



Audit Transparency Report 2023

Delivering on our
commitment to audit quality

PwC New Zealand | November 2023





Contents

Delivering on our commitment to audit quality

| | | | |
|----|-------------------------------------|----|---------------------------------------|
| 03 | Introduction | 29 | Our audit approach |
| 04 | Our approach to audit quality | 32 | Protecting data |
| 07 | Our system of quality management | 33 | Our legal and governance structure |
| 14 | How we monitor quality | 34 | The PwC network |
| 17 | Our firm's commitment to quality | | Appendix: |
| 20 | Ethics and business conduct | 35 | Glossary of terms for Section 2 |
| 22 | Objectivity and independence | | |
| 26 | Our people | | |

In this report we outline our policies, systems and processes for ensuring audit quality and independence as well as how we monitor our work and ensure our people have the support they need to excel in their work.

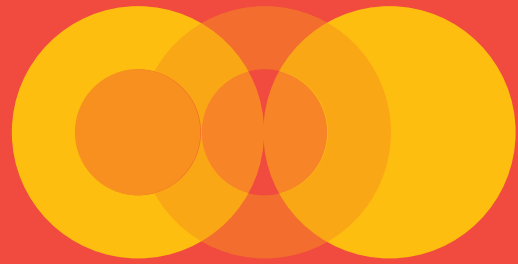
Our year in audit quality includes our audit quality scorecard results, observations and recommendations from our Independent Audit Advisory Board, how we define audit quality, our evaluation of our system of quality management, and how we are investigating climate reporting.

Introduction

Delivering quality audits is core to our purpose. This report describes the policies, procedures and systems we use to deliver quality audits. We first released this information in December 2020 as part of our inaugural PwC New Zealand Transparency Report.

Each year we make changes to our policies, procedures and systems as we continually learn more about what drives a quality audit and adjust our quality management system appropriately. This report includes changes we have made over the past year to our quality system.

We have reported in our [FY23 Audit Quality Balanced Scorecard](#) the most recent summary of several of the audit quality indicators we use together with commentary of what the indicators mean or tell us.



The New Zealand External Reporting Board, issued Professional and Ethical Standard 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (PES 3) – Equivalent to International Standard on Quality Management 1 (ISQM1) which became effective in New Zealand on 15 December 2022. The PwC network’s Assurance QMSE framework was designed to enable our firms to meet the requirements of ISQM1. This included design and implementation of our System of Quality Management (SoQM) to comply with ISQM1/PES 3 and evaluate our SoQM under the standard.



Our approach to audit quality

Definition and culture

Delivering high-quality work is at the heart of what we do at PwC; it is what our stakeholders rightly expect of us.

At PwC, we define quality service as consistently meeting the expectations of our stakeholders and complying with all applicable standards and policies. An important part of our ability to deliver against this quality definition is building a culture across a network of more than 364,000 people. This culture of quality emphasises that quality is the responsibility of everyone. Continuing to enhance this culture of quality is a significant area of focus for our global and local leadership teams and one which plays a key part in the measurement of their performance.

Measurement and transparency

Each PwC firm – as part of the agreement by which they are members of the PwC network – is required to have in place a comprehensive system of quality management (SoQM); to annually complete a SoQM performance assessment; and to communicate the results of these assessments to global leadership. These results are then discussed in detail with the leadership of each local firm and if they are not at the level expected, a remediation plan is agreed with local leadership taking personal responsibility for its successful implementation.

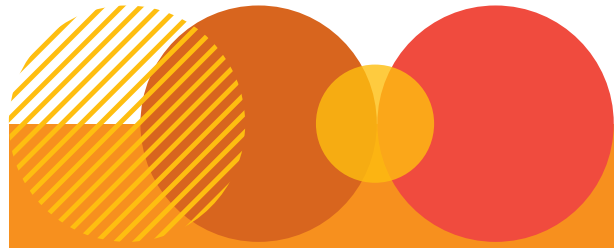
As the services that our network provides change and develop, and the needs and expectations of our stakeholders also change, the PwC network is continually reviewing and updating the scale, scope and operations of our PwC firms' SoQM and investing in programmes to enhance the quality of the services that the PwC network provides.



The PwC network's Assurance Quality Management for Service Excellence (QMSE) framework

To deliver services in an effective and efficient manner that meets the expectations of our clients and other stakeholders, the PwC network has established the Quality Management for Service Excellence (QMSE) framework which integrates quality management into how each firm runs its business processes and manages risk.

This framework introduces an overall quality objective that is supported by a series of underlying quality objectives and each firm's system of quality management (SoQM) should be designed and operated so that the overall quality objective, which includes meeting the objectives of ISQM1 / PES3, is achieved with reasonable assurance.

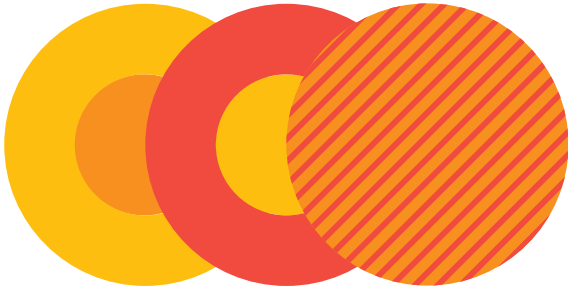


Our overall quality objective is:

To have the necessary capabilities in our organisation and to deploy our people to consistently use our methodologies, processes and technology in the delivery of services in an effective and efficient manner to fulfil the valid expectations of our clients and other stakeholders.

The overall quality objective is supported by underlying quality objectives:

- Leadership and quality management process: Leadership maintains effective Assurance quality management, which forms part of the business and operations of the firm.
- Ethical requirements and values: Require and reinforce that people act in accordance with PwC values and ethical requirements including applicable laws and regulations.
- Objectivity and independence: Bias, conflicts of interest and undue influence of others do not override professional or business judgements and independence requirements are met.
- Client selectivity: Enter into and continue with client relationships only when PwC wants to be associated with the client and when potential conflicts of interest and sensitive situations can be appropriately managed.
- Solutions management: Manage existing, and develop new services and products which are aligned with PwC's purpose, values, and experience to support the Audit business strategy.
- Engagement acceptance and continuance: Enter into engagements only when PwC is capable, permitted and willing to perform the engagement.
- Recruit, develop and retain: Recruit, develop and retain a workforce which is able to support the Audit strategy and business plan.



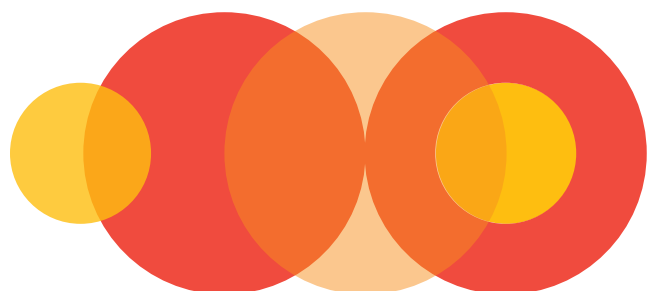
- Learning and education: Provide people with the technical and interpersonal skills and competencies necessary to perform engagements in an effective and efficient way.
- Assignment of people to engagements: Assign appropriate people to each engagement.
- Evaluation and compensation: Evaluate, compensate and promote people in a fair and transparent manner for their performance in fulfilling their responsibilities.
- Technology management: Technological resources enable the operation of the firm's system of quality management and performance of engagements.
- Support for engagement performance: Firms provide and engagement teams understand and fulfil their responsibilities in connection with engagements, including the use of relevant resources necessary for the effective and efficient provision of services, products, and other solutions.
- Direction, coaching and supervision: Engagement teams are effectively directed, coached and supervised, and engagement performance is reviewed in a timely and constructive manner.
- Expert knowledge: Firms provide, and engagement teams use, expert knowledge and specialists in the performance of engagements.
- Quality controls in performing engagements: Specific engagement related risk conditions are appropriately identified and targeted quality controls are implemented in response.

Integrated and aligned in the right way

Put simply, the quality objectives focus on designing our business and processes to deliver consistently high-quality audits.

To help us achieve these objectives, the PwC network invests significant resources in the continuous enhancement of quality across our network. This includes having a strong quality infrastructure supported by the right people, underlying tools and technology at both the network level and within our firm, and a programme of continuous innovation and investment in our technology. The PwC network's Global Assurance Quality (GAQ) organisation aims to support PwC firms in promoting, enabling, and continuously improving Assurance quality through effective policies, tools, guidance and systems used to further promote and monitor quality and to build an appropriate level of consistency in what we do.

