



**Audit Transparency Report
For the year ended 31 May 2014**

2014

Regulatory context

This Transparency Report has been prepared in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008 (the Instrument), made by the Professional Oversight Board (POB) of the Financial Reporting Council (FRC) on 3 April 2008. The Instrument came into force on 6 April 2008 and requires the publication of certain information by transparency reporting auditors, defined as statutory auditors that have made an audit report on the annual accounts of one or more public interest entities during the financial year of that statutory auditor. The Instrument applies in respect of any financial year of a transparency reporting auditor commencing on or after 6 April 2008; as such, Deloitte LLP (Deloitte) is required to prepare a Transparency Report. This Transparency Report is in respect of the year ended 31 May 2014.

In addition to the requirements of the Instrument, the POB issued the 'Audit Quality Framework' (the Framework) in February 2008 and has indicated that Transparency Reports may represent a useful opportunity for audit firms to set out the steps that they are taking to achieve audit quality by reference to the Framework.

This Transparency Report addresses all of the elements set out in the Framework. A reconciliation of this Transparency Report to the Framework has been supplied to the Conduct Committee. This Transparency Report has also been prepared with due regard to publications issued by and comments received from the POB regarding transparency reporting by audit firms.

In January 2010, the Institute of Chartered Accountants in England and Wales (ICAEW) published the Audit Firm Governance Code. This Code sets a benchmark for good governance. This Transparency Report includes disclosures required by the Code (including those published on our website) and explains steps taken by Deloitte to comply with the Code. A reconciliation to the Code has been supplied to the POB.

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1. Introduction

I am delighted to present the seventh Deloitte Audit Transparency Report, in respect of the year ended 31 May 2014.

Enhancing trust and confidence

Our responsibility in enhancing trust and confidence in audit is critical in maintaining and building investors' confidence in the capital markets. We engage with stakeholders to understand the evolving environment and their requirements and, recognising that the audit needs to evolve in line with these and new regulatory demands, duly raise the bar on our own processes. Indeed, as described below (and, further, by Panos Kakoullis in section 2 of this report) we have taken significant steps to broaden the scope of our audits through the introduction of the Distinctive Audit, launched in the financial year to 31 May 2014.

The Distinctive Audit

Our approach means each audit is bespoke and forward-looking in terms of risks, which should ultimately deliver superior insight. Our use of leading-edge analytics technologies will improve audit quality and professional scepticism. For example, masses of company data can be analysed in real-time with more efficiency, meaning anomalies or new trends can be identified and interrogated more readily. Our tailored approach will give investors a greater level of assurance and transparency about the risks facing a business.

Engaging with stakeholders

Given our important public interest role we put great emphasis on how we engage with stakeholders and during the year we held our second Stakeholder Forum. This event for investors, business and professional bodies, government and regulators is a vital opportunity for members of Deloitte's Executive and Board and Independent Non-Executive directors to listen and respond to the issues that matter most to our stakeholders. A third event is being planned for 31 October 2014. We have also held a series of investor dinners during the year to facilitate feedback. Our independent non-executive directors talk more on stakeholder engagement in section 5 of this report.

Audit market reform

In the last year we have been engaging proactively in debates and consultations with the UK Competition Commission (now Competition and Markets Authority), European authorities and the Financial Reporting Council (FRC) about audit. The revised UK Corporate Governance Code and Guidance on Audit Committees together with the work of these regulatory bodies have brought about an evolution in the audit market. More frequent and consistent tendering is becoming the norm, bringing more opportunities for a broader range of firms to compete in the market and to demonstrate innovative approaches and auditing techniques.

Looking to the future

This financial year has seen a welcome recovery in business confidence and UK growth is now powering ahead faster than any major industrialised nation. We believe our work is playing an important role in contributing to this economic turnaround, whether through promoting confidence in the capital markets, supporting business expansion and competitiveness or delivering on key government initiatives.

Our vision of being the Distinctive Firm puts client relationships, quality and integrity at the heart of everything we do. We look to the year ahead amid an improving economy and greater business confidence. We are focused on building on the successes of this year, shaping our strategy to best serve the needs of investors, the companies and organisations with which we work and contribute to a sustainable and prosperous society.



David Sproul, Senior Partner and Chief Executive

2. Quality at the heart of everything we do



Panos Kakoullis,
Managing Partner, Audit

2.1 Actions that count

Investors and regulators are increasingly challenging the role of the auditor. We are rising to this challenge and our emphasis on quality gives us confidence we can meet the rising expectations of investors, regulators and other stakeholders.

But we want to do more.

We want to deliver objective and insightful assurance, advice of the highest quality and reliability, underpinned by strong ethical principles, that earns the trust of our stakeholders.

Here is how we are responding:

Driving professional excellence

In a marketplace that is becoming increasingly competitive, our aim is to drive professional excellence through the consistent application of eight Global Audit Imperatives. All audit professionals are required to know what these are and to understand what they need to do to demonstrate each one. The Global Audit Imperatives are as follows:

1. Audit procedures must clearly reflect acting as an independent evaluator with an attitude of professional scepticism.
2. Demonstrate expertise in understanding internal controls, including understanding process flows and testing internal controls where applicable.
3. Develop and execute a robust project plan to optimise the performance and completion of audit procedures throughout the audit cycle.
4. Own the work performed by internal experts and specialists and involve them in planning and concluding.
5. Supervise and review the work of component auditors, leveraging effective communications throughout the process.
6. Improve expertise in audit skills.
7. Obtain deep understanding of the entity and its environment and improve application of the risk assessment procedures.
8. Everyone owns quality – individually and together.

These represent our areas of focus to improve audit quality. They were developed as a response to comments raised by our regulator and will continue to evolve over time as appropriate. In addition to the training provided at our Summer Audit Academy (see below), all audit professionals were required to complete a mandatory online course to further embed these concepts.

Another demonstration of our commitment to audit quality and driving professional excellence has been the establishment of the Audit Quality Board. Comprised of key partners and directors across our audit practice, the remit of the Board is to:

- develop and govern activities designed to achieve sustainable improvements in audit quality in a proactive, consistent and effective manner across the practice;
- through the efforts of the individual members of the Board, drive such improvements across our audit sectors and regions; and
- respond to audit quality issues raised by regulators and stakeholders, including the FRC's Audit Quality Review team (AQR), the ICAEW's Quality Assurance Department and the Public Company Accounting Oversight Board (PCAOB).

The Distinctive Audit

Launched during the current financial year, we believe that the Distinctive Audit is the next generation of auditing. We aim to combine outstanding people, visionary thinking and the smartest technologies to deliver an audit which goes beyond financial assurance and grows investor confidence. Each audit is bespoke, forward-looking and risk-focused, delivering more robust challenge and insight into the areas of most relevance to investors and other users of financial statements.

The Distinctive Audit provides a number of tools to support us in delivering the Global Audit Imperatives. For example, one area which supports us in our application of professional scepticism is the use of analytics. By leveraging technology we are transforming our audit process with a clear focus on the judgements and audit risks that matter through implementing improved sophisticated analytical capability. We are very excited by the software tools we have developed and the capabilities they offer and believe they are at the forefront of performing audits in a more intelligent way.

These tools allow us to interrogate business data with greater accuracy and immediacy, identifying unexpected anomalies or new trends more readily. This level of real-time interrogation can also equip management to provide investors with a more robust outlook on a company's financial performance and its overall risk profile.

Enabling tools – a new Engagement Management System (EMS)

To further support our delivery of the Distinctive Audit, the last 18 months has seen the roll out of Deloitte Audit across all our practice areas, transforming the way we plan and execute our audits.

Deloitte Audit:

- builds a bespoke audit based on the organisation's unique business characteristics;
- focuses our work on the key risks and judgement areas through robust risk mapping tools;
- enhances our control over large complex audits;
- provides real-time information on audit progress;
- embeds latest regulatory content and industry intelligence; and
- allows easy capture and reporting of key findings and insights.

Deloitte Audit focuses on partner leadership, early planning and response to significant risks to deliver a robust audit which evolves alongside the audited entity's business and delivers the assurance and value our stakeholders require. Deloitte Audit allows insightful professionals to deliver an intelligent audit with focus and challenge in the right areas enabled through the latest audit software and analytics capabilities, bringing valuable independent perspective.

The Global Audit Imperatives have been embedded in Deloitte Audit, giving our audit professionals the ability to create, conduct and document an audit to meet the unique needs of every company.

Investing in training

Last year we invested significantly in changing the way we deliver our annual training programmes to audit professionals, in the form of our Summer Audit Academy. The audit leadership team, our Audit Executive, was heavily involved in the development and delivery of this training. Now, every year, qualified audit professionals are required to attend a national two and a half day residential course covering audit, accounting and wider business matters. Experienced partners lead the delivery of the course, to ensure consistency, quality and maximum impact. Training is delivered in an innovative, interactive and integrated way which empowers participants to share personal experiences, practical examples and deep industry knowledge.

Enhancing confidence in audit

Last year we were proud to be the first audit firm to issue an expanded auditor's report incorporating a more detailed commentary on our audit of Vodafone Group Plc. We received very positive feedback from stakeholders in response to our report and have worked hard with other audit committees to meet this significant reporting development. Practices in relation to the expanded auditor's report continue to evolve. Our audit teams have received detailed guidance on the new requirements and this has been supported by benchmarking analysis on reports issued to date. Recognising that auditors' reports are not issued in a vacuum, our analysis has considered the interaction between the number and nature of the risks and responses identified by the auditor compared to the significant issues identified by the audit committee and elsewhere in the annual report.

We have taken the view that companies and stakeholders welcome a positive statement that we have concluded the directors' use of the going concern basis of accounting is appropriate as this gives genuine clarity to shareholders. Although this positive statement is not required by auditing standards which only require us to report if we find any issues in respect of going concern, we believe it demonstrates the auditor's active consideration of going concern as part of the audit and leaves no room for ambiguity over the auditor's conclusion.

As we move in to Year 2 of the new reporting regime, we are working even harder to ensure that our audit conclusions are transparent and serve to enhance shareholder confidence in audit and that we do not resort to boilerplate in our audit reports.

Assessing the effectiveness of the external audit process – a quality benchmark

A major thrust of recent regulatory developments has been to enhance the accountability of the audit committee to shareholders both for the financial statements and for the audit process, which the audit committee is responsible for supervising on behalf of shareholders. With this in mind, during the year Deloitte designed and published a framework setting out the key areas where audit committees ought, in our view, to have an opinion about the quality of the audit process.

The framework provides a comprehensive tool for use by audit committees, not only raising the bar on audit quality for external auditors, but also providing a solution for audit committee members – who feel the pressure of greater accountability but who may feel a bit distant from the detail of audit and would like to understand more.

We felt it was important to set this quality benchmark to assist audit committees.

Appendix 1 sets out the other key matters on which we focus and are required to report:

- our audit process;
- audit quality; and
- independence and managing conflicts of interest.

2.2 Regulatory reviews

2.2.1 Inspection by the Audit Quality Review team

In addition to our own focus and internal reviews of audit quality described above, the AQR undertakes independent inspections of the overall quality of the auditing function in the UK in relation to listed and other major public interest entities. The AQR published a report on the finding of its 2013/2014 inspection of Deloitte LLP on 28 May 2014. The full report is available on the FRC's website at the following link:

<https://www.frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Audit-Quality-Inspection-Report-May-2014-Deloitte.pdf>

The AQR's overview on Deloitte was as follows:

"The firm places considerable emphasis on its overall systems of quality control and, in most areas, has appropriate policies and procedures in place for its size and the nature of its client base. Nevertheless, we have identified certain areas where improvements are required to those policies and procedures. These are set out in this report. Our file review findings largely relate to the application of the firm's procedures by audit personnel, whose work and judgments ultimately determine the quality of individual audits. The firm took a number of steps in response to our prior year findings to achieve improvements in audit quality. This included enhanced guidance, technical communications and audit training on the recurring themes. However, issues continued to arise in some of these areas. A number of our more significant findings relate to audit work performed by the firm, at component level, in relation to listed groups. More attention should, therefore, be paid by the firm to the quality of work at component level on group audits."

