



*Building trust
through assurance*
Transparency Report

*Year ended
30 June 2017*

The PwC Purpose

Build trust in society and solve important problems



Our ambition

To be the world's leading professional services network



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Introduction

At PwC, our purpose is to build trust in society and solve important problems. We are a network of firms in 157 countries with more than 236,000 people who are committed to delivering a high quality in assurance, advisory and tax services.

The demand for transparency information from audit firms continues to increase and become more complex. At the same time, as a Network, we are committed to providing transparent, relevant and meaningful information about our audits to our stakeholders, supporting our purpose of building trust. Public reporting by audit firms on audit quality is evolving as a result of heightened public interest, increased regulator expectations as well as the needs of audit committees which are required to assess and compare the performance of audit service providers.

People



236,000

Working in

743 locations

Worldwide revenues

\$35.9 billion FY16



in **158**
countries FY16



Message from our Territory Senior Partner & Assurance Leader



Colin Vaughan
Territory Senior Partner &
Chairman of the Board of Directors



Barry Pillans
Partner & Assurance Leader

On behalf of the partners of PwC Gibraltar, we welcome you to our transparency report, which is required by the EU Statutory Audit Directive.

This is our inaugural transparency report as, due to the nature of our statutory audit client portfolio, we were not previously required to produce such a report. We are nevertheless delighted to present this report which is based, where applicable, on our performance for the financial year ended on 30 June 2017.

Following the EU referendum vote held on 23 June 2016, the backdrop to 2017 has been the impending withdrawal of the UK and Gibraltar from the EU. This forthcoming “Brexit” brings an unprecedented uncertainty of what life outside the EU will bring to our clients, our staff and the wider society.

Despite this uncertainty and the challenging political and economic headwinds that it brings, our partners and staff have continued to offer our clients the best possible advice and clarity that PwC has to offer.

Relying on the expertise and professionalism of our people and the wider PwC community, we

Colin Vaughan
Territory Senior Partner &
Chairman of the Board of Directors
31 October 2017

strive to provide transparent, independent and objective advice and services to our clients, which are all underpinned by our overriding objectives of achieving quality in everything we do and of always doing the right thing.

Our strong sense of responsibility is not only to our clients and people but also to the wider community in Gibraltar. We have donated a significant amount of discounted and pro-bono time and services to our community and charitable organisations. We aim to build on this solid base of corporate responsibility but without undue fuss.

During the year and also without fuss we moved to our new offices at 327 Main Street. Those of you who have had the opportunity to visit our new office will have noticed that we have adopted innovative working practices with the use of methodologies and technologies that are at a leading edge. We have pride in being a forward looking and technology-enabled firm that cares about the environment and the footprint we leave on society.

We hope you will find our transparency report informative.

Barry Pillans
Partner &
Assurance Leader
31 October 2017

Strategy and leadership

Ensuring a high standard of quality control over statutory audit work is the priority for PwC Gibraltar, which is dealt with extensively in this report. It entails the consistent application of a single audit methodology used by all PwC auditors worldwide; backed by consistent audit training, policies, and guidance applicable to all partners and staff.

As a member of the PwC Network, we have access to use PwC Audit, a common audit methodology and process. This methodology is

network, are designed to ensure that our work is fully compliant with all relevant auditing standards; and to facilitate the execution, review and control of an audit.

Our assurance procedures do not depend solely on the quality and experience of our staff, but we seek to bring to bear on each audit the know-how and experience of the PwC firm as a whole, placing a wealth of relevant material at the disposal of our staff. This allows a better understanding of trends, regulations and risks



based on International Standards on Auditing (ISAs), with additional PwC policy and guidance provided where appropriate. PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. Our common audit methodology provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.

Our methodology is driven by the IT based tools used in the conduct of statutory audits, centred around Aura. These tools, which are developed and continually enhanced by the PwC global

relevant to our client's industry.

It facilitates the planning of the audit, and the drafting of auditing procedures relevant to the client's circumstances.

