



November 2024

Audit Transparency Report 2024

Delivering on our
commitment to audit quality





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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.

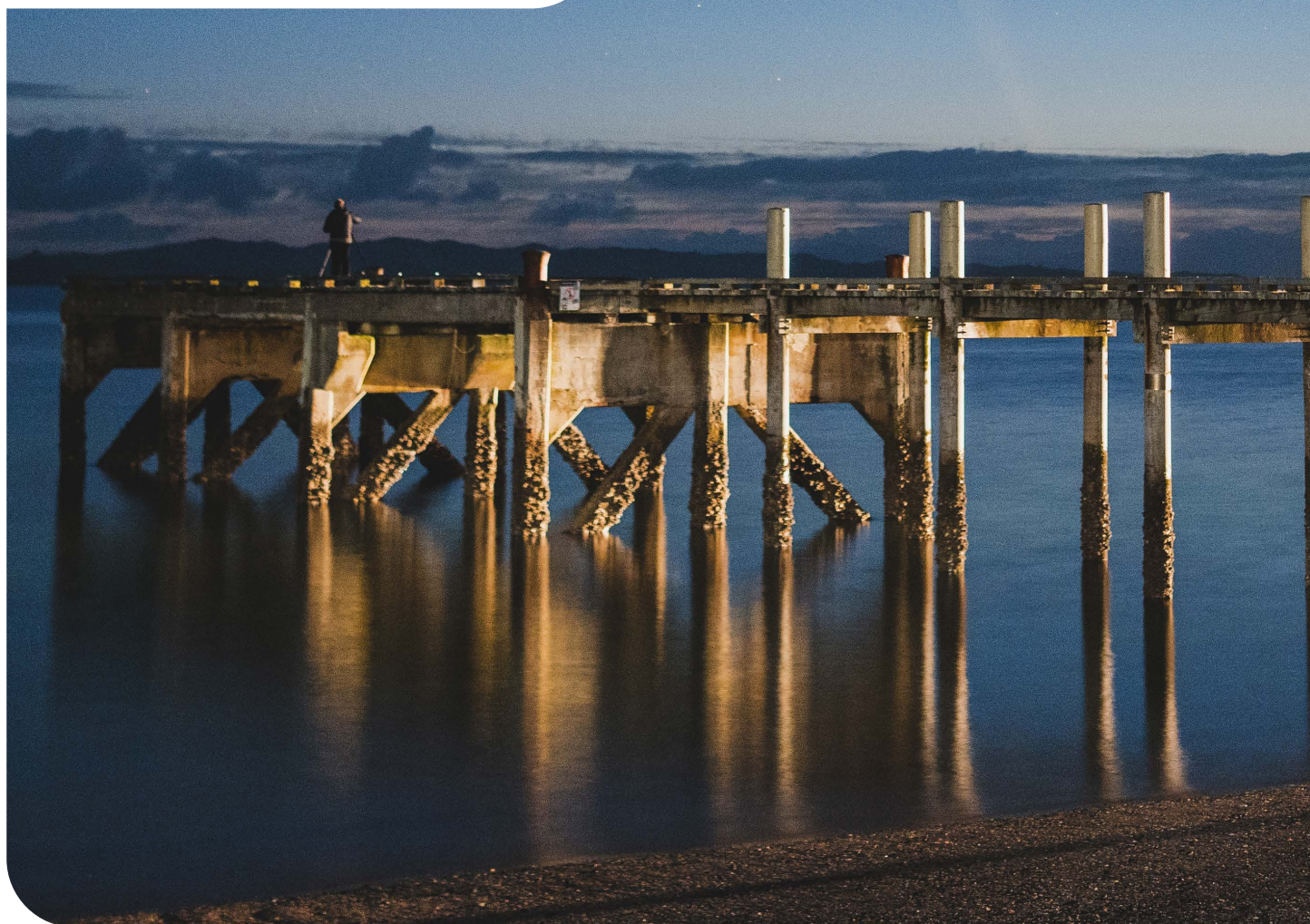
[Our year in audit quality](#) includes our audit quality scorecard results, observations and recommendations from our Independent Audit Advisory Board, how we define audit quality, and our work to promote the attractiveness of the assurance profession including the use of new technologies and the role of sustainability assurance.

