



2021 Transparency Report

Deloitte LLP and Deloitte Limited

Regulatory context

From 31 January 2020, the United Kingdom (UK) was no longer part of the European Union (EU). However, pursuant to an agreement between the UK and EU, the UK remained part of the EU customs union and single market, and continued to apply EU law, until the end of the transition period on 31 December 2020.

This Audit Transparency Report (Report) relates to Deloitte LLP and Deloitte Limited's principal activities in the UK and Gibraltar respectively for the year ended 31 May 2021 and, therefore, spans the end of the transition period. For the purposes of transparency reporting and to aid consistency, we have continued to apply EU regulation throughout the year and have prepared this Report in accordance with Article 13 of Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014 (the EU Audit Regulation).

This Report also includes disclosures required by the 2016 Audit Firm Governance Code (the Code), which sets a benchmark for good governance and applies to UK firms auditing 20 or more listed companies. A reconciliation to the Code is provided in [Appendix 7](#). The Financial Reporting Council (FRC) issued a consultation document in August 2021 outlining proposed revisions to the Code. Additional transparency reporting requirements under these proposals will be considered for our 2022 Audit Transparency Report.

Deloitte Limited, the Deloitte business operating in Gibraltar that has been a subsidiary of Deloitte LLP¹ since 1 June 2017, also prepares an audit transparency report under Article 13 of the EU Audit Regulation. This Report relates to Deloitte LLP and Deloitte Limited's principal activities in the UK and Gibraltar respectively for the year ended 31 May 2021, unless otherwise stated. Deloitte LLP also has a subsidiary in Switzerland that prepares its own transparency report. Consequently, Deloitte's activities in Switzerland are not covered in this Report, unless otherwise stated.

Local audits

Public sector bodies in the United Kingdom have differing audit requirements and arrangements, depending upon the country and the type of body. 'Local audits' (or 'local public audits') are audits of English bodies conducted in accordance with the Local Audit and Accountability Act 2014. These local audits cover Local Authorities, Clinical Commissioning Groups, and NHS Trusts (but not NHS Foundation Trusts).

As we have issued audit reports in respect of major local audits² during the year ended 31 May 2021, we are required to comply with The Local Auditors (Transparency) Regulations 2020. Appendix 4 includes a summary of the requirements of The Local Auditors (Transparency) Regulations 2020 and where these requirements are addressed within this Report.

We are appointed auditors for four NHS Trusts and for 32 local government bodies (including pension schemes). Our local government audit appointments were made by Public Sector Audit Appointments Limited (PSAA) as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015. PSAA's role includes contract management with Deloitte and other audit firms for the delivery of consistent, quality and effective audit services to relevant authorities.

Our arrangements in respect of NHS Foundation Trusts (which are not required to be included in this Report under The Local Auditors (Transparency) Regulations 2020) are consistent with those for local audits.

Contact us

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¹ Deloitte Limited is a subsidiary of Deloitte LLP (collectively, Deloitte or the firm), which is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee. DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

² As defined in The Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014.

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Leadership message

This has been a year defined by change and our agility to respond to it at pace. We are proud of how we have navigated the challenges of the past 12 months and we are looking ahead with confidence in our people and in our firm.

Welcome to our 2021 Transparency Report which reflects on a year that has brought **significant opportunity alongside considerable challenge**, this has included the pressures and unpredictability of the COVID-19 pandemic; the urgency around climate change; the ongoing call to action over racial inequality; and questions about the UK's global trade and domestic levelling-up priorities.

This backdrop has tested many in the business world. **Our people have shown great resilience and agility** in adapting to this challenging environment and we are proud of their efforts and what we have achieved together as a firm. Supporting individual and team wellbeing throughout the COVID-19 pandemic has been a priority for Deloitte's leadership and will remain so.

To ensure we responded appropriately to the risks from COVID-19 and upheld our responsibilities around high-quality audit and challenge of management, we innovated how we delivered audits and how we worked with the entities we audit. For example, we used drones for stock-counts, combined internal and external data sources to better assess and manage risks, and enhanced our policies to include an additional independent review of COVID-19 related judgements.

We also supported our people to look after their own wellbeing, as well as that of their teams. While it was difficult to remotely replicate the in-person experience for training and mentoring, we used on-screen sharing to recreate the practice of in-room coaching and review.

Our teams quickly rose to the challenge of managing the risks while maintaining the integrity of reporting. As in past reporting periods, we supported our audit teams to challenge the entities we audit to delay issuing results where the information was not yet ready or not yet fully audited.

The much-anticipated release of the Department for Business, Energy and Industrial Strategy (BEIS) White Paper on restoring trust in audit and corporate governance highlighted the need for reform, both in terms of the wider public interest and ensuring the UK remains a leading place to invest and do business. We have taken a proactive role in this debate and are working with regulators, government, the entities we audit and the investor community to improve how we work and create lasting, positive change for our profession and the corporate ecosystem as a whole. We support changes that will improve choice in the audit market, strengthen regulation and create a more forward-looking

audit product within the context of broader reform of corporate and financial reporting.

We are **designing for the future**, while continuing our uncompromising focus on audit quality and drawing on our strong culture of doing the right thing. We will do everything we can to ensure audit remains a valued service and attractive career path.

Corporate business models are increasing in complexity and facing new risks in light of the challenges of the last year. In addition, fast-paced technology change is the 'new norm'. As a result, the auditing profession needs to reflect deeply on the role we should play in protecting the public interest in this rapidly changing environment. As well as historic financial statements assurance which are covered by existing auditing standards, more focus is being placed on the need to build confidence and trust in non-financial information, such as environmental and societal metrics, the robustness of the internal control environment and the corporate response to the risk of fraud.

We are investing in technology, and developing skills, mindsets and specialisms to ensure our auditors continue to have a deep understanding of the changing risk landscape and are equipped to challenge and assess key judgements and report on these in an impactful way.

Environmental, social and governance (ESG) will arguably be the defining topic of the next decade. We are well-positioned to respond to it in terms of Deloitte's own footprint and in supporting others through our engagements and collaborations ([see our Annual Report](#)). ESG risks demand attention, including in relation to companies' non-financial reporting and disclosures consistent with the Task Force on Climate-Related Financial Disclosures (TCFD).

There is currently a public focus on **auditors' responsibilities in relation to fraud**. While management implementing strong internal controls and strong governance/oversight are the foundations of preventing and detecting fraud, auditors also play an important role in detecting material fraud and we are supportive of strengthening both fraud awareness and auditor challenge.

As the responsibilities of auditors are strengthened and clarified, we hope to see the Financial Reporting Council (FRC) working with BEIS to ensure similar consideration is given to the responsibilities of management and board directors.

Where an entity we audit does not have an appropriate attitude towards culture, risk, corporate governance, financial reporting or commercial arrangements, we will continue to call it out. We will remain as the entity's auditor where it shows a commitment to improvement, including making the investments needed.

This can include the need to invest in better financial reporting, including capabilities within an entity's finance function. However, it is usually more fundamental where a change in the tone and capability of senior management and its board members is needed to effect real change. In a number of instances this discussion has led to improvements and we have continued as auditors. However, where entities repeatedly fail to give those commitments or make the required investments, we will resign as their auditor. We do this reluctantly and with a continued focus on our public interest role, but with the recognition that, as a last resort, the public resignation of auditors can drive improvement in the culture, governance and financial reporting of an entity. It is positive that, over the last year, we have seen more interest in auditor resignations by investors, regulators and the press than in previous years.

As we continue to navigate these opportunities and challenges, three things stand out – the importance of our purpose; our willingness to change; and the strength of our firm's culture:

Our role and purpose

Deloitte's purpose is to make an impact that matters for our clients, people and society. Within Audit & Assurance, that translates into protecting the public interest and building trust and confidence in business. Our role as an audit and assurance provider is vital in supporting market confidence, informing stakeholder decision-making and building trust and confidence in business.

We recognise that whenever audit quality falls below the standards we expect of ourselves and that others expect of us, trust is undermined. We look back, to analyse and learn; and strive for continuous improvement.

During the year, the FRC published the report of the Disciplinary Tribunal in relation to the 2009 and 2010 audits of Autonomy. We recognised the significance of the Tribunal's findings and conducted a root cause analysis to understand the causes of the findings and drive actions to prevent them from being repeated. The analysis indicated we had taken significant action over the past 11 years that addressed the majority of the findings. Nevertheless, we took the opportunity to learn and improve further and have developed a programme of additional actions which we are implementing and monitoring as part of our Audit Quality Plan.

Embracing change

On 1 June 2021, the majority of our Audit & Assurance business became operationally separate from the rest of the UK firm: it is a fully transparent business, independently governed by the newly-established Audit Governance Board (AGB) and separated from advisory work. This is in line with the [FRC's objective](#) of ensuring audit practices are focused above all on delivery of high-quality audits in the public interest, and do not rely on persistent cross-subsidy from the rest of the firm.

Both operational separation and the ongoing evolution of our operating model play a pivotal role in supporting us to better deliver our strategic vision to lead the profession. We go into more detail on this later in the Report.

The Deloitte culture

Without our people, none of this would be possible. We are investing in making Audit & Assurance a long-term career option that attracts and retains the brightest and best talent. Fostering an inclusive culture where our people feel empowered to constructively question and challenge, without bias or constraint, is fundamental to delivering audit quality. Addressing unconscious bias and cultivating diversity of thought is not just the right thing to do – it also makes for more representative and informed decision-making.

Against the backdrop of these priorities, **we are proud of our people's commitment to delivering quality audits** within the ongoing constraints and challenges, and of how they channel such great team spirit.

As we look ahead, we are confident about the public interest impact we can make. We are developing the audit product of the future and the skills needed to deliver it; and helping to build trust and confidence in business as well as fostering a better understanding of the value that audit brings. The future of audit and assurance is looking very bright.



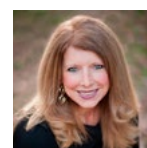
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The Deloitte Perspective

As the UK adjusts to life outside the European Union and to moving through the COVID-19 pandemic, the government has made bold statements about its vision for the future of the UK and the role of business in enabling this. We recognise the critical role we play in the UK's business environment and support changes that enhance audit quality and improve choice in the audit sector.

In a continually changing and complex world, access to comprehensive, timely and intelligible information is needed to help people reach informed decisions about what to invest in, who to lend to, who to work for and who to co-operate and transact with. We play a vital role in assuring the integrity of that information and feel the following six key areas - which we expand on in this Report - underpin that role:



Audit and corporate governance reform is essential and we are embracing the necessary changes

We aim to remain at the forefront of developments in corporate reporting by investing in innovation, continual learning and audit quality. We are proactively making changes to our own business – for example we implemented the majority of operational separation of our Audit & Assurance business and set up an independent Audit Governance Board – and continue to engage in the evolution of the broader audit and corporate governance reform agenda. These actions underpin our public interest role and provide an opportunity to rebuild confidence in the UK as a leading capital market.

We have already begun adopting some of the most fundamental proposals in the March 2021 BEIS White Paper. However we feel there is an opportunity for an overarching vision and framework to fully recognise the benefits of reform of the corporate reporting system and provide high-quality corporate reports which:

- Are forward (as well as backward) looking
- Are rigorously and independently assured
- Provide timely, comprehensive and insightful information across financial and non-financial measures relevant to the needs of investors and others

Achieving this objective requires clarity on the roles and responsibilities of each type of participant in the corporate reporting system.

Our leadership highlights how we are supporting changes that will improve choice in the audit market, strengthen regulation and create a more forward-looking audit product, and how we are designing for the future.

[Click here](#)



When businesses fail, lessons must be learnt, where appropriate, by all those accountable

A thriving capitalist economy encourages entrepreneurial risk-taking to attract investors and leading businesses, inevitably leading to some enterprises failing. When they do, the work of the auditor can be called into question and trust in the profession is undermined. However, where appropriate, we consider company directors, boards, stewards and regulators – as well as auditors - should all be held accountable in a proportionate way and lessons should be learnt by all. It's not always the case that someone is to blame and should be held accountable when businesses fail.

That is not to say the audit profession does not need to continually push to raise standards of audit quality. Audit quality is and will remain our number one priority. It is embedded in our day-to-day activities that will be subject to the new International Standard on Quality Management 1 (ISQM 1) from 2022, and is the foundation of our recruitment, learning and development, promotion and reward structures.

We know there is more to do and are absolutely committed to continual improvement; playing our part in delivering change that enhances audit quality and helps restore trust.

The Non-Executives highlight the importance of trust and how all stakeholders must play their part in restoring trust in business.

[Click here](#)



The responsibilities on companies and their boards should be enhanced to place a greater emphasis on internal controls

In situations such as corporate failure, where the quality of an audit is called into question, there is often a correlation with poor corporate controls and/or governance.

The BEIS White Paper sets out proposals to introduce a controls attestation by an entity's management in the UK, including related auditor assurance. There is a good case for taking proportionate action to strengthen the internal control framework for UK entities: some UK entities pay insufficient attention to internal controls and some directors lack a clear understanding of whether their internal controls are effective. The board's remit should include a responsibility for the effectiveness of the entity's controls and regulation must hold executive management and board members accountable if they do not discharge their responsibilities appropriately.

In many of the world's largest financial reporting markets there are already requirements for management and auditors to opine on aspects of entities' internal control environments. This assurance informs stakeholders not only about the past, but also of the robustness of controls operated by the entity as it moves forward.

We look forward to the introduction of an appropriate framework for the UK; in the meantime, we continue to enhance the role of internal controls testing in our audits, and provide observations and recommendations for improvements both to entity boards and in our public audit reporting.

In our Delivering quality audits section, we talk about how an entity's controls affect our audit work.

[Click here](#)



Audit firms must develop a culture where people feel encouraged and empowered to challenge

Subjectivity and judgement are inherent in financial statements and conducting a high-quality audit requires auditors with the skill, ability and confidence to robustly challenge management and to evaluate the evidence in connection with their judgements and estimates. Doing so effectively relies on all our people, from the most senior to the most junior, feeling empowered to constructively challenge and investigate, both internally and externally.

Events such as COVID-19 magnify that focus on judgement, as they pose significant challenges to business models and corporate viability, and management has to make critical judgements relating to areas such as asset impairment and going concern.

Maintaining a true culture of constructive challenge is therefore fundamental to audit quality and this is at the heart of our continuous learning and development programmes. Audit teams are centred around ethical behaviour, integrity, professional scepticism and objectivity, as well as technical proficiency and empowerment to make decisions.

Ultimately, whatever our audit work uncovers, we will always seek to do the right thing. This will not always be the easiest option, but it's the only acceptable way forward as a public interest-focussed business.

Our culture drives the behaviours of all of our people and we set out how it contributes to audit quality in our Delivering quality audits section.

[Click here](#)



The audit product must deliver higher quality to better meet the needs of stakeholders

The business environment is becoming more complex, with new commercial offerings, processes and external stakeholders. The audit product has to keep pace and we must continue to innovate to ensure our audits are rigorous, dynamic, multidimensional and insightful.

Climate change poses a significant challenge in corporate reporting. We have invested in training our workforce to understand the risks, and have developed a dynamic toolkit to support teams in their assessment, challenge and assurance of entity disclosures in this area.

We also continue to modernise our audit approach through greater use of transformative automation - analytics, artificial intelligence, and cognitive and cloud-based technologies. We have rolled out IT-enabled company diagnostic reports and advanced project management tools to enhance our ways of working, challenge numbers, provide better assurance and deliver higher quality audits.

In the Delivering quality audits section we set out how we are developing the audit of the future.

[Click here](#)



Audit firms must operate and report on their businesses in an open and transparent manner

This commitment is necessarily wide-ranging and covers, for example, aspects relating to remuneration and the often-unpublicised ways in which we challenge management's judgement and estimates.

We established our Audit Governance Board on 1 January 2021, and on 1 June 2021 we completed the majority of the steps required for our Audit & Assurance business to become operationally separate from the rest of the UK firm. Our partners and people involved in audit and public interest assurance work are now, for the most part, operationally separate from advisory work undertaken across our other practices.

Input from other Deloitte professionals' experience and expertise is vital in improving our challenge in specialist areas and continues - but at arm's length, ensuring there is no actual or perceived cross-subsidisation. We continue to operate robust conflict and independence policies and processes, ensuring compliance with relevant restrictions around any non-audit services provided to entities we audit.

Strong governance is the foundation of our firm; amongst other things it ensures transparency and accountability to external stakeholders and to our people.

[Click here](#)

Report from the Non-Executives

This is a critical time for the whole corporate governance ecosystem and we are delighted to see Deloitte embracing the reforms and taking decisive action to raise the bar on audit quality.

For all of us, working with Deloitte at such a critical time for the audit profession provides an important opportunity to use our extensive and varied executive, non-executive, corporate, audit and legal experiences to **help develop and drive the reforms that are necessary for restoring trust.**

Audit Governance Board

The AGB was formally established on 1 January 2021, although we met informally in the few months prior. Being chaired by, and comprising a majority of, Non-Executives means it can provide the **independent governance, advice and challenge** vital to the successful delivery of the desired outcomes of operational separation.

By setting our own agenda for the AGB, we are able to **get right to the heart of the drivers of quality** by challenging management to ensure:

- The Audit & Assurance **structure and business model are focused on delivering audit quality** rather than on influences from the rest of the firm that could divert focus away from audit quality
- Audit & Assurance **services are transparently priced** on an arm's length basis and the Audit & Assurance business is financially resilient in its own right
- **When partners are rewarded**, it is because they deliver high audit quality, and when people are promoted to partner, it is because they embody the highest standards of audit quality
- The **culture of the Audit & Assurance business** encourages the right ethical values and behaviours that form the foundations of delivering quality in the public interest
- **When things go wrong** and quality does not meet the expected standards, lessons are learned and appropriate actions are taken

Audit partner remuneration and promotions

Our independent oversight of the audit partner remuneration process began in FY20 and was extended this year to cover the promotion process as well.

One of us attended, as an observer, some of the meetings that took place throughout the year to discuss audit partner remuneration and promotion, and saw for themselves the rigour with which audit partners and partner candidates are assessed and the strong emphasis that is placed on audit quality.

Last year, we made some suggestions around where we felt the remuneration policy and procedures could be tightened and were pleased to see those had been actioned. Similarly, this year we shared with management our observations and suggestions for further process improvements. We also commissioned the firm's internal audit function to undertake the following desktop reviews:

- Remuneration – confirmation the process was followed consistently between FY20 and FY21, particularly around the [awarding of yellow and red cards for quality issues](#), recognising there will always be an element of judgement
- Promotions – reviewing the evidence to substantiate the view that audit quality was appropriately considered in all cases



As in previous years, Internal Audit observed a transparent and well-documented remuneration process, applied consistently. Regarding the promotion process, Internal Audit identified some findings around improving the documentation of the decisions made through the process and the basis for conclusions reached. We will follow up on the recommendations, both our own and those of Internal Audit, through our ongoing engagement with the Audit & Assurance People & Purpose Leader and when we observe the processes again next year.

Overall, based on the frameworks established for FY21, we are satisfied processes were in place during the year to ensure audit quality is taken into account in audit partner remuneration, reflecting the degree of difficulty and risk of the audits, and that audit quality is also taken into account in selecting and reviewing candidates for promotion to audit partner.

Transparency

We are genuinely impressed with the **open and transparent way Deloitte approaches Non-Executive oversight**. The opportunities we have had this year to observe a public interest entity audit; attend Audit Quality Board, Audit Quality Forum and Public Interest Review Group meetings (all of which are discussed later in the report); and review and input into the Audit Quality Review (AQR) public report, BEIS White Paper consultation response and the Autonomy root cause analysis have been particularly valuable for us and, we hope, for the firm.

We also meet regularly with key individual members of Deloitte's management team to discuss any particular concerns, issues or matters of public interest. We have a direct reporting line with the Ethics Partner and, in addition to regular meetings, discuss ethics/whistleblowing matters with him on an ad hoc basis as necessary. Our engagement with Deloitte's management extends beyond Audit & Assurance – in addition to the quality, resilience and reputation of the Audit & Assurance business itself, **the resilience and reputation of the rest of the firm are critical to delivering audit quality**.

The independent, external perspective and advice we bring to all these discussions challenges management to reflect on how it is thinking beyond the interests of the firm when taking decisions, to consider also the bigger picture and broader societal interests.

Independent Non-Executive (INE) Oversight Committee

The INE Oversight Committee provides an invaluable forum for us to undertake **deeper dives into areas of particular public interest** and for us to privately share information between ourselves and discuss matters of relevance to our remit, without management present.

The INE Oversight Committee meets monthly and matters covered in FY21 included:

- Actions taken by the firm to prepare for operational separation
- Ethics, whistleblowing and the work of the Public Interest Review Group (see the [Ethics section](#) later in the Report)
- Purpose and values and the policies and practices for promoting an appropriate culture in Audit & Assurance and the firm as a whole
- The firm's system of internal control and how the firm manages its most important risks

The UK corporate reporting and governance system

Trust is important and intrinsic to so much - it usually takes years to build but can be quickly lost. The erosion of trust in UK business at the moment is very damaging and must be urgently addressed. The reforms proposed in the BEIS White Paper on restoring trust in audit and corporate governance should go a long way to achieving that, but **all stakeholders must play their part through:**

- **Increased standards at entities** with more accountability for directors and new requirements around internal controls
- **An audit profession and audit product that better meet the current and future needs and expectations** of stakeholders
- **A stronger, more effective regulator** with the right capabilities
- **Shareholders being more engaged** and using their voice to better effect

Alongside our regular participation in Deloitte's Audit AGM and the Deloitte Academy programme, and our meetings with the FRC, a key part of our role as Non-Executives this year has been to engage with many of these stakeholders to discuss and debate the issues and proposed solutions.

Deloitte clearly also needs to ensure its own house is in order and we are delighted it is already taking decisive action by choosing to be an early adopter of operational separation and establish the AGB.

Conclusion

We remain confident Deloitte's commitment to quality, its open and consultative culture, its robust governance and the way it is embracing the reforms put it in a strong place to deal with the challenges that lie ahead and the ongoing scrutiny of the audit profession.

We will continue to advise and challenge management to ensure those commitments do not waver and that the public interest is taken into account in the firm's decision-making, both in the operationally separate Audit & Assurance business and the other parts of the firm.

Communicating with Deloitte's stakeholders is a key part of our role and we are delighted to receive any feedback. If you would like to contact us, please do so at:

independentnon-execs@deloitte.co.uk





Baroness Ford

AGB Chair,
Non-Executive

“This is a hugely important inflection point for the profession. If I were starting my career again, I’d want to become an auditor. High-quality audit has never been more prized.”



Jim Coyle

UKOB Deputy Chair,
Non-Executive

“People talk a lot about audit reform, but should be talking about corporate reform too. The UK’s corporate reporting ecosystem needs attention and we have an extraordinary opportunity to help develop that agenda.”



**Almira
Delibegovic-
Broome QC**

Non-Executive

“Attending an Audit Quality Board meeting was an invaluable experience for me as a Non-Executive. It’s one thing getting various reports at the AGB meetings, which are necessary in their own right, but a completely different thing keeping an eye on a range of current topics and initiatives, and listening to the way those are discussed; a way of keeping our finger on the pulse of the audit practice. Going forward, attendance at Audit Quality Board meetings will be an integral aspect of our work.”



Shirley Garrood

Non-Executive

“I was impressed with the thoroughness with which candidates are assessed for promotion to audit partner and with the consistency of the process. Candidates who do not meet the required standards of audit quality are deferred until they are able to demonstrate sufficient improvement.”

Audit quality



Delivering quality audits

There are four main areas that support our pursuit of high-quality audits:



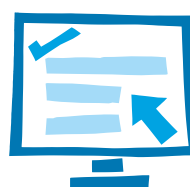
Our culture

directly impacts everything we do



Our people

whose skills, experience and mindset are essential to the quality audit



Our processes

enable our people to do the right thing



Audit quality monitoring and measurement

tracks our performance and identifies ways to continually improve

Our culture

Our culture drives the behaviours of all of our people and is a fundamental contributor to audit quality.

1. How do you set the right tone from the top?

We keep it simple - the tone from the top is honest, consistent and clear. Our culture is defined by an understanding of our purpose, along with our shared values and the underlying organisational structure in which we operate. Deloitte's purpose is to make an impact that matters with clients, people and society. We cascade it down and engage our people through firmwide communication and audit-specific activities.

We strive to create a culture of openness where our people feel empowered to challenge and discuss issues without constraint, and to always 'do the right thing'. We know promoting the right culture is an essential part of building confidence and trust in our profession and we continue to speak to our colleagues about our culture and address anything we feel we are not getting quite right.

We reinforce our culture in lots of different ways. Topics such as pride in our profession, innovation supporting audit quality, celebrating when our people go above and beyond to deliver audit quality, and maintaining professional scepticism regularly feature on our intranet, in leadership questions and answers online, at our annual TechEx training and at audit business 'town hall' meetings.

We mandate respect and inclusion learning for all partners and staff which clearly sets expectations around what a positive and thriving workplace environment and culture look like for our people. All leaders are assessed on how they create an inclusive culture, and one of the questions we ask all partners to prepare for in their year-end reviews is what they have done to create a more inclusive working environment.

Our people are recognised and rewarded for exceptional contributions to quality, which is described on [page 18](#).

2. What do you expect of your people?

For our audit and assurance professionals, making an impact that matters means protecting the public interest and building trust and confidence in business. This maintains the attractiveness of the audit profession, creates pride amongst our people, and motivates them to deliver the highest quality audits.

The [Ethics Code of Conduct](#) sets out the core expectations that stakeholders can have of people across the Deloitte network, our shared values and the Global Principles of Business Conduct.

Our shared values align with our purpose and guide our collective behaviour:

- Lead the way: define and shape the profession, make bold choices, create opportunity and lead the way to a more sustainable world
- Serve with integrity: do the right thing, speak up, and never compromise on quality
- Take care of each other: prioritise respect, fairness, development and well-being, and engage with empathy
- Foster inclusion: embrace diversity in all forms, understand how others experience the world, act with courage to address bias
- Collaborate for measurable impact: think and act as a team to consistently deliver and exceed expectations

3. How do you promote the value of audit to wider society?

We engage on the role and value of audit in a number of ways, including:

- Through participation in professional forums, committees and roundtables, as well as via speaking engagements
- By publishing points of view on our corporate governance library, as well as in the press
- Through active participation in advisory boards and working groups across the profession to listen to and share perspectives on tangible steps to reform
- Through engaging on an ongoing basis with government departments, regulators, Parliamentary Select Committees and the media to inform the broader debate about the audit market and to share our points of view on potential measures for reform
- As set out in the [investor liaison Audit Quality Indicator](#), we hold at least one major stakeholder event per year, which brings together Deloitte leadership with investors, audit committee chairs, regulators, government, academics and other stakeholders to discuss the role of audit in the wider corporate reporting ecosystem and other topical matters of public interest
- The Deloitte Academy runs a programme of events for, primarily, non-executive directors, many of which focus on corporate governance and reporting, to help inform and provide guests with an opportunity to engage with Deloitte and external experts on key matters relevant to their roles, including in relation to audit
- Our Purpose & Values Working Group has representation from across our Audit & Assurance business. It is committed to actively promoting the purpose of Audit & Assurance, reinforcing our core values and acknowledging the behaviours we wish to encourage and reward throughout the firm
- The key activities of the Purpose & Values Working Group are to promote and embed Deloitte's five shared values in a range of ways including how we communicate internally, how we recognise positive individual contributions and how we communicate with the entities that we audit
- Partner-led discussion on the purpose of audit forms part of the Engagement Team-Based Learning support materials. This places greater emphasis on sharing knowledge and bringing to life practical examples of where audit has made an impact to our stakeholders

4. How do you know what your people think about your culture?

We run staff surveys on an ad hoc basis, sharing anonymised responses with leaders to improve our future planning and to focus action in our audit business. They inform and shape our work around culture by actively listening to what our people are saying. The focus recently has been on wellbeing, how we are responding to the COVID-19 pandemic and the move to a hybrid working model. The results of the surveys feed directly into our actions in these areas. On a firmwide level we have also had a focus on Black Lives Matter and our resulting Black Action Plan, which is discussed further in our [Annual Report](#).

We also have a 'Do the Right Thing' Dashboard which is discussed in question [36](#).

Our people

The professionals working on our audit engagements have the right values, behaviours, competence, knowledge and experience to deliver work of the highest quality and are properly directed by skilled partners and managers.

5. How do you recruit and retain the best people?

During the year ended 31 May 2021 we recruited 574 people into our Early Careers programmes, for graduates and school leavers. We also recruited 433 experienced hires, including audit practitioners from within the global Deloitte network.

For our Early Careers programmes, due to the impact of COVID-19 on our business, audit work and training schedules, we implemented a dual intake programme for our September and December 2021 class, with approximately 50% of our students joining on the later date.

We continue to utilise robust and digital assessment and selection processes, enabling us to continue delivering on a best-in-class hiring experience which reduces our time to hire, whilst adopting a consistent approach to scoring and assessing our talent. By training all our interviewers on inclusion, we are aiming for consciously inclusive hiring practices to remove barriers for all individuals applying for our opportunities.

We shape our Early Careers recruitment marketing strategy using data from educational institutions, noting those with the highest levels of diversity, to help to reach, engage and attract diverse talent. Existing employees who are alumni of those schools and universities visit to share their stories of studying for the accountancy qualification and working at Deloitte UK.

We partner with certain schools to introduce ourselves as an employer to individuals who may not be familiar with Audit & Assurance at Deloitte, or the scale and accessibility of our Early Careers opportunities. We collaborate with other professional services firms under the Access Accountancy Programme, dedicated to improving access to the accountancy profession in the UK for all regardless of their background.

Across the whole of Deloitte, we have campaigns to increase hiring of Black students. In Audit & Assurance, we have specific targets for summer vacation placements and for paid intern opportunities, the latter in partnership with the project 10,000 Black Interns.

We retain our best people by creating an environment where they feel they have purpose, they belong and they can learn, develop and grow every day. We support them through ongoing coaching and creating opportunities for them to identify, use and build their strengths. Within Audit & Assurance, our people have access to both technical and leadership training. Our appraisal system is based on regular conversations that provide continuous feedback and support throughout the year.

6. How do you look after your people?

Employee wellbeing is at the heart of our people and purpose strategy and we are focused on offering an environment that supports both the mental and physical wellbeing of our people. We believe a greater awareness is crucial and we have programmes to support this across the firm.

Taking care of each other is one of Deloitte's global shared values, and we put this into practice by encouraging leaders to mentor their teams, to share their knowledge and to lead by example in demonstrating the importance of wellbeing. We have a network of mental health champions, as well as an advice line, both of which can be accessed by all our professionals to discuss their wellbeing.

Continuing education of statutory auditors

We confirm that staff working on statutory audits receive suitable training through the learning programmes detailed in this Report in order to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.

Entity-facing staff (and some others involved in preparing or presenting training material for entity-facing staff) are required to complete a Continuing Professional Development Annual Summary detailing what they have done throughout the year to acquire, develop and keep up to date the necessary professional competence to enable them to fulfil their roles.

We have also introduced a wellbeing app, where our people can access information and advice on mental and physical wellbeing, family and financial matters, inclusion, and working practices.

During the COVID-19 pandemic our working practices changed, with all our people working from home. This posed new wellbeing challenges, which we sought to address at senior level through regular videos, webinars and emails from leadership. At a more granular level, we also encouraged virtual team catch-ups, a firmwide wellbeing project including virtual exercise classes and webinars - such as awareness of mental health issues - and a coffee club and buddy scheme designed to help those people feeling isolated. We created a framework for each of our people to have an individual check-in to understand their personal circumstances and workload, and enable the firm to provide tailored support. Within Audit & Assurance, we also ran a series of inspiring external talks.

7. How do you keep your people up to date on audit and accounting matters?

Continuing professional development is an area of focus that is integral to the growth and progression of our practitioners. Everyone receives a tailored learning experience specific to their role, including regular audit, accounting and industry-specific training to allow them to fulfil their potential and to deliver high-quality audits.

Each of our qualified audit professionals completes our year-round, blended learning programme TechEx, which is delivered through a combination of e-learning, digital case studies, virtual immersive sessions, podcasts, local workshops (TechEx on Tour) and partner-led Engagement Team Based Learning (TechEx Teams), where engagement teams tackle live auditing matters and apply the key theoretical concepts from TechEx practically on their engagements.

In 2021, our learning has focused on the critical areas of our audits including the impact of changes to the auditing profession and the environment we operate in, project management, enhancing our growth mindset, internal controls and fraud. The delivery of all these modules was led by experienced partners and subject matter experts to ensure the highest quality, consistency and the greatest impact. We also delivered learning relating to the lessons learned from Autonomy, both as part of Essential Professional Updates (our monthly webinars) and TechEx. Our broader learning curriculum includes other courses to develop professional and leadership skills.

We have a mandatory global audit learning curriculum for all grade levels which promotes consistency with other Deloitte member firms and incorporates parallel curricula designed for our practitioners working on Public Company Accounting Oversight Board (PCAOB) and International Standards on Auditing (ISA) engagements. We supplement these courses with UK-specific learning topics and courses, as required, to best meet the needs of our business and markets, taking into account changes in methodology, accounting and reporting standards and internal and external reviews. Sector-specific courses are provided to particular audit specialisms, for example on financial instruments, client assets and loan loss provisions. For our charity auditors and public sector auditors there are annual training updates specific to these subject areas.

Additionally, we have deployed mandatory learning for all audit specialists (those practitioners who have expertise in a particular area of audit and accounting, including but not limited to valuation, IT, fraud, pensions and tax, who are not primarily auditors, and who may not be a part of the Audit & Assurance business) covering topics such as audit planning, audit documentation, internal controls and reporting, ensuring they adhere to the same high quality standards as our audit practitioners.

We have continued to deploy our 'milestone' courses as part of our five-year Early Career Development Programme where we recognise our professionals and the progress they have made over the past 12 months. These milestone courses focus on providing the technical, professional and leadership skills and competencies our practitioners require to continue to develop, flourish and embed quality on the audits they work on.

