



Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: Corporations.Joint@aph.gov.au

6 September 2024

Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry

Dear Secretary,

As discussed in the hearing on 2 August 2024 and noted in our response to Questions on Notice dated 20 August 2024, PwC Australia is pleased to provide further details of our views on potential proposals for reform of the profession.

We support and will continue to engage with both the Parliament and the Government regarding the focus on industry reform, and previously took the opportunity to outline initial suggestions in a written response to the Commonwealth Treasury's submission to your Committee (Submission 50) on 15 April 2024. We have attached an additional submission at Annexure A that further develops these concepts and provides additional observations for the Committee's consideration.

In particular, we would draw your attention to our proposal of a mandatory Australian Public Interest Firm Governance Code which we believe would provide more public and government confidence in the professional services industry by:

- Ensuring that all firms providing services that impact the public interest are covered, and that unreasonable barriers to entry and/or undue costs are not imposed on firms that are not considered to be relevant to the public interest.
- Defining clear and leading expectations regarding governance, accountability, transparency (including remuneration) and the management of conflicts of interest at a firm-level.
- Being agnostic to firm legal structure, meaning that firms in both a corporate or partnership structure would be in scope, raising standards across the whole industry, regardless of legal form.
- Tailoring expectations based on existing frameworks, such as the ASX Corporate Governance Principles that are not designed for unlisted corporations or partnerships, creating stronger alignment in practice across listed companies, non-listed professional services companies and partnerships without extensive legislative change.

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- Enabling regular review and revision of the code to adapt to developments in the nature and importance of different services, stakeholder expectations and contemporary governance practices.
- Being administered and monitored by an appropriate (new or existing) body.

Though firms may find such a solution challenging and costly, we consider that the resulting industry-wide improvements in governance, transparency and accountability would bring benefits that outweigh the impost.

PwC Australia is committed to repairing trust and confidence in the professional services industry, and are supportive of changes in regulatory frameworks that will help to achieve this.

Yours faithfully,



Jan McCahey
Chief Risk and Ethics Leader
PricewaterhouseCoopers



ANNEXURE A

Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry - PwC Australia submission arising from parliamentary hearing 2 August 2024

6 September 2024

PwC Australia (PwC) is pleased to provide more details of our views on potential proposals for reform of the professional services industry.

We note the Committee will make recommendations and that the Commonwealth Treasury and Australian government are also contemplating reforms that will improve governance, culture and accountability in the profession while building greater trust in the system. We support and will continue to engage with these important processes.

Multidisciplinary firms like PwC play a crucial role in the functioning of global and domestic capital markets and the economy, particularly in audit, tax, and insolvency services. Audit services, in particular, deliver trust in the information reported to these markets, which will evolve significantly over coming years.

PwC has the privilege and responsibility of delivering important services for the benefit of Australian companies, capital markets and the broader community. However, we acknowledge that we have not met the standards expected of us and that our past actions and recent events, while not related to audit quality or services, have contributed to damaging confidence and trust in our firm, and the professional services industry more broadly.

Following the independent review by Dr Ziggy Switkowski AO, in September 2023 we outlined the actions we would take to strengthen our own culture and governance, and we continue to make good progress against these.

We support the ongoing steps by the Parliament, the Commonwealth Treasury and regulators to continuously develop the regulation of specific services, including audit, to target service-specific risks. Strong regulation by well-resourced regulators is key to investor and stakeholder confidence in external audits. Our observation is that there are extensive and comprehensive controls within firms and audit clients in key areas related to audit quality including auditor-independence. Evidence indicates these are operating well.



Key observation

As the Treasury observed in its recent consultation paper, there are neither codified requirements nor comprehensive regulation at the firm-level in important areas including governance, transparency and accountability. Each firm therefore determines its own approach, and we agree with the view that this has led to variability in approach and failures to meet expected standards in some areas critical to trust and confidence.

We believe that expectations and regulation of the firm, to underpin the focus on individual services, is the key area that requires reform and would have the broadest impact on the issues of concern being consulted upon. Our own recent experience has informed this view, and is the focus of our ongoing commitment to implement substantial change in the governance of our firm overall.

We recognise the need to address the regulation of firms promptly. Such changes are foundational, and as such should improve confidence and trust in firms such as PwC as a whole as well as the various services that are viewed as being relevant to the public interest.

We continue to support and advocate for substantial reforms in regulations and expectations at the firm-level as a result and also highlight the following for the Committee to consider:

- Recent events have shown that professional services firms may be considered to be relevant to the public interest because of the nature of the services they provide (for example audit), the clients they service (for example government, listed companies) or the volume of services that they deliver. Accordingly, regulatory reform that applies to firms based on a firm's perceived relevance to the public interest may be preferable to other, narrower, types of regulation.
- The governance, transparency, accountability and ethical expectations of firms considered to be providing services in the public interest should be uniform, regardless of their legal structure – whether corporate or partnership. This would both allow for more consistent standards of conduct in the industry and represent a more efficient way to regulate practices as it would not require state and federal legislative change. We understand the recent focus on the requirements of partnerships, however we would suggest that changes to regulation focused on the legal form of a firm may not address the issues or achieve the breadth of impact desired in an efficient manner.
- The nature of services provided and contemporary governance standards will continue to evolve quickly due to developments in areas such as technology and sustainability. Artificial Intelligence, for example, is likely to reshape the structure of the industry. We encourage the Committee to consider how this extremely disruptive force will shape the industry's size, workforce, purpose, services and governance. Regulation and expectations will therefore need to be able to adapt in response. Mechanisms that can be regularly reviewed and updated but do not require legislative change may be preferable as a result.



Key recommendation - Regulation of 'Public Interest' firms

We recognise there are various areas of change being considered by the Parliament, the Government and the Treasury to improve the professional services industry. We consider that among them, the clearest and most compelling gap is the lack of a central framework that provides firm-level regulation. That is not to say that PwC Australia does not support other change or reform initiatives.

In order to provide more public and government confidence in the professional services industry, we recommend the government consider engaging with a broad range of stakeholders on the development of a mandatory Australian Public Interest Firm Governance Code (hereafter referred to as a '**PIF Code**').

A PIF Code would be analogous, but with expanded applicability, to experience overseas and in particular in the United Kingdom, which has implemented an Audit Firm Governance Code. This would be a significant shift and would place Australia in a leading position in regulation of professional services firms, including those performing audit services.

Further detail on this concept was included in our answers to Questions on Notice provided to the Parliamentary Joint Committee on Corporations and Financial Services on 15 April 2024 regarding Treasury's submission to that Committee. Some key features relevant to the issues include:

- The PIF Code would apply to firms on the basis of the perceived likelihood, and consequence, of a firm impacting the public interest in the conduct of their services. This applicability would ensure that all firms providing services that impact the public interest would be covered and that unreasonable barriers to entry and/or undue costs are not imposed on firms that are not considered to be relevant to the public interest.
- Such a code could define clear and leading expectations regarding governance, accountability, transparency (including remuneration) and the management of conflicts of interest at a firm-level.
- The PIF code would be agnostic to firm legal structure, meaning that firms in both a corporate or partnership structure would be in scope. A PIF Code would then increase standards across the whole industry, addressing gaps in requirements applicable to both partnerships and unlisted corporations.
- As the requirements would be specific to firms covered by the PIF Code, these could be tailored with consideration of existing comparable frameworks that are not designed specifically for partnerships or unlisted corporations, such as the ASX Corporate Governance Principles. This would allow for stronger alignment in practice across listed companies, non-listed professional services companies and partnerships without extensive legislative change.
- The PIF Code could be regularly reviewed and updated to adapt to developments in the nature and importance of different services, stakeholder expectations and contemporary governance practices, making it more flexible and efficient than the introduction, and then future amendments to, any potential legislation if that path is chosen
- Such a code could be administered and monitored by an appropriate (new or existing) body.

Though firms may find such a solution challenging and costly, we consider that the resulting industry-wide improvements in governance, transparency and accountability would bring benefits that outweigh the impost.



Other observations

We would also encourage the Committee to consider the following key observations that relate to Structural Challenges in the Audit, Assurance and Consultancy Industry:

- **In light of recent failures and concerns relating to professional services firms, we understand the focus on partnership structures. However, in our view, partnerships remain the appropriate legal structure for multidisciplinary firms and we consider that the issues that have been raised can be addressed without a change to that structure:** We consider that the partnership model provides a solid foundation for effective governance, decision-making, transparency and accountability. Partners are jointly and severally liable for the assets and liabilities of the firm, and have duties towards each other. A partner's personal capital is at risk in a partnership structure - each partner is accountable for the liabilities, risk and consequences of the conduct of the business, including audit quality. In addition, under a partnership agreement, firms can, and do, create binding obligations on partners to maintain financial independence from audit clients. Partnerships also have the ability to determine their own internal governance practices, and can replicate recognised corporate governance frameworks including the ASX Corporate Governance Principles. However, as partnerships in Australia have grown in size, the importance of high-quality internal governance standards and systems to complement the unique benefits of a partnership, has increased. We therefore believe there is significant merit in formally setting and regulating the governance (including transparency, accountability) expectations for firms that provide services that are considered of public interest.¹ This could be achieved through a PIF Code.
 - **Multidisciplinary firms are essential to enable high-quality audits, enabling access to deep expertise, stability, investment and global reach.** The Parliamentary Joint Committee (PJC) on Corporations and Financial Service Inquiry into the Regulation of Auditing in Australia in 2019 concluded that "The Committee is of the view that multidisciplinary firms with specific expertise in specialised areas are best placed to deliver high-quality audits that address the needs of modern businesses²."
- Audits continue to evolve, with technology and sustainability expanding both the scope and complexity of the audit. Auditing is critical to the integrity and confidence of capital markets, and high-quality audits depend on access to specialists and consistent investment in quality management systems. We have a diverse range of skills and experience that enable us to offer a comprehensive and varied set of services to clients, including accounting services, actuarial, auditing, consulting, corporate restructuring, risk management services, and tax services. Our size gives us the opportunity to invest at significant scale in technology, automation, and the development of our people – all critical to attracting the best people and, in turn, enabling high quality audits. Maintaining diversity of service lines within our business and reducing reliance on audit services also decreases any perceived or actual dependence on the audit practice, reducing rather than increasing the suggested incentive to maintain client relationships. We believe the multidisciplinary model is therefore essential for confidence in the quality of our audit reports and, to allow firms to effectively and knowledgeably challenge audit clients.

¹ See also our response to Treasury's submission to the PJCCFS Inquiry into Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry <https://www.aph.gov.au/DocumentStore.ashx?id=1be35479-5a6f-4957-bb79-add157301de9&subId=748390>
² Page 87, https://parlinfo.aph.gov.au/parlInfo/download/committees/reportint/0243330/toc_pdf/RegulationofAuditinginAustralia.pdf;fileType=application%2Fpdf



- **Independence is a foundational requirement for high-quality, trusted audits and is rightly a consistent focus on our sector and regulatory oversight. The commitment and extent of control over independence at both audit firms and audit clients is misunderstood and understated by some of our stakeholders:** Multidisciplinary firms like PwC maintain extensive, globally enforced controls to ensure that the entire firm, including its partners remain independent of its audit clients. The legal focus on the responsibility of the Lead Audit Partner reinforces, rather than diminishes, these systems by ensuring individual accountability. In our experience, our audit clients and their Directors have similarly extensive and robust processes to both ensure the independence of services and their auditor overall, with regulation continuing to increase to require additional steps and inspection of processes. This extends to our observation of the high focus on audit firm tenure and audit clients' review of auditor performance, including quality and independence.
We understand the concern that audit firms could be incentivised to sell extensive non-audit services to their audit clients, threatening independence. However we do not believe this is supported by the evidence in the level or nature of services provided. Non-audit services are increasingly limited in scale and largely focused on services where independence is a key requirement of our clients. Firms, including PwC, have also chosen to go further than regulation to reinforce independence such as additional limits on the types of services provided to audit clients.
- **There remains a vibrant and competitive audit market in Australia:** There is genuine competition in the highly segmented audit market, which is supported by external research. Studies have shown that the audits of large listed entities in Australia require significant scale, breadth of technical expertise and global reach provided by the largest firms and we observe strong competition in this segment of the market. Outside this segment, there is similarly evident competition among auditing firms and a wider choice of firms.

We have also provided at **Annexure B**, our 2023 annual Audit Transparency Report, which is a comprehensive overview of our audit quality measures as well as the approach we take to embed strong quality frameworks through our Assurance business. Our 2024 Audit Transparency Report will be released in the coming months.



ANNEXURE B - Audit Transparency Report FY23

Please see attached document.

2023 PwC Australia Audit Transparency Report

Audit Quality Report

Year ended 30 June 2023



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Section one

Our year in quality



Welcome to our 2023 Audit Transparency Report

As PwC Australia's new Assurance Managing Partner, I am pleased to provide you with our firm's 2023 Audit Transparency Report.

This annual report covers our FY23 reporting for important audit quality measures as well as the approach we take to embedding strong quality frameworks through our Assurance business.

The past financial year has been a challenge for our firm as a whole. The outcome of the Tax Practitioner's Board (TPB) investigation revealed behaviour that we are not proud of. We are sorry for the understandable questions it may have raised for our audit clients, their stakeholders, and our people.

In May, under new leadership, we commissioned Dr Ziggy Switkowski AO to conduct an independent review of our governance, culture and accountability. The findings identify shortcomings which we have sought to address through our Management Response and Action Plan. These documents are publicly available on our website.

The Action Plan outlines the steps we must take to realise our vision of becoming the leading professional services firm, built on the highest ethical and professional standards with integrity at our core, a firm that delivers purposeful and sustained outcomes in everything we do.

In the context of audit quality, I was encouraged by Dr Switkowski's comments on our Assurance business, which he describes as 'appearing to substantially model best practice' with a 'well developed controls framework for audit quality management'. We will seek to leverage such internal strengths as we implement our Action Plan.

In addition, the firm has announced it will apply ASX Corporate Governance Principles and Recommendations, including the appointment of at least three non-executives, including a non-executive Chair, and we will publish comprehensive, audited financial statements by 2025. This will give our audit clients increased confidence not only in the quality they know and expect from our audit practice, but also in the quality and performance of our firm as a whole.

Our audit practice prides itself on delivering audit quality at the highest level, and has continued to do so in FY23. While it has been a difficult time for our people, we are proud of their resilience and unwavering commitment to our clients; working together and leaning into complex audit judgements in order to respectfully challenge and communicate observations.

During this time we have taken care to focus on monitoring and investing in the areas that we know have the most critical impact on audit quality - our people; the culture of quality in

our audit practice; and the strong, regulated system of quality management that underpins our audit practice and our auditors. This focus will allow us to invest in the right way and use the learnings from this period to emerge an even stronger firm.

