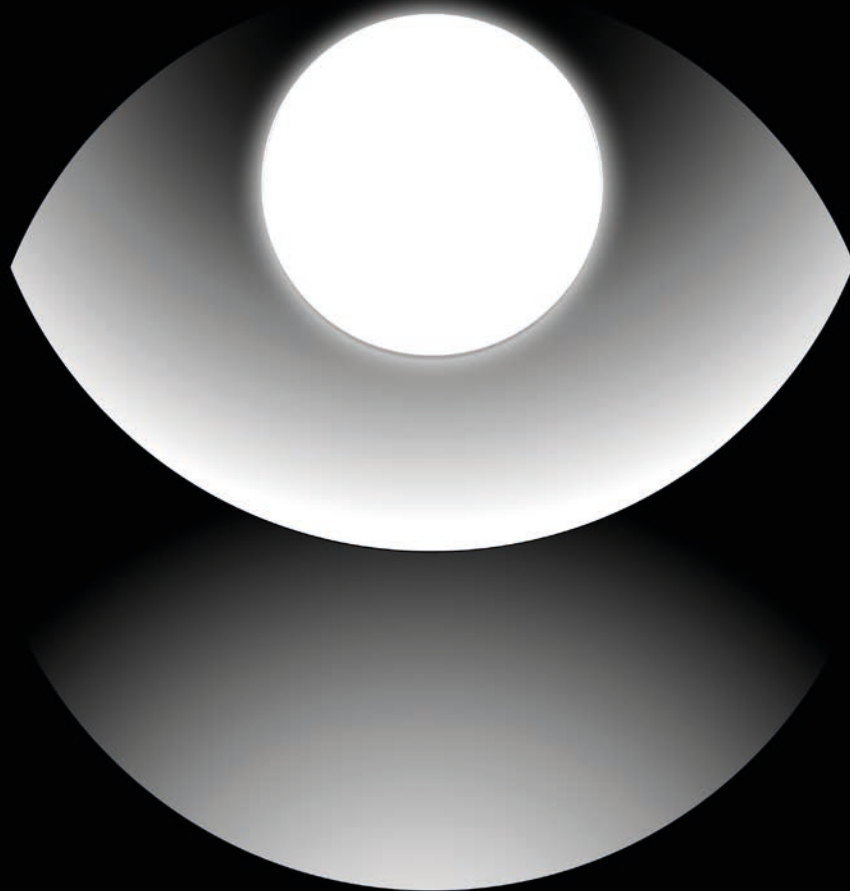


**Deloitte.**



**Audit illuminated**

Swiss Audit Transparency Report 2019

Audit & Assurance ●

# Shaping the future of the audit profession

Management teams, audit committees, investors, regulators, and standard setters all play critical roles in shaping the environment in which audits are performed. We strive to engage with these parties, both formally and informally, to share, offer and debate ideas with the objective of ensuring the continued relevance of audit to the capital markets.



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# Leadership message from David Barnes and Reto Savoia

We are delighted to present Deloitte Switzerland's Audit Transparency Report 2019, a key element of our communication with clients, investors, regulators and the wider community of stakeholders. This report provides current reflections on the audit industry as well as insights into the culture, vision and direction of our Swiss Audit business.

In June 2019 we started a new era with a newly appointed leadership team. The new team has clearly reiterated that audit is a critical part of our firm and that providing high quality audits and acting in the public interest is fundamental to our brand. We are keen to demonstrate absolute commitment to audit quality so we will continue to invest in the audit business – both in the technology required, and in the skills and development of our people.

## **Our purpose: Making an impact that matters**

For our audit practice, making an impact that matters means delivering independent audits of the highest quality. However, the impact of our work goes beyond our audits as we strive to continuously improve the relevance and quality of corporate reporting. Attesting that financial statements give a true and fair view in all material respects and providing insight into the conduct, controls and “tone at the top” of a company give stakeholders the confidence they need to make critical decisions. This trust has been vested in Deloitte by society and it is our duty to live up to society's expectations.

## **Building a future-proof approach**

While audit quality will always be essential, the methods for achieving quality are evolving rapidly. At Deloitte, we want to stay ahead. We are embedding advanced technology into our methodology, and ensuring we have experienced audit teams in place to design and deliver audits tailored to stakeholders' needs as their businesses grow and evolve.

We are using the same technologies that are currently transforming businesses - such as cloud, process automation, data visualization and cognitive analytics – to transform our audit approach. This enables us to not only work smarter and faster but also to deliver insights into current business challenges - harnessing data, understanding risk and improving processes.

## **Powering up our talents**

Talent is key when it comes to delivering high quality audits. Our ability to attract, develop and retain the right people is a key success factor for our audit business.

We therefore heavily invest in our people, reinforcing our learning and development offering, training our auditors to think critically and making the most out of the new technologies. We also endeavour to foster a collaborative corporate culture based on strong shared values and purpose and with a marked emphasis on diversity and inclusion.

It is definitively a challenging time for our profession but also an opportunity to restore public trust and continue serving the public interest. We hope this report will provide you with useful insight into Deloitte's vision and way of auditing. We will gladly welcome your feedback and look forward to constructive discussion and exchange.

Best regards,

**David Barnes**  
Chairman  
Deloitte AG

**Reto Savoia**  
CEO  
Deloitte AG

# Leadership message from Alessandro Miolo

It is certainly an interesting time to take on the role of Managing Partner for Audit & Assurance. Today's increasingly complex regulatory environment and the exponential pace of technological leaps require us to continuously reimagine our business, working closely with regulators and enhancing our capabilities with innovative solutions to shape the audit of the future.

Transparency, security, reliability and accessible financial information are key when it comes to building trust between business, society and politics. This trust is essential for a healthy financial reporting as well as public interest. Trust also relies heavily on an organisations' governance. This means implementing strong controls and solid processes, recruiting trained and experienced staff but it also requires boards with the knowledge, ability and willingness to challenge management. That is why the role of an auditor is key to building such a solid and trustful foundation.

As Managing Partner for Audit & Assurance, I strongly believe that innovation and quality must be part of every aspect of our practice, from strategy to delivery. I want to commit that we bring both into the core of how we audit: With automation that improves routine tasks, analytics that yield a deeper and more insightful view into the data, artificial intelligence that enhances problem-solving, expert people who offer industry knowledge and insight, and a broad range of assurance services that brings additional trust and confidence. My objective is to be recognised as the most value adding and innovative Audit & Assurance practice on the Swiss market.

For now, I acknowledge that some of the value of an audit may remain opaque to some observers, and this may lead to some misconceptions of the auditors' role and the value of an audit. I am personally extremely proud of our people, our audit practice and our achievements. While so much of what we do never leaves our offices or our clients' boardroom, it is still noteworthy: The growing number of audit reports we sign every year; the situations where we challenge management on critical judgements; or the times we refuse to take on audits, sign opinions, or in extreme cases, resign. One of the roles that this Transparency Report plays is, perhaps, helping to unveil some of that hidden value and explaining what goes into delivering audits in the current and evolving environment.

I hope you will find this report insightful and I would be interested to hear what you think about the role of audit, what 'audit transparency' means to you and what you would want to hear from us.