The ongoing impact of COVID-19 has continued to challenge us to create innovative and engaging delivery mechanisms for our learning. It has been vital to respond in an agile manner to the changes around risks and audit approach as a result of the pandemic.

All of our partners and staff are also supported in their legal, ethical and quality responsibilities by appropriate learning programmes, including regulatory/policy compliance, ethics, personal independence, data privacy and protection, GDPR, insider dealing, anti-money laundering and anti-bribery.

In addition, we run regular Essential Professional Updates for audit professionals, which cover current and emerging audit and accounting matters.

All of our practicing auditors are expected to complete their assigned mandatory curriculum and compliance is monitored. Any individual who has not completed their full curriculum within the designated timeframe is required to adjust their work responsibilities and audit quality objectives accordingly.

8. What learning do your people have outside the structured training programme?

We develop our professionals with appropriate mentoring, in-person learning, regular feedback, appraisal and other support activities, supervised by partners and other senior team members, whether in person or remotely.

In the autumn of each year we run partner-led Engagement Team-Based Learning (TechEx Teams), designed to help our people integrate their learnings from TechEx Live, and other training courses, into their work on audit engagements. In the autumn of 2020 this covered topics such as revenue and substantive analytical review; plan your COVID-19 audit response; and internal controls and management estimates.

9. How do you measure and reward audit quality performance?

We create an environment where achieving high quality is valued, invested in, measured and rewarded.

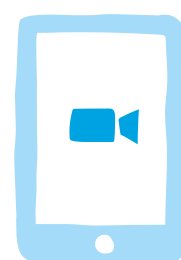
The four main pillars against which audit partners and staff are assessed are:

- Audit quality
- Team leadership
- Transformation and change
- Financial and operational resilience

For all our people

All our professionals working on audits set annual audit quality objectives, which are considered as part of their performance review discussions.

Regular check-in meetings encourage discussions around quality. Feedback is received via 'snapshots' for work on engagements and projects and from team leaders throughout the year, and the process is designed to ensure that audit quality is at the core of the appraisal discussion. Individuals are also able to request written feedback to support the discussions. Reward decision-makers review a graph of results for snapshot feedback, quality dashboard results and an individual's self-assessment review of their quality objectives that have been addressed in their year-end



performance discussions as part of the annual reward review process, to gauge a rounded view of individuals' performance and development needs.

We are committed to furthering our culture of quality and excellence, which expects all our professionals to strive to demonstrate an exceptional contribution to quality. Partners and staff are not evaluated or remunerated on the selling of other services to the entities they audit.

For staff, we use the annual bonus scheme to recognise the demonstration of exceptional audit quality. The Audit & Assurance Quality Award scheme further rewards exceptional contributions to the above positive audit quality behaviours on a quarterly basis.

For managers, directors and partners

Each audit partner, director and manager receives a quarterly quality dashboard recording a variety of audit quality metrics covering matters such as positive contributions to audit quality, including:

- Findings from internal and external audit reviews, and corporate reporting reviews
- Timely completion of appraisal documentation and audit compliance (updates of personal independence and continuing professional development, timely archiving of audit engagement files, and timely completion of essential professional updates and other mandatory audit learning)
- For Responsible Individuals (audit partners and signing directors) any independence breaches and other procedural breaches
- Additional partner review role(s) they may fulfil
- Individuals' own commentary (if relevant) on positive contributions to audit quality on a quarterly basis

Certain key metrics, such as the results of quality inspections of audit engagements, are given an increased weighting in formulating an overall audit quality performance score and a Harvey Ball graphic, together with an indication of movement from the previous year, is included. Any failings in certain key quality metrics will apply a limit to the overall score, regardless of other performance indicators.

The audit quality dashboard is a key input into the appraisal and remuneration process for staff at manager level and above. For quality dashboard scores that are particularly low or high, senior members of the quality team review the justification for the reward decision.

For Responsible Individuals and audit partners

In addition to their audit quality dashboard, each Responsible Individual (RI) receives an Audit Responsibility Rating, reflecting their roles on audit engagements. This is a key driver in their reward and promotion and recognises the level of risk, complexity and public scrutiny they shoulder in their roles, including any Engagement Quality Control Reviewer (EQCR) roles on audit engagements.

If there are adverse findings from a quality review, we take various responses for the engagement partner or director RI. The overriding aim of the responses is to improve audit quality and may include:

- Inclusion in the Audit Quality Measurement and Monitoring programme (AQMM)
- Additional coaching and learning for the partner(s) or director RI
- Financial penalties in the form of bonus or unit reduction
- Removing the individual from our group of RIs

These responses may extend to other partners on the engagement, for example the EQCR partner, the National Risk Partner (an independent partner assigned to our highest risk audits) or other key audit partners. Involvement of other partners is defined by the causal factor analysis.

For partners

Partners have an annual goal-setting process. A balanced scorecard is used to set objectives across the whole of a partner's contribution and at the year-end process they are assessed on actual contribution against those objectives. Quality is one of the areas included in the balanced scorecard and partners are required to ensure they pick up any remediation from quality dashboard scores in their quality objectives.

The peering regime provides a robust series of peering conversations applied to all recommendations to ensure partners are treated equitably, which includes responses to quality events.

The penalty scheme for negative quality events is based on a 'Yellow/Red card' system. The Audit Quality Remuneration Committee (AQRC) reviews any negative quality events and, depending on the results, a partner may receive a:

- i. Yellow card. The individual has one year to reverse the situation by making a positive quality contribution and if, as we hope, that contribution is meaningful the yellow card will be removed at the end of a three-year period. If the situation is not reversed a red card and a financial penalty will arise.
- ii. Red card, which may lead to additional monitoring and coaching, financial penalties and/or removal as a RI.

When a negative quality event is of significance or represents a recurring quality failure, after consideration by the AQRC, a further penalty or reduction of partner units may be recommended.

The AQRC comprises a small group of experienced partners, independent of the Audit & Assurance Executive, who are respected for their own quality contribution. A Non-Executive also attends AQRC meetings as part of their independent oversight of the audit partner remuneration process. The AQRC uses the audit quality dashboards and audit responsibility ratings as key tools in their evaluation of partners, and its recommendations are used by the Audit & Assurance Executive to make final decisions on audit partner reward and promotion, which are then reviewed by the firm's overall Executive.

10. How do you recognise and reward exceptional contributions to high-quality audits?

We are committed to recognising and celebrating our people who reinforce a culture of wellbeing, personal growth and development and to rewarding exceptional contributions to quality.

We have developed specific categories around culture and positive behaviours we want to recognise and to provide practical examples of exceptional contributions to quality based on everyday scenarios.

Individuals from all grades across our business are actively encouraged to nominate their colleagues where they have seen exceptional contributions to quality by way of:

- Courageous actions to protect the public interest by upholding our professional standards
- Voluntarily assisting in difficult and challenging matters that arise locally, nationally or globally in order to protect the public interest
- Agility and capacity to lead change by applying an adaptive mindset and anticipating stakeholder needs to innovate
- A drive to learn and share knowledge and thought leadership through teaching and instilling the knowledge in others

Our recognition and reward scheme for exceptional contributions to quality is open to all Audit & Assurance staff. Nominations are reviewed by a committee of senior practitioners from audit teams and the quality team, who determine the prizes to be awarded. We celebrate stories from awards as part of our internal communications. For this year we have awarded 126 individuals and 24 teams, and we continue to listen, acknowledge and reward our people throughout the year.

11. How do you develop the auditor of the future?

As we transform the nature of the audit to be more analytical and data-driven, so the nature and skills of our auditors need to evolve and develop throughout their careers. This starts from the moment they join us on either our Brightstart (school leavers) or Graduate scheme, via our Early Career Development Programme (ECDP). ECDP provides our people with the building blocks to become both auditors and leaders of the future. The audit product is continuing to evolve and reform to respond to increased complexity and risks within the corporate landscape, and the changing needs of the stakeholders of an audit. As a result, the auditor skillset also needs to adapt.

Shortly after joining, our students spend time in Skills Academy, a three-week remote rotation, where they are trained in the Deloitte Way and hone their foundational audit skills. The key purposes of Skills Academy are:

- An accelerated learning curve in year one – equipping them to do more challenging work earlier
- It trains core team members in audit testing areas now routinely sent to [Delivery Centres](#)

We continue to enhance our technical learning curriculum to reflect the nature of work that our people will be doing in the future, focusing on the use of areas such as data analytics and IT to deliver an enhanced higher quality audit.

In addition we are working closely with specialists, embedding them into our audit to support our risk assessment approach where there is a heightened risk area, such as fraud, cyber, impairment and viability and to ensure that our auditors continue to expand their skillsets in these critical areas.

We also recruit and develop different types of skills to the traditional accountancy and auditing skills, including deep subject matter expertise in data science and advanced project management.



Our processes

Our processes form the backbone of our audits. They are integrated into the work we do every day, to support our people in doing good audit work.

12. How do your systems and methodologies support high quality audits?

The Deloitte Audit Approach Methodologies are designed centrally by our Global team (to which all Deloitte member firms contribute) and are then tailored to comply with all UK professional standards and legal and regulatory requirements. We also tailor our methodologies for International Auditing Standards and PCAOB-related audits, which apply specifically to SEC registrants and their components.

The core of our methodology is a robust, fact-based risk assessment, with an audit response based on that risk assessment. We continue to enhance our audit methodologies across all the member firms in our network. In 2020/21 we continued our global, multi-year programme of developing and issuing 'Deloitte Way Workflows' for each area of the audit, to promote greater global consistency in the execution of our methodology. Each of these workflows includes a guided risk assessment, prescribed tasks and templates, embedded use of analytics and audit delivery centres along with associated guidance and support. These workflows allow us to perform audit work consistently across our global network, and ensure errors are spotted and escalated more readily, to maintain continuous quality improvement.

Our methodologies are built into bespoke software, providing a clear framework of procedures. This gives our audit partners and staff the tools to help them assess risks and make robust audit judgements, with regular partner and manager involvement from the outset of the engagement, while better managing the progress of engagements and evidencing the appropriate reviews and documents on file.

13. How do you determine the most significant areas of the audit?

We determine the most significant areas of our audits through risk assessment. These include the most significant assessed risks of material misstatement (whether or not due to fraud). These areas include those which have the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team and the use of specialists.

We report these, as key audit matters, in our audit reports for listed companies and FRC Public Interest Entities (PIEs).

14. How is climate change considered in your work?

Global capital markets need high-quality, consistent and comparable information in order to allocate capital to investments that can transition successfully to the low-carbon economy. Investors have been vocal in setting out the pressing need for companies to reflect climate-related risks in financial reports. In September 2020, an [Open Letter](#) from investment organisations representing over \$100 trillion assets under management set out clear expectations of both preparers and auditors and explained that "[Auditors] play a key role in ensuring that companies appropriately apply accounting standards in all material respects." The letter is signed by leading organisations including the Principles for Responsible Investment (PRI) and the Institutional Investors Group on Climate Change (IIGCC). The IIGCC published their own report in November setting out their expectations that companies should prepare accounts that properly reflect the impact of achieving net zero.

Regulators are also responding. We welcomed the clear expectations set out by the FRC's thematic review of how companies and auditors assess and report on the impact of climate change.

"Investors are clear climate-related risks are material to businesses in all sectors and expect companies to account for and disclose them appropriately in annual reports and financial statements. As auditors, we have an important role to play in assessing this by integrating climate-related risks into the audit process. We acknowledge this is an ongoing transition and understand the importance of continuing to work with professional bodies, regulators and audited entities, to enhance confidence in the information provided to markets."

Veronica Poole

Vice Chair of Deloitte UK, and Global IFRS Leader and Head of Corporate Reporting at Deloitte.

We engaged with investors around their calls for better transparency through professional body meetings and forums. We are signatories to a [Global Public Policy Committee \(GPPC\) letter to the International Accounting Standards Board \(IASB\)](#) which undertakes that: "All GPPC networks will provide technical communications to audit partners and professionals on the recent IASB and IAASB developments and engage with companies and other stakeholders to encourage greater transparency on the impact of climate-related matters on companies' financial statements."

We recognise the importance of audit challenge of how the effects of climate change are appropriately reflected and disclosed in key estimates and judgements used in the preparation of the financial statements.

To achieve this we have continued to:

- Increase the level of awareness and education of our audit practitioners through dedicated learning modules
- Embed investor and regulatory expectations into communications with those charged with governance
- Incorporate climate considerations into audit methodologies, guidance and templates at each stage in the audit process
- Provide more granular guidance at an industry level to facilitate better engagement risk planning
- Train and equip reviewers who support systems of quality control to monitor how climate considerations have been embedded
- Involve industry experts and audit specialists as appropriate to support risk assessment and audit execution
- Include climate change in central risk sensing activities to identify and respond to emerging risks on individual audited entities

“As a new joiner to Deloitte, the world of auditing and part of the Gen Z generation, I have been impressed by my engagement team’s willingness to incorporate climate change into the audit. Climate change is a topic my generation are passionate about and it is great to see that being reflected in the services we provide to our clients.”

Bethel Ahonsi

Associate

15. How about the wider ESG factors that companies must report on?

Investors and other stakeholders are calling for greater insight into corporate performance, specifically demanding enhanced transparency around ESG impacts and dependencies of a company’s business model and strategy. Currently there is no global enforcement mechanism or assurance requirements for consistent adherence or adoption. We welcome the efforts to make publicly disclosed ESG information consistent, comparable, and reliable, and we support the International Financial Reporting Standards Foundation’s (IFRSF) proposal to establish an International Sustainability Standards Board (ISSB) that, alongside the International Accounting Standards Board and under the governance and oversight of the IFRSF, would provide a set of global standards.

There is a growing interest for companies to integrate climate-related and other ESG considerations into systems of internal control, enhancing the maturity of systems, processes, and governance over climate-related and other ESG information.

Those charged with governance (e.g., Audit Committees, Boards) are moving toward incorporating ESG considerations in their oversight responsibilities of companies’ management—companies’ readiness, companies’ management skillsets, and implementation of processes and controls to collect data. We are developing skills within our Assurance business to provide ESG assurance.

16. How do you determine what level of error or misstatement to be worried about?

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work, via our assessment of performance materiality and in evaluating the results of our work.

Performance materiality is the level of materiality that we use to plan and complete our detailed audit work. We set this at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we consider our risk assessment, including the entity’s control environment, and our cumulative knowledge of the entity, including corrected and uncorrected misstatements in prior periods. For listed entities and FRC PIEs, we are required to include both materiality and performance materiality as well as explaining the significant judgements made in determining materiality and performance materiality in our audit reports.

We agree with those charged with governance, such as the audit committee, a size of audit difference that we will report to them; we also report differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the audit committee on disclosure matters we identify when assessing the overall presentation of the financial statements.

We scope our audits by obtaining an understanding of the entity and/or group and their environment, including internal control, and assessing the risks of material misstatement.

17. How do the entity's controls affect your audit work?

As part of our risk assessment we consider the entity's system of internal control. We expect audited entities to have internal controls to ensure that they can prepare financial statements that are free from material misstatement, whether due to fraud or error. We plan to test and rely on the entity's internal controls where they are robust and well-documented enough to support our audit approach.

We also consider the IT systems, applications and tools used to support business processes and for reporting. We perform an independent risk assessment to determine the most relevant, then test the general IT controls of these systems. This typically covers controls surrounding user access management, change management and interfaces with other systems, as well as controls over key reports generated from the IT systems and their supporting infrastructure (database and operating system).

We walk through the procedures of the key controls, then test them over the audit period.

Some of the most challenging audits we do are those of entities where we identify concerns regarding control environments or governance and where we consider management or the board may not be doing enough to respond to those issues. We have established a robust process for reporting to the audit committee and non-executive directors where we identify significant weaknesses in an entity's financial reporting environment including around controls or governance. We request those entities produce a formalised action plan to address our concerns and actively monitor their progress against this plan and request regular and verifiable updates. We see this programme as an important part of our public interest role and in bringing challenge to management through our audits. This approach aligns with that taken in the BEIS White Paper on restoring trust in audit and corporate governance, where there is a proposal for more focus on directors carrying out a review of the effectiveness of their company's internal controls and make a statement as to whether they consider them to have operated effectively. This regulatory reform is a key enabler to audit firms being able to provide more transparency to broader stakeholders in this regard.

18. How does the Deloitte global network ensure the same high-quality audit is done globally?

We have already described the learning that our people complete. The Global audit learning curriculum is mandatory, promoting consistency across the Deloitte Global network.

We serve many global businesses and focus on providing consistent, quality audits across the whole of our international network. We work closely with our Deloitte Global colleagues and with those in other member firms in the Deloitte network to achieve this.

The Deloitte network has adopted several measures to drive quality improvements across the world. We are guided and assisted by a range of Deloitte Global bodies to which we contribute and from which a number of our audit quality initiatives stem, including committees that oversee audit quality and AQMM globally, and the Global Centre of Excellence for Audit Quality and Global IFRS Leadership Team.

During recent years, certain issues were identified in a small number of Deloitte Global member firms. To address this, we have detailed Global guidance on how group auditors should evaluate and supervise the work of Deloitte component auditors. In certain instances, consultation is required to determine that there has been adequate supervision from the group auditors. This seeks to ensure audits fully comply with applicable auditing standards throughout a wider group, wherever the other auditor is based, and whether or not it is part of the Deloitte network.



19. How do you integrate the audit work done at components into your group audit?

Where our audit is of a group, our approach focuses on the key audit matters identified within each business unit. We perform appropriate procedures on the rest of those business units' financial information, noting their financial significance in the context of the group as a whole.

The work performed by the component audit teams at each business unit is guided by the group audit team and is executed at levels of materiality applicable to each individual entity which are lower than group materiality. The group audit team is directly involved in the audit work performed by component auditors, such as through global planning issues meetings, the provision of referral instructions, review and challenge of working papers and the work performed, related component inter-office reporting and of findings from their work, attendance at component audit closing conference calls and regular interaction on any related audit and accounting matters which arose.

The Senior Statutory Auditor and/or a senior member of the group audit team visits the principal location of each significant business unit in person as and when assessed appropriate. Where this has been impossible recently due to COVID-19, the group audit team has increased their oversight of principal subsidiary business units by alternative means such as video calls and virtual shared screens. For such significant business units, the EQCR team will also meet with the component audit team, either visiting or through a virtual meeting.

20. How do you involve specialists to add their expertise to your audits?

The use of specialists is vital in our delivery of quality audits. The firm has over 1,200 practitioners (including tax, IT, real estate, actuarial, forensics and valuations specialists, as well as our centres of excellence for impairment and pensions) who act as specialists on audits. They share the same culture of delivering audit quality as our audit practitioners, are trained on audit specific matters, and work as integrated members of our engagement teams.

We have a formal accreditation programme for specialists involved in audits, with further consultation required if specialists have not completed their audit-specific learning.

All of our FTSE 350 audits required the use of specialists from outside the Audit & Assurance business and almost three quarters of the reported key audit matters – the most significant audit risks including tax, pensions and other judgements and estimates - require the use of specialists.

The use of technical experts in our audits is also key to our ability to deliver audit quality. Our consultation system enables us to record when - and in what form - consultation on audit and accounting technical matters with our team of technical experts has taken place. This helps us ensure consistency in response and the ability to identify any trends where further guidance and training may be needed.

Following the implementation of the majority of operational separation of the Audit & Assurance business, we have worked with the specialist groups to define which services will sit within and outside the audit business and for those that sit outside the audit business, we have introduced clear ways of working so that this does not affect audit quality. A broad range of specialist skills from across the firm will continue to support audits and this will be increasingly important as the audit product itself evolves. This will ensure we can continue to realise the benefits of being a multidisciplinary firm to support audit quality.

21. How does your independent engagement quality control review work?

For public interest entity audits, higher risk audit engagements and certain other specified engagements, an independent EQCR partner has responsibility for the whole of an engagement's EQCR process, supported by Professional Standards Review (PSR), together with other specialist support as deemed necessary. This further specialist support may include dedicated technical specialists in our Quality Corporate Reporting Centre of Excellence.

"[Our EQCR partner] has a superb 'risk radar'."

Audit engagement team member



“We were involved in our first challenge panel on one of my engagements recently. The process allowed us to really dig deeper into the matter at hand, giving rise to in-depth discussions. We found the input of multiple partners with relevant experience to be very insightful and it helped us to ensure that we had fully considered all relevant aspects of the matter under discussion. The end result was a robust area of testing that we were proud of. Overall, the panel gave us additional comfort that a very complex matter had been fully considered with robust file documentation to support our opinion.”

Audit senior manager

The EQCR and PSR reviews support our high standards of professional scepticism and audit quality by providing independent challenge, across our portfolio, focusing on significant accounting, auditing and financial reporting matters, appropriate audit documentation and disclosure areas. We regularly refine this process to reflect evolving audit and professional risks, and regulatory feedback.

The PSR Centre of Excellence provides a dedicated central Professional Standards Review team for many of our engagements, focusing on providing a consistent and knowledgeable approach to their reviews.

The independent EQCR partner role is performed by appropriately skilled and experienced audit partners who would, in other circumstances, be eligible to act as audit engagement partner on the relevant audit engagement. EQCR partners are involved in our public interest entities and higher risk engagements, together with other entities as appropriate. For other engagements, the independent challenge review is undertaken by the PSR team. Neither the EQCR partner nor PSR is part of the entity-facing team; they are therefore well-placed to bring independent challenge to the audit process.

“The challenge [from our EQCR partner] is always robust, but delivered in a really supportive way that is mindful of the stresses within the team.”

Audit engagement team member

22. What consultations do the engagement team access?

We have teams of technical and risk specialists within Audit & Assurance and the wider firm who support our auditors. Teams must consult in certain situations, such as when they identify or suspect any non-compliance with laws or regulations, and may also consult in any areas where they would like further support and guidance. These can include matters relating to accounting and corporate reporting, corporate governance, audit methodology, risk, firm independence, or personal independence.

Engagements on which the team is considering issuing a modified audit opinion are subject to an additional consultation with the Centre of Excellence for Modified Opinions. This Centre reviews the proposed wording and related audit documentation to assess its appropriateness, accuracy and consistency.

An independent COVID-19 review partner consultation also takes place for listed and large private engagements and certain other entities, including major local audits, involving review of COVID-19 specific matters around accounting, auditing or financial reporting, such as going concern and impairment.

When there are complex accounting, financial reporting and/or auditing questions on our highest risk audit engagements, the engagement partner or EQCR may choose to convene a ‘Challenge Panel’ to support them in forming decisions on significant audit judgements. The makeup of the panel will depend on the topic but includes, as necessary, risk partners, technical accounting and audit specialists and other specialists such as valuations or IT. This enables the engagement partner and EQCR to receive appropriate technical accounting and auditing support at the right time and with the right authority to ensure that decisions on significant audit judgements or risk management issues can be taken quickly and with an appropriate degree of rigour and challenge.

23. How do you use Alternative Delivery Models?

Alternative Delivery Models (ADMs) have been a key part of our Audit & Assurance transformation journey as we continue to enhance our talent model and the quality of our audits.

At Deloitte we use three different forms of ADMs to support our client-facing teams: Extended Team Model (ETMs), Regional Audit Delivery Centres (RADCs), and Centres of Excellence (CoEs).





Regional Audit Delivery Centres

Support engagement teams by performing **routine audit tasks** in areas of **low risk and complexity**, primarily working on **standardised templates**.



Extended Team Model

Execute audit procedures as offshore integrated team members. **Qualified professionals** who support our **large and complex** businesses including but not limited to PCAOB companies, bringing, amongst other skills, **expert knowledge of controls** testing to the companies that we audit in the UK.



Centres of Excellences

Highly specialised teams focused on **specific areas** of the audit within their expertise. This currently includes pensions, analytics, project management support, EQCR reviews and UK disclosures.

Regional Audit Delivery Centre (RADC)

Poland | Rzeszów | Romania | Bucharest

USI

India | Delhi / Bengaluru

Professional Standards Review (PSR), Subsidiary Accounts Completion Centre (SACC)

UK | Newcastle

Project Management (PM)

UK | Cardiff

Pensions

NI | Belfast

"I am involved in the quality checks on the work we do for multiple member firms, including the UK. After our reviews, we produce quality guidance that is circulated to the analysts to help significantly improve the quality of the work across the RADC."

Justyna Sauc

Senior Audit Analyst – RADC
Poland – Rzeszów

"I leverage on my extensive experience of working on PCAOB clients, particularly on controls, whilst enhancing quality. My teams and I now take full responsibility for attending walkthroughs with clients, improving audit documentation and testing, as well as collaborating closely with specialists such as IT."

Pawan Gupta

Senior Manager – USI
India – Delhi

"I deliver robust independent risk-based reviews (EQCR) out of the PSR Centre of Excellence, and share my technical expertise and knowledge by supporting new reviewers within the wider Audit practice."

Tawe Chidoni

Manager – PSR CoE
UK – Newcastle

Onshore graduate hires and Alternative Delivery Models (ADMs)

An area of focus this year has been in developing our future talent and upskilling them to understand Delivery Centres and the work they perform. Using the concept of embedding quality in our audits through consistent and standardised output for certain areas of the audit, this year we took all our first-year hires through rotations, working on tasks usually allocated to our Delivery Centres. This improved their understanding of the work Delivery Centres perform, and how best to interact and work with them. Overall, the best quality work is being delivered by the right people, and that the right people have the skills and knowledge to understand and review the work being completed by our Delivery Centres.

“In and amongst inconsistencies between figures or missing disclosure requirements, I go the extra mile to support onsite engagement teams by walking through the work I have done. This has been particularly helpful when they are facing deadlines and time constraints.”

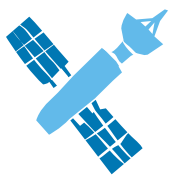
Mustafa Ozedremit

Senior Associate – SACC CoE, UK – Newcastle

24. What is the purpose and what are the benefits of having ADMs?

The primary purpose of ADMs is to allow our engagement teams to spend more time on areas of the audit that require the most interaction with management, providing greater focus on higher risk areas and exceptional client service.

Some of the additional benefits are:



Automation

Centralisation and standardisation allows a faster and better route to automation.



Deep expertise

Our ADMs develop deeper skills and experience over time becoming experts in their field.



Social mobility

Supports staff retention and development through access to new talent pools and resourcing models.



Change Management

Rapid deployment of new tools and technology in a consistent and centralised environment.



Standardisation of work

Improves the consistency and the quality of the work being delivered by ADM.

Enhanced audit quality

25. How do you ensure audit quality within ADMs?

A System of Quality Control (SoQC) framework is applied across our ADMs to increase the quality and consistency of work delivered.

Specific measures undertaken are:

- Additional in-depth training to develop expertise and technical base which is continually updated to keep abreast of changes in regulation and guidance
- Challenging and meaningful accreditation model matching the experience and expertise of our staff to the complexity of their work
- Commitment to audit quality as part of our performance and reward process and provide regular feedback throughout the year
- ADMs complete work in line with Deloitte UK Audit methodology. Specifically, the RADC only complete work on global templates that are tailored and approved by our audit excellence team
- Our Delivery Centre Quality Lead attends the UK firm's Audit Quality Board to ensure ADMs are considered in the overall quality governance process

26. What has been the impact of COVID-19 on ADMs?

COVID-19 has brought about its own challenges as well as opportunities on how we work within ADMs. Across all locations, our staff have reacted quickly to adapting to working remotely. Our business was able to respond with maximum agility to allow people to perform their work without the need to work from an office environment. This agility will continue as we move forward as we have now experienced the benefits that can come from a fully flexible approach. The increased use of technology enables us to connect to different teams around the globe. With all our people working remotely, the frequency of interaction between them increased leading to stronger relationships and enhanced the integration of ADM team members into onshore teams. As a people business, the wellbeing of our staff continues to be at the forefront of our talent agenda which we continue to support in ADMs through our network groups, regular collaboration and wellbeing toolkits.

27. How do you work together across North and South Europe (NSE)?

Quality remains our focus within the Audit & Assurance business and this is reflected by the leadership structure, with an oversight of consistent quality throughout NSE. Our NSE Head of Audit & Assurance Quality & Risk leads the audit quality programme, working closely with the Deloitte Global Audit Quality Board, the GCoE, the Global IFRS Leadership Team and all the country quality teams.

As part of NSE, we not only develop and share best practices, but also drive a consistent approach to audit quality, non-negotiable behaviours, and effectiveness across NSE.

28. How do you ensure independence is maintained when partners and key staff work on the same engagements year after year?

We recognise the risk of a threat to independence from prolonged service of partners and key staff on the audit engagement team, and note audit quality can be enhanced by a fresh look at the engagement. We closely monitor the length of time partners and key staff spend on each engagement, including across different roles, and implement succession plans where appropriate. Investment has been made to enable monitoring of key partner roles systematically and further work is being undertaken to enable staff monitoring in the same way.

Audit partner rotation

We confirm key audit partners responsible for carrying out a statutory audit cease their participation in the statutory audit of the audited entity not later than seven years from the date of their appointment. They do not participate again in the statutory audit of the audited entity before three years have elapsed following that cessation.

Project management

29. How do you plan to do quality audits?

We have developed 'The Deloitte Way' for effectively delivering a high-quality audit which leverages a bespoke project management software, known as Sprint. Our approach has audit quality embedded throughout and is continuously improved based on new auditing standards, regulatory changes, and user feedback. The most recent upgrade to our planning and project management suite is called The Digital Blueprint (enabled by Sprint), a tool which guides teams to the key matters to consider at each stage of the audit, with an enhanced focus on planning for each quality milestone. The use of this tool enables teams to appropriately phase their audit, collaborate effectively, resolve issues quickly and find technical guidance at each step. Our ways of working have evolved in our remote working environment, and daily stand-up meetings are now the norm, providing teams scheduled, disciplined time to discuss progress, prioritise, plan ahead and keep every element of their audits on track. These daily sessions also serve as an opportunity to support one another, develop, and maintain a structured approach to escalating issues.

“During one audit this year, we faced a number of challenges due to the pandemic and remote working, coupled with a tight deadline. Despite these challenges our team remained resilient and worked hard to avoid compromise on the quality of our audit work. We met the deadline, largely because of the excellent project management provided by the Audit Blueprint. We used ‘sprint meetings’ throughout the audit so that the whole team was aware of each other’s progress and any actions we were taking to prevent delays. We used the information we gathered through this to debrief with the team, and later with those charged with governance at the entity, to discuss the challenges of the audit and plan for improvements in future audits.”

Audit senior manager

30. How do you know if your audits are on track?

Our audit milestones programme guides teams to complete key activities by certain deadlines based on the entity’s year end and audit engagement profile. Milestone tracking is supported by bespoke diagnostic software that integrates with our audit software to provide real-time information to partners and staff on the progress of their audits.

Technology and innovation

31. How do you innovate in your audits?

The Deloitte Way brings innovation into the core of how our audits are executed: with automation that improves routine tasks, analytics that yield a deeper and more insightful view into the data, and artificial intelligence that enhances human discovery and problem-solving. As a result, the entities we audit get an experience that is less burdensome, with more transparency and deeper insight.

Innovation and technology enablement are an expectation in today’s fast-changing business environment, and this expectation holds true for the audit profession as well. Today’s complex business environment requires that the audit be dynamic, multidimensional, and insightful. There is a demand for real-time, relevant information, and clients expect audits to evolve as they innovate their businesses and processes.

We are committed to the continued investment in emerging technologies and diversity of thought that enables the delivery of enhanced quality, insights, and value to our clients and the markets. We also have a global analytics platform, as well as an integrated suite of enabling innovation tools all connected in the cloud.

32. Why and how do you use analytics and technology in audits?

We use analytics and technology as part of a data driven audit because it gives us greater assurance over financial statements and enhances audit quality through fact-based evidence. Furthermore, it enables us to analyse and audit whole populations of transactions and balances rather than just samples, and the use of automation can provide efficiencies, reducing the level of manual testing without sacrificing the level of quality in work performed. Using analytics and technology, including advanced techniques such as machine learning and AI, is also a core driver in deepening our understanding of the entities we audit, giving us greater insight into their business, data trends and possible anomalies, which is especially important as the entities themselves are increasingly leveraging data as part of running their businesses. For all these reasons, we continue to invest significantly in analytics and technology for our audits.

33. How are you developing the audit of the future?

The last year has seen extensive consultation on plans to strengthen the UK’s audit and corporate governance framework and we have been consistent in our support for reform to restore trust in the capital markets. We were actively engaged in the consultation on the BEIS White Paper ‘Restoring trust in audit and corporate governance’ and support the majority of its proposals.

Quality, independent audit plays a critical role in the country’s business environment, and in driving change across the whole reporting ecosystem. We are committed to making necessary changes that enhance audit quality and enrich the information that is provided to shareholders.

We have a dedicated team who are charged with looking through a public interest lens and challenging our strategy to ensure that we respond with appropriate urgency and momentum to meet the needs of stakeholders. This programme is actively looking at enhancements we can make to our existing audit product, the broader assurance needs of the market, and the role of the auditor in driving positive and sustainable change across the whole corporate reporting landscape.

We recognise the shift in focus towards forward-looking information and an increased need for confidence over wider data points, such as climate change and sustainability reporting. We also continue to challenge ourselves as to how the audit profession and the audit product can drive transparency and build deserved confidence to better serve the public interest.

High quality audit outcomes have never been more critical for stakeholders, people and society. We're leading the way with operational separation and operating model evolution; transforming our business model so we can deliver our strategic vision to lead the profession and put our people, purpose and values at the heart of our strategy.

We believe this is a once in a generation opportunity to reform the corporate reporting system in the UK.

Audit quality monitoring and measurement

We are always looking to improve our audits. We use the findings of internal and external reviews to enhance our system of quality control.

34. What is your overall goal for audit quality control and monitoring?

It is our ambition to be recognised as the standard of excellence for audit quality. Achievement of this aim requires focus and adaptability in our quality management processes: to deliver against existing requirements and to swiftly identify and innovate in the face of change.

The release of the International Standard on Quality Management (ISQM 1) will drive further enhancements in our audit quality monitoring processes and their impact on remediation. Requiring a proactive, risk-based approach, ISQM 1 emphasises the importance of alignment of the firm's SQM and its strategic decisions and actions, including financial and operational priorities, with audit quality. It is this alignment that enables the firm to serve in the public interest, through the consistent delivery of quality engagements supported by a robust SQM.