Investing in our people for retention and continuity

A critical priority for us, and the most common question we have received from our clients, is about the wellbeing and retention of our 2,600 talented Assurance people. Over FY23, and particularly in recent months, we have invested in wellness support, pay and bonuses for staff and real time quality support for our teams.

Our retention and continuity measures are critical to audit quality - building a strong understanding of our client's businesses, sharing of knowledge year-to-year and informed coaching of our junior staff. We are pleased that our significant investment in resourcing, training and supporting our teams have contributed to strong retention trends as set out on Page 9.

Continuing to invest in our people is crucial in the coming 12 months. In our regular sentiment surveys our people tell us that they value the commitment to transparency our new leadership team displays and they ask us to continue to provide them with opportunities to develop their careers.

We are delivering on these needs through our co-ordinated people plan which includes:

- Regular and transparent leadership sessions, where questions are encouraged and honestly answered, and feedback and challenge is celebrated and encouraged;
- Transparent sharing of development opportunities for all of our people;
- Development programs that connect our teams directly to firm leadership;
- Prioritising our continued investment in promotions, pay, resourcing, training and development;

This is underpinned by the significant development opportunities in working with more than 2,000 clients served by our Assurance practice. We provide audit and other assurance services to some of Australia's largest companies, a variety of listed and other public interest entities, significant multi-nationals, start-ups and private businesses. This breadth and depth of client base enables us to connect individuals with opportunity to build their career.

Investing in the quality culture of our audit practice

We know the ability to robustly challenge and apply professional scepticism is critical to audit quality and strongly valued by our clients. This valuable trait is underpinned by the culture of an audit practice.

In 2020 we undertook a deep analysis of the culture in our Assurance business. We sought to understand how well our culture supports the attitudes and practices required for audit quality and the elements of our culture that could make this more difficult when overplayed.

We identified three Critical Behaviours - Humility, Courage and Realism - that would have the most impact to encourage our teams to challenge respectfully, ask for what they need to deliver and to speak up where they are unsure or quality is at stake. We have been working hard to embed them ever since, and we are encouraged that Dr Switkowski's report identifies that in Assurance we have taken a 'robust approach to embedding and measuring critical behaviours' which underpin our quality culture. We know this work requires continual prioritisation and focus.

Since launching our critical behaviours, we have measured their impact through our staff engagement surveys, partner and staff quality feedback, and this year we have instigated a Culture Sentiment Survey, which is a specific pulse check of our critical behaviours. These measures provide important insights into how our people perceive our culture and whether they feel we bring our critical behaviours to life in conducting our audits.

We were pleased to see that our staff have reported strong results on our Assurance culture's support for respectful challenge and high quality outcomes as reported in our Audit Quality Culture measures on Page 8. We will continue to check this pulse on our quality culture during the year and it will act as an important foundation as we further embed these behaviours.

Investing in our strong system of quality management

Our Assurance system of quality management (SoQM) covers governance and accountability, independence and conflict management, people and other functional processes, and specific controls that are embedded in every audit. This SoQM supports our regulated Assurance business, is driven by local and international auditing standards and is regularly externally inspected.

Features of our SoQM include:

- Our Audit Quality Advisory Board (AQAB), established in 2019, provides external oversight and challenge on the measures we undertake to enhance the quality of the work we do. The AQAB's latest recommendations are complete following their FY23 review of our audit practice. See details of the recommendations and actions for the year ahead on Page 10.
- Our audit practice is subject to regular testing and inspection by regulators (the PCAOB and ASIC) and the PwC global network. This includes testing of certain elements of our overall SoQM and specific audit file testing. Each inspection cycle is followed by root cause analysis and agreed action plans that are implemented and monitored. Refer to our Audit Quality Measures section on Page 7 for details of our quality performance in FY23.
- Our audit business, audit partners and leadership have specific goals and accountability that are directed at incentivising audit quality. Performance has been assessed for many years using a balanced scorecard against a range of factors as well as people engagement and client service including specific client feedback on quality. Poor inspection or other adverse quality outcomes result in financial penalties, with good quality being positively rewarded. Audit partners are not incentivised to sell non-audit services - the profitability of the audit business is broadly equal with the firm as a whole, which means that the remuneration of audit partners is not subsidised by other businesses in the firm, and there are also specific restrictions to ensure audit partners are not rewarded on selling non-audit services to audit clients.

What actions are we taking?

We reiterate our commitment to the full implementation of the recommendations from Dr Switkowski AO's Independent Review into PwC Australia, and the action plan in PwC Australia's Commitments to Change. We will be judged by our actions going forward and we will publish and independently verify our progress in meeting these commitments.

We also intend to align with the PwC US firm on its recent announcements of actions to further drive quality and confidence in information that supports the capital markets and enhances the relevance of the profession. We will implement a series of actions over FY24-FY26, including the following:

- **Compensation clawback for audit quality** — By September 2024 as set out in Recommendation 22.2 of PwC Australia's Commitment to Change action plan, we will propose additional clawback and deferral mechanisms to improve accountability in partner remuneration. These changes will include specific applicability to audit quality.
- **Consulting services** — From FY25 we will cease the provision of certain types of permitted "pure" consulting services for our SEC and ASX listed audit clients to align with the US firm's new planned scope for non-audit services. Consistent with the US we are not changing our approach to other types of permissible services. We're focused on getting the balance right between taking positive steps in managing real or perceived conflicts, while also ensuring our clients continue to have choice in who they work with for important services. We believe this change will further enhance independence and global consistency for our audit clients.

Our commitment

As a member of the new PwC Australia Management Leadership Team I am fully committed to helping lead our firm to achieve our vision to become the leading professional services firm, built on the highest ethical and professional standards with integrity at our core, a firm that delivers purposeful and sustained outcomes in everything we do. We look forward to continuing to listen to your feedback and to openly sharing the lessons that we have learned.

Finally, thank you to our people. For your resilience, courage, humility, and unrelenting focus on our clients. We encourage you to continue raising your voice, challenging us and showing what a bright future our firm has in you.



Sue Horlin, Managing Partner, Assurance

Statement on the effectiveness of PwC Australia's system of quality management

PwC Australia considers that the system of quality management described in this report complies with applicable regulations and provides a reasonable basis for believing that audits carried out by the firm consistently meet the required quality standards.

We have not identified any significant matters that suggest the firm's system of quality management is insufficient to provide it with reasonable assurance that it complies with Australian Auditing and Assurance standards and applicable ethical, professional, legal and regulatory requirements.

This Transparency Report has been prepared to comply with Sections 332 to 332G of the Corporations Act 2001 (the Act) and Regulation 2M.4A and Part 2 of Schedule 7A in the Corporations Regulations 2001 (Regulations) in Australia.

Audit Quality Measures

1 ASIC and PCAOB audit surveillance results

ASIC audit surveillance

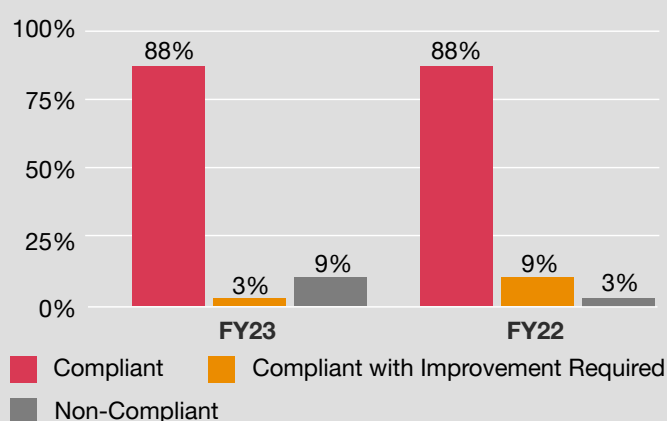
During 2023 ASIC have reorganised their financial reporting and audit surveillance programs, bringing them together into a single program by applying a risk based approach. 15 audit files from 11 audit firms were subject to audit surveillance by ASIC in the year ending 30 June 2023. One of these files was a PwC engagement. No findings were identified.

PCAOB inspections

The US Public Company Accounting Oversight Board (PCAOB) inspects PwC Australia every three years. The most recent inspection report was issued in October 2023, which covered three inspected PwC audit engagements and PwC Australia's system of quality control. No deficiencies were identified.

2 PwC internal inspection results

PwC Australia is subject to globally coordinated quality inspections as part of the PwC network. In PwC's inspection program in 2023, 28 files out of 32 reviewed were found to be compliant, 1 was rated compliant with improvement required, while 3 were rated non-compliant with relevant PwC network or professional standards and policies, including editorial aspects of audit opinions. None of the findings required re-issue of the audit report or a restatement, and the learnings and root cause analysis form a key part of our annual Audit Quality Improvement Plan.



3 Restatements

In 2023, when issues were identified in external or internal audit inspections of PwC audits of publicly listed companies, there were no cases where there was a resulting restatement.

0 Restatements for public companies identified by ASIC audit inspections or PwC inspections due to material error (2022: 0)

4 Average audit adjustments

In 2023, PwC performed 148 listed company audits and have identified on average 2 adjustments per audit, and ensured their appropriate treatment, prior to finalisation of the company's financial statements.

2 Average adjustments per audit (2022: 3)

5 Auditor independence

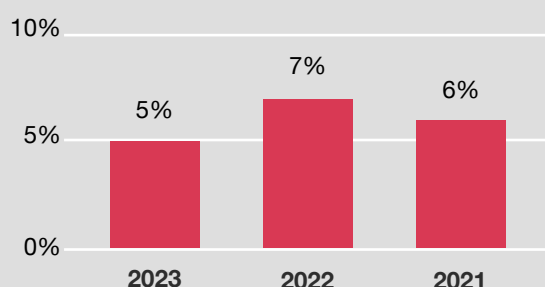
Independence is fundamental to audit quality. It ensures our objectivity. No audit partner is incentivised, evaluated or remunerated based on selling non-audit services to their audit clients. From time to time, when independence regulations and professional standards allow, audit clients may choose PwC as the best option when a project needs external assistance. This work is considered through our internal independence and conflict processes before any work commences.



<1%

Non audit fees from ASX 200 audit clients as % of total firm revenue (2022: <1%)

Non-audit as a percentage of audit fees for ASX 200 audit clients



ASX 200 calculated based on market cap at time of submission of financial statements (top 200 market cap).

Audit Quality Culture

1 Leadership in quality survey

One of the ways we measure quality is by how our people view our commitment to quality. Each year, PwC Assurance conducts an anonymous survey of staff to collect feedback on the quality behaviours demonstrated by partners and senior leaders.



Of the partners who received feedback from staff, they achieved an average score of

9.5 out of 10

(2022: 9.4)



Of the senior staff grades who received feedback, they achieved an average score of

9.4 out of 10

(2022: 9.3)

2 People survey

PwC conducts an annual survey to all staff with questions asking how people are feeling about a range of areas including leadership, wellbeing and diversity and inclusion. We also ask questions on quality behaviours with the following results:

87%

of Assurance respondents believe we consult subject matter or technical experts, as necessary to enable us to perform quality work

79%

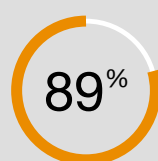
of Assurance respondents believe that they receive the supervision and guidance (technical and non-technical) to perform quality work

88%

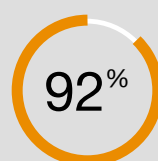
of Assurance respondents say the people they work with challenge them and each other to deliver quality work

3 Culture sentiment survey

In FY23, PwC Assurance launched our first Culture Sentiment pulse survey as a way to gain real time insights into how our people perceive our culture and whether they feel that we bring our critical behaviours to life.



of audit staff strongly agree/agree that our Assurance culture supports high quality outcomes



of audit staff strongly agree/agree that our Assurance culture supports respectful challenge

4 Client feedback

We ask our audit clients for their view on our levels of challenge and the quality of our audits, which we measure as a combined "Audit Quality Score".

Overall audit quality score from our clients in feedback surveys

85%

Audit Quality Score

From 320 external audit feedback surveys (2022: 87% from 388 surveys)

PwC brings a questioning mindset to our audit

91%

Strongly agree/agree

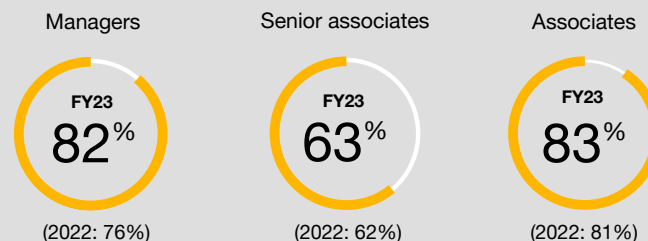
(2022: 92% from 388 surveys)

People Perspectives

1 Average retention rate by staff level

In recent months we have particularly focused on supporting our people including investment in staff pay and bonuses, wellness support and a variety of engagement and communication activities, with some good success in lower staff turnover and higher retention than FY22.

Retention rate by staff level



2 Continuity

We have measured our “continuity rate” for senior consultant grade through to partner for our ASX 100 30 June year ends. Continuity from year-to-year drives a strong understanding of our client’s business, good sharing of information, and informed coaching of our junior staff - all key contributors to a quality audit.

73%

of senior associates and above for ASX100 30 June 23 year ends are in at least their 2nd year on the audit

3 Our training investment in people

In FY23 partners and staff undertook an average of 99 hours of audit training compared with 105 in FY22.

Audit training: Average hours achieved by partners and staff

	Online	Classroom	Total	Total hours completed
FY23	40	59	99	170,543
FY22	35	70	105	182,255

Number of hours of auditing and accounting training mandated by PwC by grade

	Partners	Managers	Senior associates	Associates
FY23	31	31	31	125
FY22	41	41	41	122

The decrease in hours achieved and mandated in FY23 reflects that FY22 included greater technical content related to the release of the audit standard ASA 315 (Revised).

4 Technical support

A leading indicator of our investment in our system of quality management is the ratio of partners in quality or technical roles compared to the total number of audit signing partners. Partners with senior risk and quality roles are highly valued and their remuneration is comparable to our most senior client facing partners.

1 to 9

Ratio of partners serving in technical/audit quality support roles to the total number of audit signing partners (2022: 1 to 9)

Audit Quality Advisory Board

PwC Australia's Audit Quality Advisory Board (AQAB) provides external advice, guidance and challenge regarding PwC's Australia's approach to audit quality, specifically on matters relating to the quality of statutory (external) audits performed by the firm.

