

Deloitte.



2022 Transparency Report

Deloitte LLP and Deloitte Limited

Regulatory context

This Audit Transparency Report (Report) relates to Deloitte LLP and Deloitte Limited's¹ principal activities in the UK and Gibraltar, respectively, for the year ended 31 May 2022, 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.

This Report 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 16](#). The Financial Reporting Council (FRC) issued an update to the Code in April 2022 applying to UK firms auditing 20 or more public interest entities (PIEs) or firms auditing one of more FTSE 350 companies. The new Code will be applicable for financial years beginning on or after 1 January 2023. The transparency reporting requirements under the new Code will be considered for our 2023 Audit Transparency Report and fully applied as required for our 2024 Report.

This Report is prepared to comply with Article 13 of Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014 (the EU Audit Regulation) as retained in UK law. In addition, it also addresses our obligations under the EU Audit Regulation to prepare a transparency report in each of the EEA countries where Deloitte LLP has a third country audit registration: Ireland, Luxembourg, Denmark, the Netherlands, Sweden and Germany. Deloitte Limited, the Deloitte business operating in Gibraltar that has been a subsidiary of Deloitte LLP since 1 June 2017, also prepares an audit transparency report under Article 13 of the EU Audit Regulation as retained in Gibraltar law.

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 2022, 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 five 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.

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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

The past year has brought much challenge and uncertainty across global markets. It is more important than ever that the audit profession plays its critical role in instilling confidence and trust in business.

Welcome to our 2022 Transparency Report which reflects on another year of significant events and change. This report is an important opportunity for us to tell our story around quality – the things we are proud of, what we are doing to address instances where we have fallen short of the high standards rightly expected of us, and the steps we are taking to ensure our Audit & Assurance business is resilient and fit for the future.

FY2022 has brought considerable uncertainty for the capital markets, the audit profession, and our people. The Russian invasion of Ukraine; ongoing pressures on the UK workforce related to the COVID-19 pandemic and increased economic uncertainty; the heightened risk environment for businesses in areas such as supply chain resilience and fraud; and the climate emergency, are among the issues that have combined to create a complex and challenging landscape.

During these uncertain times, the audit profession must step up to its role in driving confidence, with a relentless focus on quality.

Audit quality also plays a fundamental role in our evolution as a business. It helps us set our priorities and is key to how we define our success.

Our audit culture and the audit quality environment we create are critical to our resilience and reputation as a business.

Our people have shown exceptional agility in responding to these ongoing challenges. They have been united by a shared ambition to protect the public interest, to support each other and to make an impact that matters in everything we do.

Reflections on FY2022

Our ongoing investment in transformation has embedded a culture of continuous improvement prioritising consistent high-quality services. It includes a focus on the development and deployment of our people, diversity of thought and the resilience of our business. The increase in market demand for audit services has, in part, driven the strength of our financial performance over the last year. Being a profitable business enables us to invest in our people, our quality programmes and in world-class, emerging technologies.



We are proud of what we have achieved over the past year but there is more that we still want to do.

1 June 2022 marked the first anniversary of our transition to operational separation

and the transformation of our operating model. Our decision to move early and be one of the first firms to initiate operational separation was the right one and an important achievement.

Our ring-fence brings together audit and assurance professionals and specialists who are focused on high-quality audit and assurance delivery and serving the public interest.

We continue to strengthen controls and reporting for our ring-fenced business as we look towards full operational separation by the FRC's deadline of 30 June 2024.

Our operationally separate business remains part of a strong multi-disciplinary partnership model which continues to be Deloitte's strategy and structure. It allows our Audit & Assurance business access to specialists and experts who sit outside the ring-fence, particularly in emerging risk areas.

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It is now over 18 months since we introduced the **Audit Governance Board**, and we see the value this independent body brings. Its oversight has helped to ensure the Audit & Assurance Executive remains focused on the drivers of quality, today and in the future. This includes monitoring progress against the Audit Quality Plan and providing input into initiatives the Audit & Assurance business is taking to respond to the government's invitation to shape the future (as outlined in its May 2022 government report on Corporate Governance and Audit Reform).

See the [Report on the work of the Audit Governance Board and UK Oversight Board](#) for more detail on the key areas of focus for the Audit Governance Board in FY2022.

We are pleased with the improvement in our public interest entity (PIE) audit quality scores published this year which reflect robust auditing performed in a very challenging environment. None of the PIE audits inspected by the Financial Reporting Council (FRC) were found to require significant improvements and we have seen an increase in the number of audits assessed as requiring no more than limited improvements (82% compared to 79% last year). The Institute of Chartered Accountants in England & Wales's (ICAEW) Quality Assurance Department inspected 10 non-PIE audits, with 80% assessed as 'Good' (last year: 90%), and no audits assessed as requiring significant improvement. Our internal practice reviews have improved to 83% assessed as 'Compliant' (last year: 80%).

However, we are not complacent and we recognise there are instances when audit quality has fallen below the high standards we expect of ourselves and others rightly expect of us. When this happens, trust is undermined.

During the year, the FRC issued a final decision and imposed sanctions on Deloitte LLP and one of the firm's partners in relation to the testing of goodwill and impairment in the 2016 audit of Mitie Group plc. The FRC noted that since 2017 Deloitte has introduced a number of initiatives seeking to improve the quality of audit work in this area, for example setting up a centre of excellence to both support and challenge engagement teams to drive improvements in our audit work on goodwill and impairment. The FRC acknowledged the firm and the audit partner's positive actions and constructive response to the Mitie investigation.

We take all regulatory findings seriously and place a significant level of resource and effort into understanding what has gone wrong and how we learn and improve going forward.

We perform causal factor analysis for key findings and put detailed actions in place to address these, both on individual audits and across all our audits more generally, and continue to transform our technology, processes, governance and controls.



We have responded thoughtfully and with appropriate urgency to external challenges:

Russian invasion of Ukraine: At the beginning of March 2022, we announced we would exit Russia and Belarus. This separation was completed in May 2022 and Deloitte no longer operates in these countries. Our immediate focus was to ensure the safety and wellbeing of our people within Ukraine but also those individuals in the UK with family in the region and others indirectly impacted by the crisis. A number of measures were also put in place to identify and evaluate acceptance and continuance of engagements in light of sanctions issued by the UK, EU and US. We established a 'Clearing House' to consider whether from a legal and regulatory perspective it was appropriate to undertake a given engagement, and to consider whether to do so would align with our firm's values and the public interest. As a result, we discontinued working with companies with significant ownership, assets and operations in Russia.

Capacity: Capacity constraints are impacting businesses across the economy and the audit market is no exception. During FY2022 these were largely driven by increasing demand for audit services combined with COVID-19 factors which impacted the length of time it took to conduct this work. We have also seen increased risk of material misstatement in areas such as going concern

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and impairment along with significant refinancings and increased complexity of business forecasts. This has been a result of unpredictability of the pandemic and economic pressures caused by the war in Ukraine. In addition, increased supply chain and inflationary pressures have impacted the scope of the audit.

We regularly review the portfolio of entities we audit from a number of perspectives including capacity, commercial arrangements, corporate governance, culture and risk. On occasion we have taken steps to move the timing of our audit work, declined to tender for work or, if necessary, resigned to ensure our capacity to deliver high-quality audit is never compromised.

While the labour market as a whole is competitive, we continue to recruit actively. Between January and May 2022, we brought an additional 500 experienced hires into our Audit & Assurance business and this year has seen our highest levels of partner and director promotions on record.

In August 2022, we announced plans to recruit more than 6,000 new people into the UK Audit & Assurance business over the next five years, reflecting the expected growth of, and our continuous investment in, Audit & Assurance. These people will work and be trained in a range of areas critical to the delivery of high-quality audits, including climate, data, cyber, emerging technologies and analytics.

Focus on our people: We recognise the pressures that have been placed on our people over the last 24 months. For some, this has led to a rebalancing of personal priorities and changes to learning and development needs. We are investing in our people in many ways. This year we have made a record investment in pay and bonuses, and we launched our hybrid working programme, trusting our people to make the right choice in when, how and where they work. We continue to invest in, and provide access to, wellbeing and mental health support and have reintroduced face-to-face learning within our Deloitte communities alongside our remote learning programmes to ensure we are meeting wider development needs – particularly of our junior team members and new joiners. See our [Annual Review](#) for more details.

Economic and market pressures: During FY2022 there has been a heightened risk environment relating to ongoing economic and geo-political events and operational risk associated with the COVID-19 pandemic. Higher risk audits are inherently more challenging as they require audit teams to assess and conclude on complex and often judgemental areas. Our training and skills development and use of specialists have supported teams to deliver rigorous challenge and risk assessments.

We have also delayed the issue of some audit opinions to ensure we are fully satisfied we have gathered sufficient evidence to sign off. Our audit partners have the full support of the firm behind them to ensure we do not sign our audit opinions until we are ready.

Continued imperative around climate: We continue to take actions as a global network to address the climate emergency. All our UK auditors have received training on how to factor climate change into our audit approach and we continue to work proactively with professional bodies, regulators, standard setters, investors and audited entities to encourage meaningful reporting and accountable business behaviours. We have taken a number of measures to ensure our ways of working align to our sustainability objectives. See [Appendix 8](#) for a focused look at our activity to drive quality climate reporting.

Looking ahead

Looking ahead to a decade shaped not just by the recovery from COVID-19 and the geopolitical environment, but also rapid advancements in technology, ongoing macroeconomic challenges, future of work trends, and the urgency to address climate change, there are four key themes that are front of our mind. Each of these themes is explored further in our Deloitte Perspectives:



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1) The role of the audit profession in instilling trust and confidence

We continue to invest in skills, audit processes and technology to address shifting stakeholder needs and increasingly complex professional judgement requirements. It is important we always hold ourselves to the highest standards of professional conduct to deliver the highest quality audits.

2) The importance of an attractive, robust and resilient audit profession

The future of audit comes down to the people in our profession. They play a valuable public interest role in encouraging responsible business behaviours and responsible reporting for the benefit of the capital markets and broader society. We are committed to offering world class training and development to support our auditors in developing diverse and valuable skillsets that will help them to challenge management and understand a broadening range of business model risks.

3) Our culture and values

Doing the right thing is at the heart of our culture and [shared values](#). It shapes the choices we make and how we act and react. Together, these are central to our quality mindset. Our tone and behaviours 'from the top' drive our collective responsibility to exercise professional scepticism and due care, and to challenge constructively.

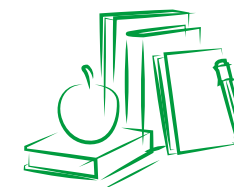
Our recruitment and training processes seek to cultivate diversity of thought and inclusion, and to ensure our people feel empowered and supported.

4) A forward-looking mindset

We have consistently said corporate governance and audit reform is a priority for us, and we take seriously our role - alongside companies, regulators, standard setters, government and investors - in driving meaningful change in the public interest. The months and years ahead are critical as the government's recommendations start to translate into action, albeit slower than we would like. We continue to be proactive, engaging with our stakeholders to respond to the opportunity for market-led change.

This is an opportunity to drive meaningful and lasting change which supports increased confidence and trust in the UK capital markets.

The role of the auditor and the audit itself must continue to evolve – and we are committed to helping shape a relevant and valued profession.



Richard Houston
Senior Partner & CEO



Paul Stephenson
UK Managing Partner
Audit & Assurance



Shauna Robinson
UK Audit & Assurance
Head of Public Policy,
Regulatory and Reputational Risk



Alan Chaudhuri
UK Audit & Assurance
Head of Quality & Risk

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Acting with purpose means acknowledging and addressing evolving stakeholder needs around integrity of information and responsible business behaviours. It also means recognising where we can do more.

Maintaining a resilient and robust audit profession which delivers meaningful confidence is a vital part of a sustainable and high-quality financial system. That profession needs to look forward – to respond to the era of heightened uncertainty – not just now but in the future.

We set out below some perspectives on the role of the profession in driving trust and confidence amidst uncertainty, and the core building blocks needed to achieve this.

The profession must help build trust and confidence through its actions and behaviour

As a firm we take pride in doing the right thing and acting in the public interest, underpinned by our professional principles of integrity, objectivity, competence, confidentiality and ethical behaviour.

We are all living and working in an environment where prolonged uncertainty has become the new norm. Geopolitics, economic uncertainty, and workforce pressures continue to have a significant impact on business.

There is no doubt the needs of stakeholders are changing. The emerging requirements for confidence in non-financial and forward-looking information is well reported – extending to environmental, social and governance (ESG) data, systems and technology. But stakeholders also want broader confidence in, and information about, the entities they interact with. They want to know if they can trust them and, increasingly, to challenge executives to demonstrate a broader business responsibility and sustainable business model. For many, the focus has broadened to planet, people and prosperity – not just profit.

The responsibility of establishing strong corporate governance, robust controls and transparent reporting resides with an entity and its directors, but external audit and regulatory oversight bring an independent rigour that result in adjustments being made and controls weaknesses and risks identified and reported.

If audit is to continue to be valued for its independent rigour, the profession must understand and respond to the evolving range of reasonable expectations of stakeholders. Audit cannot – and should not – insure an entity against fraud or guarantee its survival. However, it does need to respond to expectations around bringing fraud and failure to light, driving accountability of executive management and Those Charged With Governance alongside responsible business reporting, and helping stakeholders make informed decisions.

Our significant investment in climate, fraud and controls training, and our active Deloitte Academy programme to increase awareness of emerging issues, are just some examples of our commitment to addressing the changing needs of the market. There are times, however, when we fall short and when we do it is important we act in a timely manner to analyse and learn from the mistakes we have made; our new [Continuous Improvement Group](#) is the latest example of our commitment to ongoing improvement and accountability.

Audit has a vital role to play but this meaningful change is ultimately going to require policy makers, auditors, regulators, directors and investors to work together at pace.



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An attractive, robust and resilient audit profession is a critical part of a sustainable and high-quality financial system

If we are going to continue to enhance the trust in the quality of the audit product and the challenge our profession provides, we need to be able to attract, train and retain the best talent across a broad and diverse range of skills and perspectives.

The skills of a modern audit team go far beyond a focus on substantive testing. They comprise data analytics, project management and controls specialists. They include subject matter experts across a range of topics such as valuations, tax, legal, IT, pensions, financial instruments and fraud, and those with complex, technical industry expertise.

Diversity of thought and background are critical to building audit engagement teams that can exercise professional scepticism, challenge and judgement in complex and uncertain environments. It also supports the development of business acumen and strong communication skills. Read more in [Delivering audit quality – Our people](#).

A robust and resilient audit profession that is confident in fulfilling its public interest purpose in society today, and in the future, offers a highly attractive and rewarding career path where the best talent can reach its potential.

Serving the public interest requires audit firms to have a strong culture of doing the right thing

The culture and values of an audit firm drive the behaviours of its people and are a significant contributor to audit quality. A culture of 'doing the right thing' empowers auditors to raise robust and constructive challenge to management and directors of audit entities, as well as to senior stakeholders within our firm.

We aim to set an honest, consistent and clear tone from the top. We are working to reinforce those behaviours through our leadership and management roles across our business so that the day-to-day decision making consistently reflects this tone.

We strive for all our people to feel empowered to challenge, and to always do the right thing. We want our people to feel supported and be able to call out anything that doesn't feel right. We have asked our leaders to ensure our people understand that if they do the right thing, they will be backed and supported by the firm and rewarded for these behaviours. One of the ways we do so is through our [quality awards](#).

Through our technical excellence and ethics training programmes we regularly educate and remind our people on what doing the right thing means and how to exercise challenge and professional scepticism. Whether critically assessing information in an audit that indicates management bias, calling out inappropriate behaviour, that a reporting timetable is unreasonable, or a need to delay signing the accounts – we are confident our people are empowered to highlight concerns and ensure quality is not compromised. Our partners and people know they have the support of the firm alongside them as they make difficult but necessary decisions in the public interest.

Leadership in this area is imperative. We expect senior auditors to lead by example, welcoming constructive input and embracing the ideas of others with an emphasis on building confidence, supporting teams and sharing lessons learned. We are committed to a culture where accountability is prioritised and honest mistakes are accepted as an opportunity to learn. We continue to challenge whether we are quick enough in addressing mistakes and lessons learned and whether there is more we can do.

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Forward-looking mindset: Embracing reform must translate into decisive action

Legislation is an important mechanism for driving wholesale change. It provides the regulator with the powers to put in place and monitor many of the measures the various expert reports have been calling for over a number of years. But it is not the only mechanism.

The government's May 2022 response to its consultation on audit and corporate governance reform calls for market participants to "shape their own future" and invites market-based solutions as a precursor to regulation or legislation. Market-driven activity is seen as a credible way to drive pace and inform direction of travel.

Pace is important. Voluntary action is already being taken in some areas to strengthen the way businesses and audit firms better serve the needs of investors and wider society. We should focus on things that can be progressed by audit firms, entities and the wider profession, to continue to drive momentum. As set out by the FRC, the path forward is complex due to the way existing codes, standards and regulation interlink. Active engagement from all stakeholders will be necessary to ensure these measures have lasting impact.

At Deloitte we have made, and continue to make, significant changes to our firm. This includes launching our independent Audit Governance Board, early transition to operational separation and investing significantly in the development of our audit processes, technology and training of our people.

The investments we are making are not just changes in processes, but part of a strengthening of our purpose-led culture.

Entities also have an opportunity to embrace enhancements to their controls and governance to help prevent and detect fraud and unexpected corporate failure. Clear reporting and strong stakeholder engagement are also key. [The Audit & Assurance Policy](#) is just one example of how this can be achieved and should be used for transparent reporting around business model resilience, risks and opportunities, ESG commitments, strength of governance and lines of defence.

As an improvement regulator, the FRC has an opportunity to support innovation in the public interest, and help entities and auditors navigate the barriers that prevent some from wanting to drive change. Multi-stakeholder forums, innovation labs and sandboxes present a real opportunity for market participants to work together to shape the future collectively.

Now is not the time to sit and wait. We must continue to challenge ourselves and others to make changes and recognise the mechanisms through which increased confidence and trust can be achieved.

Voluntary measures are an important accelerator. Legislation and regulation must also continue to be prioritised to secure trust in audit and corporate governance. It is critically important.

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Following the first year of operational separation, we report on our work in providing independent advice and recommendations to Deloitte's management in the UK, with a focus on ensuring the delivery of high-quality audits in the public interest.

We are pleased to see the progress the UK Audit & Assurance business has made in embracing the changes brought by operational separation, and this year's AQR results are testament to its continued efforts to move the dial on audit quality.

The corresponding governance model is well embedded and our advice and recommendations, based on our extensive and varied executive, non-executive, corporate, audit and legal experiences, are valued and respected by Deloitte leadership.

Our governance focus during FY2022

We are all members of the Audit Governance Board and three of us are also members of the UK Oversight Board, giving us direct oversight of both the audit and non-audit businesses and of firmwide matters in the UK. More detail on the work of these bodies is set out in the [Report on the work of the Audit Governance Board and UK Oversight Board](#).

Membership of governance bodies

Since its establishment in January 2021, the **Audit Governance Board (AGB)** has been chaired by, and comprises a majority of, Independent Audit Non-Executives (ANEs). We set our own agenda and get right to the heart of the drivers of quality by challenging management to ensure every element of the Audit & Assurance business, including its operating model, culture, and approach to partner and staff reward, are focused on delivering audit quality.

Under Deloitte's multi-disciplinary model, the reputation and resilience of the UK business as a whole are critical to the sustainability of the Audit & Assurance business. Our membership of the **UK Oversight Board (UKOB)** provides us with a forum for overseeing, and challenging management on, how the risks facing the UK business are being managed.

As the 'Doubly Independent Audit Non-Executive', Shirley Garrod is not a member of the UKOB but does observe parts of the meetings (such as the CEO and Managing Partner's UK practice and performance updates and certain people and purpose matters) that deal with matters of direct relevance to the Audit & Assurance business.

Formerly the INE Oversight Committee, the **Non-Executive Committee (NEC)** comprises only Non-Executives. It 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 NEC meets monthly, and matters covered in FY2022 included:

- Discussions on **key claims** and investigations against the UK business and actions being taken to address them
- Consideration of the main factors impacting the **attractiveness of the audit profession**
- **Audit partner remuneration**, as a proxy for the subcommittee of the AGB comprising only Non-Executives as required by the FRC's principles for operational separation

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- **Ethics, whistleblowing** and the work of the [Public Interest Review Group](#)
- The use of **overseas delivery centres** by the UK business, including procedures for managing risk and ensuring quality.

Individual engagement

In addition to receiving the formal presentations at the AGB, UKOB and NEC, as Non-Executives we also engage individually with key members of the firm's Executive and senior management team on a regular basis and share insights from those discussions with our Non-Executive colleagues at the NEC meetings.