These elements have been integrated and aligned by our network to create a comprehensive, holistic and interconnected quality management framework that each firm tailors to reflect our individual circumstances. Each firm is responsible for utilising the resources provided by the network as part of our efforts to deliver quality to meet the expectations of our stakeholders.



Our system of quality management

Our System of Quality Management (SoQM) must be designed, implemented and operated on an ongoing basis to achieve the quality objectives. This ongoing process includes monitoring, evaluating, assessing, reporting, and being responsive to changes in quality risks, driven by the firm's internal and external environment. This is our Quality Management Process (QMP). Our focus on quality management is therefore not to apply prescribed rules but rather to design and implement risk responses which are fit for purpose to manage the risks we identify in our own risk assessment and achieve the quality objective taking into consideration the conditions, events, circumstances, actions and/or inactions that may impact our SoQM.

Delivering quality consistently

Central to the framework is the recognition that quality management is not a separate concept; it needs to be embedded in everything we do as individuals, teams, the firm and the network. The quality objectives are supported by designated key activities which are considered necessary to achieve the quality objectives, focused mainly on building a quality organisation and infrastructure. We supplement and design those key activities as appropriate to respond to risks we have identified to achieve each quality objective.

Values and judgements

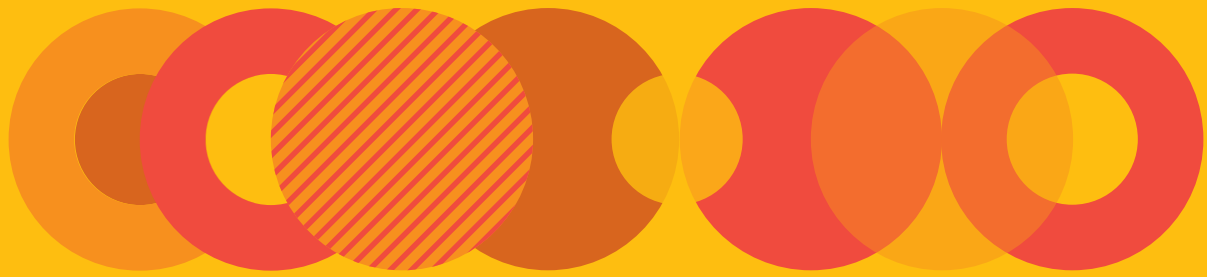
Performing quality audits requires more than just the right processes. At its core, an auditor's role is to assess with a 'reasonable' degree of assurance whether the financial statements prepared by the entity's management are free of 'material misstatements' – reaching a professional judgement on whether the financial statements present a fair picture of the entity's financial performance and position. To carry out this assessment effectively, the auditor needs to use all the capabilities and experience that have been built up over years in line with our quality objectives. These include applying ethical behaviour in accordance with PwC's values, professional scepticism, specialist skills and judgement – all supported by technology.

The Quality Management Process

The achievement of the quality objectives is supported by a quality management process (QMP) established by our firm. Our Chief Executive has ultimate responsibility and is supported by our Chief Risk & Reputation Officer, Audit leadership, business process owners, and partners and staff. We know that everyone at the firm has a part to play.

This QMP includes:

- Identifying risks to achieving the quality objectives;
- Designing and implementing responses to the assessed quality risks;
- Monitoring the design and operating effectiveness of the policies, controls, processes and procedures through the use of process-integrated monitoring activities such as real time assurance, periodic monitoring and testing of the SoQM, regular testing of engagement files, as well as continuously responding to assurance quality indicators;
- Continuously improving the system of quality management when areas for improvement are identified by performing root cause analyses and implementing remedial actions; and
- Establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration, and career progression decisions.



Navigating the impact of external factors on our system of quality management

The past several years have seen unprecedented challenges. From the global COVID-19 pandemic, to the Russian government's invasion of Ukraine and local events such as the Auckland and Upper North Island floods and Cyclone Gabrielle, these events are first and foremost human tragedies. Our SoQM reflects our response to these events and changing risks based on impacts to our clients, our people and the way we operate, including new or revised policies and procedures in our firm that have been implemented or are under consideration at any given point in time. Under the QMSE framework, our SoQM is designed and operated to consider changes in facts and circumstances resulting in:

- New or changing quality risks to achieving one or more of the quality objectives.
- Changes to the risk assessment of existing quality risks.
- Changes to the design of the firm's SoQM, including the risk responses.

The QMSE framework has helped us navigate the changes in our firm's environment, by assessing the completeness and effectiveness of our responses including any additional monitoring to be put in place, and identifying any gaps to address new or emerging quality risks.



We use Audit Quality Indicators (AQIs) with an aim to predict quality issues, Real Time Quality Assurance with an aim to prevent quality issues, Root Cause Analysis to learn from quality issues and a Recognition and Accountability Framework to reinforce quality behaviours, culture and actions. These programmes, by design, require ongoing monitoring and continuous improvement, particularly AQIs, which we expect will evolve over time and as we continue to use and learn from these measures.



Aim to Predict: Audit Quality Indicators

We have identified a set of Audit Quality Indicators (AQIs) that support our Audit leadership team in the early identification of potential risks to quality, using metrics to aim to predict quality issues. This quality risk analysis is an essential part of our SoQM, and the AQIs, in addition to other performance measures, also provide a key tool in the ongoing monitoring and continuous improvement of our SoQM.

Our PwC New Zealand AQIs cover five key areas:

- independence;
- learning and education;
- risk and quality;
- operations; and
- people and culture.

The AQIs are reported to the Audit leadership team approximately every two months and are presented using traffic lights to help provide a visual representation of areas needing focus and attention. Each AQI has an owner, descriptor of the AQI, frequency of measurement, information source, thresholds, actual result (including prior measurements for trending considerations) and an overall assessment of the measure (On target, Needs improvement or Not met) including a commentary. Discussion and review of AQIs lead to preventive or corrective measures being taken.

We also perform a quarterly forward looking analysis, based on input from partners, to anticipate areas of engagement risk arising in the audit portfolio in the next quarter for specified audit engagements. This proactive assessment ensures we have the right resources, experts and other support in place to respond to areas of risk as matters arise on upcoming audits.



Aim to Prevent: Real Time Assurance

We have developed a Real Time Assurance (RTA) programme designed to provide preventative monitoring that helps coach and support engagement teams to get the 'right work' completed in real time, during the audit. We have implemented the RTA programme through our real time engagement review programme which is a well embedded quality monitoring programme within PwC New Zealand's audit practice.

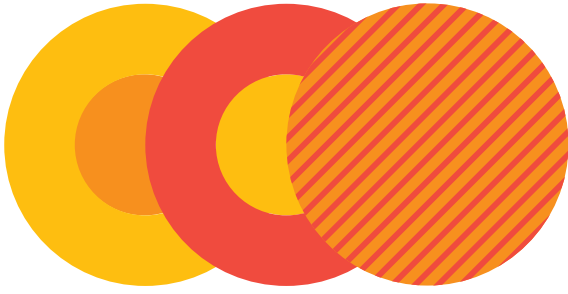
Real time engagement review programme

The engagement review programme operates on a continuous basis. A sample of engagement leaders and their engagements are selected for a real time engagement review annually. Real time reviewers are sourced from within our Risk & Quality function as well as from senior professional staff from the audit practice. A detailed checklist is used to assess the engagements across the planning, execution and completion phases.

In addition to the full real time file reviews, we also carry out targeted real time reviews, being a deep dive on a specific area. The topics selected reflect findings raised in recent reviews (internal and external) or that have been noted in recent queries to and consultations with the Risk & Quality and Methodology teams. Engagements are selected throughout the year.

Findings from the real time engagement review programme are evaluated to identify the root cause giving rise to the finding, reported to Audit leadership on a periodic basis and communicated back to the audit practice in various forms, including webinars and Audit Knowledge Check questions. The results are incorporated into our AQIs.

Acknowledging the benefits from both a file quality perspective and an engagement team learning perspective we are progressively moving towards performing more real time reviews rather than cold reviews (after the engagement file has been archived) – addressing quality issues proactively as they arise.



Learn: Root Cause Analysis

We perform analysis to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. Our primary objectives when conducting such analysis is to understand what our findings tell us about our SoQM and to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at quality findings from all sources including our own ongoing monitoring of our SoQM as well as network inspections of our SoQM, 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, an objective team of reviewers identifies potential factors contributing to the overall quality of the audit. We consider factors relevant to:

- Technical knowledge;
- Supervision and review;
- Professional scepticism;
- Engagement resources; and
- Training, amongst others.

