Introduction

This Transparency Report is published in accordance with Article 40(1) and Article 45(5)(e) of the Directive on Statutory Audit 2006/43/EC.

The Transparency Report is in respect of the financial year ended 30 June 2012.

The Transparency Report was approved by the Partner Group of Papua New Guinea (PwC PNG) and signed on its behalf by the PNG Territory Senior Partner, Jonathan Seeto on 28 September 2012.

1. Legal structure and ownership of the firm (Article 40(1)(a))

PricewaterhouseCoopers is a partnership in Papua New Guinea. Whilst PwC PNG is a separate legal entity, it is wholly owned by PricewaterhouseCoopers Australia (PwC Australia) and operates like that of a branch of the Australian partnership firm.

The PNG Partner Group comprises all of the practising partners of PwC PNG, which total 9 at the date of this report.

PwC PNG operates two offices in Port Moresby and Lae, and across three lines of services including Assurance and Business Advisory Services, Internal Firm Services and Tax.

2. Network arrangements (Article 40(1)(b))

The PwC network and its governance

“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 practise accountancy, provide services to clients or do business with third parties. PwCIL acts as a coordinating 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**, who 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.

3. **Governance structure of the firm (Article 40(1)(c))**

There are four key groups with responsibility for governance and operational responsibility for quality over the PNG firm:

(a) **PwC Australia, Board of Partners**

The Board of Partners provide the ultimate governance function for PwC PNG. The Board consists of 10 PwC Australia partners who are elected by the partners of PwC Australia and the CEO. The Board members elect the Chairman and Deputy Chairman. The Board meets regularly and its responsibilities include providing input into firm strategy, approving major transactions and investments, certain partner matters, and approving partner admissions.

Decisions made by the Australian Board of Partners will impact the PNG firm directly and indirectly.

(b) **PwC Australia, Executive**

PwC Australia has a management team referred to as the Executive Board (the ‘Executive’). The Executive is led by a CEO who is elected every four years by the partners of PwC Australia (for a maximum period of two consecutive terms of four years). The CEO appoints partners as he or she determines appropriate to sit on the Executive. The CEO and the Executive are responsible for leading and managing the firm, including the setting and implementation of firm strategy. Mark Johnson was the CEO from July 2008 to April 2012. Luke Sayers assumed the role in April 2012.

The PNG firm is monitored by the Executive as a separate business unit. A PNG Liaison Partner (Stephen Humphries) specifically appointed by the Australian firm ensures this monitoring and review of the PNG firm by the Australian firm is carried out effectively.

(c) **PNG Partner Group**

The PNG partner group (Partner Group) is led by the PNG Territory Senior Partner (TSP), Jonathan Seeto who is ultimately responsible for the management and administration of the PNG firm. The TSP is supported by responsible partners for each of the Assurance and Tax and Legal Services (Business Unit Leaders). The PNG TSP reports directly to the Australian Firm Leadership.

PNG Business unit Leaders and OneFirm R&Q partners report to the PNG Partner Group on day to day operational and risk management matters.
(d) Risk & Quality Group

The PNG OneFirm Risk and Quality (OFR&Q) Group is responsible for maintaining and monitoring a Quality Control System, and structures its activities around the key components of ISQC1.

The PNG OFR&Q group operates independently at the PNG firm level, but with support from the Australian firm OFR&Q group. Key roles in the PNG OneFirm R&Q Group include the PNG Risk Management Partner, Assurance Risk Management Partner, PNG Partner Responsible for Independence, and PNG Business Conduct Leader.

4. Internal quality control system (Article 40(1)(d))

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

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 PNG’s policies are based on these common standards and policies, which are supplemented to address local professional standards and regulatory requirements.

Quality Control Standards

Compliance with International Standards on Auditing (“ISA”) requires PwC PNG to have a system of quality control over its auditing practice. These controls are embedded as part of PwC PNG’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 PNG’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

1. Leadership Responsibilities for Quality within the Firm

PwC PNG’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 PNG’s client service operations who reports directly to the TSP.
2. Ethical Requirements

**Integrity and Objectivity:** The reputation and success of PwC PNG depend on the professionalism and integrity of each and every partner and employee. All PwC PNG partners and staff are expected to uphold and comply with the standards developed by the PwC global network and PwC PNG. PwC PNG’s management monitors compliance with these obligations by PwC PNG’s partners and staff. Upon hiring or admittance, all staff and partners of PwC PNG 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 PNG 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 PNG strictly monitors compliance with regulatory, professional, and PwC independence requirements related to financial interests in and business and service relationships with clients.