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, as we adapt to new challenges, we make appropriate 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 [FY24 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.



Our approach to audit quality

Delivering quality services across the network

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 firms in 149 countries with more than 370,000 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

For all our business, 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.

Statement on the firm's system of quality management

During the year, we completed our evaluation of the firm's system of quality management under International Standard of Quality Management 1 (ISQM 1). On behalf of PwC New Zealand, Andrew Holmes as CEO, has evaluated whether our firm's SoQM provides us with reasonable assurance that:

- The firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement leaders are appropriate in the circumstances.

Although our SoQM operates continually and is updated to respond to new or changing risks as they arise, our SoQM year ends on 31 March each year. Based on all the relevant information of the firm's SoQM, we believe our SoQM provides us with reasonable assurance that the quality objectives of ISQM 1 noted above have been achieved as at 31 March 2024. This conclusion has been reaffirmed as of 31 October 2024.

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 established the QMSE framework which was designed to align with the objectives and requirements of ISQM 1 and provides a model for quality management in PwC firms that integrates quality management into how each firm runs its business processes and manages risk.

Under QMSE our overall quality objective is supported by a series of underlying quality objectives and each firm's SoQM should be designed and operated so that the overall quality objective, which includes meeting the objectives and requirements of ISQM1 / Professional and Ethical Standard 3 (PES 3), 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 Assurance 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

Our SoQM includes quality objectives which are identified from the following components of ISQM 1 as well as any additional objectives the PwC network has identified in the QMSE framework:

- Governance and leadership
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Engagement performance
- Resources
- Information and communication

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 firm's system of quality management

Our SoQM must be designed, implemented and operated on an ongoing basis to achieve the quality objectives. This ongoing process includes monitoring, assessing, evaluating, reporting, and being responsive to changes in quality risks, driven by the firm's internal and external environment.

Delivering quality consistently

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.

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 Assurance leadership, business process owners, 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 both set clear expectations of expected quality behaviours and outcomes and reinforce those expectations through consistent and transparent use in appraisals, remuneration, and career progression decisions.



This involves the integrated use of Assurance Quality Indicators to aim to predict quality issues, Real Time Assurance to aim to prevent quality issues, Root Cause Analysis to learn from quality issues and a Recognition and Accountability Framework to establish, communicate and reinforce quality behaviours, culture and actions.

Our risk assessment process

The past several years have seen unprecedented challenges and our firm's SoQM has helped us navigate and respond to the impact that identified factors had on our ability to achieve the overall assurance quality objective – to deliver quality audit engagements. Our SoQM includes the performance of a risk assessment over the quality objectives identified in the QMSE framework. We consider how, and the degree to which a condition, event, circumstance, action and/or inaction may adversely affect the achievement of the quality objectives which may result 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.

A quality risk is one that has a reasonable possibility of occurring and individually, or in combination with other quality risks, could adversely affect the achievement of one or more quality objectives.

2024 key factors impacting our SoQM

This year, we have seen various factors impact our SoQM but in particular, some of the more meaningful conditions, events, circumstances, actions and/or inactions that have necessitated changes to our SoQM include:

- resourcing and attractiveness of the profession;
- macroeconomic and geopolitical environment;
- implementation of sustainability reporting and assurance standards; and
- impact of emerging technologies.

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 will continue to evolve over time and as we continue to use and learn from these measures.

Throughout this transparency report, we have provided insight into the policies and procedures we have designed, implemented and are operating to reduce the quality risks we have identified to an acceptable level and help us achieve reasonable assurance over the firm's SoQM.