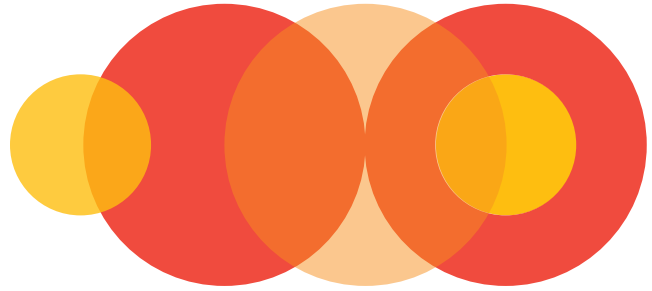
Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing selected audit working papers to understand the factors that may have contributed to audit quality.

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 time zone or 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; 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 learnings 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 practice. We believe these analyses contribute significantly to the continuing effectiveness of our quality management.



Reinforce: Recognition and Accountability Framework

Our Recognition and Accountability Framework (RAF) reinforces quality in everything our people do in delivering on our strategy, with a focus on the provision of quality services to our clients, how we work with our people and driving a high quality culture. It holds all engagement leaders accountable for quality behaviours and quality outcomes beyond compliance. Our RAF considers and addresses the following key elements:

- **Quality outcomes:** We provide transparent quality outcomes to measure the achievement of the quality objectives. Our quality outcomes take into account meeting professional standards, the PwC network and our firm's standards and policies.
- **Behaviours:** We have set expectations of the right behaviours that support the right attitude to quality, the right tone from the top and a strong engagement with the quality objective.
- **Interventions/recognition:** We have put in place interventions and recognition that promote and reinforce positive behaviours and drive a culture of quality.
- **Consequences/reward:** We have implemented financial and non-financial consequences and rewards that are commensurate to outcome and behaviour and sufficient to incentivise the right behaviours to achieve the quality objectives.

Our audit partners are required to have one of their primary performance objectives and commitments for any year focused on audit quality as part of their annual performance plan. Further, consistent with PES 1 (Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)) issued by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board (XRB) and our own policies, no audit partner may have objectives of, or be rewarded for selling services to audit clients. At the end of the financial year a partner's performance is assessed based on whether objectives have been achieved and includes as a core element the outcomes from the RAF as well as feedback from audit teams they have worked with through a Leadership in Quality survey (see page 18 for further information). A poor quality result or an ethics or independence matter has a direct and significant impact on an audit partner's financial income for the year.

Considerations in undertaking the audit

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
- have appropriately considered the integrity of the client
- whether we will receive a fair return for the engagement.

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. The policies and processes we have in place emphasise risk and quality considerations such that financial and operational priorities do not lead to inappropriate judgements about whether to accept or continue a client relationship.



The last few years have seen audit costs sharply increase due to the investment required to meet growing demands in training and technology as well as technical risk and compliance, professional services salary inflation and the high demand (both on and offshore) for qualified accounting professionals.

Client and engagement acceptance and continuance

PwC New Zealand 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 teams, and where appropriate, leadership and risk management specialists on 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 facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement;
- To document their consideration of matters required by professional standards related to acceptance and continuance; and
- 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.

Our firm (leadership and risk management):

- To facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements, prior to approval. When necessary a risk panel involving senior audit partners is convened to assess the acceptance and continuance of a client relationship or engagement;
- 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 that all other PwC firms in the network have applied in assessing audit acceptance and continuance.



How we monitor quality

Monitoring audit quality

Responsibility for appropriate quality management lies with the leadership of PwC New Zealand – the ‘first line of defence’. This includes the design and operation of an effective SoQM that is responsive to our specific risks to delivering quality audit engagements, using the network’s QMSE framework.

Our firm’s monitoring includes an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our SoQM are designed appropriately and are operating effectively to provide reasonable assurance that our audit and non-audit assurance engagements are performed in compliance with laws, regulations and professional standards (also referred to as our ongoing monitoring) – the ‘second line of defence’. This includes a periodic monitoring programme and the use of Real Time Assurance which is discussed in more detail on page 9.

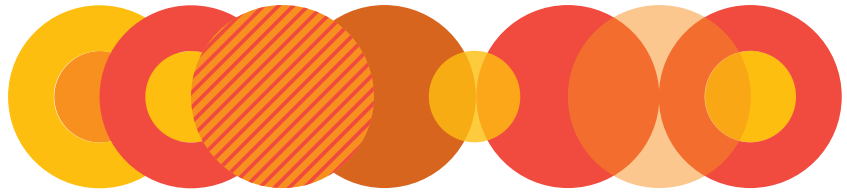
The periodic monitoring programme is a review of our SoQM by an objective team, covering the risk assessment process and the design and operating effectiveness of the policies, controls, processes and procedures implemented, supporting leadership in concluding on the achievement of the overall quality objective.

Our monitoring also encompasses a review of completed engagements (Engagement Quality Reviews (EQR)) as well as periodic inspection of our SoQM by the PwC network – the ‘third line of defence’, by an independent and objective team. The results of these procedures, together with our ongoing monitoring form the basis for the continuous improvement of our SoQM.

First line of defence
– leadership

Second line of defence
– monitoring procedures

Third line of defence
– inspection programmes



Inspection Programmes

Network-wide inspection programme

EQRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorised 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 applicable engagement-related policies and procedures. Generally each signer is reviewed at least once every two years, unless a more frequent review is required based on the profile of that signer's client engagements.

Reviews are led by experienced audit partners, supported by objective teams of partners, directors, and senior managers and other specialists. EQR reviewers may be sourced from other PwC firms if needed to provide appropriate expertise or objectivity. Review teams receive training to support them in fulfilling their responsibilities, and utilise a range of checklists and tools developed at the network level when conducting their inspection procedures. The network inspection team supports review teams on consistent application of guidance on classification of engagement findings and engagement assessments across the network.

PwC New Zealand completed engagement review programme

In addition, additional cold reviews are performed for any partner that receives a non-compliant rating in the EQR or an equivalent rating in a regulatory review. Cold reviews are carried out after the audit files have been completed and signed off.

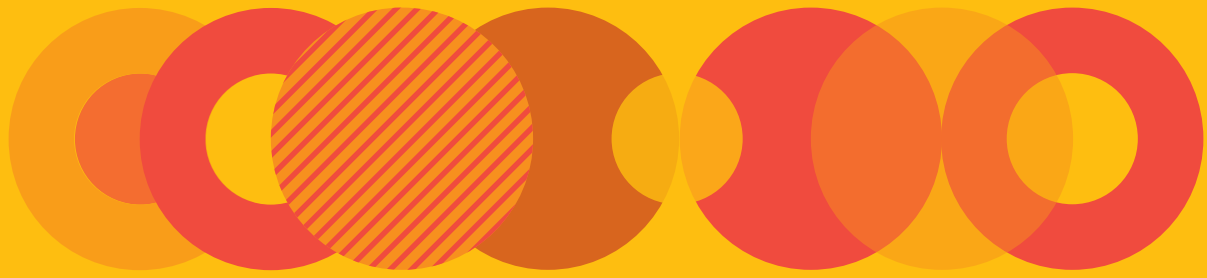
In addition to the targeted real time reviews we mentioned earlier, we also perform targeted cold reviews on specific topics as part of checking the effectiveness of remediation measures implemented to respond to past findings or to respond to emerging risks.

SoQM inspection

Finally, the PwC network undertakes periodic reviews to evaluate elements of our firm's SoQM, our leadership's own assessment of our SoQM and our determination of whether the overall quality objective has been achieved.

The results of all inspections 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 Audit leadership personnel may be subject to additional mentoring, training or further sanctions in accordance with our firm's RAF described above.

Engagement partners receive information on the results of the network inspection program, designed for their use in assessing the scope of audit work they determine needs to be performed and their reliance on work performed by PwC firms in connection with their audit of a client's consolidated financial statements.



Examples of Audit Quality Measures – inspections

- Number of internal PwC global inspections (EQRs) rated as compliant, compliant with improvement required, non-compliant.
- EQRs rated as compliant, compliant with improvement required, non-compliant as a percentage of the total number of EQRs.
- Number of restatements in listed company financial statements due to material misstatements identified in internal inspections.

External inspections and outcomes

In addition to the PwC network and internal inspection programmes, PwC New Zealand is also subject to regular inspections by regulatory and professional bodies.

Financial Markets Authority (FMA) regulator inspections

The FMA is responsible for auditor regulation under the Auditor Regulation Act 2011. The FMA carries out a quality review of the systems, policies and procedures of registered audit firms and licensed auditors at least once every four years. Historically, PwC New Zealand was generally subject to review by the FMA bi-annually. The FMA has recently announced that they will be inspecting all firms annually going forward.

