

PwC Nigeria
Transparency report
2014



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Introduction

This Transparency Report is published in accordance with Article 40 and 45 of the Directive on Statutory Audit 2006/43/EC issued by The European Parliament and The Council of the European Union. The Transparency Report is in respect of the financial year ended 30 June 2014.

The Transparency Report was approved on 1 July 2014 by the Country Management Team of PricewaterhouseCoopers Nigeria (“the CMT”) and signed on its behalf by Uyi Akpata (Country Senior Partner) and Tola Ogundipe (Country Assurance Leader).

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Legal structure and ownership of the firm

PricewaterhouseCoopers Nigeria (“PwC Nigeria”) is a partnership.



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Network arrangements

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

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

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

A member firm of PwCIL cannot act as agent of PwCIL or any other member firm, and it is only liable for its own acts or omissions and not those of PwCIL or any other member firm. PwCIL has no right or ability to control any member firm’s exercise of professional judgment. The governance bodies of PwCIL are:

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



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Governance structure of the firm

The firm is structured along Business Units within Lines of Service. Client Engagement Leaders report to their Business Unit Leaders who in turn report to the Line of Service Leaders. Line of Service Leaders report

to a Country Management Team (CMT) made up of eight members headed by the Country Senior Partner (CSP).

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Internal quality control system

The following is a summary of the system of quality control that PwC Nigeria has adopted over its assurance practice.

5.1 Introduction

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

5.2 Quality Control Standards

Compliance with International Standards on Auditing (“ISA”) requires PwC Nigeria to have a system of quality control over its

auditing practice. These controls are embedded as part of PwC Nigeria’s day-to-day activities. The quality control system is in compliance with International Standards on Quality Control 1 (ISQC1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other assurance and related services engagements issued by the International Federation of Accountants (IFAC). The IFAC standards and requirements and, therefore, PwC Nigeria’s quality control system, encompass the following six elements of quality control:

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

5.2.1 Leadership Responsibilities for Quality within the Firm

PwC Nigeria's leadership is committed to audit quality and has established a firm culture embracing high standards in independence and professional ethics. This leadership is embedded throughout the detailed policies endorsed by leadership, including ethical, human resources and engagement performance discussed below.

The Country Senior Partner and Assurance leader have ultimate responsibility for assurance quality. The assurance leader appoints functional area leaders with sufficient and appropriate experience, ability and authority who are responsible for the quality management system's functional areas.

An experienced partner is responsible for risk management and quality control supported by a risk and quality team relative to our client service operations.

The assurance leader performs strategic business planning recognizing overriding requirements to achieve assurance quality. Leadership establishes quality related objectives for partners/staff and implements procedures for performance evaluation. Leadership periodically delivers clear consistent messaging promoting a quality oriented culture.

5.2.2 Ethical Requirements

PwC Nigeria has established criteria to define expected capabilities, competence and commitment to ethical principles for professional staff. These are codified in a code of conduct document and ethical policies. Upon hiring or admittance, all staff and partners of PwC Nigeria are provided with a copy of the PwC Global Code of Conduct. They are expected to live by the values expressed in the code in the course of their professional careers.

The country senior partner is supported in his role as Ethics & Business Conduct E&BC Leader by an E&BC champion and sufficient resources, to plan, carry out and report on E&BC activities.

PwC has policies and procedures in place to deal with complaints and allegations. These include whistleblowing channels, anonymous hotlines, ethics, complaints boxes, and a global complaint channel amongst others.

The reputation and success of PwC Nigeria depends on the professionalism and integrity of each and every partner and employee. Partners and staff are expected to uphold and comply with the standards developed by the PwC global network and PwC Nigeria. PwC Nigeria's management monitors compliance with these obligations.



5.2.3 **Acceptance and Continuance of Client Relationships and Specific Engagements**

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

The risk and quality team conducts continuous monitoring, prompt and report on compliance with requirements. An annual quality review program (local management and global network) also evaluates compliance with this requirement and other quality control procedures.

5.2.4 **Human Resources**

PwC Nigeria partners and staff regularly receive a thorough orientation on the culture, values and core attributes of PwC – Quality, Trust, Teamwork, Excellence and Leadership. PwC Nigeria aims to recruit only high quality staff that can operate as accounting and other experts in support of audits and who share in PwC Nigeria's strong sense of

responsibility for auditing. An experienced partner is responsible for Human Capital HC, supported by sufficient resources, to plan, carry out and report on Assurance HC activities. The firm operates a resource management tool which supports identification of personnel needs and development of recruiting plan to address gaps. The firm conducts a robust assessment of new hires using tested standard recruitment criteria/procedures to assess candidates' quality.

5.2.4.1 **Professional Development**

Training and development is an ongoing process. Training starts when a person is hired and continues throughout his or her career. PwC Nigeria's people participate in a variety of local, regional and international formal training courses and are also trained through on the job coaching and supervision.