As mentioned above, some of our policies and procedures are provided by the PwC network which we have assessed to determine that these resources are appropriate for use as part of our SoQM and in the performance of engagements. The following sections of the report covers the following ISQM 1 quality objectives:

- Our firm's commitment to quality – governance and leadership
- Ethics and business conduct and Objectivity and independence – relevant ethical requirements
- Our firm's system of quality management – acceptance and continuance of client relationships and specific engagements, information and communication
- Our people – Human resources
- Our audit approach – Intellectual and technological resources, engagement performance

Our monitoring and remediation process

In the section, Monitoring, found on page 13, we have described the types of ongoing and periodic monitoring our firm has designed, implemented and are operating to provide relevant and reliable information about our firm's SoQM and to help us take appropriate actions over any identified deficiencies so we can remediate those deficiencies effectively and on a timely basis. To support the timely and effective remediation of identified deficiencies, our firm has designed, implemented and are operating a root cause analysis program that is described further on page 10.

The information gathered from our monitoring and remediation process along with other sources of information, such as external reviews, is used to help us evaluate our SoQM.



Aim to Predict: Audit Quality Indicators

We have identified a set of AQIs that support our Assurance 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 Assurance leadership team in detail periodically and are presented using traffic lights to help provide a visual representation of areas needing focus and attention. Each AQI has an owner, description 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 throughout the year. 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 Assurance 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.





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 an effective 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 root cause specialists 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;
- Environment and behaviours; and
- Training, amongst others.

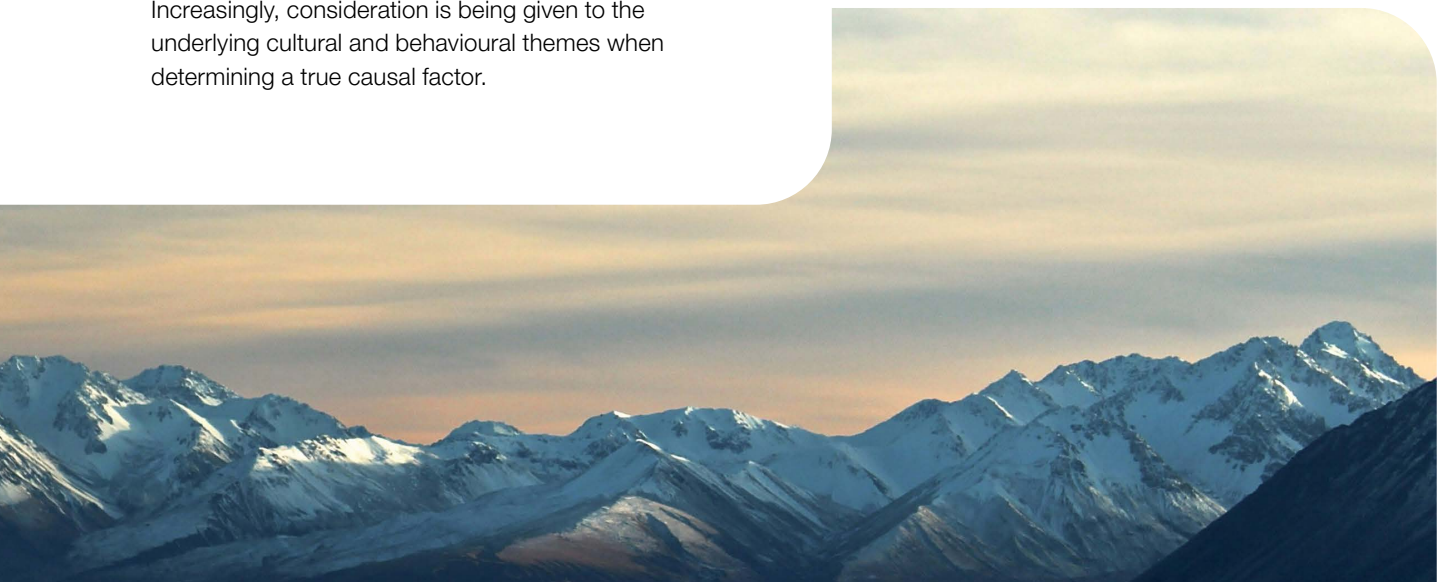
Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing selected audit working papers to understand the factors that may have contributed to audit quality. Increasingly, consideration is being given to the underlying cultural and behavioural themes when determining a true causal factor.

