necessary, and acts as a record of the audit partner's conclusion on the permissibility of the service.
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory). PwC Channel Islands also uses it for intra-territory reporting (e.g. in a single territory situation) in the absence of a local equivalent alternative system or procedure.

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

- A rotation tracking system which monitors compliance with audit rotation policies for engagement leaders and other key audit partners involved in an audit.
- A database that records all approved business relationships entered into by PwC Channel Islands. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.

## 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 relevant aspects of the member 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 monitoring and disciplinary policy

PwC Channel Islands is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, we perform:

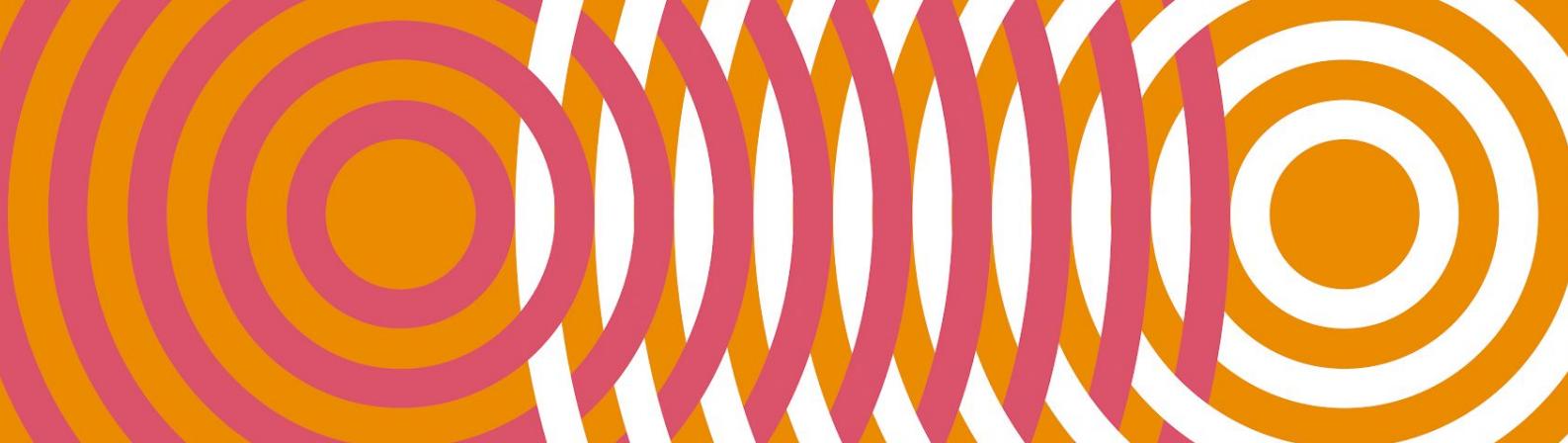
- Compliance testing of independence controls and processes.
- Personal independence compliance testing of a random selection of partners and directors as a means of monitoring compliance with independence policies.
- An annual assessment of the member firm's adherence with the PwC Network's Standard relating to independence.

The results of PwC Channel Islands' monitoring and testing are reported to the firm's management on a regular basis with a summary reported to them on an annual basis.

PwC Channel Islands 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 member 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.





## Considerations in undertaking the audit

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've established policies and procedures for the acceptance of client relationships and audit engagements that consider whether we're competent to perform the engagement and have the necessary capabilities including time and resources, can comply with relevant ethical requirements, including independence, and have appropriately considered the integrity of the client. We reassess these considerations in determining whether we should continue with the client engagement and have in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary.

### Client and Engagement Acceptance and Continuance

PwC Channel Islands 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.
- 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.
- To understand the methodology, basis and minimum considerations all other member firms in the Network have applied in assessing audit acceptance and continuance.



# Our people

PwC Channel Islands' partners and staff 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 strive to 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 achievements.

In 2015, the firm launched the PwC Professional, a global leadership framework which articulates the skills and capabilities the firm expects from all its people to deliver an outstanding experience to both clients and its people. The recruitment process is closely aligned to this framework, enabling the firm to select the best talent, based not only on their technical skills but also on their behaviours and ways of working.