Whilst we seek to constantly evolve our current monitoring processes to respond to changes in the internal and external environments, we recognise further changes will be necessary to support the delivery of the strategically aligned, proactive SQM that ISQM 1 requires.

We believe this supports our overall ambition and firm leadership is focussed on delivery of the required change in our monitoring and remediation processes by the ISQM 1 implementation date of 15 December 2022.

35. What governance do you have around audit quality? Audit Governance Board (AGB)

On 1 January 2021, we formally established the AGB chaired by Baroness Ford, Non-Executive. In line with the principles for operational separation defined by the FRC, the AGB provides independent governance over how the objectives and desired outcomes of operational separation are being delivered.

It is responsible for providing independent advice and recommendations to management regarding the UK Audit & Assurance business, and for considering management's responses to such advice and recommendations, with a focus on improving audit quality by ensuring people in the Audit & Assurance business are focused above all on the delivery of high-quality audits in the public interest.

Audit Quality Board (AQB)

We established our AQB in 2014, comprising partners and directors from across our Audit & Assurance business. Each of the Non-Executives attend at least one AQB meeting during the year. The AQB's remit is to:

- Develop and govern activities that will achieve sustainable improvements in audit quality
- Implement these improvements across the Audit & Assurance business
- Respond to audit quality issues raised by regulators and stakeholders, including the FRC's Audit Quality Review (AQR) team, the ICAEW's Quality Assurance Department (QAD) and the US Public Company Accounting Oversight Board (PCAOB)

The AQB meets quarterly and actions during the year include the matters covered in this section of the Report, specifically:

- Outcomes from external and internal inspections and internal monitoring programmes
- Strategic responses to the underlying causes of inspection findings, including recurring underlying causes from year to year
- Further enhancement of the content and delivery of our learning curriculum
- Enhancements of our policies for engagement review, Engagement Quality Control and Practice Review, and for work done by audit specialists and alternative delivery models
- Updates from the Global AQB to discuss a UK-specific response



Audit Quality Plan (AQP)

The AQB monitors progress against our Audit Quality Plan (AQP), which captures actions we take to address audit quality issues, including responses to regulatory findings. Alongside the specific actions being taken against the root causes, broader actions captured in the AQP include changes being made in the following areas:

- Governance and Leadership (e.g. governance bodies, business structure post-operational separation, ISQM 1 implementation)
- Acceptance and Continuance (e.g. take-on and resignation procedures, portfolio and engagement level risk monitoring, emerging risk identification)
- Resources (e.g. audit methodology changes, audit tools and technology, analytical tools, talent and learning)

- Engagement Performance (e.g. Centres of Excellence, independent review processes, consultations)
- Ethical Matters (e.g. firm and personal independence)
- Continued focus on the culture of challenge
- Information and Communication through the business

We have further enhanced our AQP during the year and in particular will continue to focus on assessing the effectiveness of actions taken in relation to recurring findings as well as drawing together the actions being undertaken in respect of the culture of challenge. Ultimately all actions will be captured through the ISQM 1 programme where a global framework is being developed which will serve to further strengthen our system of quality management.

Message from the Audit Quality Forum (AQF)

Being a part of the AQF over the last year has allowed us to collaborate with people of different grades across our business, to share experiences and work together on exciting new projects, despite us not being able to physically get together. This allows us to continuously improve our audits. We have continued to publish our monthly newsletter - Future Audit Leaders - and one area we were particularly inspired to delve into has been journal entry testing, having been inspired by a Global Audit Forum project on this. In the UK we recently embarked on a series of articles covering this topic (a common source of practise review findings). Our in-depth series begins with first principles and debunks myths and common confusions in an accessible way.

The AQF also works with the Global Audit Quality Forum on a variety of projects, including two very exciting initiatives; our Global Internal Controls Project (IC) and the establishment of the North and South Europe Young Audit Forum (NSE YAF). As part of the IC project, we worked with audit colleagues across the globe to create a booklet with guidance to empower our professionals to challenge other (senior) members of the audit team and management of the entities we audit to instil a culture of controls reliance approach, or improve the quality of the existing internal controls approach as appropriate. We also created a technical quiz that colleagues can play together (outside of a formal training environment) to improve their existing knowledge and increase the conversation on this very important topic. The UK has been part of establishing the NSE YAF which brings together audit forums from across NSE to collaborate and learn from each other. One of the key aims is to re-imagine the way we communicate. We increasingly consume information in non-written formats, and want communication to grab us. Our goal in the NSE YAF is to reflect this in how we communicate on ways to improve audit quality. For example, our first NSE YAF centred on bite-sized videos made by young professionals covering some key themes from our internal reviews in an engaging format.

Over the last year we have continued to work mainly remotely. Our teams have continued to show incredible resilience in these times, finding ways to come together despite not actually being in the same room. Working in a remote environment does have its challenges and as an Forum we have continued to work closely within our internal transformation and other teams to ensure that we are continuously adopting the latest tools and ways of working. This allows streamlined and efficient audits while promoting the highest level of audit quality. One of our initiatives has been the introduction of the Digital Audit Blueprint. The Digital Audit Blueprint is a tool which allows us to better project manage our audits, from the start of an engagement right through to the deadline and provides us with a real-time status tracking of our audits, which can drive our daily stand-up meetings. This helps us reprioritise and reallocate items, depending on specific needs and circumstances as they continue to evolve throughout the course of the audit, and to ensure sufficient time and focus is allocated to the riskier and most important elements.

We have also seen new additions being made to the Deloitte Way Workflows, or DWWs, over the last year. DWWs are an end-to-end product which help to shape our audits, proving us with an automated platform of products which we use to ensure that we deliver the same high-quality audit across all our engagements. This covers off a wide range of topics, from how we plan our audits through to the substantive testing which is performed across different financial statement line items. Our DWWs have also developed to allow for the use of more analytics within our audits, allowing us to dive deeper within the balances being tested, ensuring that we have an in-depth understanding of the respective balances and that audit testing is then focussed on the elements of the balance where greater risk lies.

Throughout the pandemic we have continued to take on new team members. This has meant that we have had people joining the firm remotely, often never having been in an office environment before starting out in a new team.

"Joining a firm as large as Deloitte, during a Global pandemic and going through the onboarding process from home has not been easy. However, Deloitte has supported us every step of the way. We have been provided with the same quality of training remotely, as we would have in person. During the first few months of joining the firm a third of my time was spent on off the job training. This has equipped me with the right skills, technical knowledge, and networks to be an effective member of my team and is a testament to the firm's commitment to provide high-quality audits by ensuring their staff are properly trained."

Audit associate

The firm's Black Action Plan looks to ensure that our Black colleagues feel valued within our firm, so that we can retain the best talent to deliver high quality audits. Improving the diversity of our firm allows us to grow our way of thinking and provides a diverse perspective, in aid of innovation, creativity and better decision making.

As the AQF, we are excited to continue to be a part of leading the change in the way audits are delivered. This change is felt throughout the firm and across all grades, and by coming together as a forum we can make a real difference in the way that we perform and execute our audits, playing our part in helping the firm to deliver audits of the highest quality. Being a part of a firm that allows us this space and platform to bring on that change, is something which we are all immensely proud of.

Emerging Issues Group (EIG)

Our EIG was established during 2015 and includes partners from across the audit business, including industry specialists and those from our National Accounting & Auditing (NAA) technical team. Leveraging this wide range of experience, along with partnering with industry groups, the EIG's objective is to identify significant emerging industry, political/economic, technology and regulatory/inspection related issues that could have a significant impact on audit quality in the future.

Some recent hot topic areas where the EIG has focused attention include COVID-19, Brexit, climate change, inflation, the political and policy landscape in the US, and 'zombie' companies. They also continue to monitor a range of external data sources to identify indicators of potential audit risk. The EIG drives the development of actions to address these matters, working with industry groups, NAA and the network of Audit Quality Leaders who are embedded in the audit groups.

36. How do you track and report how you're doing on culture?

It is critical the Audit & Assurance business, and the firm as a whole, builds and embeds a culture that supports the delivery of audit quality, and encourages the right behaviours underpinned by the fundamental principles and core values of integrity, objectivity, independence, quality and respect.

In recognising that our culture is a core element of how we live our purpose and deliver our aspiration, the 'Do the Right Thing' Dashboard has been developed to provide a view of our culture as a firm, segregated into five categories: ethics; quality & risk; talent; stakeholder; and societal. The dashboard is prepared for use by the UK Executive and for reporting to the UKOB. The data points collate a number of different metrics available across the firm, providing management and governance with the information they need to assess and challenge how we are performing against our principles and values.

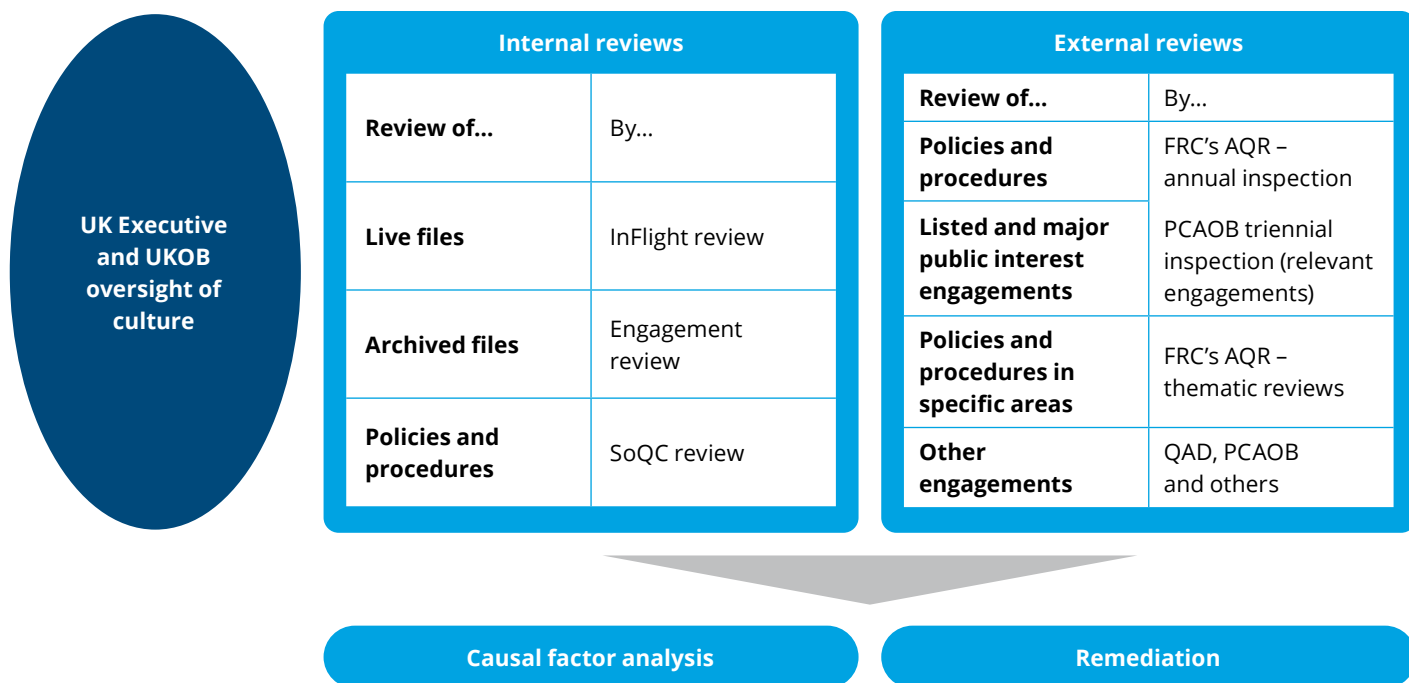
We are currently taking a number of actions to evolve the dashboard, including better aligning it with the risk drivers within the firm's enterprise risk framework associated with people and culture; purpose; and conduct and ethics. Once developed, the monitoring of these indicators will be completed as part of the already established enterprise risk framework monitoring process.

37. How does the AGB hold leadership to account on culture?

Culture is an area of increasing focus for the regulator and, building on the oversight of the UKOB and INE Oversight Committee, will be a key area for AGB oversight going forward through its monitoring of progress against the Audit Quality Plan. During the year, the Audit & Assurance People & Purpose Leader, alongside the

Managing Partners People & Purpose and Quality, Risk & Security, reported to the UKOB on the plans to evolve the Do the Right Thing dashboard. This will be followed up with the UKOB during the current year. The Audit & Assurance People & Purpose Leader and Ethics Partner also reported to the INE Oversight Committee on purpose and values actions taken during 2020 and plans for future activities.

The Non-Executives have a direct reporting line with the Ethics Partner and engage regularly to discuss the firm's procedures for ensuring ethical conduct, the adequacy of the firm's whistleblowing procedures and matters of particular public interest.



38. How do you monitor and measure audit quality?

A continued focus on audit quality is of paramount importance to the Deloitte brand. It is critical that a Deloitte audit is consistently executed and of high quality, wherever in the world it is performed.

We deliver this through our Global Audit Quality Monitoring & Measurement (AQMM) programme, whose work is the subject of the next section [Measuring audit quality](#). Our Audit Quality Indicators (AQIs) are also included in this section.

39. How are you responding to review findings?

Where any external or internal inspection indicates an audit has fallen short of our quality standards, we perform a robust causal factor analysis to understand the deficiencies and consider what remediation is required. The scope of causal factor analysis, and our responses to specific findings, are described in the [Measuring audit quality section](#).

Measuring audit quality

A continued focus on audit quality is of paramount importance to the Deloitte brand. It is critical that a Deloitte audit is consistently executed and of high quality, wherever in the world it is performed.

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

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

The AQMM programme 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



Internal inspection

At its core, our internal practice review programme determines whether we have complied, in all material respects, with the professional standards and the policies contained in the Deloitte Policies Manual (DPM) and Audit Approach Manual (AAM), as well as applicable professional standards and regulatory and legal requirements. Wider than this however, it provides assurance over the level of quality delivered by a Deloitte audit and drives the culture of continuous improvement. In recognition of the importance of practice review, the firm has made a significant investment during recent years to implement and deliver a transformation programme.

Within the practice review programme there are various elements that work together to meet the overall aims:

- System of Quality Management (SQM) review that primarily focuses on the firm's internal processes to comply with the DPM
- Individual Engagement Reviews (ER) that primarily assess compliance with the AAM, including both our internal practice reviews and our in-flight monitoring

Additional rigour and independence are brought through the oversight of an independent partner from another member firm within the Deloitte network, together with independent engagement reviewers and the use of SQM subject matter experts from a central global team. Our overall aim is that our internal inspection will have at least the same scrutiny and rigour as that applied by our external regulators.



The FY21 practice review took approximately **4,938 days (FY20: 3,366)** from experienced professionals, as well as significant senior partner resource from within the UK firm. Approximately **105 days (FY20: 70)** were provided by professionals from other member firms within the Deloitte network. Our reviews took longer in FY21 than in previous years as we moved to a fully virtual review process; we also continually seek to refine our approach to internal practice review and to make them more challenging and robust.

The results of the internal practice review are detailed in [Audit Quality Indicator 3](#).

We continually assess and seek feedback on our internal monitoring process to make further enhancements that continue to drive and support the delivery of audit quality. This year our improvements have included:

- Evaluating the SQM in relation to our response to COVID-19
- Expansion of our suite of in-flight monitoring tools applied to our high risk and/or high-profile engagements
- Involving our colleagues across NSE as well as the Global network to perform reviews of high risk and/or high-profile engagements using reviewers from outside the UK

In-flight monitoring

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

- Deployment and monitoring of a series of core diagnostics, enabling engagement partners and teams, as well as our audit quality team to continuously monitor audit quality and take immediate action
- A programme of subject matter specific 'health checks' that help us assess progress and identify potential issues on in-flight engagements
- Performance reviews of live engagements, allowing us to proactively identify and remediate any quality issues throughout the audit

As well as the benefits to individual engagements, we also evaluate the in-flight monitoring results overall to determine whether additional communication and support is needed for all audit engagement teams on any matters



Engagement reviews

Key components of engagement reviews (internal practice reviews) include:

- Risk-based engagement selection and consideration of all major industries
- Mandatory moderation panel to drive consistency in findings and engagement ratings
- External partners and deputies who oversee practice reviews to drive global consistency
- Identifying appropriate resources (from within Deloitte UK as well as from other Deloitte geographies) with the right experience and industry knowledge, including establishing central review teams

System of quality control (SQC) review

SQC review 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. Deloitte is also preparing for the future by focusing on readiness activities for monitoring related to implementation of ISQM 1. These preparations are further advancing quality control processes and the approach to monitoring, and continually strengthening our culture of continuous improvement.

In early 2020, COVID-19 brought disruptions to the business globally, impacting the majority of industries and geographies. Given the impact of COVID-19, the first and foremost action of the business was to support the Audit & Assurance business and focus on high-quality audits.

As such, a change to the SQM review approach was introduced to ensure delivery of a programme that addressed changes in stakeholder needs and protected audit quality.

Focussing on a risk-based approach supported the firm in freeing up time, additional resources, and flexibility to work through significant matters with the entities we audit. Under this programme, priority was given to high-risk areas with procedures for the areas of low risk deferred.

Initially performed risk assessment and selections were reconsidered to reflect the change of focus resulted from the impact of COVID-19, and some areas were reviewed as part of the 'live' SQM review programme.

The live SQM review programme was developed by the NSE Audit Quality Monitoring & Measurement team with a focus on the key areas most affected by COVID-19. The live review programme considered:

- The existing key controls that helped to address risks arising from COVID-19
- New controls introduced to respond to risks arising from COVID-19
- Cross linkage to other SQM areas and results from other AQMM areas

Key areas of the programme included:

Impact assessment: understanding the process and controls in place, what process and controls had been put in place to perform an iterative/continuous process to update the risk assessment in light of COVID-19.

Action monitoring: understanding how the process ensured that the action identified fully addressed the risk in a timely manner, how success was measured and if further actions required to meet quality objectives were identified.

Governance: understanding the additional steps that the process owner had undertaken to keep leadership informed of the impact of COVID-19 on the process and controls alongside the actions taken to address and reporting on the effectiveness of these actions.

Remediation: observations/findings arising were reported to process owners and leadership in real-time to remediate any control deficiencies.

The programme was performed **during May and early June 2020** to ensure timeliness and accuracy of leadership reporting covering the operating effectiveness of the SQM in times of distress.

Key processes covered by the SQM included: Assignment & Workload, Audit Methodology, Learning, Leadership & governance, Risk considerations (acceptance, continuance, portfolio risk review), and Audit Quality & Risk office (consultation) resources.



Causal factor analysis and remediation

Continuous improvement is essential to Deloitte's culture of quality and excellence. Understanding why audit deficiencies occur is critical to the design of effective actions to remediate findings. Further, actions are taken when audit deficiencies are identified during the performance of an audit engagement. Engagement level remediation is imperative to drive continuous improvement in audit quality and avoid future similar findings.

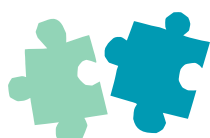
The scope of causal factor analysis includes:

- Engagements receiving adverse ratings in regulatory or internal inspections
- Selected findings arising from inspections of our system of quality control
- Recurring findings across a number of engagements or areas, regardless of inspection outcome
- A selection of our highest quality audits assessed during inspections and other selected examples of good practice
- Others including a selection of first year audits and prior period adjustments

The causal factor process involves a detailed analysis of the audit work in the area of the finding or good practice, review of relevant technical guidance and learning materials, an analysis of relevant audit quality indicators and interviews with key engagement personnel who were responsible for the preparation or review of the relevant area.

Causal factors are reported as part of our inspection summaries to the Audit & Assurance Executive, Audit Quality Board, Emerging Issues Group (EIG) and the UK Oversight Board. Recurring themes, common pitfalls, good practice observations and causal factors are communicated on a regular basis to audit practitioners. The key themes arising have been discussed in our response to the Audit Quality Review report.

We have made further investment in our causal factor process to increase the dedicated resource in the central team to ensure that, on files where improvement is required, causal factor analysis is performed within 60 days of the findings being identified or the inspection result being notified. We have also formalised the annual plan of work for causal factor analysis in response to a recommendation made in the FRC's thematic review.



Our overall internal inspections process: robustness, consistency and reliability

Delivery of a robust internal inspections process requires carefully managed delivery, most notably regarding:

i) Selection and scoping

A detailed selection process is undertaken each year for both the processes in scope for the SQM review and the engagements to be reviewed.

- SQM review: A detailed scoping and subsequent risk assessment are performed that sets the depth and focus areas of the review. To achieve this, discussions are held with the key stakeholders to identify processes seen as key to delivery of audit quality and any impact from changes to the internal and/or external environment. The results from these discussions, combined with analysis for guidance from DTTL, external regulators and quality standards, set the scope and risk levels for the review. The risk assessment remains under careful scrutiny throughout the review period and will be adjusted as required to respond to changing conditions.
- Engagement Review: Engagements are selected across our audit business portfolio using a risk-based approach, focusing on high risk and/or high profile engagements, and ensure that, as a minimum, each of our partner and director Responsible Individuals are subject to review every three years. All sectors are covered by this selection process, including Public Sector engagements. Selected files are then subject to independent inspection by professionals from the central inspection team, along with reviewers comprising partners and senior auditors from other UK offices, groups and overseas member firms.

ii) Experienced reviewers

A critical success factor in achieving our desired level of rigour and scrutiny is the competency of the reviewers. Across both the SQM review and engagement reviews, we undertake a comprehensive selection process, ensuring the reviewers as a team have the relevant technical experience, quality record, seniority, independence and sufficient time to be able to bring robust independent challenge.

All reviewers are required to attend training sessions lead by the leaders in our central team prior to commencing a review. In addition, all SQM reviews are overseen by a review coach who has relevant expertise and authority to challenge the review team. All engagement reviews are overseen by an inspection advisor who is an experienced practice reviewer.

iii) Rating process

At the end of each SQM and engagement review, the 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 review. SQM processes are rated as Acceptable, Acceptable with Areas for Enhancement,

Needs Improvement and Requires Significant Improvement. We classify engagements as either Compliant, Improvement Required or Non-Compliant.

iv) Action and ongoing education

The results of the practice review are communicated to the UK Audit & Assurance Executive, the Managing Partner Quality, Risk & Security, the UKOB and the Non-Executives via their attendance at the UKOB. In addition, a representative of the Deloitte Global Audit & Assurance Executive attends the UK closing meeting & the results are reported to the Deloitte Global Audit & Assurance Executive and to the Global Risk Advisory Executive Committee. Causal Factor Analysis (CFA) is performed on the findings.

External reviews

In addition to our own internal reviews of audit quality, we are subject to external reviews by the FRC’s AQR team, the ICAEW’s QAD and the PCAOB.

a) 2020/21 UK Audit Quality Inspection Report

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 findings of its 2019/20 inspection of the firm on 23 July 2021. The full report is available on the FRC’s website at the following link: [Deloitte-FRC-Audit-Quality-Inspection-and-Supervision-report-Final-23-July-2021.pdf](#)

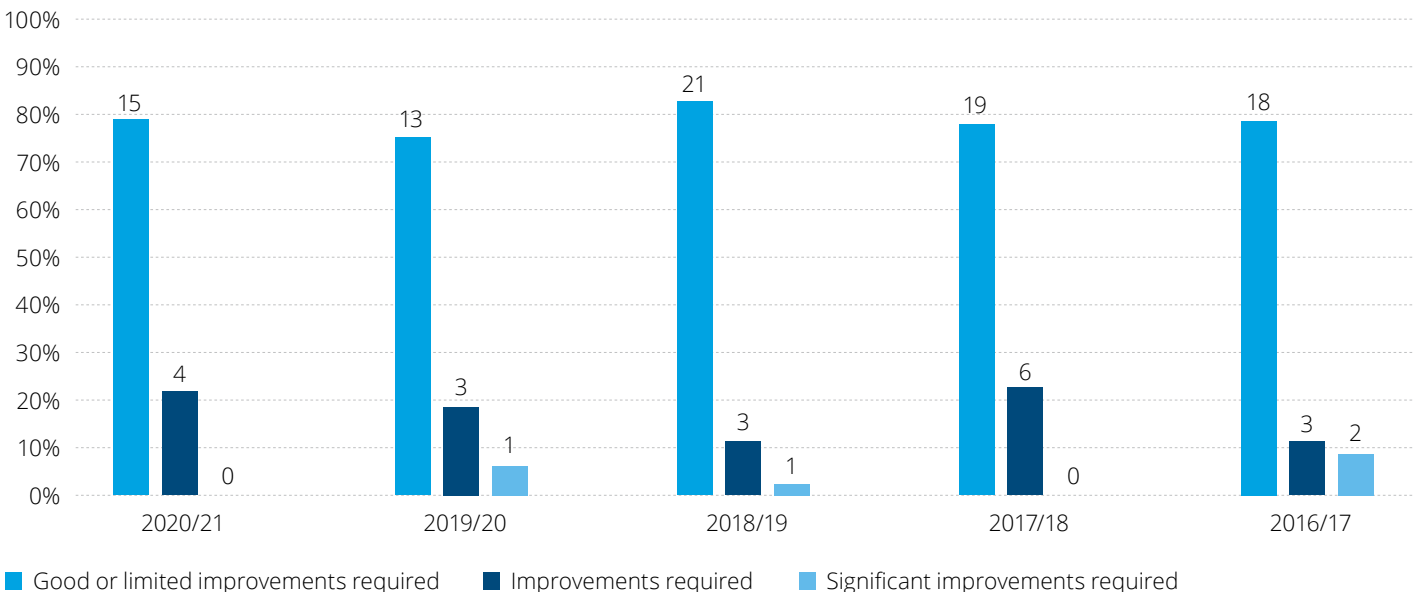
The firm’s policies and processes supporting audit quality were reviewed, as were 19 individual audits. In addition, they highlighted the following good practices from their review of firmwide areas:

- Audit quality initiatives – Clarity and breadth of the plan and linkage to ISQM 1
- Root Cause Analysis (RCA) process – Use of a dedicated RCA team and established process; breadth of information used and continual RCA activities
- Audit methodology and training – Establishment of a credit centre of excellence and illustrative audit procedures to support teams performing banking audits

We agree with and accept the FRC’s findings on the individual inspections. We note that the FRC has recognised improvements following the actions and programmes for previous years and welcome the good practice points raised, including in respect of impairment and revenue where individual findings continue to occur.

We remain committed to continuous quality improvement in these areas and across all other areas of our audits. We have performed independent root cause analysis, not just on every key finding, but across all FRC inspections including those which have been assessed as good or needing limited improvement. As well as identifying actions to be taken in respect of findings, the root cause analysis also assists in identifying good practices and behaviours. Understanding what drives good practice helps us improve the consistency and quality of audits across our entire audit portfolio.

FRC assessment of the quality of audits reviewed Deloitte LLP



The root cause analysis has identified certain main themes which require focus in order to further enhance the evidence of our challenge of management through the audit process. These are often behavioural in nature. These are detailed in full in [our response to the FRC](#), published on its website:

1. Inherent knowledge of the senior team affecting the prioritisation of the review and stand back challenge of procedures carried out by the audit team. [Read more](#)
2. Sharing of knowledge, insufficient coaching and project management of the audit affecting the quality of review of working papers. [Read more](#)
3. The audit team's response to poor quality information and a deficient control environment at the Company being audited. [Read more](#)

Overall, we are pleased that there have been no significant findings over our firmwide processes and controls over the last three inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

The FRC's key individual review findings related principally to the following areas. The findings and our detailed responses are set out in the report on the FRC's website, as linked below.

- Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets. [Read more](#)
- Enhance the consistency of group audit teams' oversight of component audit teams. [Read more](#)
- Strengthen the effectiveness and consistency of the testing of revenue. [Read more](#)

b) FRC Audit Quality Thematic Reviews

The FRC's AQR team uses thematic reviews to supplement its 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. Thematic reviews analyse further aspects of auditing which are not considered in detail during the FRC's routine audit inspections. Thematic reviews seek to identify both good practice and areas of common weakness among audit firms.

During the year, the FRC published thematic reports on Climate Change and Transparency Reporting. We find these thematic reviews valuable as the benchmarking style provides insight to audit firms and other interested parties, and it provides a focus on best practice which we use to inform our actions in related areas.

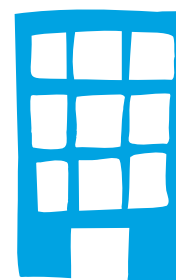
c) Gibraltar

Deloitte Limited and its individual statutory auditors are regulated by the Gibraltar Financial Services Commission (GFSC). The most recent quality assurance review by the GFSC was carried out during the year ended 31 March 2020. The firm's work continues to be of an appropriate standard.

d) Other overseas and offshore regulatory bodies

The firm is also subject to regulation by certain overseas regulators where we audit entities listed on an exchange in their jurisdiction and we are registered with that regulator. Such regulators include:

- **United States:** the PCAOB is the regulator for the audits of public companies with securities listed in the US. The firm's engagements relevant to the PCAOB include SEC registrants that are Foreign Private Issuers and the UK components of US listed groups. The PCAOB has the right to inspect the firm and their 2019 inspection report was published in early 2021. Further details are provided within the metrics on audit quality reviews.
- **The Crown Dependencies of Jersey, Guernsey and the Isle of Man:** under arrangements with the relevant regulatory authorities in the Crown Dependencies, the AQR undertakes the review of relevant audits performed by the firm in respect of the financial statements of entities registered in the Crown Dependencies.
- **Others, namely Canada, Japan, Ireland and South Africa:** in each case the relevant regulators have jurisdiction over the firm's Audit & Assurance business in respect of the audit of entities listed in the above geographies and, in the case of Ireland, also those incorporated there.



Audit quality indicators

In 2014 the six largest audit firms worked together, through the Policy and Reputation Group (PRG), to identify the key factors contributing to audit quality. Since then, we have endeavoured to include all of the information suggested by the PRG in our Audit Transparency Reports. Every firm has differing business and operating models, so there will undoubtedly be some variations across firms.

This year, as in previous years, we have chosen to include metrics additional to those suggested by the PRG, which form part of the suite of metrics that we review internally to monitor any impact they may have on audit quality..