We have an annual engagement plan setting out our agreed individual areas of focus. Areas covered include audit and firmwide strategy; audit quality; culture; ethics; people and purpose; financial performance; and risk management.

We also regularly observe various quality and risk-related meetings, including meetings of the [Audit & Assurance Quality Board \(A&AQB\)](#), [Audit Quality Forum \(AQF\)](#) and Public Interest Review Group.

Audit partner reward and promotion

Audit partners are ultimately responsible for the quality of an audit and there is, understandably, public interest in the individuals who are promoted to that position and in the way they are rewarded.

In addition to the oversight at the AGB and NEC meetings, individual Non-Executives observed various meetings that took place throughout the year to discuss audit partner remuneration and promotions 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.

We were pleased to see management had addressed the process improvements we suggested last year, and we will follow up with the Audit & Assurance People & Purpose Leader on some further process improvements for the coming year. In addition, we commissioned a desktop internal audit review of the processes that found transparent and well-documented processes, applied consistently.

Overall, based on the frameworks established for FY2022, 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.

Driving confidence and trust amidst uncertainty

In our FY2021 report, we observed that the reforms proposed in the Department for Business, Energy & Industrial Strategy (BEIS) White Paper on restoring trust in audit and corporate governance should go a long way to addressing the issues around the erosion of trust in business.

It was encouraging to hear the announcement of the draft bill on audit and corporate governance reform in the Queen's speech, though we are disappointed with aspects of the government's response. There is a danger that the final recommendations have missed a golden opportunity, particularly around the legislation over Internal Controls.

While it has taken several years to reach this point, significant uncertainty remains around the detail and timing of the necessary legislation and regulation.

We are supportive of the UK firm proactively moving ahead with voluntary measures and have provided input to, and advice on, its plans, drawing on our various corporate experiences. However, auditors cannot deliver meaningful change in isolation and all stakeholders - policy makers, auditors, regulators, directors and investors - must work together and play their part.

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The importance of an attractive, robust and resilient audit profession

The ongoing 'race for talent' highlights how critical it is for audit to remain a vibrant and valued profession that attracts, develops and retains top talent to deliver high-quality audits and help ensure the sustainability of a high-quality financial reporting ecosystem.

The COVID-19 pandemic has transformed the way we all work and, while we should embrace the flexibility and opportunity that hybrid working brings, we must ensure we don't lose the benefits of team working.

On-the-job training and mentoring are vital in ensuring auditors develop the softer skills and behaviours that can't always be learned on a training course. In our discussions with junior members of staff at the AQF meetings, we hear how beneficial they find it simply to be able to turn to their colleague to ask a question and, through our discussions with management, we know they are cognisant of the need to balance flexibility with ensuring teams are provided with sufficient opportunities for meaningful interaction.

The UK business invests in its people through financial reward, developing new ways of working through Deloitte Works, wellbeing programmes and its focus on diversity and inclusion. However, reward and working conditions are only part of the story; the reputation of the profession and the regulatory scrutiny it is under also have a significant impact on its attractiveness. Companies and regulators also have a role to play in calling out the value of audit and the professional training and experience it takes to become an auditor.

Conclusion

We remain confident that Deloitte's commitment to quality, its open and consultative culture, its robust governance and the way it is moving forward with voluntary measures in advance of regulatory and legislative change, put it in a strong position to ensure a resilient and thriving audit offering and to address the challenges that lie ahead.

We will continue to leverage our position as Non-Executives to advise and challenge management and to communicate with stakeholders – through the Deloitte AGM, Deloitte Academy programme, our regular meetings with the FRC and other interactions with investors and audit committee chairs.

We are always 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



Jim Coyle

UKOB Deputy Chair, Non-Executive



Almira Delibegovic-Broome KC

Non-Executive



Shirley Garrood

Audit Non-Executive

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Strong governance is the foundation of our firm: overseeing 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.

Following its establishment on 1 January 2021, in preparation for operational separation, FY2022 marked the first full year of operation for our Audit Governance Board (AGB). The AGB comprises a majority of independent Audit Non-Executives (ANEs), including the Chair, who provide the independent governance, advice and challenge to the Audit & Assurance business. The AGB's remit gets right to the heart of the drivers of audit quality, including challenging the Audit & Assurance Executive to ensure 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 UK Oversight Board (UKOB) oversees how the firm meets its UK regulatory and legal responsibilities, including certain requirements of the Code as they relate to the UK business as a whole. In particular, the UKOB's focus is on:

- Securing the reputation of the UK business
- Ensuring material risks are managed and controlled
- Overseeing how public interest responsibilities are met
- Reducing the risk of firm failure
- Overseeing financial reporting matters.

The AGB and UKOB work alongside each other to ensure Deloitte's UK business, as a whole, meets the requirements of the Code and other regulatory and legal requirements. During the year, Baroness Ford and the Elected Partner members of both the AGB and UKOB have also been members of the Deloitte North and South Europe (NSE) Board.

The NSE Board remains the primary governance body for the whole of Deloitte NSE, responsible for ensuring high quality governance and stewardship of the NSE business. The NSE Board works with the NSE Executive to set and approve the long-term strategic objectives for the NSE business 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 governance schematic on [page 106](#) illustrates how the various governance bodies work together, including the NSE Audit & Risk Committee (ARC) that oversees specific NSE-wide matters, including financial reporting and the external audit process, risk management processes and controls, and how NSE meets its relevant regulatory and legal requirements.

What have the UKOB and AGB done this year?

Firmwide and audit strategy

At each UKOB meeting, the Senior Partner and Chief Executive and the UK Managing Partner provide an update on the strategic priorities for the UK business. This year, the updates have included matters such as: business performance and plans; market outlook, including the impact of the war in Ukraine; culture and talent matters, including attrition, reward, recruitment and wellbeing; and risk and reputational matters, including on significant claims and investigations for the UK business and in the Deloitte network, where relevant.

At each AGB meeting, the UK Managing Partner Audit & Assurance provides an update on the strategy and performance of the UK Audit & Assurance business, including updates on operations and performance in our Large & Complex, Portfolio and Assurance businesses; strategic developments in audit quality; tenders, resignations and the audit pipeline; and people and

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purpose matters such as resourcing and reward. The UK audit strategy execution KPI framework, developed as part of the preparations for operational separation, is also presented at each AGB meeting.

In addition to regular audit strategy updates, the AGB receives various ad hoc reports from members of the Audit & Assurance Executive. During the year, the partners leading the Assurance and Portfolio Audit businesses discussed with the AGB their plans for developing those areas and managing any risks.

Operational separation and other audit reform

The UKOB and AGB have closely monitored the implementation of operational separation, in particular the measures put in place to ensure, between the Audit & Assurance business and the rest of the firm:

- Appropriate arm's length pricing with respect to specialist non-audit input to audit engagements
- The appropriate allocation of costs
- That no material cross-subsidy persists.

They also had oversight of the controls around the assurance services provided by the Audit & Assurance business.

The AGB is consulted on all significant responses to findings and feedback from the FRC, including on its audit quality inspection and supervision report and the annual formal feedback from Deloitte's supervisor at the FRC. The AGB met Sir Jon Thompson, FRC CEO, during the year to discuss with him the FRC's views on Deloitte as well as the corporate governance and audit reform agenda. Deloitte's supervisor at the FRC observes one AGB meeting a year and receives copies of the papers for each AGB meeting.

During the year, the AGB also discussed the firm's proposals and plans for the future of audit, as well as developments in specific areas of corporate reporting such as in ESG.

Audit quality

Audit quality is 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 (AQP) and actions being taken to improve quality; progress in evolving current monitoring processes to support the transition to International Standard on Quality Management (ISQM) 1; and the status of specific claims and investigations.

Continuous Improvement Group

During the year, the AGB met with the partner leading the newly established Continuous Improvement Group (CIG), set up to assess, challenge and monitor actions being taken to respond to audit quality findings. Going forward, the CIG will report regularly to the AGB, highlighting any particular areas of concern, to help the AGB review more effectively the AQP and challenge on the detail.

Audit partner remuneration and promotions

A sub-committee of the AGB, comprising only ANEs, 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 ANEs observed the various meetings during the year where audit partner remuneration was discussed and determined, and another observed the meetings where promotions were discussed and determined. They reported on their findings in respect of the processes to the sub-committee of the AGB.

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People & Purpose

As the UK job market faces a 'race for talent', resourcing has been a key focus of both the UKOB and AGB this year. Attracting and retaining top talent are critical to ensuring the resilience and reputation of the business and the quality of the work it delivers and regular updates were discussed throughout the year.

The UK Managing Partner People & Purpose and HR Partner reported to the UKOB on initiatives to ensure training is of the highest quality and focused on specific needs (including ethical standards and culture), and for ensuring remuneration policies do not incentivise inappropriate behaviour.

The wellbeing of staff and partners remains a key focus and 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. Plans to establish the Colleague Advisory Forum were put on hold during the COVID-19 pandemic. Those plans have been revived to provide the voice of the workforce to UKOB discussions going forward. The Forum will be representative of the rich diversity of Deloitte's people.

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 capital and liquidity position.

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, and a summary report of cases is provided at each UKOB meeting. Individually, the Non-Executives observed various Public Interest Review Group meetings during the year.

The UK Audit & Assurance Head of Public Policy regularly attends AGB meetings and presented twice during the year on public policy, regulatory and reputational risk matters.

Ethics, whistleblowing and culture

The UK Managing Partner Quality, Risk & Security and the UK Managing Partner People & Purpose reported to the UKOB on the firm's approach to promoting and embedding an appropriate culture across the UK business, underpinned by sound values and behaviours, including systems for monitoring culture.

The Audit & Assurance People & Purpose Leader and the partner leading on culture in Audit & Assurance reported to the AGB on the approach being taken in Audit & Assurance to promote and embed an appropriate culture, including a culture of constructive challenge and professional scepticism. They also reported on the FRC's findings following its thematic review of culture and on the actions being developed to respond to those findings.

There is a direct reporting line between the Non-Executives and the UK Ethics Partner. The UK Ethics Partner met with the Non-Executive Committee during the year to discuss the results of the 2021 Ethics Survey and trends seen in ethics cases and speak-up data. The Non-Executives also met with the UK Ethics Partner at various times during the year to discuss specific ethics matter of particular public interest.

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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 UK 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 UK Executive where necessary. In addition, the UK 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 UK 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 FY2022 has been presented in accordance with a risk-based plan which 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 (including culture) and finance are documented and refreshed annually in order to evidence the scope of the control framework in each area; the frequency with which these controls are refreshed and monitored; and the independent assurance in place over each of these.

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.

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Whilst areas for improvement and actions are identified as part of the Enterprise Risk Framework (ERF), monitoring of control effectiveness, internal audit reports and ISQM 1 design and implementation work, these are not of such individual or collective significance such that they represent a significant control failing or weakness. Rather they represent improvement areas we believe will further strengthen our system of internal control. In light of the evolving regulatory environment in which the firm operates, including ISQM 1, we will continue to assess the maturity of our control frameworks, to identify further areas where improvements may be achieved.

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

On the basis of the reviews carried out, the UK 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:

- Reports from the UK Internal Audit Leader, including consideration of the firm's internal audit/monitoring plans and the reports issued in the UK and NSE (where relevant to the UK business)
- 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
- An update from the Security Partner on the information security framework in place across the UK business and how cyber security and data protection risks are managed, as well as contingency planning
- Updates on the regulatory and claims landscape facing the UK business, and the current claims in progress
- A report from the firm's General Counsel on the process for managing employee claims
- Reports from the Tax & Legal, Consulting and Financial Advisory Service Line Quality & Risk Partners on the procedures in place for safeguarding quality and reputation within their service line
- The results of the FY2022 isolated working review (as part of the Portfolio Risk 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 key matters relating to independence and conflicts during the year.

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Monitoring the effectiveness of our governance

The following Key Performance Indicators (KPIs) are used to monitor and report on the performance of the UKOB and AGB:

KPI	Performance during FY2022
<p>AGB structure and composition</p> <ol style="list-style-type: none"> The AGB has a majority of ANE members, including an ANE Chair and at least one ANE member who is 'doubly independent', i.e., not a member of any other governance body of the firm or network The UKOB has a majority of members, including the Chair, who are not members of the firm's Executive Relative to the responsibilities of the UKOB and AGB, the members bring the right combination of skills, expertise and knowledge 	<p>The AGB comprises:</p> <ul style="list-style-type: none"> Four ANE members, including the Chair (Baroness Ford) and one doubly independent ANE (Shirley Garrood) One elected partner member who is also an elected member of the NSE Board Two executive members. <p>The UKOB comprises:</p> <ul style="list-style-type: none"> Three elected partner members, including the Chair, who are also elected members of the NSE Board Three INE members, one of whom is the Deputy Chair 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>

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KPI	Performance during FY2022
<p>Meeting attendance</p> <p>4. Each UKOB and AGB member attends at least 75% of meetings during the year</p>	<p>Individual meeting attendance is reported in Appendix 1 to this Report.</p> <p>There were six UKOB and six AGB meetings during the year. For five of the UKOB meetings, all members were present. One elected partner member was absent for the other UKOB meeting, although it remained quorate. All members were in attendance for all AGB meetings during the year.</p>
<p>Meeting effectiveness</p> <p>5. UKOB and AGB meetings are effective in enabling the governance bodies to fulfil their roles and responsibilities in relation to the requirements of the FRC's principles for operational separation and the Code, including around the reputation and resilience of the firm and the Audit & Assurance business, and around audit quality</p> <p>6. Actions arising from meetings are recorded, monitored and responded to</p>	<p>The UKOB and AGB meetings take place bi-monthly and normally on the same day, with the AGB meeting in the morning for three hours, followed by the UKOB meeting for three and a half hours.</p> <p>The AGB and UKOB meetings are then followed by a meeting of the Non-Executive Committee to allow the Non-Executives an opportunity to debrief on the matters discussed earlier in the day.</p> <p>High level UKOB and AGB agendas are drafted by the Chairs 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 firm and Audit & Assurance business and may be flexed as necessary.</p> <p>Detailed agendas and pre-UKOB/AGB briefing meetings between the Chairs and presenters ensure the timings are sufficient to cover the required content in enough detail.</p> <p>The UKOB/AGB Secretariat takes minutes of the meetings and compiles action plans, which are distributed to the UKOB/AGB members and relevant action owners, monitored by the UKOB/AGB Chief of Staff and then followed up at subsequent meetings.</p>

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KPI	Performance during FY2022
<p>Information flows</p> <ul style="list-style-type: none"> 7. The quality and content of management information presented to the UKOB and AGB is appropriate to enable the governance bodies to meet their responsibilities 8. There is an appropriate flow of information to and from the UKOB/AGB and the NSE ARC 	<p>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 and risk, and people and purpose, alongside relevant metrics and performance indicators. The pack is also shared with the FRC after each AGB meeting.</p> <p>A standing management information pack setting out the monthly trading results of the UK business is presented to each UKOB meeting by the UK Managing Partner.</p> <p>UKOB and AGB agendas, standing management information packs and other relevant 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.</p> <p>The UKOB Chair and elected partner member of AGB chaired the NSE ARC during the year 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 UKOB/AGB and NSE ARC.</p> <p>The NSE ARC papers are also made available to the UK Non-Executives.</p>

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KPI	Performance during FY2022
<p>Monitoring governance effectiveness</p> <p>9. A review is undertaken into the effectiveness of the UKOB and AGB on at least a three-yearly basis</p>	<p>As part of our plans for operational separation, during FY2021, an internal review was undertaken into the UK governance structure and the future roles and authorities of the AGB and UKOB.</p> <p>A formal review of the effectiveness of the governance model will be undertaken in advance of the recent changes to the Code taking effect for us in FY2024 and coinciding with three years of operation of the AGB.</p> <p>The terms of reference of the UKOB and AGB are kept under review and formally reviewed on an annual basis.</p>
<p>Stakeholder dialogue</p> <p>10. The firm, including the Non-Executives, meets regularly with stakeholders (including regulators and public interest entity investors and audit committees) to discuss matters of relevance to the profession and ensure it keeps in touch with stakeholder opinion, issues and concerns</p> <p>11. The Non-Executives provide an external perspective to the firm's public reports and consultation responses, drawing on their broad knowledge and experience</p>	<p>The firm holds an audit AGM in the autumn, attended by the Non-Executives, and invites various stakeholders to discuss and debate issues affecting the profession.</p> <p>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 to 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 twice a year.</p> <p>During the year, the Non-Executives reviewed and provided input to the firm's response to the FRC's Audit Quality Inspection and Supervision report and root cause analysis; and the firm's response to the FRC's consultations on revisions to the Code and the recognition of Key Audit Partners for Local Audit.</p> <p>The Non-Executives also reviewed and provided input to this Transparency Report.</p>

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Audit quality



Audit quality is at the heart of everything we do. Deloitte's purpose is to make an impact that matters with the entities we work with, people and society. Within Audit & Assurance, we are committed to acting with the highest levels of integrity in the public interest to deliver confidence and trust in business.

There are four pillars to our commitment to deliver the highest quality audits:



Our culture

At the core of everything we do



Our people

Whose wellbeing, skills, mindset and experience are fundamental



Our ethical standards

An unwavering commitment to integrity and ethical behaviour



Our role in protecting the public interest

Creating pride in our profession and making the right impact

Our people are empowered to do the right thing, to operate with professional scepticism and bring a mindset of challenge to the entities they audit. This culture and attitude to audit quality, set at the top of our firm, are shared with all our people through our communications and practices on a day-to-day basis.

We believe an inclusive culture, underpinned by respect, is fundamental to audit quality. It not only provides the foundation for diversity in our audit teams, which generates a valuable range of perspectives, but also gives our people the confidence to be authentic in the workplace, engaging and motivating them to work together to deliver a high-quality audit.

- Important progress in audit quality has been made in recent years. The PIE inspection results for our audits selected by the FRC as part of the 2021/22 inspection cycle show that 82% of all inspections in the current cycle were assessed as good or needing limited improvement
- The results from the 2021 Quality Assurance Department of the ICAEW (QAD), which is weighted towards higher risk and complex audits of non-PIE audits within ICAEW scope, assessed 80% of the audits it inspected as good or generally acceptable

Commenting on the PIE inspection results Paul Stephenson, UK Managing Partner Audit & Assurance, said:

"We are pleased that our external inspection results continue to show improvements, reflecting the significant investments we have made in audit quality. However, we are not complacent and continue to transform our technology, processes, governance and controls. An uncompromising focus on quality is central to the culture of our newly ring-fenced Audit & Assurance business and forms the foundation of all our recruitment, learning and development, promotion and reward structures."

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Audit quality



We are always looking to improve and use the findings of internal and external reviews to enhance our system of quality control. Where any external or internal inspection indicates an audit has fallen short of our quality standards, we perform a robust independent root cause analysis to understand the deficiencies and consider what remediation is required both on an individual engagement and whether wider actions are appropriate.

Our Audit Governance Board, established over 18 months ago, holds leadership of the Audit & Assurance business to account on how we perform high quality audits in the public interest. Its oversight has helped to ensure that the Audit & Assurance Executive remains focused on the drivers of quality, today and in the future.

We believe the system of quality control we have developed continues to enhance the quality of audits and this year we continued to evolve our current monitoring processes to support the transition to ISQM 1.

We are mindful of reports across the broader audit profession around the world of cheating on professional exams. Misconduct of any kind is not tolerated in our firm and while we have processes in place to prevent issues arising, we always investigate and take appropriate action where any cases of inappropriate or unethical behaviour are identified. (Note: We do not carry out or invigilate any exams or assessments on behalf of any Recognised Qualifying Bodies, namely ICAEW, ICAS, ICAI, AIA and ACCA)

We 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. The shift in focus towards forward-looking information and an increased need for confidence over non-financial information, such as climate change and sustainability reporting, will require auditors with an increasingly broad range of skills to deliver confidence in broader corporate information. In this context, the future of audit is an exciting and vibrant career for our people.

More detail on all of these matters can be found in

- [Appendix 5 - Delivering audit quality](#)
- [Appendix 6 - Monitoring audit quality](#)
- [Appendix 7 - Measuring audit quality.](#)

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During the past year, the country has begun to emerge from the COVID-19 pandemic. With some returning to the office and others continuing to work from home, the firm is focused on how the shift to hybrid working will impact our people. Against this backdrop, our Deloitte shared values and our NSE Ethics Code remain critically important. 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, serve 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 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 Ethics 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. 'Take care of each other' and 'Foster inclusion' are fundamental values when it comes to ethics. These values and associated behaviours are expected of all our partners and staff. As more people return to the office, the Ethics team has set up a programme of face-to-face sessions to ensure the messaging reaches as many people as possible.



