

# *Transparency report*

PwC Nigeria

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## **Introduction**

This Transparency Report is published in accordance with Article 45 (5)(e) 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 ending 30 June 2010.

## **Legal structure and ownership of the firm**

PricewaterhouseCoopers Nigeria ("PwC Nigeria") is a partnership.

## **Network arrangements**

PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited ("PwC International"), each of which is a separate legal entity. PricewaterhouseCoopers member firms operate locally in countries around the world. By joining PwC International, and becoming part of the PwC global network, a member firm obtains the right to use the PricewaterhouseCoopers name and gains access to the common resources, methodologies, knowledge and expertise shared among the member firms. Each member firm also agrees to abide by PwC International's common standards and policies, which are approved by the Board of PwC International. Each PwC member firm engages in quality control and compliance monitoring activities, covering the provision of services, ethics and business conduct, and independence issues.

PwC International is an English private company limited by guarantee. PwC International provides an international network structure for PwC member firms. PwC International does not provide services to clients. PwC International's primary activities are to: identify broad market opportunities and develop associated strategies; strengthen PwC's internal product, skill, and knowledge networks; promote the PwC brand; and develop and work



for the consistent application of common risk and quality standards by member firms, including compliance with independence processes.

Member firms of PwC International do not act as agents of PwC International in providing services to clients or otherwise, and PwC International does not act as the agent of its member firms. PwC International has no right or ability to control any member firm's exercise of professional judgment. PwC International does not have any liability for the acts or omissions of any member firm.

## **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 six members headed by the Country Senior Partner (CsP).



## Internal quality control system

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

### Introduction

Member firms of the PwC global network come together through membership of PricewaterhouseCoopers International Limited (“PwCIL”), an English company limited by guarantee, with each member firm being a separate and independent legal entity. As part of the PwC Global Network, all member firms are obliged to abide by certain common risk and quality policies approved by PwCIL and to conduct risk and quality reviews. The PwC global network audit and quality control standards are set out in various policies. PwC Nigeria's policies are based on these common policies, which are supplemented to address local professional standards and regulatory requirements.

### 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, 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

### 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. It is also demonstrated by the dedication of resources to quality. There is a partner responsible for risk management and quality control relative to PwC Nigeria's client service operations who reports directly to the CMT.

### Ethical Requirements

#### - Integrity and Objectivity

The reputation and success of PwC Nigeria depend on the professionalism and integrity of each and every partner and employee. All PwC Nigeria 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 by PwC Nigeria's partners and staff.

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.

#### - Independence

PwC Nigeria has adopted the PwC Global policies and related rules regarding independence and compliance, complemented when necessary by more restrictive local professional and regulatory rules. PwC Nigeria strictly monitors compliance with regulatory, professional, and PwC independence requirements related to financial interests in and business and service relationships with clients.

#### **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 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.

#### **Human Resources**

PwC Nigeria partners and staff regularly receive a thorough orientation to 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. There is a robust assessment of the quality of those people we hire from universities.

#### - Professional Development

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

#### - 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 who work is delegated.

#### **Engagement Performance**

#### - 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 staff receive ongoing training in this methodology.

#### - Comprehensive Policies and Procedures

To complement the Global policies and procedures, PwC Nigeria has comprehensive policies and procedures governing our local accounting and auditing practice that are



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

#### - Risk and Quality (R&Q)

Consultation is a key element to quality control. PwC Nigeria has formal protocols setting out the circumstances under which consultation is mandatory. PwC Nigeria is supported by a Technical Department. They will also track new developments in accounting and auditing and provide updates to the appropriate professional staff. Our consultative culture means that our engagement teams will regularly consult with experts and others beyond those that are formally required.

#### Monitoring

Engagement reviews are conducted by experienced partners and senior managers with appropriate industry experience which are not connected either with the office that performs the audit or the audit itself. Reviews are conducted at least once every three years (on-cycle reviews) or based on most exposed clients (off-cycle); all partners are subject to review at least once every five years. Engagement reviews are complemented by practice reviews. The inspection process also involves periodic testing of the effectiveness of PwC Nigeria's quality controls in functional areas such as hiring, training, advancement and independence. 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 will be

treated seriously and the partner responsible will be counseled to improve performance and appropriate steps will be 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.

#### External inspections

PwC Nigeria is eligible to undertake statutory audit work by virtue of its continuing authorisation by the Institute of Chartered Accountants of Nigeria (ICAN), the statutory body established for the regulation of the profession of accountancy in Nigeria. ICAN has not undertaken an inspection of the quality of PwC Nigeria's work as statutory auditors but has confirmed the continuance of PwC Nigeria's registration as statutory auditors.



### **Public interest audit clients**

During the period covered by this Transparency Report, PwC Nigeria has not signed any audit report for any company that has transferable securities listed on the Main Market of the London Stock Exchange.

### **Independence procedures and practices**

#### **Organisation**

PwC Nigeria has a designated partner, with appropriate seniority and standing, who is responsible for all aspects of independence compliance and related matters (known as the "Partner Responsible for Independence" or "PRI"). The partner is supported by a team of independence specialists to help the PRI and PwC Nigeria apply robust and consistent independence policies, procedures and tools. The PRI reports directly to the CMT.

