

## Transparency Report

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

The Transparency Report is in respect of the financial year ended 30 June 2015.

As required by Article 40(2), this Transparency Report is signed on behalf of PricewaterhouseCoopers LLP, Singapore.



## Legal structure & PwC Network

### *EU Article 40(1)(a)(b)*

PricewaterhouseCoopers LLP, Singapore ("PwC Singapore") is a limited liability partnership and is wholly owned by its members, who are commonly referred to as partners. PwC Singapore is a member of the PricewaterhouseCoopers ("PwC") network of firms.

"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. As members of the PwC network, PwC firms share knowledge, skills and resources. This membership enables PwC firms to work together to provide high-quality services on a global scale to international and local clients, while retaining the advantages of being local businesses – knowledgeable about local laws, regulations, standards and practices. 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 in which PwC firms are members. PwCIL does not practise accountancy or provide services to clients. PwCIL acts as a co-ordinating entity for PwC member firms in the PwC network. PwCIL works to develop and implement policies and initiatives that create a common and coordinated approach for PwC 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 consists of 18 elected members, is responsible for the governance of PwCIL, oversight of the Network Leadership Team and approval of network standards. The Board does not have an external role. Board members are elected every four years by partners from all PwC member firms. Board members may serve a maximum of two terms of four years each.
- **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 senior partners of the largest member firms of the network and regions, agrees the strategic direction of the network and facilitates alignment for the execution of strategy.
- **Network Executive Team**, which is appointed by, and reports to the Network Leadership Team. Its members are responsible for leading teams drawn from network firms to coordinate the service lines and the key functional areas (such as Risk & Quality, Human Capital, Operations, Brand & Communication) across the network.

The Executive Chairman of PricewaterhouseCoopers LLP, Singapore is a member of the Strategy Council and maintains our relationships with the Network Leadership Team.

## Governance

### *EU Article 40(1)(c)*

PwC Singapore has a management team referred to as the Leadership Team (“LT”). The LT is responsible for the governance and management of the firm’s operations and partnership matters. The LT is led by the Executive Chairman. The Executive Chairman is responsible for leading and managing the firm, including the setting and implementation of the firm’s strategy. Members of the LT are appointed by the Singapore Executive Chairman.

## Internal Quality Control

### *EU Article 40(1)(d)*

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

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

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

PwC Singapore’s management believes that the quality control environment described below complies with applicable regulations and provides a reasonable basis for believing that audits carried out by PwC Singapore consistently meet the required quality standards.

### ***1. Leadership Responsibilities for Quality within the Firm***

The Firm’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 the Firm’s client service operations who reports directly to the Executive Chairman.

## **2. Ethical Requirements**

**Integrity and Objectivity:** The reputation and success of PwC Singapore depend on the professionalism and integrity of each and every partner and employee. All PwC Singapore partners and staff are expected to uphold and comply with the standards developed by the PwC global network and PwC Singapore. The Firm's management monitors compliance with these obligations by the Firm's partners and staff.

Upon hiring or admittance, all staff and partners of PwC Singapore 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 Singapore 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 Singapore 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 Singapore 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 as to 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 Singapore partners and staff regularly receive a thorough orientation to the culture, values and core attributes of PwC – Quality, Trust, Teamwork, Excellence and Leadership. PwC Singapore aims to recruit only high quality staff that can operate as accounting and other experts in support of audits and who share in the Firm'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 Singapore'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 Singapore 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 Singapore 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 Singapore has formal protocols setting out the circumstances under which consultation is mandatory. PwC Singapore is supported by the R&Q group comprising a team of professionals specializing in different areas of accounting and auditing. The R&Q team will track new developments in accounting and auditing and provide updates to professional staff. The Firm's consultative culture means that our engagement teams will regularly consult with experts and others beyond those that are formally required.