1. Metrics on external investigations related to audit

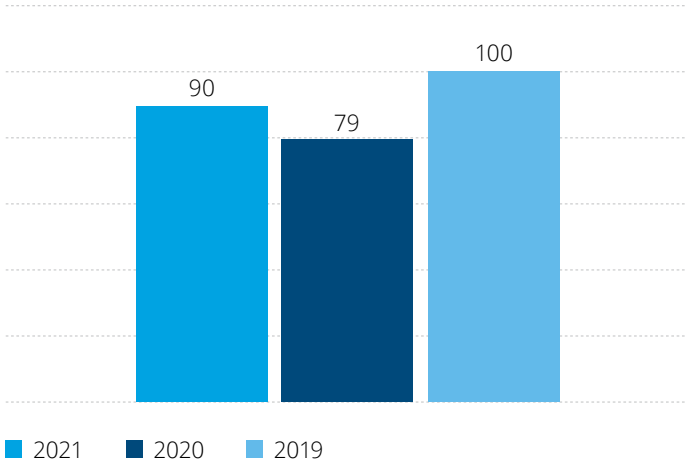
AQI definition	Deloitte metric FY21 (FY20)	Deloitte commentary
Number of cases in the last 12 months in which the FRC's Conduct Committee has found against the firm or one of its members	2 (1)	<p>During the year to 31 May 2021, there was one settlement of a matter with the FRC's Conduct Committee in relation to the statutory audit of the financial statements of a company for the 52 weeks ended 2 January 2016 (fine: £362,500 (after discount) and a reprimand; the engagement partner agreed to a reprimand. In addition, in relation to the audit of the published financial reporting of Autonomy Corporation Plc for the periods between January 2009 and June 2011 a Tribunal appointed by the FRC found against: (a) the firm (fine of £15m and a severe reprimand), (b) one engagement partner (fine £0.5m and a 5 year exclusion) and (c) a second engagement partner (fine £0.25m and a severe reprimand).</p> <p>There are three ongoing matters which have been announced by the FRC relating to the audit work of the firm which are yet to be concluded and are therefore excluded from the FY21 total for cases concluded:</p> <ul style="list-style-type: none"> • One ongoing investigation in relation to Mitie Group plc which commenced in July 2017 concerning the firm's audit work on Mitie Group's 2015 and 2016 consolidated financial statements • One ongoing investigation which commenced in June 2018 concerning the firm's audit work on SIG plc's 2015 and 2016 financial statements • One ongoing investigation which commenced in March 2021 concerning the firm's audit work on Lookers plc's 2017 and 2018 financial statements
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 (0)	During the year to 31 May 2021, the firm agreed with ICAEW to pay a regulatory fine of £12,250 with respect to the audit of the financial statements of "A" plc for the years ended 30 April 2014, 2015, 2016 and 2017

2. Metrics on external investigations related to other matters

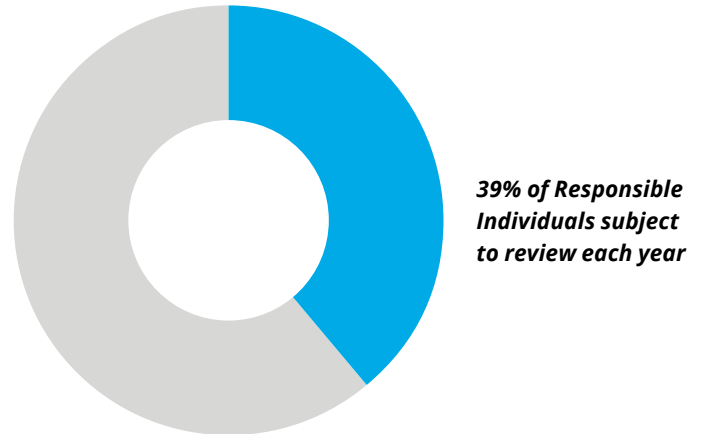
AQI definition	Deloitte metric FY21 (FY20)	Deloitte commentary
Number of cases in the last 12 months in which the FRC's Conduct Committee has found against the firm or one of its members	0 (0)	No such cases occurred during the year to 31 May 2021
Number of cases in the last 12 months in which the disciplinary committee of any other regulatory body has found against the firm or one of its members	0 (1)	No such cases occurred during the year to 31 May 2021

3. Metrics on audit quality reviews (internal and external)

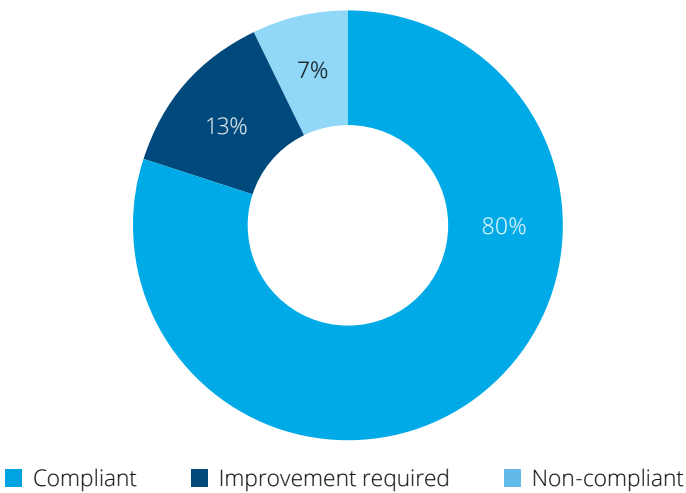
Number of engagements reviewed in our internal audit quality reviews



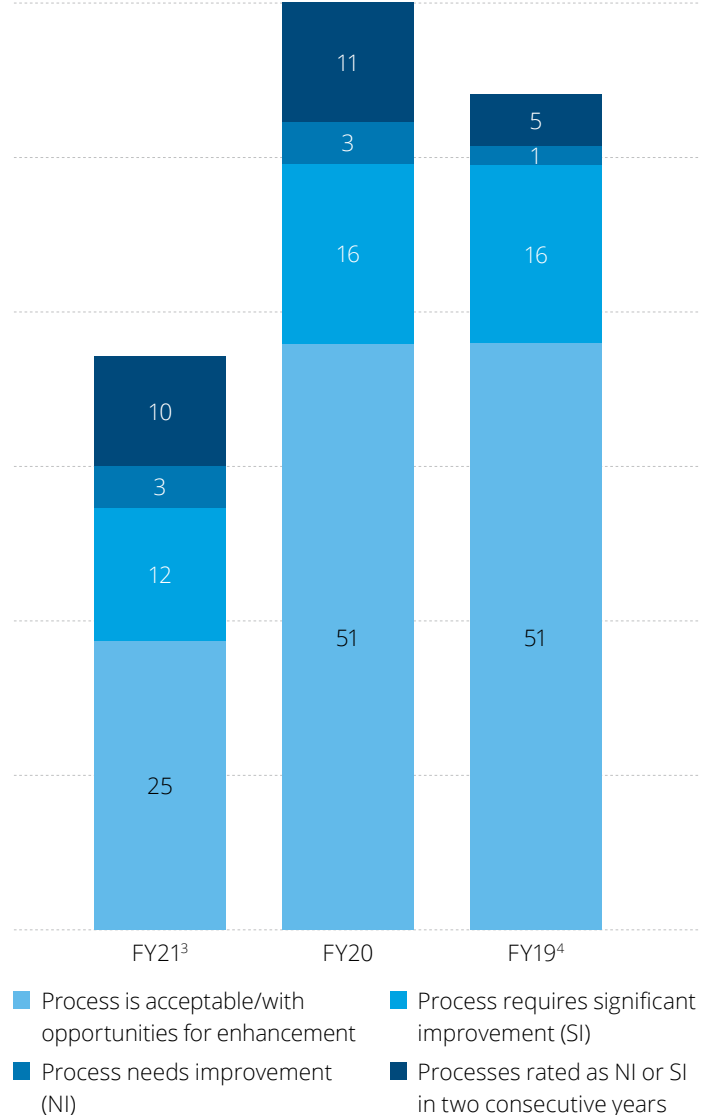
Annualised % of Responsible Individuals (RIs) subject to firm's internal audit quality reviews: FY21: 39%, FY20: 31%, FY19: 40%



Results from our FY21 internal audit quality reviews



Results from our FY21 system of quality management review



³ We applied a risk-based approach to selecting processes for review, prioritising higher risk processes.

⁴ During 2019 some processes were disaggregated to align to how the SQM operates. Comparatives have been adjusted to provide consistency of reporting.

Deloitte commentary

Results of firm's internal audit quality reviews

Both the current and comparative data include the UK and Gibraltar, but exclude Switzerland. Any comparison of results year-on-year should bear in mind that we continually seek to refine our approach to internal practice review and to make the reviews more challenging and robust.

Engagement reviews

In FY21, five engagements were rated as non-compliant. We performed causal factor analysis for all engagements and the significant findings which led to quality failings were retrospectively addressed through remediation. The decrease in the number of files rated as non-compliant and improvement required was as a result of audit quality actions taken previously, but we continue to monitor and innovate our inspections programme to ensure it remains robust and fit for purpose to respond to the needs of our internal and external stakeholders.

Annualised % of RIs subject to firm's internal audit quality reviews

Our approach to internal audit practice review selection is such that each RI will normally be subject to review every three years.

System of Quality Management review

The SQM is not a static environment but one that is constantly needing to adapt to respond to shifts in risks driven by changes from both the internal and external environment. As noted in the summary section, the impact of this on the review has been carefully considered resulting in heightened or new risks which has led to new findings being identified as the SQM responds to this change. When considering the results from the current year it is important to keep in mind the changing external environment, including impact of COVID-19 and anticipated changes due to ISQM 1 implementation, and increased scrutiny that the profession is under.

It is important to note that as part of the COVID-19 response, reviews of low-risk processes were delayed. This change resulted in a reduction of the size of the FY21 programme when analysed against FY20 results, which should be considered when analysing comparatives.

There were 3 processes (FY20: 3) rated as requiring significant improvement (SI) and 12 processes (FY20: 16) rated as needing improvement (NI).

For the processes rated as needs improvement 8 have been rated as NI in both FY19 and FY20. Two main reasons for repeat rating of the process NI are:

- The firm operates in a dynamic and ever-changing environment which brings new challenges and findings, which in turn leads to repeat rating of the process NI
- Remediation activities and review take place in the same reporting year and even when remediated continue being tested NI as full year records are not available for testing
- Remediation activities take longer than one reporting period

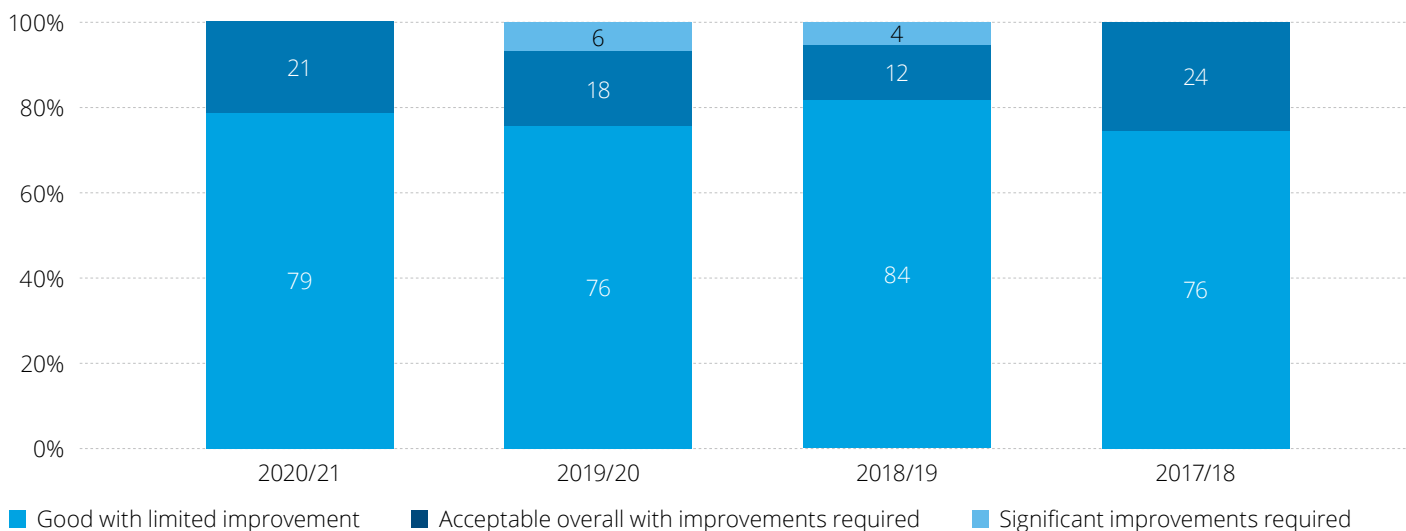
The processes rated as requiring significant improvement were:

- Engagement quality control review (EQCR): limited monitoring of EQCR hours performed
- Global audit acceptance consultation (GAAC): failure to perform a required consultation for engagements meeting set criteria due to lack of awareness in the practice
- Public filings in other countries (other than SEC): failure to consult with other member firms prior to filing due to lack of awareness of the requirement in the practice

Action plans are in place to address all findings raised during the FY21 review. To respond to the increase in the number of processes that have received a rating of NI or SI in two consecutive years, an additional centralised monitoring process has been introduced. Action status is reviewed with the process owners on a quarterly basis and reported to leadership through the AQI reports to highlight where leadership support is required. All actions are subject to testing during the subsequent SQM review to confirm both completion and effectiveness.

Results of AQR reviews on the firm

Number of Audit engagements reviewed: 2020/21: 19, 2019/20: 17, 2018/19: 25, 2017/18: 25



Results of AQR reviews on the firm

Number of Audit engagements reviewed: 2020/21: 19, 2019/20: 17, 2018/19: 25, 2017/18: 25

Deloitte commentary

Results of inspection by AQR

The results of our most recent AQR inspection have been discussed earlier in the Report and the full 2020/21 report of the AQR on Deloitte can be found at:

<https://www.frc.org.uk/getattachment/6bf59945-fee6-43d0-a668-4f3829e00245/Deloitte-FRC-Audit-Quality-Inspection-and-Supervision-report-Final-23-July-2021.pdf>

Results of inspection by the QAD of the ICAEW

Number of Engagements reviewed: FY20: 10, FY19: 10, FY18: 13

Result	FY21	FY20	FY19	FY18
Satisfactory or generally acceptable	90%	90%	80%	100%
Improvements required	10%	–	20%	–
Significant improvements required	–	10%	–	–

Deloitte commentary

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 its findings and a summary of the inspections is included as an appendix to the FRC public report on the firm.

The overall conclusion of the QAD was 'Overall, the audit work we reviewed was of a good standard'. Of the ten reviews, nine were either satisfactory or generally acceptable and one required improvement. The overall profile of results is a slight improvement on the prior year. The review requiring improvement was a first year audit. There were documentation weaknesses throughout the audit file, where the audit team placed significant reliance on work done by the auditor of a shared service centre. Across the sample of audit reviews, ICAEW identified a few relatively isolated matters and a couple of themes relating to substantive analytical review of revenue and using the work of other auditors. ICAEW also identified and communicated some good practice points.

We have performed independent root cause analysis (RCA) into the engagement rated as needs improvement. We have also considered the root causes in the context of other RCA completed on the other engagements inspected by the QAD where there are similar themes.

4. Number of Part I references in the latest PCAOB inspection report

Latest AQI ⁵	Deloitte commentary
1	<p>The most recent inspection report on Deloitte was published by the PCAOB on 11 February 2021 and contained one Part IA reference. The full report can be found at:</p> <p>2019 Inspection Deloitte LLP; PCAOB Release No. 104-2021-055</p> <p>(The previous report was issued on 30 October 2017 and contained one Part I reference.)</p> <p>We have evaluated the PCAOB’s comments on the one audit identified in Part IA of the 2021 report and taken actions as appropriate across our portfolio. The actions we have taken are subject to review by the PCAOB. We are committed to using the PCAOB’s observations, in conjunction with findings arising from our own quality review procedures and those from our UK regulators, to achieve improvements in audit quality.</p> <p>Reviews by the PCAOB of UK audits are only undertaken on a triennial basis, with the latest results published over a year after the related audit work was performed, so this may not be considered a current indication of audit quality.</p> <p>The PCAOB’s next report on our UK audits is due during 2022.</p>

5. Metrics on partner and staff tenure

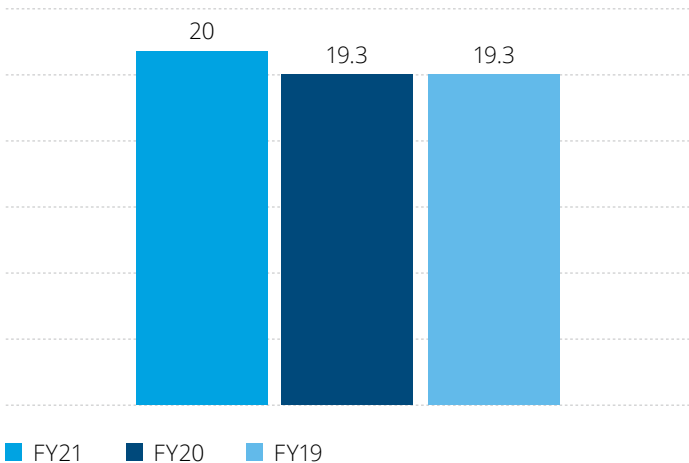
Average tenure in years of audit partners FY21: 20.0, FY20: 19.3, FY19: 19.3

Deloitte commentary

The average tenure of our audit partners reflects the number of years with the firm (including as staff, prior to promotion to partner) and demonstrates our focus on retaining and promoting experienced professionals for the benefit of audit quality. It indicates the deep experience of our partners and their long-term commitment to the profession. Our model is designed to encourage the partners with the most experience to mentor the next generation of partners.

The tenure of a number of our audit partners who were Andersen partners before 2002 is not included in this figure.

The average partner tenure has increased as a result of fewer partner leavers and external hires in FY21.



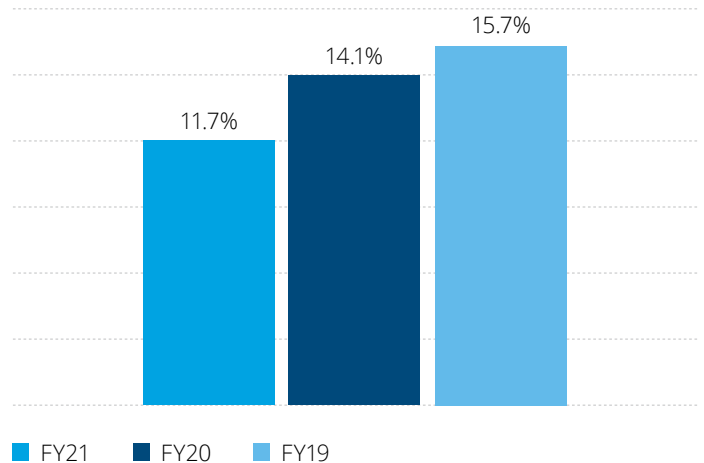
Average partner and staff turnover FY21: 11.7%, FY20: 14.1%, FY19: 15.7%

Deloitte commentary

This metric measures the annual staff turnover for our Audit & Assurance business in the UK, including all grades of staff and partners.

We believe that our staff turnover appropriately reflects the profile of our business. We have huge pride in the exceptional talent of all our people, even after they leave the firm.

The permanent voluntary attrition rate has fallen during FY21 mirroring a decline in firmwide attrition rates throughout the year as a result of the pandemic.



⁵ The PCAOB review is undertaken every three years and this metric relates to audit work performed in 2019.

6. Metric on investment

Number of hours training undertaken per person (partners & qualified staff) in the Audit & Assurance business: FY21: 77.2, FY20: 78.1, FY19: 82.1

Deloitte commentary

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 audit professionals in the Audit service line. Audit professionals are deemed to be any individual from qualified assistant manager through to partner inclusive. There is an expected degree of fluctuation year on year, depending on the volume and complexity of regulatory changes that we need to update our people on.

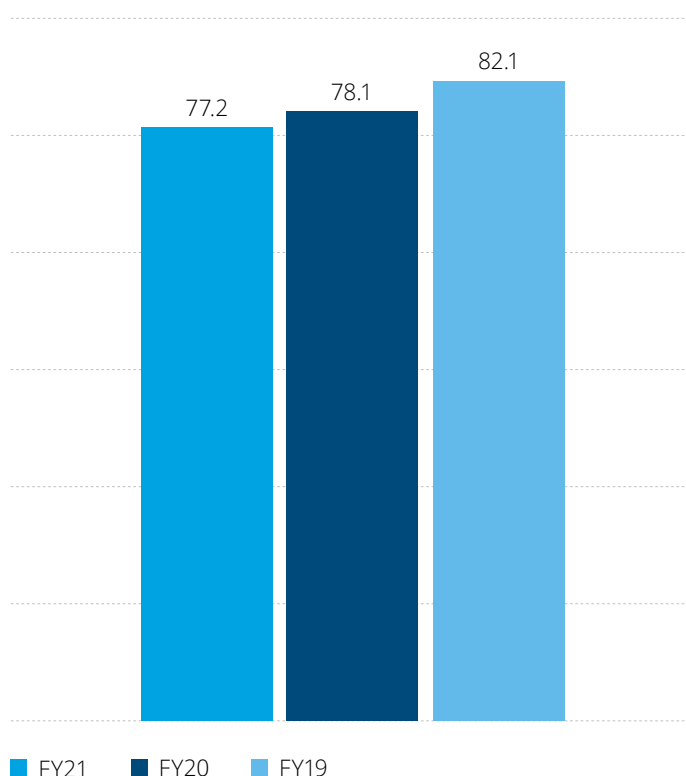
Structured learning includes:

- All classroom, e-learning and virtual classroom our audit professionals complete as part of their mandatory annual curriculum
- Mandatory training for personnel accredited to work on PCAOB audit engagements
- TechEx (our residential technical training), mandatory for all qualified audit professionals
- Mandatory firmwide training, for example on financial crime, ethics and data privacy regulations
- Formal Engagement Team Based Learning (ETBL)
- Industry related learning for audit personnel including seminars and masterclasses

In addition, all qualified staff are required to view regular technical webinars, and this is monitored. These approximately one-hour long sessions provide updates on corporate and financial reporting, auditing and regulatory information to audit partners and staff in the UK. 10 webinars (FY20: 10) were made available for professionals during the year.

Further description of the learning and development programmes provided to audit professionals can be found in the 'Delivering quality audits' section.

Notes: This metric does not include any of the exam training provided to non-qualified staff under training contracts, nor does it include any additional hours of industry-specific learning or personal learning undertaken to fulfil Continuing Professional Development requirements.



7. Investment in national office resources

National office as percentage of total audit staff 3.3% (2020: 3.7%; 2019: 3.4%)

This indicator measures the level of our central personnel available to provide engagement teams with advice on complex, unusual, or unfamiliar issues and the extent to which they are used in a particular engagement.

The work of the national office is discussed throughout the audit quality section above, and includes accounting, corporate reporting, audit technical, audit quality, risk and implementation teams.

8. Involvement in audits by grade

	FY21	FY20	FY19
Audit partner	3.4%	3.6%	4.0%
Audit director, senior manager and manager	22.6%	23.4%	29.8%
Specialists	9.7%	9.9%	(see Note below)

This indicator measures audit partner, director, audit senior manager, manager and specialist involvement in the engagement by capturing the hours charged to the engagement by the audit partners, directors, audit managers and specialists as a percentage of total audit hours charged. While such a measure is typically dependent on an individual engagement's degree of difficulty, a higher proportion of senior time and/or specialist hours may indicate that the firm is involving the right team members in the audit for the benefit of audit quality.

Note: In FY19 we were unable to split out the specialist time from the rest of the audit team. As our specialists are likely to be more senior grades, this has affected the percentage of audit director, senior manager and manager time in FY19.

Deloitte commentary

Our hours spent on audit engagements have increased over the past few years at every grade level, including partners. Much of this increase is due to heightened quality procedures and this has meant that the average percentage of engagement time spent by partner grade individuals has decreased.

9. Investment in research and development on assurance in the Audit service line

Deloitte commentary

Our investments in innovation and quality are transforming the way audits are delivered. We are shaping the audit of the future by leveraging cutting-edge technologies, data analytics, top talent, and audit delivery centres to continuously raise audit quality, streamline processes, and deliver greater insights. An audit is more than an obligation—it's a powerful lens for illuminating the current state of an enterprise, providing insight that can inform future aspirations.

The essence of innovation is constructive change. At Deloitte, we are transforming our Audit & Assurance business by adopting new technologies, fresh approaches and new, disruptive perspectives. We are finding ways to provide greater value and deeper insights through the audit. And, we are expanding our assurance offerings to deliver confidence on more questions and in more areas.

With The Deloitte Way (standardised audit work packages to drive consistency in quality audit work), we are bringing innovation 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, and artificial intelligence that enhances human discovery and problem-solving. As a result, the entities we audit get an experience that is less burdensome, with more transparency and deeper insight.

At Deloitte, innovation in thought, process and technology is not an add-on. It is how we deliver an experience that is ever more real-time and further reaching, to create outcomes that are more valuable to stakeholders.

10. Metrics gathered by staff survey

Deloitte commentary

During the months of May and June 2021, we surveyed our partners and staff to gather their views on, among other things, whether communication from leadership consistently reflects audit quality as a key priority, whether the actions of senior team leadership reinforce our commitment to audit quality, whether leadership communicates audit quality feedback in a timely manner and whether firm and engagement leadership recognizes and rewards actions for high quality.

The survey results are generally positive, but where areas for improvement have been identified, actions and initiatives are being taken by the firm to support our people in delivering audit quality.

We also ran surveys focusing on the wellbeing of our people and their views on how the firm responded to COVID-19.

11. Metrics on investor liaison

Deloitte commentary

Since 2012, we have held an annual Stakeholder Forum. In 2019 we refocused this around our public interest role as auditors, and held the inaugural Deloitte Audit AGM. The second, virtual, Audit AGM took place in November 2020:

- We were again joined by a number of investors (representing individual houses as well as associations) as well as regulators, professional and business body representatives, academics, audit committee chairs and CFOs
- The Deloitte Audit AGM provides stakeholders with the opportunity to hear from and engage with Deloitte leadership, Non-Executives, and external speakers. It features updates from Deloitte executive leadership, formal governance reporting, and debate and discussion on topical areas relating to the reporting ecosystem and ongoing audit and governance reform. Guests were invited to submit questions in advance as well as on the day
- We also use the AGM as an opportunity to highlight and communicate our annual Audit Transparency Report, and seek input on and feedback from stakeholders on our Reports

We continue to hold one-to-one discussions with investment houses, proxy advisors and investor bodies to ensure there is open dialogue and a process for capturing investor views on ESG and remuneration topics requiring general focus, sector-specific issues and individual observations on companies audited by Deloitte in the UK.

This year we have also held one-to-one discussions with investment houses and investor bodies to exchange views on topics raised in the BEIS White Paper 'Restoring trust in audit and corporate governance', to provide an update on Deloitte's journey to operational separation, and to discuss future engagement on areas of mutual interest in the corporate reporting ecosystem.

The Non-Executives and other Deloitte leaders also interact with investors [as set out in the [Report from the Non-Executives](#)].

Governance, legal structure and Deloitte network



Report on the work of the Audit Governance Board and UK Oversight Board⁶

Deloitte has long recognised the benefits of strong governance of its Audit & Assurance business. Now, with operational separation and further reforms underway, strong governance is more important than ever.

On 1 January 2021, well ahead of the FRC's 2024 deadline, Deloitte established its Audit Governance Board (AGB) to provide the independent governance, advice and challenge to the Audit & Assurance business that will be vital to the successful delivery of the desired outcomes of operational separation.

The AGB is already getting right to the heart of the drivers of audit quality, including ensuring people in the audit business are focused on the delivery of high-quality audits in the public interest – both today and in the future.

The AGB has a majority of Non-Executive members, including its chair, Baroness Ford, and Jim Coyle, Almira Delibegovic-Broome QC and Shirley Garrood. They each bring a wealth of experience to Audit & Assurance and provide valuable, independent challenge to the Executive team.

How has Deloitte's governance model changed in the UK?

Prior to the establishment of the AGB, the UK Oversight Board (UKOB) was the UK governance body responsible for overseeing how the firm promoted audit quality, in addition to overseeing how the firm met its other regulatory and legal requirements in the UK. The UKOB was and continues to be chaired by Steve Williams, UK Partner and Elected NSE Board member, with all the Non-Executives as members and Jim Coyle as Deputy Chair.

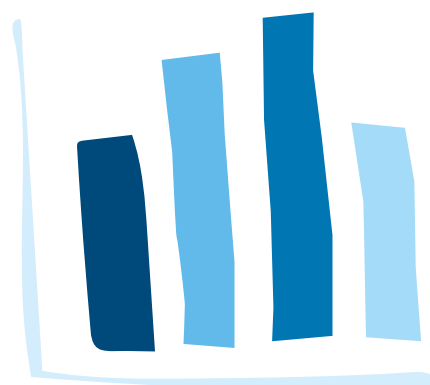
Since 1 January 2021, the AGB is responsible for providing independent oversight of Deloitte's UK Audit & Assurance business, with a focus on the policies and procedures for improving audit quality. The objectives of the UKOB are now around securing the reputation of the UK practice, reducing the risk of firm failure, and working with the AGB in promoting its audit quality objectives. It is also responsible for overseeing other regulatory and financial

reporting matters relating to the UK practice. Shirley Garrood stepped down from the UKOB to become a 'doubly independent' member of the AGB (i.e. Shirley is not a member of any other governance body of the firm or Deloitte Network to prioritise the focus of her oversight on audit quality).

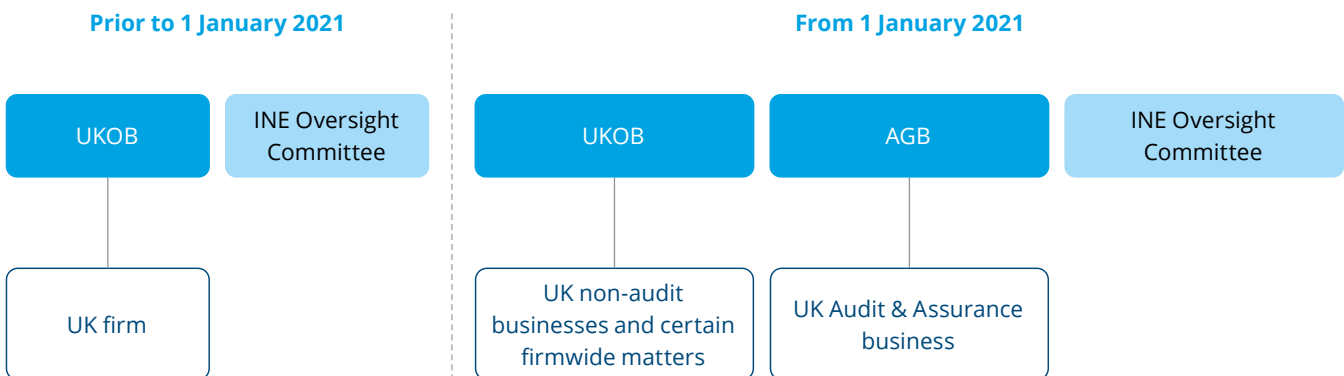
The UKOB and AGB work alongside each other to ensure Deloitte's UK practice, as a whole, meets the requirements of the Audit Firm Governance Code and other regulatory and legal requirements. Baroness Ford and the elected partner members of both AGB and UKOB are also members of the NSE Board.

The NSE Board remains the primary governance body for the whole of Deloitte in North and South Europe, responsible for ensuring high quality governance and stewardship of the NSE business.

In addition, the INE Oversight Committee, chaired by Jim Coyle and comprising only the Non-Executives, provides a forum for deeper dives into matters of particular public interest and for the Non-Executives to meet privately to discuss matters of relevance to their remit.



⁶ Prior to 1 January 2021, oversight of the Audit & Assurance business was the responsibility of the UK Oversight Board.



The schematic on page 56 illustrates how the UK and NSE governance bodies work together.

Biographical details for members of the firm’s governance structure and management team, along with details of their meeting attendance, are provided in [Appendix 1](#).

What have the UKOB and AGB done this year?

Strategy

At each AGB meeting, the Managing Partner Audit & Assurance provides an update on the strategy and performance of the UK Audit & Assurance business, including updates on: quality, resilience and reputation. This considers details of investments in audit quality; ensuring that the Audit & Assurance strategy drives audit quality; operations and performance; tenders, resignations and the audit pipeline; and people & purpose matters. The UK strategy execution KPI framework, developed as part of the preparations for operational separation, is also presented at each AGB meeting.

At each UKOB meeting, the Senior Partner and Chief Executive and the UK Managing Partner provide an update on progress in delivering the strategic priorities which align with the scope of the objectives of the UKOB. This year the updates have focused on the business environment, the firm’s transformation agenda including strategic acquisitions and disposals, key operational updates including financial performance and resilience, clients, talent, culture, risk and regulation and developments in the global network.

Prior to the establishment of the AGB, the UKOB also focused on investments in audit quality and ensuring that the strategy drove audit quality.

Corporate and audit reform

The UKOB and AGB have closely monitored the implementation of operational separation, in particular the measures put in place to ensure arm’s length pricing between the Audit & Assurance business and the non-audit teams providing specialist input to audit engagements; the allocation of costs between the Audit & Assurance business and the rest of the firm; and the controls around the assurance services able to be provided by the Audit & Assurance business.

The AGB also provided input to the firm’s response to the BEIS White Paper.

Audit quality

Audit quality was a key focus of UKOB’s oversight prior to the establishment of the AGB through its oversight of the firm’s procedures for ensuring the delivery of high-quality and robust audits, and is now the primary focus of the AGB.

The UK Audit & Assurance Head of Quality & Risk is a permanent attendee at the AGB meetings and provides an update on audit quality matters at each meeting. This includes updates on: the results of regulatory reviews and internal audit quality monitoring; progress against the firm’s audit quality plan and actions being taken to improve quality; and the status of investigations.

A particular focus this year was the root cause analysis undertaken in response to the findings on Autonomy.

Audit partner remuneration and promotions

A sub-committee of the AGB, comprising only Non-Executives, reviewed and provided advice and recommendations to management on the audit partner remuneration and promotion policies and processes and whether they are focused on audit quality.

One of the Non-Executives observed some of the meetings where audit partner remuneration and promotions were discussed and determined and reported on their findings to the sub-committee of the AGB.

People & Purpose

The wellbeing of staff and partners has been a key focus for the firm generally this year and, in addition to the general updates as part of the strategy updated mentioned above, the UK Managing Partner People & Purpose and the Audit & Assurance People & Purpose Leader reported to the UKOB and AGB respectively on the actions being taken to support people.

The UK Managing Partner People & Purpose and the Audit & Assurance People & Purpose Leader also updated the UKOB and AGB respectively on the actions being taken to improve diversity, including an update on the Black Action Plan and initiatives to improve the gender and ethnic diversity of candidates for partner promotion.

Resilience

The operational and financial resilience of the firm and the Audit & Assurance business are a key focus of the strategy updates provided at each UKOB and AGB meeting.

The Chief Financial Officer reported to the UKOB on the firm's financing and liquidity position.

The firm's General Counsel reported to the UKOB on the structural changes required as a result of Brexit in order to comply with the regulatory requirements around ownership/control of audit firms.

Reputation and public interest

The firm's public interest responsibilities extend across a wide range of areas: the services we provide; our role in the capital markets; and our wider role in society. The UKOB provides oversight of the work of the Public Interest Review Group which considers whether or not certain proposed engagements are pursued on public interest grounds. The Non-Executives have all also observed at least one Public Interest Review Group meeting during the year.

During the year, the Public Policy Leader reported to the UKOB on the management of reputational risks to the UK practice.

Ethics and culture

The UK Managing Partner Quality, Risk & Security and the Audit & Assurance People & Purpose Leader reported to the UKOB on the plans to develop the Do the Right Thing dashboard that is used to monitor and report on various ethics and culture metrics.

There is a direct reporting line between the Non-Executives and the UK Ethics Partner and they met during the year to discuss the adequacy of the firm's whistleblowing procedures.

Risk management and internal control

In maintaining a sound system of internal control and risk management and in reviewing its effectiveness, the firm uses the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting as a framework.

In relation to the internal control environment, the firm conducts an annual review of the ongoing effectiveness of the firm's system of internal control, including financial, operational and compliance controls and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the firm. This system of internal control, which is the responsibility of the UK Executive, is designed to mitigate and manage, and not eliminate risk, and therefore provides reasonable

rather than absolute assurance against the firm not achieving its strategic goals, material loss or misstatement, or non-compliance with laws, regulations and professional standards.

The Executive monitors the effectiveness of the firm's internal controls on an ongoing basis. Evidence as to controls effectiveness, and where required details of any necessary remediation, is obtained from a variety of internal and external sources, including internal audit. Matters of significance are escalated for debate and decision by the Executive where necessary. In addition, the Executive regularly considers and commissions enhancements to the firm's policies, procedures and controls in response to regulatory and legislative change, market developments and the operational needs of the business.

The Executive's ongoing monitoring of the system of internal control is complemented by oversight from the UKOB throughout the year. Evidence considered by the UKOB during FY21 has been presented in accordance with the plan determined in September 2020 and updated in April 2021. This plan, developed on a risk basis, sets out those areas of the firm's operations upon which the UKOB wished to focus in discharging its responsibilities for oversight of the firm under the Code, including the outputs of monitoring activities from across the firm.

Additionally and to provide transparency of the firm's control environment to the UKOB, the principal controls in place for each of the firm's enterprise risks, finance and culture are documented and refreshed annually in order to evidence the scope of the control framework in each area, and the frequency with which, these controls are refreshed and monitored, and the independent assurance in place over each of these. The Managing Partner Quality, Risk & Security is a permanent attendee at UKOB.