The AQAB has access to all information about our audit quality processes including access to staff via focus group interviews, and provided its fourth report in September 2023. The full Executive Summary of the report is provided as an appendix to this document, and below we share the Board's key observations and recommendations, and how PwC will act on those recommendations. In what has been a challenging year for PwC Australia, we are pleased to note the AQAB's views on our ongoing commitment to invest in audit quality.

The first three AQAB reports have considered topics related to audit quality including PwC's audit quality agenda, the resourcing of audit teams, maintaining independence from audit clients, culture within the Assurance business, and performance measures for measuring the success of the PwC Assurance business. Over the previous three reports, the AQAB have provided us with 15 recommendations, and in each case we have advised the AQAB of steps we have taken to implement each of the recommendations.

This year the AQAB's work was focused on our ongoing efforts to enhance our approach to quality, the progress of our significant resourcing initiatives, and the application of our accreditation process for audit partners. The recommendations are specific, detailed and tracked and monitored alongside our regular assurance actions tracking, which are regularly reported to the Assurance Leadership team.

Summary observations and recommendations from the 2023 Audit Quality Advisory Report

“

In a challenging year for PwC as a whole, the Assurance business has continued to invest in audit quality with the clear purpose of delivering quality audit services in accordance with external requirements and firm policies.

The AQAB's consideration of the three focus areas referenced below in this report, which included discussions with PwC's partners and staff, indicate that the firm's investment in enhancing audit quality is achieving a positive return – the messages on the importance of audit quality are getting through to the partners and staff of the Assurance business, and clear strategies and measures adopted to deliver on improved outcomes. In this context, the greater emphasis on people, culture and engagement is noticeable, and key to a significant number of the improvement opportunities being taken. ”



2023 Report Recommendations

The AQAB's recommendations relating to each of the focus areas reviewed are set out below.

Focus areas for 2023: 1. Audit quality agenda, 2. Progress of PwC's significant resource initiatives and 3. Application of PwC's accreditation process for audit partners.

Recommendation	PwC's response, Owner and Date
<p>1. PwC reviews its communications and training for partners and staff to provide:</p> <p>a. greater visibility to approaches that contribute to audit quality for the audit of smaller audit clients, and</p> <p>b. reinforcing with staff, in light of the TPB and related matters, the firm's policies for sharing information internally within the Assurance business, and more broadly within the firm.</p>	<p>As part of our regular training and communications with partners and staff this year we will provide:</p> <p>Greater visibility of approaches and issues that specifically impact on the quality of audits at smaller clients.</p> <ul style="list-style-type: none"> Emphasis on information management policies as they relate to the Assurance business, noting that in addition to this, at a firm wide level, we will be focused on uplifting awareness of our information management policies, including confidentiality obligations. Responsibility: (1a) Elizabeth O'Brien (Audit Leader) and (1b) Chris Daniell (Assurance Transformation Leader). <p>Date: 30 June 2024</p>
<p>2. The AQAB recommends that PwC consider accelerating initiatives that:</p> <p>a. grow relationships between engagement teams and the Acceleration Centre teams in Kolkata and Manila; and</p> <p>b. focus on practices to improve the efficiency and effectiveness of how the teams operating onshore and offshore are working together.</p>	<p>During 2023-24, we will accelerate the initiatives to drive greater efficiency and effectiveness across all our channels of delivery including working practices between our onshore and offshore teams. This will include team connection activities and process improvements.</p> <p>Responsibility: Elizabeth O'Brien (Audit Leader) and Corinne Best (Trust & Risk Leader)</p> <p>Date: 30 June 2024</p>
<p>3. The AQAB recommends that PwC increases its communication and engagement with staff on resourcing initiatives.</p>	<p>We will share more fulsome updates on a regular basis, acknowledging where our progress is slower than we had hoped and actions we will take to improve.</p> <p>Responsibility: Aishwarya Chandran (Assurance People Leader)</p> <p>Date: 31 March 2024</p>
<p>4. The AQAB recommends that PwC maintain a proactive approach to recruitment and retention. The firm should enhance its reporting of lead indicators of staff engagement and implement additional measures to attract and retain employees should negative implications of the TPB and related matters become evident.</p>	<p>We have established regular, timely reporting of employee sentiment and other lead indicators of staff engagement and will continue to monitor - at both a firm wide level and in the Assurance business. This will include the impact of the TPB matter on recruitment and retention. We will also continue to invest in Assurance-specific staff development and firm-wide wellness and employee value proposition initiatives to encourage attraction and retention of our team.</p> <p>Responsibility: Aishwarya Chandran (Assurance People Leader)</p> <p>Date: 31 March 2024.</p>
<p>5. The AQAB recommends that PwC review:</p> <p>a. the Accreditation eligibility criteria so they align with the Assurance scorecard and current Assurance performance measures; and</p> <p>b. the Accreditation eligibility criteria and annual review process to consider incorporating specific measures that signal the importance of leadership on culture.</p>	<p>The Risk and Quality leader for Assurance will review the eligibility criteria to ensure there is appropriate alignment with our scorecard, performance measures and cultural aspirations and report back to the Assurance Leadership team by 31 December 2023 with recommendations.</p> <p>Responsibility: Debbie Smith (Assurance Risk and Quality Leader)</p> <p>Date: 31 December 2023</p>
<p>6. The AQAB recommends PwC formalises a monitoring program to be confident that the criteria and review of accreditation are effective in contributing to audit quality and regularly revisit the policy and processes in light of the outcomes of the monitoring.</p>	<p>The Risk and Quality leader for Assurance will formalise a monitoring program as advised by the AQAB. Once established, in conjunction with the Assurance Leadership team, the Risk and Quality leader will consider enhancements to the relevant policy and processes.</p> <p>Responsibility: Debbie Smith (Assurance Risk and Quality Leader)</p> <p>Date: 31 December 2023</p>

Section Two

Delivering on our commitment to quality

Dr Ziggy Switkowski Independent Review

In May 2023, PwC Australia commissioned Dr Ziggy Switkowski AO to conduct an independent review into the firm's governance, culture and accountability. The independent review in full, 'Review of Governance, Accountability and Culture at PwC Australia' as well as 'PwC Australia's Commitment to Change' (our detailed Management Response and Action Plan) and the 'Review of Tax Confidentiality Breaches and Related Questions' documents were publicly released on 27 September 2023.

PwC Australia has accepted and will implement the independent review's recommendations and will publish progress in meeting these commitments until they are fully embedded.

The TPB matter and related investigations do not relate to the conduct of external assurance services by PwC, or to any partners and staff in their performance of services as an assurance provider.

Since the release of the Independent Review, we have performed an evaluation of the impact that the key recommendations from the review and the Australian firm's commitments and actions have on the Assurance system of quality management. While there are a number of foundational areas of change that Dr Switkowski has recommended for the firm and that we have committed to, the Assurance practice was identified as an area of good practice for the firm.

The key areas of change are in the firm's governance and central risk functions, and while these will support our ongoing effort to continuously improve our SoQM in Assurance, none are built or intended to remediate an issue within Assurance's SoQM, nor have our considerations of the recommendations indicated that we have not delivered on our SoQM.

Our approach to quality

A specific focus on audit quality across the Network

The PwC Network's Assurance QMSE framework

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

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 and manages risk.

This framework introduces an overall quality objective that is supported by a series of underlying quality management objectives and each firm's SoQM should be designed and operated so that the overall quality objective, which includes meeting the objectives of ISQM 1, is achieved with reasonable assurance.

The International Standard on Quality Management 1 (ISQM 1)

ISQM 1 became effective 15 December 2022 and required all firms performing audits or review of financial statements, or other assurance or related service engagements to have designed and implemented a SoQM to meet the requirements of the standard.

The PwC Network's Assurance QMSE framework was designed to enable our firms to meet the requirements of ISQM 1. This includes design and implementation of the SoQM to comply with ISQM 1 to meet the effective date and evaluation of the SoQM under the standard by 15 December 2023.

Integrated and aligned in the right way

The quality objectives focus on having the necessary capabilities and to deploy our people consistently using our intellectual and technological resources to deliver audits in an effective and efficient manner that fulfils the expectations of our clients and stakeholders. Put simply, 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.

The Quality Management Process

The achievement of these objectives is supported by a Quality Management Process (QMP) established by our firm and Assurance leadership, business process owners, and partners and staff. 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 and procedures through the use of process-integrated monitoring activities such as real-time assurance as well as appropriate Assurance quality indicators.
- Continuously improving the SoQM 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.

Overall quality objective

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

Our SoQM must be designed, implemented and operating 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 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.

The past several years have seen unprecedented challenges and our firm's SoQM under the QMSE framework has helped us navigate and react to the impact that identified factors had on our ability to achieve the overall assurance quality objective - to deliver quality audit engagements.

Our SoQM involves a dynamic risk assessment process that takes and analyses the information about these conditions, events, circumstances, actions or inactions 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.



Aim to predict: Assurance Quality Indicators

We have identified a set of Assurance Quality Indicators (AQIs) that support our Assurance leadership team in the early identification of potential risks to quality, using metrics that 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, provide a key tool in the ongoing monitoring and continuous improvement of our SoQM.

Aim to prevent: Real Time Assurance

Our Real Time Assurance (RTA) programme provides preventative monitoring that helps coach and support engagement teams get the 'right work' completed in real-time, during the audit. Pre-issuances reviews, which are performed by experienced practice or Risk & Quality professionals, assist in the identification of shareable practices and the provision of targeted coaching for engagement teams.

Learn: Root cause analysis

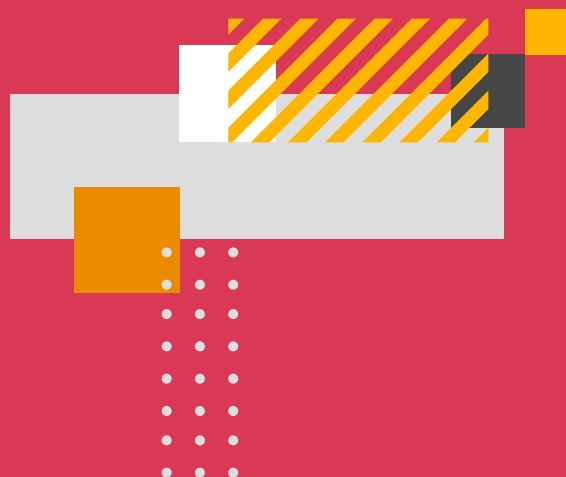
We perform analyses to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. Our primary objectives when conducting such analyses are to understand what our findings tell us about our SoQM and to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We analyse quality findings from all sources including our own ongoing monitoring of our SoQM as well as the network inspection of our SoQM, audits both with and without deficiencies – whether identified through our own internal inspections process or through external inspections and other inputs such as restatements included in clients' financial statements – to help identify possible distinctions and learning opportunities.

For individual audits, a team of reviewers independent from the engagement team conduct the root cause analysis. Their task is to identify issues relating to audit quality. They evaluate engagement information, perform interviews, and review audit working papers. They consider factors such as technical knowledge, supervision and review, professional scepticism, engagement resources, behaviours and training, among others. Following root cause analysis, we prepare an Audit Quality Improvement Plan that outlines the actions required to address the factors contributing to the engagement review results.

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 services to our clients, how we work with our people and driving a high quality culture. It holds partners accountable for quality behaviours and quality outcomes and directly links audit quality with remuneration. The impact of audit quality matters on the remuneration of audit partners is assessed independently by our Risk & Quality team to ensure separation from other elements of performance evaluation. Each partner's remuneration reflects how well they have performed against an individually-tailored balanced scorecard of objectives, based on their role and responsibilities. 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 and the standards and policies of the PwC network and the firm.
- **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.



Enhancing audit quality through client listening

FY23 Client Listening

85%*

Audit Quality Score

Based on 320 post
external audit surveys

*The Audit Quality Score is based on 10 variables related to external audit quality. The score is determined by adding the % Agree and % Strongly Agree responses against each of the variables.

(2022: 87% from
388 surveys)

PwC brings a questioning mindset to our audit

91%

Strongly agree/agree

(2022: 92% from
388 surveys)

At PwC, we use our Client Listening program to derive crucial insights into our clients' experiences. Formally listening to our clients' is critical to validating PwC's reputation for audit quality and helps us to maintain a pulse on the perceptions in the market by evaluating foundational factors that determine a quality audit. Seeking and responding to feedback on audit quality builds trust, amplifies what our clients value most and provides a differentiated audit experience.

We use a defined set of audit quality variables to survey audit clients. These variables cover the depth of our team's knowledge of the client's business and industry, the differentiation of our technical expertise, the effectiveness of the tools and technology we use and the planning we undertake, as well as our mindset of respectful challenge.

In addition to the survey, PwC people (independent of the audit engagement) conduct feedback conversations with key audit stakeholders to discuss the quality variables in deeper detail, including what our clients expect of a quality audit and how well PwC delivered to these expectations.

By listening to our clients we obtain insights that we can respond to using targeted actions. These insights and actions increase our ability to deliver a high quality audit and enhance our clients' future experiences. By sharing what we have heard with our clients, we both acknowledge their feedback and reinforce our commitment to act on it, promoting even greater transparency in the relationship.



Leadership and tone at the top

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 our network of 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.

For all our businesses, 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 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' SoQMs and investing in programmes to enhance the quality of the services that the PwC network provides.

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



**Act with
integrity**



**Make a
difference**



**Work
together**



Care



**Reimagine
the possible**

- Speak up for what is right, especially when it feels difficult
- Expect and deliver the highest quality outcomes
- Make decisions and act as if our personal reputations were at stake
- Stay informed and ask questions about the future of the world we live in
- Create impact with our colleagues, our clients and society through our actions
- Respond with agility to the ever changing environment in which we operate
- Collaborate and share relationships, ideas and knowledge beyond boundaries
- Seek and integrate a diverse range of perspectives, people and ideas
- Give and ask for feedback to improve ourselves and others
- Make the effort to understand every individual and what matters to them
- Recognise the value that each person contributes
- Support others to grow and work in the way that brings out their best
- Dare to challenge the status quo and try new things
- Innovate, test and learn from failure
- Have an open mind to the possibilities in every idea

Our culture and values

An important part of delivering against our Assurance quality objectives is building a culture that emphasises that quality is the responsibility of everyone. Our purpose is to build trust in society and solve important problems, and our values 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 SoQM and permeates how we operate, including guiding our leadership actions, and how we build trust in what matters – how we do business, with each other and in our communities.

This culture is supported by tone at the top through regular communication from leadership to all partners and staff about the firm’s commitment to quality. Key messages are communicated to our firm by our Senior Partner and our leadership team and are reinforced by engagement partners.