Feargus 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 agenda and a point of consideration at all UK Executive meetings. There is a formal ethics update to the UKOB annually, and the Public Interest Review Group summary report is available at each meeting. Feargus 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, Feargus oversees any issues relating to the FRC's Ethical Standard (see [Independence](#)).

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The Global dimension

We are committed to conducting business with honesty, distinctive quality, and high standards of professional behaviour. At a Global level ethics is led by the Deloitte Global Chief Ethics Officer, 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.

This year the UK team has worked collaboratively with NSE colleagues to ensure progress is made on ISQM 1. A gap analysis has been conducted, and new controls have been introduced.

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 programme



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 who is the subject of the incident. Where appropriate we work closely with colleagues in Employee Relations.

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 Review](#), the number of cases increased in FY2022 (240 cases) compared with FY2021 (228 cases) and FY2020 (223 cases). This trend appears to be reflected across our global network of member firms. Prior to the pandemic, the rate of increase in cases, year-on-year, was roughly 10%, and we will continue to closely monitor and respond to any new or differing trends in reporting.

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The nature of reports continues to evolve. While concerns relating to respect and inclusion remain the most common type of report, we have seen an increase in the reporting of sexual harassment matters following the easing of pandemic restrictions. There have been a limited number of concerns alleging race discrimination, likely 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; the majority of these concerns relate to alleged micro aggressions.

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

Chaired by the UK Ethics Partner, the 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 UK Managing Partner Quality, Risk & Security, the firm's Money Laundering Reporting Officer (MLRO), Managing Partner People & Purpose, the Public Policy & Regulatory lead partner 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 FY2022, 49 matters (FY2021: 70) were brought to the Group for a formal consultation:

6 (12%) were in category a)

32 (66%) were in category b)

7 (14%) were category c), i.e., declined

The remaining 8% includes matters that were not ultimately pursued or did not require a specific decision.



In addition to formal consultations, the Office of the Public Interest Review Group provided further triage of less complex matters presenting public interest considerations.

The majority of cases reviewed by the Group concerned matters in the public domain and/or extensively reported on by the media. Matters requiring careful analysis of perceived conflicts were frequently discussed. Additionally, the Group observed several matters presenting one or more characteristics, for example: geopolitical considerations, the use of Deloitte's brand, potential conflict of interest (perception), concerns regarding potential clients' ownership structure and/or leadership integrity.

In line with the decreasing number of COVID-19 related matters, during FY2022 members of the Public Interest Review Group attended 28 (FY2021: 80) centrally coordinated, COVID-19 Deal Review Board (DRB) meetings and, where appropriate, referred back to the 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).

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Additionally, in response to the war in Ukraine, members of the Public Interest Review Group have attended centrally coordinated 'Clearing House' discussions. These have evaluated 37 client acceptance, engagement and continuance decisions in relation to entities that have Russian and/or Belarusian assets, operations or ownership (between January – May 2022). Where appropriate, matters have been referred to the Public Interest Review Group for further consideration.

During the year, we have also continued to conduct strategic, thematic, and 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. The Group also developed additional protocols and guardrails in a number of subject matter areas, which will evolve over time in line with the firm's external environment and internal risk appetite. The Chair of the Public Interest Review Group participated in a globally led initiative to establish a common approach for all member firms within the Deloitte network in setting up Responsible Business Committees locally.

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 FY2022, nine matters were reviewed by the NSE PICG; 56% were approved with and/or without conditions and 44% were declined.

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

In FY2022, almost a quarter of our colleagues completed the firm's Ethics Survey (we are seeking to increase participation each year) - the vast majority (96%) believe Deloitte is an ethical place to work, a similar response to FY2021 (95%). However, we saw a reduction in the number of people who knew where to report misconduct, and, as with the previous year, where people see misconduct, they do not always report it.

The UK Ethics team is continuing its outreach programme, joining webinars and holding meetings with teams across the firm. The aim is to be more open and transparent about the issues that are reported to the Ethics team and inform people about how matters are dealt with.

In FY2022 the team continued to work closely with the firm's diversity networks – specifically the Gender Balance

and the Multi-Cultural Networks – to better capitalise on synergies and increase collaboration.

Fear of retaliation continues to be a barrier to reporting, and 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.



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Where will we focus our priorities in FY2023 and beyond?

ISQM 1 has focused the need to work on improving our processes across NSE. This work has begun with cross-geographical spot checks aimed at driving consistency and improving standards.

Recently released e-learning courses will be completed by managers, senior managers, directors, and independent contractors.

All new partners will attend a face-to-face 'Leading with Integrity' session.

The Ethics team has developed a toolkit with talking points for our leaders.

During the coming year we will be asking all leaders to devote some time to talk about ethical challenges within their teams. This builds on a session around ethics and behaviour as part of our [Audit & Assurance Technical Excellence \(TechEx\) training](#).

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; working together we increase the likelihood 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.



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

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.

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, NSE Executive and Board, and to the Deloitte Global Executive and Board.

Our dedicated Independence team continues to advise engagement teams, reinforce our policies, develop learning programmes and communications and maintain effective systems and processes, while always striving to improve them, so we remain independent in fact and appearance. These activities encompass a broad range of areas that could impact the independence of the firm, our professionals and our engagement teams. They include personal and firm financial interests, employment and business relationships, firm and partner rotation (led by our separate Audit & Assurance Quality and Risk Management (A&AQRM) team), acceptance of audit and non-audit services and matters relating to fees, gifts and hospitality.

Role of Deloitte Global Independence

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

- Sets **independence policies and procedural expectations** based upon the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and, where applicable, the independence standards of the US Securities and Exchange Commission and the Public Company Accounting Oversight Board
- Provides **independence subject matter expertise by assisting in firms' system of quality control (SQC) reviews** as part of Audit Quality Monitoring & Measurement and supports firms, as needed, with the annual SQC review and giving insights into global areas of focus. In-depth follow-up reviews are conducted as needed
- Supports firms with on-going independence expertise through consultation—enabling continuous enhancements to global policies, procedural expectations, tools, and practice support activities
- Delivers **global systems** to provide its people with entity information to support compliance with personal and professional independence requirements, including financial interests, scope of service, (and business relationship) approvals
- Promotes **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.



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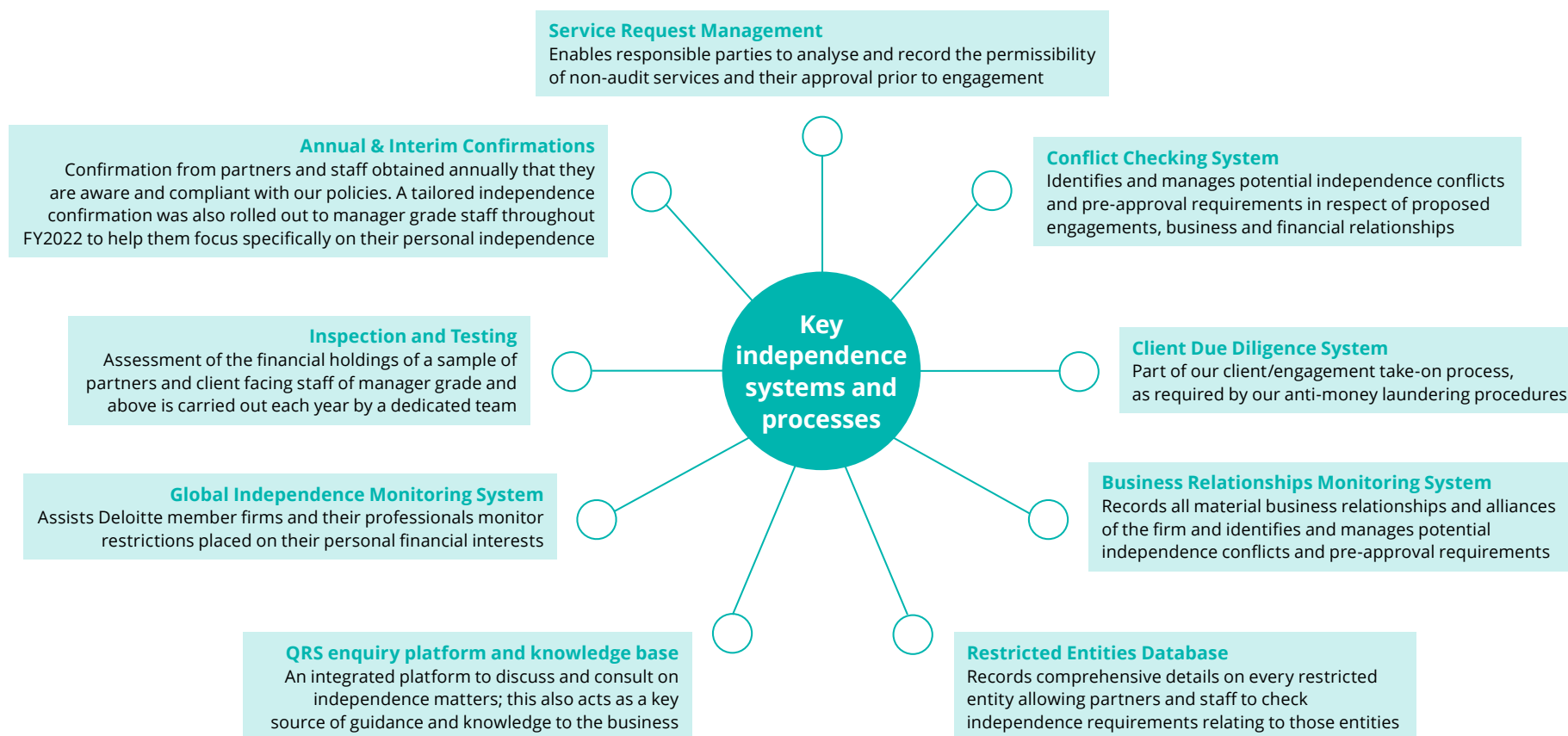
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Independence systems and processes

We have a number of internal systems and processes of quality control related to independence:



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Our independence focus this year

We continue to strengthen our 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, personal and business relationships.

The following areas have been our key focus during FY2022 in addition to our ongoing processes and systems of quality control:



Making personal independence compliance easier:

In FY2022, we continued our efforts to increase the number of approved financial providers that can automate and simplify recording of financial interests into our independence monitoring system through an automated data feed. We have rolled out the firm's expectations on the use of these approved providers through a new policy aimed at all grades from partner to manager in order to make it easier for our practitioners to maintain independence compliance in addition to enabling timely and accurate recording of changes in financial interests.

We continue to support our people to remain compliant through the provision of helpdesks, an integrated enquiry platform and knowledge base, one-to-one consultations, guidance and awareness documents as well as providing on the ground support within each business area through dedicated individuals.

Throughout FY2022, our Independence team has worked closely with the leadership of each business area to bring independence, especially personal independence compliance, to the forefront of practitioners' thinking. We have launched a new personal independence e-learning which is more tailored to individuals' circumstances and focused on case studies to make it much easier for our people to understand and relate to independence requirements. In addition, we have also launched an independence awareness milestone e-learning aimed at FY2022 manager and partner promotes.



Enhanced monitoring and automation:

Following the introduction of the approved financial providers policy, we have focused our efforts on enhancing and automating our monitoring processes. An IQ Bot has been designed and implemented to enable automated monitoring for investments held that are not eligible for the automated data feed. The IQ Bot is able to read specific paperwork, identify any discrepancies between

the paperwork and the investments declared on the firm's independence monitoring system, and make any required updates accordingly. This automated process enables the independence team to increase monitoring volumes and further reduce any non-compliance with the independence policies.

We have reviewed and enhanced our Independence monitoring processes in the period including implementing an enhanced process for managing breaches.

Digitalisation:



Digitising the way we operate has been a strategic priority for the UK firm as well as the Quality, Risk and Security (QRS) function where our Independence function sits. A QRS digitisation vision has been defined to:

- Enable a consumer level experience for our practitioners as well as QRS teams, so that we can make it much easier for them to do the right thing and therefore help protect our brand and reputation
- Give tools and systems to support timely decision making and proactive risk management.



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In order to deliver this vision, a work programme has been initiated to migrate our existing systems to more modern, strategic platforms and global systems as appropriate, as well as delivering mobile applications to make compliance on the go easier for our practitioners. This programme will continue into FY2023 and deliver outputs in a phased approach.

Regulatory matters

FRC Findings: The 2022 FRC public report finding on independence arises from individual file review matters and how to improve our guidance to practitioners on how to more consistently consider the perspective of an objective, reasonable and informed third party. Root cause analysis has been performed and action plans have been developed to address each finding, and the independence team continues to be focussed on embedding independence into the mindset of our practitioners, including relating to the matters identified in the public report.

ISQM 1 implementation: Our Independence team has been supporting the firmwide transition towards the new ISQM 1 standard to ensure independence processes and systems are fully compliant ahead of implementation.

As part of the design and implementation programme, we have identified areas for enhancements and focused on further documenting our systems of quality controls with the objective of improving quality and consistency across Independence and wider Quality, Risk and Ethics functions in the UK. We are committed to timely implementation and compliance with the requirements of the new standard.

IESBA changes: Following the finalisation of changes to the IESBA code effective 15 December 2022, we are rolling out training and awareness to practitioners and updating our policies and guidance to reflect these changes.



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Appendix 1: Executive Group, Audit Governance Board, and UK Oversight Board members' biographies³



1. Deloitte UK Executive

Richard Houston, UK Senior Partner & Chief Executive *

In addition to his role as UK Senior Partner and Chief Executive, Richard is also Senior Partner and Chief Executive of Deloitte NSE, the second largest member firm in the Deloitte network. Richard has led several key People & Purpose campaigns for Deloitte on topics including digital exclusion, diversity and inclusion, and mental health. Richard has over 23 years of experience in Consulting and Financial Services. He joined Deloitte in 2002 having previously worked at Arthur Andersen, HSBC and Royal Bank of Scotland.

- Exec meetings: attended 40/40 during FY2022

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 26 years, 17 as partner.

- Exec meetings: attended 39/40 during FY2022

Richard Bell, UK Managing Partner Financial Advisory

Richard has been Managing Partner UK Financial Advisory since 2018, prior to which he was UK Managing Partner 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 36/40 during FY2022

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 FTSE 100 and FTSE 250. Pauline became a partner in 2005 and has been with the firm for 30 years. She was UK Managing Partner Regions before taking on the Clients & Industries role on the UK Executive in 2020.

- Exec meetings: attended 35/40 during FY2022

³ To note: * where used throughout this appendix denotes the individual also holds an NSE leadership role

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1. Deloitte UK Executive

Emma Cox, UK Managing Partner Deloitte Private

As UK Managing Partner 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 16 years and led the firm's Private Audit & Assurance business. Emma has been with Deloitte since 2002.

- Exec meetings: attended 36/40 during FY2022

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 Consumer and UK Private Equity businesses and has worked with and leads relationships with major client organisations.

- Exec meetings: attended 35/40 during FY2022

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 UK Managing Partner of Audit & Assurance in both the UK and NSE, as well as the former Deloitte UK CFO. Stephen joined Deloitte 20 years ago.

- Exec meetings: attended 37/40 during FY2022

Richard Hammell, UK Managing Partner Financial Services

Richard has over 31 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 36/40 during FY2022

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1. Deloitte UK Executive

Jackie Henry, UK Managing Partner People & Purpose

Jackie was appointed UK Managing Partner 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 eight 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 37/40 during FY2022

Simon Kerton-Johnson, UK Managing Partner Transformation

As UK Managing Partner Transformation, Simon is responsible for all 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 28 years and became a partner in 2006.

- Exec meetings: attended 37/40 during FY2022

Anne-Marie Malley, UK Managing Partner Consulting

Anne-Marie joined Deloitte in 1996. She has over 22 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 32/40 during FY2022

Andy Morris, UK Managing Partner Risk Advisory

Andy became UK Managing Partner Risk Advisory in 2019. He has been at Deloitte since 2002 and a partner since 2005, working with a broad range of FTSE 100 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 36/40 during FY2022

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Mark Mullins, UK Managing Partner Quality, Risk & Security

Mark has 37 years' professional experience including 26 as a partner; he joined Deloitte in 1989. He was appointed UK Managing Partner Quality, Risk and Security in 2019. As an audit partner he was focused on UK listed global manufacturing, engineering and services businesses. Other experience includes being a member of the Board, member of the Audit Executive and COO of the Audit business.

- Exec meetings: attended 37/40 during FY2022

Paul Stephenson, UK Managing Partner Audit & Assurance

Paul was appointed UK 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 32 years, becoming a partner in 2006. He specialises in delivering audit and assurance services to the insurance sector.

- Exec meetings: attended 36/40 during FY2022

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 Managing Partner Tax & Legal role, she served on the Global Tax and Legal Executive. Lisa's experience lies in advising large multi-national corporations on corporate tax restructuring, refinancing and reorganisation.

- Exec meetings: attended 36/40 during FY2022

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 35/40 during FY2022

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2. 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 an Independent Non-Executive on the Deloitte UK Oversight Board and 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 adviser 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.

Previous corporate experience includes chairing STV plc, Grainger plc, May Gurney Integrated Service plc, and Barchester Healthcare Ltd. In the public sector she chaired English Partnerships (now Homes England) and the Olympic Park Legacy Company. She sits as a crossbench peer in the House of Lords.

- Appointed: January 2021
- AGB meetings: attended 6/6 during FY2022

Jim Coyle, Non-Executive

Jim was appointed as an Independent 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 Non-Executive Committee, which comprises the Deloitte Independent 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 and, prior to that, 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 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.

- Appointed: January 2021
- AGB meetings: attended 6/6 during FY2022

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2. Deloitte Audit Governance Board members

Almira Delibegovic-Broome KC, Non-Executive

Almira was appointed as an Independent 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 Chair of JUSTICE Scotland, a member of the Business Committee of the General Council of the University of Edinburgh and Convener of its Finance and Services Standing Committee, as well as a non-executive member of the Advisory Board for the Accountant in Bankruptcy⁴.

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.

- Appointed: January 2021
- AGB meetings: attended 6/6 during FY2022

Shirley Garrod, Audit Non-Executive

Shirley was appointed as an Independent 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 boards of Royal London Mutual Insurance Society and Ashmore Group plc. 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.

- Appointed: January 2021
- AGB meetings: attended 6/6 during FY2022

⁴ The Scottish Government agency responsible for administering the process of personal bankruptcies and recording corporate insolvencies in Scotland

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2. Deloitte Audit Governance Board members

Stephen Griggs, UK Managing Partner

See Deloitte UK Executive members.

- Appointed: January 2021
- AGB meetings: attended 6/6 during FY2022

Paul Stephenson, UK Managing Partner Audit & Assurance

See Deloitte UK Executive members.

- Appointed: January 2021
- AGB meetings: attended 6/6 during FY2022

Steve Williams, UK Partner *

Steve has been with Deloitte UK for 21 years and a partner since 2003. In total he has spent nearly three decades with Deloitte member firms working in a number of countries. During the year, Steve was also a member of the Regions Executive, the Practice Senior Partner for Scotland and Northern Ireland, and Chair of the NSE Audit & Risk Committee and the UK Oversight Board.

- Appointed: January 2021
- AGB meetings: attended 6/6 during FY2022

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3. Deloitte UK Oversight Board members

Steve Williams, Chair of the UK Oversight Board *

See Deloitte Audit Governance Board members.

- Appointed: June 2017 (appointed Chair: June 2019)
- UKOB meetings: attended 6/6 during FY2022

Richard Houston, UK Senior Partner and CEO *

See Deloitte UK Executive members.

- Appointed: June 2019
- UKOB meetings: attended 6/6 during FY2022

Stephen Griggs, UK Managing Partner

See Deloitte UK Executive members.

- Appointed: June 2017
- UKOB meetings: attended 6/6 during FY2022

Kalvinder Dhillon, Vice Chair Deloitte UK *

Kalvinder's experience over the past 26 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.

- Appointed: January 2020
- UKOB meetings: attended 5/6 during FY2022

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3. Deloitte UK Oversight Board members

Karen McNicholls, UK Partner *

Karen leads the London & Cambridge Private Tax Group and the Professional Practices industry group. 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.

- Appointed: April 2021
- UKOB meetings: attended 6/6 during FY2022

Almira Delibegovic-Broome KC, Non-Executive

See Deloitte Audit Governance Board members.

- Appointed: March 2020
- UKOB meetings: attended 5/6 during FY2022

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

See Deloitte Audit Governance Board members.

- Appointed: January 2019
- UKOB meetings: attended 6/6 during FY2022

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

See Deloitte Audit Governance Board members.

- Appointed: August 2020
- UKOB meetings: attended 6/6 during FY2022

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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 2022.