The FY21 review has also continued to consider the impact of COVID-19 on the design and operating effectiveness of the firm's internal controls. The pandemic has provided a significant test of policies, procedures, systems, processes and controls, and the firm's overall resiliency. The firm has maintained a "Respond, Recover, Thrive" approach to dealing with COVID-19 across three pillars of People, Clients and Operations. Key actions taken have been to adapt working practices; enhance controls; protect, reassure and motivate partners and staff; manage revenue, profitability and liquidity; and maintain quality whilst preserving jobs. This response has been developed and led by the Executive utilising the firm's established crisis management and resiliency frameworks, with close oversight provided by the UKOB. The business response has proven to be effective and no significant or systemic deficiencies in the firm's systems, processes and controls have been identified. The response has now moved to the firm's plans for implementing hybrid working and the changes to policies, procedures and controls this necessitates.

Based upon the evidence, the Executive and UKOB have considered, utilising the agreed definition of 'significant control failing or weakness', whether any control failing or weakness or combination thereof, having regard to both qualitative and quantitative measures, could seriously affect the performance, future prospects or reputation of the firm. This included whether any significant control failings or weaknesses reported during the year could threaten the firm's business model (including regulatory issues and challenges to the firm's strategic objectives), future performance, solvency or liquidity.

Although areas for improvement and actions arise from the ERF, monitoring of the effectiveness of controls and processes and internal audit reports, these are not of such significance that they individually or collectively undermine the system of internal control in place. Rather they represent actions which we believe will further strengthen our system of internal control.

Based on discussions and the evidence provided, the Executive and UKOB have concluded that no significant failings or weaknesses exist which require disclosure.

On the basis of the reviews carried out, the Executive and UKOB are satisfied that the firm's system of internal control has operated effectively throughout the year.



Other matters

In addition to the matters detailed above, the UKOB considered the following during the year:

- The results of the FY21 isolated working review, carried out to identify any partners, directors or business units working alone and potentially posing a risk to the firm's reputation
- A report on the regulatory and claims landscape facing the UK practice, and the current claims in progress
- The UK practice's FY21 indicative ratings for compliance with relevant DTTL Member Firm Standards, which are the Deloitte network's quality standards
- Reports from the UK Internal Audit Leader, including consideration of the firm's audit/monitoring plans and the reports issued
- Oversight of UK external reporting, with particular emphasis on our public interest obligations, the needs of stakeholders and the disclosures required under the Code. This included reports from the firm's external auditor
- A report on the procedures in place for safeguarding quality and reputation within the Consulting and Risk Advisory businesses
- A report from the Money Laundering Reporting Officer setting out the money laundering risks facing the UK practice and the operation and effectiveness of its money laundering detection and prevention systems and controls. The report also included an update on financial crime compliance, including anti-bribery and corruption, and sanctions
- A report on the key matters relating to independence and conflicts during the year

How do you monitor the effectiveness of the governance of your Audit & Assurance business?

Since 1 January 2021, the following indicators have been used to monitor and report on the performance of the governance of our Audit & Assurance business:

KPI	Performance during FY21
<p>AGB structure and composition</p> <p>1. The AGB has a majority of Non-Executive members, including the Chair and at least one Non-Executive member who is 'doubly independent', i.e. not a member of any other governance body of the firm or network</p> <p>2. Relative to the responsibilities of the AGB, the members bring the right combination of skills, expertise and knowledge</p>	<p>The AGB comprises:</p> <ul style="list-style-type: none"> • four Non-Executive members, including the Chair (Baroness Ford) and one doubly independent Non-Executive (Shirley Garrod) • one elected partner member who is also an elected member of the NSE Board • two executive members <p>The Non-Executive and partner members of the AGB have a broad range of skills, expertise and knowledge from their current and former roles, including as auditors and consumers of audit services.</p>
<p>Meeting attendance</p> <p>3. Each AGB member attends at least 75% of meetings during the year</p>	<p>Meeting attendance is reported in Appendix 1 to this Report.</p> <p>There have been three formal AGB meetings (since its establishment on 1 January 2021) and, prior to that, three formal UKOB meetings during the year.⁷ Each member attended all of the meetings they were eligible to attend. Other ad hoc calls were arranged, as necessary.</p>
<p>AGB Meetings</p> <p>4. AGB meetings are effective in enabling the AGB to fulfil its roles and responsibilities in relation to the requirements of the FRC's principles for operational separation and the Audit Firm Governance Code, including around audit strategy, audit quality, people & purpose and oversight of the processes for rewarding and promoting audit partners</p> <p>5. Actions arising from meetings are recorded and responded to</p>	<p>Each AGB meeting lasts three hours and is normally followed, on the same day, by meetings of the UKOB and INE Oversight Committee.</p> <p>AGB agendas are drafted by the AGB Chair and Chief of Staff at the beginning of the year to align with the requirements of the FRC's principles, the Code and the anticipated needs of the Audit & Assurance business, and may be flexed as necessary.</p> <p>Detailed agendas and pre-AGB briefing meetings/calls between the AGB Chair and presenters ensure the timings are sufficient to cover the scheduled content in enough detail.</p> <p>The INE Oversight Committee provides a forum to debrief on the earlier AGB and follow-up on any matters requiring more coverage.</p> <p>The AGB Secretariat takes minutes of the meetings and compiles an action plan, which are distributed to the AGB members and relevant action owners, and then followed up at subsequent meetings.</p>

⁷ Since the establishment of the AGB, the UKOB has also formally met three times to oversee how Deloitte's non-audit businesses in the UK meet their regulatory and legal requirements, as well as specific UK practice-wide matters, including financial reporting.

Information flows

6. The quality and content of management information presented to the AGB is appropriate to enable the AGB to meet its requirements

A standing management information pack has been developed, for the purposes of reporting to the Audit & Assurance Executive and AGB. The pack contains narrative on key themes around audit strategy, quality & risk and people & purpose, alongside relevant metrics and performance indicators. The pack is also shared with the FRC after each AGB meeting.

7. There is an appropriate flow of information to and from the UKOB and NSE ARC

AGB agendas and pre-read information are uploaded onto an electronic board portal in advance of the meetings, with a view to them being available to members during the week before the meeting.

Three of the Non-Executives and the UK Managing Partner are also members of the UKOB and the elected partner member of AGB currently chairs the UKOB. The elected partner member of AGB currently chairs the NSE ARC and the AGB Chair is also a member of the NSE ARC. This commonality of membership ensures a good flow of information and shared knowledge between the three governance bodies.

Monitoring AGB effectiveness

8. A review is undertaken into the effectiveness of the AGB on at least a three-yearly basis

As part of our plans for operational separation, an internal review was undertaken into the UK governance structure and the future roles and authorities of the AGB and UKOB. Consideration will be given in FY22 to the timing of any externally facilitated reviews of their effectiveness.

The terms of reference of the AGB will be reviewed annually, with the first review due to be undertaken at the end of its first year of operation and to coincide with the FRC's planned publication of the revised Audit Firm Governance Code in early 2022.

Stakeholder dialogue

9. The firm, including its Non-Executives, meets regularly with stakeholders (public interest entity investors and audit committees, regulators, etc.) to discuss matters of relevance to the profession and ensure it keeps in touch with stakeholder opinion, issues and concerns

The firm holds an Audit AGM in the autumn, inviting various stakeholders to discuss and debate issues affecting the profession.

The firm and Non-Executives have engaged with various stakeholders (investors, audit committee chairs, listed company management) during the year to discuss the proposed reforms and further their understanding of the different perspectives. The FRC has a regular programme of supervisory meetings with the firm's leadership and also meets the Non-Executives at least three times a year.

10. The Non-Executives provide an external perspective to the firm's public reports and consultation responses, drawing on their broad knowledge and experience

During the year the Non-Executives reviewed and provided input to the firm's proposals for operational separation; its response to the BEIS White Paper; the FRC's public report on the firm's audit quality reviews; and the root cause analysis regarding Autonomy.

Deloitte UK: Governance and legal structure

Strong governance is the foundation of our firm: determining our purpose and strategy; setting the tone for ethical and responsible decision-making throughout the firm; and ensuring transparency and accountability to external stakeholders and to our people.

How is Deloitte structured in the UK?

Deloitte LLP is a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000 and is wholly owned by its members (the UK and Swiss equity partners, Deloitte NSE LLP and a holding entity with the Deloitte NSE group). The firm provides audit and assurance, risk advisory, tax and legal, consulting and financial advisory services in the UK, Channel Islands and Isle of Man and provides some of these services through its subsidiaries in Switzerland, Gibraltar and Sweden.

Deloitte LLP is the UK affiliate of Deloitte NSE LLP, a member firm of the Deloitte network, and its governance arrangements are set out below. Consulting services in the Middle East are provided through a joint venture entity in which Deloitte LLP has an interest. Services in the Commonwealth of Independent States (CIS) are provided by the local Deloitte member firm, in which Deloitte LLP has an indirect holding. The Deloitte LLP group also has interests in India, Romania and Spain that do not provide services to clients.

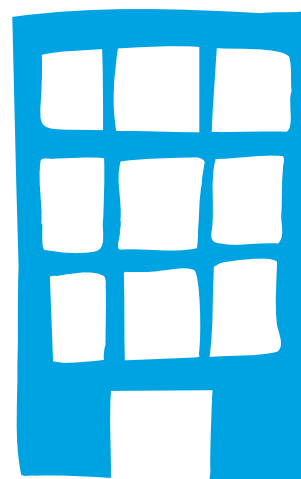
What is the role of the Senior Partner and Chief Executive?

The appointment of the UK Senior Partner and Chief Executive is subject to confirmation by a resolution of the UK equity partners, for a term not exceeding four years. Richard Houston began his first term as UK Senior Partner and Chief Executive on 1 June 2019 and has full executive authority for the management of the UK practice. He is also Senior Partner and Chief Executive of Deloitte NSE.

Richard communicates regularly with the partner group, and with all our people, in person and through a series of webcasts, voicemails and email alerts. Regular communication from Richard has been particularly important while our people have been working remotely and we are delighted with the positive feedback we have received.

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

- **Strategy:** Leading the development and execution of the strategy of the firm
- **Clients:** Delivering a differentiated market leading client experience across all segments of our market
- **Financial Performance:** Delivering a strong financial performance and safeguarding the financial resilience of the business
- **Talent:** Attracting and retaining the best talent
- **Quality:** Maintaining the highest level of quality and ensuring compliance with regulatory and legal requirements across all dimensions of the firms



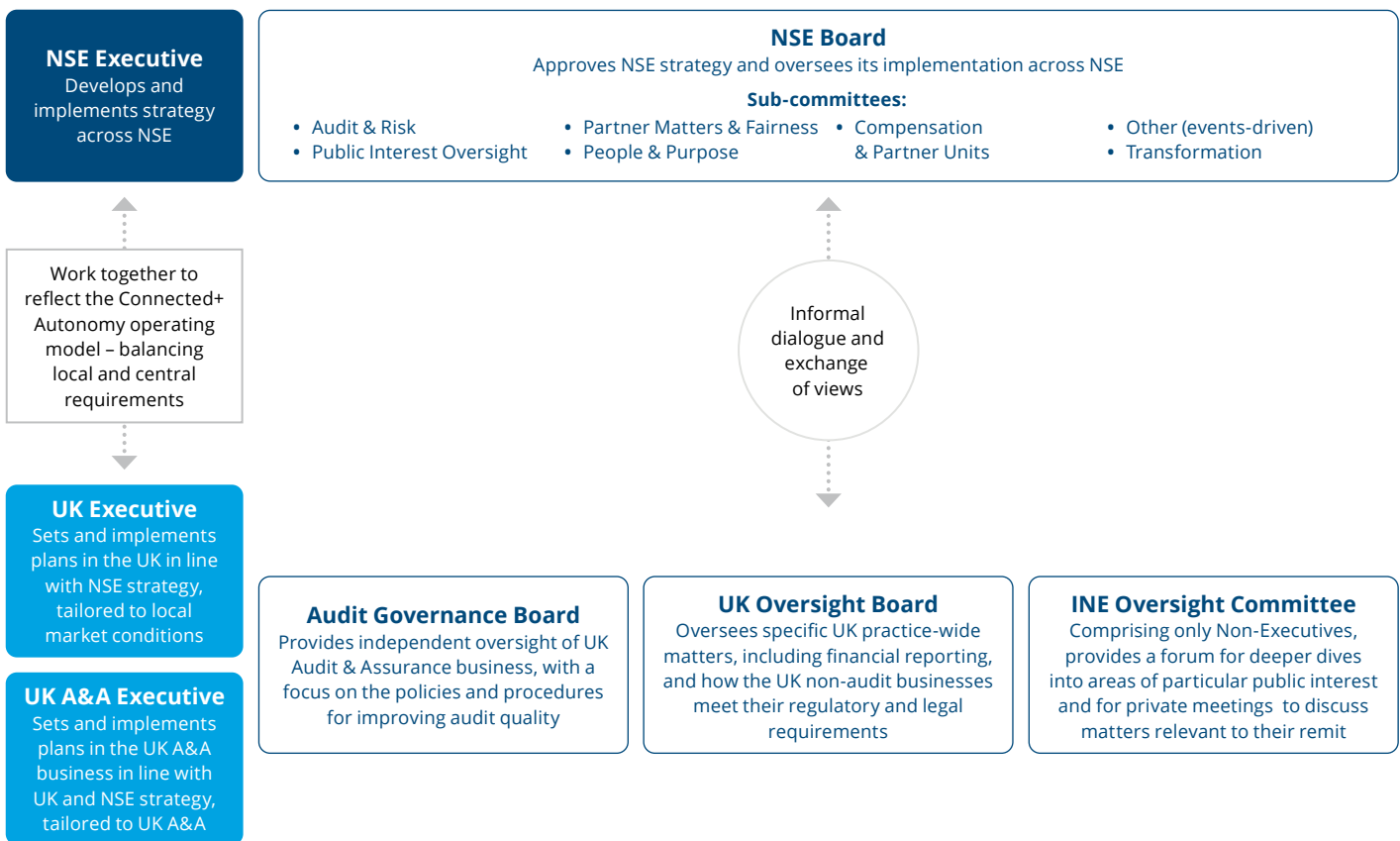
How do the UK and NSE governance structures work together?

Deloitte NSE comprises the Deloitte businesses in 27 countries across Europe and the Middle East.

The NSE Partnership Agreement underpins the governance of NSE. The NSE Board is the primary governance body for the whole of Deloitte NSE, responsible for ensuring high quality governance and stewardship of NSE. The NSE Board works with the NSE Executive to set and approve the long-term strategic objectives of NSE and the markets in which it operates. It oversees the risk appetite in each area of the business and is responsible for the oversight of the executive function.

The NSE governance and leadership structure provides clear paths of communication between the individual geographies and NSE.

The AGB and UKOB work alongside each other to ensure Deloitte’s UK business, as a whole, meets the requirements of the Audit Firm Governance Code and other regulatory and legal requirements. Baroness Ford and the Elected Partner members of both AGB and UKOB are also members of the NSE Board.



Non-Executives

Non-Executives’ duties

The regulatory requirements in respect of the duties of the Non-Executives are set out in the FRC’s principles for operational separation (the Principles) and in the Code. The Non-Executives participate fully in the activities of the AGB and UKOB (where appropriate), as set out in the report on the work of those bodies. The Non-Executives also meet privately as the INE Oversight Committee and invite members of the management team to attend, as appropriate, to discuss matters relevant to their remit. Additionally, the Non-Executives participate in other activities of the firm, consistent with their role and experience, to enable them to fully discharge their duties under the Code and for the purposes of good governance. Shirley Garrood’s role as the ‘Doubly Independent Non-Executive’ is to provide oversight of the UK Audit & Assurance business only. She is a member of the AGB and not the UKOB.

Supporting the Non-Executives

To assist the Non-Executives in discharging their role, the firm provides them with:

- A Chief of Staff to assist them in navigating the business and in discharging their duties under the Principles and the Code
- Any information they require about any aspect of the firm's business (subject to individual client confidentiality and audit independence rules)
- Secretarial support
- Access to independent professional advice at the firm's expense where judged necessary to discharge their duties
- Any other support agreed upon from time to time.

Non-Executives' other directorships and business interests

The Non-Executives have various business interests, other than those of the firm, which help them bring appropriate challenge and different perspectives to the firm by drawing on their diverse external roles and experiences. As required under provision C.2 of the Code, we confirm that both Jim Coyle and Shirley Garrood's competencies include auditing and accounting through their qualifications as Chartered Accountants and various roles throughout their careers. The Non-Executives declared their pre-existing assignments (including any appointments, directorships or posts) and any potential conflicts of interest apparent at the time of appointment and declare any changes to those interests at each AGB and UKOB meeting. The Non-Executives are required to consult with the Chair of the UKOB and obtain his consent prior to accepting further assignments with any third party. In the event that a Non-Executive becomes aware of any actual or potential conflict of interest or any threat to the firm's independence, the Non-Executive is required to disclose it to the UKOB Chair as soon as it becomes apparent.

Independence of Non-Executives

In assessing the independence of the firm's Non-Executives, we:

- Consider the Non-Executives (and their immediate family members) substantial financial interests and business, family and employment relationships entered into and notified to the firm
- Apply the Code's principles and complied with its provisions on Non-Executives without placing them in the chain of command
- Consider the independence requirements of the UK and US regulators, as well as those of the International Federation of Accountants.

Non-Executives (and their immediate family members) are not permitted to have a directorship or other leadership role with a restricted entity nor can they (or their immediate family members) be a substantial shareholder of a restricted entity (i.e. any entity

audited by a Deloitte network firm, affiliates of entities audited by a Deloitte network firm and other assurance clients for which the firm has to maintain its independence).

Appointment of Non-Executives

The Non-Executives are, subject to earlier termination, appointed for an initial period of three years. Unless the appointment is renewed on or prior to the termination date, the Non-Executive will cease to be a Non-Executive on termination of the appointment. We are mindful of the Code requirement for Non-Executives to be "appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation" and will take any necessary action as and when appropriate. Jim Coyle was appointed in 2019 and Almira Delibegovic-Broome QC, Shirley Garrood and Baroness Ford were all appointed in 2020.

Termination of appointment of Non-Executives

The appointment may be terminated at any time, by either the Non-Executive or by the firm, with three months' written notice. The appointment may also be terminated by the firm with immediate effect should any situation arise which amounts to a professional conflict of interest or breach of independence rules.

Remuneration

The Non-Executives are paid a fixed annual fee for their work as members of the AGB (and, for Baroness Ford, as AGB Chair) and UKOB (where appropriate), and for other responsibilities they undertake for the UK practice (such as chairing the INE Oversight Committee and attending the Partnership Council), based on an agreed number of days' service per annum. In the year to 31 May 2021, this amounted to:

	Total remuneration y/e 31 May 21 £'000
Jim Coyle	179
Almira Delibegovic-Broome QC	129
Baroness Ford*	250
Shirley Garrood	179

* Baroness Ford's appointment commenced 1 August 2020

Other matters

Appropriate indemnity provisions are in place in respect of any legal action against any Non-Executive and sufficient resources are provided by the firm to enable the Non-Executives to perform their duties. The Non-Executives have a right to report any fundamental disagreement regarding the UK practice to the UK Executive and, if that does not bring resolution, to convene a meeting with the NSE CEO and NSE Chair. The Non-Executives also have the opportunity to discuss any matter with the FRC as part of their normal regular engagement.

The basis for partners' remuneration

How are equity partners appraised and remunerated?

The equity partners are the owners of the firm and, therefore, share in its profits. The value of each individual's share is based upon a comprehensive evaluation of their individual and team contribution to the achievement of the firm's strategic objectives. All equity partners (including those in a governance or management role) are assigned to an equity group, which is reviewed annually⁸ and which describes the skills, attributes and broad performance expected of them. Each equity group carries a wide band of profit-sharing units so relative contributions can be recognised. In assessing partner⁹ performance, a strong contribution in the following areas is expected from all partners and is essential, notwithstanding the level of partners' contribution in other areas:

- **Quality:** Uncompromising quality in all professional work
- **Risk:** Consistent and strong contributions across all areas of risk
- **Financial and operational resilience:** Strong performance against key metrics and objectives
- **Leadership:** Demonstration of strong leadership skills and partner behaviours which reflect the firm's culture and values of its most senior leaders

The following criteria are also used for assessing the performance and contribution of each partner:

- **Clients and audited entities:** Portfolio managed and other market roles performed
- **Business:** Shaping and delivering on the firm's strategic and financial plan
- **People:** Contributions across all aspects of people leadership, including development, coaching and mentoring
- **Stewardship:** Thought leadership, innovation and brand protection
- **Collaboration:** Working across the firm and being inclusive of other partners and our people

Profit-sharing across NSE begins with the NSE Board's approval of the profit-sharing strategy proposed by the NSE Senior Partner and Chief Executive and concludes with the NSE Board's review and approval of the profit allocation and equity group recommended by the local CEOs for each individual partner in their respective geographies. An NSE Board sub-committee of partners oversees the process with a focus on consistent and equitable treatment.

Additional procedures for the remuneration of audit partners, and in particular its linkage to audit quality, are discussed in the Delivering quality audits section earlier in this report.

Drawings and the contribution and repayment of partners' capital

UK equity partners contribute the entire capital of Deloitte LLP. Each equity partner's capital contribution is linked to their share of profit and is repaid in full on ceasing to be an equity partner. The rate of capital contribution is determined from time to time depending on the financing requirements of the business. All Deloitte NSE equity partners share in the profits of Deloitte NSE. In the UK, equity partners draw a proportion of their profit share in 12 monthly on-account instalments during the financial year in which the profit is made, with the balance of their profit, net of a tax deduction and other costs, paid in instalments in the subsequent financial year. All payments are made subject to the cash requirements of the business. Tax retentions are paid to HM Revenue & Customs on behalf of equity partners, with any excess being released to equity partners as appropriate.

⁸ In FY20, as part of our response to COVID-19, partner appraisals in the UK were undertaken but equity group and unit adjustments were made on an exceptional basis only. Consequently, in FY21 the scope of the profit-sharing decision making (in terms of both units and equity group positioning) extended across both financial years.

⁹ The term 'partner' is also used by the firm to represent some of its most senior people who are employees and not equity partners. These individuals are also evaluated against the criteria set out above, however, their remuneration is comprised of salary (plus benefits) and bonus, as for other employees.

Deloitte network

The Deloitte network (also known as the Deloitte organisation) is a globally connected network of member firms and their respective related entities operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.

As part of the Deloitte organisation, Deloitte firms benefit from shared values, investments and resources and are able to leverage Deloitte's brand, eminence and intellectual property.



Professional standards



Shared values



Methodologies



Systems of quality control & risk management



Common technologies / platforms

Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)¹⁰

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee incorporated in England and Wales. DTTL serves a coordinating role for its member firms and their related entities 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 related entities.

¹⁰ "Deloitte" is the brand under which approximately 345,000 dedicated professionals in independent firms throughout the world collaborate to provide audit and assurance, consulting, financial advisory, risk advisory, tax, and related services to select clients. These firms are members of DTTL. DTTL, these member firms and each of their respective related entities form the Deloitte organisation. Each DTTL member firm and/or its related entities provides services in particular geographic areas and is subject to the laws and professional regulations of the particular country or countries in which it operates. Each DTTL member firm is structured in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its respective territories through related entities. Not every DTTL member firm or its related entities provides all services, and certain services may not be available to attest clients under the rules and regulations of public accounting. DTTL, and each DTTL member firm and each of its related entities, are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm, and their respective related entities, are liable only for their own acts and omissions, and not those of each other. The Deloitte organisation is a global network of independent firms and not a partnership or a single firm. DTTL does not provide services to clients.

Network governance

The Deloitte Global Executive

The Deloitte Global Executive, currently composed of 22 senior leaders from Deloitte Global and select Deloitte firms, is responsible for embedding Deloitte's Purpose and advancing its strategic business priorities. The Executive also sets policies and champions initiatives that help Deloitte make an impact that matters for Deloitte clients, Deloitte people, communities and other stakeholders.

Deloitte Global Chief Executive Officer Punit Renjen, who began his second four-year term on 1 June 2019, leads the Executive.

The Deloitte Global Operating Committee

The Deloitte Global Operating Committee provides a vital link between strategy and execution that helps Deloitte perform effectively and efficiently. Deloitte Global Chief Operating Officer Mike Dougherty leads the Operating Committee. Its members include Deloitte Global business operations and enabling area leaders and the chief operating officers of the largest Deloitte firms.

The Deloitte Global Board of Directors

The Board of Directors is Deloitte Global's governing body that addresses its most important governance issues, including approval of the global strategy, major transactions and the selection of the Deloitte Global CEO. Board composition is diverse in terms of geography, with the 21 current Board members living in 15 countries. Board members are designated by individual member firms, which consider factors such as gender and business background in designating individuals to these positions.

Deloitte Global Chair Sharon Thorne began her four-year term of office on 1 June 2019.



Ethics, independence and integrity



Ethics report

Over the past year, as the pandemic has continued, the Ethics team has been conscious of the ongoing impact on our firm and our people, as well as wider society. Against this context, our Deloitte shared values and our NSE Ethics Code are more important than ever. These underpin what we stand for and how we operate in upholding the public interest.

Our Shared Values

1. Lead the way
2. Serve with integrity
3. Take care of each other
4. Foster inclusion
5. Collaborate for measurable impact

In line with the second shared value, serving with integrity, our ethics programme seeks to ensure that we:

- Do the right thing...always
- Speak up and protect our reputation
- Preserve the trust of clients, audited entities, regulators, our people and the public
- Never compromise on quality
- Comply with both the letter and spirit of laws and standards.

This year, the team has continued to focus on dealing with the ethics concerns raised by our people; on communicating with partners and staff including through our annual ethics survey; and on supporting and informing colleagues through specific ethics training. The aim is to embed ethical behaviours, encourage colleagues to speak up if they have any concerns, and reassure them that retaliation has no place at Deloitte.

Feergus Mitchell, the UK Ethics Partner, meets regularly and has a direct reporting line with the firm's Non-Executives to discuss both ethics matters and trends, as well as matters of public interest. Ethics is a regular item on the UKOB and UK Executive agendas and Feergus meets regularly with the Doubly Independent Non-Executive to discuss matters of relevance to the Audit & Assurance business.

The Ethics team also has regular interaction with the FRC, including in relation to 'Non-Financial Conduct' matters, on which Deloitte provides quarterly data. As Ethics Partner, Feergus oversees any issues relating to the FRC's Ethical Standard (see [Independence](#)).

The Global dimension

We are committed to conducting business with honesty, distinctive quality and high standards of professional behaviour. Ethics at Deloitte is led by the Deloitte Global Chief Ethics Officer at the global level, and by member firm and country Ethics Officers at the local level. These are experienced partners with direct access to the relevant CEO and governing body. Deloitte Global and member firm ethics leaders work together to continually monitor risk and to reinforce compliance with the [Global Principles of Business Conduct](#). This Global Code is embedded into each member firm's Code of Conduct and defines the commitments all Deloitte professionals make regarding ethical standards, as well as explaining each individual's responsibilities to their clients, colleagues, and society.



Deloitte's Global ethics programme comprises the following elements:



Global Principles of Business Conduct



Global ethics policies including policies on Non-Retaliation, and Anti-Discrimination and Anti-Harassment



Reporting channels and incident management protocol



Programme measurement through an annual ethics survey



Annual assessment and recurring practice-review program



Ethics learning programmes and communications

How do we deal with reported incidents in the UK?

All incidents referred to the Ethics team are taken at face value and investigated, regardless of a) how the matter is reported (e.g. directly or via our externally-hosted Speak-Up line, which can be done anonymously) or b) the seniority of the person implicated. While we strive to maintain confidentiality, if taking a matter forward would potentially identify an individual, we will seek their consent before proceeding. The case management system ensures all cases are monitored through to a conclusion and Deloitte's policy of zero tolerance to retaliation is supported through regular post-case monitoring directly with the person who reported the incident (and/or any witness). Feedback from the monitoring process has been overwhelmingly positive to date.

How many ethics matters arose in the last year?

As we set out in our [Annual Report](#), the number of cases remained broadly static in FY21 (228 cases) compared with FY20 (223 cases). While this is counter to the trend of recent years where the volume of reports has continued to increase - in line with increased awareness and improved confidence to flag issues - we are aware other organisations have experienced the same trend.

The nature of some reports has changed during the pandemic, e.g. an increase in complaints related to COVID-19 (for example, flagging issues that were not in line with the COVID-19 rules at the time around mask-wearing, events, etc.). In autumn 2020 we also had an increase in the number of concerns raised in connection with race discrimination, reflecting increasing colleague confidence to speak up post the murder of George Floyd and the firm's very clear commitment to the Black Action Plan.

Finally, last year we reported that our expense process was under review. A refreshed policy and enhanced supporting processes were introduced in June 2021 which we anticipate will lead to an improvement in compliance.

What mechanisms are there for considering public interest matters in relation to proposed engagements?

Chaired by the UK Ethics Partner, the UK Public Interest Review Group meets most weeks to consider proposed engagements:

- With high public interest characteristics
- Which could potentially impact on the reputation of the firm
- That may be of interest to the public

The Group comprises the Managing Partner for Quality, Risk & Security, the firm's Money Laundering Reporting Officer (MLRO), the UK Executive member responsible for our People & Purpose agenda, Public Policy and a core of representative partners from across the business. The meetings are also attended by members of the relevant engagement, business and industry team and, as appropriate, the relevant business risk leader and communications team colleagues.

The Group considers the circumstances and determines the best course of action for specific matters brought for consultation, which might mean: a) proceeding 'as-is'; b) proceeding with additional safeguards; or, in some cases, c) not proceeding at all. During FY21, 70 matters (FY20: 84) were brought to the Group:

- 24% were in category a)
- 58% were in category b)
- 9% were category c), i.e. declined
- The remaining 9% includes matters that were not ultimately pursued or did not require a specific decision

The majority of cases reviewed by the Group concerned matters in the public domain and/or extensively reported on by the media. Matters relating to a third party's legal dispute or regulatory enquiry were also frequently discussed. Additionally, the Group observed a number of matters presenting one or more characteristics, for example: geo-political considerations; potential conflict of interest (perception); concerns regarding potential clients' ownership structure and/or leadership integrity.

Additionally, in response to COVID-19, during FY21, members of the Public Interest Review Group attended in order to provide proper consideration of public interest matters into 80 (FY20: 40), centrally coordinated, COVID-19 Deal Review Board (DRB) meetings and where appropriate, refer back to the Public Interest Review Group for further consideration (the COVID-19 DRB is a forum to provide timely and efficient support, guidance and decision-making to – and as part of – the engagement acceptance process in relation to opportunities of high public and national interest linked to COVID-19). Of the 80 such matters in FY21, 91% were approved and 9% were declined.

During the course of the year we have also continued to conduct strategic, forward-looking pipeline discussions with selected account teams and service areas, to allow debate on and surfacing of matters of public interest in advance of specific engagements commencing.

Finally, the NSE Public Interest Consistency Group (PICG) continues to focus on increasing awareness of public interest considerations and driving consistency of decision-making among NSE geographies in relation to opportunities presenting a high public interest element and cross-border outreach.

During FY21, 10 matters were reviewed by the NSE PICG; 90% were approved with/ without conditions and 10% were declined.

What do the results of our annual Ethics survey tell us?

In FY21 almost a quarter of our colleagues completed the firm's Ethics Survey – a significant increase on the previous year. As in FY20, the vast majority think Deloitte is an ethical place to work. However, we also learned where people see misconduct, they do not always report it. To this end, the UK Ethics team is continuing its outreach programme, focusing on increasing transparency about the issues that are reported to Ethics, and informing people how matters are dealt with. In FY21 the team spoke to over 10% of the UK firm, and on several occasions worked alongside the firm's networks – specifically the Gender Balance and the Multi-Cultural Networks – to better capitalise on synergies and increase collaboration.

As we know fear of retaliation can be a barrier to reporting, the Ethics team continues to draw attention to the firm's Non-Retaliation Policy. In addition, we monitor reporters and some witnesses for retaliation for a period of six months after a case is closed; this programme of retaliation monitoring has been positively received.

Where will we focus our priorities in FY22 and beyond?

With work on ISQM 1 ongoing, we will continue to work on improving our processes, and further aligning across NSE. We will be issuing new e-learning courses during the forthcoming year to managers, senior managers, directors and also independent contractors. Any new partners will be asked to attend a face-to-face 'Leading with Integrity' session (these sessions have already been attended by current partners).

The Ethics team continues to be involved with the firm's Black Action Plan, as well as both our Respect and Inclusion advisors and our Mental Health Champions, to ensure all our people have a full understanding of the support available from the Ethics function and the confidence to raise concerns about any wrongdoing they experience or observe.

Conflicts of interest

In order to safeguard our independence and objectivity - and retain the trust of our clients and wider stakeholders, including the general public - we need to be free from any actual or perceived conflicts of interest.

How do you address potential conflicts of interest?

We work with a broad range of businesses globally and provide a diverse range of services. From time to time, we have relationships with more than one party involved in a particular transaction or matter, which could potentially give rise to conflicts of interest.

Professional standards and regulations require us to have effective policies and processes in place to identify and address these situations. This is a particular area of focus for audited entities, where our independence and objectivity are critical.

In light of these considerations we ensure:



As well as assessing the regulatory requirements when deciding whether to take on new work, we also consider the spirit of the regulation and whether we think it is the right thing to do in the circumstances.

Independence

Our independence policies are based on the requirements of the International Ethics Standards Board for Accounting (IESBA), US Securities and Exchange Commission (SEC) and the UK Financial Reporting Council (FRC).

Our dedicated Independence Team continues to advise engagement teams, reinforce our policies, and maintain effective systems and processes, while continuously striving to improve them, so we remain independent in fact and appearance.

Our independence focus this year

We have established systems and processes to safeguard the independence and objectivity of the firm, our professionals and our engagement teams, and to avoid conflicts of interest on engagements and business relationships.