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

Legal structure and ownership

PricewaterhouseCoopers Limited (“PwC Gibraltar”) is a limited liability company governed by Gibraltar law. The firm is owned by a group of three members, commonly referred to as partners, all of whom are professionals active within the practice.

The firm is registered as an audit firm licensed and regulated by the Gibraltar Financial Services Commission (“GFSC”).

The governance structure of the Gibraltar firm is made up of two elements; the Territory Senior Partner (“TSP”) and the Board of Directors.

The governing body of the firm is the Board of Directors, which is formed by the three partners and by one director, who meet at regular intervals to discuss strategy and to monitor the firm’s progress.

The firm is organized across four lines of service: assurance, tax (including company administration), advisory and insolvency.

Due to the size of the firm, all the partners are actively involved in the management of the firm and in the process of solving all service lines issues.

Dedicated teams are also devoted to managing human resources including training, business development, risk management and technology.



Patrick Pilcher became a member of the Board of Directors on 1 April 2017



Edgar Lavarello is the Tax Leader for the firm

The Territory Senior Partner (“TSP”)

Colin Vaughan is the TSP for PwC Gibraltar, who has been in this role since 1 July 2005. The TSP is responsible for the leadership and strategic direction of the firm and its role in PwC’s global network.

The Board of Directors

Three partners and one director make up the Board of Directors. The Board is responsible for developing and implementing the policies and strategies of the firm, and for its direction and management. The Board also takes overall responsibility for the systems of internal control (which includes controls relating to quality) and for reviewing and evaluating their effectiveness. During the year ended 30 June 2017 the Board held meetings on a monthly basis, and discussed formal business matters at additional meetings as necessary. The current members are:

Colin Vaughan	TSP	Chairman
Barry Pillans	Partner	Assurance Leader
Edgar Lavarello	Partner	Tax Leader
Patrick Pilcher	Director	

A more detailed CV for all of our partners and management team can be seen on our website www.pwc.gi



Kevin Duarte and Lalit Khatwani were promoted to Directors on 1 April 2017 and are responsible for Independence and Risk & Quality, respectively.

Our firm as part of a global network

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 UK 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.

Colin Vaughan attends global and regional TSP meetings and maintains our relationships with the Network Leadership Team.

A list of PwC Network audit firms and sole practitioner statutory auditors in European Union/European Economic Area Member States can be found in Appendix 1.

Total turnover achieved by statutory auditors and audit firms (i.e. from EU or EEA Member States) that are members of the PwC network resulting, to the best extent calculable, from the statutory audit of annual and consolidated financial statements is approximately Euros 3.0 billion. This represents the turnover from each entity's financial year converted to Euros at the exchange rate prevailing at that financial year-end date.

Quality in what we do

Standards and internal quality control systems

Every PwC firm is responsible for its own risk and quality performance and, where necessary, for driving improvements.

Each PwC firm is also exclusively responsible for the delivery of services to its clients.

To support transparency and consistency, each PwC firm's TSP signs an annual confirmation of compliance with certain standards. These cover a range of areas, including independence, ethics and business conduct, Assurance, Advisory and Tax risk management, governance, anti-bribery and data protection and privacy.

These confirmations are reviewed by others who are independent from the PwC firm in question. Member firms are required to develop an action plan to address specific matters where they are not in compliance. The action plans are reviewed and their execution monitored.

There are some common principles and processes to guide PwC firms in applying the network standards. Major elements include:

The way we do business

PwC firms undertake their business activities within the framework of applicable professional standards, laws, regulations and internal policies. These are supplemented by a PwC Code of Ethics and Business Conduct for their partners and staff.



Sustainable culture

To promote continuing business success, PwC member firms nurture a culture that supports and encourages PwC people to behave appropriately and ethically, especially when they have to make tough decision. PwC people have ready access to a wide array of support networks within their respective firms- both formal and informal, and technical specialists to help them reach appropriate solutions.

Policies and processes

Each PwC firm has its own policies, based on the common standards and policies of the PwC network. PwC firms also have access to common methodologies, technologies and content are designed to help a member firm's partners and staff perform their work more consistently, and support their compliance with the way PwC does business.