These communications focus on what we do well and actions we can take to make enhancements. We track whether our people believe that our leaders’ messaging conveys the importance of quality to the success of our firm. Based on this tracking, we are confident our people understand our quality objectives. Delivering service of the highest quality is core to our purpose and our Assurance strategy, the focus of which is to strengthen trust and transparency in our clients, in the capital markets and wider society.

Ethics

We are governed by our Network Standards and our Network Risk Management Policies, as well as local engagement and workplace policies. Our Code of Conduct sets out what’s expected of us and holds us accountable to always give our best. In August 2023 a dedicated Ethics function was established, led by an experienced partner. To further embed a culture that empowers our people to ask questions and challenge decisions, we are implementing a program of work to support a constructive challenge culture in line with the recommendations of the Independent Review.

Leadership responsibility for quality

PwC’s leadership is committed to audit quality and fosters a culture that embraces high standards in independence and professional ethics. We embed this culture through detailed policies on matters such as ethical behaviour, human resources and engagement performance. Our leaders frequently and consistently communicate the firm’s purpose and values. Continuing to enhance a 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.

PwC’s leadership structure reflects our commitment to quality at multiple levels throughout the firm and we dedicate the necessary resources to ensure quality. A senior partner, who reports directly to the CEO, is responsible for risk management and quality control over the firm’s Assurance client service operations.

We measure quality by adherence to systems and processes and by how our people view our commitment to quality. Each year, PwC Assurance conducts an anonymous survey of staff to collect feedback on the quality behaviours demonstrated by partners. Staff score partners based on the quality behaviours they see exhibited when partners are with clients, with the engagement team and in the files. In the 2023 survey, 87% of partners received feedback, and their average score was 9.5 out of 10. For senior staff grades we received 5,329 responses to the survey, and the average score was 9.4 out of 10.

Leadership in quality survey



Of the partners who received feedback from staff, they achieved an average score of

9.5 out of 10

(2022: 9.4 out of 10)



Of the senior staff grades who received feedback, they achieved an average score of

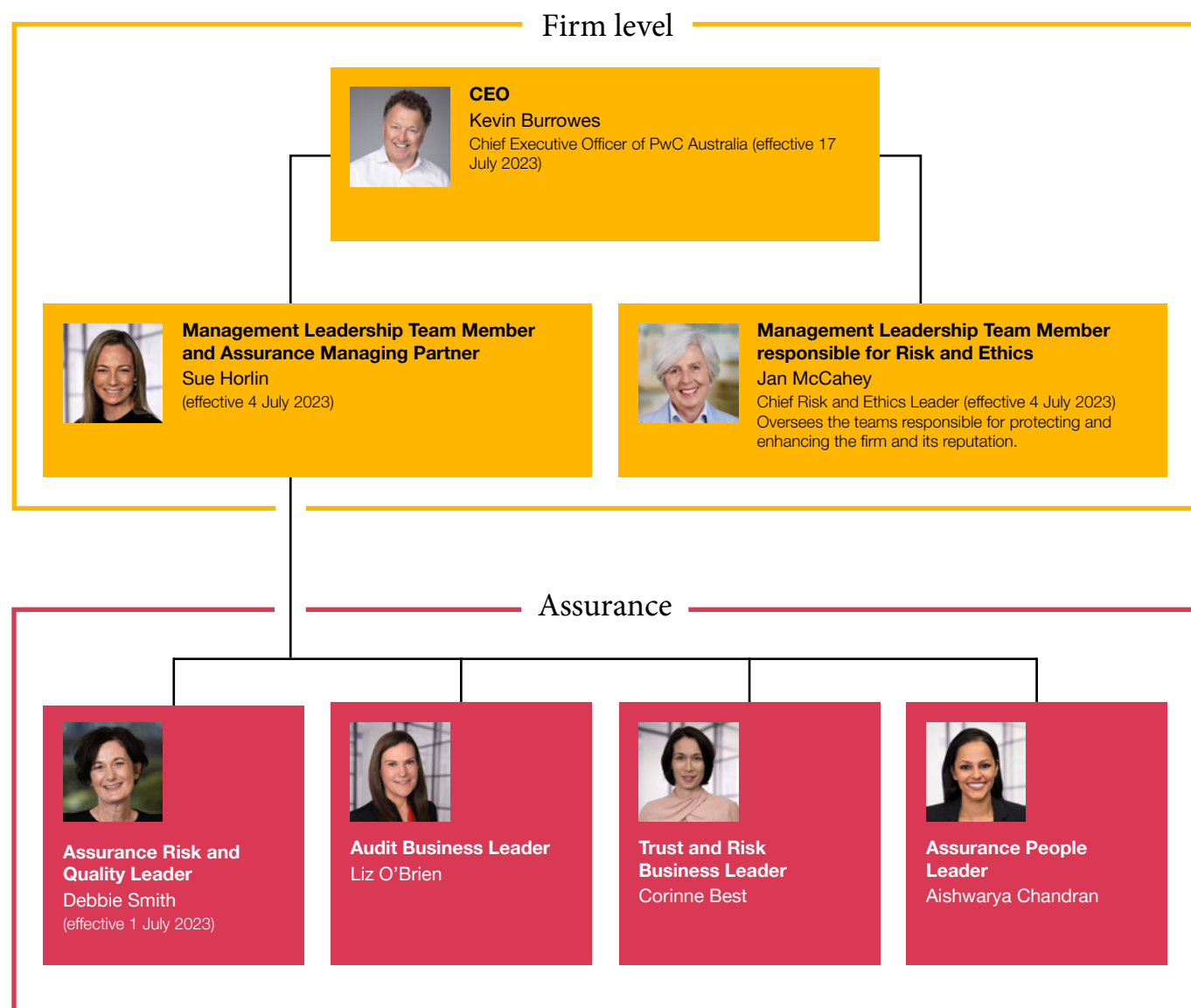
9.4 out of 10

(2022: 9.3 out of 10)





Leadership responsibilities for quality within PwC Australia



Central Assurance Quality Partners

Responsible for accounting, methodology, inspections, risk and learning

Assurance Practitioners Networks

Assurance Risk Management Partners Network

Experienced partners who identify and manage the risk within our business units

Chief Auditor Network

The first-line support from experienced practitioners when teams are making judgements real-time during the audit. Also responsible for targeting emerging audit quality challenges and root causes proactively at each operating unit level, as well as providing leadership to set the tone for a quality culture

Professional standards

The firm adheres to the fundamental principles of ethics set out in the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants. We also adhere to the APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board (APESB) in Australia, which includes the following:

- **Integrity:** be straightforward and honest in all professional and business relationships.
- **Objectivity:** don't allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- **Professional competence and due care:** maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques, and act diligently and in accordance with applicable technical and professional standards.
- **Confidentiality:** respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, don't 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:** comply with relevant laws and regulations and avoid any action that discredits the profession.

PwC network standards and Global Code of Conduct

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 and partner taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC network and leadership in PwC Australia monitors compliance with these obligations.

In addition to the PwC Values (Act with Integrity, Make a difference, Care, Work together, Reimagine the possible) and PwC Purpose, PwC Australia has adopted the PwC network standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals - behaviours that will enable us to build public trust. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal to do the right thing.

Upon hiring or admittance, all staff and partners of PwC Australia are provided with the PwC Global Code of Conduct. They are expected to live by the values expressed in the Code in the course of their professional careers at our firm and have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing conduct inconsistent with the Code. In addition, every partner and staff are required to complete new hire training, which covers the ethics and compliance network standards, including ethics and 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. 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 on-line for all internal and external stakeholders at <https://www.pwc.com/ethics>.

PwC Australia has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

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.

Audit training matters

99%

Completed mandatory training by the due date in FY23 (2022: 99%).

0

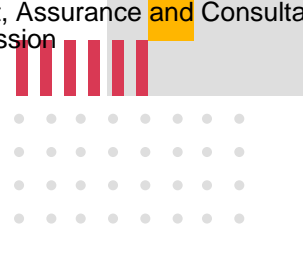
Dismissals during FY23 for breaches of the training policy (2022: 0).

5%

Sanctioned during FY23 for breaches of the training policy (2022: 1%).

99

Average hours training completed by partners and staff (2022: 105).



Objectivity and independence

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

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

The independence requirements of the United States Securities and Exchange Commission (SEC) are, in certain instances, more restrictive than the Global Independence Policy. Given the reach of these requirements and their impact on PwC firms in the network, the 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 Policy in the associated paragraph.

Leadership

PwC Australia has a designated Partner Responsible for Independence (PRI), with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The PRI reports directly to the firm's Chief Risk and Ethics Leader. With the support of a specialist team, the PRI oversees the firm's independence policy, systems, processes, advice and guidance.

Policies

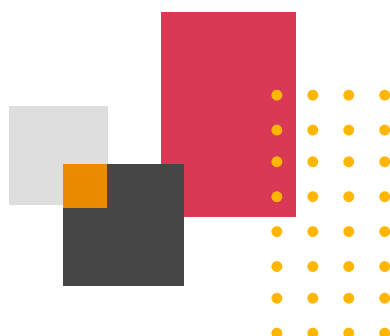
We have policies in place to ensure we comply with professional and regulatory standards of independence for firms that provide assurance services. These policies are reviewed and revised regularly and in response to new rules, regulations or operational matters.

Our principal policy on independence is the PwC Global Independence Policy (the Independence Policy), a network-wide policy that contains the rules, systems and processes necessary to maintain independence from restricted clients. The policy is based on the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards). It references the independence requirements of the United States Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) of the United States. It also refers to the requirements of the EU Audit Regulation which, in certain instances, are more restrictive than the Independence Policy.

The Independence Policy covers (among other 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 for those clients.

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



These policies and processes are designed to help PwC 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.

When necessary, we supplement the Independence Policy and partner rotation guidance with more restrictive local professional and regulatory rules of the Corporations Act 2001, APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (APES 110) and Australian Prudential Regulation Authority (APRA) Prudential Standards, as well as additional local policy rules.

Independence-related systems and tools

As a member of the PwC network, PwC Australia has access to global systems to help partners and staff comply with independence policies and procedures. These systems 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 in determining the restriction status of clients of the member firm and those of other PwC member firms before entering into a new non-audit service or business relationship. This system also feeds Independence Checkpoint and Authorisation for Services.
- **“Independence Checkpoint”** which facilitates the pre-clearance of publicly traded securities before acquisition by all partners and practice managers, and is used to record their subsequent purchases and disposals. Where a PwC member firm wins a new client, this system automatically informs those holding securities in that client of the requirement to sell the security where required.
- **Authorisation for Services (AFS)** which 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 service.
- **Joint Business Relationships (JBR)** which is a global system used to clear 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.

- **Global Breaches Reporting System** which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory). All breaches reported are evaluated and addressed in line with the IESBA International Code of Ethics for Professional Accountants, and/or the SEC regulation, as applicable.

- **Engagement Independence Confirmation (EIC)** (replacing former local system, MyIndependence) which facilitates the completion of engagement level personal independence confirmations by audit team members to enable the audit engagement partner to demonstrate the independence of the team.

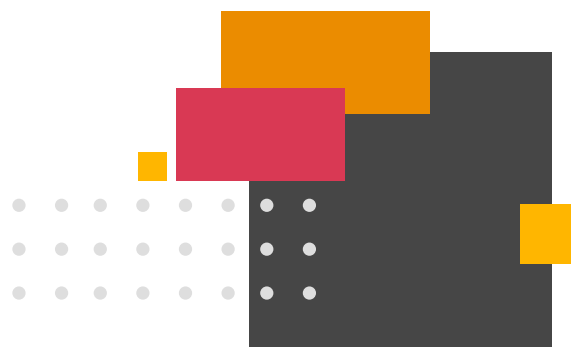
- **Annual Compliance Confirmation (ACC)** which facilitates the completion of the annual independence confirmation required to be completed by all Firm partners and staff and covering all aspects of the Independence Policy.

PwC Australia also has territory-specific independence systems, including:

- **Partner Portfolio Risk and Rotation** which helps monitor compliance with applicable partner rotation requirements for PwC Australia’s audit and assurance clients.
- **External Appointments** which facilitates the assessment and tracking of partner and staff external directorships and similar appointments.

Training

PwC trains partners and practice staff in independence matters every year. Training typically focuses on subject matter and responsibilities that come with a change in position or role, changes in policy or external regulation, and other relevant topics. Training about the firm’s independence policy and related matters is delivered via e-learns, presentations, virtual classroom sessions, online guidance, and communications. It is prepared and/or delivered by independence specialists and /or risk and quality teams.





Independence monitoring and disciplinary policy

All partners and practice staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the PwC 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. The annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations for all audit clients.

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

- Compliance testing of independence controls and processes, both at the firm level and the individual engagement level.
- Compliance testing of personal independence across a random selection of partners and managers, including those being considered for partnership.
- An annual assessment of the firm's adherence to the PwC network's standard relating to Independence.

The results of PwC Australia's independence monitoring and testing are reported to our leadership team. PwC Australia has an Accountability Framework and supporting disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

This would include discussion with the client's audit committee regarding the nature of the breach, an evaluation of the impact on our independence, and the need for actions or safeguards to maintain objectivity. We also follow breach reporting requirements under the Corporations Act 2001 (Cth), the SEC Rules, and APES 110.

Although breaches are typically minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. These investigations also serve to identify any need for improvements in the firm's systems and processes, guidance and training.

Acceptance and continuance of client relationships and specific engagements

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

To help us identify acceptable audit clients, PwC Australia uses the PwC network's decision support system called Acceptance. Acceptance helps the engagement team and business and risk management specialists decide whether the risks related to an existing client or a potential client are manageable, and whether or not PwC Australia should be engaged.

For engagement teams, Acceptance enables them to:

- Document their consideration of matters required by relevant professional standards.
- Identify and document issues or risk factors and their resolution (through consultation, for example) by adjusting the resource plan or audit approach, putting in place other safeguards to mitigate identifiable risks, or by declining to perform the engagement.
- Evaluate the risks associated with accepting or continuing with a client and engagement.

For PwC's leadership and risk management specialists, Acceptance enables them to:

- Evaluate the risks associated with accepting or continuing with clients and engagements.
- Have an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio.
- Understand the methodology, basis and minimum considerations all other member firms in the PwC network have applied in assessing audit acceptance and continuance.

PwC has policies and procedures for withdrawing from an engagement or a client relationship, if and when necessary.