Best regards,

**Alessandro Miolo**  
**Managing Partner Audit & Assurance**  
Deloitte AG

01

Deloitte network

# Deloitte network

Deloitte is a leading audit and risk advisory company that offers industry specific services in the field of audit & assurance, consulting, financial advisory, risk advisory and tax & legal. More than 2,000 employees at the six locations of Basel, Bern, Geneva, Lausanne, Lugano and Zürich (head office) support Deloitte in providing high quality solutions for organisations and institutions of different legal status and size from various economic sectors.

## Deloitte Switzerland: Legal structure and ownership

On 1 June 2017, Deloitte AG and Deloitte Consulting AG became part of Deloitte North & West Europe (NWE), a member firm of the global network of Deloitte Touche Tohmatsu Limited (DTTL) comprising of around 312,000 employees in more than 150 countries.

In June 2019, the Deloitte Central Mediterranean member firm (comprising the Deloitte practices in Italy, Greece and Malta) combined with Deloitte North & West Europe (NWE) to create Deloitte North & South Europe (NSE).

While audit & assurance, risk advisory, financial advisory and tax & legal services are offered via Deloitte AG, our consulting services are provided by Deloitte Consulting AG.

Deloitte AG is referred to throughout this report as “Deloitte Switzerland”, and Deloitte North & South Europe (NSE) is referred to throughout this report as “Deloitte NSE”. Deloitte NSE holds practice rights to provide professional services using the “Deloitte” name, which it extends to Deloitte entities within its territory (Switzerland, UK, Ireland, the Netherlands, Belgium, Italy, Greece, Malta and the Nordics including Denmark, Finland, Iceland, Norway and Sweden).

Deloitte NSE brings together the experience, expertise and insights of approximately 45,000 people.

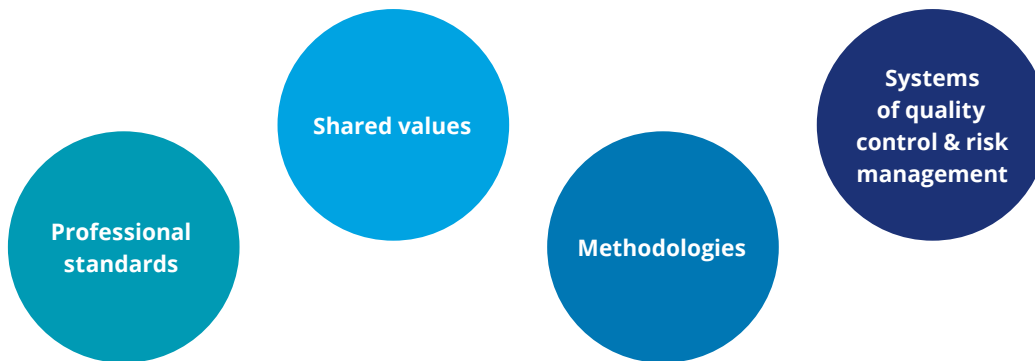




## Network description

### The Deloitte network

The Deloitte network is a globally connected network of member firms and their affiliates operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.



#### **Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)**

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee. DTTL serves a coordinating role for its member firms and their affiliates by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct and service across the Deloitte network. 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.

For more information about the Deloitte network, please visit Deloitte Global website, "About us" section: <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/about-deloitte.html>





## Deloitte Switzerland: Governance

Deloitte Switzerland operates as an AG, established under Swiss law, with registered offices in Basel, Bern, Geneva, Lausanne, Lugano and Zurich (head office).

Deloitte Switzerland Audit & Assurance leaders participate in Deloitte network groups that set and monitor quality standards, and from which a number of audit quality initiatives emanate.

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### Board of Directors

**Roles and responsibilities** The Deloitte Switzerland Board of Directors is responsible for the governance and oversight of the Audit & Assurance practice. Specific responsibilities include determining long-term strategies, organising and monitoring operative business management in accordance with the non-transferable and inalienable duties according to Art. 716a Swiss Code of Obligations (SCO). The Board of Directors is also responsible for the organisational structure of the firm, its risk assessment and financial governance. All members of the Board of Directors meet at least four times a year in order to fulfil their role.

**Members of the body** The following are the members of the Deloitte Switzerland Board of Directors:

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**David John Barnes, Chairman**

David Barnes is the Deloitte Global Head of Risk, Regulatory and Public Policy and the Chairman of the Board of Directors of Deloitte AG.

**Alessandro Miolo, Vice Chairman**

Alessandro Miolo is the Managing Partner of Audit & Assurance in Switzerland and a member of the Swiss Leadership Team.

**Reto Savoia, CEO**

Reto Savoia is the CEO of Deloitte Switzerland.

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**Marcel Meyer, Partner**

Marcel Meyer is an Audit Partner and he leads Deloitte's Investment Management practice for Audit & Assurance in Switzerland.

**Matthias Gschwend, Partner**

Matthias Gschwend is an Audit & Assurance Partner and he leads the Deloitte Switzerland's US Financial Reporting Group.

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## Management Committee

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**Roles and responsibilities** The Management Committee is leading and managing the firm's day-to-day operational business. It is responsible for implementing the strategy and the policies determined by the Board of Directors. Furthermore, the Management Committee has the responsibility for planning the firm's future development and has the authority to manage the day-to-day operations.

Each member of the Management Committee has specific responsibilities with an emphasis on the group work to lead the firm. Besides this, each member of the Management Committee is active in the market and serves our client base.

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**Members of the body** The Management Committee consists of three partners appointed by the Board of Directors and is lead by the Chief Executive Officer. The three members are:

- Reto Savoia, CEO
- Alessandro Miolo, Managing Partner Audit & Assurance, and
- Karine Szegedi, Partner Audit & Assurance

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## Audit & Assurance Executive

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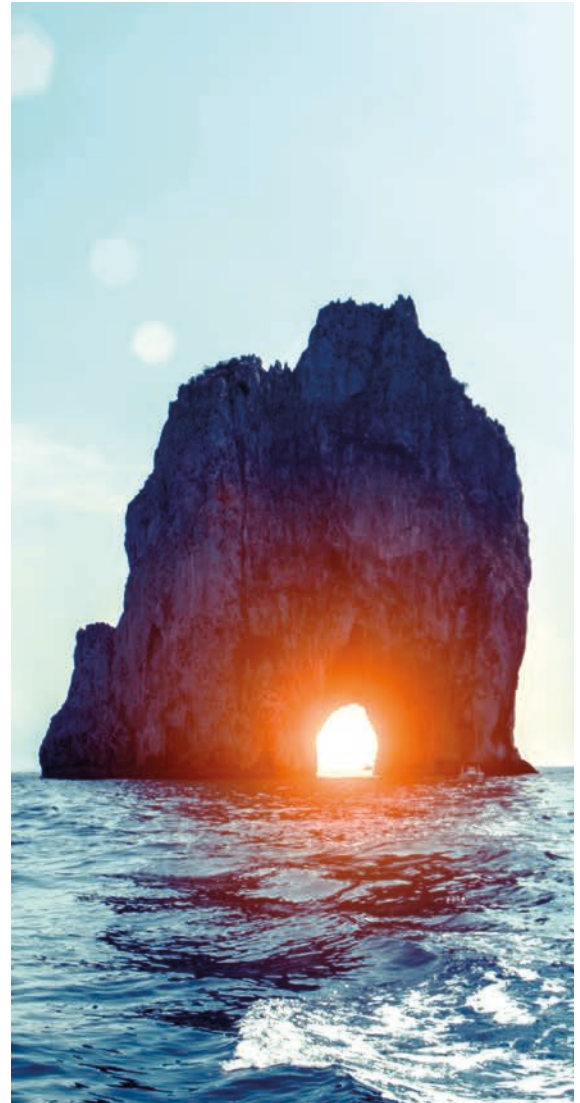
**Roles and responsibilities** The Audit & Assurance Executive defines the strategy for the Audit & Assurance services. Its members are responsible for implementing the Audit & Assurance Strategy and leading the operations within the service line. Audit quality, innovation and talent management are at the top of the agenda of the Audit & Assurance Executive in accordance with the firm-wide objectives to be the undisputed leader in the Swiss Market.