With our approach of continuous improvement and putting independence compliance front and centre of mind for all our people, we have focussed on the following areas in FY21:

- **Driving further awareness of personal independence:** Our targeted communication, education and awareness programme continued throughout FY21 with an extended number of webinars, guidance documentation, internal communication campaigns reiterating the importance of personal independence (independence of financial interests for our partners and staff) and raising further awareness and increased use of automated recording of financial interests on our independence monitoring system. Upon successful launch of the independence confirmation to our partners and directors in FY20 and FY21, we are now rolling it out to our manager grade staff to raise awareness and guide them whilst declaring their financial interests and maintaining their personal independence.
- **Making independence compliance easier:** We have introduced a new policy making it a requirement initially for our partners and directors to use an approved list of financial providers that can automate and simplify recording of financial interests into our independence monitoring system, making it easier to maintain independence compliance in addition to enabling timely and accurate recording of changes in their financial interest. This policy will be rolled out to manager grade staff throughout FY22. We continue to support our people to remain compliant through the provision of helpdesks, one to one consultations, guidance and awareness documents.
- **Further embedding the revised 2019 FRC Ethical Standard:** During FY21 we continued embedding the revised Ethical Standard within the firm, with focus on implementing the Other Entities of Public Interest (OEPI) elements of the Standard, which became effective in December 2020. We have continued to strengthen our guidance on the key changes, including the third-party test, and also launched an enhanced mandatory e-learning course for all partners and professional staff.
- **Continued focus on COVID-19 impact:** In response to the COVID-19 pandemic, we continue to provide specialist Independence Team input to the COVID-19 Deal Review Board and Public Interest Review Group regarding COVID-19-related opportunities. The COVID-19 Deal Review Board is a standing cross-service line leadership forum established to review COVID-19-related opportunities.
- **Responding to changing business models:** We continue to support our business on firm transactions, alliances and other complex business relationships as they develop new market initiatives. During FY21 the independence and conflicts teams worked closely with the business to successfully conduct pre-transaction due diligence, deal execution and integration of Keytree and Kemp Little businesses into Deloitte and the disposal of our UK Restructuring Services business. Incoming engagements, relationships and teams were subject to our standard on-boarding procedures, including training and partner pre-clearance, to address any independence conflicts prior to completion of these transactions.

Confirmation of internal review of independence practices and compliance

In accordance with Article 13.2(g) of the EU Audit Regulation, we confirm that an internal review of our independence practices has been properly conducted in the year as part of the 2021 practice review.

Our internal and global practice reviews 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 Deloitte Global and UK independence policies. The results of these internal reviews are reported to the UK Executive and UKOB and to Deloitte Global's CEO and Board.

Regulatory outlook

Looking ahead, ensuring our current system of quality management remains robust and compliant with ISQM1 is a key area of focus ahead of the standard coming into force.

The Independence team also continues to support all aspects of our business post-operational separation, the majority of which was implemented on 1 June 2021.

Systems and processes in place?

We continue to maintain and improve our main systems and processes of internal quality control related to independence:



Role of Deloitte Global Independence

Independence is a network-wide responsibility, so we have a global framework in place:

Policy setting

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; provides an annual focused review program to be performed by member firms as part of their Audit Practice Review for the off-cycle years; and performs in-depth follow-up reviews as needed.

Global systems

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.

Deloitte Global Independence

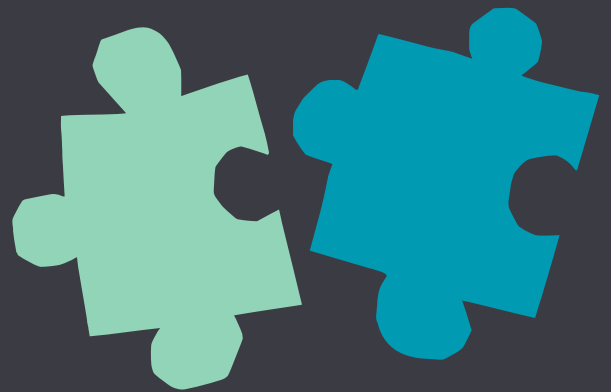
Monitoring

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

Education and awareness

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.

Risk management



Principal risks, uncertainties and mitigations

The principal risks and uncertainties of the UK firm are set out in, and managed through, the Enterprise Risk Framework (ERF). This sets out the UK Executive's assessment of the risks facing the UK firm; specifically those that could impact on the ability of the UK firm to meet its public interest obligations and deliver its strategy, and those that could impact upon its reputation and resilience.

How we manage our principal risks

In considering the risks, specific attention is also paid to operational separation and those risks that could impact the sustainability of the UK Audit & Assurance business, in particular audit quality, regulatory compliance and engagement, people and purpose and the attractiveness of the audit profession, operational excellence and financial viability. The UK ERF is aligned to, and is managed in a coordinated way with, the NSE ERF.

In line with the firm's FY21 planning process, the UK Executive undertook a refresh of the ERF to: identify any new enterprise risks; remove, if appropriate, any of the existing risks no longer considered significant; validate or update the risk definitions; and consider any changes to risk owners. As a consequence of the launch of the firm's Ambition during FY20 there were a number of changes to ensure the risks remain focused on the most significant threats to the firm. In addition to refining the definitions of a number of existing risks the principal changes involved the introduction of risks specifically addressing: operational separation; Brexit; purpose; people & culture; conduct & ethics; economic, political & competitor shifts; achieving the full market potential of the multi-disciplinary model; and the ability to adapt and deliver future change.

In FY21 the firm continued to utilise a process for updating and reporting the ERF that is timely, responsive to changes in the internal and external environment, and therefore better able to support decision making by risk owners and the Executive. The principal feature of this process is an ongoing dialogue between the Enterprise Risk & Monitoring team, that facilitates the operation of the ERF, and risk owner teams to ensure early identification and escalation of any matters requiring consideration by the risk owner or the Managing Partner Quality, Risk & Security who is the firm's Chief Risk Officer. This is complemented by meetings, particularly for the firm's most significant risks, between the Managing Partner Quality, Risk & Security and each risk owner at which the exposure to each risk is assessed, emerging issues are discussed and additional mitigating actions, if required, are agreed. This process

ensures that the firm maintains an up-to-date view of the status of its principal risks and is better able to respond to emerging risks. The Managing Partner Quality, Risk & Security formally reports on the ERF to the UK Executive. Through detailed discussion of the assessment of the firm's enterprise risks, the UK Executive satisfied itself that the risk profile accurately reflects risk exposures and that appropriate mitigating actions, if any, are in place.


The governance measures we have in place



The results of the annual refresh and the ERF updates are discussed with the UKOB, which provides a further challenge to the UK Executive's assessments. For the first time this year, the risks that could impact the sustainability of the UK Audit & Assurance business were also discussed with the newly established AGB. The UKOB (and AGB, where relevant) discussed in detail and challenged the UK Executive's assessment of the firm's enterprise risks including, for each, their rating of residual risk exposure, trending, speed of onset and the status of further actions, if any. In particular, this focused on the risks and corresponding mitigating controls related to audit quality and the future of audit; public interest; the ongoing impact of COVID-19 on the firm, including its liquidity; people matters, including wellbeing; and cyber.

How we are preparing for the future



Looking ahead to FY22, climate change risk is being added to the ERF. As the economy continues to recover from COVID-19, bringing with it a "race for talent", more emphasis is also being placed on people & culture.



The table below sets out the enterprise risks and related key mitigations that, at 31 May 2021, the UK Executive and the UKOB considered to have the most potential significant impact on Deloitte's ability to realise its strategy and protect the firm and the public interest, should they materialise.


Priority risks	Mitigations	Risk exposure trend at 31 May			
 <p>Audit quality</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • Significant and/or systemic audit quality management issues • Unsatisfactory regulatory inspection results • Acting without appropriate regard to the public interest • Inadequate or inappropriate response to emerging and shifting client and industry risks in the portfolio of audited entities • The firm and/or its people fail to comply with audit independence rules • Addressing the challenges posed by COVID-19 to audit quality and delivery, and potential corporate failures 	<ul style="list-style-type: none"> • System of Quality Control assessment of processes and controls to drive audit quality • Individual engagement review to assess compliance with the audit approach manual • Response to audit quality observations raised by the FRC's AQR, the ICAEW's QAD team or the PCAOB, including root cause investigation of each finding, along with improvements to internal quality review procedures • Audit Professional Standards Review (PSR) • Processes to capture significant economic and industry risks which have an impact on audit quality • Audit Centres of Excellence • Firm and personal independence systems and monitoring • Annual certification of compliance with independence policies and procedures • Increased consultation requirements on COVID-19, including threats to objectivity • Increased communications to keep quality, risk management and professional scepticism 'top of mind' during COVID-19; provision of specific guidance about increased risks 	FY18	FY19	FY20	FY21
		—	—	↑	—
		<p>Audit quality initiatives are delivering, and will continue to deliver, improvements but the exposure remains high due to ongoing audit regulatory investigations and in recognition of the need to continue to move ahead of the 'quality curve', particularly in the context of the introduction of ISQM 1. Audit market reform and the scrutiny of the audit profession, companies and the public interest also continue to drive this risk. The likelihood of perceived audit failure remains given financial distress being experienced by certain businesses as a result of COVID-19 and the reduction in government support.</p>			

	Priority risks	Mitigations	Risk exposure trend at 31 May				
	<p>Confidentiality, privacy & security</p> <p>Threat narrative</p> <ul style="list-style-type: none"> Substantial loss, unauthorised access to, or inappropriate use of client or firm data Supporting the evolving business models that threaten the firm's compliance with contractual, legal and regulatory requirements Increased confidentiality/security risks arising from COVID-19 including home working/new collaboration tools 	<ul style="list-style-type: none"> A centralised security function in the form of the Deloitte Business Security group with defined data security and privacy responsibilities Defined security strategy including privacy, information security policies & processes IT technical solutions including, but not limited to, encryption, data leakage protection, privileged access management, event monitoring & incident management Framework for risk assessing third parties to ensure the firm meets regulatory and client requirements Physical security controls covering premises access and working areas Personnel security and vetting controls Security training and awareness programme ISO 27001/Cyber Essentials Plus certification and audits Appointment of a Data Privacy Officer, mandatory training to all partners and staff and processes to enable GDPR compliance Increased communications to keep confidentiality and data management "top of mind" Communication of specific guidance about increased risks due to working from home during COVID-19, including use of approved collaboration tools 	FY18	FY19	FY20	FY21	 <p>The risk exposure trend continues to increase, particularly with respect to the continually evolving cyber threat which was heightened as a result of working arrangements to combat COVID-19 and the need to maintain a robust and consistent approach to the management and safeguarding of all personal and client confidential data.</p>



Priority risks	Mitigations	Risk exposure trend at 31 May								
<div data-bbox="105 412 181 488" data-label="Image"> </div> <p>Our reputation, role and future public interest impact</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • Ability to respond and adapt to changes in policy, legislation and regulation is diminished/ insufficient • The firm is not perceived to be acting ethically and/or in the public interest across all services • Reputational matters elsewhere in the Deloitte network or collapse of a competitor audit firm negatively impact the firm and/or lead to significant regulatory intervention • Failure to be agile to societal sentiment and continuing to play a constructive role in the audit reform debate • Scrutiny of the firm's public interest role in connection with public interest engagements associated with national COVID-19 response 	<p>Mitigations</p> <ul style="list-style-type: none"> • Stakeholder Engagement Programme to deliver the public policy priorities • Tone from the top and Public Interest Forum to bring together leaders of Public Policy, Ethics, Purpose Council and Quality & Risk • The UKOB's role specifically includes overseeing regulatory and public interest matters • Three Non-Executives on the UKOB and INE Oversight Committee • A Public Interest Review Group to assess the public interest risks of potential engagements • A Tax Review Panel to consider the reputational issues associated with complex tax engagements • Process to identify and respond to public policy and regulatory consultations • Contingency and resilience planning • Proactive communication with stakeholders (regulators, audit committees, public investors, media, etc.) on implications of COVID-19 for audits, the profession and more broadly the public interest • Central coordination to evaluate COVID-19 specific opportunities/proposals (e.g. from government, industry bodies, health authorities, pro-bono work and other public interest work) 	<table border="1"> <thead> <tr> <th data-bbox="1117 392 1220 448">FY18</th> <th data-bbox="1220 392 1316 448">FY19</th> <th data-bbox="1316 392 1412 448">FY20</th> <th data-bbox="1412 392 1509 448">FY21</th> </tr> </thead> <tbody> <tr> <td data-bbox="1117 448 1220 537">↑</td> <td data-bbox="1220 448 1316 537">↑</td> <td data-bbox="1316 448 1412 537">↑</td> <td data-bbox="1412 448 1509 537">—</td> </tr> </tbody> </table> <p>Risk exposure remains very high in light of unprecedented public scrutiny of the profession and ongoing audit market reform. The exposure is likely to remain very high through FY22 due to the firm's role in the national COVID-19 response; growing interest of non-audit regulators in the firm; stakeholder capitalism; and role of business in general in serving the public interest.</p>	FY18	FY19	FY20	FY21	↑	↑	↑	—
FY18	FY19	FY20	FY21							
↑	↑	↑	—							
<div data-bbox="105 1341 181 1417" data-label="Image"> </div> <p>People & culture</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • Ability to attract, hire and retain the right talent • Diversity of workforce • Leadership succession • Detrimental impact on wellbeing from pressure of work, compounded by changed ways of working as a result of COVID-19 	<p>Mitigations</p> <ul style="list-style-type: none"> • The UK Oversight Board specifically oversees public interest, ethics and culture • Robust HR policies including equal opportunities, respect, inclusion & diversity and agile working • Black Action Plan • Ethics Code sets the firm's values and ethical principles • Ethics programme provides our people with guidance and support, complemented by an enhanced ethics programme including whistleblowing and speak up line processes and reporting channels • Audit talent model transformation programme • Performance management approach with supporting technology • MF program and resources to support practitioners with mental and physical health concerns arising from COVID-19 including regular team touch point calls • Deloitte Future of works programme 	<table border="1"> <thead> <tr> <th data-bbox="1117 1321 1220 1377">FY18</th> <th data-bbox="1220 1321 1316 1377">FY19</th> <th data-bbox="1316 1321 1412 1377">FY20</th> <th data-bbox="1412 1321 1509 1377">FY21</th> </tr> </thead> <tbody> <tr> <td data-bbox="1117 1377 1220 1467">↑</td> <td data-bbox="1220 1377 1316 1467">↑</td> <td data-bbox="1316 1377 1412 1467">↑</td> <td data-bbox="1412 1377 1509 1467">—</td> </tr> </tbody> </table> <p>The risk remains stable with a continued focus on wellbeing as a result of COVID-19 and implementation of the firm's plans for hybrid working. There is also a growing emphasis on developing further the inclusive working environment within the firm, an environment in which all of our people can thrive. This is particularly important as the economy continues its recovery from COVID-19 and the associated 'race for talent' that this brings.</p>	FY18	FY19	FY20	FY21	↑	↑	↑	—
FY18	FY19	FY20	FY21							
↑	↑	↑	—							



Priority risks	Mitigations	Risk exposure trend at 31 May			
 <p>Purpose</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • Activities across three pillars of Purpose (People/Clients/Society) are inconsistent and undermine each other • Reputation is at risk from the 'company we keep' • Failure to change behaviours across the firm to meet societal impact targets • Communication of our Purpose to our people, clients and society • Falling behind our competitors in responding to needs of clients with respect to purpose/responsible business 	<ul style="list-style-type: none"> • Refreshed Purpose roles and governance • More regular engagement with local leadership • Training to leadership • Clients - Business/industry articulation of company we keep & communications to our people • Suppliers - Buy social review completed • UK specific initiatives to address specific challenges, e.g. Black Action Plan • External brand campaigns, e.g. net zero, tech for good • UK social value model for government and public services • Purpose-specific propositions, e.g. Power of Purpose 	FY18	FY19	FY20	FY21
		—	—	—	↑
		<p>A new risk for FY21. There are increased expectations from our people and external stakeholders with regard to the firm's wider purpose, particularly as public debate about the role of business in society continues to evolve. The firm is increasingly vocal on these issues, about its purpose and in the commitments it makes, e.g. purpose a core component of our strategy, Deloitte's WorldClimate initiative and the desire to support COP26. These factors have resulted in the risk exposure trending up in the year.</p>			
 <p>Conduct & ethics</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • Limited tone from the top around ethics, integrity and the Global code • Failure to motivate ethical behaviour • Lack of sanctioning for ethical breaches • Partners and staff prioritising self interest • Reporting channels and fear of retaliation • Third parties' adherence to Deloitte standards and culture 	<ul style="list-style-type: none"> • Ethics code • Dedicated independent ethics team • Speak-Up Line and alternative channels • Ethics survey • Communication and training for partners, staff and contractors • Public Interest Review Group • Investigation and disciplinary procedures • Ethics partner meetings privately with UKOB at least once a year • Completion of annual return which incorporates awareness and compliance with key policies including ethics 	FY18	FY19	FY20	FY21
		—	—	—	—
		<p>A risk heightened by COVID-19 and hence added for FY21 having previously been a driver of the legacy Talent risk. The risk remains unchanged during the year with completion of a number of additional mitigations and enhanced reporting via the "Do the Right Thing" dashboard.</p>			



Priority risks		Mitigations	Risk exposure trend at 31 May			
	<p>Achieving the full market potential of the Multi-disciplinary Model (MDM)</p>	<ul style="list-style-type: none"> • Firm and personal independence systems and monitoring • Annual certification of compliance with independence policies and procedures • Globally aligned client portfolio management governance process including the monitoring of audit rotation outlook for next 24/36 months • Recognition of the MDM growth platforms in the firm's strategy • Clients & Industries client portfolio strategy aligned to market demand priorities, including monitoring of audit rotation, supported by industry and account plans • Annual sector strategy refresh • Dedicated MDM growth platform and Innovation leadership tasked with identifying/monitoring target sectors/clients and providing support to Lead Client Service Partners (LCSPs) and Lead Audit Partners • Monthly Clients & Industries Executive meetings focussing on market trends, including MDM engagements and opportunities, to ensure prioritization and coordinated response pipeline monitoring and fortnightly market sentiment analysis • Audit Quality control framework setting out the controls, monitoring and assurance to meet the requirements of <i>International Standard on Quality Control (UK) 1 (ISQC 1)</i> • Operational Separation control framework setting out the controls, monitoring & assurance to meet the requirements of the <i>FRC's Principles for Operational Separation and Deloitte's Assurance Principles for Permitted Services</i> 	FY18	FY19	FY20	FY21
	<p>Threat narrative</p> <ul style="list-style-type: none"> • Failure to anticipate, identify, respond and comply with client independence requirements and regulations • Insufficient alignment of the organisation to meet audited entity and client and market priority services at scale • Maintaining the opportunity pipeline 		<p>—</p> <p>—</p> <p>—</p> <p></p> <p>A new risk for FY21 which has trended upwards during the year. This is principally as a result of: actively competing for large, multi-year deals including an increase in large-scale technology and business transformation engagements; the relatively high opportunity cost associated with MDM growth platform set-up; increased demand as COVID-19 expedites shift to Cloud and Operate solutions; the demand for complex deal structures; and delivery of high-quality audits and maintaining an appropriate audit market share.</p>			

	Priority risks	Mitigations	Risk exposure trend at 31 May			
	<p>Delivery risk of new, complex and large scale engagements</p> <p>Threat narrative</p> <ul style="list-style-type: none"> Inadequate understanding of, and response needed to address, the risks of new services (including technology/asset-enabled), alternative delivery models, and large-scale complex engagements Insufficient commercial models and contracting processes Inability to scale new offerings with suitable quality and commercial return, including as a result of people capacity and capability constraints Challenges to advisory delivery & quality (client, operational, people) caused by COVID-19 	<ul style="list-style-type: none"> Firmwide quality & risk community led and staffed by dedicated experts, including for contracting and commercial negotiations Established quality policies, processes and procedures on specific regulatory, legal, ethical and professional requirements New and revised quality & risk processes, systems and training in response to changing nature of services delivered Solution Review Boards and Strategic Asset Boards Delivery Excellence Programme managing risk across the programme lifecycle Asset-enabled offering certification Monitoring of delivery centre risk registers and mitigating actions Practice and portfolio reviews of engagements and clients Continual monitoring and management of pipeline and capacity and the repurposing of resources as necessary Increased communications to keep quality, risk management and professional scepticism “top of mind” during COVID-19; provision of specific guidance about increased risks Increased “in-flight” reviews of higher risk engagements 	FY18	FY19	FY20	FY21
			↓	—	—	↑
			<p>Increase in likelihood due to rapidly evolving services and delivery models, particularly those involving the application of technology in service delivery, the development of technology enabled products and major growth platforms. Attaining consistently high levels of quality will require continued focus for the foreseeable future in light of strategic choices being made, particularly against a backdrop of rapid technological change.</p>			

Priority risks	Mitigations	Risk exposure trend at 31 May								
<div data-bbox="105 412 181 488" data-label="Image"> </div> <p data-bbox="209 405 386 434">Client portfolio</p> <p data-bbox="209 470 400 499">Threat narrative</p> <ul data-bbox="209 504 555 1104" style="list-style-type: none"> • Inability to innovate and adapt our services with speed and at scale in a changing market • Insufficient consideration given to balancing risk:reward relative to our risk appetite prior to entering into new services, sectors and large, complex engagements • Excessive industry, sector and client concentration • Failing to adequately consider the public interest in planning our client and service portfolio • Reputational risk arising from the client portfolio including the “company we keep” and a significant quality or delivery failure 	<ul data-bbox="587 405 1102 1680" style="list-style-type: none"> • Clients & Industries client portfolio strategy aligned to market demand priorities, including monitoring of audit rotation, supported by industry and account plans • Audit Capture programme to ensure teams bidding for FTSE100 audits have the time, incentives, support, best practice guidance, training and challenge to win in the market • Innovation programme • Implementation of new pipeline and sales reporting tool • Close monitoring and management of the pipeline and capacity • The LCSP programme for non-audit entities focused on delivering change and support to the LCSP role with an overall objective of strengthening client relationships and thereby driving incremental growth in our priority accounts • Client acceptance approval, including a Public Interest Review Group to assess the public interests risks of potential engagements • KPIs that are aligned to the strategy and monitored, including regular monitoring of financial discipline through firm’s Chief Operating Officer network • Portfolio Risk Review including the active review of the portfolio of the entities we audit to ensure the fee structures allow us to sufficiently invest in quality, risk management and resources. This includes considering: unrealistic deadlines; quality of management information; engagement of management and those charged with governance; and occasions where fees do not reflect the required audit work and effort • Enterprise risks specifically focussed on audit quality and mitigating the delivery risk associated with large-scale, complex engagements • Incident and crisis management frameworks 	<table border="1" data-bbox="1117 392 1509 448"> <thead> <tr> <th data-bbox="1117 392 1220 448">FY18</th> <th data-bbox="1220 392 1324 448">FY19</th> <th data-bbox="1324 392 1428 448">FY20</th> <th data-bbox="1428 392 1509 448">FY21</th> </tr> </thead> <tbody> <tr> <td data-bbox="1117 448 1220 526" style="text-align: center;">—</td> <td data-bbox="1220 448 1324 526" style="text-align: center;">↑</td> <td data-bbox="1324 448 1428 526" style="text-align: center;">—</td> <td data-bbox="1428 448 1509 526" style="text-align: center;">↑</td> </tr> </tbody> </table> <p data-bbox="1117 548 1509 1153">The risk exposure trend is increasing as a result of: the growth in large-scale technology and business transformation engagements; demand for complex deal structures; heightened sensitivity to operating in certain sectors and the compatibility of doing so with our wider purpose; and the incremental risk associated with evolving services and business models such as sustainability and operate. The mix of industry and sector concentration has been impacted by COVID-19 although the pipeline of work remains strong and is being closely monitored.</p>	FY18	FY19	FY20	FY21	—	↑	—	↑
FY18	FY19	FY20	FY21							
—	↑	—	↑							

Priority risks	Mitigations	Risk exposure trend at 31 May			
 <p>Economic, political & competitor shifts</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • Ability to adapt the strategy and business model to capitalise on emerging long term societal and commercial trends • Ability to anticipate and respond to economic and political uncertainty • Ability to adapt and respond swiftly to new market entrants and competitor moves 	<ul style="list-style-type: none"> • Four-year strategy, aligned to Deloitte globally, with annual planning and priorities • Market reviews assessing the macro trends driving our markets focusing on the near-term (next four years) and key themes that might characterize our market post COVID-19 but consideration also given to a longer-term “10-year view” • Strategic actions designed to build greater agility into the operating model and enable us to be better able to respond to external trends more effectively • Decision-making processes close to the market (e.g. sector strategy development) • Economic scenario modelling, including downturn planning, underpinning firm executive decision-making • Scorecard and KPIs to measure and track progress of the strategy • Competitor trend monitoring 	FY18	FY19	FY20	FY21
		—	—	—	—
		<p>A new risk for FY21 with stable trending during the year. Progress has been made against strategic and operational initiatives and there is increased optimism for economic recovery following the ongoing rollout of vaccines and the gathering US recovery. Reduced economic and political uncertainty is offset by a greater focus on competitor risk including new and disruptive market entrants.</p>			
 <p>Resilience of the financial & operating model to future shocks</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • Insufficient financial discipline and management of the cost base • A prolonged downturn and/or future waves of COVID-19 lead to liquidity and resilience concerns • Ability to capitalise on beneficial operating model changes and opportunities created by COVID-19 	<ul style="list-style-type: none"> • Enabling area transformation and digitalisation of the business • Cost control reviews • Strategic and operational targets embedded within the business • Regular monitoring of financial discipline through firm’s Chief Operating Officer network • Lender and banking facility reviews • Contingency and business continuity planning • Property strategy and future-of-work programme to adapt to new ways of working 	FY18	FY19	FY20	FY21
		↑	↑	↑	—
		<p>Upward pressure as a result of market uncertainty and COVID-19 has been offset by a robust management response including improved governance processes, close control of liquidity and profitability and progress against strategic and operational initiatives. As a result the risk remains stable.</p>			

Priority risks	Mitigations	Risk exposure trend at 31 May			
 <p>Ability to adapt and deliver future change</p> <p>Threat narrative</p> <ul style="list-style-type: none"> Capacity for complex change within current governance and operating model 	<ul style="list-style-type: none"> Transformation Management Office operating under an Executive mandate Managing Partner Transformation sits on the UK Operating and Transformation Committee Managing Partner Transformation sits on the UK Business Executive (to manage key inter-dependencies and risks with the businesses and enabling function leaders) Project review and approval governance processes Enabling area transformation and digitalisation of the business Transformation projects led by relevant experts Improved reporting functionality and monitoring benefits realisation against original business cases 	FY18	FY19	FY20	FY21
		—	—	—	—
		<p>A new risk for FY21 with stable trending at the year end as a result of a clear Executive mandate, creation of a dedicated team of specialists, improved project approval governance processes and the monitoring and reporting of benefits realisation.</p>			
 <p>Operational separation</p> <p>Threat narrative</p> <ul style="list-style-type: none"> Plan does not maximise benefit for the whole firm Plan at odds with FRC principles and expectations Transition timetable is not met Services required from outside the ringfence to deliver the new audit product are not appropriately considered Ringfence pricing concerns Unclear reporting arrangements Key performance indicators not timely or accurate Inability to deliver quality audits 	<ul style="list-style-type: none"> Collaboration principles including incentives and behaviours Objective Oversight Body set up to determine annual ALP Controls mapped to principles Accountability paper Project governance structure NAA input to operations activities Ring fence permissible services training Arms Length Pricing Policy document, guide and training ToR for AGB Portfolio reporting using data analytics MDM forum set up to maximise benefit for whole firm Leadership roles policy and forum set up 	FY18	FY19	FY20	FY21
		—	—	—	↓
		<p>Risk added to the framework during the year to reflect delivery of operational separation. The firm implemented the majority of operational separation of its Audit & Assurance business on 1 June 2021 and will use the transition period to 1 June 2024 to fine-tune the operating model, controls, reporting and transparency mechanisms, with the risk likely to evolve to reflect changing priorities and drivers.</p>			

	Priority risks	Mitigations	Risk exposure trend at 31 May			
	Brexit		FY18	FY19	FY20	FY21
	<p>Threat narrative</p> <ul style="list-style-type: none"> • Legal structure does not meet ownership requirements for UK audit firms • Recruitment processes do not satisfy the new UK residency and immigration requirements • People mobility adversely impacted by updated EU entry requirements • Data transfers to the EEA do not meet EU GDPR requirements • Audit registration requirements are not met for UK audited entities listed in an EU jurisdiction • Financial risks including foreign exchange, finance systems and banking facilities • Supply-chain disruption 	<ul style="list-style-type: none"> • Project implemented to provide operational oversight of firm's Brexit readiness • Revised group structure established • HR impact assessment and advice provided to partners and staff • Pre-Travel Assessment process continuously updated • Regular internal communications including Brexit FAQs • EU representative appointed for GDPR purposes and contract remediation exercise undertaken • Registration as statutory auditor in relevant EU jurisdictions • Implementation plan developed to address Audit regulation concerns • Appropriate financial hedging implemented • Finance system updates • Banking facilities renegotiated • Contingency plans agreed with key suppliers 	—	—	—	
			<p>Previously a risk driver of the <i>Economic, political and competitor</i> shifts risk, Brexit was escalated to a principal business risk for FY21. A comprehensive project with 12 workstreams was established to prepare for Brexit with the objectives of: preserving business-as-usual as far as possible and mitigating the impact when not possible; minimising the impact on our people; and continuing to provide the best possible service to clients. The risk exposure has significantly reduced following completion of the readiness project and the signing of the EU-UK Trade and Cooperation Agreement.</p>			

Security, confidentiality and data protection

Protecting confidential and personal data is of paramount importance across the firm. Over the past year we have continued to support our people to develop and manage risks relating to known ways of working, as well as those that are new and unfamiliar.

What is the leadership structure?

Mark Mullins, Managing Partner for Quality, Risk & Security, is a member of the firm's Executive Group. He is supported by the UK Security Executive, which comprises lead partners from relevant functions including Quality & Risk Management business leaders, Deloitte Business Security (DBS), Information Security, IT and other support functions, as well as our own Cyber Security Risk advisory practice experts when required.

How do you prepare and respond to the ever-evolving threat and business landscape?

- **Securing our people:** Firmwide communication is central to our approach. During the past year an NSE Security Awareness Programme was rolled-out to 50,000 employees in 28 countries comprising a combination of campaigns promoted by business-focused security champions, mandatory e-learning and phishing drills. It seeks to address risks stemming from both external cyber-attacks and the actions and behaviours of our own people. This builds on the mandatory information security and data protection training for all new joiners.
- **Security and privacy by design:** Ensuring security and privacy are embedded from the outset, DBS has been actively involved in multiple business initiatives including new Deloitte acquisitions, delivery centre governance, accreditations & Deloitte Global Member Firm Standards security.
- **Assurance, certification and accreditation:** We remain ISO 27001 and Cyber Essentials Plus accredited and have an accountability framework and appropriate technical and organisational measures to comply with the EU General Data Protection Regulation (GDPR), the Data Protection Act 2018 and other relevant worldwide data protection laws.
- **Risk management:** Security teams in the UK and globally help to protect Deloitte from ever-evolving cyber threats, including criminals and Advanced Persistent Threat Actors. We ensure these threats are mapped to existing controls and the remediation of any gaps is prioritised through integration into the firm's Enterprise Risk Framework.

What security challenges likely lie ahead?

- **Adapting to business change:** We continue to adapt to the new ways of working and to support our people and the client engagements they are involved with. Other challenges Deloitte will face over the next year include responding to the changing nature of the new products and services we offer, for example increasing use of AI and digital assets, as well as continuing to integrate and align DBS functions across NSE.
- **Evolving threat landscape:** Threat actors continue to adapt their own tools and tactics which has seen new and evolving cyber threats, from scams to ransomware attacks, which exploit the greater current reliance on and practice of remote working. These threats extend to third parties such as suppliers, as well as our own people and firm - we have rolled out an extensive Third-Party Risk Management solution which assesses, screens and monitors our wider physical and digital footprint.

What happens when things go wrong?

While our goal is always to proactively pre-empt and address security, confidentiality and data risks, when data is identified as at risk or when a possible breach has occurred, a rapid escalation process is activated, involving incident response teams to diagnose and address any issues arising. Incidents can be escalated 'bottom up' or 'top down', as set out in the crisis management framework and based upon the potential impact of the situation. This will usually be done by conferring with the leader of the next team up, before invoking that body or escalating internally to the relevant Lead Client Service Partner.



Appendices



Appendix 1: Executive Group, Audit Governance Board, and UK Oversight Board members including biography and meeting attendance details¹¹

1. Current Deloitte UK Executive

Richard Houston, UK Senior Partner & Chief Executive *

In addition to UK Senior Partner and Chief Executive, Richard is Senior Partner and Chief Executive of Deloitte NSE, the second largest member firm in the Deloitte network. Richard leads several key People & Purpose campaigns for Deloitte on topics including digital exclusion, diversity and inclusion, and mental health. Richard has over 22 years of experience in Consulting. He joined Deloitte in 2002, having previously worked at Andersen and in the financial services industry.

- Exec meetings: attended 57/57 during FY21

Dan Barlow, UK Managing Partner Regions

As Managing Partner for Deloitte's Regional Markets, Dan represents and oversees all seven of Deloitte's UK regions outside of London. Dan is a tax partner, specialising in indirect tax advice. He has worked at Deloitte for 25 years, 16 of which as partner.

- Exec meetings: attended 23/23 during FY21 (Dan joined the UK Executive during FY21)

Richard Bell, UK Managing Partner Financial Advisory

Richard has been Managing Partner of UK Financial Advisory since 2018, prior to which he was Managing Partner for Regions. He joined Deloitte in 1987 and became a partner in 2001. Richard specialises in transaction services to corporate, private equity and other financial institutions.

- Exec meetings: attended 55/57 during FY21

Pauline Biddle, UK Managing Partner Clients & Industries

Pauline is a Financial Advisory Transaction Services partner, providing buy and sell-side diligence, in addition to capital markets transaction support with a focus on the FTSE100 and FTSE250. Pauline became a partner in 2005 and has been with the firm for 29 years. She was Managing Partner Regions before taking on the Clients & Industries role on the UK Executive last year.