The figures indicate the relative importance of audit work for UK PIEs⁵, audits of entities on EU exchanges 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.

Note: This year we have improved the way in which revenue attributable to audited entities is identified. Based on this enhanced approach, we have reclassified our prior year numbers. As a result, some revenue previously attributed to non-audit services to audited entities has been corrected to statutory audit revenue. Similarly, some non-audit services revenue, previously classified as to audited entities, has been moved into non-audit services to non-audited entities. There is no change to our overall total revenues.

UK Revenue	FY2022		FY2021		FY2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	£m	%	£m	%	£m	%
Statutory audit (PIEs and their subsidiaries)	267	6	260	7	255	7
Statutory audit (non-PIEs and their subsidiaries)	382	9	342	9	300	8
Audit & directly related services	649 ⁶	15	603 ⁷	16	555	15
Non-audit services (audited entities)	209 ⁸	5	234	6	228	6
Non-audit services (non-audited entities)	3,425	80	3,027	78	2,916	79
Total (UK only)	4,283	100	3,864	100	3,699	100

⁵ See definition in [Appendix 15](#)

⁶ Of which £3.2m relates to local audit work in FY2022 (£3.1m in FY2021, £1.8m in FY2020)

⁷ Difference is due to rounding

⁸ Of which £0.0m relates to local audit work in FY2022 and FY2021 (£0.2m in FY2020)

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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 2022
- For FY2022, revenue was in line with forecast, with revenue increases reflective of increased audit activity across both our PIE and non-PIE portfolios
- Our Audit & Assurance business began its transition to operationally separate at the end of FY2021. In FY2022 we began the process of transferring certain specialist teams into Audit & Assurance, a process which will be fully complete by the end of FY2023. Moreover, we implemented a phased transfer pricing approach for those specialists that remain and will remain outside of Audit & Assurance in line with the FRC principles. The majority of our audits will transition to this pricing structure during FY2023
- Whilst the ongoing economic and geo-political events bring uncertainty, demand for our services remains strong
- Our firmwide results and performance are covered in our financial statements.

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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) Appendix 13: The Deloitte network</p> <p>(ii), (iii) and (iv) Appendix 14: EU/EEA audit firms</p>

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Provision of Article 13.2	Where this can be found in this Report
(c) a description of the governance structure of the audit firm;	Deloitte Limited is governed by a board of directors, which currently consists of one locally based partner ⁹ 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.
(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;	See Report on the work of the Audit Governance Board and UK Oversight Board
(e) an indication of when the last quality assurance review referred to in Article 26 was carried out;	<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 October 2021.</p> <p>The latest annual report on audit supervision can be found here.</p>

⁹ Note: there are no equity partners in Gibraltar

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Provision of Article 13.2	Where this can be found in this Report
(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;	Admiral Insurance (Gibraltar) Limited Advantage Insurance Company Limited Bank J. Safra Sarasin (Gibraltar) Limited Bray Insurance Company Limited Douglas Insurance (Gibraltar) Limited London & Colonial Assurance PCC PLC Petrus Insurance Company Limited Skyfire Insurance Company Limited STM Life Assurance PCC PLC Turicum Private Bank Limited
(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;	See 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 ¹⁰ of Directive 2006/43/EC;	See Appendix 5: Delivering audit quality
(i) information concerning the basis for the partners' remuneration in audit firms;	See Appendix 5: Delivering audit quality – Our people and The basis for partners' remuneration

¹⁰ 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]

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Provision of Article 13.2	Where this can be found in this Report
(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) ¹¹ ;	See Appendix 5: Delivering audit quality – Our role in protecting the public interest

(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 2022	Year ended 31 May 2021	Year ended 31 May 2020
	£'000s	£'000s	£'000s
Statutory audit of EU PIE's and entities belonging to a group of undertakings whose parent undertaking is an EU PIE	788	442	454
Statutory audit of other entities	969	1,350	1,227
Permitted non-audit services to audited entities	213	203	389
Non-audit services to other entities	1,418	1,824	2,497
	3,388	3,819	4,567

To note: the Transparency Report shall be signed by the statutory auditor or the audit firm.

¹¹The 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

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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
(a) A description of the legal structure, governance and ownership of the transparency reporting local auditor;	See Appendices 12 and 13: Deloitte UK: Governance and legal structure and The Deloitte Network
(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;	See Appendices 12 and 13: Deloitte UK: Governance and legal structure and The Deloitte Network
(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>In accordance with the schedule of The Local Auditors (Transparency) Regulations 2020, and based on the practice review carried out in 2021 and the status of the 2022 practice review that will be finalised in September 2022, 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.</p> <p>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.</p> <p>Consistent with other elements of work by the firm, where there are findings from internal and external inspections of audit work, causal factor analysis is undertaken and actions plans implemented to address factors identified. In response to inspection findings, and the challenges over the quality of accounts preparation by local authorities, we introduced an</p>

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	<p>additional independent review by an experienced public sector auditor for remaining 2021 or earlier Major Local Audit council accounts, to focus on local government specific areas of the accounts to reinforce other quality review processes. The FRC local audit inspection cycle for 2021/22 is concluding shortly. We have completed root cause analysis into the findings identified and are developing appropriate robust actions to respond. We have also provided engagement teams with additional training on the audit of property valuations, and for major local audits have introduced an independent review of the work performed on property valuations.</p> <p>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.</p> <p>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.</p>
<p>(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;</p>	<p>See Independence</p> <p>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 changed (see Code of Audit Practice 2020¹²), with effect for March 2021 year-ends. The local audits we have made an audit report upon during FY2022 include audits conducted in line with the previous version of the Code (March 2019 and March 2020 year ends) as well as the Code of Audit Practice 2020 (March 2021 year ends).</p> <p>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.</p>

¹² 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.

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<p>(e) Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained;</p>	<p>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.</p> <p>The resourcing of our public sector audit teams, and in particular local audits, has been a key area of focus during the year, with additional oversight including presentations to the Audit Governance Board on the public sector audit practice and local audit, and the appointment of a member of the UK Audit & Assurance Executive as sponsor of our public sector business. An experienced corporate audit partner has been supporting the public sector audit team by taking on roles not requiring a Key Audit Partner, to increase capacity for working on local audits. The focus on resourcing has included an active programme of recruitment of qualified staff (including at manager, senior manager, and director levels) and using experienced auditors from other sectors to strengthen engagement teams.</p> <p>It has become increasingly apparent that the key audit partner accreditation process is a risk to both audit quality and delivery of local audits, by restricting audit firm capacity and flexibility. During the year, we actively engaged with relevant stakeholders, including Department for Levelling Up, Housing and Communities, the Financial Reporting Council, and the ICAEW, on the need for changes in the accreditation requirements, and responded to the Financial Reporting Council's consultation to changes to the key audit partner accreditation process. The revised FRC guidance will, once new specialist training has been approved by the FRC, provide new routes to key audit partner status.</p> <p>Staff working on local audit assignments receive suitable training. In addition to the audit-wide learning programmes detailed in the 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</p>

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	<p>conference calls for field managers and above discussing emerging issues and guidance. During the year, we also held a 'deep dive' session on valuations, and team members had access to recordings of previous 'deep-dives' into specific technical issues and areas.</p> <p>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 provided with templates reflecting the new requirements.</p> <p>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.</p> <p>Additional briefing calls were held for both Local Government and NHS audits to address key current issues in July 2021 and April 2022 respectively. 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.</p> <p>In relation to climate change and sustainability, for March 2021 year-end audits onwards, 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.</p> <p>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>

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<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>	<p>All local audits are included within the scope of our audit quality control system, including practice review. We are required to practice review every Responsible Individual (RI) who signs local audits in England once every three years on one such engagement. We will regularly (a minimum of three times per year) refresh the list of applicable RIs to check which individuals are signing/due to sign English local audits so we can be sure all relevant RIs are subject to this review.</p>
<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 2022. <ul style="list-style-type: none"> • Imperial College Healthcare NHS Trust • Blackpool Council • Dorset Council • North Yorkshire County Council • South Yorkshire Pensions Authority • Wakefield Metropolitan District Council

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<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>	<p>Local audit partners were included in the FY2022 audit appraisal process. As for other audit partners, the key element in partners' audit quality evaluation is the Audit Quality Remuneration Committee.</p> <p>See Delivering quality audits - Our people</p>

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There are four pillars to our commitment to deliver the highest quality audits:



Our culture

Embedding our [shared values](#) into everything we do



Our people

Whose wellbeing, skills, mindset and experience are fundamental



Our values

An unwavering commitment to integrity and ethical behaviour



Our role in protecting the public interest

Creating pride in our profession and making the right impact



Our culture

An organisation's culture is defined by its people and shaped by its purpose and values.

An uncompromising focus on audit quality is central to our purpose-led culture, acting as the primary lens for decision-making and forming the foundation of all our recruitment, learning and development, promotion and reward structures. It is at the heart of everything we do and is critical at every level, from our leadership through to the newest recruits.

Getting better at how we organise ourselves to serve our purpose is helping us to build and nurture our culture. We want our people to feel connected to our purpose, our shared values, and recognise the vital contribution that each and every one of them makes to us achieving the highest audit and assurance quality outcomes.

1. What is your tone from the top?

We keep it simple – the tone from the top is honest and consistent: we all have a collective and individual responsibility to live our values and take action to support our ethics, integrity and professional responsibilities.

The ring-fencing of our Audit & Assurance business, three years before the deadline for operational separation of audit work, focusses our purpose within Audit & Assurance: to protect the public interest and build trust and confidence in business.

Our [Ethics](#) report covers more on our firmwide actions to support these shared values.

2. How do you translate your values to the everyday?

We cascade our purpose and engage our people through firmwide communication and audit-specific activities, encouraging them to adopt a mindset that exerts professional scepticism in their work and allows for the development of the skills associated with effective challenge.

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Our people are encouraged always to 'do the right thing'. We strive to create a strong ethos of openness where our people feel empowered to discuss issues without constraint and to challenge each other, in addition to management and Those Charged With Governance of the entities they audit.

We are activating and reinforcing our purpose-led culture in lots of different ways, on our intranet, in leadership questions and answers online, at our annual technical excellence training (TechEx) and at Audit & Assurance business 'town hall' meetings. Topics include pride in our profession, innovation supporting audit quality, celebrating when our people go above and beyond to deliver audit quality, and deploying professional scepticism in challenging circumstances. At TechEx 2022 we looked at real life situations that may arise during an audit, placing focus on recognising barriers and looking at strategies to enable auditors to apply professional scepticism, especially given current market conditions.

In order to enhance the linkage of our values to our audit-specific culture, we are seeking specialist input from our Risk Advisory business to advise us on further actions we can take to define, embed, assess, measure and monitor the behaviours we consider fundamental to our audit culture.

3. How do you promote an inclusive and respectful culture to drive audit quality?

Promoting inclusion and respect is an important aspect of a quality-driven mindset. It not only provides the foundation for diversity in our audit teams, which generates a valuable range of approaches, but also gives our people the confidence to be themselves in the workplace, engaging and motivating them to work together for a quality audit. 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 contribute to our purpose-led culture. 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 environment.

Awards

We are working hard to build a workforce that is reflective of society. In July 2022, we have officially been named as one of the 2022 'UK's Best Workplaces for Women' by a Great Place to Work. This follows on from our achievements in April, where we were recognised as one of the '2022 UK's Best Workplaces' at the Great Place to Work awards, and as one of the '2022 UK's Best Workplaces for Wellbeing' too, recognising the support and positive changes we continue to make to the experiences of all who work here.

4. How do you find out what your people think about your culture of audit quality?

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 & Assurance business. They inform and shape our work around culture by actively listening to what our people are saying.

This year's surveys have focused on wellbeing and the move to a hybrid working model. In our February 2022 survey, we were pleased respondents told us they feel empowered to choose their work location and that they have trusting relationships with their direct leaders and feel positive the firm is true to its purpose. However, we have more to do in our focus on addressing the pressures of workloads and the impact this has on wellbeing. The results of the surveys feed directly into our actions in these areas. In the last 12 months we have taken specific actions around remote working, overseas working and flexible public holidays. There is more to come, for example in relation to benefits, home-working facilities and learning and development programmes.

In the first quarter of FY2023, Deloitte Global conducted its first global survey on the views of our people on our culture of audit quality. We are currently awaiting results from this and will develop actions based on the findings.

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5. How do you report to leadership, non-executives and the AGB on culture?

Our 'Do the Right Thing' Dashboard has been developed to provide a view of our culture as a firm, segregated into five categories: ethics; quality and risk; talent; stakeholder; and societal. The dashboard is prepared for use by the UK Executive and for reporting to UKOB. It covers the whole of the UK firm and collates a number of metrics to provide leadership and governance groups with the information they need to assess and challenge how we are performing against our principles and values. In the two years since this dashboard was created, we have reviewed its effectiveness on an ongoing basis. This year we evolved it to keep it aligned with the risk drivers in our enterprise risk framework. This makes sure the dashboard remains effective and consistent with our other culture initiatives elsewhere in the wider firm.

Establishing and promoting an appropriate culture is an important factor in ensuring the consistent performance of high-quality audit in the public interest. As such, it is a key area of focus for the AGB which provides oversight of the procedures for ensuring the culture in Audit & Assurance supports audit quality and the public interest by encouraging ethical behaviour, openness, teamwork, challenge, professional scepticism and judgement.

The Audit & Assurance Executive reports to the AGB every six months on our culture. During the year, this included reporting on a planned project to measure culture; interactions with the wider UK business, Deloitte NSE and Deloitte Global to influence and leverage their work on culture; and actions being taken to amplify our purpose and values, including through tone at the top.

The AGB will be closely following progress on the project to measure culture.



Our people

We ensure all our professionals working on our audit engagements have the right values, behaviours, competence, knowledge, and experience to deliver work of the highest quality.

6. How do you increase the diversity of audit teams?

Diverse audit teams enhance audit quality by enabling diversity of thought which we believe is critical in supporting a culture of challenge. We aim for consciously inclusive hiring practices and commit to programmes that increase applications from people with low socio-economic backgrounds and from Black heritage backgrounds.

The purpose of our firmwide resourcing strategy is to build a diverse and inclusive organisation mirroring that of society by increasing the diversity of our hires through inclusive hiring practices and reducing adverse impact through our hiring processes.

On 1 June 2022, we promoted 124 new partners in the UK firm (27 in Audit & Assurance), 35% are women and 17% are from ethnic minority backgrounds. While we have made progress in the diversity of our partners, we still have more to do. In June 2022, we launched our Future Leaders Programme which will support manager, senior manager and director participants through their progression in our organisation and help ensure we create a more diverse pipeline of future talent. In line with our inclusion targets, this first year will specifically focus on women and ethnic minorities. In future years, the programme will be open to all colleagues who have leadership potential within the firm.

"When I check in with my team, I try to be mindful of the various backgrounds and cultures we are lucky to have at Deloitte. Having the awareness to create an inclusive environment for everyone involved should be a goal for us all to strive towards." - Manager

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7. How do you support the wellbeing of your people?

Supporting wellbeing is important to us because taking care of each other is one of our shared values – people who are supported have the time, motivation and energy to do their best work. 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.

We are focussed on offering an environment that supports employee wellbeing, through mentoring by leadership and open team discussions. We use our [Ways of Working](#) framework to encourage conversation on how we can work together, supporting all our people to do their best work, taking into account how they like to work, their balance between work and home life, and understanding cultural differences which may impact how people work.

In early 2022, we invited a series of external guest speakers to talk to our people about how to successfully manage resilience, wellbeing and prioritisation when undertaking challenging projects with set deadlines. This took place just before our peak reporting season and were open to all of our Audit & Assurance professionals.

In FY2022, we 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. In addition, we offer the Headspace app to all our colleagues to help our people manage their own wellbeing.

We have recently launched a project to take a challenging mindset to all our audit processes and procedures with the aim of seeking to identify opportunities to refine these, critically assess where we spend time, reduce unnecessary time burdens and allow practitioners to focus on areas that support high-quality audit work.

“Our group have introduced a weekly revision club for our staff who are still doing exams. This provides moral support and a wellbeing check in during the stressful exam periods.”
- Assistant manager

“Taking an active interest in my team is just as important as any progress update could be. Especially under the hybrid model, where the team may not all be in the same location, I ensure to make the time to continue to reach out to each of them.” - Manager

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

We keep our people up to date on the key developments in our profession by formal learning, engagement team-based learning, mentoring and on-the-job learning. We structure this in an annual cycle of technical excellence (TechEx) which helps bring to life the mandatory learning courses to implement changes on audit engagements.

In 2022, it is being delivered through a combination of e-learning, interactive webinars and face-to-face immersive sessions and partner-led engagement team-based learning, where engagement teams tackle live auditing matters and apply the key theoretical concepts from TechEx practically on their engagements.

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In 2022, our learning has focused on the critical areas of our audits including, but not limited to:

- Ethics and integrity
- Project Management
- Professional scepticism
- Fraud
- Direction, supervision and review
- Group audits (including independence)
- Environmental, social and governance
- Accounting estimates
- Risk assessment and internal control.

Embedded within these modules are practice review findings, regulatory findings and root cause analysis.

The delivery is led by partners and directors and subject matter experts to ensure the highest quality, consistency and the greatest impact. Our broader learning curriculum includes courses which focus on the development of professional and leadership skills. While there has been a return to in-person classroom learning, we have considered the lessons learned from the past two years and adapted our learning product to create blended (virtual, digital and in-person) innovative and engaging learning solutions.

Continuing education of statutory auditors

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

Audit 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.

9. How do you ensure your reward package attracts and retains the best talent?

The current environment for talent is extremely competitive and attraction and retention of our people is a strategic priority for Deloitte. We acknowledge the challenges our people are facing and recognise our role in re-establishing the connections so many have missed. Deloitte is focused on transforming the Audit & Assurance talent experience, including reimagining the ways of working to improve retention and further advance the diversity, equity, inclusion and wellbeing of Deloitte people.

Despite the challenges, Deloitte has again received the award for the *World's most attractive professional services employer* from Universum in 2021.



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 access to both technical and leadership training, and creating opportunities for them to use and build their strengths.

At the end of the financial year Deloitte's Audit & Assurance business made a significant investment in the reward of our people as part of a programme of activity around improving the attractiveness of the audit profession. This was in response to a number of factors, including significant market demand for auditors, our commitment to our people and as part of a focus on audit quality.

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

Audit quality is central to our appraisal and remuneration process for partners and for audit professionals at all levels.

Our appraisal system is based on regular conversations that provide continuous feedback and support throughout the year.

In October 2021, we created a People Leader role, widening the previous appraiser role from solely performance management. The role focuses broadly on six dimensions:



Performance



Development



Reward conversations



Personalised support



Business partnering



Workplace wellbeing

The People Leader is a formal and valued role which sets consistent expectations linked to quality, strategy, open dialogue and inclusive behaviours.

Our audit partners and staff are assessed against four main pillars:

- Audit quality
- People and purpose
- 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 throughout the year, and the process is designed to ensure audit quality is at the core of the appraisal discussion. Individuals are also able to request written feedback to support the discussions. People Leaders review snapshots, written feedback, quality dashboards and performance against quality objectives as part of the annual reward review process, to gauge a rounded view of an individuals' performance and development needs.

We expect 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.

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:

- Results from internal and external audit reviews, and corporate reporting reviews
- Contributions to quality projects
- Involvement in Engagement Quality Control Reviews (EQCR) or Professional Standards Review (PSR)
- 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

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- 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 and assurance 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 to ensure the reward outcome appropriately reflects an individual's quality contribution. Colleagues who participate in external audit and/or assurance engagements are required to consider any regulatory findings when setting objectives. Additionally, any red or amber dashboard outcomes on the most recent annual dashboards require a specific quality objective to be set to address the causes of the outcomes.

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. The ARR is considered alongside the audit quality dashboard as part of the annual reward and promotion process and recognises the level of risk, complexity and public scrutiny they shoulder in their roles, including any Engagement Quality Control Reviewer roles on audit engagements.

If there are adverse findings from a quality review, there are various actions that we may take, the overriding aim is to improve audit quality and may include:

- Further inclusion in the Audit Quality Measurement and Monitoring programme (AQMM)
- Additional coaching and learning for the partner(s) or director RI, including mentorship from a senior partner
- Requiring the partner or director RI to lead an audit quality initiative or presenting on the area which gave rise to the adverse finding at a learning event
- Financial penalties in the form of a fine, reduction in bonus or unit reduction

- Removing the RI or audit partner 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 root cause analysis.

For partners

Partners set annual goals as part of their annual performance 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 key areas included in the balanced scorecard and partners are required to ensure they pick up any remediation from their prior year quality dashboard scores in their current year quality objectives.