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, as well as qualitative, environmental and behavioural factors influencing the engagements.

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;
- Any changes in scope compared with previous engagements;
- The composition of the engagement team and their experience; 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 evaluate how learnings may be used 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. Our RAF has been designed to both set clear expectations of expected quality behaviours and outcomes and reinforce those expectations by holding 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 these are sufficient to incentivise the right behaviours to achieve the quality objectives.

Our audit partners are required to have at least 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;
- we can comply with relevant ethical requirements, including independence;
- we have appropriately considered the integrity of the client;
- 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

We recognise 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.

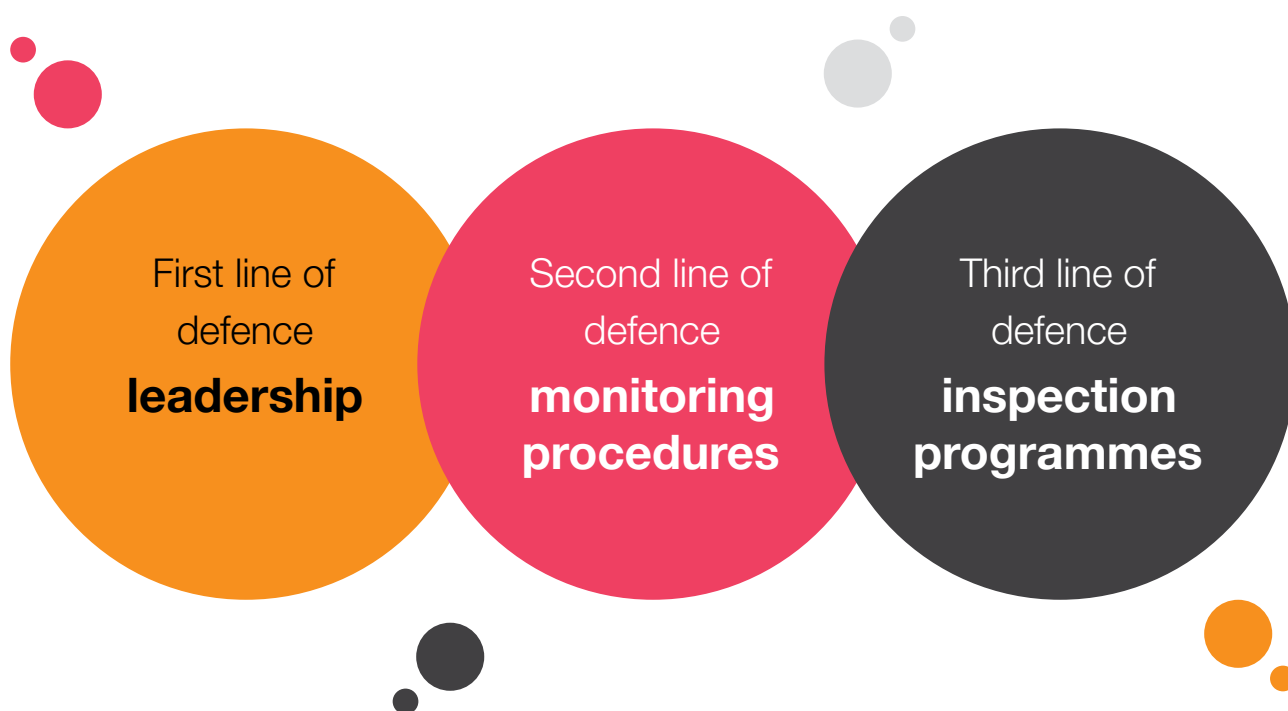
Responsibility for appropriate quality management lies with the leadership of PwC New Zealand – the ‘first line of defence’. This includes the design and operation of an effective SoQM that is responsive to our specific risks to delivering quality audit engagements, using the network’s QMSE framework.

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 Compliance Reviews (ECR)) 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.



Inspection Programmes

Network-wide inspection programme

ECRs are performed under a network-wide inspection programme based on professional standards and PwC audit methodology. ECRs 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 to three 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. ECR 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, cold reviews are performed for any partner that receives a non-compliant rating in the ECR 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 that 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.