2013/14 Audit Quality Inspection Report on Deloitte LLP

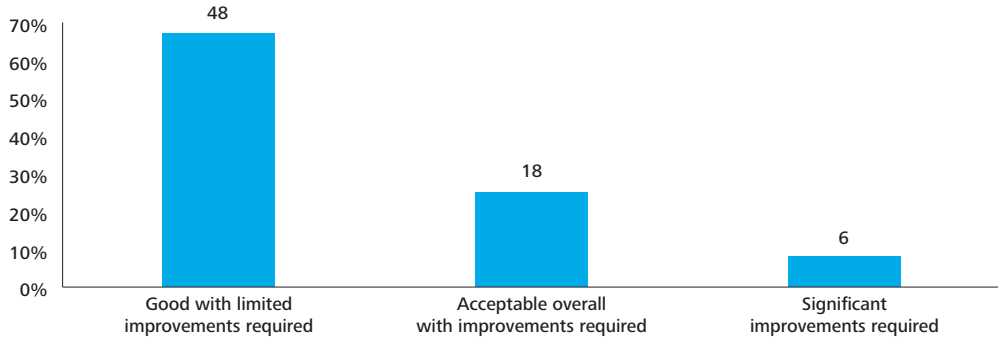
Twelve of the audits reviewed by the AQR were performed to a good standard with limited improvements required and four audits were performed to an acceptable overall standard with improvements required. We were disappointed that one audit was assessed as requiring significant improvement in relation to the testing of the collective and individual loan loss provisions, although, in accordance with the stated AQR definition of "significant improvement required", this assessment did not necessarily imply that an inappropriate audit opinion was issued. These findings were shared with the company's audit committee and remedial action was taken to address the concerns raised by the AQR.

We have also responded to these findings with refinements to our policies and procedures, and clear reminders to our professionals of the importance of diligence in the application of our procedures in these areas.

The AQR identified areas where they believe we should pay particular attention in order to enhance audit quality or safeguard auditor independence. The main areas for improvement recommended, which have already been communicated to audit partners and professionals and, where appropriate, addressed in our materials were:

- Improve the approach in relation to the audit of collective and individual loan loss provisions in financial services entities.
- Ensure more attention is given to the quality of work performed by the firm at component level of group audits.
- Improve the audit approach in relation to the testing of journals, including the selection of journals based on characteristics of fraud risk.
- Ensure audit teams pay more attention to the audit of revenue, including the risk assessment and substantive analytical review procedures.
- Improve the audit approach and guidance in relation to the testing of IT controls and reports.
- Further embed a culture where achieving high quality audit work is recognised and rewarded.

Quality of Deloitte audits over the past five years



The chart above shows the proportion of audits reviewed falling within each grade in the five years up to and including 2013/14. The number of audits within each grade is shown at the top of each bar.

We consider that the AQR's report provides a balanced view of the focus and results of its inspections and its recognition of the emphasis we place on our overall systems of quality control is welcome. We are working hard to respond to the AQR's comments and to manage the resulting changes in a robust and proactive way.

The external inspection process provides further impetus to our quality agenda and we give careful consideration to each of the AQR's comments and recommendations, as well as findings arising from our own quality review procedures.

2.2.2 FRC Audit Quality Thematic Reviews

In 2013 the FRC's AQR started a series of thematic reviews to supplement their annual programme of audit inspections of individual firms. In a thematic review, firms' policies and procedures are reviewed in respect of a specific aspect of auditing to test their application in practice. The specific aspect may be chosen in order to focus on it in greater depth than is generally possible during the routine inspections or because inspection findings have suggested that there is scope for improvement in the area concerned.

Two such reviews have been undertaken to date and they have covered:

- the auditor's consideration and application of materiality; and
- the auditor's identification of and response to fraud risks and consideration of laws and regulations.

The AQR's reports include good practice observations, an overview of findings and key messages for both auditors and audit committees. We have communicated these messages to our audit professionals to highlight practical examples where we can improve the quality of our audits by not treating these areas as a compliance exercise but as an important and integral part of the audit. We have also engaged with investors around the results of these thematic reviews.

The AQR is currently conducting a thematic review on the quality of bank audits. The findings are expected to be published towards the end of 2014.

3. Governance

3.1 Governance

We do not take for granted the trust placed in Deloitte by clients, investors, regulators and the wider business community, and sustaining this trust rests with every individual – at every level – within our firm. We recognise that embedding the values of integrity, respect, fairness, objectivity and accountability within our organisation to sustain that trust starts with the tone at the top and the strength and vision of our leaders.

Our leadership is shaped to meet continuing market challenges and to prioritise our continued investment in quality and our people. We have a structure for the leadership and management of the firm which includes governance structures to provide oversight of activities of the management team.

3.1.1 Audit Firm Governance Code

In January 2010, the Institute of Chartered Accountants in England and Wales (ICAEW) published the Audit Firm Governance Code. This Code applies to audit firms which have issued an audit report on the annual accounts of one or more public interest entities and sets a benchmark for good governance. We recognise the value in demonstrating our own commitment to good practice and are pleased to record that we continue to be compliant with the Code's requirements.

We consider two particular aspects of the Code to be noteworthy:

- **Independent Non-Executives (INEs):** During the year the three INEs (Sir Gerry Grimstone, Dame DeAnne Julius and Sir Michael Peat) have been on our main Board of Partners so that they can have oversight of the firm's activities. Working with the other Board members, the INEs oversee the public interest aspects of our business and engage in an active dialogue within Deloitte that helps to direct and influence our firm, not only in the interest of greater transparency and our public interest obligations, but also in helping determine the future of our business.

In assessing the independence of the firm's INEs, we have:

- considered the INEs' financial interests and business, family and employment relationships entered into and notified to the firm;
- applied the Code's principles and complied with its provisions on INEs without placing them in the chain of command; and

- considered the independence requirements of the UK and US regulators, as well as those of the International Federation of Accountants (IFAC).

Our INEs comprise the Public Interest Oversight Committee (PIOC), which oversees public interest matters as they affect our firm. The terms of reference for the Public Interest Oversight Committee can be found on our internet site at http://www.deloitte.com/view/en_GB/uk/about/our-leadership-and-governance/index.htm and there is a report from the INEs in section 5.

Dame DeAnne Julius has stepped down as an INE with effect from 30 June 2014. A new INE will be appointed in the autumn.

- **Investor dialogue:** We support the Code's requirements for audit firms to engage with the investor community. We consider open discussion and dialogue between auditors, investors and audit committees to be an important aspect of ensuring that the auditing profession understands the needs of its key stakeholders.

As described above we held our second Stakeholder Forum in October 2013, led by members of Deloitte's Board of Partners and Executive Group, and with our Independent Non-Executives in attendance. We covered:

- our governance structure;
- the regulatory environment; and
- audit quality.

During the year, we have held discussions with a number of key investors and other market participants and commentators. We have found the dialogue both informative and constructive, and have concentrated our efforts in recent months to conduct the dialogue in the context of our governance structures. I have played a central role in these discussions, as have our INEs.

We also seek to understand what is important to our stakeholders and how we can respond more effectively to their needs, particularly in our annual and other reporting. We are committed to being transparent about these aspects of our organisation, and our senior leadership team and the INEs took questions during the course of the Forum.



David Cruickshank,
Chairman of the Board

3.1.2 Governance structure

The principal activities of Deloitte are the provision of audit, tax, consulting and corporate finance services in the United Kingdom and the Channel Islands and, through its subsidiaries, in Switzerland. In addition, corporate finance services are provided in the Middle East by a joint venture with the local Deloitte Touche Tohmatsu Limited (DTTL) network member firm (for further details on the DTTL network please see Appendix 7) and in India through a three way joint venture with the Canadian and Indian DTTL member firms.

Deloitte operates an integrated business model: each of the four service lines apply a common set of procedures and policies where appropriate, and each has developed additional and bespoke policies and guidance to reflect the specific requirements of its business offerings.

For the purposes of transparency reporting under the Instrument, this report contains information about Deloitte which is relevant to all of the service lines, as well as specific matters relevant to our audit business.

Biographical details of members of the firm's governance structures and management team are given in Appendix 5, along with meeting attendance details for the year in Appendix 6.

The UK presence on the Board of DTTL is explained in Appendix 7 – Legal structure and network.

The role, responsibilities and membership of the key elements of our governance structure are set out below:

	Role and responsibilities	Membership
The Board of Partners	<p>Responsible for the promotion and protection of partner interests and for the oversight of management</p> <p>Determines Deloitte's long-term strategies and has specific oversight of risk and quality</p> <p>Meets at least nine times per annum</p>	<p>The Chairman</p> <p>The Senior Partner and Chief Executive</p> <p>The INEs</p> <p>A further eleven elected partners (who must not be members of the Executive Group)</p> <p>Three Executive Group partners proposed by the Senior Partner and Chief Executive and affirmed by the partners</p>
Board Sub-Committees	<p>Cover audit and risk, compensation, remuneration, nomination, public interest oversight and corporate responsibility</p> <p>Ensure that Deloitte adheres to applicable corporate governance, quality and risk management requirements, and discloses these matters in full</p> <p>A detailed explanation of the role of each Committee is given in Appendix 5</p>	<p>Elected members of the Board of Partners who are independent from the Executive Group</p> <p>The INEs</p> <p>Other members of the partner group</p>
The Executive Group	<p>Assists the Senior Partner and Chief Executive in managing the firm</p> <p>Implements the policies and strategies of the firm as determined by the Board of Partners</p> <p>Has responsibility for the firm's operating functions and for planning of the firm's future development</p> <p>Has authority to manage the day-to-day operations of the firm</p>	<p>Partners appointed by the Senior Partner and Chief Executive</p> <p>Each partner on the Executive Group has specific responsibilities with an emphasis on the group working as a team to lead the firm</p> <p>Every member of the Executive Group is also actively engaged with our clients</p>
The Audit Executive	<p>Delivery of Deloitte's business objectives within the UK audit service line</p>	<p>Appointed by the Managing Partner, Audit with oversight from the Executive Group</p>

3.2 The role of the Senior Partner and Chief Executive

The Senior Partner and Chief Executive, David Sproul, has full executive authority for the management of Deloitte. The Senior Partner and Chief Executive is nominated by the Board of Partners and elected by the partners for a four-year term of office.

The responsibilities of the Senior Partner and Chief Executive fall under five principal headings:

- the business of Deloitte, including the development and management of professional services at the highest level of quality and compliance with all regulations;
- the development and implementation of policies and strategic direction;
- financial performance;
- partners, including the development and management of our talent goals; and
- international, representing the UK firm in its association with DTTL.

The Senior Partner and Chief Executive communicates regularly with the partner group and with all of our people, in person and by a series of webcasts, voicemails and email alerts.

4. Ethics



Peter Holmes, Ethics Partner

Our focus on ‘doing the right thing’ is a principle that continues to be fundamental to everything we do. We always seek to deliver work of the highest quality and integrity and this underpins the continuing success of our firm. Deloitte’s reputation depends not only on the firm’s standing with the companies we audit and the investor community but also on each individual’s personal integrity. This emphasis on the individual permeates our approach to ethical behaviour at the firm.

The role of the Ethics Partner (Peter Holmes) is key to ensuring that we provide our people with guidance and oversight on upholding our integrity and objectivity at all times. Peter is a senior partner who is independent from any engagement or client serving function. He has direct access to the Senior Partner and Chief Executive, the Chairman of the Board, the INEs and other members of the leadership, enabling him to raise matters and concerns to the highest levels as and when required.

The responsibilities of the Ethics Partner encompass maintaining independence and avoiding conflicts of interest in the work that our professionals do, as outlined in appendix 1, as well as overseeing matters of trust, integrity and professional reputation. The Ethics Partner is supported by a broad infrastructure including a team of professionals dedicated to these areas.

We continue to support our people with a straightforward ethical framework and our ethical principles. The Deloitte Code is key to this. The Ethics Office acts as custodian of the Deloitte Code, ensuring it remains relevant and up to date and further manages a number of supporting elements, engaging the hearts and minds of our people in order that we instil the absolute importance of ethical behaviour to our business:

- **Training and Communications:** Our online learning programmes are undertaken by all relevant partners and employees of the firm and cover specific areas of independence, anti-money laundering, anti-bribery, information security as well as ethics awareness. We understand the importance of continuing to raise awareness levels of our fundamental values and principles and, as such, we utilise a variety of other communication channels on an ad-hoc basis. Scenario-led learning on ethical matters is also embedded into various established classroom-based learning programmes across the firm.

- **Consultations:** Although we encourage our partners and staff to speak to their line manager or partner, they are also able to come to the Ethics Office if they wish when they have concerns or questions on things that do not feel right. Conversations with the Ethics Office are held under the strictest of confidences.
- **Investigations:** Launched last year, the Speak Up Line provides people with another option of consultation or for reporting matters of ethical concern. This also provides a route for formal whistleblowing. Reports can be made entirely anonymously as the line is administered externally. All matters reported are dealt with seriously and are fully and independently investigated as far as possible. We do not tolerate retaliation at any level where matters are raised in good faith.

5. Report from the Independent Non-Executives

5.1 Role of the INEs

Dame DeAnne Julius, Sir Gerry Grimstone and I were appointed as INEs on Deloitte UK's main Board of Partners in 2011.