The findings from the FMA inspection of PwC and other firms are reported annually in their Audit Quality Monitoring Report issued in November of each year. A copy of their most recent report is available on the FMA's website. The audit files the FMA select for review are generally based on perceived risk supplemented by some random selections.

The FMA does not publicly identify the results of its reviews by firm. The number of large, medium and small firms included in each inspection cycle is disclosed.

We develop and implement a quality improvement plan to address matters arising from file inspections undertaken by the FMA.

The FMA also examines aspects of our SoQM.

OAG inspections

The firm is also subject to reviews by the Office of the Auditor-General (OAG) for engagements that are completed on its behalf. These are undertaken on a periodic basis such that an auditor (referred to as an Appointed Auditor) appointed by the OAG to undertake audits, with the support of PwC, on the Auditor-General's behalf is reviewed at regular intervals.

Referrals

From time to time work carried out by PwC New Zealand may be referred to the New Zealand Institute of Chartered Accountants (NZICA), the front line regulator of registered audit firms, for further review.

Our firm's commitment to quality

Leadership and tone at the top

Our purpose and values

Our purpose and values are the foundation of our success. PwC's purpose is to 'build trust in society and solve important problems', and our values are designed to help us deliver on that purpose. Our purpose reflects 'why' we do what we do, and our strategy provides us with the 'what' we do. 'How' we deliver our purpose and strategy is driven by our culture, values and behaviours. This forms the foundation of our system of quality management and permeates how we operate, including guiding our leadership actions, and how we build 'trust in what matters'.

When working with our clients and our colleagues to build trust in society and solve important problems, we:



Act with integrity



Make a difference



Care



Work together



Reimagine
the possible

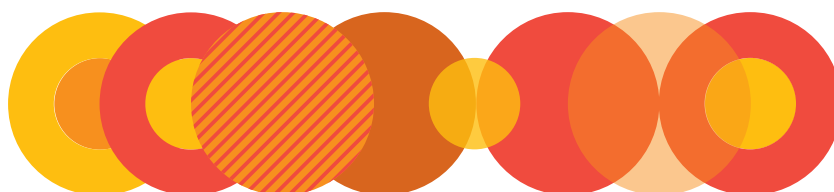
Trust in what matters

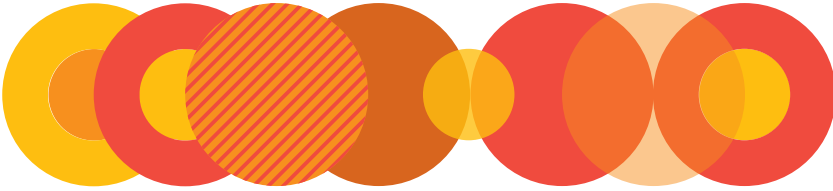
Today companies are judged on far more than financial outcomes. A company's performance in areas like ESG, cybersecurity, and more, can affect its reputation, staff retention, access to capital, and ultimately enterprise value.

That's why we're evolving our assurance offering to provide confidence not just in companies' financial statements but in their impact on people and the planet as well.

We call this 'trust in what matters.' This includes issues that are important to a company and its wider stakeholders. We apply rigorous standards to analyse companies' performance on issues such as climate and diversity. This helps companies demonstrate their progress, enabling these firms to build trust, enhance their corporate reputations, and grow enterprise value.

We encourage our clients to understand what matters to their stakeholders, and we deliver assured information about the company's performance on these measures. We believe that if it needs to be trusted, it needs to be assured. High-quality assurance heightens accountability and trust while giving companies a robust basis for tracking and improving their performance.





Leadership in quality – tone at the top

Leadership in quality is created and maintained by the tone at the top. Our CEO, leadership team and engagement leaders communicate and reinforce our quality messages throughout the firm. These communications focus on what we do well and actions we can take to make enhancements.

As part of ensuring tone at the top we have a Chief Risk & Reputation Officer (Karen Shires, a senior licensed audit partner) on our firm's leadership team. This means quality and independence matters are integral to the firm's strategy and have appropriate focus.



Karen Shires
Chief Risk & Reputation Officer

We track whether our people believe that our leaders' messaging conveys the importance of quality to the success of our firm. The key ways this is tracked is through our Global People Survey and leadership in quality surveys.

Our Global People Survey seeks feedback from all our people on how we live our values, what is important to our people and how we can do better. The survey includes questions that are targeted towards audit quality. Based on this tracking, we are confident our people understand our audit quality objectives.

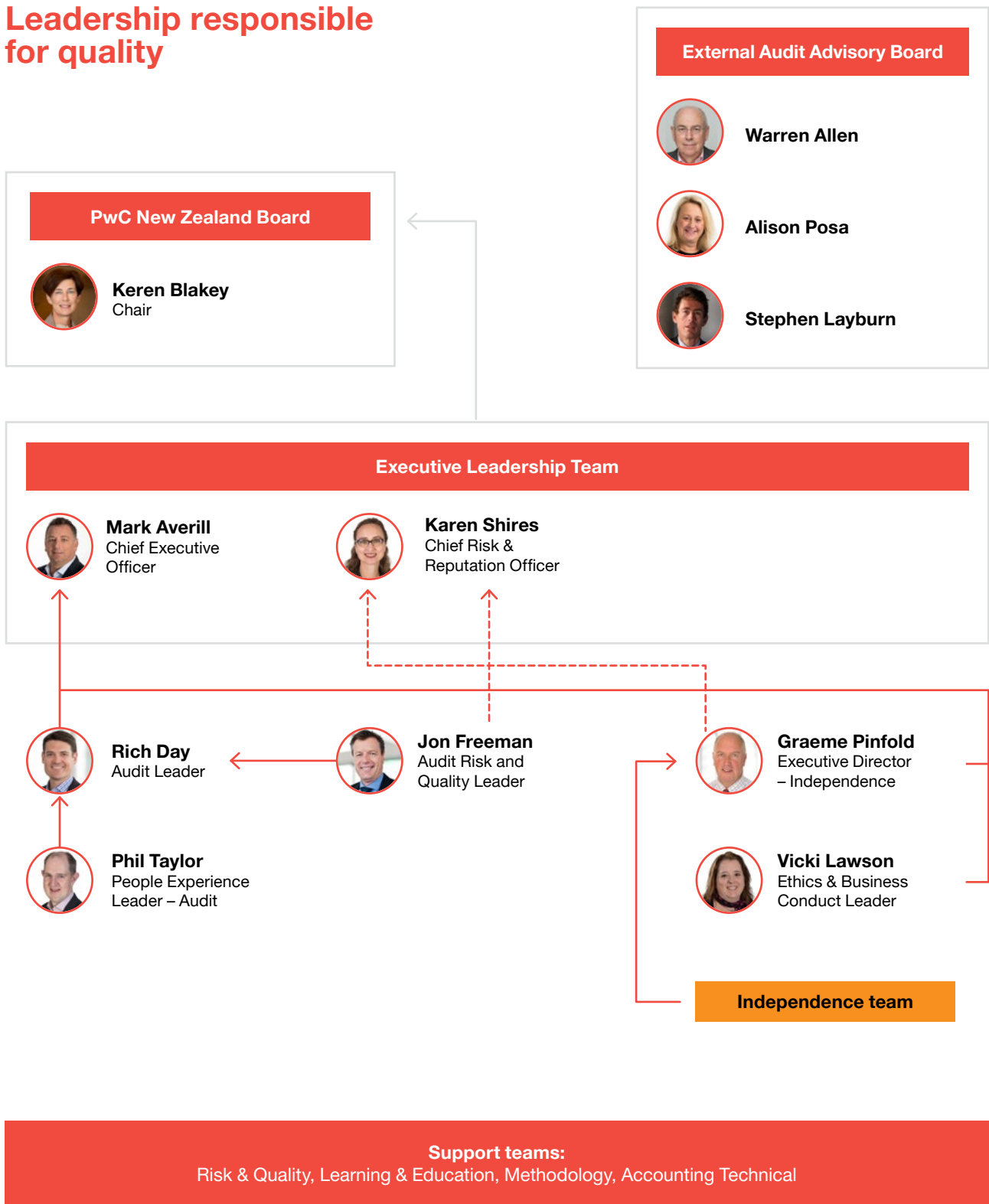
We have a 'Leadership in Quality' survey in which our audit staff and managers are requested to anonymously provide feedback on audit engagement leaders and the engagement quality control reviewer (EQCR) or quality review partner (QRP) at the conclusion of each audit engagement. The survey seeks to measure the audit engagement leader and the EQCR's/QRP's leadership in quality throughout the engagement. The survey results are shared with the engagement leaders and EQCRs/QRPs for their own self development and feeds into their performance appraisals.