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.

Examples of Audit Quality Measures – inspections

- Number of internal and external audit and non-audit inspections completed.
- ECRs rated as compliant, compliant with improvement required, non-compliant as a percentage of the total number of ECRs.
- Number of restatements in listed company financial statements due to material misstatements identified in internal inspections.



Photographed by Thomas Williamson | PwC New Zealand

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 deliver '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 and cybersecurity, 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 broader impact.

We call this 'trust in what matters.' 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 working to improve their performance.



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 Leadership in Quality Survey forms completed.

Leadership in quality – tone at the top

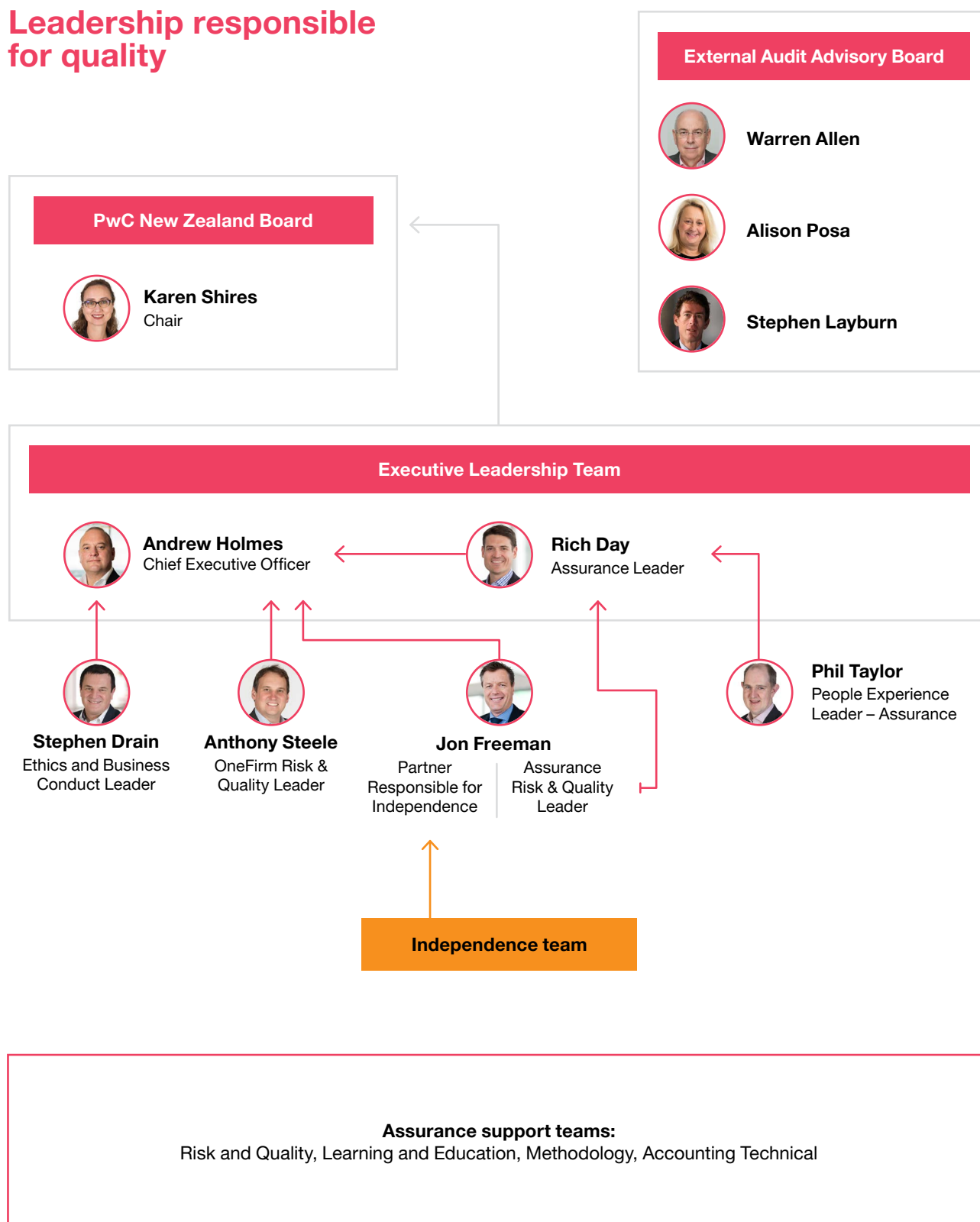
Leadership in quality is created and maintained by the tone at the top. Our CEO, leadership team and engagement leaders communicate and reinforce our quality messages throughout the firm. These communications focus on what we do well and actions we can take to make enhancements. Leadership and engagement partners take the lead on these actions as they role model the expected behaviours in interactions with clients and teams.