We continue to be impressed by the quality of the firm's corporate governance and by the integrity, commitment and expertise of the firm's partners and staff. The firm's cohesive and consultative culture is a vital element.

The INEs contribute by bringing different and independent perspectives and experience, and by encouraging, questioning and challenging. We help Deloitte's partners ensure that the necessary (and laudable) drive for growth, profitability and personal progression in an owner managed business does not compromise the firm's long-term sustainability or the integrity and quality of the audits and other professional services it provides. Our objective is to help ensure that Deloitte continues to have the public interest and the firm's long-term stewardship, as well as client service and commercial success, at the centre of all its deliberations and actions. We fulfil our duties primarily by attending the monthly Board meetings; however, we are also members of, or attend, various sub-committees and participate more generally in the day-to-day life of the firm.

With respect to the Board's sub-committees and related work:

- the INEs comprise the members of the Public Interest Oversight Committee (PIOC);
- one INE attends each Audit & Risk Committee meeting and meets national and service line Quality and Risk Partners on a quarterly basis;
- one INE will attend each meeting of the firm's reshaped Responsible Business Committee;
- one INE is usually asked to be a member of any Board sub-committee established to review one-off important issues; and
- one INE attends Regional Markets Executive meetings.

In addition, we speak from time to time at partner, director and staff firm-wide events; and attend meetings and dinners with non-executive directors around the country. DeAnne, for example, has been involved with internal and external women's networking groups.

Last, but not least, an important part of our role is to act as an additional channel of communication for external stakeholders. This is to enable external stakeholders to obtain an independent view, if required, and also to help give confidence in Deloitte's corporate governance and culture.

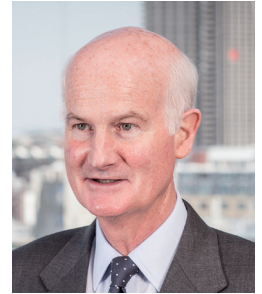
As part of this, we continue to meet with the firm's regulators. We attended the Financial Reporting Council's (FRC) meetings for audit firm INEs in July 2013 and January 2014, as well as meeting with the FRC in May this year to discuss its review of the Audit Firm Governance Code. In addition, one of us attended the closing meeting with the FRC's Audit Quality Review team and the ICAEW's Quality Assurance Department staff to discuss the conclusions from their reviews of the quality of the firm's audit work.

In addition to our interactions with regulators, we also met public company investors and, in October 2013, participated in the firm's second Stakeholder Forum. This is an annual occasion for senior partners and ourselves to present and discuss a range of public interest matters with stakeholders including investors, regulators, business groups and professional bodies. We are looking forward to the next Stakeholder Forum on 31 October 2014.

In order to facilitate and encourage stakeholder communication, I wrote to a range of people last year to say that the INEs would be delighted to meet to discuss any areas of interest or concern. I received some charming replies and a number of those to whom I wrote attended our Stakeholder Forum; however, the level of our interaction with stakeholders is, perhaps, less than DeAnne, Gerry and I expected. This may be a good thing, because it indicates that there are no or limited concerns in so far as Deloitte is concerned. On the other hand, it may be an indication that we are not being sufficiently proactive in our communications. If it is the latter I should be very grateful if you would let us know.

5.2 The work of the Public Interest Oversight Committee

In order to comply with the Code, the PIOC was constituted as a sub-committee of the Deloitte UK main Board of Partners in 2011. The PIOC comprises solely the three INEs. Its terms of reference can be found at: http://www.deloitte.com/view/en_GB/uk/about/our-leadership-and-governance/index.htm.



Sir Michael Peat,
Chairman of the Public
Interest Oversight
Committee

The PIOC met on four occasions during the year ended 31 May 2014. The Chairman of the Board, the Managing Partner for Public Policy and the Chairman of the Audit & Risk Committee are invited to attend each meeting, to contribute their views and facilitate discussion. As members of the PIOC, we also meet separately without any of the firm's partners.

A range of partners from across the firm's service lines present at PIOC meetings. We try not to duplicate work undertaken by the Board and its other subcommittees; however it is helpful to be able to consider matters in more depth or matters of particular interest, and to have a chance to talk to the partners concerned at greater length.

The PIOC is, I hope and believe, a goalkeeper behind a very good defence; but there are always issues to consider and during the year to May 2014 we focused on the following, in particular:

- a) The articulation of the Firm's policy governing the provision of tax advice and setting up the firm's Tax Review Panel;
- b) The FRC's and the Public Company Accounting Oversight Board's reviews of bank audits;
- c) How the firm continues to promote ethical behaviour and ensure that staff adhere to the highest standards of professional integrity;
- d) A risk metrics dashboard that gives an overview of the health of the organisation covering areas such as engagement risk, staff survey results, whistleblowing, claims, compliance, communication strategies and audit tenders;
- e) The firm's policy for relationships with political parties;
- f) The firm's response to the FRC's investigation of Deloitte's work for the MG Rover Group in 2001 and 2002;
- g) Increasing media and public interest in the Firm's service offerings;
- h) How the firm's external reporting can continue to evolve in both structure and content to meet stakeholder needs; and
- i) An exercise to stress-test the firm's balance sheet and assess financial resilience.

5.3 Taking stock of the PIOC's effectiveness

As mentioned in last year's INEs' report, an assessment of the PIOC's effectiveness has been undertaken.

In April, the firm's Managing Partner for Public Policy commissioned an effectiveness survey. Respondents included partners who interact with us at the Board and PIOC, as well as others who have less immediate involvement. Candid feedback was encouraged, with comments unattributed.

Much of the feedback was encouraging, although there is always room for improvement. Areas identified where the INEs and/or the PIOC could focus attention included the following.

- **Increasing the visibility of the INEs** – it is important that our role in overseeing public interest matters is understood internally and externally to help engender confidence in the firm in the markets in which it operates.
- **Continuing to challenge and be sceptical** – we recognise that after nearly three years familiarity can set in and that we need to maintain the robustness of our questioning and challenge.
- **Stakeholder interactions** – thoughts in this respect have been noted above.
- **Giving guidance as to what "the public interest" means** – it is a difficult and complex concept, which has moved beyond compliance with the law and now increasingly includes evolving views of fairness, justice and equality. We will help the firm to develop enhanced guidance for its professionals on what it means to act in the public interest in a changing landscape.

5.4 The current financial year

Our work in the current financial year will reflect the matters noted above, under PIOC effectiveness. It will also include continuing focus on, for example, audit quality (and the results of the current sector-wide tendering activity), ethics training and the firm's approach to providing tax advice. New areas of focus will include "value based billing", the benefits and risks of being part of a global network of firms and the use of off-shore and near-shore support operations.

5.5 Dame DeAnne Julius

I am sad to say that DeAnne retired from the Deloitte Board on 30 June, to take up a new role as Chair of the University College London Council. All of us will miss her hugely – for her charm, wisdom and insight – and this comes with heartfelt thanks and every best wish for the future.

A new INE will be appointed by the Board in the autumn.

5.6 Conclusion

Thank you for reading this report. As I have said before, Gerry and I, and our new INE in due course, would be very grateful for any comments or other input. Communicating effectively with stakeholders is an important part of our role. If you would like to contact either of us please e-mail ggrimstone@deloitte.co.uk or mpeat@deloitte.co.uk.

6. Report from the Audit & Risk Committee



Chris Powell, Chairman of the Audit & Risk Committee

Each year the Board of Partners (the Board) appoints an Audit & Risk Committee (the Committee) which operates in accordance with such written terms of reference as the Board may determine. The Committee is made up of at least three partners (excluding any partners who are members of the Executive Group and holders of such senior management appointments as the Board may determine). The Board appoints one member of the Committee as the Chairman of the Committee and I was privileged to be reappointed as Chairman for a third year. In addition our Independent Non-Executives attend the Committee meetings on a rotational basis. Details of attendance are set out in Appendix 6.

Given the increasing scrutiny from regulators, politicians, investors, companies, the public in general and other stakeholders, the Committee continues to play a fundamental role in our risk management and quality process, monitoring the Executive Group's risk management, reporting, accounting and financial activities. To ensure the Committee continues to effectively meet its commitments, I have initiated an evaluation of its effectiveness and will report the results to the Board later in 2014.

Our activities and areas of focus during the year are discussed below.

6.1 Accounting matters

During the year we received and discussed updates from the Managing Partner for Finance on accounting matters and reviewed the proposed accounting treatment in relation to these.

We also reviewed in detail the draft FY14 report and financial statements presented by the Managing Partner for Finance with a particular focus on matters of disclosure and reconciliation with the firm's management accounts.

6.2 Statutory auditor appointment

Grant Thornton UK LLP was appointed as our auditor in 2003, following a competitive tender process, when Deloitte registered as a Limited Liability Partnership and became subject to audit requirements. We proposed to the Board of Partners that they be re-appointed for the year to 31 May 2014. At our December 2013 meeting we discussed our policy for tendering and concluded that it was appropriate to initiate an audit tender process in September 2014 as, at the end of this financial year, Grant Thornton had completed 11 years as auditor.

We carefully monitor the provision of non-audit services. In the current year the only non-audit services provided by Grant Thornton UK LLP were in relation to the provision of assurance on environmental performance data presented in the Deloitte Impact 2014 report. The fee for this work was £18,700. We were consulted about this appointment and were satisfied that Grant Thornton's independence would not be impaired as a result of undertaking the assignment.

6.3 Statutory audit

We reviewed, discussed and approved Grant Thornton UK LLP's statutory audit approach and plan at the start of the external reporting process in December 2013. This set out the nature and scope of work which would be undertaken and an initial indication of the key audit risks. At the April 2014 meeting, we reviewed their interim findings and the impact on the audit approach.

At the July 2014 meeting, at the conclusion of the audit of the FY14 financial statements, we reviewed the findings of the audit with Grant Thornton UK LLP with emphasis on their significant risk areas namely:

- revenue and work in progress;
- professional claims;
- defined benefit pensions and partner annuity schemes;
- Deloitte CIS;
- financial instruments; and
- financial statements.

6.4 Narrative and other reporting

We provided independent oversight of management's development of all our external reporting, with particular emphasis on our public interest obligations, the needs of our stakeholders and the disclosures required under the Audit Firm Governance Code.

We discussed the overall purpose and content of this Transparency Report and reviewed the content with particular emphasis on changes from the previous year: namely the inclusion of Audit Quality Indicators, the Ethics section and the report of the Independent Non-Executives.

We confirmed that the Impact Report would be considered by the full Board and noted that the financial disclosures in the report are consistent with those reflected in the financial statements.

6.5 Enterprise risks

The firm's Executive Group's assessment of the potential risks to the achievement of the firm's strategy and to maintaining its reputation is set out in an Enterprise Risk Framework (ERF). The Executive updated its ERF in September 2013 and again in March 2014 and the Managing Partner for Quality & Risk reported the results to the December 2013 and June 2014 meetings respectively. We reviewed the results and discussed in detail the Executive's assessment of the firm's enterprise risks including, for each, a rating of residual risk exposure, trending, speed of onset and the status of further actions, if any. We also reviewed the disclosure in the financial statements of the enterprise risks which the Executive Group consider have the most potential for a significant impact on the firm's reputation, if they materialised, and related key mitigations. The report to the June 2014 meeting included assurance frameworks for the enterprise risks setting out the key mitigations and monitoring activities undertaken to manage these risks together with the assurance obtained over the effectiveness of these.

In line with the firm's FY15 planning process, the Executive Group also undertook a refresh of the ERF to:

- identify any new enterprise risks;
- remove from the ERF, if appropriate, any of the existing risks which are no longer considered significant;
- consider movements of the categorisation of enterprise risks as 'Priority' or 'Other';
- validate or update the risk definitions; and
- consider any changes to risk owners.

At the June 2014 meeting, the refreshed list of risks, presented by the Managing Partner for Quality & Risk, was discussed and will form the basis of reporting in FY15.

6.6 Ethics, whistleblowing and fraud

We considered reports from National Quality & Risk Management on fraud related matters and on arrangements in place for professionals to raise concerns about possible improprieties or unethical behaviour, containing reports raised through the firm's whistleblowing arrangements, such as through the 'Speak-Up' hotline introduced in July 2013 as described in section 4. We considered the implications to the firm and our stakeholders of the reported instances and whether instances reported constituted fraud, breaches of firm policy (including the Deloitte Code) and regulatory or legal requirements. We also reviewed details of the investigation and follow-up of any issues raised.

We also considered a report from the firm's Anti Money Laundering Reporting Officer who also acts as our Anti-Bribery Officer covering our compliance with the Money Laundering Regulations and Bribery Act.