Quality reviews

Each PwC member firm is responsible for monitoring the effectiveness of its own quality control systems. This includes performing a self assessment of its systems and procedures and carrying out, in or arranging to have carried out on its behalf, an independence review.

In addition, the network monitors PwC member firms compliance with network quality expectations and risk and quality standards and policies. This includes monitoring not only whether each PwC firm conducts an objective quality control review programme, but also considers a member firm's processes to identify and respond to significant risks.

In accordance with applicable regulatory requirements, each member firm may also be reviewed periodically by national and international regulators and/or professional bodies. In this respect, PwC Gibraltar is subject to periodic review by the audit regulator, the GFSC.

For Assurance work, the quality review programme is based on relevant professional standards relating to quality controls including International Standard on Quality Control 1: 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements' ("ISQC 1"). Based on the ISQC 1, the Quality Management System ("QMS") is the foundation upon Assurance Engagements are performed. It comprises a well structured system of internal controls that help to ensure engagement quality.

The QMS comprises 13 functional areas: Leadership, Ethical Requirements, Independence, Acceptance & Continuance, HC: Recruitment, HC: Learning & Education, HC: Performance Evaluation, Promotion & Compensation, HC: Assignment of Engagement Teams, Engagement Performance (EP): Consistency of Quality & Documentation, EP: Consultation, Quality Review Partner ("QRP"), Monitoring and IT General Controls.

The overriding objective of the assurance quality review programme is to assess for each relevant PwC member firm that:

- Quality managements systems are appropriately designed, are operating effectively and comply with applicable network standards and policies;
- Engagements selected for review were performed in compliance with applicable professional standards and PwC audit requirements; and
- Significant risks are identified and managed appropriately.



A member firm's assurance quality review programme is monitored, as is the status and effectiveness of any quality improvement plans a PwC firm puts in place.

Leadership and accountability

PwC Gibraltar'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. Lalit Khatwani is the director responsible for Risk Management and Quality Control relative to PwC Gibraltar's client service operations who reports directly to the Territory Senior Partner.

PwC recognises the importance of developing a culture across the whole firm based on professionalism, partnership, integrity, transparency and a strong work ethic. It starts with the right tone at the top. The culture informs the choices we make and is reflected in our vision.

Our ambition is to build the iconic professional services firm, always front of mind, because we aim to be the best. We set the standard and we drive the agenda for our profession. We value our past but look to invest in our future to leave the firm even stronger than when we inherited it. We will realise our vision by living and breathing a common set of values and behaviours.



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 practise, 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 Gibraltar monitors compliance with these obligations.



PwC Gibraltar 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 Gibraltar 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 policies and practices

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.

Policies and guidance

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 Gibraltar 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 small team of independence specialists. The PRI reports directly to the TSP.

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.

The independence requirements of the US Securities and Exchange Commission (“SEC”) and those of the US Public Accounting Oversight Board (“PCAOB”) are, in certain instances, more restrictive than the IESBA code and the PwC Network’s policy accounts for this by including provisions that are specifically applicable to SEC restricted entities. Given the reach of these requirements and their impact on PwC Network firms, the policy identifies key areas where these requirements are more restrictive.



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 practise 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 Gibraltar also has a number of Gibraltar-specific systems, which include:

- A Rotation Database which monitors compliance with Gibraltar’s audit rotation policies for PwC Gibraltar engagement leaders involved in an audit; and
- A database that records significant approved business relationships entered into by PwC Gibraltar. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.

Independence training and confirmations



PwC Gibraltar provides all partners and practise staff with annual or on-going training on 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 Gibraltar independence policy and related topics when necessary.

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

All partners and practise 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. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations for all clients.

Independence monitoring and disciplinary policy

PwC Gibraltar 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;
- Quality control reviews of engagements to confirm compliance with risk management processes, including independence;
- Personal independence compliance testing of a random selection of partners 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 Gibraltar's monitoring and testing are reported to the firm's management on a quarterly 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 PwC Gibraltar's systems and processes and for additional guidance and training.