Learning & Education (L&E) leader is an experienced partner. He is supported by sufficient resources, to plan, carry out and report on Assurance L&E activities. The L&E team implements policies and procedures guiding instructor selection, training, and identification of target audience. The L&E team implements a curriculum that meets the network mandatory learning objectives and local professional requirements.

5.2.4.2 Supervision and Direction

Each engagement partner is responsible, in consultation with others as appropriate, for staffing engagements with partners and staff that have the professional competence and experience required in the circumstances. Further, each engagement partner is ultimately responsible for determining the extent of direction, supervision and review of the work of more junior staff to whom work is delegated. For optimal resource plan and allocation, business units utilize a proprietary tool/database (which includes skills and competencies) to manage assignment of engagement teams.

5.2.5 Engagement Performance

5.2.5.1 Consistent Global Methodology

PwC Nigeria uses a consistent audit methodology and process for audit engagements. The methodology is enhanced as necessary to respond to the changing environment. All audit engagement partners and staffs receive ongoing training in this methodology. For standardization, the firm utilizes a proprietary database (equipped with guidance documents and templates) for engagement documentation.

5.2.5.2 Comprehensive Policies and Procedures

To complement the Global policies and procedures, PwC Nigeria has comprehensive policies and procedures governing local accounting and auditing practice that are constantly updated to reflect new professional developments and operating environment, and to address emerging issues, as well as the needs and concerns of the practice. These policies cover not only professional and regulatory standards, but also reflect the guidance that PwC provides to its professionals about how best to implement them. They are available in electronic files and databases. These are regularly updated or supplemented for all current developments and are accessible remotely at any time.

5.2.5.3 Consultations

Consultation is a key element of our quality control. PwC Nigeria has established policies and procedures on circumstances requiring consultation, including technical reviews. PwC Nigeria is supported by Technical and methodology functions that will track new developments in accounting and auditing and provide updates to the appropriate professional staff.

There are policies and procedures in place to identify the types of engagements that require involvement of second review partners (QRP), eligibility

assessment and appointment of QRPs. There are also existing policies (including monitoring) to facilitate sufficient and appropriate involvement of the QRPs.

PwC Nigeria consultative culture means that our engagement teams will regularly consult with experts and others beyond those that are formally required.

5.2.6 Monitoring

PwC Nigeria is responsible for monitoring the effectiveness of its quality control systems which includes carrying out, or arranging to be carried out on its behalf, independent reviews both at the management level of the Assurance practice's systems and procedures (known as Quality Management Review – QMR) and at the individual engagement level (known as Engagement Compliance Reviews) collectively referred to as the "Quality Review" process.

The independent Quality Management Review and Engagement Quality Reviews are undertaken so that the firm and significant engagements are reviewed at least every three years. All assurance partners must have at least one of their engagements reviewed every five years. The Quality Review process also involves periodic testing of the effectiveness of PwC Nigeria's quality controls in functional areas such as recruitment, training, appraisal, reward and recognition, ethics

and independence.

PwC implements procedures to evaluate the root cause of deficiencies identified through the QR program, develop remedial actions and communicate results of the QR program to partners, staff and the larger PwC network.

Quality monitoring is an integral part of the PwC Nigeria's continuous improvement program. PwC Nigeria constantly evaluates inputs from formal programs such as this and a variety of informal sources in an ongoing effort to improve policies, procedures and the consistency of the quality of work. Instances of failure to meet performance standards are treated seriously and the partner responsible is counseled to improve performance and appropriate steps are taken to fully encourage improvement including, where appropriate, the imposition of financial penalties. Management of PwC Nigeria believes that the quality control environment described above complies with all applicable regulations and provides a reasonable basis for believing that statutory audits carried out by PwC Nigeria consistently meet the required quality standards.

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External inspections

PwC Nigeria is eligible to undertake statutory audit work by virtue of its authorisation by the Financial Reporting Council of Nigeria (FRCN) and Institute of Chartered Accountants of Nigeria (ICAN), the statutory bodies responsible for regulations and practice review of professional accountants in Nigeria.

FRCN and ICAN have not undertaken an inspection of the quality of PwC Nigeria's work as statutory auditors but confirm the continuance of PwC Nigeria's audit registration.



Public interest audit clients

During the period covered by this Transparency Report, PwC Nigeria signed audit reports on Guaranty Trust Bank Plc. and Access Bank Plc. in respect of

year ended 31 December 2013. Both entities have transferable securities on the Main Market of the London Stock Exchange.

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Independence procedures and practices

8.1 *Organisation*

PwC Nigeria has a designated partner Pedro Omontuemhen, (known as the “Partner Responsible for Independence” or “PRI”) with appropriate seniority and standing, who is responsible for providing appropriate support and processes such that partners and staff are knowledgeable about independence matters and that they take the actions required of them by the firm’s independence policies and supporting guidance. The partner is supported by a team of independence specialists. The PRI reports directly to the CMT and Africa PRI.

8.2 *Policies and guidance*

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

The independence requirements of the United States Securities and Exchange Commission and those of the Public Accounting Oversight Board of the United States are, in certain instances, more restrictive than the firm’s policy. Given the reach of these requirements and their impact

on PwC Network Firms, the policy identifies key areas where these requirements are more restrictive.