6.7 Quality & Risk

The firm's Quality & Risk teams play a vital part in ensuring quality is at the heart of all we do and that risk is appropriately managed. In addition to the other matters set out above we received reports from:

- the firm's Managing Partner, Quality & Risk on decisions taken by the firm's Executive Risk Committee that could materially affect the firm's risk appetite;
- the firm's Ethics Partner on the processes to manage potential conflicts and independence including business relationships, regulatory compliance and the impact of audit rotation;
- the firm's Head of National Quality & Risk Management on the results of the firm's portfolio risk review and compliance with DTTL key performance standards;
- the firm's Head of National Quality & Risk Management on the role and applicability of the firm's regulators under three areas: Financial Conduct Authority compliance; audit regulation and conduct; and other regulators (including the ICAEW Practice Assurance regime which is applicable to the whole firm);
- the firm's Head of National Quality & Risk Management on claims, investigations, reputational issues and risk financing; and

- the firm's service line managing partners and quality & risk partners on the management of quality and risk in each service line. Audit's presentation to the Committee took place in July 2014 and, in view of the significance and importance of the service line, they also present annually directly to the full Board. The management of quality and risk in the Audit service line is discussed further in this report.

6.8 Data security, resilience and continuity

The risk of loss of client or Deloitte data remains a priority enterprise risk for the firm and is a key focus for the Committee. Given its continued importance, the Managing Partner for Quality & Risk and Head of Business Security updated the Committee on progress in implementing the firm's Business Security Strategy at four of our five meetings. At the December 2013 meeting they also presented a paper on the firm's resilience and business continuity arrangements.

6.9 Financial funding

The firm's funding also remains a priority enterprise risk and the Committee discussed a paper by the Managing Partner, Finance of the firm's funding resilience which included consideration of the impact on funding of various scenarios.

6.10 The Assurance Group

Our Assurance Group is a key element of our continuous review of the effectiveness of our systems of internal control. The Group is responsible for maintaining the firm's assurance framework for each enterprise risk and the firm's Assurance Plan, for co-ordinating the assurance provided by the various assurance providers, for reviewing the effectiveness of the other assurance processes and for providing additional independent assurance where required.

The Group carries out independent assurance projects on the effectiveness of the firm's enterprise risk management and internal control processes, based on an annual plan agreed with the Managing Partner, Quality & Risk and approved by the Committee. The Group also works closely with the firm's external auditor and other assurance providers. The projects are delivered by a combination of a dedicated core in-house team and subject matter experts from within the firm for more technically complex areas most notably data security and treasury.

The Director of Assurance's authority and responsibilities are set out in an Assurance Group Charter approved by the Committee. The Director reports to a quality & risk partner with overall responsibility for the Group and ultimately to the Managing Partner, Quality & Risk and has unrestricted access to the Senior Partner and Chief Executive, members of the Audit & Risk Committee and the Chairman of the Board in addition to reporting formally to the Committee. In addition the Director of Assurance meets quarterly with an Independent Non-Executive. The Charter also gives the Assurance Group unrestricted rights of access to all records, personnel and assets that are required to discharge its responsibilities.

We considered the adequacy of the Assurance Group's resources, its authority, access to information and its standing within the firm. We reviewed and approved the Assurance Group plan, which was also reviewed by internal audit specialists within the firm. We ensured the focus of the Group's work is on the management of risks which are of most concern to the Executive and Committee with an appropriate balance between the firm's enterprise risks and core business processes.

We considered in-depth the results of the Group's activities and the co-ordination between the Assurance Group and the statutory auditor. In particular, we focused on the Group's assessment of management's progress in implementing actions arising from their work and from the ERF and challenged management in areas where the Committee needed further clarification or assurance that these are being implemented.

We also considered the effectiveness of the Assurance Group and concluded that the Assurance Group is generally effective. The Group was subject to an effectiveness review by independent experts within the firm in 2011 and a further independent review is planned for later in 2014.

6.11 Risk management and internal control

The results of all the Committee's activities form the basis for our review of the effectiveness of the firm's system of internal control using the FRC's Internal Control Revised Guidance for Directors on the Combined Code (the Turnbull Guidance) as the framework for the review.

In summary this review involved discussion by the Audit & Risk Committee including appropriate enquiries of the Executive Group and reviews of:

- a report from the firm's Executive Group setting out the Executive Group's assessment of the firm's enterprise risks including, for each, a rating of residual risk exposure (which includes the current and target exposure, trending of the risk and speed of onset), the related assurance framework (setting out key mitigations, monitoring activities and assurance) and the status of further actions, if any.
- signoffs from the service line Managing Partners confirming:
 - the review of risk in their portfolio of clients and engagements
 - the appropriate design of systems to support engagement acceptance
 - update and approval of the service offering risk analysis
 - the acceptability of the portfolio of engagement risk and actions taken to protect the Deloitte brand
 - the effectiveness of the systems of internal financial control and compliance with the Financial Controls Memorandum
 - the service line accounts are in accordance with the firm's accounting policies and fairly reflect the operations and balance sheet
 - they are not aware of any material post-balance sheet events which have not been accounted for
 - compliance with client money regulations
- reports from the service line Managing Partners or Quality & Risk Partners on the management of quality and risk in the service lines
- reports from the Director of Assurance summarising the results of projects carried out in the year and actions followed up in the period
- a report on behalf of the partner responsible for the firm's audit transparency report including an opinion on the extent of compliance with the Code's risk management principles and provision
- reports from the Head of National Quality & Risk Management summarising any whistleblowing matters which he considers should be brought to its attention
- reports from the Ethics Partner summarising any conflicts, independence and ethical matters which he considers should be brought to its attention
- a report from the Anti-Money Laundering Reporting Officer summarising any money laundering or anti-bribery matters which he considers should be brought to its attention
- a report from the firm's Head of Business Security on security matters covering an assessment of the firm's current security situation
- a report from the statutory auditor including a summary of misstatements, if any, identified by the audit and commentary on the design effectiveness of internal controls and adherence to risk management procedures relevant to the preparation of the financial statements.

Based on the evidence provided, no significant failings or weaknesses exist which require disclosure. Although actions arise from the ERF and Assurance Group projects, these are not individually material to the financial performance or condition of the firm nor do they collectively undermine the system of internal controls in place. Action plans and dedicated action owners have been agreed to deal with the open actions.

The Committee is therefore of the view that:

- there is an on-going process for identifying, evaluating and managing the firm's enterprise risks
- the process was in place for the year ended 31 May 2014 and up to the date of approval of the 2014 annual financial statements and this audit transparency report
- the process is regularly reviewed by the Committee and accords with the Turnbull Guidance
- the results of the review were reported to and considered by the Board of Partners.

6.12 The Audit Firm Governance Code

In conclusion we continue to support the aims and principles of the Audit Firm Governance Code in practice. We reviewed and approved all relevant disclosures for the annual financial statements, this audit transparency report and on our website. Our activities and findings are reported to the Board of Partners. The Committee meets at least three times a year and met five times during the year ended 31 May 2014. At each meeting the Committee met in closed session prior to the attendance of the invitees.

The members of the Committee are given in Appendix 5 and meeting attendance in Appendix 6 of this report.

Further details on the terms of reference and work of the Committee can be found on our website at http://www.deloitte.com/view/en_GB/uk/about/our-leadership-and-governance/index.htm

I would again like to thank all the members of the Committee for their contribution and hard work during the year.

Appendix 1 – Our audit process

Our audit process

Partner-led approach

Engagement partners remain fully responsible for the services they provide and for understanding the audited entity's businesses. Their involvement is required from the very outset of any audit relationship and engagement, with partner-led audit planning key to our audit approach.

Where the professional services we provide are subject to external regulation, they are led by persons who are individually authorised by the appropriate regulatory body. For example, all partners and senior employees who act as Senior Statutory Auditor have been granted Responsible Individual status by the ICAEW under the ICAEW's Audit Regulations.

Our audit business is structured into specialist industry groups, led by senior partners with a great depth of experience and expertise. These groups share their understanding of market developments, risk assessments and emerging trends. This is particularly important at times of market turbulence and change. Our partners and professionals are continuously building their understanding of the audited entity's businesses, helping us to better conduct our audits in a way most beneficial to all stakeholders.

These steps aim to ensure that our partners and professionals understand the audited entity's business and adhere to the principles underlying auditing and ethical standards.

Professional scepticism

We are continually addressing the challenges of demonstrating enhanced professional scepticism and innovation as part of our commitment to the continuous improvement in the quality of our audits. We achieve this through a combination of ongoing initiatives, including guidance, innovative audit techniques, benchmarking and analytics. We also focus on behaviour and culture, with emphasis on the potential for fraud, the sharing of knowledge and evidencing the level of challenge in our audit documentation. This is particularly important when auditing critical judgements during the audit, such as impairments which are inherently dependent on assumptions and judgements made by the directors. Our audit work and our reports to those charged with governance seek to challenge and report on the key assumptions and judgements, for example the discount or growth rates used, so that it is clear how we have exercised professional scepticism and reached our conclusions.

The key message remains for our audit professionals to challenge and look for what could be wrong, and then to document that challenge fully in the planning, performance and review of our audit.

People development

Our approach to continuing professional development is based around targeted learning programmes, including regular audit and industry specific training that keeps our professionals at the forefront of new developments and regulations. These are designed with the aim of ensuring that our work is of high quality, that we comply with regulations and that we do not accept any assignments that would compromise our integrity or independence.

We strive to create an environment where achieving high quality is valued, invested in and rewarded and that our appraisal and reward systems for partners and our professionals promote the characteristics essential to quality auditing. Quality and ethics form the foundation of our appraisal criteria; audit partners and professionals are not evaluated or remunerated by reference to the selling of non-audit services to their audited entities. A quality dashboard is produced for all partners and our policies require any quality matters raised to be addressed in the appraisal and the partner's objectives include an appropriate response to the matter. This year, four additional metrics were added to the partner quality dashboard to highlight positive contributions to audit quality. In addition, a quality dashboard has also been used for objective setting purposes for our professionals of manager grade and above.

Our policies require audit partners to have a specific objective which is associated with performing high quality audits. In addition, these steps seek to ensure that professionals performing detailed on-site audit work have appropriate capabilities, experience and competence, are appropriately supervised by partners and managers and that sufficient training is given to audit personnel in audit, accounting and industry specialist issues.

While developing our tools and technology, we have maintained our primary focus on aiming to provide world class learning led by our audit leadership team. This learning aligns closely to the Global Audit Imperatives and enables our people to deliver high quality audits, by implementing best practice from around the firm.

We encourage our auditors to be out at the heart of the organisations they are auditing armed with a deep knowledge of the entity, which enables them to consider the adequacy of controls, processes and responses to business issues and risks with an appropriate level of professional scepticism. It is this depth of knowledge that also enables them to deliver valuable insights as part of our independent audit.

All of our partners and professionals are supported in their legal, ethical and quality responsibilities by appropriate technical and other learning programmes as well as supervision by more senior team members and our partner-led audit process. These responsibilities include compliance, personal independence, anti-money laundering and anti-bribery. Over and above the comprehensive mandatory audit learning and development syllabus for our professionals, we run regular, online technical briefings. Viewing of these technical briefings is tracked as part of the Audit Quality & Compliance Dashboard for professionals of manager grade and above.

Our approach allows us to develop our professionals not only through structured learning but also by appropriate mentoring, on-the-job training, appraisal and other support activities. Partner leadership of these activities is an important aspect of their value and success. Individual appraisals include feedback provided on specific engagements. Our use of web-enabled technology to capture 360 degree feedback from peers as well as team members and partners allows us to obtain a rounded view of individuals' performance and development needs. The evaluation of our professionals for promotion involves a detailed scrutiny of their personal performance, by reference to our wide-ranging competency model, which includes competencies relating to quality, building distinctive relationships, innovation and brand and delivering our talent contract.

Use of specialists

As noted in section 2, the fourth Global Audit Imperative is "Own the work performed by internal experts and specialists and involve them in planning and concluding". This has been an area of focus for us during the year. Two examples are the use of specialists in relation to the audit of tax and the work done by IT specialists. In addition, during 2013 we established the Credit Centre of Excellence within audit which has enhanced our tools, application guidance and training in relation to the audit of loan loss provisions with particular focus on clients within the Financial Services Industry.

The Credit Centre of Excellence is responsible for the accreditation of and provision of training to auditors, audit specialists and experts working on the audit of loan loss provisions and will continue to review and consider the adequacy of the tools, templates and application guidance available in this area in the future.

On the audit of tax and tax disclosures we have provided clear guidance to our audit professionals on the tools and materials our tax specialists have available to support better conversations with audit committee members, the wider board, heads of tax and investor relations teams on these matters.

