

# *Transparency Report*





## *i* Introduction

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 ("EU Directive"), covering our financial year ended 30 June 2016. This is a report to comply with the EU Directive transparency requirements only.

As required by Article 40(2), this Transparency Report is signed on behalf of PricewaterhouseCoopers LLP, Singapore dated 30 September 2016.

*PricewaterhouseCoopers LLP*

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# Legal structure and PwC network

[EU Directive 40(1)(a)(b)]

## Legal Structure

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 Network

PwC is a global network of separate firms, operating locally in countries around the world. PwC firms are members of PricewaterhouseCoopers International Limited and have the right to use the PricewaterhouseCoopers name. As members of the PwC network, PwC firms share knowledge, skills and resources.

This membership facilitates 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 – including being knowledgeable about local laws, regulations, standards and practices.

Being a member of the PwC network means firms also agree to abide by certain common policies and maintain the standards of the PwC network. Each 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.





## ***PricewaterhouseCoopers International Limited***

PricewaterhouseCoopers International Limited (“PwCIL”) is a United Kingdom private company limited by guarantee. PwCIL acts as a coordinating entity for PwC firms and does not practise accountancy or provide services to clients. PwCIL works to develop and implement policies and initiatives to create a common and coordinated approach for PwC firms in key areas such as strategy, brand, and risk and quality. PwC firms use the PwC name and draw on the resources and methodologies of the PwC network. In return, PwC firms are required to comply with common policies and the standards of the PwC network.

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

- **Global Board**, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of Network Standards. The Board does not have an external role. Board members are elected by partners from all PwC firms around the world every four years.
- **Network Leadership Team**, which is responsible for setting the overall strategy for the PwC network and the standards to which the PwC firms agree to adhere.
- **Strategy Council**, which is made up of the leaders of the largest PwC firms of the network, agrees the strategic direction of the Network and facilitates alignment for the execution of strategy.
- **Network Executive Team** is appointed by and reports to the Network Leadership Team. Its members are responsible for leading teams drawn from Network firms to coordinate activities across all areas of our business.

The Executive Chairman of PwC 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”). Members of the LT are appointed by the Singapore Executive Chairman and is responsible for the 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.

The Board of Partners is the governance body of the firm and its role includes to advise the Executive Chairman of issues of concern to the partners, to review the processes adopted by management in its decision making and to oversee the process of the partner income system.





# 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 PwCIL. 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
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

At PwC, we adhere to the fundamental principles of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, which are:

- a. **Integrity** – to be straightforward and honest in all professional and business relationships.
- b. **Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.



- c. **Professional Competence and Due Care** – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- d. **Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.
- e. **Professional Behaviour** – to comply with relevant laws and regulations and avoid any action that discredits the profession.

In addition, our Network Standards applicable to all Network firms cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/anti-competition, anti-corruption, information protection, firm's and partner's taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake regular mandatory training and assessments, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC Network and leadership in PwC Singapore monitors compliance with these obligations.

PwC Singapore has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals- behaviours that will enable us to earn the trust that we seek. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal- to do the right thing.

Upon hiring or admittance, all staff and partners of PwC 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.

### **3. Acceptance and Continuance**

#### *Considerations in accepting and continuing an audit client relationship*

Our principles for determining whether to accept a new client or continue serving an existing client are fundamental to delivering quality which we believe goes hand-in-hand with our purpose to build trust in society. We have established policies and procedures for the acceptance of client relationships and audit engagements. These policies and procedures assist us in evaluating whether we are competent to perform the engagement, have the necessary capabilities including time and resources, can comply with relevant ethical and independence requirements or have appropriately considered the integrity of the client. We reassess these considerations in determining whether we should continue with the client engagement and have in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary.





### *Client and Engagement Acceptance and Continuance*

PwC Singapore has implemented a process to identify acceptable clients based on the PwC Network's proprietary decision support systems for audit client acceptance and retention (known as 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. More specifically, this system enables:

- Engagement teams:
  - to document their consideration of matters required by professional standards related to acceptance and continuance;
  - to identify and document issues or risk factors and their resolution, for example through consultation, by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
  - to facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement;



- Member firms (including member firm leadership and risk management):
  - to facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements;
  - to provide an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio; and
  - to understand the methodology, basis and minimum considerations all other member firms in the Network have applied in assessing audit acceptance and continuance.

#### **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 who can operate as accounting and other experts in support of audits and who share the firm's strong sense of responsibility for auditing. Candidates are considered according to multiple criteria, including their academic achievement.

#### **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 to.

#### **Learning and Development**

We, and the other PwC firms in the Network are committed to delivering quality audits around the world. To maximise consistency in the Network, a formal curriculum developed at the Network level provides access to courses covering the PwC audit approach and tools, updates on auditing standards and their implications, and areas of audit risk and engagement quality.

This formal learning is delivered using blended learning, which includes remote access and classroom learning. This learning supports our focus on audit quality and provides our practitioners with the opportunity to sharpen their professional judgement, scepticism, technical and professional skills.

Our Learning and Development leader then considers what additional training is appropriate – formal and/or informal – to address specific local needs in the way of videos, workshops and forums for staff to share their experiences. This training is then supplemented with learning from others, whether by receiving and discussing feedback, or by shadowing, observing and/or working with others in order to support them on the job.