PwC Nigeria supplements the PwC Network Independence Policy as required by local regulations.

The firm’s independence policy covers, among others, the following areas:

- personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts and loans by partners, staff, the firm and its pension schemes;
- Non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services (SOPS), which provide practical guidance on the application of the policy in respect of non-audit services to assurance clients; and
- Business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business.

8.3 **Training and confirmations**

PwC Nigeria provides all partners and 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 Nigeria's independence policy and related topics. Additionally, face-to-face training is delivered to members of the practice on an as-needed basis by PwC Nigeria's independence specialists and risk and quality teams.

PwC Nigeria requires all partners and staff, upon joining and at least annually thereafter, to confirm their compliance with all aspects of PwC Nigeria'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 PwC Nigeria's processes have been followed in accepting these engagements and relationships. These confirmations serve two primary purposes: to identify any threat to independence that may have arisen; and to provide a periodic reminder of PwC Nigeria's independence policies and procedures. These annual confirmations are supplemented by periodic and ad-hoc

engagement level confirmations for PwC Nigeria's clients.

8.4 **Independence Systems**

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

1. The Central Entity Service ("CES"), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the firm before entering into a new non-audit engagement or business relationship. This system also feeds the Global Portfolio System ("GPS");
2. The GPS which facilitates the pre-clearance of publicly traded securities by all partners, directors and practice managers before acquisition and records their subsequent purchases and disposals. Where a member firm wins a new audit client, this system automatically informs those holding securities in this client of the requirement to sell the security where required.

3. Authorisation for Services (“AFS”) which is a global system that facilitates communication between a non-audit service engagement leader and the audit engagement leader, documenting the potential independence threats of the service and proposed safeguards, and acts as a record of the audit partner’s conclusion on the acceptability of the service.

PwC Nigeria also has a number of local systems which include:

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

8.5 Internal reviews of independence procedures and practices

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

- Quality control reviews of

engagements to confirm compliance with risk management processes, including independence (as described in Section 5.2.6);

- Personal independence compliance testing of a random selection of partners, directors and managers;
- Compliance testing of independence controls and processes; and
- Annual assessment of PwC Nigeria’s adherence with the PricewaterhouseCoopers network’s independence risk management standard.

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

The results of PwC Nigeria’s monitoring and testing are reported to management on a regular basis with a summary reported on an annual basis.

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

8.6 ***Disciplinary policy***

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

A partner or staff member may be subject to a fine or other disciplinary action for a violation of independence policy.

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

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

PwC Nigeria's internal training curriculum provides a broad range of technical solutions as well as business and personal skills programmes. There are also specialized training programmes available for those with clients in specialist industries. Through their participation in the internal objective setting and related performance appraisal processes, engagement leaders assess their on-going personal development

needs and identify any necessary development activities, including in relation to quality. Unsatisfactory work results in reduced performance reward.

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

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



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Financial information

PwC audit fees for the companies identified in section 7 above were as follows; Guaranty Trust Bank Plc.; USD 1,558,870 and Access Bank Plc.; USD 1,552,840 (USD1.00:NGN164.61) for the year ended 31 December 2013.

PwC Nigeria financial performance for the period to 30 June 2014 was as follows;

Net Revenue as at 30 June 2014	\$'000
Assurance	42,019
Advisory	17,059
Tax	9,314
Total	68,392

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Remuneration

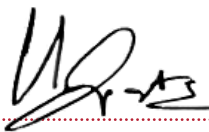
Partners are remunerated out of the profits of PwC Nigeria. Audit partners are not permitted to be incentivized, evaluated or remunerated for the selling of non-audit services to their audit clients.

The final allocation and distribution of profit to individual Partners is made by the Country Leadership, once their performance has been assessed and the annual financial statements have been approved.

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

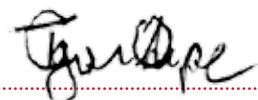
- responsibility income – reflecting the Partner's sustained contribution and responsibilities;
- performance income – reflecting how a Partner and the team(s) performed; and
- equity unit income – reflecting the overall profitability of PwC Nigeria.

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. There is transparency among the Partners over the total income allocated to each individual.



Uyi N. Akpata

Country Senior Partner



Tola Ogundipe

Country Assurance Leader

PwC Nigeria offices

Lagos

Head office
252E Muri Okunola Street
Victoria Island
P.O. Box 2419, Lagos

Abuja

5th Floor Katsina House
Plot 78, Ralph Sodeinde Street
Central Business District, Abuja
T: +234 (9) 291 4588
F: +234 (9) 4613747

Annexe

17 Chief Yesufu Abiodun Way
Oniru Estate, Victoria Island, Lagos
T: +234 (1) 271 1700
F: +234 (1) 270 3108

Port Harcourt

35 Woji Road
GRA Phase II
Port Harcourt, Rivers
T: +234 (84) 571513
F: +234 (84) 237959

Email: enquiry@ng.pwc.com

Website: www.pwc.com/ng

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