Closer and more timely collaboration between core audit professionals and the IT specialist teams has also been encouraged during the year with the objective of seeking continuous improvement in audit quality. All teams are encouraged to consider the level of involvement of IT specialists as part of their strategic planning of the audit and, where no involvement is planned, to challenge themselves if this remains appropriate given the context of the entities' operations, including the volume of transactional processing and reliance on IT in generating the financial statements. The functionality of our EMS described in section 2 helps teams to consider this fully and to highlight clearly the areas that may require specialist input.

Audit quality

Audit quality is achieved through effective internal quality control systems and a focus on leadership, communication, infrastructure, culture and performance management. We have developed processes, systems and tools which are supported by a culture which aims to promote the merits of consultation on difficult issues and support partners in the exercise of their personal judgement. These processes are in place not only where required by regulation, but as a cornerstone of our business. Our audit methodology and tools aim to ensure that our audit quality control procedures are effective, understood and applied.

Within the audit business, the internal quality controls and systems include:

- our dedicated professional standards review team (PSR) which provides a 'hot' review before any audit or other opinion is signed;
- dedicated technical advice and support;
- strategically focused second partner reviews and independent review partners (IRP);

- information security; and
- annual practice reviews of a selection of completed engagements.

In setting our fee structures, we acknowledge the importance of our role and the need to demonstrate a high-quality and insightful service that is efficient, fair and competitively priced. Our audit approach and, in particular, our focus on early engagement on key audit issues, aims to ensure that the collection of sufficient audit evidence is not constrained by financial pressures. We will continue to be robust in our pricing structures to ensure that the quality of future audits is not impacted by downward fee pressures.

In agreeing timetables, fees and responsibilities, we ensure that the reporting deadlines allow us the opportunity to carry out an audit without undue reliance on work performed before the end of the reporting period.

Our dedicated professional standards review team

We consider PSR to be a particularly strong feature of our firm's quality control procedures. The PSR team is operationally independent of the audit engagements they are reviewing. PSR supports our high standards of professional scepticism and audit quality by providing a further independent challenge. Our PSR professionals challenge engagement teams throughout the audit process, focusing on significant accounting, auditing and financial reporting judgements, appropriate audit documentation and disclosure areas.

Dedicated technical advice and support

Engagement partners benefit from expert and strong technical support on accounting, auditing and regulatory matters as they affect our audited entities and the audit work itself. Our approach to the provision of technical advice is responsive and consultative, both externally and internally. In National Accounting and Audit (NAA), we have dedicated teams who offer support on UK auditing and accounting matters, IFRS and our audit methodology. Our audit policies and methodology are developed and implemented globally to help deliver consistency and quality within the international network. Additionally, on IFRS and US accounting and auditing issues and SEC listing rules and regulations, the expertise of the Global IFRS and Offerings Services (GIOS) network is available to support our professionals. Both NAA and GIOS are key components of our audit service proposition, comprising partners and professionals.

Both companies and our professionals need swift, consistent and borderless responses to IFRS technical queries. DTTL member firms have established a network of nine IFRS Centres of Excellence around the globe (including one in the UK) manned by experts with day-to-day, first-hand experience of the issues of practical application of IFRS in different regulatory, legal and local accounting environments around the world. The leaders of these centres consult with each other with a view to reaching consensus on complex technical accounting matters. Designated experts drawn from this network are available to advise engagement partners dealing with complex accounting issues. The global IFRS technical activities of this network are led out of London, by a UK partner. The global IFRS communications activities are also led out of London.

Members of NAA also support the Deloitte Academy and engage with bodies representing the corporate sector, regulators and investors to respond to their needs. The Deloitte Academy is a response to the increasing demands on directors of UK public companies and provides access to a programme of technical training, support and guidance across a wide range of management and governance issues relevant to business leaders. The Academy curriculum is customised to the specific needs of directors based on their role and company profile and is delivered in a dedicated purpose-built facility.

These resources and our partner-led audit approach (described above) aim to ensure that our partners and professionals have sufficient time and resources to deal with difficult issues as they arise and that high quality technical expertise is available when the audit team requires it or encounters an unfamiliar situation.

Strategically focused second partner reviews and independent review partners

The strategically focused second partner role is separate from that of the IRP required under auditing standards¹, with the former providing second partner review (focusing on significant risks, significant components or other important audit issues as determined by the individual audit engagement partner), consultation and audit service support and the IRP acting as a third partner review, including an objective evaluation of the significant judgements made and conclusions reached. The IRP is not part of the company-facing team and is, therefore, able to bring a further independent viewpoint and challenge to the audit process.

¹ Within Deloitte, the Engagement Quality Control Review required under auditing standards is referred to as an Independent Review Partner to emphasise the need for that review partner to be independent of the audit team.

We have established a small group of highly experienced senior audit partners to take on the IRP role for the majority of the firm's FTSE 350 audited entities. This approach to IRPs demonstrates our commitment to the quality agenda, promoting a continuing high, consistent challenge to audit issues.

Information security

The importance of maintaining confidentiality around company and other relevant information is continually emphasised and our approach to encryption, ethical walls, clear desk policy, data leakage prevention and all aspects of security underpins this commitment. Our policies require all confidential information held on the firm's laptops to be encrypted, and our professionals are educated to take the utmost care with such information, whether verbally, in hard copy or electronic form. Reducing the volume of data which resides on the laptops of our professionals has been a key area of focus during the year with an online archive solution employed. In conjunction with external regulatory inspections, we undertake our own security checks to confirm that our information security policies are being complied with and we employ independent companies to undertake penetration testing of our IT systems where appropriate.

During the year, we have maintained our ISO 27001 certification, the international standard for information security management. This is part of our ongoing commitment to companies to improve the quality of our service to them. It gives them independent assurance that when we handle their confidential information, we do so in an appropriate and secure way.

Annual practice reviews of a selection of completed engagements

The practice review, which, with effect from 2014, will start to cover each of our responsible individuals every two years, is subject to oversight by an independent partner from another member firm within the DTTL network. Engagements are selected across our audit business portfolio, with the files then subject to independent inspection by professionals from separate offices or groups. The purpose of the practice review is to determine whether we have complied, in all material respects, with the professional standards and the policies contained in the Deloitte Policies Manual and Audit Approach Manual, the applicable professional standards and applicable regulatory and legal requirements.

This year we enhanced the review of firm-wide procedures, with all areas of the system of quality control reviewed every year, rather than on a rotational basis. In addition, new evaluation ratings and definitions were introduced to make results more understandable. The results of the practice review are communicated to the Managing Partner, Audit and to the Senior Partner and Chief Executive, as well as to the Global Managing Director, Audit & ERS, DTTL.

The practice review represents an investment of approximately 1,000 days of time from experienced professionals and significant senior partner resource and leadership. As set out in section 2.2.1, our practice review of component audits has been identified as an area for improvement based on the latest inspection results of the AQR.

Statement on the effectiveness of the functioning of the internal quality control system

In accordance with the Schedule to the Statutory Auditors (Transparency) Instrument 2008, we confirm that we are satisfied, based on the practice review carried out in 2013, that our internal quality controls and systems are, in general, robust and operate effectively and allow us to readily identify any areas of potential improvement or refinement. We continually seek to improve all aspects of our business and use the findings of the practice review, other internal reviews and external regulatory reviews to enhance our system of quality control.

Independence and managing conflicts of interest

We invest in systems to safeguard the independence and objectivity of Deloitte, our professionals and our engagement teams and to avoid conflicts of interest in audit assignments. Our firm has a dedicated Ethics Partner, as well as a team of professionals to support our people with their compliance obligations. The Ethics Partner works directly with the Senior Partner and Chief Executive, and the Board of Partners, to set the strategy and priorities for ethics and compliance, and has operational responsibility for our compliance, independence and ethics programme.

Our engagement take-on, continuance, compliance, audit appointment and company database systems are all internally developed and comprise solutions to address the complexity of regulatory requirements; the tools are designed to be intuitive to use whilst facilitating timely compliance, reporting and monitoring.

In support of our efforts to deliver high-quality work to our clients the firm has made a substantial investment in developing a new online Take On Process. This tool, delivered in June 2014, will enable our partners and people to more readily apply their knowledge and experience by asking thought-provoking questions to encourage the right way of thinking and the right approach to risks in the key areas associated with taking on new clients and engagements. Along with delivering efficiencies in the way it operates, the new tool will also deliver improved information for identifying and managing risks at a firm wide level, for example, across clients and industries.

For further details on our ethical considerations and the role of the Ethics Partner, please refer to section 4 of this report.

Confirmation of review of independence practices and monitoring

In accordance with the Schedule to the Statutory Auditors (Transparency) Instrument 2008, we confirm that an internal review of our independence practices has been properly conducted in the year as part of the 2013 practice review. Our internal practice review and other monitoring processes provide us with assurance that these policies are, in general, appropriately observed and, where exceptions are noted, identify where further action is required. In addition, the practice review includes an assessment of compliance with DTTL and UK independence policies. The results of these internal reviews are reported to the UK Executive Group and Board of Partners and DTTL's Chief Executive Officer and Board.

Appendix 2 – Bringing the profession together to focus on audit quality

The Policy & Reputation Group

The Policy & Reputation Group (PRG) is a forum for the six largest professional services firms in the UK to debate topical public interest issues that impact on the reputation of the firms collectively and, by extension, the profession. Representatives from the firms meet regularly with key stakeholder groups such as regulators and investors along with invited observers from the chartered accountants institutes and mid-tier firms to proactively understand and respond to key areas of concern.

Deloitte (through David Barnes, our Managing Partner for Public Policy) currently chairs the PRG. The group contributes to the key public interest debates around professional services in an open and constructive way. Actions taken by the group are designed to enhance stakeholder dialogue levels, increase transparency and build confidence.

In recent months the group has focused on audit quality matters, expectations around ethical behaviours, the firms' role as tax advisers and social mobility in the profession.

The PRG recognises the increasing desire for transparency around audit quality and has sought to broaden the definition of audit quality with the introduction of two specific initiatives.

The first is a survey of Audit Committee Chairs of FTSE350 companies and other large corporates. The survey was conducted by an independent third party during the summer of 2014 with the aim of providing an additional measure of audit quality. The results of the survey will be published later this year. The second is a commitment for each of the PRG firms to publish a consistent set of metrics or Audit Quality Indicators illustrating inputs to audit quality as part of their transparency reporting in 2014.

Audit Quality Indicators

The new expanded audit reports have been a great start in giving more insight into our audit process, but we as a firm and a profession need to do more. Enhancing our understanding of what audit quality means to companies and the investment community helps us better focus on ways to further improve audit quality.

As a result, the larger audit firms have this year worked together to identify factors which contribute to audit quality. We have identified a set of metrics which measure our activity across five important areas, and we have agreed that we will disclose our performance against these measures in our transparency reports. Observers will be able to compare the performance of firms over time, and also compare the extent to which firms are active in each area.

Deloitte's first set of Audit Quality Indicators is set out here. We have endeavoured to include all the information suggested in the standardised metrics. However, it should be recognised that each firm publishing metrics for the first time this year will have differing business and operating models and therefore whilst efforts have been made to produce consistent information, there will be variations. In the interest of transparency, along with narrative commentary on the metrics given, we have also included explanations of how the dataset has been built up and where we will seek to extend or enhance metrics in future years if information has not been fully available for this inaugural set of metrics.

Metrics on external investigations related to audit

Audit quality indicator definition	Deloitte metric	Deloitte commentary
Number of cases in the last 12 months in which the FRC's conduct committee has found against the firm or one of its members	Nil	<p>In the year to 31 May 2014, there have been no findings by a tribunal convened by the FRC's conduct committee in relation to the firm's audit work.</p> <p>There are two ongoing investigations relating to the audit work of the firm or its partners though these are yet to be concluded and are therefore excluded from the 2014 total for cases concluded.</p> <p>Aero Inventory plc: An investigation commenced in February 2011 concerning the firm's audit work on Aero's 2006-2008 financial statements.</p> <p>Autonomy Corporation plc: An investigation commenced in February 2013 concerning the firm's audit work on Autonomy's 2009-2011 financial reporting.</p>
Number of cases in the last 12 months in which the disciplinary committee of any other regulatory body has found against the firm or one of its members	1	In June 2013 Deloitte agreed to a regulatory penalty of £2,000 imposed by the Audit Registration Committee of the ICAEW for allowing two audit reports to be signed by individuals who had not confirmed in writing to the Jersey Financial Services Commission that they agreed to abide by the Crown Dependency Audit Rules and Guidance.