## 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 of 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 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

We recognize that quality in the Assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element to our Assurance strategy.

Responsibility for appropriate quality management lies with the leadership of PwC Singapore. This includes effective monitoring processes aimed at evaluating whether the policies and procedures which constitute our Quality Management System are designed appropriately and operating effectively to provide reasonable assurance that our audit engagements are performed in compliance with laws, regulations and professional standards.

Our firm’s monitoring program is based on the PwC Network’s Global Assurance Quality Review (“GAQR”) Program. This program which is based on professional standards relating to quality control including ISQC1, contains policies, procedures, tools and guidance which are used by PwC Network firms. The GAQR program is coordinated by a central team which consists of a GAQR Leader with a group of International Team Leaders (“ITL”) who are senior partners seconded to the GAQR central team by PwC member firms. Provision of oversight by the ITLs and their continuous involvement and support enable a consistent and effective performance of reviews across the PwC network.

Our firm’s monitoring procedures include an ongoing assessment of the design and effectiveness of our quality management system, as well as a review of completed engagements, known as Engagement Compliance Reviews (“ECR”). The results of these procedures form the basis for the continuous improvement of our quality management system.



ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorized to sign audit or non-audit assurance reports. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other engagement related policies and procedures.

Reviews are led by experienced Assurance partners, supported by independent teams of partners, directors, and senior managers and other specialists. Review teams receive training to support them in fulfilling their responsibilities, and utilize a range of GAQR-approved checklists and tools when conducting their review procedures.

The results of the quality reviews are reported to our firm's leadership who are responsible for analysing the findings and implementing remedial actions as necessary. In situations where adverse quality issues on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or our firm's Assurance leadership personnel may be subject to additional mentoring, training or sanctions in accordance with our firm's accountability framework.

Partners and employees of our firm are informed about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of engagements. In addition, the GAQR Leader informs engagement partners of our firm who are responsible for group audits involving cross-border work about relevant quality review findings in other PwC firms which enables our partners to consider these findings in planning and performing their audit work.





## 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 16 November 2015 to 8 December 2015.

There is no adverse finding from the last inspection. PwC Singapore continues to be registered with ACRA to conduct statutory audit work in Singapore.

Other than the above, the US PCAOB performs joint inspection with ACRA. The last joint inspection was conducted from 15 September 2014 to 26 September 2014. The PCAOB report which is dated 26 February 2015 is publicly available on their website.



## 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

[EU Article 40(1)(g)]

As auditors of financial statements and providers of other types of professional services, PwC firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance clients, independence underpins these requirements. Compliance with these principles is fundamental to serving the capital markets and our clients.

The PwC Global Independence Policy, which is based on the IESBA 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.

PwC Singapore has a designated partner (known as the 'Partner Responsible for Independence' or 'PRI') with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a team of independence specialists. The PRI reports directly to the firm's Risk and Quality Leader.

## ***Independence policies and practices***

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

- personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts and loans by partners, staff, the firm and its pension schemes;

- non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services ('SOPS'), which provide practical guidance on the application of the policy in respect of non-audit services to 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.

In addition, there is a Network Risk Management Policy governing the independence requirements related to the rotation of key audit partners.

These policies and processes are designed to help PwC comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Policies and supporting guidance are reviewed and revised when changes arise such as updates to laws and regulations or in response to operational matters.

PwC Singapore supplements the PwC Network Independence Policy as required by Singapore's Accountants (Public Accountants) (Amendment) Rules 2015, the independence requirements of the United States Securities and Exchange Commission and those of the Public Company Accounting Oversight Board of the United States where they are more restrictive than the Network's policy.



## *Independence-related tools*

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

- The Central Entity Service ('CES'), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the firm before entering into a new non-audit engagement or business relationship. This system drives the 'Independence List' and also feeds Independence Checkpoint;
- 'Independence Checkpoint' 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 PwC firm wins a new audit client, this system automatically informs those holding securities in that client of the requirement to sell the security where required;
- Authorisation for Services ('AFS') which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, 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; and
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory).

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

- A rotation tracking system which monitors compliance with PwC Singapore audit rotation policies for engagement leaders and other key audit partners; and
- A database 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.



## *Independence training and confirmations*

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

All partners and practice staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with all aspects of the firm's independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships.

## *Independence monitoring and disciplinary policy*

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

- Compliance testing of independence controls and processes;
- Personal independence compliance testing of a random selection of partners, managers and staff as a means of monitoring compliance with independence policies; and
- An annual assessment of the firm's adherence with the PwC Network's independence risk management standard.

The results of PwC Singapore monitoring and testing are reported to the firm's management on a regular basis.

The firm has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

This would include discussion with the client's audit committee regarding the nature of the breach, an evaluation of the impact of the breach on the independence of the firm and the need for safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in the firm's systems and processes and for additional guidance and training.





# 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 to 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 Education 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:

	2016 £mil	2015 £mil
Statutory audit services	0.5	0.6
Other non-audit services	--	0.1
Total	0.5	0.7



## 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 Leadership Team, 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.