The Audit & Assurance Executive Members are appointed by Alessandro Miolo, Managing Partner of the Audit & Assurance service line. Each member has a specific management function within the Group (Quality, Innovation, Talent and Operations amongst others) in addition to his/her client facing role.

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# Our purpose and commitment: instilling trust and confidence

At Deloitte Switzerland, our purpose is to make an impact that matters. For Audit & Assurance, this means a focus on delivering independent high quality audits and instilling confidence and trust in the capital markets through our reports. This requires us to continuously build capabilities to support the delivery of high quality audits and make leading contributions to shaping the future of the audit profession.



# 02

What Deloitte Audit & Assurance  
brings to capital markets

# What Deloitte Audit & Assurance brings to capital markets

## Audit & Assurance Transformation

Being a relevant profession of the future and a sustainable practice that evolves with the pace of change in technology and society is critical. Driving this goal is the Deloitte Audit & Assurance Transformation initiative, which is currently being developed and deployed across the Deloitte network, including Deloitte Switzerland.

Audit & Assurance Transformation is an important shift across the network in the way Deloitte professionals work and includes:

Deloitte Way: standardisation of audit processes supported by global technology suite

Enhanced talent model which includes learning, rewards and recognition, centers of excellence, and delivery centers

Agile deployment of tools and technologies to respond to changing environments

Our Audit Transformation programme helps us to deliver our aspiration to become the market leader in Audit & Assurance by making an impact that matters for our clients, bringing the power of our global network to deliver an unrivalled service for our clients, creating an inspiring, inclusive environment for our people to develop into future leaders, as well as putting trust and reliability into the capital markets.

Our transformation strategy is now well across the way and focuses on transforming our core business over the next year; streamlining the delivery and further enhancing the quality of our audits. We are bringing the power of our innovation culture to the forefront of leading change and disruption, re-imagining every aspect of Audit & Assurance to make our services even more valuable for our clients.

The “Deloitte Way”, as a major component of our transformation activity, leads us towards reinventing our future with a globally common approach to audit execution that drives enhanced audit quality by standardising procedures, leveraging leading-edge technologies and data analytics, and driving work to shared delivery centres.

## Audit innovation

Innovation lies at the core of our profession. Changes in business environment and technological trends foster a way of auditing that is ever more dynamic, multidimensional, insightful and comforting for shareholders and the capital markets. We are evolving towards a high demand for relevant real-time information and continuous monitoring and auditing, as our clients also innovate their businesses and processes.

Deloitte Switzerland therefore enhances traditional audit procedures by making use of technology-based analytics, Artificial Intelligence (AI), cognitive and cloud-based technologies, robotics, and other technological developments. The increased automation and effectiveness provided by such tools help us stay ahead of technological advances used by our audit clients.

## Audit & Assurance Technology Team

In the past financial year, we have further grown and strengthened our Audit & Assurance Technology team, a fully integrated group to our audit practice, which role is to provide the three below major streams of audit technology developments:

1. **Audit of technology:** Conducting highly efficient audits of our clients' various technology landscapes;

2. **Audit with technology:** Implementing new technologies and solutions into our audit approach to improve audit efficiency and effectiveness; and
3. **Technology Assurance:** Providing additional technology assurance services to deliver additional value to our clients.

Over the last years, our group has analysed the investments our clients made in their ERP systems and the evolution of their organisation. We have also used our best consultants to understand the trends in terms of new technologies. Based on this knowledge and insights, we have started an ongoing journey, where we challenge and review our audit approach to leverage as much as possible these new technologies and trends. Each year we continue to challenge and evolve our journey to stay on top of technological developments and provide a state-of-the art audit approach.

### **Audit Analytics & next generation applications**

We have invested heavily in our audit analytics capabilities, enabling us to focus on quality and efficiency of our audit approach. Our integrated audit analytics help to analyse 100% of the transactions from ERP processes. This supports a smarter, more effective and efficient approach to testing.

We continue to invest in next-generation applications that define the leading edge of audit innovation, leveraging automated workflows, artificial intelligence, cognitive technologies, and Robotics Process Automation to streamline audit delivery and provide greater transparency throughout the process. These powerful applications enable our auditors to shift their efforts from executing manual processes to generating valuable insights. As an example, we are deploying audit robots to replace manual audit procedures and speed up data preparation. We are also leveraging cognitive technologies such as advanced machine learning and natural language processing with our internally developed contract reading tool. This enables us to quickly process, highlight, and extract key information from electronic documents to focus on what matters most.

In order to be able to deploy our innovation strategy, we invest heavily not only in technologies, but also in our people, our partner eco-system and the collaboration with regulators. This helps us to advance the use of audit technology. The audit of the future is delivered by our employees with profiles deveded away from the traditional audit and towards technologically advanced services.

We are actively managing the required transformation of our people through training and investment. For example, we train all our professionals to use advanced analytics and visualisation techniques to interpret big data sets and present findings in a clear and compelling way.

Innovation is part of our DNA – something we do every day. We have a track record of developing and investing in successful innovations, from cutting-edge research and technology-enabled tools to profession – leading talent initiatives, state-of-the-art collaboration centres, and acquisitions of pioneering companies such as Ubermind (now Deloitte Digital), Monitor (Monitor Deloitte) and LRA Worldwide (LRA by Deloitte).

Deloitte's investments in innovation are transforming the way we execute audits, enabling us to enhance the quality of our audit, streamline our effort to focus on important business risks, and deliver more valuable insights. We are delivering the audit of the future – today.

### **Audit analytics – Getting it right**

As data continue to grow at exponential rates, analytics have emerged as new competitive differentiators. Businesses are successfully implementing analytics to achieve improvements in productivity, sales, profits and other key performance metrics.

Conventional auditing approaches can no longer keep pace with the ever-growing information influx. Audit analytics, however, make it possible to analyse entire sets of financial transactions increasing the value of the external audit by helping to validate low risk transactions efficiently and by revealing more granular insights for higher-risk transactions.

Beyond conventional audit analytics solutions that are applied today consistently throughout all locations worldwide, the Audit and Assurance practice has developed industry specific audit analytics solutions to run laser sharp audits. These are enhanced with key metrics and benchmarks to provide clients with additional insights as to how their processes and controls compare to industry standards.