PwC Channel Islands hires top-performing school-leavers into its Higher Apprenticeship program, and top-performing graduates into its graduate program. The Associate level is the entry level grade, with progression through the ranks. A rigorous recruitment process is in place to ensure candidates are screened for intellectual capability, competency and culture fit through a succession of interviews and interactions with decision-makers.

Experienced hire candidates follow an equally rigorous screening and a two stage interview process aligned to the PwC Professional. This establishes the level of standard and quality which the individual works to ensure the firm is recruiting individuals who will promote and live by the values and core attributes of PwC during their professional work.

## Promotions

Promotions of staff are based on the individual's performance, their skills and the business case. Promotions to director or admission to partnership involve the CI leadership team and follow network standards through participation in a bespoke Director Promotion process involving Partners from within the CI firm and other PwC Network firms. 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 manager, 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 staff, the firm carefully balances several elements including: the economic climate and the external market; recognition of individual contribution, including the quality of the work they delivered; the performance of the firm; and investment for the future. PwC have common firm-wide reward principles, but in rewarding its people the Channel Islands firm recognises that it operates in different markets.

## People strategy

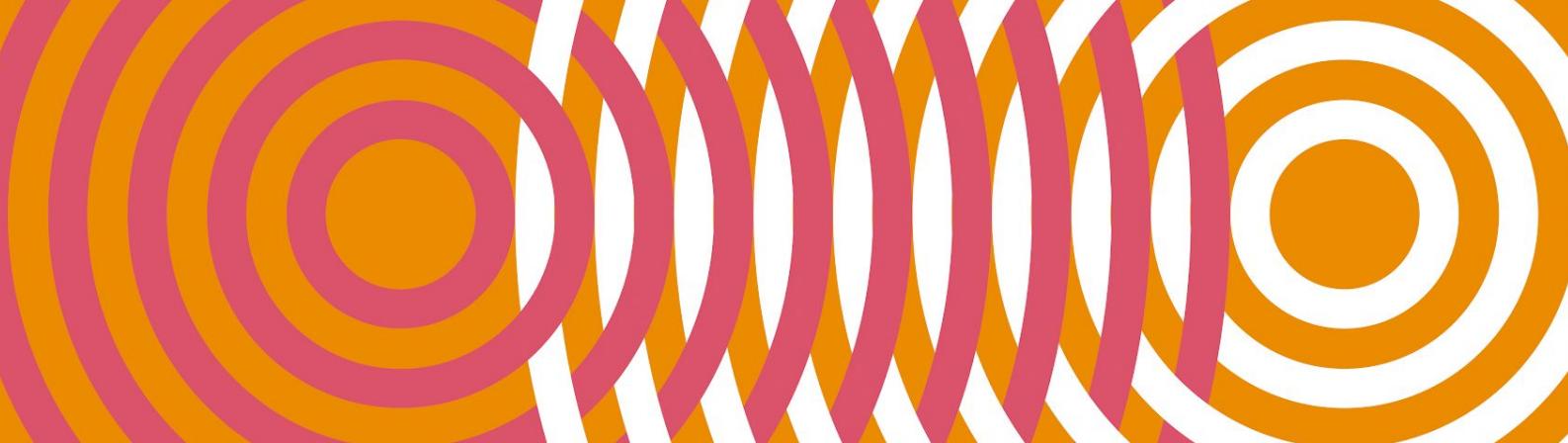
Our people strategy is focused on being the world's leading developer of talent. We hire candidates who have diverse backgrounds and appropriate skills; have a questioning mindset and intellectual curiosity; and demonstrate courage and integrity.

Our hiring standards include a structured interview process with behaviour-based questions built from The PwC Professional framework, assessment of academic records, and background checks.

## “Your Tomorrow”

Our One Firm “Your Tomorrow” strategy is how we are investing to create the PwC of the future; we are responding to the expectations of the market to deliver a different, more digital experience to our clients and recognise the broader need for these skills within society. There are three elements to this strategy:

1. **Digital upskilling:** We provide our people with individualised learning tools to expand the use of digital solutions on their audits and empower them with a mindset of continual improvement and innovation. Our Digital Academies leverage market-leading software and focus primarily on building three core skills: data wrangling, automation, and data visualisation. These tools enhance the firm's collective digital fluency while providing each individual with a personalised curriculum to build their digital IQ. Our Digital Accelerators are embedded within our engagement teams and are dedicated to applying digital capabilities to each audit, as well as developing new digital solutions for the firm.
2. **Skills for society:** Alongside our own digital upskilling we've a number of programs to assist the wider community upskill digitally. These include programs such as Hive Academy for school children.
3. **Be well, work well:** Given the pace and complexity of change, the firm is putting the power of its resources toward supporting our people's journey to greater well-being.