Examples of Audit Quality Measures – culture

- Percentage responses to questions asked in our Global People Survey focused on delivering quality services.
- Average score from Leadership in Quality Surveys.
- Number of feedback forms.



Leadership responsible for quality



Ethics and business conduct

At PwC, we take our ethical responsibilities seriously and we strive to embrace the spirit – not just the letter – of those requirements. We adhere to a range of ethical standards and codes of conduct from both within and outside our network.

Vicki Lawson is the firm's Ethics & Business Conduct Leader and has oversight of our Ethics and Business Conduct programme. She is a Financial Advisory Services Partner and reports directly to the CEO. Vicki is supported by an Ethics and Business Conduct Committee which includes senior leaders from across the firm.



Vicki Lawson
Ethics & Business Conduct Leader

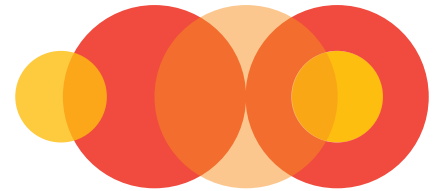
Professional standards

We adhere to the fundamental principles of ethics set out in the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (the Code), which are:

- **Integrity** – to be straightforward and honest in all professional and business relationships.
- **Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- **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 services based on current developments in practise, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.

- **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.
- **Professional Behaviour** – to comply with relevant laws and regulations and avoid any action that discredits the profession.

Our network standards applicable to all network firms cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/fair-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.



Code of Conduct

We have a [Code of Conduct](#) and related policies that clearly describe the behaviours expected of our people. This is a PwC Global Code of Conduct. These behaviours enable us to build public trust. Because of the wide variety of situations that our people may face, our standards provide guidance under a broad range of circumstances, but all with a common goal to do the right thing.

How we work to ensure ethical compliance

We work hard to ensure our people understand and follow ethical requirements. On joining the firm, all staff and partners of PwC New Zealand are given the Code of Conduct and are expected to live by the values expressed in it during the course of their professional careers. In addition, every partner and staff member is required to complete new hire training, which covers the ethics and compliance network standards, including ethics and the Code of Conduct.

Everyone at PwC New Zealand has a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing behaviours inconsistent with the Code of Conduct. We have an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

PwC has implemented a network-wide confidential ethics helpline for the reporting of questions or concerns related to behaviours that are inconsistent with the Code of Conduct and related policies. Every PwC firm has a separate and secure tier of the ethics helpline for their confidential matters and investigations. The ethics helpline is also available for third parties, including clients. The ethics helpline allows our partners, staff and third parties to feel safe raising a question or concern without fear of retaliation.

The PwC Code of Conduct and the ethics helpline are available online for all internal and external stakeholders at <https://www.pwc.com/ethics>.

Reporting from this system is shared with the firm's senior leadership on a regular basis throughout the year.

All partners and staff undertake annual mandatory training and submit 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 the firm monitors compliance with these obligations.

Finally, the Organisation for Economic Co-operation and Development (OECD) provides guidance, including the OECD Guidelines for Multinational Enterprises (the OECD Guidelines), by way of non-binding principles and standards for responsible business conduct when operating globally. The OECD Guidelines provide a valuable framework for setting applicable compliance requirements and standards. Although the PwC network consists of firms that are separate legal entities which do not form a multinational corporation or enterprise, PwC's network standards and policies are informed by and meet the goals and objectives of the OECD Guidelines.

The Global People Survey contains a few questions related to ethics and the content in the above-mentioned paragraphs, for example:

- The people I work with demonstrate conduct consistent with PwC's Global Code of Conduct.
- At PwC, I feel comfortable discussing or reporting ethical issues and concerns without fear of negative consequences.

Objectivity and independence

As auditors of financial statements and providers of other types of professional services, PwC firms and PwC New Zealand partners and staff are required 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 Code, including International Independence Standards, contains minimum standards with which PwC firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary. PwC New Zealand supplements the PwC Global Independence Policy, as required by PES 1, where PES 1 is more restrictive than the PwC Global Independence Policy. Where applicable we also supplement the Global and New Zealand independence requirements (PES 1) with the requirements of the United States Securities and Exchange Commission and those of the Public Company Accounting Oversight Board of the United States and of the EU Audit Regulation where they are more restrictive.

The independence requirements of the United States Securities and Exchange Commission (SEC) are, in certain instances, more restrictive than the PwC Global Independence Policy. Given the reach of these requirements and their impact on PwC firms in the network, the PwC Global Independence Policy identifies key areas where an SEC requirement is more restrictive. Provisions that are specifically identified as applicable to SEC restricted entities must be followed in addition to, or instead of, the PwC Global Independence Policy in the associated paragraph.

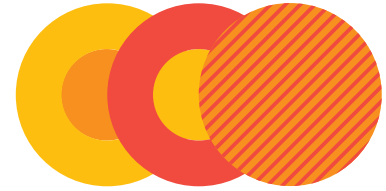
Independence is linked to the fundamental principles of objectivity and integrity. It comprises:

1. Independence of mind – being unaffected by influences that could compromise professional judgement, ensuring our people act with integrity, exercise objectivity and professional scepticism.
2. Independence in appearance – avoiding any significant facts and circumstances that could lead to a third party concluding an audit, review or assurance team member's or PwC's integrity, objectivity or professional scepticism has been compromised.

Graeme Pinfold is the designated PwC New Zealand Executive Director (former partner and licensed auditor) responsible for independence and the implementation of the PwC Global Independence Policy including additional New Zealand requirements. This includes managing the related independence processes and providing support to the business. Graeme is supported by a team of independence specialists and reports directly to the CEO.



Graeme Pinfold
Executive Director – Independence



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 held 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 audit clients and related entities;
- 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;
- Acceptance of new audit and assurance clients, and the subsequent acceptance of non-assurance services to be provided to those clients;
- Training, confirmation, monitoring and disciplinary processes; and
- Processes for evaluating potential independence breaches and resolution of actual breaches of policy.

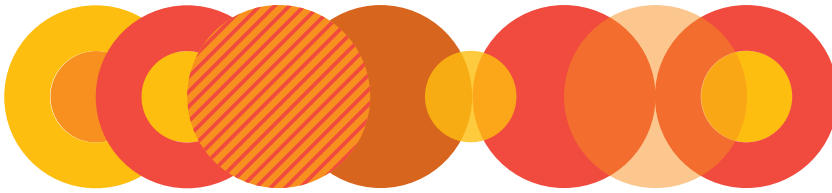
In addition, there is a Network Risk Management Policy governing independence requirements related to the rotation of key audit partners.

These policies and processes are designed to help PwC firms 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, including any changes to the Code or in response to operational matters.

Independence-related systems and tools

As a member of the PwC network, PwC New Zealand is required to use a number of global systems and tools which support PwC firms and our people in executing and complying with our independence policies and procedures. These include:

- The **Central Entity Service** (CES), which contains information about corporate entities including all PwC audit clients and their related entities (including all public interest audit clients and SEC restricted entities) as well as their related securities. CES assists engagement teams in determining the independence restriction status of clients of the PwC firm and those of other PwC firms before entering into a new non-audit engagement or business relationship. This system also feeds Independence Checkpoint and Authorisation for Services;
- **Independence Checkpoint** which facilitates the pre clearance of publicly traded securities by all partners and practice managers before acquisition and is used to record their subsequent purchases and disposals. Where a PwC firm wins a new audit client, or there is a change in the restriction status of a security this system automatically informs those holding relevant securities of the requirement to sell the security if it is no longer permitted under PwC Global Independence Policy;
- **Authorisation for Services** (AFS) that facilitates communication between a non-audit services engagement leader and the audit engagement leader, regarding a proposed non-audit service, documenting the analysis of any potential independence threats created by the service and proposed safeguards, where deemed necessary, and acts as a record of the audit partner's conclusion on the permissibility of the proposed service;
- **Joint Business Relationships** (JBR) is a global system operated by an offshore specialist centre of excellence and is used to review and approve joint (close) business relationships from an independence perspective. JBR is used to facilitate PwC firms' compliance with JBR requirements for new and existing joint business relationships. It assists independence specialists in gathering information to assess, from an independence perspective,



the permissibility of proposed joint business relationships and in monitoring the continued permissibility of previously approved existing joint business relationships; and

- **Global Breaches Reporting System** which is 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). All breaches reported are evaluated and addressed in line with the Code.