We measure 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.

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.

Stephen Drain is the firm's Ethics & Business Conduct Leader and has oversight of our Ethics and Business Conduct programme. He is a Consulting Services Partner and reports directly to the CEO. Stephen is supported by two senior leaders and an Ethics and Business Champions Committee which includes representatives from across the firm.



Stephen Drain

Ethics and 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 practice, 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 provided with an overview of the Code of Conduct and the expected behaviours for all partners and staff, who should follow these expectations throughout the course of their professional careers at our firm. 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.

As part of the values and expectations in the Code, 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 comply with the standards developed by the PwC network and leadership in PwC New Zealand 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 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.

Jonathan Freeman is the designated PwC New Zealand Partner Responsible for Independence (PRI) and the implementation of the PwC Global Independence Policy including additional New Zealand requirements. Jonathan is also a licenced auditor and PwC New Zealand's Assurance Risk & Quality Leader. This includes managing the related independence processes and providing support to the business. Jonathan is supported by a team of independence specialists and reports directly to the CEO.



Jonathan Freeman

Partner Responsible for 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 managerial practice staff 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;

- **My Compliance Dashboard** (MCD) which is a global compliance system that facilitates annual compliance confirmations, 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 or relevant independence regulations.

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.

In addition, PwC New Zealand utilises the network's centres of excellence which adopt standardised processes to perform the monitoring of joint business relationships and approval of non-audit services for certain categories of clients, and is due to commence using the centre of excellence for independence assessments within the next year.

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 managerial practice 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 PwC New Zealand leadership 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 includes 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 reported to 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 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 – Assurance

Inclusion and diversity

At PwC, we're an organisation that fosters a culture of belonging and equity where our diverse workforce can thrive and feel like they belong. We are committed to action, accountability and advocacy, in each of our member firms, across the PwC network.

We embrace and encourage differences and help our people actively develop the skills to work and lead inclusively with our focus on gender equity, disability inclusion, LGBTI+ inclusion and social inclusion. Underpinning this is ensuring our systems and behaviours are inclusive.

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. We aim to increase ethnic identification at all levels across PwC, particularly for Māori and Pacific Peoples, and enhance the cultural competence of the firm.

Examples of Audit Quality Measures – people

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

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 and our people have access to the Sonder 24/7 wellbeing and safety service. These initiatives help our people care for themselves and their loved ones.

The PwC Professional

The PwC Professional is the set of behaviours we expect of all our people, at all levels, to demonstrate with each other and with our clients and other stakeholders. When we focus on the behaviours that guide our interactions, we create opportunities to build trust and empower our teams to deliver distinctive outcomes. This is how we build trust in society and solve important problems.

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 our Assurance team, we recruited over 181 new people, including 68 university graduates and 41 interns during FY24.



Team selection, experience and supervision

Our 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. During the year, we upgraded our system of capturing performance feedback to the new global PwC Feedback Exchange tool, allowing for multi-direction feedback, aligned to the PwC Professional framework. 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.

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.

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 learning, and on-the-job real-time coaching/development. Our system of learning also includes an on-demand training platform that facilitates personalised learning experiences with access to Continuing Professional Development (CPD). Additionally, other educational materials, including webcasts, podcasts, newsletters, articles and videos are made easily accessible and hot topics are promoted, all to support quality work on-the-job.