### **Audit analytics in the Retail industry – Machine learning for ship & bill businesses**

Non-complex but high volume of transactions in the Retail industry (large-scale ship-and-bill businesses) allow for an increased use of data analytics and machine learning to increase audit efficiency and quality.

Our audit analytics solution uses advanced machine learning and regression analysis to categorise transactions that have run through a three-way-match in the Order to Cash cycle in buckets and then identify high-risk items requiring additional review procedures. The smart filtering and categorisation of transactions allows our teams to efficiently validate full population of transactions and focus their attention where it matters most.

With smart machine learning algorithms, those riskier transactions are analysed against logistic documents and other key financial information in the client systems. We apply regressions analysis, decision trees and clustering algorithms to build and test expectations on risk levels for risk-enhanced transactions. When running our machine learning algorithms we use both, client internal data and external data such as industry benchmarks, economic indicators, and key risk indicators derived

from economic projections and good practice benchmarks.

Based on this machine learning enabled testing we strengthen our auditor judgement process with a multitude of information and support the decision making process with multidimensional facts. Additionally, we enrich the discussions with our clients and help them through insights derived from internal and external data.

By applying this approach to testing revenue in the Retail industry and particularly for large ship-and-bill businesses, we achieve a more efficient, more qualitative and more insightful testing approach that benefits our clients and the financial markets.

## Talent

Our practitioners are at the heart of our Audit & Assurance quality journey. Every day, they make an impact that matters, thriving in a dynamic culture of inclusion, collaboration and high performance. Applying groundbreaking tools and convention-breaking thinking, they enrich every client engagement with an unrivaled diversity of talent, skills, experience, and insights.

## Recruitment

Our attractiveness and selection methodology is designed to recruit highly skilled and diverse team members with strong technical expertise, who can demonstrate exceptional client service, business acumen and innovative thinking.

As a result of our continuous efforts, Deloitte Switzerland has been named by Universum as one of Switzerland's Most Attractive Employers in 2019. We enhance our market perception by organising innovative 'Inside Deloitte' events, to introduce our future talent to our integrative culture and ways of finding effective solutions to complex questions. We are also very active at events organised by Swiss Universities to engage with and attract skilled and experienced talents.

Lastly, in order to enhance the recruitment experience for our graduates, we organise "Assessment Day". It enables us to present to our candidates the "life" at Deloitte while efficiently completing the entire recruitment process on the same day.

In this financial year, over 143 people were hired in the Audit & Assurance service line including one partner.

## Learning

We have brought the three below enhancements to the Deloitte talent model to further support our Audit & Assurance Transformation initiative:

- A single, global Audit Learning Curriculum for auditors (supplemented by additional local requirements).
- Specific learning opportunities for auditors (e.g. on big data) and specialists (e.g. audit skills) to mix both profiles on engagement teams in order to benefit from complementary skillsets.
- Enhanced project management skills, which is viewed as a key capability for the auditor of the future.

The objective of our development program is to help partners and professionals maintain and enhance their job competencies and ensure a consistent audit execution. To supplement on-the-job development, we also provide formal

continuing professional development programs in relevant subject areas. Our integration within the Deloitte global network brings further training opportunities, such as our access to the Deloitte University campuses in Europe and the US with their broad training offerings.

This talent model is complemented by a strong local learning curriculum for our Swiss practitioners. We are committed to support our employees in obtaining relevant qualifications, such as the Swiss Certified Public Accountant (Swiss CPA). We invest significantly in training and provide a supportive environment for professional learning. Our 17 recently qualified Swiss CPAs are now transforming their technical knowledge into value for our clients.

In line with the requirements set by EXPERTSuisse, Deloitte Switzerland establishes minimum levels of continuing professional development to be undertaken by partners and other professionals within a specific period of time. To achieve these levels of development, Deloitte Switzerland offers structured, formal learning programs, one of them being the Audit Excellence Event.



All qualified audit professionals working on audits are required to attend our Audit Excellence Event (3-5 days), a course specifically designed for the Swiss practice covering the latest developments in audit and accounting, relevant technological advances and crucial topics such as quality, ethics, leadership and project management skills. In addition, we offer a broad curriculum of courses for colleagues operating in specific regulatory environment, such as PCAOB engagements or audit clients subject to the financial markets regulations.

### **Performance & Development**

The performance & development model at Deloitte is designed to build a culture of constant flow of new opportunities for our people to develop and grow.

Frequent, “future-focused” conversations enable our people to benefit from real-time feedback, which focuses on developing their strengths. Our practitioners have regular check-ins with their team leaders, as well as regular conversations with an internally assigned coach about their career and performance. Coaches, with their holistic long-term view, help to navigate careers over time to ensure professional and personal development.

Just as importantly, coaching is key to shaping inspired and inspirational leaders. Leadership capabilities are increasingly

important in a marketplace where competitive advantage depends on the workforce performance, the retention of top talent, and the ability to create and derive value through innovation. At Deloitte, we train our leaders to be good coaches, inspiring their teams to grow and develop.

Further collaboration with the Deloitte Global Audit Quality Board allows our young professionals to broaden their knowledge while developing a quality-driven mindset. One of these initiatives is the NSE Young Audit Board which brings together young professionals from the NSE member firms, members of the Audit Management Team and Executive and Supervisory Boards to focus on audit quality across all grades.

### **Global and local mobility**

Serving international clients and groups in all markets is business as usual at Deloitte. We deliver the right team with the right skills wherever our clients operate. This often means that our professionals will go and work abroad – for weeks, months or years – to support a client or project or to develop their competencies.

Colleagues go overseas to capitalize on opportunities, transfer skills or work in another culture. Likewise, we also highly benefit from inbound professionals from other Deloitte member firms to complement the existing skill sets of our teams and best serve our clients.

Secondments are motivating and enriching for our people but also bring considerable benefits to the firm. With the rise of Audit Delivery Centres, there are new secondment opportunities for our teams. Bucharest, the location of the newest of our four worldwide Audit Delivery Centers, will become the temporary home of several of our Swiss professionals. During their six to nine month secondments, our professionals will roll out standardised workflows, templates and methodology for audit delivery based on the Deloitte Way Workflow (DWW) and thus ensure consistent audit quality on an international scale.

Secondment opportunities are not only overseas, but can also take place within Switzerland. Secondment opportunities at FINMA for example, benefit our financial service auditors. In the past four years, six secondments with varying focus areas from the supervision of private banks to capital risk and stress testing have given our practitioners direct insight into the regulatory environment.

This not only expanded their horizon, but also opened the door to share their experience and knowledge with colleagues and clients and allow Deloitte to build a strong and lasting connection with our public stakeholders.

#### **Partner remuneration**

Execution of high quality audits is expected from all professionals and is embedded across the Deloitte network. Audit quality is built into performance standards at every level, against which professionals' overall performance is measured.

In accordance with global policies, Deloitte Switzerland's Audit & Assurance partners are assessed annually on their performance in quality service, professional competency, risk management and protecting our brand, leading people, operational excellence, market leadership and growth.

Depending on the outcome of the performance, the remuneration of partners may increase or decrease. Partners and staff are not evaluated or remunerated on the selling of other services to the entities they audit.

Instances of non-compliance with our policies and quality standards result in remedial actions, which may include compensation adjustments, additional training, additional supervision, or reassignment. A pattern of non-compliance or particularly serious non-compliance may result in actions that include termination from Deloitte.