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

- A rotation tracking system which monitors compliance with PwC New Zealand's audit rotation policies for PwC New Zealand engagement leaders and other key audit partners involved in an audit; and
- Personal independence confirmations at an audit or assurance engagement level.

Independence training and confirmations

PwC New Zealand provides all partners and staff with ongoing training in independence matters. Training typically focuses on milestone training relevant to a change in position or role, changes in policy or external regulation and, as relevant, provision of services.

Partners and staff receive online training on a range of independence topics and face-to-face training from our independence, and risk and quality teams.

All partners and practice staff are required to complete an annual compliance confirmation, where they confirm their compliance with relevant 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 confirmations are supplemented by engagement level confirmations for all partners and staff working on audit and assurance clients.

Independence monitoring and disciplinary policy

We monitor the effectiveness of our system of quality management in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, we perform:

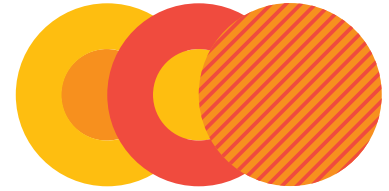
- testing of compliance with independence controls and processes;
- personal independence compliance testing of a random selection of partners and senior client facing staff as a means of monitoring compliance with independence policies; and
- an annual self assessment of PwC New Zealand's adherence with the PwC Global Independence Policy which is reviewed by the PwC Global Independence team.

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

There are disciplinary policies and mechanisms in place that are designed to promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed, with accountability for compliance feeding into the RAF for the whole firm.

Breach management would include an evaluation of the impact of the breach on the independence of the firm and the engagement team and the need for actions and safeguards to maintain objectivity. Any breach of an external independence standard is also discussed with the client's audit committee, and/or governing body.

Although our experience tells us that 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 our systems and processes and for additional guidance and training.



Non-audit services provided to audit clients – independence risk panel

Stakeholder expectations have been changing around the world about the nature and level of non-audit services that are provided to audit clients. To respond to the changing expectations, PwC New Zealand introduced a requirement in June 2019 for an independence risk panel to consider the independence perceptions over and above the formal requirements of the independence standards when initiating certain non-audit services with public interest entity audit clients. These panels continue to operate and ensure there is challenge and wide consideration of the nature and extent of non-audit services provided to certain audit clients.

Accepting governance roles

Partners and staff are prohibited from accepting directorships and other executive appointments with an audit client/related entity of any PwC firm. This prohibition applies regardless of whether the individual provides professional services to that audit client or related entity.

PwC New Zealand has a formal approval process led by the Person Responsible for Independence (PRI) for considering governance role appointment requests:

- by current partners nearing retirement wishing to join Boards; and
- recently retired partners wishing to take up governance role appointments.

Consideration for requests from recently retired partners is given to many factors including: whether the client is an audit client of PwC New Zealand or another PwC firm, what role the partner had within PwC New Zealand and how many years post retirement the retired partner is.



Our people

People strategy

The foundation of audit quality is the quality of our people who are trusted to deliver the assurance. Our people strategy is focused on being the leading developer of talent and enabling our people with greater agility and confidence in a rapidly changing world. Specific focus areas include creating a resilient foundation for times of change through supporting the wellbeing of our people and enabling effective delivery through use of technology; developing inclusive leaders for a shifting world; and, equipping our workforce for today's realities and tomorrow's possibilities.

We hire candidates who have diverse backgrounds and appropriate skills; have a questioning mindset and intellectual curiosity; and demonstrate courage and integrity.



Phil Taylor

People Experience Leader – Audit

Inclusion and diversity

At PwC, we're committed to being a leading organisation for inclusion and belonging with our people, clients, and external stakeholders and a leading employee destination for diverse talent. We are focused on fostering an inclusive environment in which our people are comfortable bringing their whole selves to work, feel that they belong, are valued and are free to speak up. We know that when people from different backgrounds and with different points of view work together, we create the most value for our clients, our people, and society. Our core values of caring and working together guide us to recognise the contributions of each individual and develop a workplace with a range of people, perspectives and ideas.

PwC New Zealand's gender diversity target aims for a minimum of 40% of new partners to be women, 40% men and the remaining 20% can be any gender identity. As part of our commitment to The New Equation, we aim to increase ethnic identification at all levels across PwC, particularly for Māori and Pacific peoples, and enhance the cultural confidence of the firm.

Examples of Audit Quality Measures – people

- Average staff retention rate.
- Actual versus budgeted headcount.
- Global People Survey employee engagement result.

Wellbeing

The wellbeing of our people is important to us. We have a range of tools and programmes available including access to the Headspace app, Employee Assistance Programme (EAP) and our team of Mental Health First-aiders. We regularly organise wellbeing events which involve bringing in clinical experts and specialists as well as health and mindfulness activities for our people. Our people have access to the KYND app to provide physical, mental and social health insights and the Sonder 24/7 wellbeing and safety service. These initiatives help our people care for themselves and their loved ones.

Recruitment

PwC New Zealand aims to recruit, train, develop and retain the best and the brightest people who share in the firm's strong sense of responsibility for delivering high-quality services and share our values. Our hiring standards include a structured interview process with behaviour-based questions built from The PwC Professional framework, assessment of prior experience and academic records, and background checks.

Across the audit team in the year to 30 June 2023, we recruited over 195 new people, including 68 university graduates and 37 interns.

Team selection, experience and supervision

Audit engagements are staffed based on expertise, capabilities and years of experience. Engagement leaders determine the extent of direction, supervision and review of junior staff.



Feedback and continuous development

Our team members obtain feedback on their overall performance, including factors related to audit quality, such as technical knowledge, auditing skills and professional scepticism. Audit quality is an important factor in performance evaluation and career progression decisions for both our partners and staff. Feedback on performance and progression is collected via our Snapshot tool, a simple, mobile-enabled technology. We also have a digital tool for providing upward feedback to more senior staff, which is in addition to the Leadership in Quality survey. Ongoing feedback conversations help our people grow and learn faster, adapt to new and complex environments, and bring their best to our clients and firm.

Career progression and The PwC Professional framework

PwC New Zealand uses The PwC Professional, our global career progression framework which sets out clear expectations at all staff levels across five key dimensions. The framework underpins all elements of career development and helps our people develop into well-rounded professionals and leaders with the capabilities and confidence to produce high-quality work, deliver an efficient and effective experience for our clients, execute our strategy, and support our brand. Our annual performance cycle is supported by continuous feedback conversations and regular check-ins with the individual's coach/team leader to discuss their goals, objectives, development, progression and performance.

The PwC Professional supports the development and career progression of our staff by providing a single set of expectations across all lines of service, geographies, and roles; outlining the capabilities needed to thrive as purpose-led and values-driven leaders at every level.

Professional development

Providing our people with the ability to meet their professional and personal commitments is a critical component of our people experience and retention strategy. Throughout our people's careers, they are presented with career development opportunities, classroom and on-demand learning, and on-the-job real-time coaching/development. Our on-demand learning portfolio facilitates personalised learning with access to Continuing Professional Development (CPD) and non-CPD educational materials, including webcasts, podcasts, articles, videos, and courses.

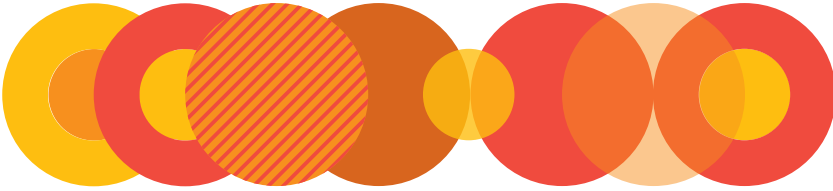
Achieving a professional credential supports our firm's commitment to quality through consistent examination and certification standards. Our goal is to provide our staff with a more individualised path to progression and support them in prioritising and managing their time more effectively when preparing for professional exams.

Continuing education

We, and other PwC firms, are committed to delivering quality assurance services around the world. To maximise consistency in the network, the formal curriculum, developed at the network level, aligned with International Standards on Auditing, provides access to training materials covering the PwC audit approach and tools – this includes updates on auditing standards and their implications, as well as areas of audit risk and a focus on quality improvement.

This formal learning is delivered using a blend of delivery approaches, which include remote access, face-to-face classroom learning, virtual classroom and on-the-job support. The curriculum supports our primary training objective of audit quality, while providing practitioners with the opportunity to strengthen their technical and professional skills, including applying professional judgement.

Continuing education is a must for all our people. At the core of a good auditor is a natural curiosity to dig deeper, look further, be professionally sceptical and become a lifelong learner.



The design of the curriculum allows us to select, based on local needs, when we will deliver the training.