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, prepares and enables partners and staff to perform high-quality audit work, supports an agile staffing model, optimises time away from client work and contributes to the attractiveness of the profession.

This formal learning leverages best-in-class technology to deliver relevant training to our people, while meeting and communicating evolving regulatory expectations. The learning consists of a variety of modern, innovative, best practice instructional methods and modalities, i.e. in-person or virtual classroom training, self-paced digital learning and on-the-job support.

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 Leader further considers what, if any, 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 compact learning modules continue to be the foundation of our delivery approach – a diverse offering that keeps learners engaged. Our regular audit knowledge checks supplement our learning approach well and are tailored to the areas of focus arising from results of ongoing monitoring including inspection reviews, consultation themes and changes to the accounting and auditing standards. We have also 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 personalised learning plan, in line with IES 8, is developed by each engagement leader to cater to their individual training needs. A self-assessment is completed on an annual basis to determine if learning outcomes have been achieved.

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.

Examples of Audit Quality Measures – training

- Average training hours
- Average hours of auditing and accounting training completed annually by grade.

We have reported in our [2024 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 our AQLs, 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. 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 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 group and multi-location engagements. 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 large volumes of business-critical data, seamlessly creating visuals and reporting to enable identification of anomalies and trends in financial information. We can then focus our audit testing on high-risk transactions 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.

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.

PwC 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:

- Disclosure Checklist Tool: Provides users with recommendations of financial statement content that addresses specific checklist and standard requirements and allows for tailoring based on the specific needs of the client and engagement.
- 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.
- Property, plant and equipment (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, including generative AI, 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.

Generative AI

There have been significant investments across the PwC network into Generative AI as we seek to reimagine how we further enable our people by leveraging the power of AI. We are focused on promoting a culture of responsible usage of AI while supporting ongoing interest and quickly evolving potential use cases for AI including Generative AI. This includes the training associated with, and the use of, ChatPwC applied in an assurance context. Developed in partnership with Microsoft, this new Generative AI tool aims to empower our people to focus on higher-value tasks, and access information quickly and efficiently. ChatPwC is an intelligent assistant that uses Generative AI to respond to text-based questions within a secure PwC environment. It's capable of engaging in diverse and natural language conversations on a range of topics.



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 direction, supervision and review responsibilities as part of the normal course of the audit.

Supporting engagement performance

Evolved 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.

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 Risk and Quality team.

Risk and Quality team

Our central 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.