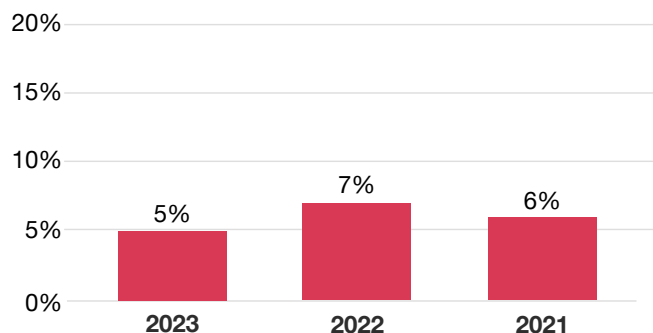
Financial information

	FY23	FY22	FY21
Total revenue for the financial year	\$3,350m	\$3,010m	\$2,590m
Revenue for audits of financial statements	\$540m	\$482m	\$451m
Revenue for audit-related and other assurance services provided to audit clients	\$79m	\$64m	\$51m
Revenue for all assurance services provided to audit clients	\$619m	\$546m	\$502m
Revenue for non-audit services provided to audit clients	\$124m	\$109m	\$111m
Revenue for other services provided to non-audit clients	\$2,607m	\$2,355m	\$1,977m

Consistent with prior years, PwC continues to provide disclosure additional to the requirements of the Corporations Act by splitting revenues from other services between audit clients and non-audit clients. In the above table, amounts of \$21m and \$17m have been reclassified from revenue for "audits of financial statements" and amounts of \$10m and \$6m have been reclassified from revenue for "non-audit services provided to audit clients" to "revenue for other services provided to non-audit clients" in 2022 and 2021 respectively to reflect a correction from amounts presented in prior years.

Non-audit as a percentage of audit fees for ASX 200 audit clients

Independence is a fundamental part of audit quality because it supports objectivity. The Corporations Act 2001 (Cth) prohibits an external audit from performing certain services for their client. These include engagements where the audit firm might act in a management capacity or find itself auditing its own work. PwC has comprehensive internal policies to ensure our independence is not impaired. While there are no regulations in Australia that require a 'cap' on non-audit services provided by an audit firm, the amount of non-audit services provided to PwC Australia's ASX 200 audit clients in FY23 averaged approximately 5% of audit fees, which equates to less than 1% of PwC Australia's total revenue in 2023.

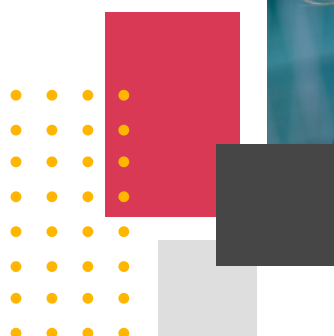


ASX calculated based on market cap at time of submission of financial statements (top 200 market cap).

Partner remuneration

Once the performance of individual partners has been assessed, the CEO and Management Leadership Team make recommendations on the firm allocation and distribution of profits in accordance with our Partner Evaluation and Income System. The profitability of the audit business is broadly equal with that of the firm as a whole, which means that remuneration of audit partners is not subsidised by other businesses in the firm. The Governance Board oversees the proper application of the firm's partner income scheme.

Partners have transparency over the total income allocated to each individual as well as quality-related matters that have a direct financial impact on remuneration. Audit partners are not permitted to be incentivised, evaluated or remunerated for the selling of non-audit services to their audit clients.



Our people

Our people strategy is focused on being the world's leading developer of talent and enabling our people with greater agility and confidence in a complex world. Specific focus areas include creating a resilient foundation through supporting the wellbeing of our people and enabling effective delivery, developing inclusive leaders and enabling 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. Our hiring standards include a structured interview process with behavioural based questions built from the PwC Professional framework, tactical technical questions designed to review individuals' competence relating to audit quality, a verification of academic records and background checks.

Our strategy relies upon investing to create the PwC Australia of the future – responding to the expectations of the market to deliver a different, more digital experience to our clients.

Three key elements of this strategy are:

- **Digital upskilling:** We provide our people with individualised learning tools to expand the use of digital solutions on their audits and empower them with a mindset of continual improvement and innovation. Our Digital Academies leverage market-leading software and focus primarily on building three core skills: data wrangling, automation, and data visualisation. These tools enhance the firm's collective digital fluency while providing each individual with a personalised curriculum to build their digital IQ. Our Digital Accelerators are embedded within our engagement teams and are dedicated to applying digital capabilities to each audit, as well as developing new digital solutions for the firm.
- **Social impact:** Our strategy is to deliver social impact on key issues (for example investing in our people and their mental health) to pursue growth in an inclusive way (for example in ESG) and to amplify the impact of others by supporting organisations in regard to complex social problems.
- **Be well, work well:** The firm has increased the dialogue on our people's mental health and wellbeing. We actively encourage a culture of openness around mental health and wellbeing as demonstrated by our Green Light to Talk movement, where we have now over 93 of our people trained as Green Light to Talk advocates and 15 Mental Health Partner advocates in Assurance. This supplements a comprehensive suite of online tools and information around health and wellbeing as well as a dedicated wellbeing team.



Our people



149

Number of
audit partners



1,574

Number of
audit staff

Diversity and inclusion

At PwC, we're focused on diversity and fostering an inclusive environment in which our people are comfortable bringing their whole selves to work and feel that they belong and are valued. 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 Care and Work together guide us to recognise the contributions of each individual and develop a workplace with a range of people, perspectives and ideas. We measure our progress through targets and transparency. For example, the firm has a gender target of 40:40:20* for partner admissions each year. This balance was not achieved in FY23 due to 1 July admissions being deferred, however Assurance is committed to returning to gender parity in FY24.

*PwC Australia's diversity targets aim for a minimum of 40 percent of new partners to be women, 40 percent men and the remaining 20 percent can be any gender identity. We also have a 30% cultural diversity target.

Our pursuit of diversity

Of the 25 new Assurance partners admitted in FY23 (FY22: 24)



32%
were women
(2022: 50%)



28%
were from a diverse cultural
background. (2022: 29%)

FY22 includes partner admissions on 1 July 22 whereas in FY23 there were no partner admissions on 1 July 23.



Recruitment

PwC recruits high-quality people who can operate to a high technical, professional and ethical standard, and who share in the firm's purpose and sense of responsibility for quality auditing. We assess candidates according to multiple criteria, which include PwC's professional attributes, as well as academic achievements. When recruiting experienced hires into the firm, we give considerable attention to candidates' competency in and understanding of audit quality and professional scepticism. We also aim to hire a diverse and inclusive workforce. Across the firm in FY23, we recruited over 3,200 people, including over 1,100 graduates.

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. Feedback on performance and progression is collected via Workday as our primary tool, enabling a simple, mobile-enabled and central repository for all feedback. Ongoing feedback conversations help our people grow and learn faster, adapt to new and complex environments and bring the best to our clients and firm.

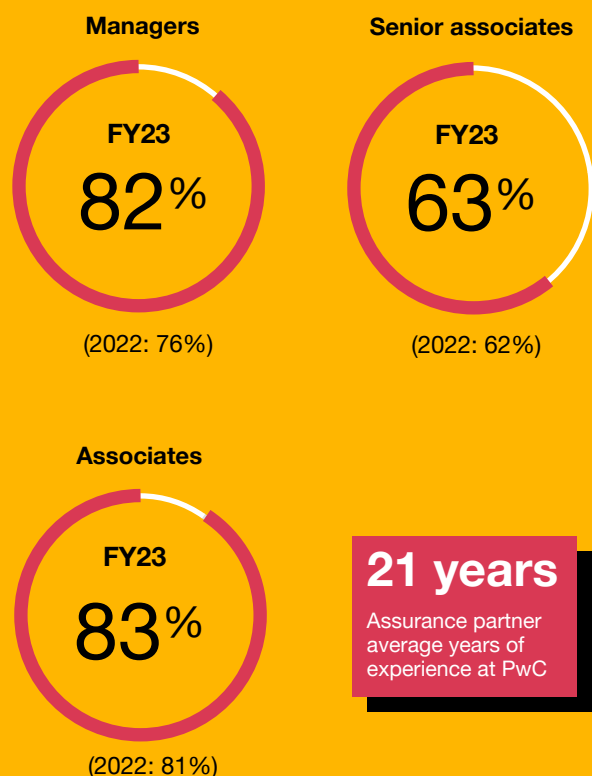
Career progression

PwC Australia 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 Team Leader to discuss their development, progression and performance.

Retention

Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand and the development experience we provide makes our people highly sought after in the external market. To attract and retain staff, we have launched a range of wellbeing, rewards and benefits and remuneration initiatives, as well as significant investment in both personal and professional development and training. We have also capitalised on being part of a global network and focused on smarter resourcing, including use of our offshore acceleration teams, virtual resources from within PwC network firms, and creating a market leading experience for our graduate cohorts.

Average retention rate by staff level



Continuity

73%

of senior associates and above for ASX100 30 June 23 year ends are in at least their 2nd year on the audit.

We have measured our “continuity rate” for senior consultant grade through to partner for our ASX 100 30 June year ends. Continuity from year to year drives a strong understanding of our client’s business, good sharing of information from year to year, and informed coaching of our junior staff - all key contributors to a quality audit.

Global people survey

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

People survey

87%

of Assurance respondents believe we consult subject matter or technical experts, as necessary to enable us to perform quality work

79%

of Assurance respondents believe that they receive the supervision and guidance (technical and non-technical) to perform quality work

88%

of Assurance respondents say the people they work with challenge them and each other to deliver quality work

Culture sentiment survey

In FY23 PwC launched our first Culture Sentiment survey as a way to gain real time insights into how our people perceive our culture and whether they feel that we bring our critical behaviours to life.

Culture measurement is critical in helping us monitor cultural change and progress and:

- Gives us insight into the effectiveness of our initiatives.
- Lets us know if we are achieving the desired outcomes with our critical behaviours.
- Helps us to make informed decisions.



Professional development

We are committed to putting the right people in the right place at the right time. 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 flexible training portfolio facilitates personalised learning with access to a variety of educational materials.

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 promotion and support them in prioritising and managing their time more effectively when preparing for professional exams. Providing our people with the ability to meet their professional and personal commitments is a critical component of our people experience and retention strategy.

Assurance quality cycles of experience

The Assurance quality cycles of experience provides opportunities for audit staff to develop deeper audit quality technical skills and knowledge working with subject matter experts, alongside their current client engagements. Achieving a certain level of quality hours and experience is a consideration for assessing readiness for promotion to senior manager, director and for admission to partnership.



Continuing professional education

PwC is committed to and invests heavily in continuing professional education, which is essential to ensure ongoing improvements in audit quality. Our audit professionals are required to obtain at least 20 hours of continuing professional development per year and 120 hours over three years.

The firm follows a formal curriculum developed at the network level. It covers PwC audit approach and tools- this includes updates on auditing standards and their implications, as well as areas of audit risk and areas of focus for quality improvement. This formal learning is delivered using a blend of delivery approaches, which include remote access, classroom learning, virtual classroom, and on-the-job support. The curriculum supports our primary training objective of audit quality, while providing our practitioners with the opportunity to strengthen their technical and professional judgement while applying a sceptical mindset.

In Australia, we supplement the global learning curriculum with local learning needs specific to the Australian context and regulatory environment. A dedicated learning team delivers a combination of self-paced, practitioner-led and formal classroom learning.

To ensure our people have the technical capability for their roles both now and into the future, the firm also invests in developing future workforce skills. For example, in FY23 we continued to deliver Digital Academies for all our Assurance graduates and lateral hires to upskill our digital literacy capability. We also incorporated digital sessions into our Experienced Audit Curriculum Series.

All staff and partners must complete mandatory ethics and business conduct training, which covers the Code of Conduct as well as ethical, accounting, auditing and other regulatory matters.

PwC Australia monitors compliance with continuing professional development requirements, including the completion of mandatory training programmes. Our monitoring programme ensures that the firm's services are delivered by individuals who have the right experience and, where required, are qualified under relevant legislative and other applicable requirements such as International Education Standard (IES) 7.

Our training investment in people

Audit training: Average hours achieved by partners and staff

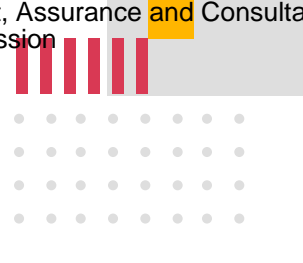
	Online	Classroom	Total	Total hours completed
FY23	40	59	99	170,543
FY22	35	70	105	182,255

Number of hours of auditing and accounting training mandated by PwC by grade

	Partners	Managers	Senior Associates	Associates
FY23	31	31	31	125
FY22	41	41	41	122

The decrease in hours achieved and mandated in FY23 reflects that FY22 included greater technical content related to the release of the audit standard ASA 315 (Revised).





Our audit approach

The PwC Audit

The quality and effectiveness of audits 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. Additionally, we consider what our various stakeholders require from us, what they tell us we need to improve and the findings of regulatory inspections on the quality of our work. Details of these indicators and processes, as well as the most recent regulatory findings can be found in the “Monitoring” section of this report.



Evolving our audit approach

We are evolving our approach to audit delivery to maximise the experience for our people and ensure high quality work for our clients in an efficient and sustainable way. Our Smart Delivery approach is changing the way we plan, resource and deliver our engagements. Aligned with our firm’s global strategy, The New Equation, we are combining world-class teams with market-leading technology, enabled by smart, yet simple, business processes. Together, these measures represent a significant transformation of our audit business and support our focus on continuing to enhance audit quality.

We have expanded our concept of ‘team’ beyond our conventional view of working in onshore teams. We bring together team members across a broad range of specialities, skill sets and geographic locations.

We use both on and offshore resources to streamline, standardise, automate and centralise portions of the audit. For example, our Centre of Excellence is devoted to the audit of share-based payments and the remuneration report and its team members can apply deep expertise to drive quality and efficiency as they are knowledgeable in a single area of the audit. We’ve also extended the resources available to us by accessing virtual senior resources from within our network firms, as we need them. We have also invested time in refining and improving the business processes that support the way we work and collaborate with our offshore Acceleration Centres.

PwC continues to invest in a world-class suite of digital tools and technologies to enhance the quality of the audit, in alignment with our new global strategy. We encourage our teams to challenge traditional ways of working and to embrace the benefits that digitisation brings to us and our clients. Technology enables our teams to be connected and to collaborate, whatever their location and enhances our engagement and relationship building with our clients. Digitisation and automation of some audit procedures plays an important role in enhancing audit quality and providing assurance to our clients. Encouraging innovation and collaboration on new tools not only empowers our people and enhances their digital skills development, but drives consistency and quality in the delivery of our work to clients.