Our Learning & Education Leader then considers what additional training is appropriate – formal and/or informal – to address any additional specific local needs. This localised curriculum focuses on areas for improvement identified through our real time assurance programme, results of engagement quality reviews, regulator focus areas and any other New Zealand specific areas impacting on clients' financial reporting and our audit and assurance

Our delivery approach continues to evolve to respond to how our people learn. In-person classroom training and bite-sized learning continues to be the foundation of our delivery approach, a diverse offering that keeps learners engaged. Our monthly audit knowledge quizzes supplement our bite-size learning well and are tailored to the hot topics arising from results of monitoring including inspection reviews, consultation themes and changes to the accounting and auditing standards. We also have had a renewed focus on interpersonal and business acumen skills.

All licensed and/or registered auditors are required to comply with the International Education Standard (IES) 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements issued by the International Accounting Education Standards Board. A prioritised learning plan to ensure this objective is met is developed by each engagement leader to identify their individual training needs and an assessment is completed on an annual basis to determine if learning outcomes have been met.

Examples of Audit Quality Measures – training

- Average training hours per audit professional.
- Minimum number of hours of auditing and accounting training mandated by PwC and completed annually.

Retention

Turnover in the accounting and auditing profession is often high because as accounting standards and regulations change, accountants are in demand and the development experience we provide makes our staff highly sought after in the external market. Our voluntary turnover rate fluctuates based on many factors, including the overall market demand for talent, locally and globally. In the immediate aftermath of the New Zealand borders opening in 2022, we saw an increase in voluntary turnover as our team embarked on overseas trips which had been postponed. By mid 2023, staff turnover has normalised to pre-COVID-19 levels. We have also seen an increase in the number of our staff participating in secondments with other PwC network firms.

Global People Survey

Each PwC firm participates in an annual Global People Survey, administered across the network to all of our partners and staff. PwC New Zealand leadership is responsible for analysing and communicating results locally, along with designing and implementing clearly defined actions to address feedback.

We have reported in our [2023 Audit Quality Balanced Scorecard](#) the results of a selection of questions related to audit quality from the most recent Global People Survey.

Our audit approach

PwC New Zealand uses a range of cutting-edge processes, technologies, and approaches to ensure continuous improvement in the quality and performance of our audit engagements.

The quality and effectiveness of an audit is critical to all of our stakeholders. We therefore invest heavily in the effectiveness of our audits, in the skills of our people, in our underlying methodology, the technology we use, and in making the right amount of time and resources available. We pay close attention to the internal indicators and processes that routinely monitor the effectiveness of our risk and quality processes, and provide timely information about the quality of our audit work and any areas for improvement, our AQIs. Additionally we consider what our various stakeholders require from us, what they tell us we need to improve and findings of regulatory inspections on the quality of our work.

Tools and technologies to support our audit

As a member of the PwC network, PwC New Zealand has access to, and uses PwC Audit, a common audit methodology and process. This methodology is based on the 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 firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.



Aura

Aura, our global audit documentation system which is used across the entire PwC network. Aura helps drive how we build and execute our audit plans by supporting teams in applying our methodology effectively and consistently, by creating transparent linkage between risks, required procedures, controls and the work performed to address those risks, as well as providing comprehensive guidance and project management capabilities. Targeted audit plans specify risk levels, controls reliance and substantive testing. Real-time dashboards show teams audit progress and the impact of scoping decisions more quickly.



Connect

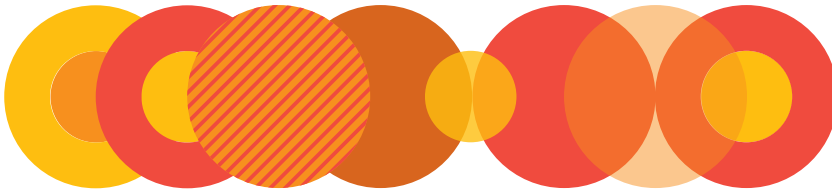
Connect is our collaborative platform that allows clients to quickly and securely share audit documents and deliverables. Connect also eases the burden of tracking the status of deliverables and resolving issues by automatically flagging and tracking outstanding items and issues identified through the audit for more immediate attention and resolution. Clients are also able to see audit adjustments, control deficiencies and audit progress for all locations in real time.

Connect Audit Manager streamlines, standardises and automates group and component teams' coordination for multi location statutory/regulatory audits. It provides a single digital platform to see all outbound and inbound work and digitises the entire coordination process which facilitates greater transparency, compliance and quality for complex multi-location audits.



Halo

Halo our data auditing tool allows us to identify and assess risks and determine where to focus audit efforts. Halo interrogates and analyses huge volumes of business-critical data, spotting and visualising anomalies and trends in financial information. It enables us to analyse patterns and trends, identify unusual and high-risk transactions on which we can focus our audit testing and provide valuable insight to our teams and our clients. The **Halo Platform** enables our engagement teams to manage all data extractions, executions and storage for all applications through one central location, allowing our engagement teams to monitor the status of data uploads and use the acquired client data for multiple applications during the audit.



Aura Count

Count, which facilitates the end-to-end process for observing inventory counts, allows our engagement teams to create and manage count procedures, counters to record results directly onto their mobile device or tablet and engagement teams to export final results into Aura.

Confirmation

PwC Confirmations, our global, secure, web-based confirmation platform providing a guided experience to preparing, sending, monitoring and receiving electronic and paper responses for our auditors and third-party confirmers as well as a dashboard view to assist in status updates. The Confirmer portal allows confirmers to easily navigate and provide responses.

Additional tools

In addition to these globally created and supported PwC network tools, we have invested in the following tools:

- **Digital Lab** is a virtual space for our people to collaborate, create and share digital solutions.
- **Smart Audit Platform** is a secure web-based portal with a growing suite of integrated intelligent automation tools and solutions based on cutting-edge machine learning and automation technology developed by PwC Australia. These advanced solutions reduce the risk of manual error, and enhance the delivery of a consistent and high quality audit.

Current tools include:

- **Mathematical Accuracy Test:** Streamlines testing over the mathematical accuracy of financial statement documents.
- **Smart PDF Extract:** Converts financial statements from PDF to Excel.
- **Prior Year Test:** Streamlines the checking of comparative numbers presented in a financial report.

- **OPEX Test:** Matches samples selected from the transaction listing to supporting documents provided. Extracts key attributes and identifies any variances for review.
- **PPE Additions Test:** Matches samples selected from the fixed asset register or PPE additions listing to supporting documents provided. Extracts key attributes and identifies any variances for review.

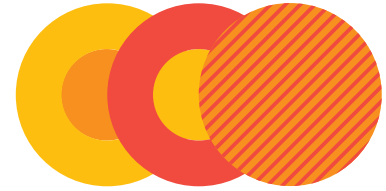
Our next generation audit (NGA)

As part of our commitment to building trust and delivering sustained outcomes, the PwC network is investing in a multi-year effort to deliver a new global audit platform to power our next generation audit, ultimately replacing our legacy technologies such as Aura and Connect. By exploring and investing in new technologies and redefining underlying audit processes, PwC will further standardise, simplify, centralise, and automate our audit work. PwC's investment will accelerate ongoing innovation and enable us to respond to changing stakeholders' needs while taking advantage of emerging technologies, providing a transformed audit experience focusing on continuous quality enhancement. PwC's vision for NGA is to provide efficient, robust and independent assurance and audit insights across financial and non-financial information, helping to build trust in what matters to our stakeholders. As PwC gains momentum around the next generation audit programme, we will continue to release new capabilities on an ongoing basis to enhance quality and the overall audit experience.

Reliability and auditability of audit technologies

Our firm has designed and implemented processes and controls to underpin the reliability of these audit technologies. This includes clarification of the roles and responsibilities of audit technology owners and users.

In addition, we have guidance focused on the sufficiency of audit documentation included in the workpapers related to the use of these audit technologies, including consideration of the reliability of the solution, and the documentation needed to assist the reviewer in meeting their supervision and review responsibilities as part of the normal course of the audit.



Supporting engagement performance

Evolving delivery model

We continue to evolve the way we deliver our services so our people give our clients an even better experience, further enhance the quality of what we do and create economic capacity to invest in the future. We use delivery centres to streamline, standardise, automate and centralise portions of the audit.

One of our prerequisites for delivering a quality audit, is to ensure we have an appropriate level of skilled staff available to perform the required procedures on each audit. A legacy of the tighter border controls as a result of the COVID-19 pandemic, and the restricted labour market locally, has been the opportunity to utilise PwC staff offshore to complement our local teams. To that end we have teams based in PwC centres in Manila and Kolkata who work closely with our New Zealand based teams. Our people offshore are trained to the same standard as our people locally, are provided appropriate levels of coaching and supervision and are required to comply with the same high quality standards. This has allowed us to relieve the pressure on our people locally, whilst being in a position to support our clients in meeting their financial reporting timelines.