Metrics on external investigations related to other matters

Audit quality indicator definition	Deloitte metric	Deloitte commentary
Number of cases in the last 12 months in which the FRC's conduct committee has found against the firm or one of its members	1	<p>In the year to 31 May 2014, there has been an Adverse Finding regarding corporate finance services for MG Rover relating to transactions in 2001/2002; this Adverse Finding is subject to an ongoing appeal.</p> <p>In addition there is an ongoing investigation relating to the conduct of a Deloitte non-equity partner in connection with actuarial advice provided to Equity Syndicate Management Limited.</p>

Metrics on quality reviews

Audit quality indicator definition	Deloitte metric						
Results of firm's internal audit quality reviews	Number of engagements reviewed – 2014			% of engagements reviewed – 2014			
		PIEs*	Non-PIEs	Total	PIEs	Non-PIEs	Total
	Compliant	54	76	130	91.5%	92.7%	92.2%
	Improvement required	3	4	7	5.1%	4.9%	5.0%
Non-compliant	2	2	4	3.4%	2.4%	2.8%	

Deloitte commentary
<p>The firm conducts an internal practice review of the Audit service line every year during the summer months. Both audit and advisory engagements are covered by this practice review along with an assessment as to whether the overall system of quality control for the practice is operating effectively.</p> <p>A central quality team is responsible for planning the reviews and moderating and each office or sub-group review team is overseen by a partner from another part of the UK firm.</p> <p>The results included in this year's metric relate to the practice review conducted in Summer 2013. Of the 141 engagements reviewed, only 2.8% were assessed as non-compliant with the firm's audit methodology and professional standards.</p> <p>Further information about our internal practice review can be found in Appendix 1.</p>

* PIE – Public Interest Entity

Audit quality indicator definition	Deloitte metric	Deloitte commentary
Annualised % of Responsible Individuals subject to the firm's internal audit quality reviews	41%	Due to forthcoming changes in the way we conduct our internal practice review of the Audit service line, we expect this metric to approach 50% in future periods.

Audit quality indicator definition	Deloitte metric				
Results of inspection by the Audit Quality Review (AQR) team of the FRC	2013/14		2012/13		
		No. of engagements inspected	%	No. of engagements inspected	%
	Good with limited improvements required	12	71%	11	79%
	Acceptable overall with improvements required	4	24%	2	14%
Significant improvements required	1	6%	1	7%	

Deloitte commentary
<p>The results of our most recent AQR inspection are discussed in section 2.2.1 above and the full 2013/14 report of the AQR on Deloitte LLP can be found at: https://frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Audit-Quality-Inspection-Report-May-2014-Deloitte.pdf</p> <p>We consider that the FRC's report provides a balanced view of the focus and results of its inspection.</p> <p>Our strategic objective is to execute high quality, distinctive audits. As part of our agenda of continuous improvement we have given careful consideration to each of the AQR's comments and recommendations. This has included investigation of the root causes of each finding. This has enabled us to develop, in conjunction with findings arising from our own quality review procedures, an effective response to the themes arising.</p>

Metrics on quality reviews (continued)

Audit quality indicator definition	Deloitte metric	Deloitte commentary
Results of inspection by the Quality Assurance Department (QAD) of the ICAEW	See commentary	<p>In addition, the QAD undertakes inspections of UK statutory audits which are outside the scope of the AQR's inspections. The firm receives a private annual report from the QAD documenting their findings.</p> <p>The overall conclusion in this report was that the audit work continued to be generally of a high standard, with very few issues identified in the audits the QAD reviewed. The QAD noted an improvement over the previous year, with nine of the ten files reviewed being either satisfactory or generally acceptable. The remaining file needed some improvement, requiring stronger audit evidence over revenue. None of the files reviewed required significant improvement. The reviews identified a small number of other points for improvement, primarily relating to documentation, for which action has already been taken.</p>

Metrics on investment

Audit quality indicator definition	Deloitte metric	Deloitte commentary
Number of hours training undertaken per person (partners and qualified staff) in the Audit service line	55 hours per person	<p>This metric is derived from taking the total hours of learning delivered in structured sessions to audit professionals and dividing this by the number of qualified personnel in the Audit service line primarily engaged in audit and assurance work. Audit professionals are deemed to be any individual from qualified assistant manager through to partner inclusive.</p> <p>Structured learning includes:</p> <ul style="list-style-type: none"> • Summer Audit Academy 2013 (see Section 2) • Mandatory training for personnel accredited to work on SEC audit engagements • Mandatory learning related to audit innovation in the year for example on the Deloitte Audit and Engagement Management System (see Section 2) • Mandatory firm wide training for example on ethics and anti-money laundering regulations • Technical and personal skills courses delivered as part of the core audit curriculum <p>In addition, all qualified staff are encouraged to view regular technical webinars. These one hour sessions provide updates on corporate and financial reporting, auditing and regulatory information to audit partners and staff in the UK. Eight webinars were made available for professionals during the year.</p> <p>Note: This metric does not include any of the significant amount of exam training provided to non-qualified staff under training contracts, nor does it include the hours of personal learning undertaken to fulfil Continuing Professional Development requirements.</p>

Metrics on investment (continued)

Audit quality indicator definition	Deloitte metric	Deloitte commentary
Investment in research and development on audit and assurance	See commentary	<p>Given that many of our professionals from across the firm contribute to our audit innovation agenda in varying proportions of their time it is difficult for us to quantify an absolute value for this metric. We have instead elected to make qualitative disclosure in this area.</p> <p>We would in particular draw your attention to the following items:</p> <ul style="list-style-type: none"> • The benchmarking activity and guidance developed for audit teams to build on the work we did with Vodafone in 2013 in issuing the first extended audit report • The development of Deloitte Audit to improve our focus on what matters most to companies and shareholders – risks – and to consequently ensure that our audit approach better meets their needs • The development of our EMS as a core audit tool that gives our audit professionals the ability to create, conduct and document an audit to meet the unique needs of every company • The launch of the Distinctive Audit which is transforming our audit process by leveraging sophisticated analytics technologies • The design and publication of a framework setting out the key areas where audit committees ought, in our view, to have an opinion about the quality of the audit process <p>Detailed commentary for each of these areas can be found in section 2 of this report.</p> <p>In addition to these specific initiatives within Deloitte, a number of our professionals contribute externally to various committees and working groups and actively participate in initiatives co-ordinated by professional bodies in developing thought leadership and audit insights.</p>

Metrics on investor liaison

Audit quality indicator definition	Deloitte commentary
Qualitative description of investor liaison	<p>In October 2013, Deloitte held its second Stakeholder Forum, an event for investors, investor groups, business and professional bodies, government and regulators. We consider this to be a vital opportunity for members of Deloitte’s Board of Partners and Executive management to listen and respond to the issues that matter most to our stakeholders. A third event is being planned for 31 October 2014, and we hope to build on the success of previous events.</p> <p>We have also organised a series of investor dinners, designed to facilitate feedback and to gain perspective from investors on various matters of interest relating to the audit and have met with individual investors on a 1-2-1 basis to discuss for example the results of AQR thematic reviews.</p>

Metrics to be gathered by staff survey

Staff survey question	Deloitte commentary
“I am encouraged to perform a high quality audit”	Staff surveys are conducted across our business every 18 months – two years. The next survey will take place during the autumn of 2014.
“The time and resources available to me enables the delivery of a high quality audit”	All of our audit practitioners plus professionals who work in other service lines and who make contributions to statutory audit work will be invited to answer these three questions. The responses will be on a five point scale (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagree). The disclosed metrics will be the average score across the entire population.
“The training and development I receive enables the delivery of a quality audit”	The response to those questions will be reported in our Transparency Report in 2015.

Going forward

As the publication of consistent Audit Quality Indicators is a new initiative, we would welcome any feedback from users of this information. This will help in developing the indicators further next year.

Appendix 3 – Financial information

The Statutory Auditors (Transparency) Instrument 2008 requires transparency reporting auditors to provide financial information for the firm's financial year, including "showing the importance of the auditor's statutory audit work".

We have extracted the following financial information from Deloitte's annual accounts and financial records for the year ended 31 May.

Year ended 31 May 2014

1. From financial information extracted from Deloitte's financial records showing the relative importance of audit work and the levels of non-audit services provided to companies we do and do not audit:

Revenue	Amount £m	Percentage %
Audit and directly related services	556	22
Non-audit work – companies we audit	182	7
Non-audit work – companies we do not audit	1,811	71
Total	2,549	100

2. From financial information extracted from Deloitte's financial records showing the operating profit for the reportable segment under the Voluntary Code of Practice on Disclosure of Audit Profitability:

Operating profit	Amount £m
Audit and directly related services	89

Operating profit for statutory audit and directly related services is calculated based on direct costs, including staff costs, recorded on audit engagements, together with an allocation of overheads such as property and IT. Overhead costs have been allocated, on a pro-rata basis, based on headcount or revenues.

Year ended 31 May 2013

1. From financial information extracted from Deloitte's financial records showing the relative importance of audit work and the levels of non-audit services provided to companies we do and do not audit:

Revenue	Amount £m	Percentage %
Audit and directly related services	576	23
Non-audit work – companies we audit	198	8
Non-audit work – companies we do not audit	1,741	69
Total	2,515	100

2. From financial information extracted from Deloitte's financial records showing the operating profit for the reportable segment under the Voluntary Code of Practice on Disclosure of Audit Profitability:

Operating profit	Amount* £m
Audit and directly related services	95

Operating profit for statutory audit and directly related services is calculated based on direct costs, including staff costs, recorded on audit engagements, together with an allocation of overheads such as property and IT. Overhead costs have been allocated, on a pro-rata basis, based on headcount or revenues.

*Restatement on adoption of the amendment to IAS 19 *Employee Benefits* (see note 26 of the Deloitte Financial Statements 2014 for further details)

Appendix 4 – Public interest entities

A list of our public interest entity audits in respect of which an audit report was signed by Deloitte LLP in the year ended 31 May 2014 is provided on our website at the following link: <http://annualreport.deloitte.co.uk/audit-transparency-2014/at-pie-list-2014.pdf>

Under the provisions of the Statutory Auditors (Transparency) Instrument 2008, made by the Professional Oversight Board of the Financial Reporting Council, “public interest entity” means an issuer whose transferable securities are admitted to trading on a regulated market and the audit of which is a statutory audit within the meaning of section 1210 of the Companies Act 2006.

Appendix 5 – Executive Group, Board and Committee Members, as at 31 August 2014

Executive Group



David Sproul, Senior Partner and Chief Executive

David Sproul is Senior Partner and Chief Executive of Deloitte in the UK. He is also a member of the DTTL Executive and Board. Until his election, he was Managing Director for Tax in EMEA and the UK.

He was previously Managing Partner for Operations at Andersen and has held various roles in Deloitte including leading Deloitte's Consulting and Advisory business from 2002 to 2004, and being responsible for developing our Talent agenda from 2004 to 2006.



Steve Almond, International Markets

Steve Almond was appointed Managing Partner, International Markets, on 1 June 2011. He was a member of the UK Board of Partners for 13 years.

He is also the Chairman of DTTL. Previous global roles include Deputy Global Chief Executive Officer, Clients and Global Managing Partner, Audit. During the past nine years Steve was also a member of the Global Management Committee and then the DTTL Executive.



David Barnes, Public Policy

David Barnes was appointed Managing Partner for Public Policy on 1 June 2012. He also chairs the Policy & Reputation Group of the largest six accounting firms.

He was previously the Head of London Audit Financial Services in the UK, a role which he held for six years, and Chairman of the Deloitte Audit Committee.

He continues to work with a wide range of major financial service companies in either an audit or advisory capacity.



Sharon Thorne, Regional Markets

Sharon Thorne is Managing Partner, Regional Markets with responsibility for Deloitte's services in our 17 practice offices outside London. She is also a member of the Deloitte UK Board. She has held various leadership roles in the past including Managing Partner Talent and also spent four years on the Global Board of DTTL.

Sharon has over 25 years of experience auditing and advising clients cross a broad range of sectors and has substantial experience working with complex groups, co-ordinating our services across the globe.



Stephen Griggs, Finance

Stephen Griggs was appointed Managing Partner, Finance on 1 June 2011.

Prior to his appointment Stephen led the Technology, Media and Telecommunications division of the London Audit Practice. He was a member of the firm's Audit Leadership team and Audit Talent Partner between 2006 and 2011.



Emma Codd, Talent

Emma Codd was appointed Managing Partner for Talent on 1 June 2013; she is also a partner in the Deloitte Forensic practice where she established and manages the Business Intelligence Services team, advising clients on identifying and mitigating integrity risks when investing – and operating – in new geographical markets. Emma has been heavily involved in Deloitte’s diversity, respect and inclusion agenda for the past few years and was sponsoring partner of the UK firm’s Women’s Network until her appointment to the Executive.