## 6. Monitoring

PwC Singapore is responsible for monitoring the effectiveness of its Assurance quality control systems which includes carrying out, or arranging to be carried out on its behalf, independent reviews both at the leadership and 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 is undertaken at least every three years and updated during the intervening period. Engagement Compliance Reviews are conducted annually with higher profile engagements reviewed twice every six years. All assurance partners and signing directors must have one of their engagements reviewed at least every five years. The Quality Review process also involves testing of the effectiveness of the Firm's quality controls in other functional areas such as hiring, training, advancement and independence.

Quality monitoring is an integral part of the Firm's continuous improvement program. PwC Singapore 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 and signing directors responsible are counselled to improve performance and appropriate steps are taken to fully encourage improvement including, where appropriate, the imposition of financial penalties or limitation of signing authority.

## External inspections

### *EU Article 40(1)(e)*

PwC Singapore is eligible to undertake statutory audit work by virtue of its registration with the Accounting and Corporate Regulatory Authority ("ACRA") of Singapore. As part of its monitoring responsibilities, ACRA undertakes inspections of the quality of PwC Singapore's work as statutory auditors. The last completed inspection was undertaken from 15 September 2014 to 10 October 2014. ACRA has issued the final report to PwC Singapore on 14 January 2015. The detailed report is not made available to the public. There is no adverse finding from the last inspection. PwC Singapore continues to be registered with ACRA to conduct statutory audit work in Singapore.

## EU Audit Clients

### *EU Article 40(1)(f)*

During the period covered by this report, PwC Singapore has signed the audit reports of the financial statements of the following entities that had securities admitted to trading on the regulated markets of the respective country:

**Norway** : BW LPG Limited

**United Kingdom** : XP Power Limited

## Independence procedures and practices

### *EU Article 40(1)(g)*

#### **Organisation**

PwC Singapore has a designated partner (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 under the firm’s independence policies and supporting guidance. The partner is supported by a team of independence specialists.

#### **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 Singapore supplements the PwC Network Independence Policy with policies to reflect the additional requirements under the Singapore regulations and firm policy.

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 and the firm;
- 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 Singapore 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. Practice staff who are new joiners receive computer-based training on PwC Singapore independence policy and related topics. Newly admitted partners are given face-to-face briefing by the PRI. Additionally, classroom training is delivered to members of the practice on an annual and as-needed basis by PwC Singapore’s independence specialists and risk and quality teams.

PwC Singapore requires all partners and practice staff, upon joining and at least annually thereafter, to confirm their compliance with all aspects of PwC Singapore 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 firm’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 Singapore’s independence policies and procedures.

#### **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 Singapore also has a number of territory-specific systems and processes which include:

- A rotation tracking system which monitors compliance with PwC Singapore audit rotation policies for engagement leaders and other key audit partner involved in an audit; and
- A central register that records all approved business relationships entered into by PwC Singapore. 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 a previous section);
- Personal independence compliance testing of a random selection of partners and staff;
- Compliance testing of independence controls and processes; and
- Annual assessment of the firm’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 Singapore’s monitoring and testing are reported to its management. The investigations of any identified violations of policies also serve to identify the need for improvements in the firm’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 violation of independence requirements.

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

## **Continuing professional education**

### ***EU Article 40(1)(h)***

PwC Singapore 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.

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

## Financial information

### *EU Article 40(1)(i)*

Fees earned from clients that had securities admitted to trading on an EU regulated market:

	<b>2015</b>	<b>2014</b>
	<b><u>£mil</u></b>	<b><u>£mil</u></b>
Statutory audit services	0.6	0.5
Other non-audit services	0.1	0.7
Total	<u>0.7</u>	<u>1.2</u>

## Remuneration

### *EU Article 40(1)(j)*

Partners are remunerated out of the profits of PwC Singapore. Key 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 management, once their performance has been assessed and the annual financial statements have been approved.

Each Partner's remuneration comprises three interrelated components:

- responsibility income – reflecting the Partner's sustained contribution and responsibilities;
- performance income – reflecting how a Partner and their team(s) have performed, including factors relating to quality; and
- equity unit income – reflecting the overall profitability of PwC Singapore.