## Diversity and inclusion

At PwC, we're committed to creating a culture of belonging. We're focused on diversity and fostering an inclusive environment in which our people are comfortable bringing their whole selves to work and feel that they belong and are valued. We know that when people from different backgrounds and with different points of view work together, we create the most value-for our clients, our people, and society. Our core values of caring and working together guide us to recognise the contributions of each individual and develop a workplace with a range of people, perspectives and ideas.



## Recruitment

PwC Channel Islands aims to recruit, train, develop and retain the best and the brightest staff who share in the firm's strong sense of responsibility for delivering high-quality services. Our hiring standards include a structured interview process with behavior-based questions built from The PwC Professional framework, assessment of academic records, and background checks. Across the firm in the financial year, we recruited 69 new people, including 33 trainees.



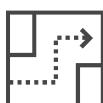
## Team selection, experience and supervision

On engagements, the lead partner must staff their engagements with suitably qualified, competent and experienced partners and staff. They must also determine the extent of direction, supervision and review of junior staff.



## Real-time feedback

We collect real-time feedback on people performance, values and progression via our Snapshot tool, a simple, mobile-enabled technology. Snapshot captures data on the five attributes of PwC Professional: Whole Leadership; Global and Inclusive; Technical and Digital; Business Acumen and Relationships. We also use Workday to allow staff to provide real-time feedback on an upwards and peer basis to complement Snapshot.



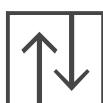
## Career progression

PwC Channel Islands uses PwC Professional, a global career progression framework. PwC Professional helps our people develop into well-rounded professionals and leaders with the capabilities and confidence to produce high-quality work, deliver an efficient and effective experience for our clients, execute our strategy, and support our brand. As part of the framework, individuals meet with their Career Coach regularly to discuss their development, progression and performance.



## Retention

Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand and the development experience we provide make our staff highly sought after in the external market. Our voluntary turnover rate fluctuates based on many factors, including the overall market demand for talent.



## Open and transparent firm feedback

PwC Channel Islands is committed to making sure we practise what we preach. To keep us on track, we gather real-time feedback from our people on how well the firm is living its values. We collect feedback throughout the year using Client Satisfaction Survey. We can review results by manager, by partner and by office, which allows us to respond in a timely and targeted way.

## The PwC Professional

The PwC Professional is our global leadership development framework. It supports the development and career progression of our staff by providing a single set of expectations across all lines of service, geographies, and roles; outlining the capabilities needed to thrive as purpose-led and values-driven leaders at every level. Further, it provides a wealth of opportunities for the firm's people to build professional skills and knowledge to support the delivery of high quality assurance services to its 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 - this includes updates on auditing standards and their implications as well as areas of audit risk and areas of focus for quality improvement.

## Professional Development

We're committed to putting the right people in the right place at the right time. Throughout our people's careers, they are presented with career development opportunities, classroom and on-demand learning, and on-the-job real time coaching/ development. Our on-demand learning portfolio facilitates personalised learning with access to CPE and non-CPE educational materials, including webcasts, podcasts, articles, videos, and courses.

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

## Continuing education

We, and other PwC member firms, 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. This includes updates on auditing standards and their implications, as well as areas of audit risk and areas of focus for quality improvement.

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 strengthen their technical and professional skills, including professional judgement while applying a sceptical mindset.

The design of the curriculum allows us to select, based on local needs, when we'll deliver the training. Our Learning and Education leader then considers what additional training is appropriate – formal and/ or informal – to address any additional specific local needs.

The modular content along with innovative learning approaches have led to formal recognition from the broader learning community. 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.

# Partner remuneration

Partners are remunerated solely out of the profits of PwC Channel Islands. Audit partners aren't 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.
- **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.