Specific tools and technologies to support our audit

As a member of the PwC network, PwC Australia 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**, our global audit documentation platform, 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, 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** 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 statutory audit progress for all locations in real time.
- **Connect Audit Manager** streamlines, standardises and automates group and component teams coordination for multi- location 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**, our data auditing tools, address large volumes of data, analysing whole populations to improve risk assessment, analysis and testing. For example, Halo for Journals enables the identification of relevant journals based on defined criteria making it easier for engagement teams to explore and visualise the data to identify client journal entries to analyse and start the testing process.
- **Count**, which facilitates the end-to-end process for observing inventory counts, allows our engagement teams to create and manage count procedures, to record count results directly onto a mobile device or tablet and to export final results into Aura.
- **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.

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

Digital Lab is a virtual space for our people to collaborate, create and share digital solutions. These include workflows, macros, visualisations and bots and enable our teams to enhance the quality and efficiency of our engagements by innovating our ways of working.

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 PP&E additions listing to supporting documents provided. Extracts key attributes and identifies any variances for review.
- **Internal Consistency Test:** Uses automation to help our auditors check the consistency of values presented multiple times within financial statements
- **Disclosure Checklist:** Uses AI recommendations and matching to check whether all required disclosures are included in a set of financial statements.



Our next generation audit

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. 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 next generation audit 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.

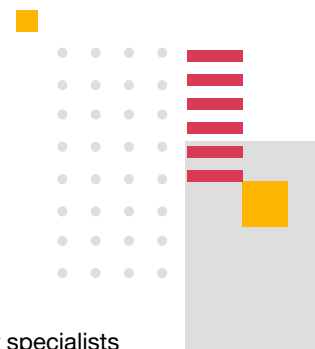
Reliability and auditability of audit technologies

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.

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 Information Security Policy (ISP) outlines the minimum security requirements with which every PwC firm must comply. PwC firm compliance with the ISP is measured through quarterly data-driven assessments for each PwC firm. Deviations that result from the assessment are prioritised for remediation per timelines agreed with firm leadership.

Supporting engagement performance



Quality Review Partners

Specific audit engagements are assigned a Quality Review Partner as part of the firm's SoQM and as required by professional standards. These partners, who have the necessary experience and technical knowledge, are involved in the most critical aspects of the audit. For example, they may review judgements on significant risks and a team's responses to those risks and specific accounting, auditing and financial reporting and disclosure issues.

Central Assurance Quality group

Our central Assurance Quality group comprises technical accounting, auditing, risk management and financial reporting groups. These specialists play a vital role in keeping our policies and guidance in these areas current by tracking new developments in accounting and auditing respectively and providing updates to professional staff.

Chief Auditor Network

The Chief Auditor Network provides first-line support from experienced practitioners when teams are making judgements real-time during the audit. This Network is also responsible for targeting emerging audit quality challenges and root causes proactively at each operating unit level, as well as providing leadership to set the tone for a quality culture.

Risk Management Partner network

PwC Australia has a network of experienced audit partners based in regional or local roles who support engagement teams in assessing risks (such as whether to undertake or continue an audit engagement) and applying the firm's risk management policies. Audit teams are encouraged to consult with these partners whenever they believe they could benefit from additional insights.

Consultation panels

PwC has in place a consultation mechanism that enables teams on engagements with higher risk attributes to access specialist advice. These may be audits that involve sensitive market or event-driven issues, acceptance of new clients, significant judgements or differences of opinion.

As an issue is identified, we draw together specialists particular to the issue at hand and independent of the engagement team, and are able to escalate that support to bring in additional expertise if and when required. This consultation mechanism calls upon engagement leaders, Quality Review Partners, Risk Management Partners, The Assurance Quality group and other specialists, as appropriate for the audit engagement.

Direction, coaching and supervision

Engagement leaders and senior engagement team members are responsible and accountable for providing coaching throughout the audit, supervising the work completed by junior members of the team and maintaining audit quality. Teams use Aura which has capabilities to effectively monitor the progress of the engagement to make sure 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 consult with appropriate groups in areas such as taxation, valuation, actuarial, real estate and other specialities as well as individuals within our Central Assurance Quality group.

Technical support

1 to 9

Ratio of partners serving in technical/audit quality support roles to the total number of audit signing partners.
(2022: 1 to 9)

Restatements

0

Restatements for public companies identified by ASIC audit inspections or PwC inspections due to material error.
(2022: 0)

Average audit adjustments

2

Average adjustments per listed company audit in FY23.
(2022: 3)

Monitoring

We recognise that quality in the Assurance services we deliver to clients is critical 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 Australia. This includes the design and operation of an effective SoQM that is responsive to our specific risks to delivering quality audit engagements, using the PwC network's QMSE framework. The overall quality objective under the QMSE framework is to have the necessary capabilities in our firm and to deploy our people to consistently use our methodologies, processes and technology in the delivery of Assurance services in an effective and efficient manner to fulfil the valid expectations of our clients and other stakeholders.

Our firm's monitoring procedures include an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our SoQM are designed appropriately and operating effectively to provide reasonable assurance that our audit and non-audit assurance engagements are performed in compliance with laws, regulations and professional standards. This includes the use of Real Time Assurance which is discussed in more detail within the "Our approach to audit quality" section.

In addition to the ongoing monitoring noted above, our monitoring also encompasses periodic assessment of our SoQM which includes the review of completed engagements (Engagement Quality Reviews - EQR), as well as periodic monitoring of our SoQM by an objective team within our firm. The results of these procedures, together with our ongoing monitoring, form the basis for the continuous improvement of our SoQM. EQRs are performed under a network-wide inspection programme based on professional standards and PwC audit methodology.

Engagement Quality Reviews

EQRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorised to sign audit, non-audit assurance or related services 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. All Assurance partners must have at least one of their engagements reviewed every five years. More frequent reviews may be required depending on the profile of that Assurance partner's client engagements or local regulatory requirements. Higher profile engagements are reviewed at least twice every six years.

Reviews are led by experienced Assurance partners, supported by objective teams of partners, directors, 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 by monitoring the consistent application of guidance on classification of engagement findings and engagement assessments across the network.

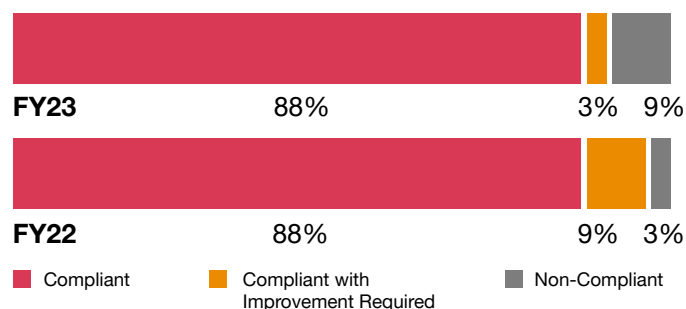
In addition to the PwC network inspections, PwC Australia conducts its own real time reviews.

Quality management reviews

Additionally, the PwC Network undertakes periodic reviews to evaluate certain elements of PwC firms' systems of quality management. The Network also looks at the PwC firm leadership's own assessment of the effectiveness of their SoQM and their determination of whether the overall quality objective has been achieved.

PwC internal inspection results

PwC Australia is subject to globally coordinated quality inspections as part of the PwC network. In PwC's inspection program in 2023, 28 files out of 32 reviewed were found to be compliant, 1 was rated compliant with improvement required, while 3 were rated non-compliant with relevant PwC network or professional standards and policies, including editorial aspects of audit opinions. None of the findings required re-issue of the audit report or a misstatement, and the learnings and root cause analysis form a key part of our annual Audit Quality Improvement Plan.



External inspections

In addition to PwC network and internal quality reviews, PwC Australia is also subject to regular inspections by regulatory and professional bodies. Given that many of our clients are global, these inspections include those performed by overseas regulators. We take the findings from all external reviews seriously, and we incorporate root causes and remedial actions into our annual Audit Quality Improvement Plan.

ASIC audit surveillance

As part of its monitoring responsibilities, ASIC periodically inspects the quality of PwC Australia's work as statutory auditors. ASIC prepares a report describing their inspection process and a high-level summary of their observations and findings. During 2023, ASIC have reorganised their financial reporting and audit surveillance (previously audit inspection) programs so as to bring them together to a single program. Two areas of one engagement were reviewed for PwC in the FY23 report which was released in October 2023. No findings were identified.

ASIC's prior report was issued in October 2022 for audits covering financial reports for years ended from 31 December 2019 to 31 December 2021. In that report to PwC Australia ASIC considered that 17% (4 of 24) of the key audit areas reviewed did not obtain reasonable assurance that the financial report was free from material misstatement. That was an 8% improvement from the prior period's report for PwC Australia. The 17% negative findings in the October 2022 report compared to 36% across the whole industry, and an average of 32% for the six largest firms in Australia.

CAANZ reviews

As a member firm of the PwC network we uphold the professional standards issued by the IESBA and AuASB and in Australia the local equivalents of those bodies and we are subject to periodic review by Chartered Accountants Australia and New Zealand (CAANZ). In November 2019, CAANZ conducted a review of the firm's quality control procedures including monitoring activities and oversight by regulators.

PCAOB reviews

In addition to the above Australian external reviews, the US Public Company Accounting Oversight Board (PCAOB) inspects PwC Australia every three years. The most recent inspection was in March 2022 and the PCAOB issued to the firm its final inspection report in October 2023. The report did not identify any deficiencies with respect to the three inspected audit engagements or the firm's system of quality control. PCAOB reports are publicly available on their website.

Reporting of the TPB matter to the PCAOB

We note that in June 2023 two Form 3 reports related to the TPB matter were reported to the PCAOB outside the required thirty-day reporting period.

Reporting

The results of all inspections are reported to our firm's leadership, who analyse the findings and implement remedial actions as necessary. In situations where adverse quality matters are identified on engagements, based on the nature and circumstances of the matters, the responsible partner or other leadership personnel may be subject to additional mentoring, training or sanctions under our firm's Recognition and Accountability Framework.

Assurance partners of our firm 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.

Our drive for quality



108

Number of audit engagements reviewed
(2022: 94)



65%

Coverage of the firm's responsible individuals
(2022: 70%)

Legal and governance structure

PricewaterhouseCoopers is an Australian partnership that is governed by the laws of the Australian Capital Territory and operates throughout Australia (PwC Australia). PwC Australia is owned by its partners and has offices in Adelaide, Brisbane, Canberra, Melbourne, Perth, Sydney, Greater Western Sydney and Newcastle. PwC Australia is also a member of the PwC network.

CEO and Management Leadership Team Providing leadership

PwC Australia's Country Senior Partner (CEO) provides leadership for the partners and employees, and sets short and long-term strategic direction. Tom Seymour, elected in March 2020 was PwC Australia's CEO until 8 May 2023. Kristin Stubbins was Acting CEO from 8 May 2023 until Kevin Burrowes became CEO on 17 July 2023.

The Management Leadership Team are leaders of the firm appointed by our CEO. Under the leadership of the CEO, they are responsible for the management and administration of the firm. The current members of the Management Leadership Team can be found on PwC Australia's website.

Board of Partners: Providing oversight

The Board of Partners is responsible for the governance and oversight of the firm. Its role includes supporting, monitoring and providing input into strategy, oversight of the firm's risk and quality, 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 plus a maximum of ten partners who are elected by partner vote. In September 2023, the firm announced its commitment to appoint at least three non-executive members to the Board of Partners including a non-executive Chair. The current members of the Board of Partners can be found on our website.

Partners

Certain matters are reserved for partner vote. These matters include the election of the CEO and members of the Board of Partners (other than additional appointed members), 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.

PwC Australia is governed and led by our:



Board of Partners

(also known as the Governance Board)



Country Senior Partner

(also known as the CEO)

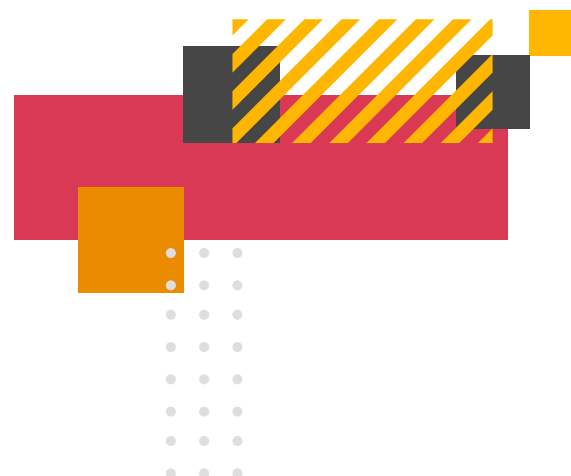


CEO's leadership team

(also known as the Management Leadership Team)



Firm's Partners



PwC Network

Global Network

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

- **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 includes two members who are appointed as external, independent directors while the other 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.

PwC Australia's Country Senior Partner is a member of the Strategy Council and maintains our relationships with the Network Leadership Team.