Engagement leader, QRP and Audit Partner rotation policy

We adhere to the rotation requirements of the independence rules published by the International Ethics Standards Board for Accountants (“IESBA”), EU Regulation 537/2014, the GFSC, and the SEC (where required).

For entities that are subject to SEC independence rules, engagement leader tenure is set at five years, with a five year cooling off period and Key Audit Partners involved in the audit tenure is seven years with a two year cooling off period.

The Quality Review Partner (“QRP”) on SEC engagements has a five year tenure with five year cooling off period.

For all other entities our policy sets tenure for engagement leader, QRP and Key Audit Partners at ten years with a two year cooling off period.

The updates that we have made apply to roles on entities defined as Public Interest Entities as a result of EU Audit Regulation (537/2014) (“EU PIEs”). These rules affect audit engagements commencing on or after 17 June 2016. For EU PIE audit engagements, those individuals who meet the definition of Key Audit Partner have a tenure of five years, with a cooling off period of five years.

Key Audit Partners will include the statutory auditor designated by the firm as being primarily responsible for carrying out the statutory audit of EU PIE, including at the level of the group, the statutory auditor who signs the audit report and, in the case of a group audit, the statutory auditor designated at the level of material subsidiaries. There have been no changes in the rotation requirements for QRPs under the new rules.

Promoting compliance

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

This would include, where appropriate, discussion with the client’s audit committee or governance function, regarding an evaluation of the impact on the independence of the firm and the need for safeguards to maintain objectivity.

Potential breaches of the firm’s independence policies that are identified from self disclosures, independence confirmations, personal independence audits, engagement reviews and other monitoring activities are investigated by the firm’s Compliance team to determine if a reportable breach has occurred.

In PwC Gibraltar, a violation of independence policies by a partner or staff member has consequences that may include a fine or other disciplinary action, including dismissal.



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

- engagement reviews to confirm compliance with the firm’s risk management procedures, including independence.
- procedures to review a random selection of partners and staff and all partner candidates.
- annual independence confirmations by partners and staff.
- compliance testing of independence controls and processes.
- central monitoring of independence KPIs.
- annual assessment of the firm’s adherence to the PwC Network’s risk management standard for independence.

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

The results of the firm’s monitoring and testing are reported to the Board on a regular basis.

Based on the reviews outlined above, we confirm that we have conducted an internal review of independence practices during the year ended 30 June 2017.



Acceptance & Continuance

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 that consider whether we are competent to perform the engagement and have the necessary capabilities including time and resources, can comply with relevant ethical requirements, including independence, and 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 & Continuance

PwC Gibraltar has implemented a process to identify acceptable clients based on the PwC 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. 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.

Continuing professional education

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 & Education 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.

Formal learning

Our PwC Professional global leadership framework underpins a training curriculum which provides a wealth of opportunities for our people to build professional skills and knowledge to support the delivery of high quality assurance services to our clients.

Learning and development is a continuous process which starts with induction activities when a person joins the firm and continues throughout their career and is tailored to the grade, role and experience of each individual.

We have a training curriculum that includes talent programmes as well as our technical and business skills training programmes.

We have invested in our training curriculum: all newly qualified staff participate in a leadership skills programme and we continue the roll out of our new professional skills curriculum for all staff, much of which is mobile-based and can be completed at any time and when on the move. We support many individuals to complete professional qualifications that are required or relevant to their role. Our industry groups operate specialist training programmes relevant to their sectors.



Our practices to maintain capabilities and technical competence include:

- all partners and staff must complete annual risk and quality update training spanning matters relating to compliance, independence and ethics.
- all partners and staff must confirm that they have complied with the firm's development policy within the general annual confirmation including completing and retaining appropriate records; any exceptions are investigated.
- we consider training needs on an on-going basis and release guidance and/or training materials as appropriate throughout the year to respond to emerging performance gaps promptly when they are identified.
- we monitor the completion of mandatory training and failure to complete mandatory training by set deadlines results in disciplinary steps being taken.
- we review the training programme for compliance with PwC network standards.
- we have processes in place to equip our tutors with effective instructor skills and to measure the

- effectiveness of our training.
- we assess programmes through a number of evaluation techniques.