Simon Owen, Innovation and Solutions

Simon Owen is the Managing Partner of Innovation and Solutions with responsibility for our firm-wide programme on innovation investments and integrated market offerings. He is a Risk Advisory partner.

Simon has nearly 20 years’ experience in process and technology risk, compliance, governance, counter fraud and cyber security. He has represented Deloitte at the ICAEW’s Technical Committee and is the firm’s contact with the Government’s Centre for the Protection of National Infrastructure (CPNI) on matters relating to digital security and counter-terrorism. He has also been a member of the Information Assurance Advisory Council’s Management Committee.



Vimi Grewal-Carr, Delivery Models

Vimi Grewal-Carr was appointed Managing Partner for Delivery Models on 1 June 2013.

She was previously a member of the Consulting leadership team and led Go To Market and Mergers & Acquisitions for Consulting. Vimi has over 20 years’ experience working with global banking financial services clients, primarily leading merger & acquisition integrations and large scale transformations.



Andy Hodge, Tax

Andy Hodge is the Managing Partner of our UK Tax practice and a member of the Deloitte Global Tax Executive.

Andy became a partner in Andersen in 1997 and joined Deloitte in 2002. He has held various leadership roles in the past several years. Most recently, he was in charge of the Global Employer Services practice both in the UK and EMEA, and the UK leader of our Employer and Personal Tax practice.



Panos Kakoullis, Audit

Panos Kakoullis joined Touche Ross in 1989 and was admitted as a partner in 1999.

He is the Managing Partner of Audit. He has over 23 years’ experience combining audit work with due diligence, London Stock Exchange and Securities and Exchange Commission reporting on a wide range of significant multinational clients.



Neville Kahn, Corporate Finance

Neville Kahn was appointed the Managing Partner of our UK Corporate Finance business on 1 June 2013 and is a senior Insolvency Partner. Neville joined Deloitte in 2002 as a direct hire partner. He was previously the UK and Global Head of Restructuring Services. His main client responsibilities include advising stakeholders in distressed businesses.



Vince Niblett, Senior Markets

Vince Niblett joined Deloitte in 1980 and became a partner in 1989. Most recently, he was Managing Director of Audit, UK.

He is Managing Partner, Senior Markets which is a team made up of the Practice Senior Partners, Vice Chairmen, Industry and Segment Leaders. It provides direct marketplace input to the Executive Group, and has the key task of supporting the Executive Group to increase the number and quality of trusted client relationships.



Richard Punt, Clients and Markets

Richard Punt is Managing Partner, Clients and Markets. He leads the strategy practice's Impact Programme and is one of the firm's most experienced strategy consulting practitioners, with a strong track record in advising clients on strategy development, execution and organisation.



Paul Robinson, Consulting

Paul Robinson has over 25 years' experience in the Consulting industry. He joined Deloitte in 1994 initially working in Canada and the US. He has been a Partner for 15 years during which time he has held a number of roles, namely Managing Director (UK Technology), Global CRM leader and Manufacturing and Life Sciences Industry Leader for EMEA.

In the last eight years he has been the Global Technology Leader for Consulting and has served on the Global Executive. Paul was appointed Managing Partner for UK Consulting in June 2011.



Nick Sandall, Financial Services

Nick is the Managing Partner leading the UK FS industry (FSI) practice. Nick has 26 years' experience working in consultancy and advisory covering various projects. He has been an FSI Partner for fourteen years, and has led the retail banking practice and the financial services consulting service line in the UK. He has led a wide range of consulting assignments across finance, operations and talent. He is a frequent commentator on retail banking and a strategic thinker in the branch banking area.



Steve Ward, Quality & Risk

Steve Ward is Managing Partner, Quality & Risk and the firm's Risk and Reputation leader. He has been a partner in the firm for 23 years and in this time has been a Board member, Head of Tax for the Regions and Head of London Tax.

Steve has 29 years' tax experience with Deloitte advising a wide variety of publicly held UK and International groups. His industry focus is on Health Care and Life Sciences.

Board of Partners



David Cruickshank, Chairman

David Cruickshank was elected as Chairman of Deloitte in the UK on 1 June 2007 and was re-elected for a second four-year term commencing 1 June 2011. He has been a DTTL Board member since 1 June 2007.

David chairs the Nomination and Compensation sub-committees of the Board.

David provides advice to a number of large companies and other organisations and is advisory partner on a wide range of the firm's major clients.

Prior to being elected Chairman, David led the firm's Tax practice for eight years and has been a partner since 1988. Outside the firm, among other things, David chairs the Education and Employers Taskforce; is a Council Member of Heart of the City; leads the Business Support Group for Community Links and is a founder chairman of The 30% Club.

David Sproul, Senior Partner and Chief Executive *



Zahir Bokhari

Zahir Bokhari is the Partner in Charge of Deloitte's Banking and Capital Markets Audit Group and Head of the UK Banking Sector. Zahir has been providing audit, assurance and advisory services to the banking industry for more than 20 years.



John Maxey

John Maxey joined Deloitte as partner in 2002. Prior to that he was a partner in Andersen from 1995 to 2002. He is currently an elected member of the Board of Partners and is a partner in our M&A Tax and Funds group. Throughout his career John has specialised in advising clients on M&A transactions, private equity fund raisings and capital markets transactions such as IPOs and debt offerings.

* Refer above for biography information



Nick Edwards

Nick Edwards is the National Head of UK Restructuring Services and a Licensed Insolvency Practitioner.

He became an elected Board member on 1 June 2011. He was the London Corporate Finance Talent Partner between 2004 and 2006.



Nick Owen

Nick Owen is a Consulting partner and a Vice Chairman of Deloitte LLP. He leads the private sector consulting industry team. He has 28 years' experience predominantly in the private sector working with Oil & Gas, Media, Telecommunications and Lifescience Businesses. He has served on our Consulting Executive since 2002, and has served on the firm's Executive.



Chris Loughran

Chris Loughran is a Consulting partner and Practice Senior Partner for Deloitte in the Midlands. He was elected to the Board of Partners in December 2010.

From 2003 to 2010 he was a member of the Consulting Executive and led the development and growth of the firm's Technology Consulting practice. He specialises in leading and advising on large technology-enabled change programmes and has done so in both the public and private sectors.



Anna Marks

Anna Marks is an Audit partner who, having spent most of her career in London, spent the last few years based in the Birmingham office, before transferring back to the South region in 2010.

Anna is an elected member of the UK Board of Partners and a member of the region's Audit Executive team with responsibility for Talent, Quality and Brand.



Ellie Patsalos

Ellie Patsalos is the DTTL Global Managing Partner, Financial Services Industry Tax, a partner of the DTTL Global Employer Services Tax group, a Vice Chairman of Deloitte LLP UK and an elected member of the UK Board of Partners.

Ellie has been involved in high-level global human resources issues concerning policy and implementation strategies, as well as advising on structuring pay for senior executives and board members of prestigious global organisations.



Chris Powell

Chris Powell is an experienced Audit partner, based in Leeds, who works with a range of large public and private companies and other organisations.

Chris is a member of the UK Audit Executive, with responsibility for Talent. He is also a member of the UK Talent Executive, an elected member of the UK firm's Board of Partners and Chairman of the Audit & Risk Committee.



Ian Steele

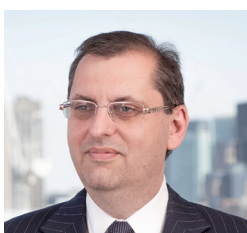
Ian Steele is a Corporate Finance Advisory Partner based in Glasgow. He is also Senior Partner for Scotland and Northern Ireland, with responsibility for Deloitte business across the region – Edinburgh, Aberdeen, Glasgow and Belfast.

Ian is an elected member of the UK Board of Partners, and has been on the Board for over seven years. He has chaired the Remuneration Committee for the last four years. He is also Head of Global Advisory and Head of Advisory for EMEA.



Reto Savoia

Reto Savoia is the leader of the Swiss tax practice and a member of the Leadership Team of the Swiss firm. In his capacity as an international corporate tax partner he serves a variety of major Swiss and international clients of the firm across a range of industries. Reto maintains an international outlook by working closely with the UK and EMEA Tax Executives.



Denis Woulfe

Denis Woulfe is a Vice Chairman, Chair of our UK Compliance and Reporting Services business and an elected member of the UK Board of Partners. He has considerable experience in advising a broad range of clients on tax and commercial issues.

Denis specialises in listed and large private companies and leads many such relationships for Deloitte either as Lead Client Service Partner or Lead Tax Partner.

David Barnes *

Stephen Griggs *

Sharon Thorne *

* Refer above for biography information

Independent Non-Executives



Sir Michael Peat, Independent Non-Executive

Sir Michael Peat was appointed to the UK Board of Partners in October 2011. He joined Peat Marwick Mitchell in 1972, becoming a partner in 1985. In 1986 he led a management review of the Royal Household. From 1987 to 1990 he was the auditor of the Privy Purse and administrative adviser to the Royal Household. In 1990 he was appointed Director of Finance and Property Services of the Royal Household, while remaining a partner at KPMG.

Sir Michael retired from KPMG in 1993 and in 1996 was appointed Keeper of the Privy Purse and Treasurer to the Queen. In 2002, he became Private Secretary to The Prince of Wales, with responsibility for the household, finances and charities.

He is Senior Independent Non-Executive Director of Evraz plc and an adviser and member of the Global Advisory Forum of CQS.



Sir Gerry Grimstone, Independent Non-Executive

Sir Gerry Grimstone was appointed to the UK Board of Partners in July 2011. He has had a long and distinguished career in government and financial services, and is currently Chairman of Standard Life. Gerry has held senior positions within the Department of Health and Social Security, HM Treasury and at Schroders.

Board Sub Committees

Audit & Risk Committee

The Audit & Risk Committee plays a key role in our risk management and quality process, taking responsibility for monitoring the reporting, accounting, financial and control aspects of the Executive Group's activities. section 6 explains the work of the Audit & Risk Committee in further detail. One of the Independent Non-Executives attends the Audit & Risk Committee meetings by rotation.

Chris Powell, Chairman

Nick Owen

Chris Loughran

Anna Marks

Denis Woulfe

Compensation Committee

Each year the Board of Partners appoints a Compensation Committee to make observations to it with regard to the proposed assignment of equity groups and the allocation of profit sharing units to partners who are members of the Board of Partners. The Committee operates in accordance with policy objectives and guidelines laid down by the Board of Partners and is made up of the Chairman of the Board who chairs the Committee, two partners who are non-executive members of, and elected by, the Board of Partners and two partners (who are not members of the Board at the time of their election) elected by the partners.

The Compensation Committee serves for the duration of a calendar year. Elections and appointments to the Compensation Committee are held or made every year and a partner elected or appointed to the Compensation Committee serves for the entire year. The Compensation Committee meets at least once a year.

David Cruickshank, Chairman

Patrick Loftus

Patrick is a Vice Chairman of Deloitte having been the Senior Partner of the Practice in the North West for the last 10 years.

As well as his experience in Audit, Patrick has spent extensive periods in the firm's Computer Audit and Corporate Tax departments as well as over 10 years leading the Corporate Finance team in the North.

Ken McFarlane

Ken McFarlane is a Partner and Vice Chairman of Deloitte in the UK. He has spent his entire professional career with the firm, being admitted to the partnership in 1990.

He has held various management roles in the firm including responsibility for the operations of the UK Tax Practice and Mergers and Acquisitions Tax service line in Europe.

Chris Powell

Ian Steele

Remuneration Committee

Each year after the Board of Partners has appointed two partners to the Compensation Committee, the Board of Partners appoints a Remuneration Committee to make recommendations to it with regard to the proposed assignment of equity groups and the allocation of profit sharing units to the Chairman, the Senior Partner and Chief Executive and such other holders of senior management appointments as the Board of Partners may have determined. The Board of Partners appoints one of the members of the Committee as its Chairman. The Committee is made up of three partners who are non-executive members of the Board of Partners and the two members of the Board of Partners who are members of the Compensation Committee.

The Remuneration Committee serves for a calendar year. Appointments to the Remuneration Committee are made every year and a partner appointed to the Remuneration Committee serves for the entire year. The Remuneration Committee meets approximately twice a year.

Ian Steele, Chairman

John Cullinane

John Cullinane joined Deloitte in 2002 following the Andersen transaction. He is currently the UK firm's Tax Quality & Risk partner. During his career John has specialised in financial, international and corporate tax and in advising public authorities and others on developing taxation systems and on tax issues concerning building successful financial centres.