### **Highlights from secondment opportunities**

"I had the unique chance to be part of a "Deloitte Start-Up" project helping to build up a Regional Audit Delivery Centre in Bucharest, Romania from the very beginning. It was a very enriching experience to be contributing to something new. I enjoyed teaching and coaching a team of seven people from day one in their careers at Deloitte. Hence, I was able to develop my people management skills, as I was responsible for building and managing a team, from hiring, to training, coaching, and day-to-day work, whilst getting to know a new country and further developing my network with practitioners from various Deloitte offices all over Europe."

**Alexander Zwetz, Manager, Zurich, seconded to Bucharest, Romania Regional Audit Delivery Centre**

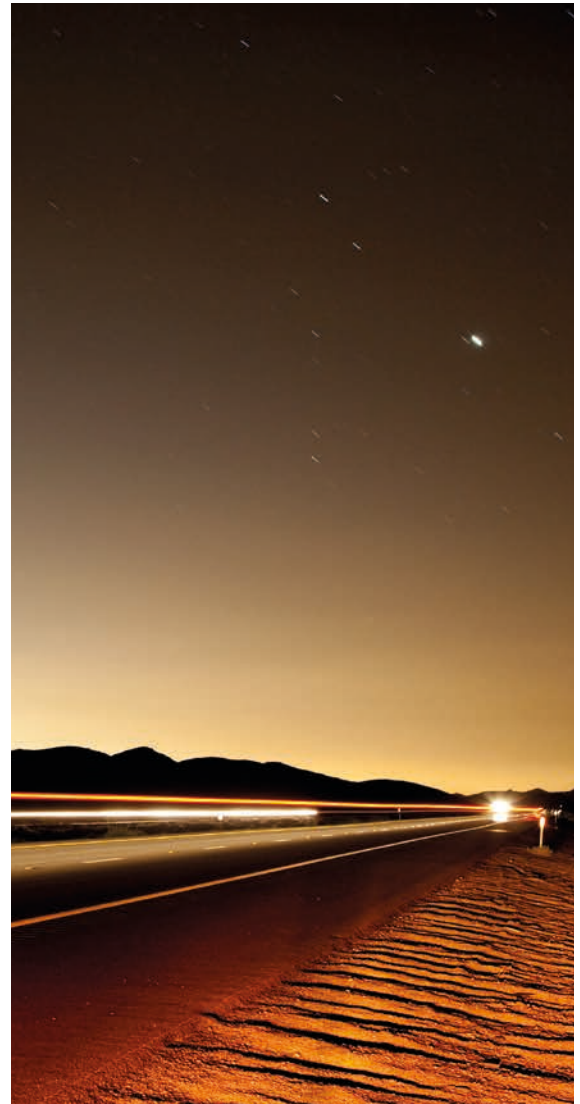
"I was able to fulfil both a personal and professional goal by being seconded to Deloitte Asia Pacific in the Singapore office. Being exposed to Asian clients as well as deepening my industry focus in energy & resources will definitely be a boost to my professional career. Upon my return I am sure this experience will add value to the Swiss firm by helping us better serve our global clients and the challenges they are facing."

**Pierre Blandin, Senior Manager, Geneva, seconded to Deloitte Singapore**

# The high quality audits we deliver

The experience of a high-quality audit, delivered well, will provide the audit committees, investors, and other stakeholders of the companies with (but not limited to):

- An audit report that is appropriate to the circumstances.
- Innovation in how we do the audit.
- More insights about their company than they had at the outset of the process.



# 03

## External and internal audit quality monitoring

# External and internal audit quality monitoring

Audit quality remains foundational to our transformation efforts and the ongoing success of our business. A key element of our quality improvement efforts is driving further consistency through our Audit Quality Monitoring & Measurement (AQMM) program.

## Audit Quality Monitoring & Measurement

A continued focus on audit quality is of key importance to the Deloitte brand. It is critical that Deloitte audits are consistently executed and of high quality, wherever in the world they are performed.

The objectives of the Global Audit Quality Monitoring & Measurement (AQMM) program are to:

- Transform the way audit quality is monitored and measured and audit deficiencies are resolved; and
- Enhance the internal system of quality control, which all Deloitte network firms follow.

The AQMM program is focused on driving:

- Continuous, consistent, and robust monitoring of completed and in-flight engagements;
- Fundamental understanding of deficiencies and timely execution of corrective actions by all member firms consistently;
- Greater transparency and consistency in reporting key measures of audit quality.

Deloitte Switzerland maintains policies and procedures to promote an internal culture based on the recognition that quality is the number one priority. Deloitte Switzerland focuses on professional excellence as the foundation for achieving audit quality on a consistent basis.

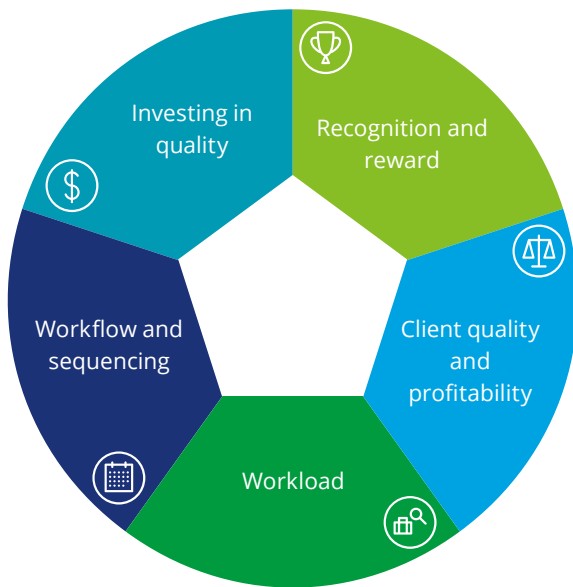
## Swiss Audit Quality Board

We established an Audit Quality Board (AQB) in 2015. The AQB comprises partners and other senior personnel from across our audit practice. Its remit is to:

- Develop and govern activities that will achieve sustainable improvements in audit quality;
- Implement changes across the audit practice; and
- Respond to audit quality issues raised by regulators and stakeholders, including the Federal Audit Oversight Authority (FAOA), Financial Market Supervisory Authority (FINMA) or the Public Company Accounting Oversight Board (PCAOB).

## Deloitte Conditions for Success

Our conditions for success summarise the key success factors to achieve a high standard of quality.



### Recognition & reward

Set clear audit quality expectations. Recognise and reward teams and practitioners who deliver high audit quality.

### Client quality & profitability

Reconsider client portfolio to execute "improve or exit" programs and drive more robust client acceptance.

### Investment in quality

Appropriately invest in capacity of high performance audit quality team capable of supporting quality goals.

### Workflow & sequencing

Mandate Audit Quality Milestones on all Public-Interest Entities – drive accountability.

### Workload

Enforce actions to identify overloads and inconsistencies, and reorganise partner, manager, and EQCR workloads.