# Gender Pay Gap

In March 2019, PwC Channel Islands released the Channel Islands Women in Work Index [www.pwc.com/jg/en/publications/women-in-work-index.html](http://www.pwc.com/jg/en/publications/women-in-work-index.html) The report methodology was based on a global Index created by PwC of female participation in employment for OECD countries. The report ranked Jersey overall as equivalent to 20th in the Index and Guernsey at 14th. One of the key metrics in the methodology is gender pay gap differences. As part of the firm's commitment to promote a diverse and inclusive workplace, PwC Channel Islands voluntarily published its own gender pay gap information in our 2019 Transparency report.

## Results: effective 30 June 2020

The gender pay gap is calculated as the difference between the average FTE pay of all women in the firm versus the average FTE pay of all men in the firm, regardless of what they do in the organisation. The table below shows that PwC Channel Islands has a gender pay gap of 2.1% i.e. men are paid slightly more than women overall. The firm is confident that people are paid equally for equivalent work.

## 1.0 PwC Channel Islands overall gender pay gap

	All staff	Including Partners
Overall gender pay gap	2.1%	33.1%
Demographic gap	3.6%	31.5%
Non-demographic gap	-1.4%	1.6%

Note:

- figures represent a favour towards women

+ figures represent a favour towards men

Demographic: linked to the gender mix in the population

Non-Demographic: linked to differences in pay

## 2.0 PwC Channel Islands gender split and gender pay gap by staff grade

	Number of men	Number of women	Pay gap
Associate	52	46	-4.8%
Senior Associate	90	73	-4.5%
Manager	27	27	0.7%
Senior Manager	20	23	4.1%
Director	16	7	-2.4%

PwC Channel Islands continues to focus on a strategy to create an inclusive workplace and promote workplace flexibility to all staff. In the past 12 months, it has adopted a number of measures to create a more flexible working environment for all, more support and incentives for working parents, and a bigger focus on developing a diverse talent pipeline. The firm believes the strategy is working, but there is more work to do.

At the partner level it has two women among its 11 partners. Including Partner reward in the analysis shows a gender pay gap of 33.1%. Whilst this indicates that there is some way to go, focusing on leadership development will be a high priority for the firm, so that within a reasonable time period, diversity at the partner level improves. This change will not happen overnight, but the firm committed in 2019 to having a more diverse leadership within five years.

In terms of diversity beyond gender, PwC Channel Islands is fortunate to have employees from 31 different territories within its business which brings a significant diversity of thinking and experience which its clients get value from.

# Our audit approach

PwC Channel Islands uses a range of cutting-edge methods, processes, technologies, and approaches to ensure continuous improvement in the performance and quality of our audit engagements



## The PwC Audit

The quality and effectiveness of audit is critical to all of our stakeholders. We therefore invest heavily in the effectiveness of our audits, in the skills of our people, in our underlying audit methodology, the technology we use, and in making the right amount of time and resources available. We pay close attention to what our various stakeholders require from us, what they tell us we need to improve and to the findings of regulatory inspections on the quality of our work. Details of the most recent regulatory findings can be found in the Leadership and Quality Management Process section. Just as important are the internal indicators and processes that routinely monitor the effectiveness of our risk and quality processes, and provide timely information about the quality of our audit work and any areas for improvement.



### People

Data and technology can help reveal insights, but it takes an inquisitive person with well-rounded business knowledge to understand what those insights mean. We recruit professionals with these capabilities—people who can deliver the highest quality outcomes in terms of client service and compliance.



### Technology

As technological change accelerates, our clients want to trust their information with organisations that don't merely keep up but lead the way. We've made a global commitment to offer leading audit technology, and we've invested heavily in tools to match our approach. The result is greater quality and insight to our clients.



### Approach

We've built our audit around our people and our technology. We've designed it to give us more time with our clients, understanding the things that matter to their business. That's more time understanding client concerns, and more time focusing on the inherent risks we see, including how they change over time and how they compare with peer companies.



## The PwC Audit



# Tools and technologies to support our audit

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 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.



## Aura Platinum

PwC Audit is underpinned by Aura Platinum, our global audit documentation system which is used across the entire PwC Network. Aura Platinum is the heart of how we build and execute our audit plans by supporting teams in applying our methodology effectively, by creating transparent linkage between risks, required procedures, controls and the work performed to address those risks, as well as providing comprehensive guidance and project management capabilities. Targeted audit plans specify risk levels, controls reliance and substantive testing. Smart dashboards quickly show teams audit progress and the impact of scoping decisions.