A robust series of peering conversations is applied to all recommendations to ensure partners are treated equitably, which includes responses to quality events.

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We operate a penalty scheme for negative quality events based on a 'Yellow/Red card' system. The Audit Quality Remuneration Committee (AQRC) reviews certain negative quality events most closely linked to the role of an audit partner and, depending on the results, a partner may receive a:

- i. Yellow card for negative quality events not determined to be severe enough for a red card. If two yellow cards are received over a three-year period, then a red card is issued. If no further negative quality events occur in the subsequent two years after the yellow card is issued, it will be removed at the end of a three-year period
- ii. Red card, which may lead to financial penalties, additional monitoring and coaching and/or removal of signing rights as a partner.

Audit Quality Remuneration Committee (AQRC)

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 other key sources of information linked to audit quality 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. When a negative quality event is of significance, or represents a recurring quality failure, after consideration by the Audit & Assurance Executive, a further penalty or reduction of partner units may be recommended.

11. 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 high-quality audits.

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 and/or teams where they have seen exceptional contributions to audit 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.

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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 quality awards. We celebrate stories from the quality awards as part of our internal communications. This year we have awarded 126 individuals and 24 teams, and we continue to listen, acknowledge and reward our people throughout the year.

A senior associate demonstrated exceptional commitment by carving out time throughout the year to help on an engagement they had worked on for the year-end audit, staying in touch with management and understanding changes in their business. This enabled them to anticipate issues which might arise during the audit and the quality of their understanding of the business came through in their audit work in the subsequent year.

An associate demonstrated an extraordinary appetite for work and collaboration by assisting other team members with their work and taking on more responsibility by overseeing a secondee to the team. This was particularly exceptional as they had only been with the firm for four months before the start of the audit.

12. How have you adapted your business to enable effective hybrid working?

Deloitte has responded to the increasingly dynamic work environment and changing needs of the talent landscape by challenging historical audit delivery methods and supporting our people in a hybrid environment, e.g., through the use of our Ways of Working framework. In the surveys we have undertaken, our people have rated their experience of hybrid working very highly.

We will continue to focus our efforts and provide a consistent audit experience in a way that embraces the evolving expectations of the entities we audit and our people.

“My audit team has embraced hybrid working, structuring our week to factor in which aspects of our work are best delivered in the office, out on the company’s site, or remotely from home. In general we spend at least three days a week together and have one to two days at home. Being together as a team makes it easier to check in with people, which strengthens team relationships and wellbeing. It’s also much easier to coach and develop each other as it’s more natural to involve everyone in discussions when they take place in the same place rather than over a call.” - Manager

13. How do you recruit the best people?

During the year ended 31 May 2022 we recruited 643 people into our Early Careers programmes, for graduates and school leavers, marking a 17% increase on our FY2021 intake. For FY2023, our intake will increase by 53% with 982 planned joiners.

Additionally in FY2022, we recruited 754 people across various qualified levels (including those chartered accountant ACA, ACCA, CA, ICAS or equivalent qualified), and have opened a further 945 roles for FY2023, across the UK.

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Our recruitment marketing strategy is designed to ensure we are reaching a diverse population (gender, ethnicity and social mobility). At entry level, we promote accessibility to the profession by partnering with schools as part of the ASPIRE, Access Accountancy, and MyKindaFuture programmes and are committed to helping individuals develop employability skills. In Audit & Assurance we also offer six-week summer vacation placements in partnership with the organisation 10,000 Black Interns, to provide Black talent access to work experience opportunities.

Further detail on our [Early Career Programmes](#) and recruitment approach can be found on our website.

Our application process is designed to assess everyone's merits fairly and equally and review requirements for our intakes each year. We use contextualised academic data, taking into account the economic and personal background of an applicant and data insight to inform us on our selection and assessment approach to ensure we mitigate against adverse impact.

For experienced hire recruitment we have a number of approaches to fulfil our vacancies. Our strategy includes the use of headhunt profiles, retaining a search agency, expanding the location to which an advertised position is assigned, applying a referral scheme and booster and including job postings on various search sites. Experienced hires who aren't joining us from another Deloitte member firm, attend an additional 4 days of training, in addition to the firmwide induction which covers:

- A service line induction explaining what Audit & Assurance is, our purpose, values, hybrid working, concept of a growth mindset
- A quality and risk management induction covering the Quality & Risk Management (QRM) procedures such as acceptance, personal compliance, ethics and professional scepticism
- Audit technical and systems training.

In addition to the induction, experienced hires are allocated a buddy and each office has an experienced hire champion. The buddy is a point of call for experienced hires to escalate any issues to. Centrally we stay in regular contact with experienced hires to collate feedback to ensure we regularly improve the process and learning materials. Also available to our experienced hires is a self-study pack with support on key technical topics, regulatory findings and key changes in policies and procedures.



Our values

Our Deloitte [shared values](#) and our NSE Ethics Code underpin what we stand for and how we operate in upholding the public interest.

14. What is your response to the allegations surrounding cheating in exams?

In July 2022 the FRC called on UK audit firms and professional bodies to ensure exam cheating does not occur in the UK, calling out the severity and repeating nature of these issues elsewhere in the world.

We do not carry out or invigilate any exams or assessments on behalf of any Recognised Qualifying Bodies (RQB's) (namely ICAEW, ICAS, ICAI, AIA and ACCA). Our standard student ACA/ACCA policies make it clear that cheating in such professional exams would represent gross misconduct.

Final assessments are an important mechanism through which our practitioners can demonstrate their understanding of the content covered in mandatory learning programmes.

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- Final assessments are included with all mandatory e-learning courses and certain of our mandatory facilitator-led (virtual and in-person) programmes
- Deloitte authentication is required before learners can access final assessments
- Learners are required to attest to terms and conditions before accessing the final assessment
- Final assessments employ a strategy to create a unique assessment per learner attempt such as drawing questions from a larger bank of questions, randomising question order, or randomising answer order
- We have operational IT controls in relation to both setting and changing the pass mark for internal assessments
- We embed the importance of ethics and integrity within our Audit & Assurance learning curriculum
- We track completion of mandatory compliance training. If a practitioner has not completed their training, there is an effect on the individual and the audit team must document and determine the impact on the audit.

For firmwide mandatory compliance learning there is additionally a 'confirmation' statement at the beginning of all mandatory courses. Practitioners cannot take the course unless they agree to each statement.

Our firm leadership regularly emphasises to all of our professionals that they are accountable for demonstrating high levels of integrity and professionalism at all times. Misconduct of any kind is not tolerated and where cases are identified appropriate investigation and action is taken.



Our role in protecting the public interest

Deloitte's purpose is to make an impact that matters with the companies we work with, people and society. Within Audit & Assurance that translates into protecting the public interest and building trust and confidence in business. We are committed to delivering quality audits, providing valuable information to stakeholders, and making proactive changes in our business to enhance these important responsibilities.

15. How do you support the future evolution of audit in the UK?

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. We continue to be proactively engaged in the debate with stakeholders as the focus shifts to how to implement the recommendations and how we can respond to the BEIS challenge for the market participants to shape the future.

Our Audit Public Policy team is responsible for looking through a public interest lens and challenging our strategy to ensure we respond with appropriate urgency and momentum to meet the needs of stakeholders.

This team identifies 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.

16. How does your system of quality control drive audit quality?

Achievement of our aim to be recognised as the standard of excellence for audit quality requires us to deliver against existing quality requirements and to swiftly identify gaps and innovate in the face of change. We are always looking to improve and use the findings of internal and external reviews to enhance our system of quality control.

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This year we continued to evolve our current monitoring processes to support the transition to ISQM 1. We are adapting some of our procedures in line with the new standard while still meeting existing standards, and we are working on introducing new procedures where necessary. We are focused on delivery of the required change in our monitoring and remediation processes by the ISQM 1 implementation date of 15 December 2022.

17. How do you check whether partners and key staff have worked too long on an engagement?

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. We monitor key partner roles systematically and further work is being undertaken to enable staff monitoring in the same way.

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.

18. Who monitors how you are protecting the public interest?

We have formal governance around audit quality, including the AGB, who hold leadership to account on how we perform high-quality audits in the public interest. We also have regular external inspections by the Audit Quality Review (AQR), the Public Company Accounting Oversight Board (PCAOB), the Quality Assurance Department (QAD) and others, and an internal review programme. We develop an audit quality plan (AQP) to monitor audit quality initiatives and the findings from these reviews.

19. How do you support partners and teams to act in the public interest?

Deloitte consistently reinforces the important role of auditors as independent evaluators who must maintain a mindset of professional scepticism and challenge throughout the conduct of our work. This approach to the audit is reflected in Deloitte policies, methods, procedures, and learning, and is reinforced through quality control and accountability measures.

Two areas of particular importance where there is a consistent tone from the top are our consultation process and the EQCR:

Consultations

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.

When there are complex accounting, financial reporting and/or auditing questions on our highest risk audit engagements, the engagement partner or engagement quality control reviewer may choose to convene a 'Challenge Panel' to support them in forming decisions on significant audit judgements. The make-up 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 engagement quality control reviewer to receive appropriate technical accounting and auditing support at the right time and with the right authority to ensure decisions on significant audit judgements or risk management issues can be taken quickly and with an appropriate degree of rigour and challenge.

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EQCR

EQCR and PSR 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.

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 reviewers acting as EQCR assistants, 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.

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

The EQCR partner role is performed by appropriately skilled and experienced audit partners who are independent and objective but 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.

20. When findings are identified from inspections, what happens next?

Where any external or internal inspection indicates an audit has fallen short of our quality standards, we perform a robust independent root cause analysis to understand the deficiencies and consider what remediation is required both on an individual engagement and whether wider actions are appropriate. The scope of root cause analysis, and our responses to specific findings, are described in [Appendix 7: Measuring audit quality](#).

In response to findings on group audits, we have established a Group Audit coaching programme to support engagement teams in key areas relating to group audits, primarily through sharing of good practice and highlighting common pitfalls. This programme was launched after the completion of the audits subject to inspection in the 2021/22 cycle and therefore we expect to see the positive impact of this programme in future years.

We acknowledge that there are several consistent themes arising across the FRC, QAD and our internal quality monitoring reviews year-on-year, including recurring findings. These are discussed in [Appendix 6: Monitoring audit quality](#). In response to these recurring themes, and to drive the consistent delivery of high-quality audits, we are in the process of implementing a Continuous Improvement Group (CIG) as detailed in [Appendix 6](#). The CIG will enhance several existing activities in respect of the assessment, challenge and monitoring of actions taken to respond to audit quality findings, including recurring issues.

We are also forming an Actions Development Group (ADG) which will formalise our existing processes around the development of actions taken to respond to review findings. The output of the ADG will be reviewed and challenged by the CIG to ensure that actions are designed effectively and promote consistent audit execution.

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In response to findings on our EQCR process, in autumn 2021 we set up transformation programme designed to enhance the effectiveness and evidencing of our EQCR process. Among other areas it focusses on culture, scope and expectations of an EQCR. To date we have made several improvements, including to EQCR allocation, new templates and guidance, and the sharing of good practice examples.

Our AQP captures the actions we are taking to address quality issues and is monitored by the Audit & Assurance Quality Board (A&AQB) and formally reported on to the AGB on a regular basis. We continue to make further enhancements to our AQP, including providing greater clarity on the current priority areas and aligning it to meet the new Single Quality Plan (SQP) requirements in response to the FRC observations. The CIG and the ADG will improve the structure and governance around developing actions that are effective to address the quality issues to which they respond and ensuring actions are appropriately prioritised. We will work with the FRC to adopt the SQP and look forward to regular engagement and challenge from the FRC thereon.

21. How do you decide which audit engagements to accept or continue working on?

Our audit engagement acceptance and continuance processes are underpinned by our assessment of risk and our consideration of the public interest. Where the risk profile of an entity is not consistent with our expected risk appetite and the public interest, we would not seek appointment or re-appointment as auditor. We consider both external factors including the geographies, industry and regulatory environment in which an entity operates and internal factors including ownership structure, governance and an audited entity's commitment to quality financial reporting.

We comply with all applicable sanctions. Consistent with our Deloitte Global policies and with UK laws and regulations, we continue to review the services we provide to entities under Russian and Belarusian ownership and/or have operations in those countries. We are mindful of our professional and contractual obligations and the changing circumstances as we undertake this review.

Our UK policies in this area are supplemented by the Global Audit & Assurance Acceptance Consultation (GAAC). The GAAC is a global initiative that requires member firms to consult with Deloitte Global Risk on highest profile audit and assurance engagements. It does not replace the member firm's acceptance procedures and processes but supplements them in order to continue our journey towards globally consistent processes for client acceptance.

22. How do the entity's controls affect your audit acceptance and audit work?

Some of the most challenging audits we do are those of entities where we identify concerns regarding the control environment or governance and where we consider management or the board may not be doing enough to respond to those issues. Where we identify significant weaknesses, we request those entities produce a formalised action plan to address our concerns and actively monitor their progress against this plan requesting regular and verifiable updates. We see this as an important part of our public interest role and in bringing challenge to management, and Those Charged With Governance, through our audits.

If improvements are not made in a timely and effective manner and corporate reporting is not being taken seriously by the company, we carefully assess whether we are able to continue as auditor.

On a number of occasions, we have delayed our signing of the audit report until sufficient audit evidence could be obtained. All our RIs and audit partners have the support of the firm to do this, a message that continues to be reiterated.

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23. How does audit technology support the delivery of a quality audit?

Our existing audit software integrates guidance, methodology, audit procedures and templates to enable our people to perform and review audit work with the relevant knowledge at hand.

Deloitte is 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. Deloitte's holistic global audit platforms, Deloitte Omnia and Deloitte Levvia, demonstrate our commitment to consistently delivering digital, high-quality audits of all sizes and levels of complexity. Deloitte Omnia is our cloud-based, end-to-end audit delivery platform for larger audits, including publicly-listed entities, while Deloitte Levvia delivers a streamlined, right-sized digital audit experience for select private entities.

We are now entering pilot deployment of these two new cloud-based audit platforms, one to serve our large and complex audits and one that is the right size for our portfolio business. This will further support our people to consistently deliver high-quality audits over the coming years. These platforms bring together new technology, content and guidance, support greater collaboration between group and component auditors and drive greater standardisation and consistency.

24. How do you monitor emerging issues that could impact on audit quality?

Our Emerging Issues Group (EIG), established in 2015, aims to identify significant emerging industry, political, economic, technology and regulatory or inspection related issues that could have a significant impact on audit quality in the future. It includes partners from across the audit business, including industry specialists and those from our internal accounting and auditing technical team.

Some recent areas where the EIG has focused attention include:

- Russian invasion of Ukraine
- Macroeconomic issues, e.g., inflation, energy prices
- COVID-19
- Board balance and diversity.

The EIG also monitor a range of external data sources to identify indicators of potential audit risk.

The EIG work with industry groups, our accounting and auditing technical team and our network of audit quality leaders in the business to develop actions that address these discussion areas and the information gathered from external data sources. These actions may include new guidance documents, communication to the whole business, or tailored discussions with identified audit teams on the relevant matters.

For example, we responded quickly to support teams in considering implications for our audits following the Russian invasion of Ukraine, including when to consult internally, the need to re-evaluate our risk assessment as a result of the war, and the impact on internal control and financial reporting processes at the entity. We also provided guidance on how this affects the ability of group engagement teams and/or component auditors to complete their audit procedures as a result of the conflict.

25. How are you supporting the public interest by considering climate change in audit work?

The role of auditors is key in providing the high-quality, consistent and comparable information that capital markets need to transition to a low-carbon economy.

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We recognise the importance of audit challenge and how the effects of climate change are appropriately reflected and disclosed in key estimates and judgements used in the preparation of the financial statements. We continue to embed climate considerations into our audit methodologies, templates, guidance, learning and communications with Those Charged With Governance.

“It has been valuable to have specialists from our ESG Assurance Group integrated into our audit team to provide their knowledge and experience on the impact of climate-related risks.” - Manager

Our work on climate change forms part of our overall strategy on ESG matters. Our approach to sustainability reporting is discussed further in [Appendix 8](#).

“As a QCR reviewer my primary goal is to ensure companies enhance their disclosures, and climate change is certainly at the forefront of my mind: from how it links the company’s purpose, values and strategy to how it’s embedded into their remuneration and reward policies.” - Senior manager

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Monitoring our engagements for their quality, and monitoring our processes for how they support quality audits, allows us to evaluate how we're doing, and plan further improvements.

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

The release of ISQM 1 will drive further enhancements in our audit quality management processes.

Requiring a proactive, risk-based approach, ISQM 1 emphasises the importance of alignment of the firm's system of quality management (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.

While 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.

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

2. What are you assessing when you monitor audit quality?

Our audit quality strategy includes a continued focus on fostering a culture of quality and excellence, supporting consistent execution of high quality audits, and building a world class system of quality management. Timely, effective monitoring activities are critical for identifying, understanding, and responding to risks to drive proactive and measurable improvements in audit quality.

3. What governance do you have around audit quality?

Audit Governance Board (AGB)

We formally established the AGB chaired by Non-Executive Baroness Ford on 1 January 2021. 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.

See the [Report on the work of the Audit Governance Board and the UK Oversight Board](#) for more information.

Audit & Assurance Quality Board (A&AQB)

Our A&AQB (formerly the Audit Quality Board) was established in 2014 and comprises partners and directors from across our Audit & Assurance business. This year it was renamed to better reflect its remit over both audit and assurance. Each of the Non-Executives attend at least one A&AQB meeting during the year. The A&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 AQR team, the ICAEW's QAD and the PCAOB.

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The A&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, loss of office, accreditation of Responsible Individuals, file assembly and archiving, and for work done by audit specialists and alternative delivery models
- Review of work done under new or revised auditing standards
- Regular updates on the AQP
- Updates from the Global AQB and UK application
- Updates from the Audit Quality Forum.

Audit Quality Plan (AQP)

Our AQP captures actions that 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.

The AQP is monitored by the A&AQB and is formally reported to the AGB on a regular basis, who review and challenge the plan including deep dive discussions on particular areas. We continue to enhance our AQP through how we evaluate the effectiveness of actions and highlight priority areas.

We are establishing two additional groups which will provide further structure around our development of actions and the assessment of their effectiveness.

Actions Development Group (ADG)

The ADG will draw together our existing processes to develop actions and provide a structure to ensure cross work stream challenge of proposed actions.

Continuous Improvement Group (CIG)

The CIG, led by a senior audit partner, independent of our central audit quality functions and with dedicated resource, will enhance several existing activities for priority areas in respect of the assessment, challenge and monitoring of actions taken to respond to audit quality findings, including recurring issues. It will also review and challenge the AQP, including the monitoring and measuring of plans in place and the effectiveness of actions taken. A further aim of the CIG is to challenge our executive management on emerging audit quality matters and any potential quality impact of operational change.

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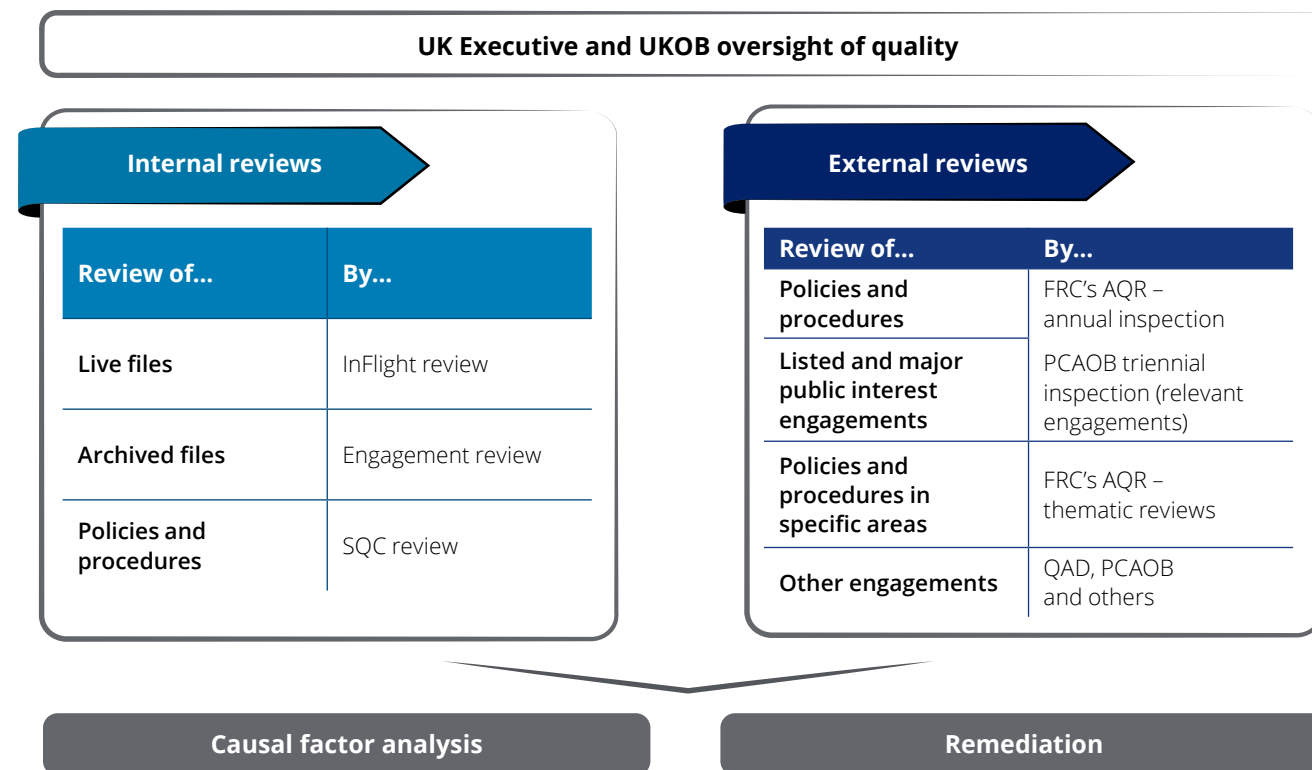
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4. How do you monitor and measure audit quality?