### **A focus on our multidisciplinary model**

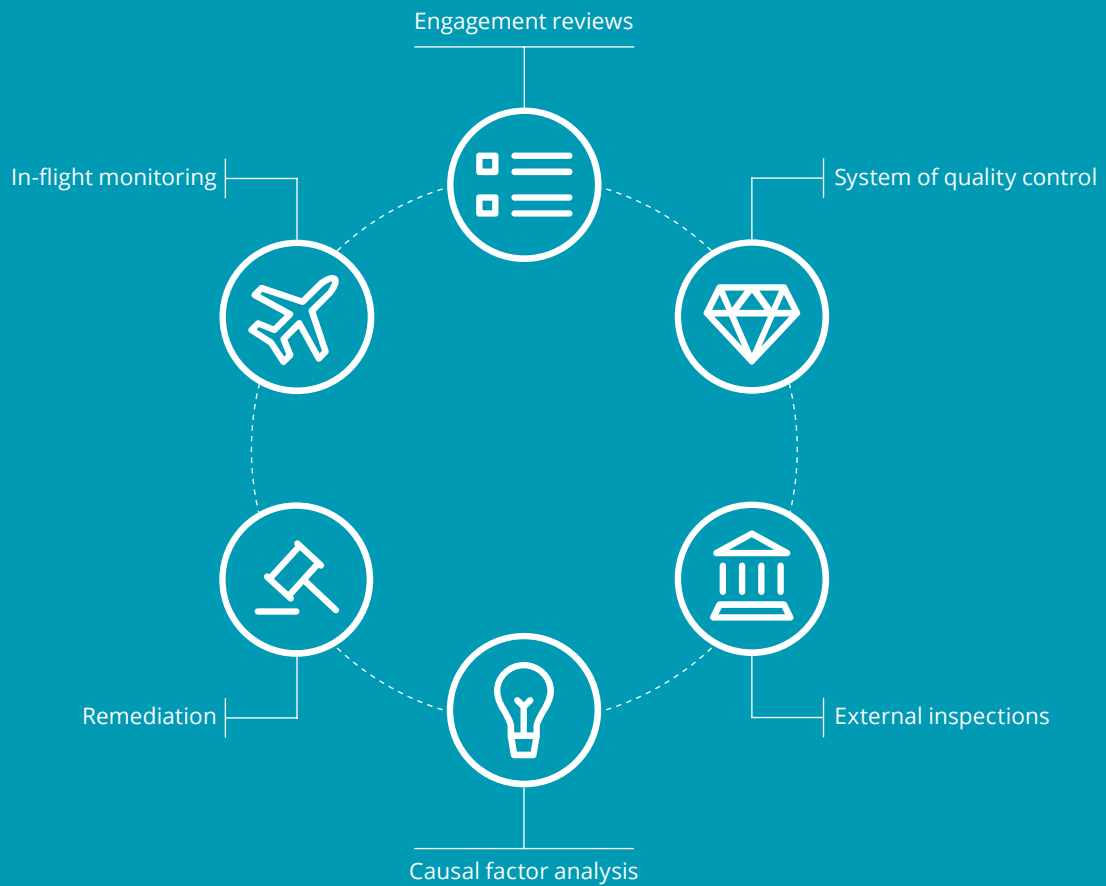
Audit is the foundation of the Deloitte brand. In addition to Audit & Assurance, Deloitte Switzerland has Consulting, Financial Advisory, Risk Advisory, and Tax & Legal practices. The diversity of five different businesses under one umbrella (multidisciplinary model) is one of the key differentiators of high-quality audits.

Among the benefits of the multidisciplinary model for audit:

- It is possible to develop industry insights through multiple lenses, which enhances auditors' understanding of business risks relevant to conducting audits.
- The audit practice has immediate access to specialised resources and expertise in other business lines. It promotes audit quality because auditors can tap into the expertise of advisory professionals who are skilled in subjects that are often outside of the auditors core skillset.
- A diverse organisation helps attract and retain premier talent.
- Intellectual capital is available within the network to innovate audit processes, technologies, etc.

Poor quality events have the potential to impact the Deloitte brand as a whole. As such, each non-audit Deloitte business has a shared and vested interest in supporting audit quality initiatives.

# Audit Quality Monitoring & Measurement







### Engagement reviews

At its core, the engagement review programme (“Practice Review”) determines whether we have complied, in all material respects, with the professional standards and the policies contained in the Deloitte Policies Manual (DPM) and Deloitte Audit Approach Manual (DAAM), as well as applicable professional standards and regulatory and legal requirements. It provides assurance over the level of quality delivered by a Deloitte audit and drives the culture of continuous improvement.

Key components of the Practice Review include:

- Risk-based engagement selection and consideration of all major industries served by Deloitte Switzerland;
- Moderation panels to drive consistency in findings and engagement ratings;
- External partners and deputies who oversee practice reviews to increase global consistency;
- Identifying appropriate resources (from within Deloitte NSE) with the right experience and industry expertise, including establishing central review teams.

Every year, we select engagements across our audit business portfolio, with the files then subject to review by independent professionals from Deloitte NSE. We focus on selecting reviewers who have relevant industry experience and who are capable of bringing robust independent challenge. Reviewers are given thorough inspection training by our central Audit Quality and Risk Management team.

At the end of each review, findings are moderated centrally by a moderation panel. This moderation panel applies a regulatory lens from our library of inspection findings to ensure that findings are classified consistently. The moderation panel determines the rating for each engagement review and we adopt a similar rating approach for our regulators, with engagements being classified as Compliant, Improvement Required or Non Compliant.

The practice review covers all partners, signing directors and other responsible individuals on a rotation basis, and is subject to oversight by an independent partner from another member firm within the Deloitte network.



### System of quality control (SQC)

SQC includes numerous elements such as documenting key areas of the SQC processes and controls and performing procedures for testing the operating effectiveness of the SQC, including execution of a comprehensive SQC review program.

Used in conjunction with other metrics, Audit Quality Indicators (AQIs) further assist Deloitte Switzerland in developing and monitoring audit quality action plans and reporting on the progress of its audit quality journey. AQIs are integrated with ongoing AQMM activities.

In addition, proper timing and sequencing of audit activities, including timely reviews of work performed and the resolution of matters identified, are closely associated with high quality audits. Audit Quality Milestones are intended to drive consistency of engagement teams in project management, timing of when work is done and reviewed, and necessary focus on engagement staffing, including sufficiency and expertise of assigned resources.



### External inspections

In addition to Deloitte Switzerland's own monitoring of audit quality, we are subject to external reviews by the Federal Audit Oversight Authority (FAOA). The FAOA undertakes independent inspections of the overall quality of Deloitte Switzerland. Deloitte's policies and processes supporting audit quality were reviewed, as was a sample of individual audits, including financial and regulatory audits from different industries.



### Regulatory Audits in financial markets

Financial markets and the respective intermediaries in Switzerland are regulated and supervised by FINMA as an independent governmental supervisor. Audit firms serve to extend FINMA's reach and at Deloitte we are proud of the role we have, as a regulated audit firm, making a significant contribution to achieving this responsibility. As the basis for our regulatory audits, we provide FINMA with an annual risk analysis on each supervised institution audited by us. As part of this risk analysis, we present a forward-looking view of the audited institution's risk profile. This directly influences the annual audit strategy, highlighting which areas of risk ought to be audited and to what extent (either audit or critical assessment scope).