## Audit technology

Aura Platinum is supported by a series of technology-based audit support tools and templates which are accessible via a range of electronic devices ranging from PCs to smartphones. These tools increasingly integrate with Aura, populating audit evidence directly into Aura. The main tools include:



**The Connect Suite** is our collaborative platform where we share data, document requests and audit status. It provides 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 in real time. Audit and client teams know where things stand at all times through a consolidated dashboard showing all sites, 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. It provides a single digital platform to see all outbound and inbound work and digitises the entire coordination process so there's greater transparency, compliance and quality for complex multi-location audits.



**Halo** is our market-leading audit technology that allows us to identify and assess risks and determine where to focus audit efforts. Halo interrogates, tests and analyses huge volumes of business-critical data, analysing whole populations, spotting and visualising anomalies and trends in financial information. It enables us to analyse patterns and trends, identify unusual and high-risk transactions, and provide valuable insight to our teams and our clients.



**Count** 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.

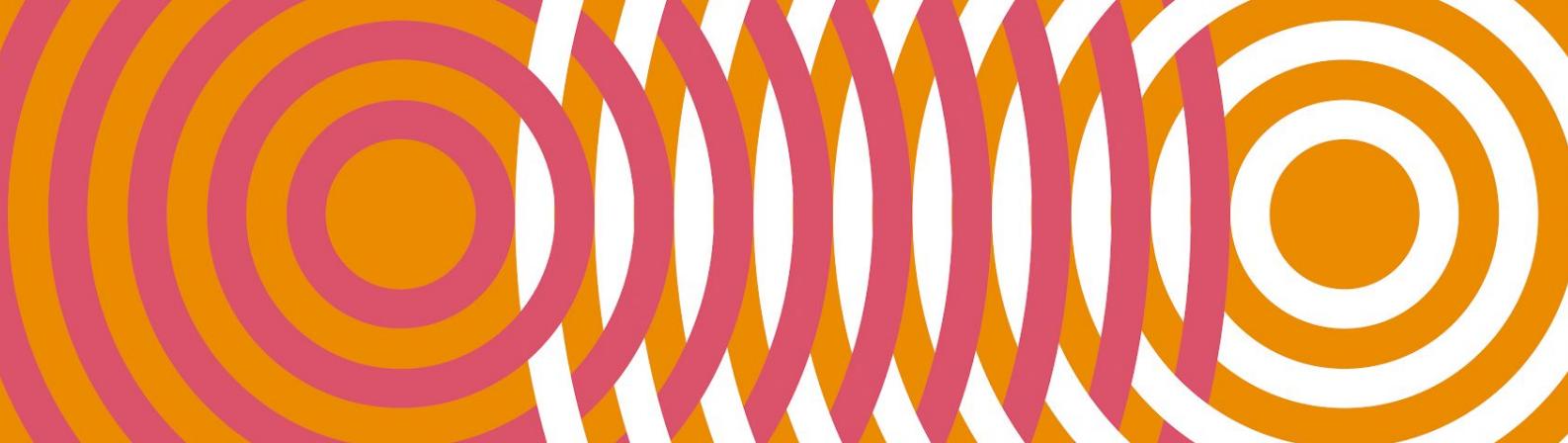


**Dokbot** a document generation tool that automatically generates the right wording for auditor's reports, audit engagement letters and other audit related documents, based on input parameters that the auditor specifies. The use of DokBot reduces the likelihood that the auditor might make a mistake in tailoring a document to the specific engagement circumstances, particularly in areas that are complex. Dokbot has inbuilt workflow tracking to evidence manager and engagement leader review.



**PwC's Confirmation System** makes it easy for clients to return requested information securely. Automated, flexible technology means it works for virtually all confirmation types-from accounts receivable to derivatives to loans to inventory.





## Confidentiality and information security

Confidentiality and information security are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the firm to legal proceedings, and it may also adversely impact our reputation. We take the protection of confidential and personal data very seriously.

Our focus on our clients requires a holistic and collaborative approach to reducing security, privacy and confidentiality risks with significant investment in appropriate controls and monitoring to embed an effective three lines of defence model. This model has enabled us to strengthen our information security organisation, align to industry good practice and improve our internal control frameworks.