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 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.



5. Are you seeing improvements in audit quality?

We are proud of our people's commitment to delivering high quality audits and we continue to have an uncompromising focus on audit quality. We are pleased that both the overall and FTSE 350 inspection results for our audits selected by the FRC as part of the 2021/22 inspection cycle show an improvement and that the overall profile of our internal and external inspections also show consistent improvements. This reflects our ongoing focus on audit quality and emphasis on continuous improvement.

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Audit quality indicators

We use audit quality indicators (AQIs), both firmwide and engagement level, to help manage audit quality internally and as a source of information for business intelligence gathering and risk management, while our external stakeholders such as audit committees and regulators use AQIs when overseeing and assessing the quality of external auditors as well as to monitor the overall trend of audit quality in the profession.

In 2014 the six largest audit firms worked together, through the Policy & Reputation Group (PRG), to identify the key factors contributing to audit quality. Since then, we have endeavoured to include all the information suggested by the PRG in our Audit Transparency Reports. Each 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.

Quality monitoring metrics

These metrics can be used to assess the firm's internal quality management processes (e.g., internal monitoring systems) as well as the quality of engagement performance (the outcome/findings of the internal monitoring systems). The reported results could be an indication that the quality of the engagements is adequate. These internal quality management results can also be compared to the external inspection and investigation results.

1. Metrics on external investigations related to audit

AQI definition	Deloitte metric	Deloitte commentary
	FY2022 (FY2021)	
Number of cases in the last 12 months in which the FRC's Conduct Committee has found against the firm or one of its members	1 (2)	<p>During the year to 31 May 2022, there was one settlement of a matter with the FRC's Conduct Committee in relation to the statutory audit of the financial statements of Mitie Group plc for the year ending 31 March 2016. The firm agreed to a fine of £2 million (adjusted for admissions/early disposal to £1,450,000) and a severe reprimand; the engagement partner agreed to a severe reprimand and a fine of £65,000 (adjusted for mitigating factors and admissions/early disposal to £40,056).</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 FY2022 total for cases concluded:</p> <ul style="list-style-type: none"> 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 One ongoing investigation which commenced in April 2022 concerning the firm's audit work on Go-Ahead Group plc's financial statements for FY2016 to FY2021, inclusive.
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 2022.

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2. Metrics on external investigations related to other matters

AQI definition	Deloitte metric FY2022 (FY2021)	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 2022.
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 (0)	No such cases occurred during the year to 31 May 2022.

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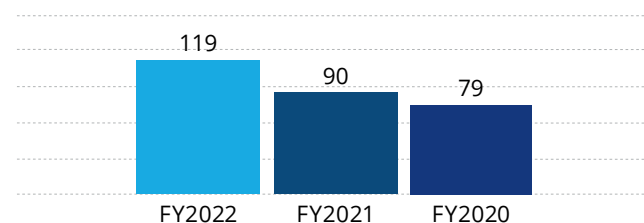


3. Metrics on audit quality reviews (internal and external)

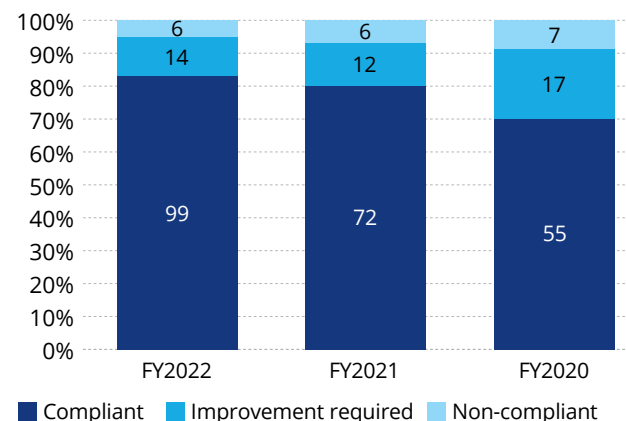
Results of firm's internal audit quality reviews

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

Number of engagements reviewed in our internal audit quality reviews: FY2022: 119, FY2021: 90, FY2020 79.



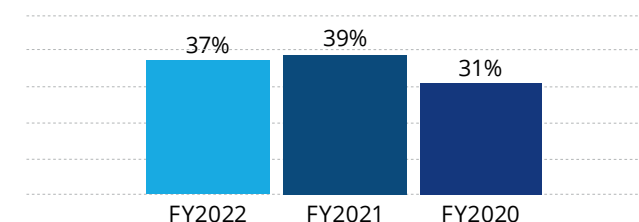
Results from our FY2022 internal audit quality review



In FY2022, six engagements were rated as non-compliant. We performed root cause analysis for all engagements and the significant findings which led to quality failings were retrospectively addressed through remediation. Thematic findings on these engagements related to aspects of accounting for intercompany balances at a subsidiary level, audit procedures around journal entry testing to address the risk of management override of controls and the completeness of data used to audit certain aspects of revenue. Root cause analysis indicated that actions were needed to improve the coaching of staff in areas they had limited experience of previously auditing and to support the use of existing tools and guidance, particularly in relation to journals testing which was a thematic area across a number of engagements reviewed.

The decrease in the percentage 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 Responsible Individuals (RIs) subject to firm's internal audit quality reviews: FY2022: 37%, FY2021: 39%, FY2020: 31%



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

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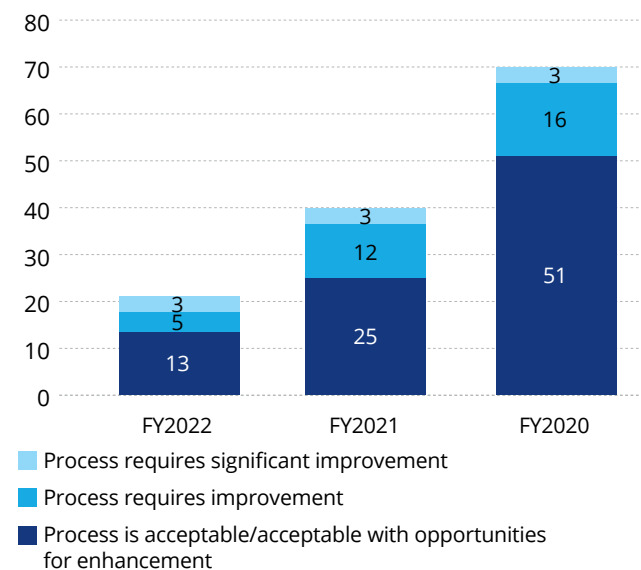
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Results from our FY2022 system of quality management review



The FY2022 SQC review programme has involved substantial change compared to prior years as we satisfy the requirements of ISQC 1 while preparing for the implementation of ISQM 1. During FY2022 the review was carried out collaboratively with the Central ISQM 1 team which involved the below actions:

- Assist Workstream Leads and Process Owners with documenting process walkthroughs and responses which address the quality objectives and quality risks

- Identify gaps where there is either no response to quality objectives or quality risks, or the current response is not sufficient under ISQM 1 requirements
- Document and test the design & implementation and operating effectiveness of key controls
- Test operating effectiveness of remedial actions implemented to address findings in processes rated as Needs Improvement (NI)/requires Significant Improvement (SI) in prior year testing.

The following matters should be considered when comparing results year-on-year:

- As part of the transition to ISQM 1 the number of processes under review has reduced from 75 to 44 as a result of merging of historical processes and introduction of new processes, to align with the ISQM 1 components and respective workstreams that sit within them
- Due to ongoing changes associated with ISQM 1 transition, not all of these processes were reviewed in FY2022, but will be included in scope of our FY2023 cycle
- In FY2022, the rating of the business processes has changed. Where there are multiple findings the rating reflects the most severe finding identified.

In FY2022 there were 3 processes (FY2021: 3) rated as SI and 5 processes (FY2021: 12) rated as NI.

For the processes rated as SI and NI, 5 (FY2021: 10) have been assessed NI/SI in two consecutive reviews. The main reasons for repeat rating of the processes 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 in that year
- Remediation activities can take longer than one reporting period.

The processes rated as requiring significant improvement were:

- Audit learning: Capacity constraints have led to a shortage of accredited facilitators with sufficient time available to prepare and deliver learning. To address this we have incorporated facilitating into our audit quality dashboards and are establishing a secondment programme to ensure on-demand facilitator resource is available
- EQCR: Limited monitoring of EQCR hours performed
- Deployment and assignment – Partners: Due to an interdependency with limited monitoring of EQCR hours performed, partners' workloads might not be assessed accurately.

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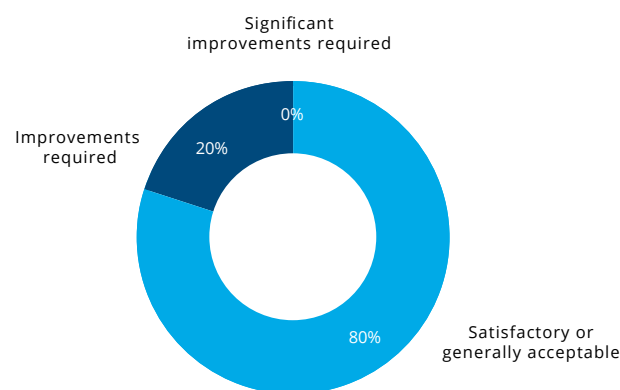


Action plans are required to address all findings raised during the FY2022 review. There continues to be an additional centralised monitoring process where action status is reviewed with the process owners monthly and reported in the AQP to the Audit Quality Board and FRC. On a quarterly basis we also report the action status to leadership through the AQI reports to highlight where leadership support is required. All actions are subject to testing during the subsequent SQC review to confirm both completion and effectiveness.

Results of inspection by the AQR of the FRC

The FRC's AQR focusses primarily on the audits of Public Interest Entities. They review a sample of individual audits and assess elements of our quality control systems. Separately, they provide thematic reviews of certain areas, which provide useful insights for our continuous improvement.

Number of Audit engagements reviewed: 2021/2022: 17, 2020/21: 19, 2019/20: 17

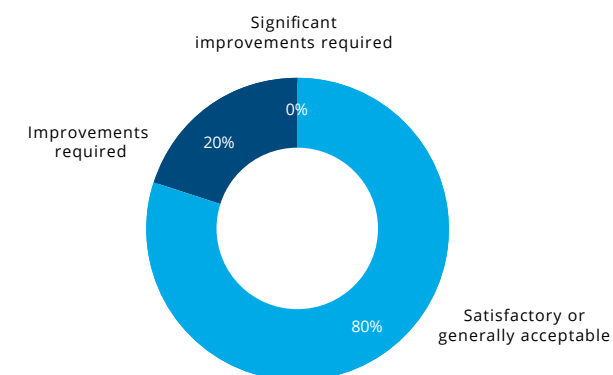


The full 2021/22 report of the AQR on Deloitte can be found at: [FRC Deloitte LLP Public Report July 2022](#)

Results of inspection by the QAD of the ICAEW

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.

Number of Engagements reviewed: FY2022: 10, FY2021: 10, FY2020: 10



The overall conclusion of the QAD was 'Overall, the audit work we reviewed was of a good standard'. Of the ten reviews, eight were either satisfactory or generally acceptable and two required improvement. The overall profile of results is relatively consistent with our prior year results. Across the sample of audit reviews, ICAEW identified a few relatively isolated matters and one

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recurring theme relating to substantive analytical review of revenue. ICAEW also identified and communicated some good practice points.

We have performed independent root cause analysis (RCA) into the two engagements 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.

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4. PCOAB inspections

AQI	Deloitte metric	Deloitte commentary
Number of Part 1 references in the latest PCAOB inspection report	1	<p>The PCAOB review is undertaken every three years. This metric relates to the most recent inspection report, published in 2021 based on audit work performed in 2019, 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 later in 2022.</p>

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Operational metrics

Involvement in audits by grade captures and measures the hours charged to the engagement by the senior engagement team members 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 engagement team and/or specialist hours may indicate that the firm is involving the right team members in the audit for the benefit of audit quality.

We consider the levels of tenure and of turnover as an indicator of the consistency of the firm's engagement teams. Consistent teams assist in improving audit quality and maintaining professional knowledge within the firm, whilst recognising our desire to maintain a balance between retaining staff and adding new staff to promote new and fresh ideas, ultimately improving and maintaining high audit quality.

5. Involvement in audits by grade

	FY2022	FY2021*	FY2020*
Audit partner	2.8%	2.9%	2.9%
Audit director, senior manager, and manager	18.2%	18.3%	19.2%
Specialist	9.7%	10.8%	10.5%

* Comparison figures have been restated to include all hours from our delivery centres. This better reflects the balance and total amount of time incurred on audit engagements.

Our total 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 which has resulted in a decrease in the average percentage of engagement time spent by more senior grade individuals.

The small reduction in the % of partner hours is caused by a change in the mix of entities under audit in FY2022. The decrease in specialist hours was due to a change in the composition of the audit business following the implementation of the ring-fence, meaning some members of the audit team that had been considered specialists in previous years are now considered part of the core audit team. We expect this trend to continue through the ring-fence transition phase.

Note that some of our opinions are signed by RIs below partner level. Time spent on such engagements is included in the total audit hours, though we would not necessarily expect there to be any time spent by a partner on them, and the relevant Director RI time is recorded in the line for Audit director, senior manager and manager.

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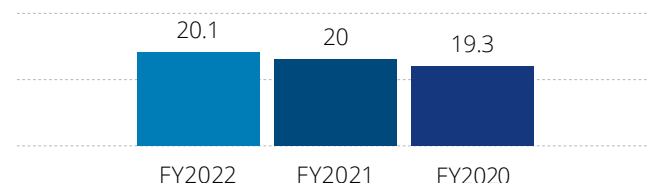
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6. Metrics on partner and staff tenure

Average tenure in years of audit partners

FY2022: 20.1, FY2021: 20.0, FY2020: 19.3



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. Partners with the most experience are encouraged to mentor the next generation of partners.

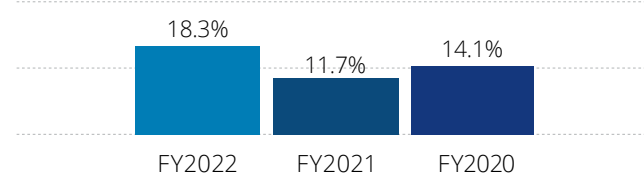
The tenure of a number of our audit partners who were Arthur Andersen partners before 2002 is not included in this figure.

The average partner tenure has increased as a result of fewer partner leavers and external hires in FY2022.

¹³ This metric does not include the exam training provided to non-qualified staff under training contracts, or any additional hours of industry-specific learning or personal learning undertaken to fulfil Continuing Professional Development requirements.

Average partner and staff turnover

FY2022: 18.3%, FY2021: 11.7%, FY2020: 14.1%



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.

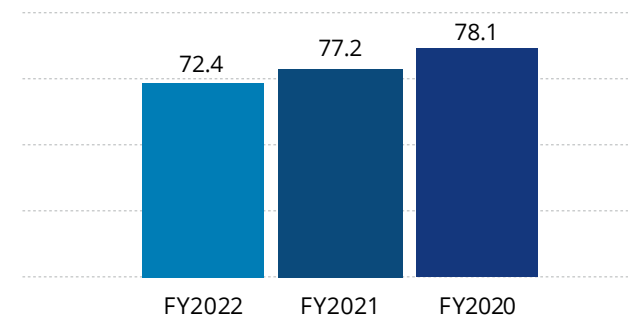
Permanent voluntary attrition has risen steadily throughout FY2022 to exceed pre-pandemic levels. This swift increase over the course of 12 months is reflective of the UK firm as a whole with all Service Lines seeing higher levels of attrition for FY2022 increasing above pre-pandemic levels after two years of being depressed.

Investment metrics

We see the level of investment in formal training and resources in our national office being indicators of the firm's investment in improving audit quality and maintaining professional knowledge.

7. Investment in training¹³

Number of hours training undertaken per person (partners & qualified staff) in the Audit & Assurance business: FY2022: 72.4, FY2021: 77.2, FY2020: 78.1



Learning hours have decreased year-on-year due to the adaptation of our flagship learning event being delivered virtually rather than face-to-face, in FY2022. The volume and complexity of our learning focus areas and the regulatory changes we need to update our people on will also vary from year to year.

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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 flagship technical training event), 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, which is monitored. These approximately one-hour long sessions provide monthly updates on corporate and financial reporting, auditing and regulatory information to audit partners and staff in the UK. 12 webinars (FY2021: 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 [Appendix 5: Delivering audit quality - Our people](#).

8. Investment in national office resources

National office as percentage of total audit staff

FY2022: 3.7% (FY2021: 3.3%; FY2020: 3.7%)

This indicator measures the number 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.

Other reportable AQIs:

The final three reportable AQIs relate to our ongoing investment activities in research and development, the staff survey results and activities with our external stakeholder community. Whilst these are not specific metrics, these activities are considered important given our obligation to act in the public interest.

9. Ongoing investment in research and development

Our investments in innovation and quality are transforming the way audits are performed. We are shaping the audit of the future by leveraging our assurance expertise, cutting-edge technologies, data analytics, talent, and audit delivery centres to continuously raise audit quality, streamline processes, and create greater insights.

At Deloitte, we are transforming our Audit & Assurance business by adopting new technologies, fresh approaches and new, disruptive perspectives. We are finding ways to instil greater value and deeper insights through the audit, and, we are expanding our assurance offerings to fully support our audit offerings, and 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 yields more transparency and deeper insight.

10. Our staff surveys

As we build and nurture our purpose and values-led culture, understanding where we are on this journey is important as it informs the decisions we make as a practice.

During summer 2022, all our partners and staff were invited to participate in our Global Culture Survey. This survey is designed to collect feedback on how our firm's culture is understood and embedded in the day-to-day experience of our Audit & Assurance practitioners worldwide. The results are expected to be available in the autumn and will be addressed in next year's Report.

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Appendix 7: Measuring audit quality



11. Investor liaison

Annual stakeholder event

The most recent Deloitte Audit AGM took place virtually in October 2021. We were joined by a range of stakeholders including investors, regulators, audit committee chairs, professional and business bodies and academics, as well as by our own partner group.

The Deloitte Audit AGM provides attendees with the opportunity to hear from and engage with Deloitte's executive leadership, Audit Governance Board, and external speakers. Guests can submit questions ahead of time as well as during the event. The AGM features both formal Deloitte updates and reporting, and discussion on topical areas. In FY2022, the panel debate focussed on the climate imperative.

The AGM also provides an opportunity to highlight and communicate our Audit Transparency Report and to seek stakeholder input and feedback on the Report. We will host our next Audit AGM this autumn.

Other engagement

We continue to hold one-to-one discussions with investment management 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 entities audited by Deloitte in the UK.

This year we have also held one-to-one discussions with investment management 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 [Message from the Non-Executives](#)].

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Deloitte takes seriously our responsibility as auditors to act in the public interest and our role in best practice sustainability reporting is just one example of that. Regulators, standard-setters, investors and entities themselves have an equally critical role to play to address the evolving information requirements that stakeholders are seeking on climate and other sustainability matters.

Market participants and broader stakeholders are calling for greater insight into how an organisation builds, protects and enhances enterprise value over time and the entity's impact on the world around it. They demand enhanced transparency on sustainability impacts and how they affect an entity's business model and strategy.