- Exec meetings: attended 53/57 during FY21

Emma Cox, UK Managing Partner Deloitte Private

As Managing Partner of Deloitte Private, Emma oversees the services Deloitte provides in support of privately-owned businesses, their founders and investors. Her own personal focus is leading and delivering CFO advisory services to companies owned by private equity firms. Prior to that, Emma was an audit partner for 15 years and led the firm's Private Audit & Assurance business. Emma has been with Deloitte since 2002.

- Exec meetings: attended 57/57 during FY21

¹¹ To note: * where used throughout this appendix denotes the individual also holds an NSE leadership role

Dominic Graham, UK Managing Partner Consumer

Dom co-ordinates sector specialists across financial advisory, consulting, tax and assurance teams in providing advice around optimising shareholder value. Dom has been at Deloitte since 1998 and has extensive transaction support experience. He leads Deloitte's UK private equity business, has worked with and leads relationships with major private equity organisations, and also works with the real estate industry.

- Exec meetings: attended 57/57 during FY21

Stephen Griggs, UK Managing Partner *

In addition to his UK Managing Partner role, Stephen is a senior audit partner specialising in large public company audits and transaction projects across a broad range of industry sectors. He also has responsibility for public policy and was previously Deputy CEO and Managing Partner of Audit & Assurance in both the UK and NSE, as well as the former Deloitte UK CFO. Stephen joined Deloitte 19 years ago.

- Exec meetings: attended 55/57 during FY21

Richard Hammell, UK Managing Partner Financial Services

Richard has over 30 years' experience in the industry. He leads a team responsible for providing comprehensive solutions relating to sustainable finance, international competitiveness, structural efficiency and digital innovation, as well as customised services for a range of financial services sectors. He joined Deloitte in 2000, has been a partner since 2004, and has led the Financial Services industry group since March 2020.

- Exec meetings: attended 56/57 during FY21

Jackie Henry, UK Managing Partner People & Purpose

Jackie was appointed Managing Partner for People & Purpose in May 2021 and is Deloitte Northern Ireland Office Senior Partner. She started her career with Deloitte in Belfast in 1989, became a partner in 2004 and for the past seven years has been lead partner in Northern Ireland and has previously served as Consulting People & Purpose lead. Jackie has over 30 years' experience of supporting the transformational change of Northern Ireland, in particular within the public sector. In 2017, She was awarded an MBE for services to the Northern Ireland economy.

- Exec meetings: attended 3/3 during FY21 (Jacqui joined the UK Executive during FY21)

Simon Kerton-Johnson, UK Managing Partner Transformation

As Managing Partner for Transformation, Simon is responsible for all of the firm's major transformation programmes in relation to establishing new ways of working and digitising the business. Simon is a vice chair of Deloitte UK and a Consulting partner; he has been with the firm for 27 years and became a partner in 2006.

- Exec meetings: attended 31/31 during FY21 (Simon joined the UK Executive during FY21)

Anne-Marie Malley, UK Managing Partner Consulting

Anne-Marie joined Deloitte in 1996. She has over 21 years' experience in Consulting working predominantly in the private sector. Prior to her current appointment, Anne-Marie was the Human Capital Leader. She has spoken widely about the societal impact of consulting, the importance of purpose, the changing business landscape and the future of work.

- Exec meetings: attended 53/57 during FY21
-

Andy Morris, UK Managing Partner Risk Advisory

Andy became Managing Partner Risk Advisory in 2019. He has been at Deloitte since 2002 and a partner since 2005, working with a broad range of FTSE100 organisations with a particular focus on technology and digital risk, and internal controls. Andy previously held a number of leadership roles within Risk Advisory and the Consumer industry group.

- Exec meetings: attended 57/57 during FY21

Mark Mullins, UK Managing Partner Quality, Risk & Security

Mark has 36 years' professional experience including 25 as an audit partner; he has been at Deloitte since 1989. He has held roles as a Board member, member of the Audit Executive and COO of the Audit business. Marks also previously served as the COO of Deloitte CIS, based in Moscow. As an audit partner he has worked extensively with UK listed global manufacturing, engineering and services businesses.

- Exec meetings: attended 53/57 during FY21

Paul Stephenson, UK Managing Partner Audit & Assurance

Paul was appointed Managing Partner Audit & Assurance in September 2020. Prior to his appointment, Paul was the COO of the UK Audit & Assurance business. He has been with Deloitte for 31 years, becoming a partner in 2006. He specialises in delivering audit and assurance services to the insurance sector.

- Exec meetings: attended 31/31 during FY21 (Paul joined the UK Executive during the FY21)

Lisa Stott, UK Managing Partner Tax & Legal

Lisa joined as a graduate in 1988 and became a partner in 1999. Prior to taking on the UK Tax & Legal Managing Partner role, she was on the Global Tax Executive with a focus on international tax, transfer pricing and tax M&A. Lisa's experience lies in advising large multi-national corporations on corporate tax restructuring and reorganisation.

- Exec meetings: attended 3/3 during FY21 (Lisa joined the UK Executive during FY21)

Donna Ward, UK Chief Financial Officer *

Donna is the CFO of both Deloitte UK and Deloitte NSE. She was previously the COO of Risk Advisory in the UK and has been with Deloitte since 2001.

- Exec meetings: attended 57/57 during FY21
-

2. Former UK Executive members

The following were members of the UK Executive during FY21; their meeting attendance for the (relevant part of that) year is shown below:

Dimple Agarwal

- Exec meetings: attended 36/45 during FY21
-

Matt Ellis

- Exec meetings: attended 53/54 during FY21
-

David Noon

- Exec meetings: attended 22/22 during FY21
-

Nigel Wixcey

- Exec meetings: attended 22/22 during FY21
-

3. Current Deloitte Audit Governance Board members

Margaret, Baroness Ford of Cunninghame OBE, Non-Executive and Chair of the UK Audit Governance Board *

Baroness Ford was appointed as a Non-Executive on the Deloitte UK Oversight Board and the NSE Board in August 2020. She was appointed as Chair of the Deloitte Audit Governance Board when it was established in January 2021.

She has over 25 years' experience as a non-executive director and chair of private and listed companies, and government bodies. She currently chairs NewRiver REIT plc, is a senior advisor to the Lendlease Corporation and chairs the Challenge Board of the building renewal programme at Buckingham Palace. She is also a Trustee of the British Olympic Association, and National President of Epilepsy Action.

Baroness Ford's previous corporate experience includes chairing STV plc, Grainger plc, May Gurney Integrated Service plc, and Barchester Healthcare Ltd. In the public sector she chaired the English Partnerships (now Homes England), and the Olympic Park Legacy Company. She sits as a crossbench peer but is currently on a leave of absence from the House of Lords.

- AGB meetings: attended 3/3 during FY21

Jim Coyle, Non-Executive

Jim was appointed as a Non-Executive on the Deloitte UK Oversight Board in January 2019 and is Deputy Chair. He was appointed as a member of the Deloitte Audit Governance Board when it was established in January 2021. He also chairs the INE Oversight Committee, which comprises the Deloitte Non-Executives and provides a forum for 'deeper dives' into specific areas of public interest.

After 25 years in financial services, Jim retired as Group Financial Controller/Deputy Finance Director at Lloyds Banking Group in May 2015. Prior to that he held the position of Divisional Finance Director, Group Operations as well as Group Chief Accountant at the Bank of Scotland. Before joining Lloyds, Jim held senior finance positions at BP for ten years.

Jim is currently on the Board of HSBC UK Bank plc – for which he is also the Chair of the Audit Committee – as well as Marks & Spencer Financial Services plc. He is also Chair of the Audit & Risk Committee at Scottish Water and Senior Independent Director and Chair of the Audit & Risk Committee at Honeycomb Investment Trust plc. Jim holds a degree in Law and Accountancy from Glasgow University and qualified as a chartered accountant with KPMG.

- AGB meetings: attended 3/3 during FY21

Almira Delibegovic-Broome QC, Non-Executive

Almira was appointed as a Non-Executive on the Deloitte UK Oversight Board in March 2020 and on the Deloitte Audit Governance Board when it was established in January 2021.

She is a senior member of the Bar in Scotland, specialising in company and insolvency law. Almira is also a member of the Business Committee of the General Council of the University of Edinburgh, a non-executive member of the Advisory Board for the Accountant in Bankruptcy¹² and a member of the Board for the charity Remember Srebrenica (Scotland).

Originally from Bosnia-Herzegovina and now living in Edinburgh where she completed her undergraduate studies, Almira obtained her Master of Laws at Harvard Law School. Her previous experience includes time as a Visiting Scholar at Harvard Law School and as a Senior Research Fellow for the Committee on Capital Markets Regulation in the US.

- AGB meetings: attended 3/3 during FY21
-

¹² The Scottish Government agency responsible for administering the process of personal bankruptcies and recording corporate insolvencies in Scotland

Shirley Garrod, Non-Executive

Shirley was appointed as an Non-Executive on the Deloitte UK Oversight Board in May 2020, providing oversight of the external audit business only. In January 2021, Shirley stepped down from the UK Oversight Board and became a member of the Deloitte Audit Governance Board upon its establishment.

She was Chief Financial Officer of Henderson Group plc from 2009-2013 and is currently Chair of the Audit and Risk Committee at the BBC, Chair of Royal London Asset Management and a member of the board of Royal London Mutual Insurance Society. Her previous non-executive roles include Deputy Chair and Chair of the Audit Committee at esure Group plc until 2019, and Senior Independent Director and Chair of the Risk Committee at Hargreaves Lansdown plc until 2020.

As well as working in financial roles, Shirley was previously Chief Operating Officer at Henderson Group plc and at Morley Fund Management (part of Aviva). She also served as a governor of the Peabody Trust housing association. She graduated in Economics and Accounting from the University of Bristol and is a qualified Chartered Accountant and Corporate Treasurer.

- AGB meetings: attended 3/3 during FY21

Stephen Griggs, UK Managing Partner *

[See Deloitte UK Executive members].

- AGB meetings: attended 3/3 during FY21

Paul Stephenson, UK Managing Partner Audit & Assurance

[See Deloitte UK Executive members].

- AGB meetings: attended 3/3 during FY21

Steve Williams, UK Partner *

[See Deloitte UK Oversight Board members].

- AGB meetings: attended 3/3 during FY21
-

4. Current Deloitte UK Oversight Board members

Steve Williams, Chair of the UK Oversight Board *

Steve has been with Deloitte UK for 20 years and a partner since 2003. In total he has spent nearly three decades with Deloitte member firms working in a number of countries. Steve is also a member of the Regions Executive, the Practice Senior Partner for Scotland and Northern Ireland and Chair of the NSE Audit & Risk Committee.

- UKOB meetings: attended 6/6 during FY21
-

Richard Houston, UK Senior Partner and CEO *

[See Deloitte UK Executive member].

- UKOB meetings: attended 6/6 during FY21
-

Stephen Griggs, UK Managing Partner *

[See Deloitte UK Executive member].

- UKOB meetings: attended 6/6 during FY21
-

Kalvinder Dhillon, Vice Chair Deloitte UK *

Kalvinder's experience over the past 25 years has focused on the consumer business and technology, media and telecoms industries. She is a member of the Board of Deloitte NSE, a vice chair of the UK Firm and Chair of the Deloitte NSE People & Purpose Committee. She has been a Deloitte UK partner since 2007.

- UKOB meetings: attended 6/6 during FY21
-

Karen McNicholls, UK Partner *

Karen leads the London & Cambridge Private Tax Group and the Professional Practices Tax team. She is also an elected board member of Deloitte NSE. Karen's core focus is advising other professional services firms, especially complex partnerships, on their UK and international structure, mergers, acquisitions and partner reward models. She has been a Deloitte UK partner since 2006.

- UKOB meetings: attended 2/2 during FY21 (Karen joined the UKOB during FY21)
-

Jim Coyle, Non-Executive and Deputy Chair of the UK Oversight Board

[See Deloitte UK Audit Governance Board members].

- UKOB meetings: attended 6/6 during FY21
-

Almira Delibegovic-Broome QC, Non-Executive

[See Deloitte UK Audit Governance Board members].

- UKOB meetings: attended 6/6 during FY21
-

Margaret, Baroness Ford of Cuninghame OBE, Non-Executive *

[See Deloitte UK Audit Governance Board members].

- UKOB meetings: attended 6/6 during FY21
-

5. Former UK Oversight Board members

The following were members of the UKOB during FY21; their meeting attendance for the (relevant part of that) year is shown below:

Maxine Saunders, Vice Chair Deloitte UK

- UKOB meetings: attended 4/4 during FY21
-

Shirley Garrod, Non-Executive

- UKOB meetings: attended 3/3 during FY21
-

Appendix 2: Financial information

Disclosure in accordance with Article 13.2 (k) (i)-(iv) of the EU Audit Regulation and the schedule to The Local Auditors (Transparency) Regulations 2020

We have extracted the following financial information from Deloitte's audited financial statements and financial records for the year ended 31 May 2021.

The figures indicate the relative importance of audit work for EU PIEs¹³, non-PIEs and local audits, and the levels of non-audit services provided to entities for which Deloitte is – and is not – the auditor. They relate to the UK only.

UK Revenue	FY21		FY20		FY19	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	£m	%	£m	%	£m	%
Statutory audit (PIEs and their subsidiaries) ¹⁴	249	6	238	6	187	5
Statutory audit (non-PIEs and their subsidiaries)	324	8	270	7	282	8
Audit & directly related services	573 ¹⁵	15 ¹⁶	508	14 ¹⁶	469	14 ¹⁶
Non-audit services (audited entities)	288 ¹⁷	7	224	6	195	6
Non-audit services (non-audited entities)	3,002	78	2,967	80	2,763	81
Total (UK only)	3,864¹⁶	100	3,699	100	3,427	100¹⁶

Revenue is recognised for the reportable period on a basis consistent with the firm's audited consolidated financial statements:

- Revenue represents amounts recovered or recoverable from clients and the entities we audited during the year, exclusive of Value Added Tax. Recoverable amounts reflect the fair value of the services provided to those entities based on the stage of completion of each engagement including expenses and disbursements, as at 31 May 2021.
- For FY21, revenue was in line with forecast, with staff transitioning well to remote working following the lockdown at the end of the last financial year. Revenue increases were reflective of increased audit activity across both our PIE and non-PIE portfolios.
- Our Audit & Assurance business implemented the majority of operational separation at the end of FY21, which includes the phased implementation of transfer pricing, in line with FRC principles. While we expect revenues to continue to grow in FY22, costs are also expected to increase as part of this phased implementation.
- Our firmwide results and performance are covered in our financial statements.

¹³ See definition in Appendix 6

¹⁴ Includes revenue in respect of the first year of an audit of an EU PIE where the UK firm has not signed an audit opinion during the year (e.g. Lloyds Banking Group PLC for its year ending 31 December 2021). Does not include revenue in respect of the audit of an EU PIE where the UK firm provides audit services in support of the audit work of another firm in the Deloitte Network (and the UK firm does not sign the audit opinion, e.g. Nokia Oyj)

¹⁵ Of which £3.1m relates to local audit work in FY21 (£1.8m in FY20). The increase reflects a number of factors including changes in national timetables for local audits as a result of the COVID-19 pandemic, effectively moving more work into 2020/21, and changes in scope as a result of the new Code of Audit Practice, additional issues arising from the COVID-19 pandemic, and auditing standard changes

¹⁶ Difference is due to roundings

¹⁷ Of which £0.0m relates to local audit work in FY21 (£0.2m in FY20)

Appendix 3: Deloitte Gibraltar

As set out at the start of this Report, Deloitte Limited is the Deloitte practice operating in Gibraltar that has been a subsidiary of Deloitte LLP since 1 June 2017.

Transparency Report disclosures are driven by the EU Audit Regulation and are reflected in this Report as set out below.

Provision of Article 13.2	Where this can be found in this Report
<p>a. A description of the legal structure and ownership of the audit firm;</p>	<p>Deloitte operates in Gibraltar through Deloitte LLP's wholly owned subsidiary, Deloitte Limited, a company registered in Gibraltar. Deloitte Limited is approved as a statutory auditor by the Gibraltar Financial Services Commission under the Gibraltar Financial Services Act 2019.</p>
<p>b. Where the statutory auditor or the audit firm is a member of a network:</p> <p>(i) A description of the network and the legal and structural arrangements in the network;</p> <p>(ii) The name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;</p> <p>(iii) The countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business;</p> <p>(iv) The total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements;</p>	<p>See:</p> <p>(i) Deloitte network</p> <p>(ii), (iii) and (iv) Appendix 5 - EU/EEA audit firms</p>
<p>c. A description of the governance structure of the audit firm;</p>	<p>Deloitte Limited is governed by a board of directors, which currently consists of one locally based partner¹⁸ and two UK partners. The board meets at least quarterly and is responsible for overseeing the legal and regulatory requirements of the company, as well as its local operations and future development.</p>

¹⁸ Note: there are no equity partners in Gibraltar

<p>d. A description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;</p>	<p>See Report on the work of the Audit Governance Board and UK Oversight Board.</p>
<p>e. An indication of when the last quality assurance review referred to in Article 26 was carried out;</p>	<p>Deloitte Limited and its individual statutory auditors are regulated by the Gibraltar Financial Services Commission (GFSC). The most recent quality assurance review by the GFSC was carried out in March 2020.</p> <p>The latest annual report on audit supervision can be found here.</p>
<p>f. A list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year;</p>	<p>Admiral Insurance (Gibraltar) Limited Bank J. Safra Sarasin (Gibraltar) Ltd Bray Insurance Company Limited Douglas Insurance (Gibraltar) Limited London & Colonial Assurance PLC Petrus Insurance Company Limited Skyfire Insurance Company Limited STM Life Assurance PCC PLC Turicum Private Bank Limited</p>
<p>g. A statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted;</p>	<p>See Independence</p>
<p>h. A statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13¹⁹ of Directive 2006/43/EC;</p>	<p>See Delivery quality audits</p>
<p>i. Information concerning the basis for the partners' remuneration in audit firms;</p>	<p>See Delivering quality audits – Our people sub-section and The basis for partners' remuneration</p>

¹⁹ Member States shall ensure that statutory auditors are required to take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values at a sufficiently high level, and that failure to respect the continuing education requirements is subject to appropriate penalties as referred to in Article 30 [Article 30 relates to Systems of investigations and penalties]

j. A description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7)²⁰;

See [Delivering quality audits – Our enhanced audit quality sub-section](#)

k. Where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories:

- (i) Revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity;
- (ii) Revenues from the statutory audit of annual and consolidated financial statements of other entities;
- (iii) Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and
- (iv) Revenues from non-audit services to other entities.

Total turnover of Deloitte Limited by category:

	Year ended 31 May 2021 £'000s	Year ended 31 May 2020 £'000s	Year ended 31 May 2019 £'000s
Statutory audit of EU PIE's and entities belonging to a group of undertakings whose parent undertaking is an EU PIE	442	454	636
Statutory audit of other entities	1,350	1,227	1,213
Permitted non-audit services to audited entities	203	389	367
Non-audit services to other entities	1,824	2,497	1,903
	3,819	4,567	4,119

To note: The transparency report shall be signed by the statutory auditor or the audit firm.



²⁰ The key audit partners responsible for carrying out a statutory audit shall cease their participation in the statutory audit of the audited entity not later than seven years from the date of their appointment. They shall not participate again in the statutory audit of the audited entity before three years have elapsed following that cessation

Appendix 4: Local Audit disclosure requirements

Local Audit Transparency Report disclosures are driven by The Local Auditors (Transparency) Regulations 2020 and are reflected in this Report as and where set out below.

Provision per the schedule to the Regulations	Where found in this Report/information specific to Local Audit
<p>a. A description of the legal structure, governance and ownership of the transparency reporting local auditor;</p>	<p>See Governance, legal structure and Deloitte network</p>
<p>b. Where the transparency reporting local auditor belongs to a network, a description of the network and the legal, governance and structural arrangements of the network;</p>	<p>See Governance, legal structure and Deloitte network</p>
<p>c. A description of the internal quality control system of the transparency reporting local auditor and a statement by the administrative or management body on the effectiveness of its functioning in relation to local audit work;</p>	<ul style="list-style-type: none"> • In accordance with the schedule of The Local Auditors (Transparency) Regulations 2020, and based on the practice review carried out in 2020 and the status of the 2021 practice review that will be finalised in September 2021, the Audit & Assurance Executive is satisfied that our internal quality controls and systems are, in general, robust and operating effectively in regard to the local audits and allow us to readily identify any areas of potential improvement or refinement. • We continually seek to improve all aspects of our business, including in relation to local audits, and we use the findings of the practice review, other internal reviews and external regulatory reviews to enhance our SQC. The results of local audit practice review are presented within the overall practice review results for the firm. • The firm also conducts an annual review of the ongoing effectiveness of the firm’s systems of internal financial, operational and compliance controls and risk management systems, as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the firm. • A statement regarding the effectiveness of the firm’s system of internal control is included in the Report on the work of the Audit Governance Board and UK Oversight Board, which also covers local audit. • To note: structurally our public sector audit teams were in the Public Audit Practice, but are part of the Large & Complex Practice from 1 June 2021.

d. A description of the transparency reporting local auditor's independence procedures and practices including a confirmation that an internal review of independence practices has been conducted;

[See Independence](#)

Also:

- The specific independence requirements applicable to local audits include the requirements of the National Audit Office's Code of Audit Practice and Auditor Guidance Note 1 'General Guidance Supporting Local Audit'. The Code of Audit Practice recently changed (see [Code of Audit Practice 2020²¹](#)), with effect for March 2021 year-ends. The local audits we have made an audit report upon during FY21 were conducted in line with the previous version of the Code (March 2019 and March 2020 year ends).
- Our local audit engagement leads and staff, together with our Independence Team, are experienced in considering local audit specific requirements where they add to those of the FRC's Ethical Standard.

e. Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained;

- All of our engagement leads for local audit work are public sector specialists and have been accredited as 'Key Audit Partners' by the ICAEW. Our process in submitting candidates for accreditation includes specific consideration of their competence to undertake local audit work. The allocation of engagement leads to individual engagements takes account of the nature of the engagement and the skills and experience of the individual. During FY21, we have increased capacity within our public sector team by hiring a new public sector specialist partner, and accrediting two additional Key Audit Partners internally.
- Staff working on local audit assignments receive suitable training. In addition to the audit-wide learning programmes detailed in the Report - see [Delivering quality audits - Our people section](#) - specific NHS and Local Government training courses are delivered nationally to our staff to address sector-specific learning requirements. This is supplemented by regular sector conference calls for field managers and above discussing emerging issues and guidance. During the year, there were also more 'deep-dives' into specific technical issues and areas such as capital accounting and grant income, and a session focussed on pension fund audits.
- Training for March 2021 year-end audits included the changes to Value for Money requirements under the 2020 Code of Audit Practice and revised Auditor Guidance Note 03, Value for Money. Engagement teams were also supported with templates reflecting the new requirements.
- Our audit teams are supported by relevant specialists with sector knowledge, including actuarial and property valuation specialists, to address areas of greater risk and complexity in local audits.

²¹ The new Code came into force on 1 April 2020, following a consultation process in 2019. The principal changes relate to the work that local auditors are required to do in respect of arrangements to secure value for money.

	<ul style="list-style-type: none"> • Additional briefing calls were held for both NHS and Local Government audits to address key current issues in April 2020, including the impact of COVID-19 on our audits. Sector specific work papers were prepared covering relevant auditing and accounting issues, including those highlighted in guidance from the FRC, National Audit Office, NHS Improvement and CIPFA, as well as relevant considerations from internal risk assessment of the impact on each sector. COVID-19 issues were frequently considered in sector conference calls and reflected in training courses for March 2021 year-end audits. • In relation to climate change and sustainability, for March 2021 year-end audits, we have increased the consideration of the impact of climate change on property valuations, with engagement teams encouraged to challenge how valuers had taken this into account, in particular for Modern Equivalent Asset valuations. Public sector specific training on considering the accounting, auditing and disclosure issues relating to climate change and sustainability is planned ahead of March 2022 year-end audits. • We actively engage with the working groups hosted by the National Audit Office with representatives from each of the firms that carry out local audit work, including the Local Auditors Advisory Group, NHS Technical Network, Local Government Technical Network, and Value for Money Technical Network. Issues arising through these fora are communicated to partners and staff working on local audits through e-mails and/or the regular sector conference calls.
<p>f. A statement of when the last monitoring of the performance by the transparency reporting local auditor of local audit functions, within the meaning of paragraph 23 of Schedule 10 to the 2006 Act, as applied in relation to local audits by Section 18 and paragraphs 1, 2 and 28(7) of Schedule 5 to the 2014 Act, took place;</p>	<ul style="list-style-type: none"> • All local audits are included within the scope of our audit quality control system, including practice review.
<p>g. A list of major local audits in respect of which an audit report has been made by the transparency reporting local auditor in the financial year of the auditor; and any such list may be made available elsewhere on the website specified in regulation 4 provided that a clear link is established between the transparency report and such a list;</p>	<p>The organisations below are the only relevant authorities:</p> <ol style="list-style-type: none"> a) Which constitute a ‘major local audit’ for the purposes of Regulation 12 of The Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014 (SI 2014/1627); and b) For which Deloitte LLP signed an audit report on its annual financial statements during the year ended 31 May 2021. <ul style="list-style-type: none"> • Imperial College Healthcare NHS Trust • London Borough of Ealing • North Yorkshire County Council • South Yorkshire Pensions Authority • Wiltshire Council

<p>h. A statement on the policies and practices of the transparency reporting local auditor designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level;</p>	<p>Please refer to point e. above</p>
<p>i. Turnover for the financial year of the transparency reporting local auditor to which the report relates, including the showing of the importance of the transparency reporting local auditor's local audit work; and</p>	<p>See Appendix 2: Financial information</p>
<p>j. Information about the basis for the remuneration of partners.</p>	<ul style="list-style-type: none"> • Local audit partners were included in the FY21 audit appraisal process. As for other audit partners, the key element in partners' audit quality evaluation is the Audit Quality Remuneration Committee. • See Delivering quality audits - Our people

Appendix 5: EU/EEA audit firms

Disclosure in accordance with Article 13.2 (b)(ii)-(iv) of the EU Audit Regulation

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	Name of audit firms carrying out statutory audits in each member state
Austria	Deloitte Audit Wirtschaftsprüfungs GmbH
	Deloitte Burgenland Wirtschaftsprüfungs GmbH
	Deloitte Niederösterreich Wirtschaftsprüfungs GmbH
	Deloitte Oberösterreich Wirtschaftsprüfungs GmbH
	Deloitte Salzburg Wirtschaftsprüfungs GmbH
	Deloitte Tirol Wirtschaftsprüfungs GmbH
	Deloitte Wirtschaftsprüfung Styria GmbH
Belgium	Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises BV / SRL
Bulgaria	Deloitte Audit OOD
Croatia	Deloitte d.o.o. za usluge revizije
Cyprus	Deloitte Limited
Czech Republic	Deloitte Audit s.r.o.
Denmark	Deloitte Statsautoriseret Revisionspartnerselskab
Estonia	AS Deloitte Audit Eesti
Finland	Deloitte Oy
France	Deloitte & Associés
	Deloitte Marque & Gendrot
	Audalian Commissaire
	BEAS
	Cisane
	Constantin Associés
	DB Consultant
	ECA Audit
	Jacques Serra et Associés
	Jacques Serra et Associés
	Durand & Associés
	ECA Audit
	Jacques Serra et Associés
	Laurens Michel Audit
Opus 3.14 Audit et Conseil	

EU/EEA member state	Name of audit firms carrying out statutory audits in each member state
	Pierre-Henri Scacchi et Associés
	Revi Conseil
Germany	Deloitte GmbH Wirtschaftsprüfungsgesellschaft
	Deutsche Baurevision GmbH Wirtschaftsprüfungsgesellschaft
	SüdTreu Süddeutsche Treuhand GmbH Wirtschaftsprüfungsgesellschaft
Greece	Deloitte Certified Public Accountants S.A.
Hungary	Deloitte Könyvvizsgáló és Tanácsadó Kft.
Iceland	Deloitte ehf.
Ireland	Deloitte Ireland LLP
Italy	Deloitte & Touche S.p.A.
Latvia	Deloitte Audits Latvia SIA
Liechtenstein	Deloitte (Liechtenstein) AG
Lithuania	Deloitte Lietuva, UAB
Luxembourg	Deloitte Audit
Malta	Deloitte Audit Limited
Netherlands	Deloitte Accountants B.V.
Norway	Deloitte AS
Poland	Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa
	Deloitte Audyt spółka z ograniczoną odpowiedzialnością
Portugal	Deloitte & Associados, SROC S.A.
Romania	Deloitte Audit SRL
Slovakia	Deloitte Audit s.r.o.
Slovenia	Deloitte Revizija d.o.o.
Spain	Deloitte, S.L.
Sweden	Deloitte AB
United Kingdom ²²	Deloitte LLP
	Deloitte Limited
	Deloitte N.I. Limited

Disclosure in accordance with Article 13.2 (b)(iv) of the EU Audit Regulation

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: € 1.9 billion²³

²² On 31 January 2020, the United Kingdom was no longer part of the European Union. However, pursuant to an agreement between the United Kingdom and EU, the United Kingdom remained part of the EU customs union and single market and continued to apply EU law through the end of the transition period (i.e., 31 December 2020). The disclosure of total turnover from the statutory audit of financial statements includes turnover from the United Kingdom firms for the period from 1 June 2020 to 31 December 2020.

²³ 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 2021, 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 the Euro is used in the member state, the amount in Euros was translated using an average exchange rate in effect for the period 1 June 2020 to 31 May 2021.

Appendix 6: Public interest entities

Disclosures in accordance with Article 13.2 (f) of the EU Audit Regulation²⁴

Regulatory context

The list below has been prepared in accordance with Article 13 of the EU Audit Regulation and is in respect of the year ended 31 May 2021. It contains details of the 350 entities that meet all of the following conditions:

1. The entity is incorporated/established in the United Kingdom, Channel Islands or Isle of Man
2. Deloitte LLP signs an audit report on the entity's annual financial statements
3. The entity was an EU public interest entity (PIE) on 31 May 2021
4. The audit work carried out by Deloitte during the year ended 31 May 2021 is a statutory audit within the meaning of section 1210 of the Companies Act 2006

PIE definition²⁵

Pursuant to the EU Audit Regulation, the definition of a PIE includes:

1. Companies with transferable securities listed on EU regulated markets (as opposed to all markets in the EU) and governed by the law of an EU member state
2. Credit institutions authorised by EU member state authorities
3. Insurance undertakings authorised by EU member states
4. Other entities a member state may choose to designate as a PIE

Entity name
3i Infrastructure PLC
A.G. Barr PLC
Aberdeen New Thai Investment Trust PLC
Aberforth Smaller Companies Trust PLC
Aberforth Split Level Income Trust PLC
Admiral Group PLC
Admiral Insurance Company Ltd
Advantage Insurance Co. Ltd
AGF Insurance Ltd
AIB Group (UK) PLC
Airtel Africa PLC
Al Rayan Bank PLC
* Albion No.4 PLC
Aldermore Bank PLC
Aldermore Group PLC

Entity name
* Allfunds Group PLC
Alpha Bank London Ltd
* Alpha Group Jersey Ltd
Anglian Water (Osprey) Financing PLC
Anglian Water Services Financing PLC
Anglo Pacific Group PLC
Ashtead Group PLC
Assura PLC
Assurant General Insurance Ltd
Assured Guaranty UK Ltd
Auction Technology Group PLC
* Avenell Property PLC
Avon Insurance PLC
BA (GI) Ltd
BAE Systems PLC

²⁴ As set out in the Regulatory context, while the period covered by this Report spans the end of the transition period for the UK leaving the EU, for the purposes of transparency reporting and to aid consistency, we have continued to apply EU regulation throughout the year.

²⁵ Now the UK is no longer part of the EU, the PIE definition has changed to include companies with transferable securities listed on a UK regulated market rather than on EU regulated markets. This change will be reflected in our 2022 Transparency Report.