We follow a rotation principle with the objective of covering each area of risk within a specific period (usually three years). Examples of areas of risk include anti-money laundering, compliance, credit, market, suitability or capital adequacy risks.

Based on our audit procedures, we then issue a regulatory audit report every year, within four months of the client's year-end. When specifically requested by FINMA we also perform supplementary audits. This allows us to conduct more-focused audits on specific topics and to issue special reports in relation to FINMA specifications, which vary according to the size and activities of the institution.



### Causal factor analysis

Focusing on continuous improvement is essential to driving improvements in audit quality. Understanding why audit deficiencies occur is essential to the design of effective actions to remediate findings. Further, actions are taken when audit deficiencies in the performance of an audit engagement are identified. An Audit Quality Plan is prepared by Deloitte Switzerland and provides effective implementation and monitoring of key audit quality priorities.



### Remediation

The Audit Quality Monitoring & Measurement (AQMM) program includes the development of a consistent remediation approach for all engagements.

The engagement level remediation process includes the evaluation and subsequent actions that an auditor takes to appropriately address findings, which could result from our internal Practice Review or as a result of an external regulator's inspection.



### In-flight monitoring

Continuous audit quality monitoring by Deloitte Switzerland drives a faster response to audit issues on "in-flight" engagements, driving identification, timely solutions, and real time corrective actions achieved by:

- Deployment of a series of core Diagnostics, enabling engagement partners and teams to continuously monitor audit quality and take action on their audits.
- A program of subject matter specific "health checks" to assist Deloitte Switzerland audit quality and risk leader in assessing progress and identifying potential issues on in-flight engagements.

- An integrated approach to monitoring and measuring execution of the audit methodology enhancements.



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

We confirm that we are satisfied that our internal quality controls and systems are robust, operate effectively, and allow us to readily identify any areas of potential enhancement. We continuously seek to refine all aspects of our business and we use the findings of the practice review, other internal reviews and external regulatory reviews to enhance our system of quality control.



### **Audit engagement acceptance and continuance**

As a part of our transformation efforts, global initiatives are also underway to foster a standard approach to audit engagement acceptance across the Deloitte network, resulting in consistent decisions and consideration of risk.

Deloitte Switzerland has detailed policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk. These policies and procedures are designed with the objective that Deloitte Switzerland only accepts engagements where it:

- Is able to perform the engagement and has the capabilities, including time and resources, to do so.
- Can comply with all relevant ethical requirements and professional standards, including independence and conflicts of interest assessments and considerations.
- Considered the integrity of the potential client's management team.

# The organisational capabilities we build

Deloitte culture and the design of our learning programs place our people at the forefront. Deloitte professionals are technically proficient with high levels of ethics, integrity, professional skepticism, and objectivity, and continuously enhancing. In addition, operational discipline, effective management of our business, and the development of a singular approach to performing audits provide the foundation for our commitment to bring consistency to our audits.

We are driving a sustainable audit and assurance business that compensates its people fairly and funds ongoing investment in our business.



# 04

Independence, ethics, and  
additional disclosures

# Independence Quality Controls

## Deloitte Global Independence



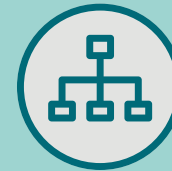
Sets **independence policies and procedures** based upon the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and the independence standards of the US Securities and Exchange Commission and the Public Company Accounting Oversight Board. Performs full reviews of independence quality controls on a three-year cycle; annual focused reviews for the off-cycle years; and in-depth follow-up reviews as needed.



Performs **on-going monitoring** activities of firms enabling continuous enhancements to global policies, quality controls, tools, and practice support activities.



Delivers **global systems** to provide professionals with entity information to support compliance with personal and professional independence requirements, including financial interests and scope of service approvals.











Supports **independence awareness** across the Deloitte network through active engagement with independence and business leadership groups, periodic communications and alerts, and development of guidance, learning and instructions.

### Deloitte Switzerland Independence

Deloitte Switzerland has policies and procedures designed to address compliance with applicable professional standards that relate to independence. These policies and procedures are based on the Deloitte Global Independence policy, and are supplemented, as appropriate, to reflect additional national or regional requirements that may be more restrictive than Deloitte Global policies. Deloitte Switzerland leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate tone at the top and instilling its importance into the professional values and culture of Deloitte Switzerland. Strategies and procedures to communicate the importance of independence to partners, other professionals and support staff have been adopted, emphasising each individual's responsibility to understand and meet the independence requirements.

The key elements of the system of quality control that Deloitte Switzerland implemented in accordance with global policies include the following:

-  Engagement acceptance and monitoring;
-  Monitoring of rotation requirements;

-  Business relationship assessments and monitoring;
-  Use of independence business process tools, including the Deloitte Entity Search and Compliance (DESC) system, global independence monitoring system (GIMS), annual independence confirmations, and consultation procedures, to monitor compliance with independence requirements;
-  Procedures to identify and analyse non-compliance with independence requirements and apply related disciplinary measures and actions;
-  Independence-related learning and communications;
-  Assignment of responsibility for independence systems and controls;
-  An internal review of independence compliance was conducted during the year.

### Rotation of key audit partners and professionals

Deloitte Switzerland has put policies and controls in place to address the local rotation requirements for audit partners and other key personnel. This includes, where applicable, the IESBA, the

Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 (Regulation (EU) 537/2014), the U.S. Securities and Exchange Commission (SEC) and Swiss law. Changing partners and other key personnel is very important both for the Client and for the Member Firm. The Client may benefit from a fresh viewpoint without sacrificing the knowledge of the business that the Member Firm has accumulated by periodically changing partners.

### Rotation requirements

At Deloitte Switzerland, Audit partners and other key personnel (including quality reviewers) shall not serve a Swiss Public Interest Entity (PIE) for more than seven consecutive years.

### Cooling-off

The cooling off period for lead audit partners is at least three years and for other key audit partners at least two years after reaching the maximum period of continuous service.

### Deloitte Switzerland Ethics

Deloitte Switzerland maintains policies and procedures that are designed to provide reasonable assurance that its professionals comply with relevant ethical requirements.

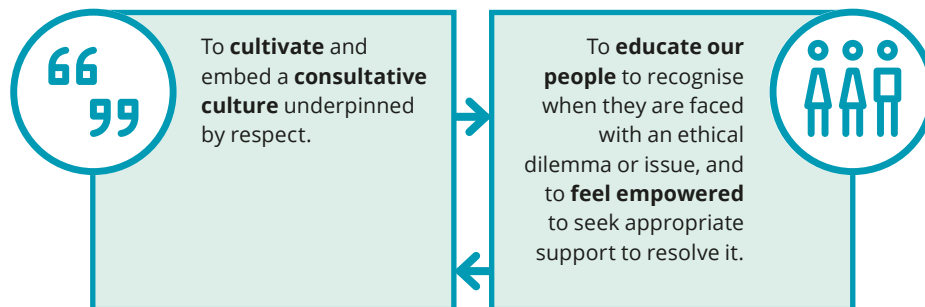
The ethical requirements for audit and related assurance services provided by Deloitte Switzerland are in accordance with rules and guidelines issued by EXPERTsuisse, FAOA and FINMA. Deloitte Switzerland also complies with Deloitte Global policies and procedures, which align with the requirements and guidance set out in the Code of Ethics for Professional Accountants (the “Code”) issued by the International Ethics Standards Board for Accountants, a standard-setting body of the International Federation of Accountants (IFAC). When the national professional requirements are more restrictive than the

Deloitte Global policies and procedures, Deloitte Switzerland follows the applicable national requirements. Deloitte Switzerland has appointed an Ethics Officer who is an experienced partner with direct access to the CEO and the firm’s governing body. In addition, Deloitte Switzerland has developed and implemented its own code of conduct, which incorporates the Deloitte Global Principles of Business Conduct and describes critical professional behaviour that reflects local customs, regulations, and legal requirements.