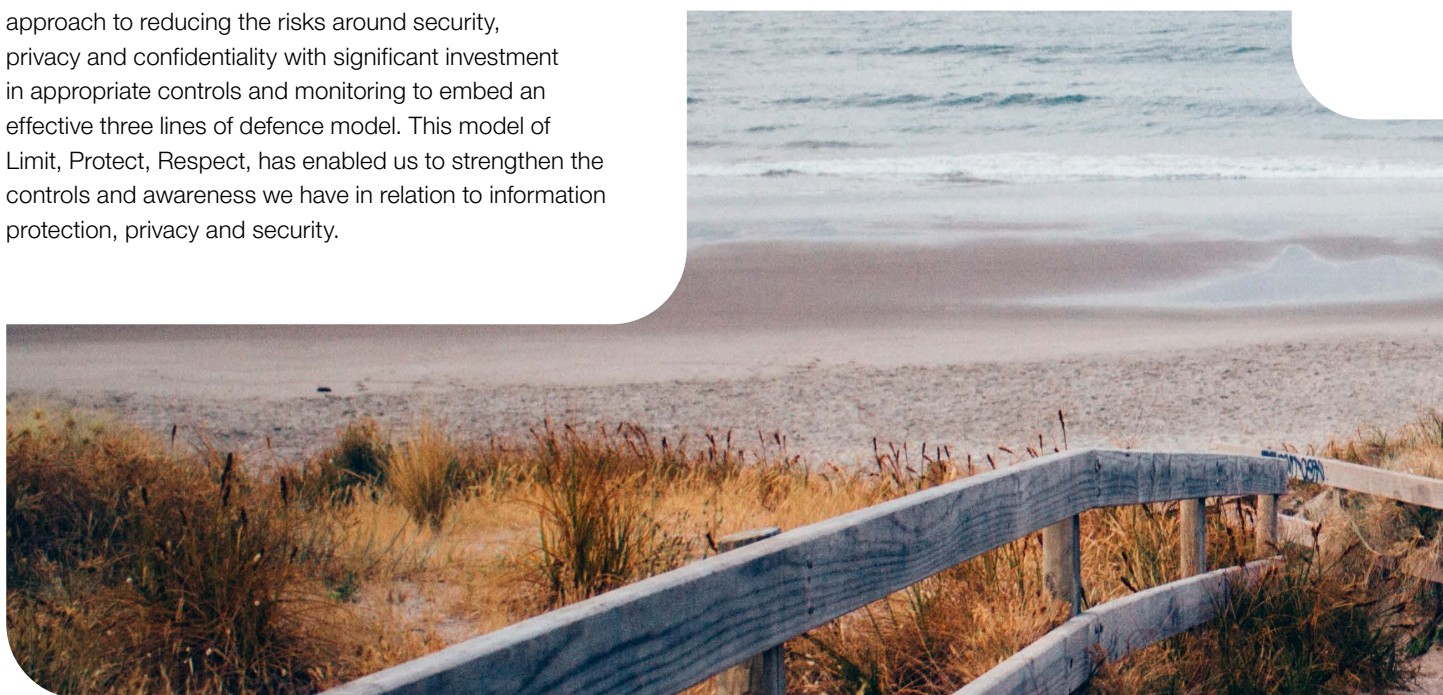
Privacy

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. Our firm is accountable to our people, clients, suppliers, and other stakeholders to protect information that is entrusted to us.

Failure to protect information could potentially harm the individuals whose information our firm holds, lead our firm to suffer regulatory sanctions or other financial losses, and impact the PwC reputation and brand. As such, our firm complies with the PwC Information Security Policy (ISP) which outlines the minimum security requirements for all PwC network firms.



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 Territory 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 Andrew Holmes, who was elected on 1 April 2024.

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 of management of the Firm and holding the CEO accountable to the partners for the conduct of the Firm's affairs. 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 2024 there were 144 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 member 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. Although regulatory attitudes on this issue are changing, PwC member firms do not and cannot currently operate as a corporate multinational. The PwC network is not a global partnership, a single firm, or a multinational corporation. For these reasons, the PwC network consists of firms which are separate legal entities. The firms that make up the network are committed to working together to provide quality service offerings for clients throughout the world.

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 facilitate coordination between member firms in the PwC network. Focusing on key areas such as strategy, brand, and risk and quality, the Network Leadership Team and Board of PwCIL coordinates the development and implementation of policies and initiatives to achieve a common and coordinated approach amongst individual PwC firms where appropriate. Member firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC network. In addition, member firms may request the resources of other member firms and/ or secure the provision of professional services by other member firms and/or other entities. In return, member 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 and PwC member firms are not otherwise legal partners with each other. Many of the member firms have legally registered names which contain "PricewaterhouseCoopers", however there is no ownership by PwCIL. A member firm cannot act as agent of PwCIL or any other member 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 member firm, cannot obligate any member firm, and is liable only for its own acts or omissions.

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 elected partners from PwC firms around the world and one or more external, independent directors. Please refer to the following page on the [PwC Global website](#) for a list of the current members of the Global Board.
- 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

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

ECR – Engagement Compliance Reviews

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

ISQM 1 – International Standard of Quality Management 1

MCD – My Compliance Dashboard

NGA – Next generation audit

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)

PES 3 – Professional and Ethical Standard 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

PRI – Partner Responsible for Independence

PwCIL – PricewaterhouseCoopers International Limited

OECD – Organisation for Economic Co-operation and Development

QMP – Quality management process

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

SEC – Securities and Exchange Commission

SOPS – Statements of Permitted Services

SoQM – System of Quality Management

XRB – New Zealand External Reporting Board



Ngā Mihi.



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