Appendix A

Audit clients

Listed companies and listed registered schemes that meet the definition of listed per Section 9 of the Corporations Act 2001

1. Accent Group Limited
2. Adacel Technologies Limited
3. Adherium Limited
4. AERIS Resources Limited
5. AIC Mines Limited
6. Alkane Resources Limited
7. Alliance Aviation Services Limited
8. Alterity Therapeutics Limited
9. Alumina Limited
10. AMCIL Limited
11. Antipodes Global Shares
12. APM Human Services International Limited
13. Arena REIT
14. Argo Investments Limited
15. Aristocrat Leisure Limited
16. ARN Media Limited (formerly HT&E Limited)
17. ASX Limited
18. Atlas Arteria Limited
19. Atturra Limited
20. Australian Foundation Investment Company Limited
21. Australian Strategic Materials Limited
22. Australian Unity Limited
23. Australian Unity Office Fund
24. Bank of Queensland Limited
25. Bapcor Limited
26. Beacon Lighting Group Limited
27. Bega Cheese Limited
28. Best & Less Group Holdings Ltd
29. Brambles Limited
30. Breville Group Limited
31. BWX Limited
32. Calima Energy Limited
33. Carbon Minerals Limited
34. Carsales.com Limited
35. Cedar Woods Properties Limited
36. Central Petroleum Limited
37. Charter Hall Group
38. Charter Hall Long WALE REIT
39. Charter Hall Retail REIT
40. Charter Hall Social Infrastructure REIT
41. Collins Foods Limited
42. Comet Ridge Limited
43. Commonwealth Bank of Australia
44. Computershare Limited
45. Corporate Travel Management Limited
46. Credit Clear Limited
47. Damstra Holdings Limited
48. Deterra Royalties Limited
49. DEXUS
50. Dexs Convenience Retail REIT
51. Dexs Industria REIT
52. Djerriwarrh Investments Limited
53. Elanor Commercial Property Fund
54. Elanor Investors Group
55. Elanor Retail Property Fund
56. Elders Limited
57. Equity Trustees Limited
58. Evolution Mining Limited
59. FireFinch Limited
60. Fortescue Metals Group Ltd
61. Globe International Limited
62. GPT Group
63. GrainCorp Limited
64. Grange Resources Limited
65. Gryphon Capital Income Trust
66. Harmony Corp Limited
67. Hastings Technology Metals Ltd
68. Highfield Resources Limited
69. Hillgrove Resources Limited
70. Hipages Group Holdings Ltd
71. HMC Capital Limited (formerly Home Consortium Limited)
72. HomeCo Daily Needs REIT
73. Horizon Oil Limited
74. Hutchison Telecommunications (Australia) Limited
75. Iluka Resources Limited
76. Immutep Limited
77. Integral Diagnostics Limited
78. IperionX Limited (formerly Hyperion Metals Limited)
79. Iron Road Limited
80. Judo Capital Holdings Limited
81. Karoon Energy Ltd
82. Kingsgate Consolidated Limited
83. Leo Lithium Limited
84. Lifestyle Communities Limited
85. Lion Selection Group Limited
86. Macquarie Bank Limited
87. Macquarie Group Limited
88. Macquarie Technology Group Limited (formerly Macquarie Telecom Group Limited)
89. Maggie Beer Holdings Ltd
90. McPherson's Limited
91. Medibank Private Limited
92. Mesoblast Limited
93. Mirrabooka Investments Limited
94. Mirvac Limited
95. Munro Global Growth Fund
96. Myer Holdings Limited
97. NextDC Limited
98. NIB Holdings Limited
99. Nitro Software Limited
100. Nova Eye Medical Limited
101. Novonix Limited
102. Openpay Group Ltd
103. Orbital Corporation Limited
104. Paladin Energy Ltd
105. Pandal Group Limited
106. Perenti Limited (formerly Perenti Global Limited)
107. Perseus Mining Limited
108. Pharmaxis Ltd
109. Pinnacle Investment Management Group Limited
110. Platinum Asia Investments Limited
111. Platinum Capital Limited
112. PYC Therapeutics Limited
113. QBE Insurance Group Limited
114. Qube Holdings Limited
115. RedFlow Limited
116. Ricegrowers Limited
117. Rural Funds Group
118. Seek Limited
119. Select Harvests Limited
120. Service Stream Limited

121. Shaver Shop Group Limited
122. Shine Justice Ltd
123. Sierra Rutile Holdings Limited
124. Silex Systems Limited
125. Smartgroup Corporation Ltd
126. Sonic Healthcare Limited
127. Southern Cross Media Group Limited
128. St Barbara Limited
129. Starpharma Holdings Limited
130. Stockland Corporation Limited
131. Sugar Terminals Limited
132. Super Retail Group Limited
133. Syrah Resources Limited
134. TasFoods Limited
135. Telix Pharmaceuticals Limited
136. The Hydration Pharmaceuticals Company Limited
137. The Reject Shop Limited
138. TPG Telecom Limited
139. Transurban Group
140. United Malt Group Limited
141. Universal Biosensors, Inc.
142. Universal Store Holdings Limited
143. Viva Energy Group Limited
144. Waypoint REIT
145. Westpac Banking Corporation
146. Whispir Limited
147. Woodside Energy Group Ltd
148. Worley Limited

Authorised Deposit Taking Institutions (ADI) within the meaning of the Banking Act 1959

1. Alex Bank Pty Ltd
2. Australian Unity Bank Limited
3. Bank of America, National Association
4. Bank of China (Australia) Limited
5. Bank of China Limited
6. Bank of Communications Co., Ltd.
7. Bank of Queensland Limited
8. Commonwealth Bank of Australia
9. Cooperatieve Rabobank U.A. (trading as Rabobank)
10. Credit Suisse AG
11. DBS Bank Ltd
12. HSBC Bank Australia Limited
13. JPMorgan Chase Bank, National Association
14. Judo Bank Pty Ltd
15. Macquarie Bank Limited
16. Newcastle Greater Mutual Group Ltd (trading as Newcastle Permanent, and Greater Bank)
17. Oversea-Chinese Banking Corporation Limited
18. PayPal Australia Pty Limited
19. Queensland Country Bank Limited
20. Rabobank Australia Limited
21. Royal Bank of Canada
22. The HongKong and Shanghai Banking Corporation Limited
23. Westpac Banking Corporation
24. Wise Australia Pty Ltd

Life and General Insurers Regulated by APRA as defined in paragraph (c) or (e) of the definition in subsection 3(2) of the Australian Prudential Regulation Authority Act 1998

1. AIA Australia Limited
2. AIG Australia Limited
3. Allianz Australia General Insurance Limited
4. Allianz Australia Insurance Limited
5. Allianz Australia Life Insurance Limited
6. Allied World Assurance Company Limited
7. Ansvar Insurance Limited
8. Arch LMI Pty Ltd
9. Atradius Credito Y Caucion S.A. De Seguros Y Reaseguros
10. Chubb Insurance Australia Ltd
11. CIC Allianz Insurance Limited
12. Combined Life Insurance Company of Australia Ltd
13. Commonwealth Insurance Limited
14. Hannover Life Re of Australasia Ltd
15. Hannover Rück SE
16. HDI Global SE
17. HDI Global Specialty SE
18. LawCover Insurance Pty Limited
19. Lloyd's security trust fund instrument No.1 and No.2 of 2017
20. QBE Insurance (Australia) Limited
21. QBE Insurance (International) Pty Limited
22. QBE Lenders' Mortgage Insurance Limited
23. RenaissanceRe Europe AG
24. Resolution Life Australasia Limited
25. Tokio Marine & Nichido Fire Insurance Co., Ltd.
26. TT Club Mutual Insurance Limited
27. Virginia Surety Company, Inc.
28. Westpac Life Insurance Services Limited
29. Youi Pty Ltd

Appendix B

Executive overview of 2022-23 AQAB report

The AQAB is comprised of three external appointments who currently are:

- Ian McPhee AO PSM, BBus, BArts, the former Auditor-General for Australia (2005 to 2015) is the Chair of the Board. Ian is currently the Public Sector Standards Commissioner for the ACT (in a part time capacity), a distinguished honorary professor at the Research School of Accounting at the Australian National University, and a member of the Council of Central Queensland University. Until December 2021, Ian was a member of the International Ethics Standards Board for Accountants.
- Damien Johnston FCPA, BCom, is the former CFO of Tabcorp Holdings, a position he held from 2011 until 2019. Prior to this he worked in a variety of finance roles at Tabcorp and BHP Group, building strong experience in corporate and operational financial management including financial reporting, internal audit, M&A, treasury and investor relations. Mr Johnston retired from the AQAB in August 2023.
- Cathie Armour, was until June 2022 a Commissioner at the Australian Securities and Investments Commission (ASIC). Prior to joining ASIC, Ms Armour held a number of senior executive roles in Australia, including General Counsel at Macquarie Group and various roles at JP Morgan Australia including Head of Compliance, Legal Counsel and Chief Operating Officer. Ms Armour brings extensive experience in the regulation of capital markets, as well as emerging regulatory risks such those posed by climate change and cyber security. Ms Armour joined the AQAB in February 2023 replacing Professor Margaret Abernethy who retired from the AQAB February 2023.

Fees paid to the AQAB members over FY23 were \$172,500 (\$70,000 for the Chair, with the remainder in fees paid to other AQAB members).

1.1 Introduction

The provision of audit opinions on financial statements has contributed to the quality of financial statements and enhanced the degree of confidence of intended users of the reported information, including global capital markets. With the passage of time, we are seeing not only recognition of the value of audited information for many intended users of financial statements, but also growing support for audited information related to an evolving reporting landscape for corporate and other entities.

The focus on audit quality has received increasing support and attention in recent years from a broad range of stakeholders including the accounting profession, the regulatory community and the firms that provide audit services. As a consequence, we have seen:

- new professional standards issued on ethics and auditing designed to contribute to the achievement of high-quality audits
- the continuing focus by the Australian Securities and Investments Commission (ASIC) on audit quality through its program of audit surveillance because the quality of financial reports and related audit reports is key to confident and informed investors, and
- investments by firms that provide auditing services to respond to the revised professional standards and regulatory expectations, and to build on their own experience to enhance audit quality and efficiency

For its part, PricewaterhouseCoopers Australia (PwC) has been investing in audit quality with a clear purpose of delivering quality audit services in accordance with external requirements and the firm's policies – a purpose that is aligned with both the public interest and the firm's business objectives. Assurance related to Environment, Social and Governance (ESG) disclosures is emerging as a key service, and much of the experience gained in enhancing the quality of its audits of financial statements is relevant to the audits of non-financial information. Consequently, such investments by PwC are contributing to the firm's role in enhancing the reliability of reported information through its auditing and other assurance services.

As a key element of its audit quality agenda, PwC established the Audit Quality Advisory Board (AQAB) in December 2019 to consider and challenge PwC's approach to audit quality. The first three AQAB reports have considered topics related to audit quality including PwC's audit quality agenda, the resourcing of audit teams, maintaining independence from audit clients, culture within the assurance business, and performance measures for measuring the success of the PwC Assurance business.

1.2 AQAB Report 3, 2021-22 and status of recommendations

In its previous report, AQAB Report 3, the Board focussed on measures taken by, and proposed by PwC, in relation to audit quality and, in this context, the steps taken by PwC to shape its culture for the delivery of audit services, and the key performance measures adopted by the firm for measuring the success of the Assurance business. In considering PwC's approach to these matters, the AQAB continued to focus on the importance of partner and staff engagement so that partners and staff are involved in, and have greater understanding and ownership of, the solutions being implemented to enhance audit quality.

The AQAB made four recommendations that are complementary to initiatives being pursued by the firm to enhance audit quality. The recommendations covered the following:

- for all major new initiatives directed to audit quality, giving separate consideration to the steps proposed to achieve alignment of partners and staff at all levels to the achievement of the expected goals, and seeking the views of partners and staff on progress being made in terms of alignment to organisational goals for major new audit quality initiatives being implemented and any further opportunities available to achieve improved outcomes
- assessing the link between changes in the cultural aspirations and critical behaviours as well as the outcomes of resource initiatives in order to understand whether these changes are being delivered by the Assurance business and whether they influence audit quality
- changing the accountabilities of the leaders of the Assurance business to include additional responsibilities for embedding cultural change and assessing progress within their team, and
- reviewing the alignment of the Assurance scorecard with the firmwide scorecard, understanding there will be occasions where the Assurance business will wish to emphasise priorities in the presentation of the scorecard.

PwC responded positively to each of the AQAB recommendations, advising of steps being taken to implement each recommendation.

1.3 The focus of Report 4 and recommendations.

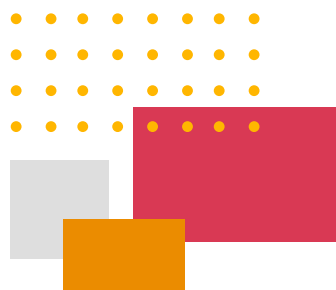
This is the fourth annual report of the AQAB, which has as its key focus:

- updates to PwC's audit quality agenda
- the progress of the more significant resource initiatives undertaken by PwC in recent times, and
- the application of PwC's accreditation process for audit partners.

In addition to reviewing the above-mentioned matters in this report, the Board also considered the audit inspection report prepared by the Australian Securities and Investments Commission in relation to a selection of audits undertaken by PwC in 2021-22 (this is the most recent report). The report by ASIC concluded that PwC did not obtain reasonable assurance that the financial report was free of material misstatement (negative findings) in four of the 24 key audit areas reviewed (17%) across eight audits by the firm in 2021-22. This compared to five of the 20 key audit areas reviewed (25%) across eight audits for the 12 months ending 30 June 2021 (the previous year). Positively, ASIC acknowledged in its report that negative findings for PwC from its limited reviews have declined in recent years. Further, ASIC encouraged PwC to continue to identify and address the root causes for the matters reported from ASIC's audit file reviews and for findings from internal and global firm reviews; and the firm should continue with its current initiatives to implement enhanced actions to maintain and sustain improved audit quality. As acknowledged by ASIC, both of these measures are consistent with the strategies PwC has in place to enhance audit quality.

In undertaking its review, it is worth emphasising that the Board has continued to take into account the insights of Katzenbach, Steffen and Kronley¹ mentioned in earlier reports, that coherence among an organisation's culture, strategic intent and performance priorities can make the whole organisation more attractive to both employees and clients. This is consistent with the Board's view that the alignment of partners and staff with PwC's goals and strategies for the achievement of audit quality has been important to the firm's success in lifting audit quality and will remain important going forward. This is particularly relevant in the light of recent adverse disclosure about its tax practice's handling of confidential government tax policy information, its discharge of professional and ethical responsibilities, and measures being taken to address matters arising related to the firm's governance, accountability, and culture ("the Tax Practitioners Board (TPB) and related matters").

¹ Katzenbach, Steffen and Kronley 'Cultural Change that Sticks'
<https://hbr.org/2012/07/cultural-change-that-sticks>



The AQAB's conclusions and recommendations relating to each of the focus areas reviewed for this report are set out below.

1.3.1 PwC Audit Quality Agenda

PwC has continued to invest in audit quality through its strategy which includes a focus on the following components:

- Continuous learning culture through building business judgement skills, and equipping its people to be courageous and to challenge
- Planning for quality through digitising and automation, audit planning, and accreditation
- Real-time specialist support and tools through initiatives such as the development of the Chief Auditor Network (CAN), and
- Quality accountability through the maintenance of a system of quality management that is integrated into the business operations.

During 2022-23, PwC has advised of a number of steps taken to enhance its current approach through measures including:

- the development of an e-learning module targeted at more auditors below senior associate grade 'Doing the right thing on audits', which calls out ethical challenges in both the completion of learning and when performing audit procedures. This module was also introduced to more senior staff during the in person Experienced Auditor learning, but with the lens of supporting junior staff in 'doing the right thing on audits' by setting the tone at the top and providing a supportive audit environment
- the provision of support for new professional standards affecting audits undertaken by the firm including new Auditing Standard – ASA 220: Quality Control for an Audit of a Financial Report and Other Historical Financial Information, which came into effect during the year for periods beginning after 15 December 2022, as well as enhancements to the IESBA Code of Ethics, and IFRS 17: Insurance Contracts which came into effect for periods beginning 1 January 2023
- continuation of the Experienced Auditor learning, with a more holistic approach through the inclusion of modules on business skills within core technical learning, including topics such as Working with Diverse Teams, and Project Management on Audits
- a particular focus given to clarify the expectations regarding completion of training assessments individually. In addition to the learning module on ethics in audits, an additional required planning work program was added during the year, requiring partner discussion within audit teams on expected ethical behaviours, and
- the enhancement of real time specialist support with the addition of more dedicated senior support to the program.