#### **Policies and guidance**

PwC Nigeria has adopted the PricewaterhouseCoopers Global Independence Policy, which is based on the IFAC Code of Ethics and also encompasses, where appropriate, additional US SEC/PCAOB rules. The PricewaterhouseCoopers Global Independence Policy sets out the minimum standards that all member firms of the PricewaterhouseCoopers global network should observe and processes that they should follow in order to maintain independence from assurance clients. PwC Nigeria supplements this policy as required by local regulations.

PwC Nigeria's independence policy is supported by practical guidance, including Statements of Permitted Services ("SOPS"), which provide guidance on the application of policy in respect of non-audit services to assurance clients.

#### **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 are in compliance with independence and other policies and that PwC Nigeria's processes have been followed in accepting these engagements and relationships. These confirmations serve two primary purposes: to identify any threats 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 listed audit clients.



### Independence Systems

The PricewaterhouseCoopers global network has a number of systems to assist member firms in complying with independence policies and procedures. These systems include:

1. The Central Entity Service (“CES”), which contains information about corporate entities including PwC Nigeria's public interest audit clients and SEC restricted clients and their related securities. CES assists in determining if an entity is subject to independence restrictions. CES feeds the PwC Independence List of restricted entities and the Securities List. This system also feeds the Global Portfolio System (“GPS”);
2. The Global Portfolio System facilitates the pre-clearance of publicly traded securities by all partners, directors and practice managers prior to acquisition and records their subsequent purchases and disposals. Where there is a change of status of a client, for example following a new appointment, this system automatically informs restricted individuals holding securities in the client of the need to divest or otherwise dispose of the security; and
3. Authorisation for Services (“AFS”) is a global system which facilitates the communication



between a non-audit services engagement leader and the audit engagement partner, documenting the nature of the service, any potential threats to independence and proposed safeguards and acting as a record of the audit partner's conclusion on the acceptability of the service.

4. 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 key personnel involved in an audit for all audit clients of PwC Nigeria; and
  - A database which records all approved business relationships entered into by PwC Nigeria. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.

### Independence Monitoring

PwC Nigeria has a comprehensive monitoring and testing programme which includes:

- Quality control reviews of engagements for compliance with risk management processes, including independence (as described in Section 5.2.6);
- Personal independence compliance testing of a random selection of partners and managers;
- Compliance testing of independence controls and processes; and
- Annual self-assessment of PwC Nigeria's adherence with the PricewaterhouseCoopers network's risk management standards, including independence. This self-assessment is reviewed by a PRI of another member firm within the PricewaterhouseCoopers global network.





The results of PwC Nigeria's monitoring are reported to its management. 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.

#### **Disciplinary policy**

In appropriate cases, a partner or staff member may be subject to a fine or other disciplinary action for a violation of independence policy.

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

PwC Nigeria maintains up-to-date comprehensive 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 specialised training programmes available for those with clients in specialist industries. Through their participation in the internal objective setting and related performance appraisal processes, engagement leaders assess their on-going personal development needs and identify any necessary development activities, including in relation to quality. Unsatisfactory work results in reduced performance reward.

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

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

#### **Financial information**

Not applicable: During the period covered by this Transparency Report, PwC Nigeria did not audit any financial statements for any company that has transferable securities listed on the Main Market of the London Stock Exchange.

#### **Remuneration**

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

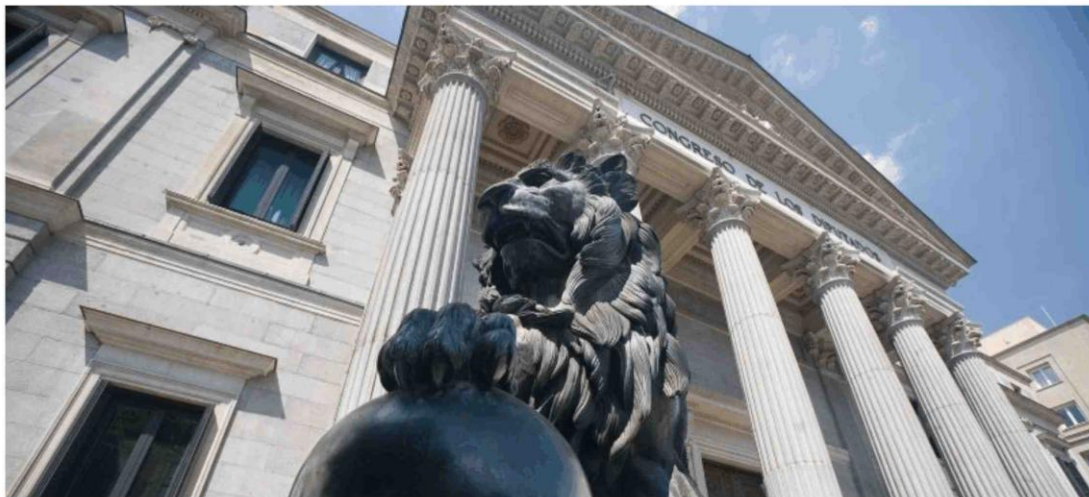
The final allocation and distribution of profit to

individual Partners is made by the CMT, once their performance has been assessed and the annual financial statements have been approved.

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

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



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