The firm's Territory Senior Partner, Simon Perry, is ultimately responsible for information protection. In this role Simon is supported by the Information Protection Governance Group, which is responsible for providing oversight, policy and strategic direction on information risk matters.

Membership of the Group comprises representatives from Risk and Quality, Data Protection, Information Technology and the Lines of Service.

The Group's objectives are to:

1. Provide overall governance and oversight of information protection.
2. Act as an approval body for information protection policies and procedures.
3. Agree and allocate information protection accountability and responsibilities.
4. Identify and initiate information protection remediation projects.
5. Monitor progress of the information protection programme.

### Data Privacy

The firm maintains a robust and consistent approach to the management of all personal data, with everyone in our organisation having a role to play in safeguarding personal data. We've continued to build on our extensive GDPR programme, and are committed to embedding good data management practices across our business.

### Information Security

Information security is a high priority for the PwC Network. Member Firms are accountable to their people, clients, suppliers, and other stakeholders to protect information that is entrusted to them.

The PwC Information Security Policy (ISP) is aligned with ISO/IEC 27001, financial services industry standards, and other reputable frameworks (COBIT, NIST, etc.) as benchmarks for security effectiveness across the network of Member Firms. The PwC ISP directly supports the Firm's strategic direction of cyber readiness to proactively safeguard its assets and client information. The PwC ISP is reviewed, at a minimum, on an annual basis.

PwC Channel Islands is required to adhere to the ISP requirements and complete an annual, evidence based assessment to demonstrate compliance. The CISO approved assessment undergoes a detailed and standardised Quality Assessment (QA) process performed by a centralised, objective Network Information Security Compliance team.

# Supporting engagement performance

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## Evolving delivery model

We continue to evolve the way we deliver our services so our people give our clients an even better experience, improve the quality of what we do and create economic capacity to invest in the future. We use both on and offshore resources at Acceleration centers and Centers of Excellence to streamline, standardise, automate, and centralise portions of the audit.



## Direction, coaching and supervision

Engagement leaders and senior engagement team members are responsible and accountable for providing quality coaching throughout the audit and supervising the work completed by junior members of the team, coaching the team and maintaining audit quality. Teams use Aura Platinum which has capabilities to effectively monitor the progress of the engagement to make sure that all work has been completed and reviewed by relevant individuals, including the engagement leader.



## Consultation culture

Consultation is key to ensuring audit quality. While we've formal protocols about mandatory consultation, in the pursuit of quality, we regularly consult more than the minimum requirement. 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 its engagement teams will regularly consult with experts and others where appropriate.



## Quality Review Partners (QRP)

Specific audit engagements are assigned a QRP as part of the firm's system of quality management as required by professional standards. These partners, who have the necessary experience and technical knowledge, are involved in the most critical aspects of the audit. For example, they may advise on matters of firm independence, risks of material financial statement misstatement and a team's responses to those risks, and specific accounting, auditing, and financial reporting and disclosure issues.



## Differences of opinion

Protocols exist to resolve the situations where a difference of opinion arises between the engagement leader and either the QRP, another Assurance partner or central functions such as Risk and Quality. These include the use of technical panels consisting of partners independent of the engagement.

# Monitoring and external inspections

## Monitoring of Assurance quality

We recognise 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's a key element to our Assurance strategy.

Responsibility for appropriate quality management lies with the Leadership of PwC Channel Islands - *the “first line of defence”*. This includes the design and operation of an effective System of Quality Management (SoQM) that is responsive to our specific risks to delivering quality audit engagements, using the Network's Quality Management for Service Excellence (QMSE) framework.

Our firm's monitoring procedures include an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our SoQM are designed appropriately and operating effectively to provide reasonable assurance that our audit and non-audit assurance engagements are performed in compliance with laws, regulations and professional standards - *the “second line of defence”*.

Our monitoring also encompasses a review of completed engagements (Engagement Compliance Reviews - ECR) as well as periodic monitoring of our SoQM by an objective team. The results of these procedures, together with our ongoing monitoring form the basis for the continuous improvement of our SoQM.