This enabled the scope of the Real Time Review program to be increased in a number of areas including the specific coverage of new partners, unlisted clients, as well as a focus on partners not covered in prior year programs.

The messages on the importance of audit quality for all audits have continued to be emphasised by the Assurance business. Further, it is apparent to the AQAB that the messages on the importance of audit quality are getting through to the partners and staff of the Assurance business responsible for undertaking external audits. In addition, following the TPB and related matters, the AQAB sought feedback from staff about the confidentiality of client information. The feedback received was clear that client information cannot be shared with other clients.

The Board has highlighted two areas for focus going forward, namely the firm's communications and training that contributes to:

- greater visibility to approaches that contribute to audit quality for the audit of smaller audit clients, and
- reinforcing with staff, in light of the TPB and related matters, the firm's policies for sharing information internally within the Assurance business, and more broadly within the firm.

That said, the Board is comfortable with the priority being given to the steps being taken by PwC to underline the importance of quality in the audits being undertaken by PwC

Table 1

Recommendation	PwC's response, Owner and Date
<p>PwC reviews its communications and training for partners and staff to provide:</p> <ul style="list-style-type: none"> a. greater visibility to approaches that contribute to audit quality for the audit of smaller audit clients, and b. reinforcing with staff, in light of the TPB and related matters, the firm's policies for sharing information internally within the Assurance business, and more broadly within the firm. 	<p>As part of our regular training and communications with partners and staff this year we will provide:</p> <ul style="list-style-type: none"> ■ Greater visibility of approaches and issues that specifically impact on the quality of audits at smaller clients. ■ Emphasis on information management policies as they relate to the Assurance business, noting that in addition to this, at a firm wide level, we will be focused on uplifting awareness of our information management policies, including confidentiality obligations. <p>Responsibility: (1a) Elizabeth O'Brien (Audit Leader) and (1b) Chris Daniell (Assurance Transformation Leader).</p>

Date: 30 June 2024

1.3.2 Progress of PwC's more significant resource initiatives to enhance audit quality

The AQAB last reviewed resourcing in its 2020-21 report. Since that report, PwC has been implementing a broad range of initiatives to improve resourcing outcomes. PwC has provided the AQAB with a summary of progress against each key initiative. The AQAB's comments on the more significant initiatives follow below.

PwC's data indicates there has been improvement in estimating the time required to complete audits and an improved approach to budgeting and monitoring of hours worked.

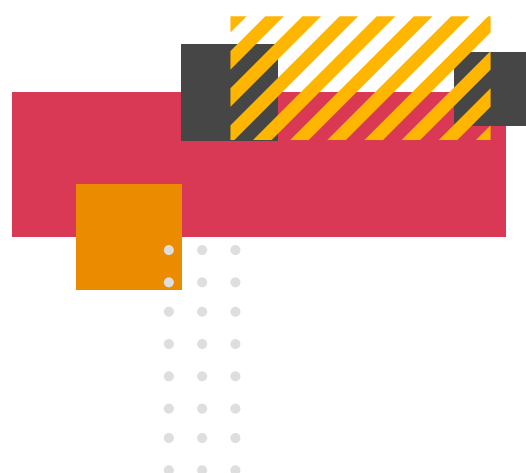
The Smart Delivery Model (SDM) has continued to evolve, with adoption increasing over the last two years. The Skilled Service Hub and Centre of Excellence teams now appear to be well established, and the Kolkata Acceleration Centre (KAC) has continued to grow. The AQAB notes the increasing importance of the Acceleration Centres at Kolkata and Manila to the audit process. The AQAB considers there would be benefits in PwC accelerating initiatives that grow relationships with the engagement teams and improve the effectiveness of the Acceleration Centres.

Digitisation and automation initiatives are being progressed including Next Generation Audit, enhancements to the Smart Audit Platform, and enhancements to the Smart Delivery Platform. As a general comment, it appears to the AQAB that some initiatives are well-embedded such as the maths accuracy tool, while others are still in their early days. As more enhancements are developed, realisation of expected benefits will continue to be dependent on increased training and adoption of these new processes.

PwC has well defined processes for the recruitment of graduates and experienced staff. In 2022, PwC continued to experience challenges in recruiting talent with increased competition amongst the Big 4 and non-traditional competitors; combined with a lack of professionals being attracted to the sector and candidate expectations increasing in relation to total remuneration and promotion prospects. By the end of FY23, recruitment was on track and June 2023 year end audits were well-resourced. PwC continues to look for ways to attract candidates to the firm including increased personal engagement with candidates, review of remuneration, investment in technology, and rebuilding focus on global mobility and transfers.

PwC has also implemented additional measures in response to the risks to resourcing arising from the TPB and related matters including enhanced reporting on resourcing, increased engagement with staff and scenario planning. The AQAB considers that PwC is alive to the challenges. However, the TPB and related matters are ongoing at the date of this report, and the full implications for ongoing retention and recruitment are not yet clear. The AQAB considers that PwC should monitor this area closely and maintain a proactive approach for recruitment and retention, including potentially the implementation of additional measures should they be required.

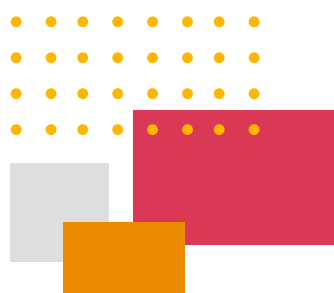
In April 2023, the first Culture Sentiment survey was conducted to gain real time insights about perceptions of culture and whether people feel that the 3 critical behaviours of 'courage, humility and realism' are being brought to life, however response rates were low. PwC has informed the Board that this is because the survey was run as a "sentiment pulse survey" that will be performed several times over the year and is designed to take a "pulse" of a sample of the population to identify trends over time. Caution is required about drawing conclusions, nonetheless, the AQAB considers a key take away from the survey is that resourcing is a key priority as is ongoing two-way communication with staff to get the perspective from the "shop floor". Resourcing is a critical business priority which is central to PwC maintaining the quality of its work and the wellbeing of its people. For these reasons, resourcing has a significant focus within the Assurance business which is supported by appropriate investments in resources and technology. The AQAB considers that PwC should increase its communication and engagement with staff on resourcing initiatives.



Overall, the AQAB considers that PwC is making good progress on improving the resourcing process. Nevertheless, the current environment reinforces the importance of the measures being taken to enhance its approaches to recruitment and retention of staff, in particular.

Table 2

Recommendation	PwC's response, Owner and Date
<p>2. The AQAB recommends that PwC consider accelerating initiatives that</p> <p>a. grow relationships between engagement teams and the Acceleration Centre teams in Kolkata and Manila; and</p> <p>b. focus on practices to improve the efficiency and effectiveness of how the teams operating onshore and offshore are working together.</p>	<p>During 2023-24, we will accelerate the initiatives to drive greater efficiency and effectiveness across all our channels of delivery including working practices between our onshore and offshore teams. This will include team connection activities and process improvements.</p> <p>Responsibility: Elizabeth O'Brien (Audit Leader) and Corinne Best (Trust & Risk Leader)</p> <p>Date: 30 June 2024</p>
<p>3. The AQAB recommends that PwC increases its communication and engagement with staff on resourcing initiatives.</p>	<p>We will share more fulsome updates on a regular basis, acknowledging where our progress is slower than we had hoped and actions we will take to improve.</p> <p>Responsibility: Aishwarya Chandran (Assurance People Leader)</p> <p>Date: 31 March 2024</p>
<p>4. The AQAB recommends that PwC maintain a proactive approach to recruitment and retention. The firm should enhance its reporting of lead indicators of staff engagement and implement additional measures to attract and retain employees should negative implications of the TPB and related matters become evident.</p>	<p>We have established regular, timely reporting of employee sentiment and other lead indicators of staff engagement and will continue to monitor - at both a firm wide level and in the Assurance business. This will include the impact of the TPB matter on recruitment and retention. We will also continue to invest in Assurance-specific staff development and firm-wide wellness and employee value proposition initiatives to encourage attraction and retention of our team.</p> <p>Responsibility: Aishwarya Chandran (Assurance People Leader)</p> <p>Date: 31 March 2024.</p>



1.3.3 Application of PwC's accreditation processes for audit partners

PwC has developed an accreditation policy and procedure for Financial Statement Audit Partners and Quality Review Partners which reflects its focus on conducting the Assurance business within a strong quality control framework. The policy and procedures are driven by the Assurance business leaders and its Risk & Quality team (R&Q). Considerable effort is invested in an annual review process which uses data across the business to feed into reviews of the continual accreditation of partners. The framework contains very clear statements about the objective criteria for accreditation, although the Accreditation Panel, Business Leads and R&Q retain considerable discretion to include a range of factors in their decision making on accreditation and its maintenance.

Financial Statement Audit Partners are critical leaders of the Assurance business. As engagement and quality review partners, they are critical to setting much of the 'tone from the top' for the businesses' most important core work. A survey of US firms reported last year found tone at the top and appropriate deployment of personnel among the most important indicators of a quality audit.

The high standards in the objective eligibility criteria in the accreditation policy and the system of annual testing reflect a focus of ensuring accreditation is only made available to leaders with technical competence. The AQAB consider there is an opportunity to adjust the policy and processes, so they better reflect the Assurance business' focus on those leadership capabilities needed for the firm to meet its strategic objective of a relentless commitment to quality.

PwC has done much work on ensuring its focus on quality is reflected in business performance scorecards. The system of accreditation and review could be adjusted to incorporate these performance measures. Similarly, PwC is implementing a program of cultural change and key indicators from this program would beneficially be part of the criteria for accreditation. This would more clearly embed accountability for cultural change in the leadership positions engagement partners and quality review partners occupy in the firm. Finally, because this system and processes are integral to both the quality control system and in demonstrating the tone from the top, it is important that there be a formal system to monitor how effective accreditation is in supporting audit quality and to provide a mechanism for the introduction of new or different accreditation benchmarks from time to time.

Table 3

Recommendation	PwC's response, Owner and Date
<p>5. The AQAB recommends that PwC review:</p> <p>a. the Accreditation eligibility criteria so they align with the Assurance scorecard and current Assurance performance measures; and</p> <p>b. the Accreditation eligibility criteria and annual review process to consider incorporating specific measures that signal the importance of leadership on culture.</p>	<p>The Risk and Quality leader for Assurance will review the eligibility criteria to ensure there is appropriate alignment with our scorecard, performance measures and cultural aspirations and report back to the Assurance Leadership team by 31 December 2023 with recommendations.</p> <p>Responsibility: Debbie Smith (Assurance Risk and Quality Leader)</p> <p>Date: 31 December 2023</p>
<p>6. The AQAB recommends PwC formalises a monitoring program to be confident that the criteria and review of accreditation are effective in contributing to audit quality and regularly revisit the policy and processes in light of the outcomes of the monitoring.</p>	<p>The Risk and Quality leader for Assurance will formalise a monitoring program as advised by the AQAB. Once established, in conjunction with the Assurance Leadership team, the Risk and Quality leader will consider enhancements to the relevant policy and processes.</p> <p>Responsibility: Debbie Smith (Assurance Risk and Quality Leader)</p> <p>Date: 31 December 2023</p>

1.4 PwC's recent actions on governance, accountability and culture

PwC Australia has announced since May 2023 a number of actions designed to enhance the firm's governance, accountability and culture and to rebuild trust with stakeholders. These actions include an Independent Review of the firm's governance, accountability and culture due to be released later in September 2023. The actions also include changes to the leadership of the firm and have meant that the leadership of the Assurance business has changed during this period. AQAB's work has focussed on the PwC Australia Assurance business and its audit quality agenda.

The AQAB is conscious there may be recommendations from the Independent Review that has been commissioned by PwC into the TPB and related matters, and other related governance actions initiated by PwC that will be relevant to the Assurance business. It will obviously be important for the Assurance business to closely consider these matters for further opportunities to enhance its governance and accountability arrangements, and policies with respect to professional behaviour.

The AQAB is also conscious that support, both professional and wellbeing, provided to partners and staff in the Assurance business will be important at this time to reinforce the significance of their role and their responsibility to act in the public interest in the delivery of audit services. Such support will also assist partners and staff to manage stress and professional challenges, should they be experienced. The Assurance business has established a track record of being progressive in its messaging and holistic approach to delivering quality audit services, and this will remain important to the business going forward - in terms of its statutory responsibilities, professional obligations and its standing - to support Team PwC in pursuit of its delivery of quality audit services.

As part of the AQAB's work in 2024, the Board expects to consider how the Assurance business has adjusted its audit quality agenda to reflect the recommendations of the Independent Review and other changes that flow from changes to the firm's governance arrangements.

1.5 Concluding comments

In a challenging year for PwC as a whole, the Assurance business has continued to invest in audit quality with the clear purpose of delivering quality audit services in accordance with external requirements and firm policies.

The AQAB's consideration of the three focus areas referenced above in this report, which included discussions with PwC's Partners and staff, indicate that the firm's investment in enhancing audit quality is achieving a positive return – the messages on the importance of audit quality are getting through to the partners and staff of the Assurance business, and clear strategies and measures adopted to deliver on improved outcomes. In this context, the greater emphasis on people, culture and engagement is noticeable, and key to a significant number of the improvement opportunities being taken.

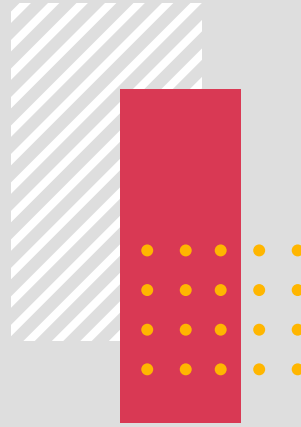
The recommendations made by the AQAB in this report complement PwC's initiatives and have been agreed to by the leadership of the Assurance business.

Going forward, the Board anticipates the agenda for its next report will consider:

- Updates to PwC's audit quality agenda, with a particular focus on steps taken following the Independent Review, other measures flowing from changes to the firm's leadership and governance arrangements, and any further insights from contemporary approaches to quality management;
- PwC's approach to managing independence and conflicts of interest created by the provision of non-assurance services to an audit client or prospective audit client, and
- PwC's approach to the audit of non-financial information, particularly ESG information.

The Board will also consider the views of stakeholders, partners, and staff in setting its forward agenda.





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