Performance evaluation

We continue to invest in equipping our partners and staff with the coaching and management skills needed to give honest feedback, to continually improve performance. We expect feedback to be provided regularly throughout the year by all staff and partners. Feedback forms a key element of our annual appraisal process. All partners and staff assess their performance against their agreed objectives and against grade-related skills and capabilities based on The PwC Professional.



The appraisal process covers technical competence and quality, and consideration is given not only to what an individual has achieved, but also how they achieved it. We continue to place particular focus on the contribution and impact each person has made to the firm. Our focus is on supporting our people to have rich conversations with their manager about their contribution and how they have demonstrated the PwC Professional attributes.

Career development

A great deal of attention is devoted to ensuring that our people maintain their high level of professional expertise. Our career progression framework, The PwC Professional, supports all staff members to identify areas of strength and new areas of learning required.

Remuneration

In determining remuneration for our staff, we carefully balance several elements including: the economic climate and the external market; recognition of people's hard work, including the quality of the work they deliver; the performance of the firm; and investment for the future.

Engagement performance

PwC Audit

As a member of the PwC Network, PwC Gibraltar has access to and uses PwC Audit, a common audit methodology and process. This methodology is based on International Standards on Auditing (“ISAs”), with additional PwC policy and guidance provided where appropriate. PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. Our common audit methodology provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.

The PwC Audit Guide explains PwC’s methodology. The PwC Audit Guide, along with PwC's technology-based audit support tools, templates and content, support engagement teams in conducting assurance and related services engagements.

Aura

As a member of the PwC Network, PwC Gibraltar has access to and uses Aura, which is the application that powers PwC's audits and supports its Assurance practices. It provides engagement teams with an application that integrates a broad range of capabilities, including built-in tools to promote audit quality, consistency and ease of documentation. Aura also integrates with a variety of other tools and applications, creating one work space for client work. Our audit work is planned, executed and documented using Aura which supports teams in applying our methodology effectively, by creating a transparent linkage between risks identified and the work done to address those risks, as well as providing comprehensive project management capabilities.

Developed technology

We continue to invest in audit technology that builds quality into the audit and enhances our ability to provide insights to our clients. Our technology is built and implemented globally ensuring consistency across the PwC Network.

These new tools that enhance audit quality and efficiency through automation, connectivity and mobility include:

- *Aura Now* is an online, multi-engagement dashboard tool that allows teams to monitor progress towards completion and other key information across their portfolio of Aura engagement databases. It visualises the progress of an engagement, which enables our people to priorities their efforts. It also provides information regarding readiness for file archiving to assist in preparing for and timing of archiving the audit file.
- *Connect* is our collaborative workflow tool, providing fast, efficient and secure information sharing at every stage of the audit. It monitors the status of requests and information between our clients and the engagement team on a real time basis. Connect provides visibility for both our clients and us to be able check progress on the go, anytime, anywhere.

Monitoring & quality improvement

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 Gibraltar. 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 ISQC 1, 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.

Quality Management Review ("QMR")

A full QMR, led and resourced from other PwC Network firms, is performed every three years with an update being performed in the intervening years. The updates monitor progress on remediation of any control issues raised in the last full review and assess the impact of any new developments on the internal quality control systems. The aim of the QMR is to assess the effectiveness of a member firm's internal quality control systems, including compliance with professional standards such as ISQC 1. Control issues identified during the QMR are specified as either 'meriting attention' or 'requiring immediate action'. PwC Gibraltar was subject to a full QMR in 2016. Four control issues meriting attention were identified. For all of them, remediation actions were placed.

Engagement Compliance Reviews ("ECR")

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. 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.