He was President of The Chartered Institute of Taxation from 2006-2007.

Nick Edwards

Ellie Patsalos

Chris Powell

Nomination Committee

Each year the Board of Partners sets up a Nomination Committee to oversee the selection of candidates to stand in Board elections. The Nomination Committee operates in accordance with policy objectives laid down by the Board of Partners and is made up of the Chairman of the Board who shall be the Chairman of the Committee, two partners who are non-executive members of the Board of Partners and four partners (who are not members of the Board of Partners or the Executive Group at the time of their election) elected by the partners.

The Nomination Committee serves for the duration of a calendar year. Elections and appointments to the Nomination Committee are held or made every year and a Partner elected or appointed to the Nomination Committee serves for the entire year. The Nomination Committee meets approximately three times a year.

David Cruickshank, Chairman

Nick Edwards

Patrick Loftus

Ken McFarlane

Graham Pickett

Graham Pickett joined Deloitte in 1979 as a graduate trainee and was made partner in 1992. He is currently UK Head of Travel, Hospitality and Leisure (THL), global leader of Travel and Aviation as well as Practice Senior Partner for the South Region. Graham specialises in advising Travel and Aviation clients in the UK as well as globally.

Reto Savoia

Iain Williams

Iain Williams has led the Business Modelling group since its inception in 2001 and the Specialist Advisory Practice in Corporate Finance for the last seven years. He is a member of the Energy & Resources Executive and the broader CF leadership team. He is Managing Partner for Partner Matters and has been a member of the Partnership Committee for the last five years.

Public Interest Oversight Committee

The Public Interest Oversight Committee oversees public interest matters as they affect our firm. Section 5 explains the work of the Public Interest Oversight Committee in further detail.

Sir Michael Peat, Chairman

Sir Gerry Grimstone

Responsible Business Committee

Determines the firm's responsible business strategy, plans and performance; oversees the implementation of the responsible business strategy and is responsible for the firm's and the Deloitte Foundation's charitable and philanthropic activities.

Members are appointed by the Board and membership comprises the Chairman of the Board, three other Board members and up to four co-opted partners, one of which will be the member of the firm's Executive with responsibility for the firm's responsible business agenda. At least one Independent Non-Executive will be invited to attend each meeting of the Committee. The Committee will meet at least two times each financial year.

David Cruickshank, Chairman

David Barnes

Zahir Bokhari

Reto Savoia

Denis Woulfe

Appendix 6 – Meeting attendance

Committee	Executive Group	Board of Partners	Audit & Risk Committee	Compensation Committee	Remuneration Committee	Nomination Committee	Public Interest Oversight Committee	Responsible Business Committee
<i>Number of meetings held during the year ended 31 May 2014</i>	15	13	5	1	3	3	4	3
David Sproul	15	13						
David Cruickshank		13		1		3		3
Steve Almond	15							
Carol Arrowsmith						1		
David Barnes	14	13						1
Zahir Bokhari		12				2		3
Emma Codd	14							
John Cullinane		12			2			
Nick Edwards		12			3	1		
John Fotheringham		1	1					
Vimi Grewal-Carr	14							
Stephen Griggs	13	12						
Sir Gerry Grimstone		9					3	
Andy Hodge	14							
Dame DeAnne Julius		11	2				3	
Neville Kahn	13							
Panos Kakoullis	14							
Pat Loftus				1		3		
Chris Loughran		13	5			2		
Anna Marks		11	4					
Ken McFarlane				1		2		
Vince Niblett	11							
Nick Owen		10	4					
Simon Owen	13							
Ellie Patsalos		12			3			2
Sir Michael Peat		13	3				4	
Graham Pickett						2		
Chris Powell		12	5	1	3			
Richard Punt	14							
Paul Robinson	15							
Nick Sandall	13							
Reto Savoia		10				1		1
Ian Steele		12		0	3			
Sharon Thorne	15	11						
Steve Ward	15							
Iain Williams						1		
Denis Woulfe		13	5					3

Appendix 7 – Legal structure and network

Deloitte LLP is a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000 and is wholly owned by its members. Deloitte LLP provides audit services from 20 principal locations in the UK and Crown Dependencies. Deloitte LLP employs over 13,000 staff, with some 1,000 partners.

Deloitte LLP is the UK member firm of the Deloitte Network. The Deloitte Network is comprised of firms that are members of Deloitte Touche Tohmatsu Limited, an English company limited by guarantee (DTTL).

DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm's affiliated entities. Member firms in the Deloitte Network provide services to clients, either directly or through their affiliates (member firms and their affiliates are collectively referred to herein as "Member Firms"). Member Firms operate under the Deloitte brand and related names, including Deloitte, Deloitte & Touche, Deloitte Touche Tohmatsu, and Tohmatsu.

Member Firms provide professional services in particular geographic areas and are subject to the laws, regulations and professional requirements of the jurisdictions in which they operate. Each Member Firm is structured differently in accordance with, among others, national laws, regulations and customary practices.

Member Firms are not subsidiaries or branch offices of DTTL and do not act as agents for DTTL or other Member Firms. Rather, they are locally-formed entities, with their own ownership structure independent of DTTL, that have voluntarily joined the Deloitte Network with a primary purpose to co-ordinate their approach to client service, professional standards, shared values, methodologies, and systems of quality control and risk management. DTTL has adopted certain policies and protocols in each of these areas in an effort to establish a consistently high level of quality, professional conduct and service in all Member Firms. This structure confers significant strengths, combining high quality standards and methodologies with a deep understanding of local markets and a sense of responsibility and initiative among professionals who have a direct stake in the integrity and growth of their respective practices.

Deloitte Member Firms provide audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte Member Firms have in the region of 200,000 professionals, all committed to becoming the standard of excellence. Aggregate revenue of DTTL Member Firms for the year ended 31 May 2013 was US\$32.4 billion.

There are governance and management structures at both the DTTL and Member Firm levels. The DTTL Board is the highest governing body of DTTL. DTTL's highest management body is the DTTL Executive, which is led by the DTTL CEO.

The DTTL Executive

DTTL's CEO is approved by the DTTL Board subject to ratification by a two-thirds majority of eligible Member Firm partners, serves a term of four years and may be approved and ratified for one additional four-year term. The DTTL Executive currently consists of 18 members (one is ex-officio) and includes senior DTTL and Member Firm leaders from various regions around the world. It is responsible for, among other things, fostering a common vision and helping to develop and direct DTTL's strategies. The DTTL Executive works in a collegial style and attempts to reach decisions through consensus.

The DTTL CEO, Barry Salzberg, leads the Executive and selects its members, subject to approval by the Governance Committee of the Board and the provisions of DTTL's governing documents. Manoj Singh is the Chief Operating Officer and Philip Rotner serves as DTTL General Counsel (ex-officio).

Global Audit Leadership Team

The Global Audit Leadership Team (GALT) is a senior leadership body for DTTL Global Audit. GALT is led by, and supports the work of, the Global Managing Director, Audit & ERS. GALT members consist of the Audit & ERS leaders of the DTTL Executive member firms, the three regional audit leaders, Global Managing Director, Regulatory and Public Policy and, on an as needed basis, partners leading key strategic or tactical areas such as Deloitte Audit and Middle Markets. Responsibilities include developing audit strategies and driving key audit initiatives and policies including providing assistance to Member Firms across the Deloitte Network as they implement and execute such initiatives and policies.

The DTTL Board of Directors and the Governance Committee

The DTTL Board has responsibility for addressing governance issues within the competencies of DTTL. The DTTL Board must approve major initiatives of DTTL, such as strategies, plans, major transactions and significant policies.

The DTTL Board is led by the DTTL Chairman who is elected by the Board members. The current Chairman is Steve Almond. Steve is also Managing Partner, International Markets of Deloitte UK. Steve was elected as DTTL Chairman in 2011 and is serving a four-year term. The DTTL Board has 32 members: the DTTL CEO and 31 members appointed by Member Firms representing jurisdictions and regions around the world. The number of representatives from each Member Firm and region is determined by the DTTL Board based on a number of factors.

The Member Firms that hold seats on the DTTL Board are determined on the basis of size, number of significant clients and other factors. The persons who will hold the seats are selected by the Member Firms to which the seats are allocated, subject to approval of the Member Firms. The DTTL Board also includes three regional seats, ensuring that smaller Member Firms are represented. Members serve a four-year term, and may be reappointed.

The DTTL Board is supported by its Governance Committee, which has oversight responsibility for DTTL's management and focuses particularly on the major strategic issues facing DTTL and the Member Firms. The Governance Committee comprises representatives from the largest Member Firms, plus the DTTL CEO (ex-officio and non-voting). Each Committee member has one vote on matters considered by the Governance Committee. To maintain independence and objectivity, a member of the Governance Committee may not also serve on the DTTL Executive, except for the DTTL CEO.

The DTTL Board also has a number of other committees that co-ordinate and recommend action on a wide scope of financial and administrative issues relating to DTTL's role. The Board committees include Risk Management, Audit and Finance, Membership Affairs and CEO Evaluation and Compensation.

- The DTTL Risk Management Committee performs oversight with respect to, among other things, DTTL's role in providing assistance to the Member Firms as they carry out their risk management responsibilities.
- The DTTL Audit and Finance Committee's purpose is to assist the Board in its oversight responsibility related to the quality and integrity of DTTL's financial reports and the adequacy and effectiveness of its internal accounting and financial controls.
- The DTTL Membership Affairs Committee oversees DTTL management's responsibilities regarding the rights and obligations of Member Firms and reports to the Board accordingly.
- The DTTL CEO Evaluation and Compensation Committee assists by proposing both the appropriate evaluation and the level of compensation of the DTTL CEO for the Board's consideration.

DTTL Governance and Member Firm Voting Rights

Member Firms have voting rights in DTTL that are set each year to be proportional to their respective professional headcount and annual revenue (each weighted 50%). Member Firms approve the annual allocation of votes among themselves.

Appendix 8 – Partner remuneration

Partners' profit sharing

Partners' share of profits in Deloitte UK is based upon a comprehensive evaluation of their individual contribution to the achievement of the firm's strategic objectives.

Partners are assigned to an equity group, which is reviewed annually and which describes the skills, attributes and broad performance expected of them. Each equity group carries a wide band of profit sharing units so that relative contributions can be recognised.

In assessing the performance of partners, a strong contribution in the following areas is the benchmark for all partners, notwithstanding the level of their contribution in other areas:

- **Quality:** A role model for quality in professional work.
- **Talent:** Contribution to mentoring, leading, recruitment, engagement, development and training of our people.

In addition, the following criteria are also used for assessing the performance and contribution of each partner:

- **Clients:** Client portfolio managed and roles performed.
- **Brand and eminence:** Market related activity including stakeholder relations, thought leadership, innovation and brand protection roles.
- **Revenue generation, growth and business building:** Contribution to business development and relationship building.
- **Financial success:** Overall contribution to the financial success of Deloitte.
- **Leadership and management:** Contribution to the firm's broad success through leadership and management roles.

Partner performance is evaluated in all of the competencies, beginning with the Board of Partner's approval of the profit sharing strategy proposed by the Senior Partner and Chief Executive and concluding with the Board of Partner's review of the recommended profit allocation and equity group for each individual partner, the conclusions of which are disclosed in full to all partners. A committee of partners oversees the management process with a focus on consistent and equitable treatment.

Specific considerations relating to audit partners

Our appraisal and promotion processes and consideration are designed with the aim of establishing a strong linkage between audit quality and partner remuneration and a partner selection process which is thorough and robust.

Partners who provide audit services are not evaluated or remunerated on the selling of other services to companies we audit.

The aim is that this approach should preclude financial considerations from driving actions and decisions having a negative effect on audit quality, objectivity and independence.

We use an Audit Quality Dashboard to assist in the partner appraisal process. The Audit Quality Dashboard identifies objective metrics of quality and measures partner performance against those metrics. The results are considered alongside other sources of evidence in assessing partner contribution to quality and when setting objectives for the forthcoming year. We have found that the Audit Quality Dashboard has strengthened the linkage between audit quality and partner remuneration.

Partners' drawings and the contribution and repayment of partners' capital

All partners share in the profits and contribute the entire capital of Deloitte LLP. Each partner's capital contribution is linked to his or her share of profit and is repaid in full on ceasing to be a partner. The rate of capital contribution is determined from time to time depending on the financing requirements of the business.

Equity partners draw a proportion of their profit share in twelve monthly on-account instalments during the year in which the profit is made, with the balance of their profit, net of a tax deduction, paid in instalments in the subsequent year. All payments are made subject to the cash requirements of the business. Tax retentions are paid to HM Revenue & Customs on behalf of partners with any excess being released to partners as appropriate.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

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