Direction, coaching and supervision

Engagement leaders and senior engagement team members are responsible and accountable for providing quality coaching throughout the audit and supervising the work completed by junior members of the team, coaching the team and maintaining audit quality.

Engagement teams utilise Aura which has capabilities to effectively monitor the progress of the engagement to determine that all work has been completed and reviewed by appropriate individuals, including the engagement leader.

Consultation culture

Consultation is key to maintaining high audit quality. We have formal protocols about mandatory consultation, in the pursuit of quality. For example, our engagement teams routinely consult with appropriate groups in areas such as taxation, risk, financial instruments valuation, actuarial, corporate finance, methodology and other specialties as well as others within our central quality team. Protocols exist to resolve the situations where a difference of opinion arises between the engagement leader and either the EQCR, another Audit partner or central functions such as the Quality team.

Quality team

Our central quality team comprises: technical accounting, auditing, financial reporting, valuation and risk specialists. These specialists play a vital role in keeping our policies and guidance in these areas current by tracking new developments in accounting and auditing and providing those updates to our audit teams.

EQCRs

Specific audit engagements are assigned an EQCR as part of our SoQM as required by professional standards. These senior individuals, who have the necessary experience and technical knowledge, are involved in the most critical aspects of the audit. For example, they independently assess and review the areas relating to firm independence, significant risks and a team's responses to those risks, and specific accounting, auditing, and financial reporting and disclosure issues.

Protecting data

Information protection, privacy and information security

Information protection, privacy and information security are key elements of our professional responsibilities. Misuse or loss of client confidential information or personal information may expose the firm to legal proceedings, and adversely impact our reputation. We take the protection of client and personal information very seriously.

There is annual compliance training around information protection, privacy and information security awareness. This includes custom compulsory e-learns for staff to educate on confidentiality, information security risks and information security best practices. This training empowers PwC staff to be part of the solution for protecting the firm, its clients, and employee data. In addition to this learning material, they are required to be familiar with the firm's network policies and the firm's policies for local information security and information protection requirements. This also includes regular education campaigns, such as phishing simulations.

Information protection

Our client focus requires a holistic and collaborative approach to reducing the risks around security, privacy and confidentiality with significant investment in appropriate controls and monitoring to embed an effective three lines of defence model. This model of Limit, Protect, Respect, has enabled us to strengthen the controls and awareness we have in relation to information protection, privacy and security.

Data privacy

The firm maintains a robust and consistent approach to the management of all personal information, with everyone in our organisation having a role to play in safeguarding personal information. We have continued to build on our information protection and privacy programme, to ensure compliance with applicable privacy laws, such as the Privacy Act 2020. We are committed to embedding good data management practices across our business.

Information Security

Information Security is a high priority for the PwC network. PwC firms are accountable to their people, clients, suppliers, and other stakeholders to protect information that is entrusted to them.

Failure to protect information could potentially harm the individuals whose information PwC firms hold, lead PwC firms to suffer regulatory sanctions or other financial losses, and impact the PwC reputation and brand. The PwC Information Security Policy (ISP) defines the minimum security requirements with which every PwC firm must comply.

PwC firm compliance with the ISP is measured through continuous assessment. These assessments are conducted by an independent function within the PwC network.

Deviations that result from the assessment are prioritised for remediation per timelines agreed with leadership.

Our legal and governance structure

Our legal structure

The New Zealand firm of PricewaterhouseCoopers (PwC New Zealand or the Firm) is a general partnership wholly owned by the Partners in the Firm. The Firm also operates and controls a small number of corporate entities that are required for legal and operational purposes.

CEO and Executive Leadership Team: providing leadership

PwC New Zealand's Country Senior Partner (CEO) provides leadership for the partners and employees, and sets short and long-term strategic direction. The CEO is elected by the Firm's partners for a term of four years. If re-elected, the CEO may serve in that role for one further term of up to four years. New Zealand's CEO is Mark Averill, who was first elected in October 2016, and then re-elected for a further four year term in October 2020.

The CEO is also responsible for appointments to the firm's Executive Leadership Team and other senior management positions.

Under the CEO's leadership, the Executive Leadership Team and those in senior management positions conduct the management and administration of the Firm. The names and roles of the current members of the Executive Leadership Team can be found on PwC New Zealand's [website](#).

Board of Partners: providing oversight

The [Board of Partners](#) is responsible for governance and oversight. Its role includes supporting, monitoring and providing input into strategy, approving partner admissions and retirements, and approving major transactions or referring them to a partner vote.

The Board of Partners consists of the Firm's CEO, the Chair, and five partners who are all elected by partner vote. The names of the current members of the Board of Partners can be found on PwC New Zealand's [website](#).

Partners

Certain matters are reserved for partner vote. These matters include the election of the CEO, the Chair and members of the Board of Partners, amendments to the Firm's partnership agreement, termination of the partnership, and approval of major transactions referred to partner vote by the Board of Partners.

All partners have an equal vote in all such matters. As at 1 July 2023 there were 148 partners in PwC New Zealand. There are also six shareholder/directors in PwC Legal, an incorporated law firm offering legal services to clients.



The PwC network

Global network

PwC is the brand under which the PwC firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. Together, these firms form the PwC network. 'PwC' is often used to refer either to individual firms within the PwC network or to several or all of them collectively. In many parts of the world, accounting firms are required by law to be locally owned and independent. The PwC network is not a global partnership, a single firm, or a multinational corporation. The PwC network consists of firms which are separate legal entities.



PricewaterhouseCoopers International Limited (PwCIL)

Firms in the PwC network are members in, or have other connections to PwCIL, an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for PwC firms in the PwC network. Focusing on key areas such as strategy, brand, and risk and quality, PwCIL coordinates the development and implementation of policies and initiatives to achieve a common and coordinated approach amongst individual PwC firms where appropriate. PwC firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC network. In addition, PwC firms may draw upon the resources of other PwC firms and/ or secure the provision of professional services by other PwC firms and/or other entities. In return, PwC firms are bound to abide by certain common policies and to maintain the standards of the PwC network as put forward by PwCIL.

The PwC network is not one international partnership. A PwC firm cannot act as agent of PwCIL or any other PwC firm, cannot obligate PwCIL or any other PwC firm, and is liable only for its own acts or omissions and not those of PwCIL or any other PwC firm. Similarly, PwCIL cannot act as an agent of any PwC firm, cannot obligate any PwC firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control any PwC 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. The Board is comprised of 19 members. One is appointed as external, independent director, and the other 18 Board members are elected by partners from 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 and regions of the network, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy.
- Global Leadership Team, which is appointed by and reports to the Network Leadership Team and the Chairman of the PwC network. Its members are responsible for leading teams drawn from PwC firms to coordinate activities across all areas of our business.

APPENDIX:

Glossary of terms

A&C – Acceptance and Continuance

AFS – Authorisation For Service

AQIs – Assurance Quality Indicators

Audit knowledge quizzes – Quizzes completed by our people to test their audit knowledge

CEO – PwC New Zealand's Country Senior Partner

CES – Central Entity Service

CODE – International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants

CPD – Continuing Professional Development

EAP – Employee Assistance Programme

EQR – Engagement Quality Reviews

EQCR – Engagement Quality Control Reviewer

FMA – Financial Markets Authority

GAQ – Global Assurance Quality

IES – International Education Standard

IESBA – International Ethics Standards Board for Accountants

ISA – International Standards on Auditing

ISP – Information Security Policy

NZICA – New Zealand Institute of Chartered Accountants

OAG – Office of the Auditor-General

PES 1 – Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand))

PwCIL – PricewaterhouseCoopers International Limited

OECD – Organisation for Economic Co-operation and Development

QMSE - Quality Management for Service Excellence framework

QRP – Quality Review Partner

R&Q – Risk and Quality

RAF – Recognition and Accountability Framework

RTA – Real Time Quality Assurance

SOPS – Statements of Permitted Services

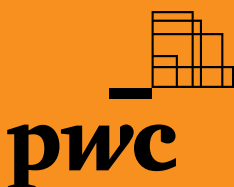
SoQM – System of Quality Management

XRB – New Zealand External Reporting Board





Ngā Mihi.



© 2023 PricewaterhouseCoopers New Zealand. All rights reserved. 'PwC' and 'PricewaterhouseCoopers' refer to the New Zealand 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.