Entity name
Bakethin Finance PLC
Bank Mandiri (Europe) Ltd
Bank of Beirut (UK) Ltd
Bank of Scotland PLC
* Barley Hill No. 1 PLC
Barratt Developments PLC
Berkshire Hathaway International Insurance Ltd
Biffa PLC
BlackRock Income and Growth Investment Trust PLC
BlackRock Life Ltd
Blackstone Loan Financing Ltd
BMO UK High Income Trust PLC
BP Capital Markets PLC
BP PLC
Britannia Steam Ship Insurance Association Holdings Ltd (The)
Britannia Steam Ship Insurance Association Ltd (The)
British Gas Insurance Ltd
Bruntwood Bond 2 PLC
Cadent Finance PLC
CAF Bank Ltd
Caledonian Environmental Services PLC
Canada Life Ltd
Canary Wharf Finance II PLC
* Canterbury Finance No.1 PLC
* Canterbury Finance No.2 PLC
* Canterbury Finance No.3 PLC
Capital & Regional PLC
* Castell 2017-1 PLC
* Castell 2018-1 PLC
* Castell 2020-1 PLC
Castle Trust Capital PLC
Catalina London Ltd
Catalina Worthing Insurance Ltd
Centrica PLC
* Channel Link Enterprises Finance PLC
Charter Court Financial Services Ltd

Entity name
* Charter Mortgage Funding 2017-1 PLC
* Charter Mortgage Funding 2018-1 PLC
Chenavari Toro Income Fund Ltd
Chesnara PLC
Churchill Insurance Company Ltd
CLS Holdings PLC
* CMF 2020-1 PLC
CNA Insurance Company Ltd
Coats Group PLC
ConvaTec Group PLC
Countrywide Assured PLC
* CRH Finance (U.K.) PLC
Cumberland Building Society
Custodian REIT PLC
Darlington Building Society
* Deco 11 - UK Conduit 3 PLC
* Delamare Cards MTN Issuer PLC
Deliveroo PLC
DF Capital Bank Ltd
* Dialog Semiconductor PLC
Direct Line Insurance Group PLC
Dixons Carphone PLC
Domestic & General Insurance PLC
Dominion Insurance Co. Ltd
Doric Nimrod Air One Ltd
Doric Nimrod Air Three Ltd
Doric Nimrod Air Two Ltd
Drax Group PLC
DS Smith PLC
Dunedin Income Growth Investment Trust PLC
* Durham Mortgages A PLC
* Durham Mortgages B PLC
DWF Group PLC
Eastern Power Networks PLC
* E-Carat 10 PLC
* E-Carat 11 PLC

Entity name
* E-Carat 12 PLC
* E-Carat 9 PLC
Electra Private Equity PLC
Electricity North West Ltd
Elementis PLC
EnQuest PLC
ENW Finance PLC
* Equinox (Eclipse 2006-1) PLC
Equitas Holdings Ltd
Equitas Insurance Ltd
Equitas Ltd
Equitas Reinsurance Ltd
* EuroMASTR PLC
Eversholt Funding PLC
* Ferguson Finance PLC
Ferguson PLC
Financial & Legal Insurance Co. Ltd
Foresight Enterprise VCT PLC
Foresight Solar & Technology VCT PLC
Foresight VCT PLC
* Friary No.3 PLC
* Friary No.4 PLC
* Friary No.5 PLC
* Friary No.6 PLC
Fundsmith Emerging Equities Trust PLC
Future PLC
Gatehouse Bank PLC
Genus PLC
Ghana International Bank PLC
Glaxosmithkline Capital PLC
GlaxoSmithKline PLC
Glencore PLC
Go-Ahead Group PLC (The)
Great Portland Estates PLC
* Greene King Finance PLC
Gulf Marine Services PLC

Entity name
Hampden & Co PLC
HBL Bank UK Ltd
HBOS PLC
Helical PLC
Helios Towers PLC
* Hercules (Eclipse 2006-4) PLC
High Speed Rail Finance (1) PLC
Hitachi Capital (UK) PLC
* Hobart Property PLC
Home Group Ltd
Homecare Insurance Ltd
Homeserve PLC
Howden Joinery Group PLC
Hunting PLC
Ibstock PLC
ICBC (London) PLC
ICBC Standard Bank PLC
ICG-Longbow Senior Secured UK Property Debt Investments Ltd
IMI PLC
Inchcape PLC
Independent Order of Odd Fellows Manchester Unity Friendly Society Ltd
India Capital Growth Fund Ltd
Informa PLC
* International Finance Facility For Immunisation Company
International Personal Finance PLC
JLEN Environmental Assets Group Ltd
John Laing Group PLC
Jordan International Bank PLC
JPMorgan American Investment Trust PLC
* Kentmere No.1 PLC
* Kentmere No.2 PLC
Kexim Bank (UK) Ltd
Kingfisher PLC
KKV Secured Loan Fund Ltd
Kyoei Fire & Marine Insurance Company (U.K.) Ltd

Entity name
Lamprell PLC
Law Debenture Corporation PLC (The)
Law Debenture Finance PLC
Leeds Building Society
Lloyds Bank General Insurance Ltd
Lloyds Bank PLC
Lloyds Banking Group PLC
London Power Networks PLC
London Steam Ship Owners' Mutual Insurance Association Ltd (The)
London Wall Mortgage Capital PLC
LondonMetric Property PLC
* Lookers PLC
Loughborough Building Society
M&G Credit Income Investment Trust PLC
Macau Property Opportunities Fund Ltd
Macfarlane Group PLC
Man Group PLC
Manchester & London Investment Trust PLC
Marks and Spencer Group PLC
Marks and Spencer PLC
Marsden Building Society
Marshalls PLC
Maven Income and Growth VCT 3 PLC
Maven Income and Growth VCT 4 PLC
Maven Income and Growth VCT 5 PLC
Maven Income and Growth VCT PLC
McKay Securities PLC
Melrose Industries PLC
* Mitchells & Butlers Finance PLC
Mitchells & Butlers PLC
Morgan Advanced Materials PLC
Morgan Sindall Group PLC
* Morgan Stanley & Co. International PLC
Morgan Stanley Bank International Ltd
* Motopark Finance PLC

Entity name
National Bank of Egypt (UK) Ltd
National Bank of Kuwait (International) PLC
National Express Group PLC
National Farmers Union Mutual Insurance Society Ltd (The)
National Grid Electricity Transmission PLC
National Grid Gas PLC
National Grid PLC
National House-Building Council
Navigators International Insurance Co. Ltd
Newbury Building Society
Newcastle Building Society
NGG Finance PLC
Non-Standard Finance PLC
Northern Electric Finance PLC
Northern Electric PLC
Northern Gas Networks Finance PLC
Northern Powergrid (Northeast) PLC
Northern Powergrid (Yorkshire) PLC
* Northern Powergrid Holdings Company
Northumbrian Water Finance PLC
* NWEN Finance PLC
* Oak No. 2 PLC
* Oak No.3 PLC
Ocado Group PLC
Omnilife Insurance Co. Ltd
OneSavings Bank PLC
OSB Group PLC
Pacific Life Re Ltd
Pensionbee Group PLC
Pharos Energy PLC
PHP Bond Finance PLC
Pinnacle Insurance PLC
* Polaris 2019-1 PLC
* Polaris 2020-1 PLC
Polymetal International PLC
* Precise Mortgage Funding 2017-1B PLC

Entity name
* Precise Mortgage Funding 2018-1B PLC
* Precise Mortgage Funding 2018-2B PLC
* Precise Mortgage Funding 2019-1B PLC
* Precise Mortgage Funding 2020-1B PLC
Primary Health Properties PLC
Principality Building Society
Provident Financial PLC
PRS Finance PLC
PZ Cussons PLC
Quadgas Finance PLC
* RAC Bond Co PLC
RAC Insurance Ltd
Rathbone Brothers PLC
Rathbone Investment Management Ltd
Real Estate Credit Investments Limited
Rechabite Friendly Society Ltd (The)
Renewables Infrastructure Group Ltd (The)
* Resloc UK 2007-1 PLC
Riverstone Insurance (UK) Ltd
RM PLC
Rotork PLC
RPS Group PLC
Ruffer Investment Company Limited
Safestore Holdings PLC
Schroder Japan Growth Fund PLC
Scottish Friendly Assurance Society Ltd
Scottish Widows Ltd
Secure Trust Bank PLC
Severn Trent PLC
Severn Trent Utilities Finance PLC
Sherborne Investors (Guernsey) B Ltd
Sherborne Investors (Guernsey) C Ltd
Signature Aviation PLC
Simplyhealth Access
Smithson Investment Trust PLC
South East Water Ltd

Entity name
South Eastern Power Networks PLC
South Staffordshire Water PLC
Spectris PLC
Speyside Renewable Energy Finance PLC
Spirax-Sarco Engineering PLC
Spirent Communications PLC
* Spirit Issuer PLC
St Andrew's Insurance PLC
Standard Life Investments Property Income Trust Ltd
Steamship Mutual Underwriting Association Ltd
* Stratton Mortgage Funding 2019-1 PLC
* Student Finance PLC
Sun Life Assurance Company of Canada (UK) Ltd
SuperDry PLC
Syncona Ltd
Taylor Wimpey PLC
Tenecom Ltd
Tesco Corporate Treasury Services PLC
Tesco Personal Finance Group PLC
Tesco Personal Finance PLC
Tesco PLC
* Tesco Property Finance 1 PLC
Tesco Underwriting Ltd
Tolkien Funding Sukuk No. 1 PLC
* Tower Bridge Funding 2020-1 PLC
* Tower Bridge Funding No.1 PLC
* Tower Bridge Funding No.2 PLC
* Tower Bridge Funding No.3 PLC
* Tower Bridge Funding No.4 PLC
TP Icap Ltd
Transfercom Ltd
Trent Insurance Co. Ltd
Triam Investors 1 Ltd
TT Electronics PLC
* Turbo Finance 8 PLC
* Turbo Finance 9 PLC

Entity name
U K Insurance Ltd
UIA (Insurance) Ltd
UK Commercial Property REIT Ltd
UK Mortgages Ltd
Ultra Electronics Holdings PLC
Union Bank of India (UK) Ltd
* Unite (USAF) II PLC
Unite Group PLC (The)
United Trust Bank Ltd
Unity Trust Bank PLC
University of Leeds
University of Southampton
US Solar Fund PLC
Vanquis Bank Ltd
Vitec Group PLC (The)
Wales & West Utilities Finance PLC
Weatherbys Bank Ltd

Entity name
* Wellcome Trust (The)
Wellcome Trust Finance PLC
Western Power Distribution (East Midlands) PLC
Western Power Distribution (South Wales) PLC
Western Power Distribution (South West) PLC
Western Power Distribution (West Midlands) PLC
Western Power Distribution PLC
Western Provident Association Ltd
Whitbread Group PLC
Whitbread PLC
William Hill Ltd
WPP Finance 2010
* WPP Finance 2016
* WPP Finance 2017
WPP PLC
Yorkshire Water Finance PLC
Yorkshire Water Services Finance Ltd

Additional non-regulatory disclosure

The following four entities audited by Deloitte LLP have transferable securities listed on a UK-regulated market but do not meet the definition of a PIE (due to being incorporated in countries outside the UK, Channel Islands, Isle of Man and the EU). The revenue derived from the audit work carried out by Deloitte LLP in respect of these entities is included within the revenue for non-PIEs in the table in [Appendix 2](#).

Entity name
Gulf Keystone Petroleum Ltd
South East Water (Finance) Ltd
Southern Water Services (Finance) Ltd
Trafford Centre Finance Limited

* Denotes the entity is listed on an EU-regulated market only, not in the UK, and will not be included as a PIE in our 2022 Transparency Report

Appendix 7: Audit Firm Governance Code and EU Audit Regulation disclosure requirements

Audit Firm Governance Code

We cross-reference in the table below to where and how Deloitte LLP complies with the principles and provisions of the Audit Firm Governance Code published in July 2016.

Provision of the Code	How / where Deloitte is addressing the provisions in the Code
A. Leadership	
A.1 Owner accountability principle	Governance, legal structure and Deloitte network and our website
The management of a firm should be accountable to the firm's owners and no individual should have unfettered powers of decision.	
A.1.1 The firm should establish a board or equivalent governance structure, with matters specifically reserved for its decision, to oversee the activities of the management team.	Report on the work of the UK Oversight Board from Steve Williams, Chair and our website
A.1.2 The firm should state in its transparency report how its governance structures and management operate, their duties and the types of decisions they take. In doing so the firm should explain how its governance structure provides oversight of both the audit practice and the firm as a whole with a focus on ensuring the Code's purpose, is achieved. If the management and/ or governance of the firm rests at an international level it should specifically set out how management and oversight of audit is undertaken and the Code's purpose achieved in the UK.	As above, see also Deloitte UK: Governance and legal structure and the Report from the Non-Executives
A.1.3 The firm should state in its transparency report the names and job titles of all members of the firm's governance structures and its management, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.	See Appendix 1 and Governance, legal structure and Deloitte network ; also our website (re. the Executive Group and the UKOB)
A.1.4 The members of a firm's governance structures and management should be subject to formal, rigorous and ongoing performance evaluation and, at regular intervals, members should be subject to re-election or re-selection.	See Governance, legal structure and Deloitte network
A.2 Management principle	
A firm should have effective management which has responsibility and clear authority for running the firm.	
A.2.1 Management should have terms of reference that include clear authority over the whole firm including its non-audit businesses and these should be disclosed on the firm's website.	See document about the Executive Group on our website

Provision of the Code	How / where Deloitte is addressing the provisions in the Code
B. Values	
B.1 Professionalism principle	
<p>A firm should perform quality work by exercising judgement and upholding values of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in a way that properly takes the public interest into consideration and meets auditing and ethical standards.</p>	<p>See throughout this Report, notably in Delivering quality audits – Our culture sub-section; and the section relating to Ethics, independence and integrity</p>
<p>B.1.1 The firm’s governance structures and management should establish and promote throughout the firm an appropriate culture, supportive of the firm’s public interest role and long term sustainability. This should be achieved in particular through the right tone from the top, through the firm’s policies and practices and by management publicly committing themselves and the whole firm to quality work, the public interest and professional judgement and values.</p>	<p>As above; see also the Leadership message at the start of the Report and our Ethics Code on our website</p>
<p>B.1.2 Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.</p>	<p>See governance KPIs in the Report on the work of the Audit Governance Board and UK Oversight Board; plus Appendix 1 (meeting attendance)</p>
<p>B.1.3 The firm should have a code of conduct which it discloses on its website and requires everyone in the firm to apply. The Board and independent non-executives should oversee compliance with it.</p>	<p>See our Ethics Code on our website; the Report from the Non-Executives and the Delivering quality audits – Our culture sub-section</p>
B.2 Governance principle	
<p>A firm should publicly commit itself to this Audit Firm Governance Code.</p>	<p>We continue to support the aims and principles of the Code</p>
<p>B.2.1 The firm should incorporate the principles of this Audit Firm Governance Code into an internal code of conduct.</p>	<p>See our Ethics Code on our website</p>
B.3 Openness principle	
<p>A firm should maintain a culture of openness which encourages people to consult and share problems, knowledge and experience in order to achieve quality work in a way that properly takes the public interest into consideration.</p>	<p>See Delivering quality audits</p>

Provision of the Code
How / where Deloitte is addressing the provisions in the Code

C. Independent Non-Executives
C.1 Involvement of Independent Non-Executives principle
A firm should appoint Independent Non-Executives to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of the Code.

C.1.1 Independent Non-Executives should number at least three and be in the majority on a body that oversees public interest matters; and/or be members of other relevant governance structures within the firm. They should also meet as a separate group to discuss matters relating to their remit. They should have full visibility of the entirety of the business but should pay particular attention to and report on risks to audit quality and how they are addressed. If a firm considers that having three INEs is inappropriate given its size or number of public company clients, it should explain this in its transparency report and ensure a minimum of two at all times. Where the firm adopts an international approach to its management it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this market; or explain why it regards a smaller number to be more appropriate, in which event there should be a minimum of two.

C.1.2 The firm should disclose on its website and in its transparency report information about the appointment, retirement and resignation of Independent Non-Executives; their remuneration; their duties and the arrangements by which they discharge those duties and the obligations of the firm to support them. The firm should report on why it has chosen to position its independent non-executives in the way it has (for example, as members of the main Board or on a public interest committee). The firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes Independent Non-Executives.

C.1.3 The independent non-executives should report in the firm's transparency report on how they have worked to meet the purpose of the Code defined as:

- Promoting audit quality.
- Helping the firm secure its reputation more broadly, including in its non-audit businesses.
- Reducing the risk of firm failure.

C.1.4 Independent non-executives should have regular contact with the Ethics Partner, who should under the ethical standards have a reporting line to them.

See [Governance, legal structure and Deloitte network](#) and the [Report from the Non-Executives](#)

As above; see also [Report on the work of the Audit Governance Board and UK Oversight Board](#).

The firm has four Non-Executives, all of whom are members of the AGB and three of whom are members of the UKOB. All four Non-Executives meet privately as an INE Oversight Committee to discuss matters relevant to their remit.

One of the Non-Executives also sits on the NSE Board.

See [Governance, legal structure and Deloitte network](#) and the [Terms of reference for our governance bodies are on the Leadership & Governance pages on our website](#).

This Transparency Report is housed on our [website](#).

See the [Report from the Non-Executives](#) and the [Report on the work of the Audit Governance Board and UK Oversight Board](#)

See the [Report from the Non-Executives](#) and the [Ethics report](#)

Provision of the Code	How / where Deloitte is addressing the provisions in the Code
<p>C.2 Characteristics of Independent Non-Executives principle</p> <p>The Independent Non-Executives' duty of care is to the firm. They should command the respect of the firm's owners and collectively enhance shareholder confidence by virtue of their independence, number, stature, experience and expertise. They should have a balance of relevant skills and experience including of audit and a regulated sector. At least one independent non-executive should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function, as an investor or at an audit firm.</p>	<p>See Governance, legal structure and Deloitte network, the Report from the Non-Executives and the Report on the work of the UK Oversight Board from Steve Williams, Chair</p>
<p>C.2.1 The firm should state in its transparency report its criteria for assessing the impact of Independent Non-Executives on the firm's independence as auditors and their independence from the firm and its owners.</p>	<p>See Governance, legal structure and Deloitte network</p>

Provision of the Code	How / where Deloitte is addressing the provisions in the Code
C.3 Rights and responsibilities of Independent Non-Executives principle	
Independent Non-Executives of a firm should have rights consistent with their role including a right of access to relevant information and people to the extent permitted by law or regulation, and a right to report a fundamental disagreement regarding the firm to its owners and, where ultimately this cannot be resolved and the Independent Non-Executive resigns, to report this resignation publicly.	See Governance, legal structure and Deloitte network
C.3.1 Each Independent Non-Executive should have a contract for services setting out their rights and duties.	Each Non-Executive has an appropriate contract
C.3.2 Independent non-executives should be appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation.	None of the firm's Non-Executives has been in role for longer than nine years
C.3.3 The responsibilities of an independent non-executive should include, but not be limited to, oversight of the firm's policies and processes for:	See Governance, legal structure and Deloitte network and the Report from the Non-Executives
<ul style="list-style-type: none"> • Promoting audit quality. • Helping the firm secure its reputation more broadly, including in its non-audit businesses. • Reducing the risk of firm failure. 	
C.3.4 The firm should ensure that appropriate indemnity insurance is in place in respect of legal action against any Independent Non-Executive in respect of their work in that role.	See Governance, legal structure and Deloitte network
C.3.5 The firm should provide each Independent Non-Executive with sufficient resources to undertake their duties including having access to independent professional advice at the firm's expense where an Independent Non-Executive judges such advice necessary to discharge their duties.	See Governance, legal structure and Deloitte network
C.3.6 The firm should establish, and disclose on its website, procedures for dealing with any fundamental disagreement that cannot otherwise be resolved between the Independent Non-Executives and members of the firm's management team and/or governance structures.	See Governance, legal structure and Deloitte network (this Report is available on our website)

Provision of the Code	How / where Deloitte is addressing the provisions in the Code
D. Operations	
D.1 Compliance principle	
A firm should comply with professional standards and applicable legal and regulatory requirements. Operations should be conducted in a way that promotes audit quality and the reputation of the firm. The independent non-executives should be involved in the oversight of operations.	See Delivering quality audits and Report from the Non-Executives
D.1.1 The firm should establish policies and procedures for complying with applicable legal and regulatory requirements and international and national standards on auditing, quality control and ethics, including auditor independence.	See Audit quality
D.1.2 The firm should establish policies and procedures for individuals signing group audit reports to comply with applicable standards on auditing dealing with group audits including reliance on other auditors whether from the same network or otherwise.	See Delivering quality audits
D.1.3 The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.	See Conflicts of interest and Independence (and Governance, legal structure and Deloitte network regarding the Non-Executives' independence)
D.1.4 The firm should take action to address areas of concern identified by audit regulators in relation to the firm's audit work.	See Audit quality
D.2 Risk management principle	
A firm should maintain a sound system of internal control and risk management over the operations of the firm as a whole to safeguard the firm and reassure stakeholders.	See Report on the work of the Audit Governance Board and UK Oversight Board
D.2.1 The firm should, at least annually, conduct a review of the effectiveness of the firm's system of internal control. Independent non-executives should be involved in the review which should cover all material controls, including financial, operational and compliance controls and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the firm.	See Report from the Non-Executives and Report on the work of the Audit Governance Board and UK Oversight Board
D.2.2 The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.	See Report on the work of the Audit Governance Board and UK Oversight Board
D.2.3 The firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. This should reference specifically the sustainability of the audit practice within the UK.	See Principle risks, uncertainties and mitigations

Provision of the Code	How / where Deloitte is addressing the provisions in the Code
D.3 People management principle	
A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code.	See Delivering quality audits
D.3.1 The firm should disclose on its website how it supports its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code through recruitment, development activities, objective setting, performance evaluation, remuneration, progression, other forms of recognition, representation and involvement.	This Transparency Report is housed on our website
D.3.2 Independent Non-Executives should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, to ensure that the public interest is protected.	See Report from the Non-Executives and the Report on the work of the Audit Governance Board and UK Oversight Board
D.4 Whistleblowing principle	
A firm should establish and apply confidential whistleblowing policies and procedures across the firm which enable people to report, without fear, concerns about the firm’s commitment to quality work and professional judgement and values in a way that properly takes the public interest into consideration.	See the Ethics report and the Whistleblowing policy in our Ethics code
D.4.1 The firm should report to Independent Non-Executives on issues raised under its whistleblowing policies and procedures and disclose those policies and procedures on its website. The independent non-executives should be satisfied that there is an effective whistleblowing process in place.	See Delivering quality audits – Our culture sub-section , the Report from the Non-Executives and the Report on the work of the Audit Governance Board and UK Oversight Board
E. Reporting	
E.1 Internal reporting principle	
The management of a firm should ensure that members of its governance structures, including owners and Independent Non-Executives, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.	Our key governance bodies received timely and relevant information to enable them to discharge their duties
E.2 Governance reporting principle	


Provision of the Code	How / where Deloitte is addressing the provisions in the Code
<p>A firm should publicly report how it has applied each of the principles of the Audit Firm Governance Code and make a statement on its compliance with the Code's provisions or give a considered explanation for any non-compliance.</p>	Please refer to this Report and this reconciliation to the Code
<p>E.2.1 The firm should publish an annual transparency report containing the disclosures required by Code Provisions A.1.2, A.1.3, B.1.2, C.2.1, D.1.3, D.2.2 and E.3.1.</p>	This Transparency Report is housed on our website
<p>E.2.2 In its transparency report the firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure.</p>	N/A
<p>E.3 Transparency principle</p>	
<p>A firm should publish on an annual basis in its transparency report a commentary on the firm's performance, position and prospects.</p>	See Appendix 2: Financial information
<p>E.3.1 The firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The firm should describe those risks and explain how they are being managed or mitigated.</p>	See Principal risks, uncertainties and mitigations
<p>E.3.2 The transparency report should be fair, balanced and understandable in its entirety.</p>	The Report is produced with extensive subject matter expert input, is coordinated centrally and is subject to review by the AGB
<p>E.4 Reporting quality principle</p>	
<p>A firm should establish formal and transparent arrangements for monitoring the quality of external reporting and for maintaining an appropriate relationship with the firm's auditors.</p>	See Report on the work of the Audit Governance Board and UK Oversight Board
<p>E.4.1 The firm should establish an audit committee and disclose on its website information on the committee's membership and terms of reference which should deal clearly with its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors. On an annual basis, the audit committee should publish a description of its work and how it has discharged its duties.</p>	See Report on the work of the Audit Governance Board and UK Oversight Board , Chair and the Leadership & Governance pages on our website regarding the UKOB

Provision of the Code	How / where Deloitte is addressing the provisions in the Code
E.5 Financial statements principle	
A firm should publish audited financial statements prepared in accordance with a recognised financial reporting framework such as International Financial Reporting Standards or UK GAAP and should be clear and concise.	Deloitte LLP prepares annual audited financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and UK laws and regulations.
E.5.1 The firm should explain who is responsible for preparing the financial statements and the firm's auditors should make a statement about their reporting responsibilities, preferably in accordance with the extended audit report standards.	Our Financial Statements are available at Companies House As above
E.5.2 The firm should state whether it considers it appropriate to adopt the going concern basis of accounting and identify any material uncertainties to its ability to continue to do so, with supporting assumptions or qualifications as necessary.	As above
F. Dialogue	
F.1 Firm dialogue principle	
A firm should have dialogue with listed company shareholders, as well as listed companies and their audit committees, about matters covered by this Audit Firm Governance Code to enhance mutual communication and understanding and ensure that it keeps in touch with shareholder opinion, issues and concerns.	See Report from the Non-Executives and Measuring audit quality (AQI 11 regarding investor liaison)
F.1.1 The firm should disclose on its website its policies and procedures, including contact details, for dialogue about matters covered by this Audit Firm Governance Code with listed company shareholders and listed companies. It should also report on the dialogue it has had during the year. These disclosures should cover the nature and extent of the involvement of Independent Non-Executives in such dialogue.	As above. This report references our dedicated mailbox for feedback on the Report as well as the email address for the Non-Executives.
F.2 Shareholder dialogue principle	
Shareholders should have dialogue with audit firms to enhance mutual communication and understanding.	As above
F.3 Informed voting principle	
Shareholders should have dialogue with listed companies on the process of recommending the appointment and re-appointment of auditors and should make considered use of votes in relation to such recommendations.	We consider that this principle is directed at shareholders hence not applicable for our firm.

EU Audit Regulation

We cross-reference in the table below to where and how Deloitte LLP complies with the requirements of Article 13.2 of the EU Audit Regulation.

Provision of Article 13.2	Reference to where in this report Deloitte LLP addresses the provisions in Article 13.2
(a) a description of the legal structure and ownership of the audit firm;	Governance, legal structure and Deloitte network
(b) where the statutory auditor or the audit firm is a member of a network:	
(i) a description of the network and the legal and structural arrangements in the network;	Governance, legal structure and Deloitte network
(ii) the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;	Appendix 5: EU/EEA audit firms
(iii) the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business;	Appendix 5: EU/EEA audit firms
(iv) the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements;	Appendix 5: EU/EEA audit firms
(c) a description of the governance structure of the audit firm;	Governance, legal structure and Deloitte network
(d) a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;	Report on the work of the Audit Governance Board and UK Oversight Board and statement on effectiveness of system of internal control
(e) an indication of when the last quality assurance review referred to in Article 26 was carried out;	Measuring audit quality
(f) a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year;	Appendix 6: Public interest entities
(g) a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted;	Independence
(h) a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC;	Delivering quality audits
(i) information concerning the basis for the partners' remuneration in audit firms;	Governance, legal structure and Deloitte network and Delivering quality audits – Our people sub-section

Provision of Article 13.2	Reference to where in this report Deloitte LLP addresses the provisions in Article 13.2
(j) a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7) ²⁶ ;	Delivering quality audits – Our people sub-section
(k) where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories:	Appendix 2: Financial information
(i) revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity;	
(ii) revenues from the statutory audit of annual and consolidated financial statements of other entities;	
(iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and	
(iv) revenues from non-audit services to other entities.	
To note: The transparency report shall be signed by the statutory auditor or the audit firm.	

²⁶The key audit partners responsible for carrying out a statutory audit shall cease their participation in the statutory audit of the audited entity not later than seven years from the date of their appointment. They shall not participate again in the statutory audit of the audited entity before three years have elapsed following that cessation

Glossary



Glossary

Term	Description
Arm's length	A fair market basis used to determine the price for Deloitte specialists working outside of Audit & Assurance providing input to an audit.
Audit AGM	Annual event that provides stakeholders with the opportunity to hear from and engage with Deloitte leadership, Non-Executives and expert panellists about matters relating to audit such as audit quality, the evolving audit product and scope of assurance.
Audit Firm Governance Code (the Code)	Published by the FRC and ICAEW in 2010 and revised in 2016, the Code sets a benchmark for good governance at the UK's largest audit firms, on a 'comply or explain' basis.
Audit Governance Board (AGB)	Established on 1 January 2021, the AGB comprises a majority of Non-Executives including the Chair. It is responsible for providing independent oversight of Deloitte's UK audit business, with a focus on the policies and procedures for improving audit quality. This includes ensuring people in the audit business are focused above all on the delivery of high-quality audits in the public interest; and oversight of the policies and processes for ensuring audit partner remuneration reflects their contribution to audit quality.
Audit Quality Board (AQB)	<p>The AQB comprises partners and directors from across our Audit & Assurance business. Its remit is to:</p> <ul style="list-style-type: none"> • develop and govern activities to improve audit quality • implement these improvements across the Audit & Assurance business • respond to audit quality issues raised by regulators and stakeholders
Audit Quality Forum (AQF)	A group consisting of staff at manager grade and below who meet quarterly to discuss a range of matters concerning audit quality. They have representation on the Audit Quality Board to feed back their findings.
Audit Quality Remuneration Committee	A committee comprising experienced partners, independent of the Audit & Assurance Executive, that evaluates the audit quality contribution of audit partners. Its recommendations are used by the Audit & Assurance Executive to inform their decisions on audit partner reward and promotion.
Audit Quality Review (AQR)	The FRC's AQR team monitors the quality of the audit work of certain UK statutory auditors and audit firms.
Deloitte Academy	Provides support and guidance to board and executive committee members, through a series of webinars, seminars and discussions.
Deloitte Way	Standardisation of audit processes supported by our global technology suite.
Deloitte Way Workflows	Part of the Deloitte Way, these workflows cover each area of the audit and aim to promote greater global consistency in audit methodology across all the member firms in the Deloitte network. They include a guided risk assessment, prescribed tasks and templates, embedded use of analytics and audit delivery centres along with associated guidance and support.

Emerging Issues Group (EIG)	Established during 2015 and comprising partners from across the Audit & Assurance business, including industry specialists and those from our central technical team, the EIG's objective is to identify significant emerging industry, political/economic, technology and regulatory/inspection related issues that could have a significant impact on audit quality in the future.
Engagement Quality Control Reviewer (EQCR)	Provides an objective and independent evaluation of the significant judgments made by the Engagement Team and the conclusions reached in formulating their report. The requirement for an engagement quality control review is met by EQCR partners, the independent Professional Standards Review (PSR) team and, where appropriate, the independent Quality Corporate Reporting Centre of Excellence (QCR) team.
Engagement Quality Control Review (EQCR) partner	An EQCR partner is allocated to each of our public interest entity audits and higher risk engagements to support our high standards of professional scepticism and audit quality by bringing independent challenge to the audit process. They are appropriately skilled and experienced audit partners who would otherwise be eligible to act as audit engagement partner on the relevant audit engagement.
Ethical Standard	Applicable to audit engagements and other public interest assurance engagements, the FRC published the current Ethical Standard in December 2019. The standard aims to strengthen auditor independence, prevent conflicts of interest and, ultimately, improve audit quality.
Financial Reporting Council (FRC)	The UK's Competent Authority for Audit, responsible for promoting high quality corporate governance and reporting. It sets the standards framework within which auditors, accountants and actuaries operate in the UK.
Global Public Policy Committee (GPPC)	The global forum of representatives from the six largest accounting networks: BDO, Deloitte, EY, Grant Thornton, KPMG, and PwC, which has as its public interest objective the enhancement of quality in auditing and financial reporting.
Institute of Chartered Accountants in England and Wales (ICAEW)	Professional Accountancy body and Recognised Supervisory Body with delegated powers from the FRC to supervise audit work. They monitor firms to ensure work is completed competently, ethically and appropriately.
International Auditing and Assurance Standards Board (IAASB)	An independent standard-setting body that sets international standards for auditing, quality control, review, other assurance, and related services, and facilitates the convergence of international and national standards.
International Standard on Quality Management 1 (ISQM 1)	A new IAASB quality management standard focusing on quality management at the firm level. It was released in December 2020, and revised and published by the FRC as ISQM (UK) 1 in July 2021. It is effective from 15 December 2022 with early adoption strongly encouraged.
International Standards on Auditing (ISA)	Auditing guidelines developed by the IAASB aimed at achieving global consistency in auditing. In the UK the FRC supplements these international standards with additional requirements, which form ISAs (UK).
Key Audit Matters (KAMs)	Key audit matters are those that, in the auditor's professional judgement, are of most significance in the audit of the financial statements, and include the most significant assessed risks of material misstatement.
Partnership Council	The partner group responsible for ensuring fairness and equity between partners and fairness in the implementation of Deloitte NSE policies and strategies. The Partnership Council is also the body that undertakes soundings to assist in the selection of candidates for election to the NSE Board and appointment to the role of UK CEO.
Professional Standards Review (PSR)	The PSR function, part of our EQCR approach, is a robust, independent challenge and review of the engagement team's rationale and documentation of decisions taken and opinions reached within our reports and other documents.

Public Company Accounting Oversight Board (PCAOB)	A non-profit corporation established by the US Congress as a result of the Sarbanes-Oxley Act of 2002 to oversee the audits of public companies. In the UK this applies to UK corporates with US listings, and certain subsidiaries of US-listed companies.
Public Interest Entity (PIE)	<p>Pursuant to the EU Audit Regulation, the definition of a PIE includes:</p> <ul style="list-style-type: none"> • Companies with transferable securities listed on EU regulated markets (as opposed to all markets in the EU) and governed by the law of an EU member state • Credit institutions authorised by EU member state authorities • Insurance undertakings authorised by EU member states • Other entities a member state may choose to designate as a PIE <p>Now the UK is no longer part of the EU, the PIE definition has changed to include companies with transferable securities listed on a UK-regulated market rather than on EU-regulated markets. This change will be reflected in our 2022 Transparency Report.</p>
Public Interest Review Group	A group, chaired by the Ethics Partner and comprising senior partners from across the firm, to consider whether or not certain proposed engagements are pursued on public interest grounds.
Purpose & Values Working Group	The objectives of the working group are to develop an action plan to embed the desired purpose and values across the Audit & Assurance business and report on progress to the firm's People & Purpose leadership.
Responsible Individuals (RIs)	Individuals who are qualified to sign the audit report and who are authorised by a professional body to do so. At Deloitte, these are audit partners and signing directors.
TechEx	Our year-round Technical Excellence programme, delivered through a multi-faceted mechanism consisting of, targeted workshops (TechEx on Tour), an experiential learning event (TechEx Live), and the opportunity to embed experiences and learning onto Audit engagements (TechEx Teams).
Those Charged With Governance (TCWG)	Those with responsibility for overseeing the strategic direction of the audited entity and with obligations related to the accountability of the entity. This includes overseeing the financial reporting process.
UK Oversight Board (UKOB)	The governance body responsible for overseeing how the firm meets its regulatory and legal requirements in the UK, including how it meets the purpose of the Audit Firm Governance Code which focuses on promoting audit quality, assisting the firm to secure its reputation more broadly and reducing the risk of firm failure.

Notes



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