Our firm's monitoring program is based on a consistent Network-wide inspections program based on professional standards relating to quality control including ISQC 1 as well as Network policies, procedures, tools and guidance.

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, or once every three years for those eligible to sign UK Statutory audit reports. 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 use a range of checklists and tools developed at the Network level when conducting their review procedures.

The review team members receive training to support them in fulfilling their responsibilities, and use a range of Network approved checklists and tools when conducting their review procedures.

Finally, the PwC Network coordinates an inspection program to review the design and operating effectiveness of our SoQM - *the “third line of defence”*. The use of a central team to monitor these inspections across the Network enables a consistent view and sharing of relevant experience across the PwC Network.

The results of the inspections 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 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 GAQ-I 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.

## 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 last inspection of the quality of PwC Channel Islands' work in 2020. Following completion of that inspection, the Financial Reporting Council and the Institute of Chartered Accountants in England and Wales recommended to the Jersey Financial Services Commission and the Guernsey Registry the continuation of PwC Channel Islands' registration as a recognised auditor.



# Legal and governance structure

## Legal and Governance structure and ownership of the PwC Channel Islands

PwC Channel Islands is a limited liability partnership. It's 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 2020 PwC Channel Islands was made up of eleven Partners in addition to PwC UK; one in Tax, one in Advisory and nine in Assurance. The subsidiaries providing professional services during the year were PwC Corporate 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 and PricewaterhouseCoopers Services (Jersey) Limited, which is a Managed Trust Company that has a joint business relationship with PraxisIFM Trust Limited and is licenced by the Jersey Financial Services Commission under the Financial Services (Jersey) Law 1998.

Our governance structure reflects our partnership model. We've a Senior Partner who, once elected, leads their fellow Partners who collectively form the Management Board with the support of a Managing Partner in each of Jersey and Guernsey. During the year ended 30 June 2020, PwC UK's interest was represented by Paul Terrington in his capacity as Head of Regions on PwC UK's Management Board. Paul also provided oversight and support to the Channel Islands firm in all key strategic matters relating to PwC UK. Additionally, Zafar Patel who is a Member of PwC UK's Supervisory Board holds the position of "Protector". The Protector has a formal role in certain governance aspects of Partnership affairs and acts as an escalation point for the Partners if this is required.

## Partners and their key roles as of 30 June 2020

Name	Role(s) as at 30 June 2020	Experience as a PwC Partner	Location
Evelyn Brady	Risk Management Partner	11 years	Guernsey
Mike Byrne	Asset Management Leader	5 years	Jersey
Karl Hairon	Markets Leader, Technology Leader and Jersey Managing Partner	10 years	Jersey
Neil Howlett	Advisory Leader	3 years	Jersey
John Luff	People Partner	7 years	Guernsey
Lisa McClure	Partner	2 years	Jersey
Roland Mills	Partner	4 years	Guernsey
Simon Perry	Territory Senior Partner and Territory Assurance Leader	15 years	Guernsey
John Roche	Partner responsible for Independence, Ethics and Business Conduct and Guernsey Managing Partner	14 years	Guernsey
Nick Vermeulen	Innovation and Technology Partner	9 years	Guernsey
Justin Woodhouse	Tax Leader	30 years	Jersey

The firm has three PwC offices within the Channel Islands:

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



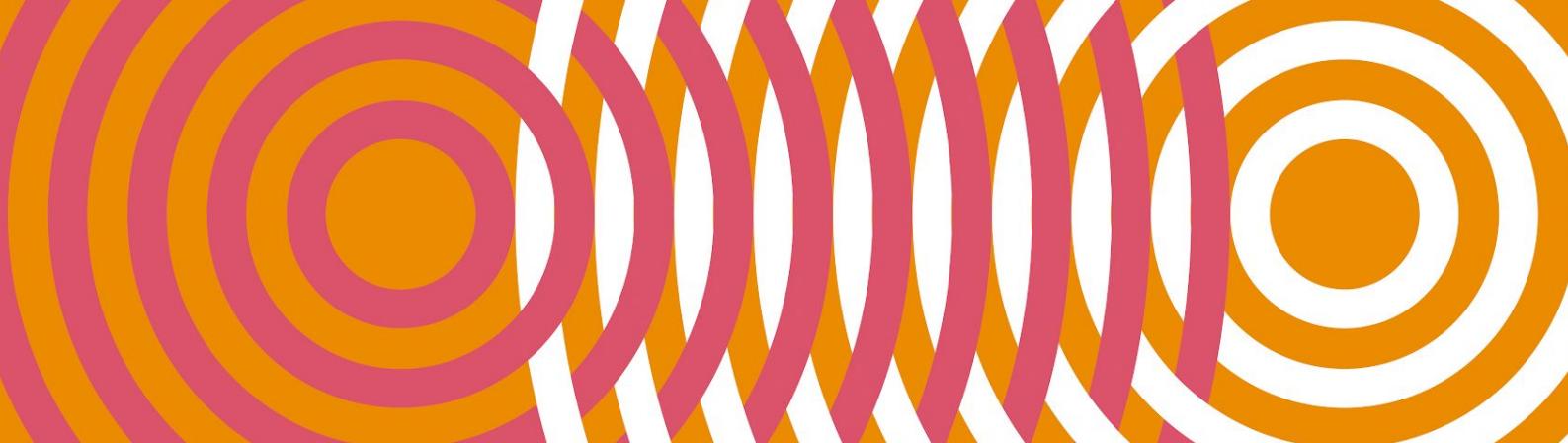
# PwC Network

## Global 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. The PwC network is not a global partnership, a single firm, or a multinational corporation. The PwC network consists of firms which are separate legal entities.





## PricewaterhouseCoopers International Limited

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, PwCIL coordinates the development and implementation of 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. 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.

# 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 follows the PwC Global Code of Conduct which sets out its 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 partners and staff on PwC's 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 it 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 it operates.
- Contractual terms and due diligence procedures in respect of persons who perform or will perform services for or on behalf of the firm.
- Client and engagement acceptance procedures.
- Whistle-blowing (Speak Up) policies and procedures.
- Regular reviews of systems and processes by Internal Audit and the risk and quality team.
- 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 a response to the new offence, reporting directly to the leadership team.
  - Carrying out a risk assessment to identify and prioritise a 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 partners and staff.
  - Committing to monitoring and reviewing the risk assessment at least annually, as well as the firm's continuing compliance with relevant policies and procedures.

# Financial information

The results shown below for the year ending 30 June 2020 have been extracted from the draft PwC Channel Islands accounts which have yet to be finalised by the Partners.

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

	2020 (Unaudited) £ Million	2019 £ Million
Statutory audit revenue earned from Market Traded Companies	2.1	2.0
Audit revenue earned from all other clients	35.3	31.5
Non-audit services revenue earned from Market Traded Companies	0.5	0.8
Non-audit services revenue earned from all other clients	10.7	10.0

Market Traded Companies are defined under Jersey and Guernsey law as companies incorporated in Jersey and Guernsey with transferable securities admitted to trade on EU Regulated Markets, subject to certain companies that are eligible for exemptions.



# 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. However, as a Third country audit firm, audit opinions have been issued for the following Jersey and Guernsey incorporated audit clients that have transferable securities admitted to trade on EU Regulated Markets and meet the definition of being Market Traded Companies under Jersey and Guernsey law:

- Atlantis Japan Growth Fund Limited
- Atrium European Real Estate Limited
- BMO Real Estate Investments Limited
- BMO Commercial Property Trust Limited
- City Merchants High Yield Trust Limited
- Credit Agricole CIB Finance (Guernsey) Limited
- GCP Asset Backed Income Fund Limited
- Highbridge Tactical Credit Fund Limited
- Hipgnosis Songs Fund Limited
- Invesco Enhanced Income Limited
- JPEL Private Equity Limited
- JTC PLC
- JPMorgan Global Core Real Assets Limited
- Millshaw SAMS No. 1 Limited
- NB Global Floating Rate Income Fund Limited
- Princess Private Equity Holding Limited
- River & Mercantile UK Micro Cap Investment Company Limited
- Schroders Oriental Income Fund
- SME Credit Realisation Fund Limited
- Starwood European Real Estate Finance Limited
- Tufton Oceanic Assets Limited
- TwentyFour Income Fund Limited
- TwentyFour Select Monthly Income Fund Limited
- UK Mortgages Limited
- Vinacapital Vietnam Opportunity Fund Limited



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