Each engagement reviewed is assessed using the following categories:

- "Compliant with no comments" – Relevant auditing and accounting requirements and professional standards have been complied with in all material respects.
- "Compliant with review matters" – There were some instances where all relevant auditing and accounting requirements and professional standards have not been complied with but in all cases, sufficient audit work has been performed and we are satisfied that the appropriate audit report has been issued.
- "Non-compliant" – Relevant auditing, accounting and professional standards or documentation requirements were not complied with in respect of a material matter.

In our last ECR cycle, a small number of recommendations for improvement were made which we are in the course of implementing.

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 training 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.

Root cause analysis ("RCA")

We perform analyses to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. One of our primary objectives when conducting such analyses is to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at audits both with and without deficiencies—whether identified through our own internal inspections process or through external inspections—to help identify possible distinctions and learning opportunities.

For individual audits, a team of reviewers that is independent from the engagement team identifies potential factors contributing to the quality of the audit. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, among others. Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing audit working papers, as appropriate to understand the factors that may have contributed to audit quality (the "why of the why").

In addition, the data compiled for audits both with and without deficiencies is compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, whether key engagement team members are in the same geography as the client, the number of years that key engagement team members have been on the engagement, the number of other audits that engagement partners are involved in, whether the engagement was subject to a pre-issuance review, and the timing of when the audit work was performed.

Our goal is to understand how quality audits may differ from those with deficiencies, and to use these learning outcomes to continuously improve all of our audits. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practise. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

Evaluation of effectiveness of quality control system

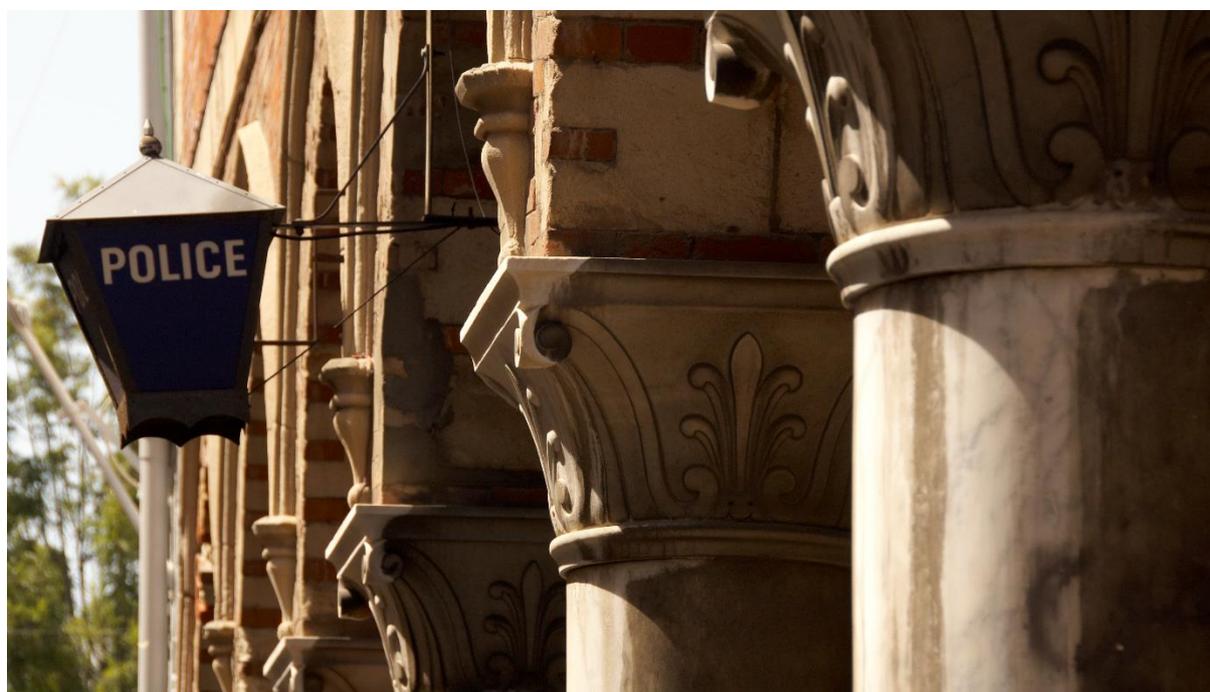
The Board of Directors of PwC Gibraltar has evaluated the operating effectiveness of the firm's quality control system at 30 June 2017 and is satisfied that it is functioning effectively.