There is a growing imperative for entities to integrate climate-related and other sustainability considerations into governance and internal control policies and procedures, enhancing the maturity of systems and processes over climate-related and other sustainability information.

Those Charged With Governance are increasingly incorporating sustainability considerations in their responsibilities to oversee an organisation's management, its reporting readiness, and implementation of processes and controls to collect sustainability data.

Transparency on these matters is critical to building trust, and standards are critical to enable transparency and consistency in reporting. The standards should be global and leverage efforts currently underway for consistent reporting. Deloitte strongly supports the newly-established International Sustainability Standards Board (ISSB) that sits alongside the International Accounting Standards Board (IASB) and under the governance and oversight of the International Financial Reporting Standards Foundation (IFRSF). The global ISSB standards are an essential part of a system change that will be required to create a global baseline of sustainability information addressing the needs of global capital markets.

Assurance is important to enhancing trust. Stakeholders need to be able to trust and have confidence in the quality and reliability of sustainability information to make informed decisions. Assurance can enhance credibility of information as well as support consistent and comparable disclosure. We apply the International Standard on Assurance Engagements (ISAE) 3000 and

continue to strengthen our quality monitoring through the implementation of ISQM 1 and investing in building skills and knowledge to ensure we deliver consistent quality.

Climate-related risks and opportunities:

Climate change is a defining issue of our time and business critical – transparency and the quality of climate reporting is a key focus for entities and their stakeholders. As such, Deloitte is a signatory to the Glasgow Financial Alliance for Net Zero (GFANZ) commitments.

The following are examples of the specific actions Deloitte is undertaking to support execution of high-quality audits that give appropriate consideration to climate-related risks and opportunities.

Educating our professionals on climate change and the impact on audited entities

- We have developed and issued materials to support Deloitte professionals in discussions with management and Those Charged With Governance on whether they have appropriately considered climate-related risks, the impact of any commitments made on their business, governance and internal controls, and financial reporting

¹⁴ For more information about Deloitte's own sustainability reporting, please refer to our [Annual Review](#)

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- We have deployed learning programmes and climate toolkits across our global network to help Deloitte professionals better understand climate change and its impact on audited entities, to support teams in performing high-quality risk assessments
- We are putting in place a framework to respond to our commitments as a signatory to GFANZ and building knowledge and awareness among our professionals on investor and regulatory expectations and initiatives, such as Carbon Tracker
- We have published articles and podcasts on sustainability perspectives as part of our Deloitte Insights programme.

Developing climate watchlists

We identify audits with a higher public interest impact related to climate and have put in place an enhanced approach which provides specialist support to the relevant audit teams. Our aim is to focus the challenge and dialogue by audit teams with management and Those Charged With Governance around the way such entities reflect climate risks into their key judgements and sources of estimation uncertainty. This specialist support also helps in the process of challenging the completeness of financial statement disclosures.

Reporting on climate-related matters

We report on the extent to which we have considered climate-related risks and judgements in our audit, where relevant, in a separate section of our audit report. These considerations also factor into reporting on key audit matters.

Entity controls over climate-related risks

Where we identify a climate-related matter as a significant risk, we will look at the entity's controls in this area and, where appropriate, highlight any gaps to Those Charged With Governance.

Engagement in the global debate

We firmly believe that what gets measured, gets managed. This is why Deloitte played a lead role in the World Economic Forum's (WEF) project to identify a [common framework of stakeholder capitalism metrics](#) to evaluate the environmental impact of business activities, regardless of industry or region. We have also closely supported WEF's work to help establish global sustainability reporting standards.

Deloitte represented WEF in the working group set up by the IFRSF to lay the groundwork for establishing the ISSB, which was announced at COP26. The group's work included developing prototypes that were used as the basis for the draft standards issued for formal consultation by the ISSB at the end of March 2022. Deloitte issued a statement of support for the ISSB and its aim to enable a comprehensive global baseline of sustainability information, welcoming this significant milestone in corporate reporting.

Deloitte led an effort on behalf of the Global Public Policy Committee (GPPC) to organise four roundtable discussions in late 2021 to bring important stakeholders together, including investor representatives to discuss existing climate disclosures and how these need to evolve to meet stakeholder needs.

Deloitte supports the continued collaboration of all participants in the corporate reporting ecosystem, working together to develop and implement common standards upon which to measure, disclose and assure sustainability information.

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Appendix 9: Conflicts of interest



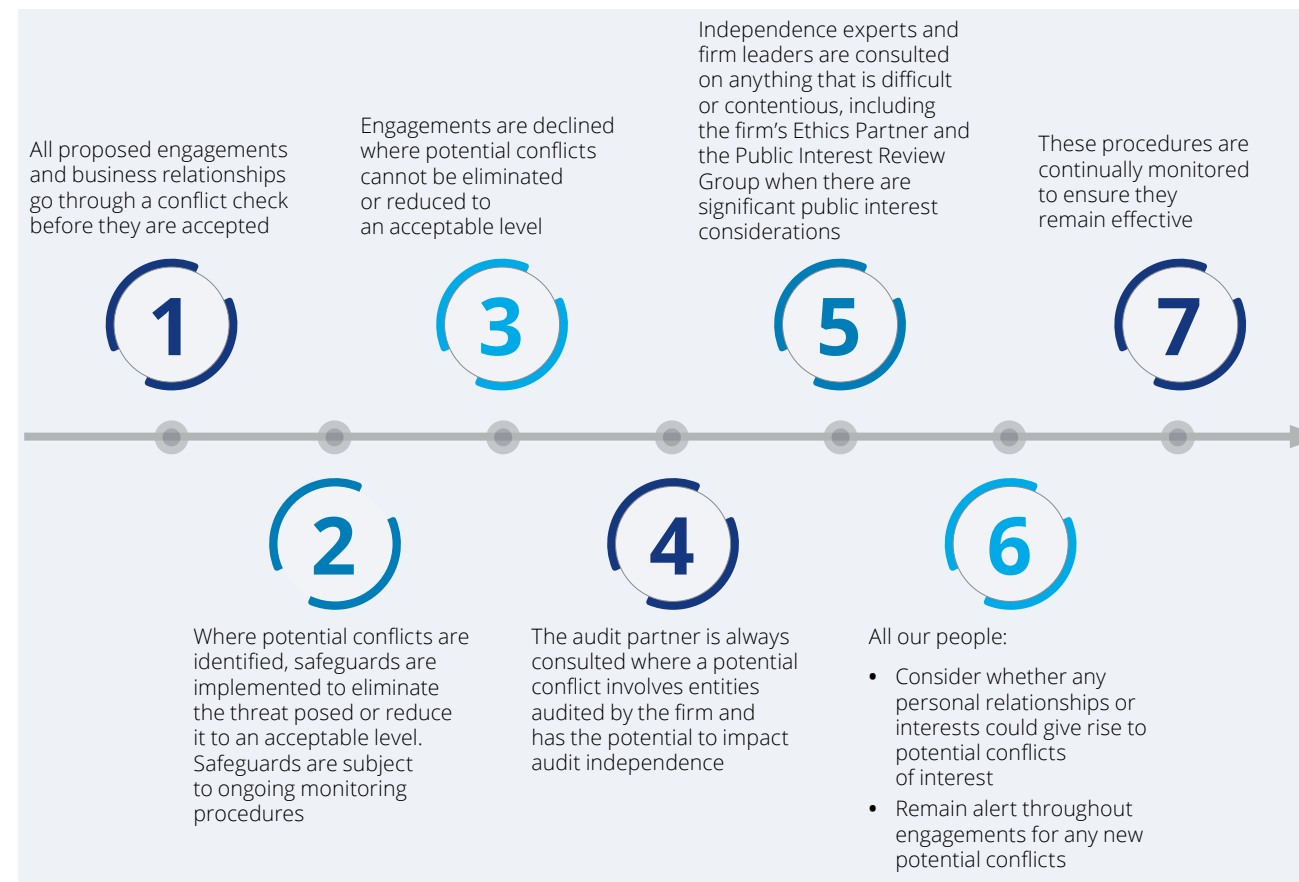
In order to safeguard our independence and objectivity – and retain the trust of our clients, the entities we audit and wider stakeholders, including the general public – we need to be free from any actual or perceived conflicts of interest.

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.

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The principal risks and uncertainties of the UK firm are set out 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 has been 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, the restructuring of the audit market and the attractiveness of the audit profession, operational excellence and financial viability, particularly recognising the heightened geopolitical and economic uncertainty. The UK ERF is aligned to, and is managed in a coordinated way with, the Deloitte NSE ERF.

In line with the firm's FY2022 planning process, the 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. The principal changes involved the removal of Brexit as a separate risk and its inclusion as a risk driver within the wider economic and geopolitical risk, and the addition of a climate change risk with a focus on the firm's ability to meet its *WorldClimate* ambitions.

In FY2022 the firm continued to utilise a process for updating 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, who facilitate 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 UK 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 UK Managing Partner Quality, Risk & Security, and or the ERF team, 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 UK Managing Partner Quality, Risk & Security formally reports on the ERF to the UK Executive so that the Executive can satisfy itself that the risk profile accurately reflects risk exposures and that appropriate mitigating actions are in place. The UK Executive's discussion of the firm's enterprise risks has been enhanced during the year through the introduction of a new risk dashboard. The dashboard seeks to assess the Firm's enterprise risks over a 12-18 month time horizon based on the strategic choices the firm is making as well as the external factors driving risk. In this way the discussion of risk is more directly framed in the context of the firm's risk appetite and more clearly focused on the complex and challenging issues impacting the firm and those risks with a higher residual exposure.

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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. The UKOB discussed in detail and challenged the 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 related to audit quality and the future of audit, public interest, conduct and culture, people matters including the race for talent, wellbeing, and cyber risk; as well as the mitigating controls in place against these risks.

How we are preparing for the future

Looking ahead to FY2023 there is increased exposure to economic and geopolitical risk as a result of the near-term economic uncertainty, high inflation, high interest rates and low growth coupled with the ongoing challenges caused by the war in Ukraine. Competitor moves and the impact of these on the firm's multi-disciplinary model will require continued scrutiny. The 'race for talent' is expected to continue placing an emphasis on People & Culture and our ability to differentiate the firm from its competition. FY2023 is also the first year that the firm will be subject to the requirements of ISQM 1. In designing and implementing our response to ISQM 1 the firm has ensured that its risk assessment processes are aligned to the requirements of the standard.

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The table below sets out the enterprise risks and related key mitigations that, at 31 May 2022, 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				
		FY2018	FY2019	FY2020	FY2021	FY2022
 <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, including sanctions compliance The firm and/or its people fail to comply with audit independence rules Addressing the challenges of the current high inflationary environment and geopolitical uncertainty to audit quality and delivery, and potential corporate failures Stakeholder expectations of auditors with respect to fraud identification, and viability and ESG reporting Staffing pressures and capacity constraints due to the 'race for talent' 	<ul style="list-style-type: none"> System of Quality Control assessment of processes and controls to drive audit quality individual engagement reviews 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, including threats to objectivity Increased communications to keep quality, risk management and professional scepticism 'top of mind' with new flexible working arrangements; provision of specific guidance about increased risks Updated reward strategy and sustainable salaries Future of works programme 					
		<p>The audit quality risk exposure remains heightened but stable as a result of Audit market reform, scrutiny of the audit profession, expectations of stakeholders and emerging audit challenges caused by the war in Ukraine, higher inflation and supply chain disruption. However the Firm continue to focus on staying ahead of the 'quality curve', particularly in the context of the introduction of ISQM 1 and through a continued commitment to and investment in people and audit technology which will continue to deliver improvements to audit quality.</p>				

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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 number and sophistication of confidentiality/security risks including those arising from the Ukraine/Russia war, increase in flexible working and new collaboration tools Countries moving to more extensive privacy legislation Client expectations for assurance over Deloitte processes and controls Transition to a globalised Deloitte IT organisation 	<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 flexible working arrangements, including use of approved collaboration tools Regular phishing drills 	<table border="1"> <thead> <tr> <th data-bbox="1488 401 1625 435">FY2018</th> <th data-bbox="1625 401 1753 435">FY2019</th> <th data-bbox="1753 401 1880 435">FY2020</th> <th data-bbox="1880 401 2007 435">FY2021</th> <th data-bbox="2007 401 2102 435">FY2022</th> </tr> </thead> <tbody> <tr> <td data-bbox="1488 439 1625 502">—</td> <td data-bbox="1625 439 1753 502">↑</td> <td data-bbox="1753 439 1880 502">↑</td> <td data-bbox="1880 439 2007 502">↑</td> <td data-bbox="2007 439 2102 502">↑</td> </tr> </tbody> </table> <p>The risk exposure trend continues to increase, particularly with respect to the continually evolving cyber threat, including a growth in the number and sophistication of ransomware and supply chain attacks. These have been heightened as a result of the war in Ukraine and by the firm's flexible working arrangements.</p> <p>Process improvements, continued investment, implementation of new technologies and improvements to existing controls continue to enhance the Firm's defensive posture and internal control environment and the maintenance of a robust and consistent approach to the management and safeguarding of all Firm, personal and client confidential data.</p>	FY2018	FY2019	FY2020	FY2021	FY2022	—	↑	↑	↑	↑
FY2018	FY2019	FY2020	FY2021	FY2022								
—	↑	↑	↑	↑								

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Priority risks	Mitigations	Risk exposure trend at 31 May														
<div data-bbox="122 406 198 485" data-label="Image"> </div> <p data-bbox="224 406 580 464">Our reputation, role and future public interest impact</p> <p data-bbox="224 499 420 521">Threat narrative</p> <ul data-bbox="224 535 649 1206" style="list-style-type: none"> • Ability to respond and adapt to changes in policy, legislation and regulation, including non-audit, 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, including climate change, gender pay gaps and diversity, 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 	<ul data-bbox="667 406 1490 1206" 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 UK Oversight Board's role specifically includes overseeing regulatory and public interest matters • Three Independent Non-Executives (INEs) on the UK Oversight Board and Non-Executive 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" data-bbox="1508 406 2089 506"> <thead> <tr> <th data-bbox="1508 406 1617 435">FY2018</th> <th data-bbox="1617 406 1727 435">FY2019</th> <th data-bbox="1727 406 1837 435">FY2020</th> <th data-bbox="1837 406 1946 435">FY2021</th> <th data-bbox="1946 406 2089 435">FY2022</th> </tr> </thead> <tbody> <tr> <td data-bbox="1508 435 1617 506">↑</td> <td data-bbox="1617 435 1727 506">↑</td> <td data-bbox="1727 435 1837 506">↑</td> <td data-bbox="1837 435 1946 506">—</td> <td data-bbox="1946 435 2089 506">—</td> </tr> </tbody> </table> <p data-bbox="1508 514 2089 735">The war in Ukraine, state of the economy and COVID-19 engagements has increased focus on 'company we keep' and the 'public interest' impact of the firm's activities. Public scrutiny of the audit profession remains significant and this, coupled with changes to the regulatory environment for statutory audit and increasing regulation of tax advisers means risk exposure remains high but stable.</p>					FY2018	FY2019	FY2020	FY2021	FY2022	↑	↑	↑	—	—
FY2018	FY2019	FY2020	FY2021	FY2022												
↑	↑	↑	—	—												

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Priority risks	Mitigations	Risk exposure trend at 31 May											
<p> People & culture</p> <p>Threat narrative</p> <ul style="list-style-type: none"> Ability to attract, hire and retain the right talent Embedding and sustaining the firm's culture and values in the context of high staff turnover and as a differentiator in recruitment and retention Ability to develop people in a hybrid work environment Diversity of workforce Leadership succession Detrimental impact on wellbeing from pressure of work, compounded by changed ways of working Increasing focus from regulators on firm culture 	<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 whistle-blowing and speak up line processes and reporting channels Firm culture programmes across Partners and our people Audit talent model transformation programme Firmwide reward reviews Performance management approach with supporting technology Member Firm programme and resources to support practitioners with mental and physical health concerns including regular team touch point calls Deloitte Future of works programme Firmwide succession planning process 	<table border="1"> <thead> <tr> <th>FY2018</th> <th>FY2019</th> <th>FY2020</th> <th>FY2021</th> <th>FY2022</th> </tr> </thead> <tbody> <tr> <td>↑</td> <td>↑</td> <td>↑</td> <td>—</td> <td>↑</td> </tr> </tbody> </table>	FY2018	FY2019	FY2020	FY2021	FY2022	↑	↑	↑	—	↑	<p>The 'race for talent', capacity constraints and changes in the nature of work exacerbating inequalities and wellbeing concerns have resulted in the upward trending of this risk. Focus continues on priorities designed to enhance the people experience of those working for the firm and create an inclusive working environment within which our people can thrive.</p>
FY2018	FY2019	FY2020	FY2021	FY2022									
↑	↑	↑	—	↑									

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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 Our people, external stakeholders and clients increasingly expect business to have a positive impact on society 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 & 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 UK social value model for GPS Purpose-specific propositions e.g. Power of Purpose Connecting our people to our purpose through storytelling and performance experience Delivering and reporting on our social impact and WorldClass and WorldClimate initiatives 	FY2018	FY2019	FY2020	FY2021	FY2022
		—	—	—	↑	↑
		<p>Expectations of our people, our clients and external stakeholders continue to increase with regard to the firm’s wider purpose, particularly as public debate about the role of business in society continues to evolve, and have contributed to the risk exposure trending up. To help address this the firm is becoming increasingly vocal both internally and externally on these issues, about its purpose and in the commitments it makes. Purpose is a core component of our strategy and is reflected in our decision making processes including the systems and processes governing client and engagement acceptance.</p>				



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		FY2018	FY2019	FY2020	FY2021	FY2022
 <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 3rd parties adherence to Deloitte standards and culture Staffing capacity pressures leading to poor behaviours Return to the office and associated informal meetings with colleagues generates an increased number of incidents 	<ul style="list-style-type: none"> Ethics code Dedicated independent ethics team Speak Up Line and alternative channels Ethics survey Communication and refreshed 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 Ethics roadshows 	—	—	—	—	—
					—	—
					<p>An increase in the conduct and ethics risk has resulted from remote onboarding during COVID-19, high staff turnover; heightened sensitivity and social activism about business practice and our values, the role of business in society and equality; and a return to the office and in-person engagement. This has been offset by improved people engagement identified via the Ethics survey and a number of additional mitigations and continued enhanced reporting via the 'Do the Right Thing' dashboard.</p>	

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Priority risks	Mitigations	Risk exposure trend at 31 May				
 Achieving the full market potential of the Multi-disciplinary Model (MDM)	<ul style="list-style-type: none"> Firm and personal independence systems and monitoring Annual certification of compliance with independence policies and procedures Audit Capture Office to ensure teams bidding for FTSE100 audits have the time, incentives, support, best practice guidance, training and challenge to win in the market 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 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 	FY2018	FY2019	FY2020	FY2021	FY2022
<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 Demand and pricing management in a high inflation economy 		—	—	—	↑	—
		<p>The risk remains stable against the continued firm strategy of actively competing for large, multi-year deals including large-scale technology and business transformation engagements; the relatively high opportunity cost associated with MDM growth platform set-up; increased demand for Cloud and Operate solutions; the demand for complex deal structures; and delivery of high-quality audits and maintaining an appropriate audit market share. Demand and pricing management in a high inflation economy and in the context of capacity constraints and the 'race for talent' requires careful qualification of the pipeline to ensure there an appropriate commercial return and no adverse impact on delivery quality or the wellbeing of our people.</p>				

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 <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 Client demand for complex deal structures and contractual terms Inability to scale new offerings with suitable quality and commercial return, including as a result of people capacity and capability constraints and the 'race for talent' Increased collaboration with ecosystem and alliance partners increases challenges such as quality assurance, independence, security and contracting 	<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' as part of work flexible working arrangements; provision of specific guidance about increased risks Increased 'in flight' reviews of higher risk engagements 	FY2018	FY2019	FY2020	FY2021	FY2022
		↓	—	—	↑	↑
		<p>The risk exposure is increasing due to the continuing growth in large-scale, complex and cross-border technology and business transformation engagements and the scaling of new offerings such as operate and sustainability. Achieving consistently high levels of quality requires ongoing investment in building the required skills, capabilities and quality frameworks.</p>				