3. Acceptance and Continuance of Client Relationships and Specific Engagements

PwC PNG 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.

4. Human Resources

PwC PNG partners and staff regularly receive a thorough orientation to the culture, values and core attributes of PwC – Quality, Trust, Teamwork, Excellence and Leadership. PwC PNG aims to recruit only high quality staff that can operate as accounting and other experts in support of audits and who share in PwC PNG’s strong sense of responsibility for auditing. Candidates are considered according to multiple criteria, including their academic achievement.

**Professional Development:** Training and development is an ongoing process. Training starts when a person is hired and continues throughout his or her career. PwC PNG’s people participate in a variety of local and regional and international formal training courses and they will also be 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 who 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.

5. Engagement Performance

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

**Risk and Quality (R&Q):** Consultation is a key element to quality control. PwC PNG has formal protocols setting out the circumstances under which consultation is mandatory. PwC PNG is supported by a Technical Department that will track new developments in accounting and auditing and provide updates to the appropriate professional staff. PwC PNG consultative culture means that our engagement teams will regularly consult with experts and others beyond those that are formally required.

### 6. Monitoring

PwC PNG 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 PNG’s quality controls in functional areas such as hiring, training, advancement and independence.

Quality monitoring is an integral part of the PwC PNG’s continuous improvement program. PwC PNG 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 counselled to improve performance and appropriate steps are taken to fully encourage improvement including, where appropriate, the imposition of financial penalties.

### 5. External inspections (Article 40(1)(e))

PwC PNG does not have a regulatory body in Papua New Guinea which conducts inspections of the firm.

PwC PNG is registered as a third country audit firm in the UK by the Public Oversight Board (POB) and, as a result of this registration, it is subject to monitoring by the POB in relation to its audit of the entity listed in Appendix 2.

### 6. Public interest audit clients (Article 40(1)(f))

During the period covered by this Transparency Report, PwC PNG has signed the audit report for New Britain Palm Oil Limited that has transferable securities listed on regulated markets in United Kingdom.

### 7. Independence procedures and practices (Article 40(1)(g))

**Organisation**

PwC PNG has a designated partner – Jonathan Seeto, (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 PwC 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 small team of independence specialists. The PRI reports directly to the PNG Risk Management Partner, a member of the firm’s partner group; to the PwC Regional PRI; and to PwC Australia.

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. 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 PNG supplements the PwC Network Independence Policy as required by applicable independence requirements of Certified Practising Accountants Papua New Guinea (which are in accordance with the IFAC Code of Ethics); and Section 198 of the Companies Act 1997.

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.

Training and confirmations

PwC PNG 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 PNG’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 PNG’s independence specialists and risk and quality teams.

PwC PNG requires all partners and staff, upon joining and at least annually thereafter, to confirm their compliance with all aspects of PwC PNG’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 PNG’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 PNG’s independence policies and procedures. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations for PwC PNG’s clients.

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:
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 GPS;

The Global Portfolio System (“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; and

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

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

- A rotation tracking system which monitors compliance with PwC PNG’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 PNG. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.

**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);
- Personal independence compliance testing of a random selection of partners;
- Compliance testing of independence controls and processes; and
- Annual assessment of PwC PNG’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 PNG’s monitoring and testing are reported to its management on a regular basis with a summary reported to them on an annual basis. The investigations of any identified violations of policies also serve to identify the need for improvements in PwC PNG’s systems and processes and for additional guidance and training.

**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.
8. Continuing professional education of partners and staff eligible for appointment as statutory auditors (Article 40(1)(h))

PwC PNG 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 PNG’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.

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

9. Financial information (Article 40(1)(i))

An analysis of the total fees received by PwC PNG from public interest audit clients listed on an EU regulated market for which a statutory audit was carried out in the preceding year ended 31 December 2011 is shown below:

<table>
<thead>
<tr>
<th>December 2011 USD’000</th>
<th>December 2010 USD’000</th>
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<tbody>
<tr>
<td>Audit services</td>
<td>484</td>
</tr>
<tr>
<td>Taxation services</td>
<td>263</td>
</tr>
<tr>
<td>Other services</td>
<td>120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>867</strong></td>
</tr>
</tbody>
</table>

Total fees above, represent less than 3% of total fees received by PwC PNG during the year ended 30 June 2012.

10. Remuneration (Article 40(1)(j))

Partners are remunerated solely out of the profits of PwC PNG. 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 board of partners of PwC Australia once their performance has been assessed and the annual financial statements have been approved. The board approves the process and oversees its application. 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.

Signed on behalf of:

PricewaterhouseCoopers

By:

Jonathan Seeto
Territory Senior Partner