Deloitte Switzerland provides communication channels through which partners, other professionals and support staff can consult on and report ethical issues and situations. Deloitte Switzerland reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems. In addition, Deloitte Switzerland requires all partners, other professionals and support staff to confirm annually that they read and comprehend the code of conduct, and understand that it is their responsibility to comply with it.

### Primary principles and consultation

Our ethics programme is based on these primary principles:



The Ethics Officer is available for consultation where conversations take place on a strictly confidential basis. All matters raised in good faith are investigated seriously and independently. In addition to that, a confidential “speak-up line” is operated by an independent third-party, which can be accessed by all our employees irrespective of level/grade.



# 05

## Appendices

# Appendix A | EU EEA audit firms

## Disclosure in accordance with Article 13.2 (b)(ii)-(iv) of the EU Audit Regulation<sup>1</sup>

**EU/EEA Member State** (Article 13.2 (b)(iii) EU Audit Regulation: the countries in which each audit firm that is a member of the network is qualified as a statutory auditor or has its registered office, central administration or principal place of business)

**Name of audit firms carrying out statutory audits in each Member State** (Article 13.2 (b)(ii) EU Audit Regulation: the name of each audit firm that is a member of the network)

EU/EEA Member State <sup>2</sup>	Name of audit firms carrying out statutory audits in each Member State <sup>3</sup>
<b>Austria</b>	Deloitte Audit Wirtschaftsprüfungs GmbH
	Deloitte Burgenland Wirtschaftsprüfungs GmbH
	Deloitte Niederösterreich Wirtschaftsprüfungs GmbH
	Deloitte Oberösterreich Wirtschaftsprüfungs GmbH
	Deloitte Salzburg Wirtschaftsprüfungs GmbH
	Deloitte Tirol Wirtschaftsprüfungs GmbH
<b>Belgium</b>	Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises CVBA / SCRL
<b>Bulgaria</b>	Deloitte Audit OOD
<b>Croatia</b>	Deloitte d.o.o. za usluge revizije
<b>Cyprus</b>	Deloitte Limited
<b>Czech Republic</b>	Deloitte Audit s.r.o.
<b>Denmark</b>	Deloitte Statsautoriseret Revisionspartnerselskab
<b>Estonia</b>	Deloitte Audit Eesti AS
<b>Finland</b>	Deloitte Oy

	Deloitte & Associés
	Deloitte Marque & Gendrot
	Deloitte Marque Gendrot
	Audalian Commissaire
	BEAS
	Cisane
	Constantin Associés
	Constantin Entreprises
<b>France</b>	Consultants Auditeurs Associés
	DB Consultants
	Durand & Associés
	ECA Audit
	Jacques Serra et Associés
	Laurens Michel Audit
	Opus 3.14 Audit Et Conseil
	Pierre-Henri Scacchi et Associés
	Revi Conseil
	Deloitte GmbH Wirtschaftsprüfungsgesellschaft
<b>Germany</b>	Deutsche Baurevision GmbH Wirtschaftsprüfungsgesellschaft
	SüdTreu Süddeutsche Treuhand GmbH Wirtschaftsprüfungsgesellschaft
<b>Greece</b>	Deloitte Certified Public Accountants SA

<b>Hungary</b>	Deloitte Könyvvizsgáló és Tanácsadó Kft.
<b>Iceland</b>	Deloitte ehf.
<b>Ireland</b>	Deloitte Ireland LLP - Republic of Ireland
<b>Italy</b>	Deloitte & Touche S.p.A.
<b>Latvia</b>	Deloitte Audits Latvia SIA
<b>Liechtenstein</b>	Deloitte (Liechtenstein) AG
<b>Lithuania</b>	Deloitte Lietuva, UAB
<b>Luxembourg</b>	Deloitte Audit
<b>Malta</b>	Deloitte Audit Limited
<b>Netherlands</b>	Deloitte Accountants B.V.
<b>Norway</b>	Deloitte AS
<b>Poland</b>	Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa
	Deloitte Audyt spółka z ograniczoną odpowiedzialnością
<b>Portugal</b>	Deloitte & Associados, SROC S.A.
<b>Romania</b>	Deloitte Audit S.R.L.
<b>Slovakia</b>	Deloitte Audit s.r.o.
<b>Slovenia</b>	Deloitte Revizija d.o.o.
<b>Spain</b>	Deloitte, S.L.
<b>Sweden</b>	Deloitte AB
<b>United Kingdom</b>	Deloitte LLP
	Deloitte Limited
	Deloitte NI Limited

#### Disclosure in accordance with Article 13.2 (b)(iv) of the EU Audit Regulation<sup>4</sup>

The total turnover achieved by the audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements: € 2 billion<sup>5</sup>

<sup>1</sup> EU Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities

<sup>2</sup> EU transparency reporting requirement: the countries in which each audit firm that is a member of the network is qualified as a statutory auditor or has its registered office, central administration or principal place of business.

<sup>3</sup> EU transparency reporting requirement: the name of each audit firm that is a member of the network.

<sup>4</sup> EU transparency reporting requirement: the total turnover achieved by the audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements.

<sup>5</sup> Amount represents an estimate determined based upon best efforts to collect this data. Certain Deloitte audit firms registered to perform statutory audits in respective Member States provide statutory audit services as well as other audit, assurance and non-audit services. While Deloitte endeavored to collect specific statutory audit turnover for each EU/EEA Deloitte audit firm, in certain cases turnover from other services has been included. The turnover amounts included herein are as of 31 May 2019, except for a limited number of instances where a Deloitte audit firm has different financial year-end or has not finalized its reporting for such period. In these cases, turnover amounts are for the relevant financial year or preceding financial year. Where currency other than Euros is used in the Member State, the amount in Euros was translated using an average exchange rate in effect for the period 1 June 2018 to 31 May 2019.

## Appendix B | Public interest entities

### Disclosure in accordance with Article 13.2 (f) of the EU Audit Regulation

Public Interest Entities with bonds or equity securities listed on EU regulated markets audited for Statutory Purposes by Deloitte AG in the Financial Year 2019:

Name	Listing
Edag Engineering Group AG	Frankfurter Wertpapierboerse
Glencore PLC, St. Helier, Baar Branch	London Stock Exchange
Kuwait Energy PLC	Irish Stock Exchange
LafargeHolcim Ltd	Euronext Paris
Nyrstar NV	Euronext Brussels
SOFISA SA	Luxembourg Stock Exchange
TMC Content Group AG	Frankfurter Wertpapierboerse
Holcim Capital Corporation Ltd	Luxembourg Euro MTF (Luxalter)

# Notes



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