Financial information

An analysis of the total turnover of the firm for the financial year ended 30 June 2017 is shown below:

	2017 GBP ('000)
Statutory audits to Public Interest Entities ("PIEs") & subsidiaries of PIEs	530
Statutory audits to other clients	1,344
Non-audit services to audit clients	521
Non-audit services to other clients	1,279
Total turnover	3,674

Revenue from statutory audits to clients as a percentage of revenue 51%



Partner remuneration

An essential element of PwC's ethos is a set of common principles for remuneration of partners in PwC firms, based on partner performance and quality of work. The underlying premise of the partner income philosophy is to encourage, recognise, and reward partners, both as individuals and as members of teams. Reward is based on their contribution to their respective firms and, where relevant, to the wider network. Quality is the most important measure in assessing a partner's contribution.

Appendix 1

List of PwC Network audit firms and sole practitioner statutory auditors in European Union/European Economic Area Member States

Member State	Audit firm/statutory auditor
Austria	PwC Wirtschaftsprüfung GmbH, Wien PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt PricewaterhouseCoopers Vorarlberg Wirtschaftsprüfungs GmbH, Dornbirn PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg PwC Österreich GmbH, Wien
Belgium	PricewaterhouseCoopers Bedrijfsrevisiorn bcvba/Reviseurs d'entreprises scrl SPRL PricewaterhouseCoopers Audit Services
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit s.r.o
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy PwC Julkistarkastus Oy
France	PricewaterhouseCoopers PME CAC PricewaterhouseCoopers France Ampersand Audit Ampersand Associés FNP Commissaires Associés Fiduciaire d'Expertises Comptables et d'Etudes Economiques – Fidorex Société Fiduciaire d'Expertise Comptable et de Révision – Sofecor Jean-François Bourrin PricewaterhouseCoopers Audit SAS PricewaterhouseCoopers Entreprises SARL Diagnostic Révision Conseil SAS Philippe Aerts Didier Cavanie Hubert de Rocquigny Jean-Laurent Bracieux Didier Brun François Miane Antoine Priollaud Yves Moutou Claude Palméro PricewaterhouseCoopers PME Commissariat aux comptes
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft Wibera WPG AG PwC FS Tax GmbH Wirtschaftsprüfungsgesellschaft

Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Konyvvizsgalo Kft.
Iceland	PricewaterhouseCoopers ehf
Ireland	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers SpA
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Vaduz
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers Malta
Netherlands	PricewaterhouseCoopers Accountants N.V. Cooperatie PricewaterhouseCoopers Nederland U.A.
Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp.z.o.o. PricewaterhouseCoopers sp.z.o.o.
Portugal	PricewaterhouseCoopers & Associados-Sociedad de Revisores Oficiais do Contas Lda.
Romania	PricewaterhouseCoopers Audit S.R.L
Slovak Republic	PricewaterhouseCoopers Slovensko s.r.o
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB Ohrlings PricewaterhouseCoopers AB
UK	PricewaterhouseCoopers LLP PricewaterhouseCoopers AS LLP Richard Sexton James Chalmers

Appendix 2

List of Public Interest Entities for which PwC Gibraltar carried out a statutory audit in FY17

Alwyn Insurance Company Limited
Brit Insurance (Gibraltar) PCC Limited
Lloyds Bank (Gibraltar) Limited
Lombard Odier & Cie (Gibraltar) Limited
Moneycorp Bank Limited
Novista Insurance Limited
St Bernard Assure Limited
Tate & Lyle Insurance (Gibraltar) Limited
Watford Insurance Company Europe Limited

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PwC refers to the Gibraltar member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

At PwC, our purpose is to build trust in society and solve important problems. PwC is a network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.gi