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Priority risks	Mitigations	Risk exposure trend at 31 May										
<div data-bbox="122 411 198 486" data-label="Image"> </div> <p>Client portfolio</p> <p>Threat narrative</p> <ul 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', market sectors in which we operate and a significant quality or delivery failure Client demand for complex deal structures and contractual terms 	<ul 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 Office 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 Lead Client Service Partner (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 Delivery Excellence Programme managing risk across the programme lifecycle 	<table border="1"> <thead> <tr> <th data-bbox="1510 404 1625 432">FY2018</th> <th data-bbox="1625 404 1740 432">FY2019</th> <th data-bbox="1740 404 1854 432">FY2020</th> <th data-bbox="1854 404 1969 432">FY2021</th> <th data-bbox="1969 404 2104 432">FY2022</th> </tr> </thead> <tbody> <tr> <td data-bbox="1510 432 1625 504">—</td> <td data-bbox="1625 432 1740 504">↑</td> <td data-bbox="1740 432 1854 504">—</td> <td data-bbox="1854 432 1969 504">↑</td> <td data-bbox="1969 432 2104 504">—</td> </tr> </tbody> </table> <p>The mix of industry and sector concentration was impacted by COVID-19 although the pipeline of work remains strong and suggests a return to a more traditional spread resulting in a stable risk trend. Demand for complex deal structures and unfavourable terms remains as does a heightened sensitivity to operating in certain sectors and our ability to do so without detriment to our wider Purpose or stated public commitments.</p>	FY2018	FY2019	FY2020	FY2021	FY2022	—	↑	—	↑	—
FY2018	FY2019	FY2020	FY2021	FY2022								
—	↑	—	↑	—								

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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 response 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 defined priorities addressing emerging risks and challenges to performance targets Market reviews assessing the macro trends driving our markets focusing on the near-and medium terms but with consideration also given to a longer-term '5 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 and geopolitical scenario modelling, including down-turn planning, underpinning firm executive decision-making Scorecard and KPIs to measure and track progress of the strategy Competitor trend monitoring and strategic impact assessments 	FY2018	FY2019	FY2020	FY2021	FY2022
		—	—	—	—	↑
		<p>An increase in exposure is being driven by uncertainty created by the war in Ukraine, potential future waves of COVID-19, UK political change and ongoing post-Brexit challenges. High levels of inflation, increasing interest rates, supply chain disruption and cost of living challenges are increasing the risk of recession. Disruptive moves by competitors continue to create uncertainty in the market for professional services.</p>				

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Priority risks	Mitigations	Risk exposure trend at 31 May										
 <p>Resilience of the financial & operating model to future shocks</p> <p>Threat narrative</p> <ul style="list-style-type: none"> Ability to anticipate and respond to economic and political uncertainty Insufficient financial discipline and management of the cost base Realising the benefits of changes to the operating model delivered by the Future of Work programme and digitalisation of the business 	<ul style="list-style-type: none"> Four-year strategy, aligned to Deloitte globally, with annual planning and defined priorities addressing emerging risks and challenges to performance targets Economic and geopolitical scenario modelling, including down-turn planning, underpinning firm executive decision-making 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 ISO22301: Security and Resilience certification 	<table border="1"> <thead> <tr> <th>FY2018</th> <th>FY2019</th> <th>FY2020</th> <th>FY2021</th> <th>FY2022</th> </tr> </thead> <tbody> <tr> <td>↑</td> <td>↑</td> <td>↑</td> <td>—</td> <td>—</td> </tr> </tbody> </table> <p>Improved governance processes, close control of liquidity and profitability and progress against strategic and operational initiatives including the firm's future of work programme means the risk remains stable. However, continued vigilance is required in light of growing geopolitical and macroeconomic uncertainty, and the increasing risk of recession due to high levels of inflation, supply chain disruption and cost of living challenges.</p>	FY2018	FY2019	FY2020	FY2021	FY2022	↑	↑	↑	—	—
FY2018	FY2019	FY2020	FY2021	FY2022								
↑	↑	↑	—	—								
 <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 Interdependent operational ecosystems with Deloitte Global 	<ul style="list-style-type: none"> Transformation Management Office operating under an Executive mandate Transformation Leadership Council Managing Partner Transformation sits on the UK Executive, UK Business Executive and NSE governance forums (to manage key inter-dependencies and risks with NSE, the Businesses and Enabling Function Leaders) Project review and approval governance processes Change assurance checklists and integrated change impact assessments 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 	<table border="1"> <thead> <tr> <th>FY2018</th> <th>FY2019</th> <th>FY2020</th> <th>FY2021</th> <th>FY2022</th> </tr> </thead> <tbody> <tr> <td>—</td> <td>—</td> <td>—</td> <td>—</td> <td>—</td> </tr> </tbody> </table> <p>New market offerings and transformation programmes continue to provide challenges to the Firm's capacity for complex change. However, the risk continues with a stable trending due to improved governance processes, expert leadership of the key transformation focus areas and enhancement to change management processes and assurance.</p>	FY2018	FY2019	FY2020	FY2021	FY2022	—	—	—	—	—
FY2018	FY2019	FY2020	FY2021	FY2022								
—	—	—	—	—								

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Priority risks	Mitigations	Risk exposure trend at 31 May				
<div data-bbox="122 411 198 482" data-label="Image"> </div> <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 ring-fence to deliver the new audit product are not appropriately considered Ring-fence pricing concerns Unclear reporting arrangements Key performance indicators not timely or accurate Inability to deliver quality audits Insufficient focus on assurance and financial information reporting 	<ul style="list-style-type: none"> Collaboration Principles including incentives and behaviours Objective Oversight Body set up to determine annual arms length pricing Controls mapped to Principles Accountability Paper Project governance structure National Accounting & Auditing input to Operations activities Ring-fence permissible services training Arms Length Pricing Policy document, guide and training Terms of Reference for Audit Governance Board Portfolio reporting using data analytics Multi Disciplinary Model forum set up to maximise benefit for whole firm Leadership roles policy and forum set up 	FY2018	FY2019	FY2020	FY2021	FY2022
		—	—	—	↓	↓
		<p>The firm launched its operationally separate audit business on 1 June 2021 and will continue to use the transition period to 1 June 2024 to fine tune the operating model, controls, reporting and transparency mechanisms including assurance and financial reporting. The risk continues to decrease as the governance and operational processes and controls continue to become embedded.</p>				

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Priority risks	Mitigations	Risk exposure trend at 31 May				
 <p>Climate change & sustainability</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • Reputation diminished with stakeholders (including clients and our people) by not exhibiting leading practices on climate change and sustainability • Concerns over transparency and accuracy in our environmental reporting • Our people lack sufficient knowledge and/or experience to embrace and champion change • No accurate methodology to measure supply chain emissions • Cultural resistance to managing down travel • Business disruption as a result of extreme weather events impacting our people, sites, operations and supply chain 	<ul style="list-style-type: none"> • Clear ambition, targets, and strategy aligned to Deloitte's global <i>WorldClimate</i> programme, with levels of achievement mapped out in our 'Maturity Matrix'. • Detailed internal <i>WorldClimate</i> reporting against targets every quarter • External reporting against established ESG frameworks with metrics in our annual report and data assured by an external auditor • Mandatory climate learning • Establishing net zero targets in the supply chain • Sustainable travel policy, delivery framework and central NSE travel data platform • Business continuity planning with UK sites certified to ISO22301: Security and Resilience. 	FY2018	FY2019	FY2020	FY2021	FY2022
		—	—	—	—	—
		<p>A new risk for FY22 with stable trending. Strong governance, aligned to Deloitte's global <i>WorldClimate</i> programme, has been established and a clear, target-based climate strategy has been developed. Mitigations address mandatory training for our people, new travel policies and procedures, business resilience and climate risks in the supply chain. Formal internal and external reporting is being established to address the increased focus on climate and sustainability from our people, clients and wider society and the increasing differentiator climate change is becoming in the market place.</p>				

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Appendix 11: Security, confidentiality and data protection



We seek to deliver a secure, digital Deloitte and defend the firm against external and internal threats. To do this we work closely with all our partners and practitioners to instil security best practices enabling us all to work safely and securely. Our aim is to protect confidential and personal data and the availability and integrity of our systems.

Who is responsible for maintaining confidentiality, privacy and security?

Mark Mullins is the UK Managing Partner Quality, Risk and Security and a member of the firm's UK Executive Group. He chairs the UK Security Executive, which includes risk leaders from across the business and oversees the work of our confidentiality, privacy and security teams.

Adapting to external threats and internal change

We continue to respond to the evolving external threat landscape. We remain keenly aware of the increasing level and sophistication of advanced persistent threats (APTs) and cyber criminals. We have increased our vigilance in response to rising geopolitical tensions.

The evolution of our business and our ways of working is prompting new security considerations. As we and our clients digitise, the scale, scope, and complexity of the data we handle grows, as does our exposure to potential data risk. To address this, we have extended our capabilities to stop data egress and blocked many common routes for unauthorised data exfiltration or disclosure.

Enhanced security culture

Our mandatory security culture programme continues to develop a stronger cyber awareness to reduce, for example, the risk of our people falling victim to cyber attacks. All levels of the firm participate, including groups most likely to be targeted, such as partners and those with privileged access. 'Cyber Champions' are embedded in the business to amplify the learning. Messages are continually reinforced through multiple awareness campaigns and success is measured against key metrics, including results from regular phishing drills.

Improvements across our network

We continue to conduct crisis management exercises as part of our wider resilience programme. These are conducted at both UK and NSE level. We conducted an executive-level exercise focusing on Ransomware in December 2021 which tested the firm's technical and procedural controls against this growing existential threat.

The launch of our multi-year, Global 'Cyber NextGen' programme will enhance the security posture of every Deloitte member firm leading to benefits and efficiencies at the network level, further hardening our networks and endpoints, and implementing a zero-trust network backed by improved standards and governance of security risk. This will build on our cyber risk controls and help prioritise risk and control decisions.

Addressing risks from hybrid working and third parties

We continue to address confidentiality, privacy and security risks related to hybrid working. We have substantially reduced data held on laptops and network drives. Data analytics tools allow us to quickly identify and triage anomalous behaviour. We have expanded and developed our third-party risk monitoring capability in response to the increasing prevalence of supply chain attacks.

Responding to client needs and regulator requirements

Keeping our clients' data safe remains of paramount importance. We continue to meet our clients' and regulators' security requirements through a combination of questionnaires, security audits and thematic reviews. The firm was re-certified across several standards in the past year including Information Security (ISO27001), Resilience (ISO22301) and Cyber Essentials Plus. We are currently working to adopt the ISQM 1 standard.

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Appendix 12: Deloitte UK: Governance and legal structure

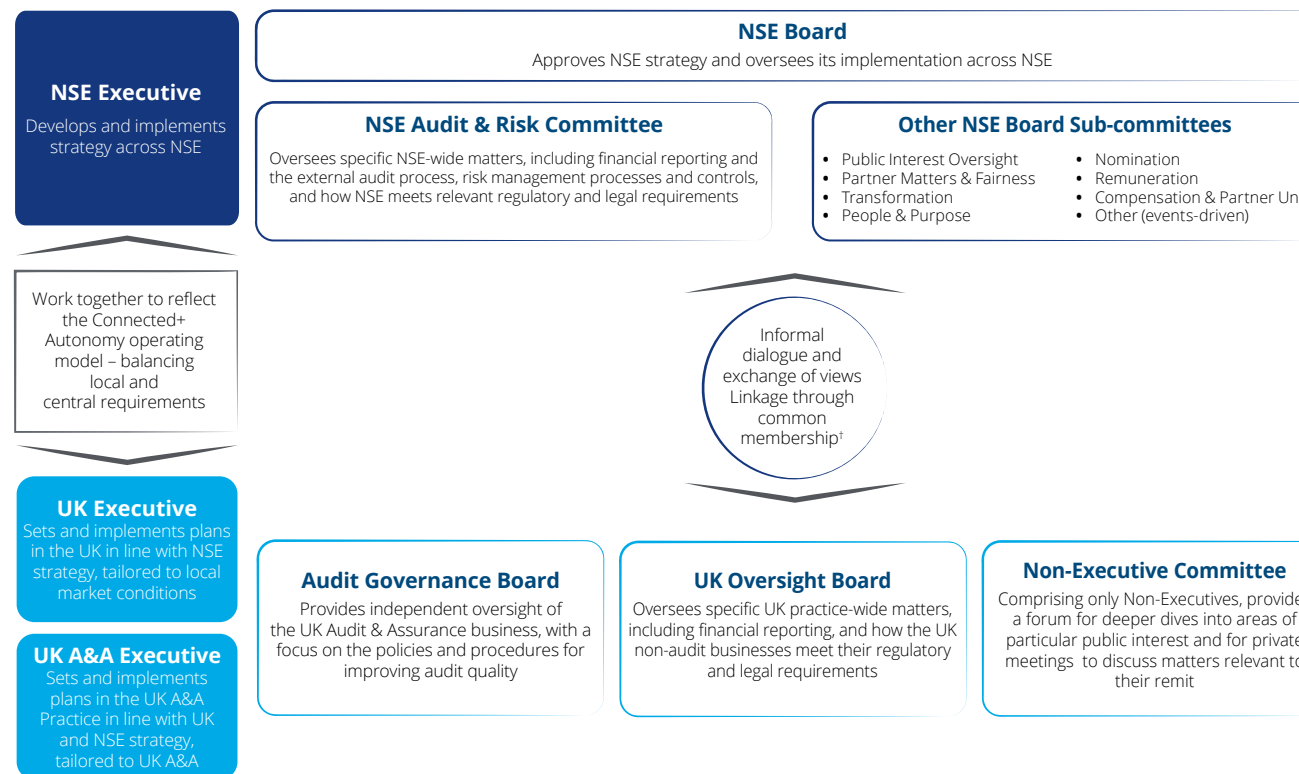


UK Legal Structure

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 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 through its subsidiaries in Switzerland and Gibraltar.

Deloitte LLP is the UK affiliate of Deloitte NSE LLP, a member firm of the Deloitte network, and its governance arrangements are set out in the schematic on the right. Consulting services in the Middle East are provided through a joint venture entity in which Deloitte LLP has an interest. The Deloitte LLP group also has interests in India, Romania and Spain that do not provide services to clients.

Governance Structure



† The elected partner members of the UKOB and AGB are also members of the NSE Board. Steve Williams, UKOB Chair, chaired the NSE Audit & Risk Committee during the year. Baroness Ford is an Independent Non-Executive member of the NSE Board and sits on the Audit & Risk and People & Purpose Committees.

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

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Partnership Council

While not formally part of the governance structure of the UK business, the Partnership Council nevertheless plays an important role in ensuring fairness and equity between partners across the UK and Switzerland and fairness in the implementation of Deloitte NSE policies and strategies. It is also the body that undertakes soundings to assist in the selection of UK/Swiss candidates for election to the Deloitte NSE Board and appointment to the roles of UK CEO and Swiss CEO. One of the Non-Executives has a standing invitation to attend the meetings of the Partnership Council.

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 been reappointed for a second four-year term commencing on 1 June 2023. Richard has full executive authority for the management of the UK practice and is also Senior Partner and Chief Executive of Deloitte NSE. In keeping with our client service focus, he continues to spend a significant proportion of his time actively engaging with a broad cross-section of clients.

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



Quality

Maintaining the highest level of quality and ensuring compliance with regulatory and legal requirements across all dimensions of the firm



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

Richard communicates regularly with the partner group, and with all our people, in person and through a series of town halls, 'Ask the CEO' webcasts, voicemails and email alerts.

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Non-Executives

Non-Executive duties

The regulatory requirements for Non-Executive duties 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 Non-Executive 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 Audit Non-Executive' is to provide oversight of the UK Audit & Assurance business only. She is a member of the AGB but not of the UKOB.

Supporting the Non-Executives

To assist the Non-Executives in discharging their duties under the Principles and the Code, the firm provides them with:

- A Chief of Staff
- Access to 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. By drawing on their external roles and experiences, they are able to bring diverse perspectives and appropriate challenge to the firm.

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 UKOB Chair and obtain his consent prior to accepting further assignments with any third party. The Non-Executives are required to disclose to the UKOB Chair any actual or potential conflict of interest or any threat to the firm's independence as soon as it becomes apparent.

Independence of Non-Executives

In assessing the independence of the Non-Executives, we:

- Consider (for them and their immediate family members) any substantial shareholdings and business/employment relationships
- Apply the Code's principles and comply 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.

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

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, 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 KC, Shirley Garrod 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 business, based on an individually agreed number of days’ service per annum. In the year to 31 May 2022, this amounted to:

	Total remuneration
	£’000
Jim Coyle	200
Almira Delibegovic-Broome KC	154
Baroness Ford	300
Shirley Garrod	200

Other matters

Appropriate indemnity provisions are in place in respect of any legal action arising against a Non-Executive. 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.

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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 annually and 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 partner¹⁵ 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 [Appendix 5: Delivering audit quality](#).

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.

¹⁵ 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.

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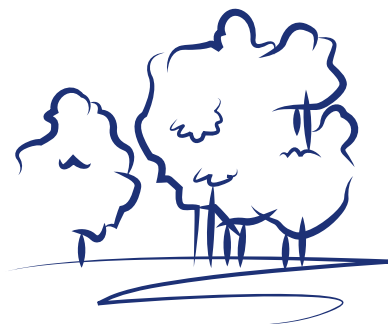
Appendix 13: The Deloitte network



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 and Deloitte policies concerning:



Professional standards



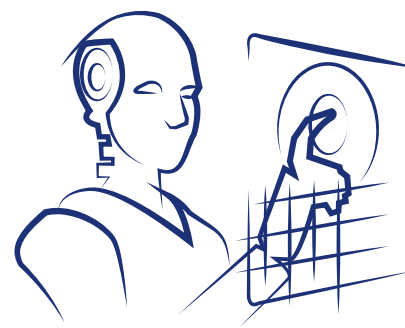
Shared values



Methodologies



Systems of quality control & risk management



Common technologies/platforms

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Appendix 13: The Deloitte network



Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)¹⁶

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.

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 14 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.



¹⁶ 'Deloitte' is the brand under which approximately 345,000 dedicated professionals and practitioners 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.

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Appendix 14: 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 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

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EU/EEA member state	Name of audit firms carrying out statutory audits in each member state
France	Deloitte & Associés Deloitte Marque & Gendrot Deloitte Audit Holding BEAS Cisane Constantin Associés D. Associations DB Consultant ECA Audit Opus 3.14 Audit et Conseil 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.

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EU/EEA member state	Name of audit firms carrying out statutory audits in each member state
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

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: € 2.1 billion¹⁷

¹⁷ 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 2022, 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 2021 to 31 May 2022.

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Appendix 15: Public interest entities



Regulatory context

The following lists set out the entities that meet all the following conditions::

1. The entity is incorporated:
 - a. in the UK and is a Public Interest Entity as defined in UK law where the audit is a statutory audit as set out in s1210 Companies Act 2006¹⁸
 - b. anywhere and has securities admitted to trading on an EEA regulated market¹⁹
 - c. in Jersey, Guernsey or the Isle of Man and is a Market Traded Company
2. Deloitte LLP signed an audit report on the entity's annual financial statements in the period from 1 June 2021- 31 May 2022.

UK PIE definition

As set out in UK law the definition of a PIE includes:

1. UK incorporated companies with transferable securities listed on a UK regulated market
2. UK Credit institutions (broadly banks and building societies)
3. UK Solvency II insurance undertakings authorised by EU member states.

Market traded companies

The laws of Jersey, Guernsey and the Isle of Man define market traded companies as those incorporated in the relevant jurisdiction with (a) equity or (b) retail debt securities admitted to trading on a UK or EEA regulated market.

UK PIEs

Entity name

A.G. Barr PLC
Aberforth Smaller Companies Trust PLC
Aberforth Split Level Income Trust PLC
Admiral Group PLC
Admiral Insurance Company Ltd
AGF Insurance Ltd
AIB Group (UK) PLC
Airtel Africa PLC
Al Rayan Bank PLC
Aldermore Bank PLC
Aldermore Group PLC
Alpha Bank London Ltd
Anglian Water (Osprey) Financing PLC
Anglian Water Services Financing PLC
Anglo Pacific Group PLC
Ashtead Group PLC
Assured Guaranty UK Ltd
Auction Technology Group PLC
Avon Insurance PLC
BA (GI) Ltd
BAE Systems PLC
Bakethin Finance PLC

¹⁸ This list is required by Article 13.2(f) of the EU Audit Regulation as retained in UK law.

¹⁹ This list is required by Article 13.2(f) of the EU Audit Regulation as applicable to Deloitte LLP as a third country auditor registered in Ireland, the Netherlands, Germany, Sweden and Luxembourg.

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Appendix 15: Public interest entities



Entity name

Bank Leumi (U.K.) PLC
 Bank Mandiri (Europe) Ltd
 Bank of Beirut (UK) Ltd
 Bank of Scotland PLC
 Barratt Developments PLC
 Berkshire Hathaway International Insurance Ltd
 Biffa PLC
 BlackRock Income and Growth Investment Trust PLC
 BlackRock Life Ltd
 BMO UK High Income Trust PLC
 BP Capital Markets PLC
 BP PLC
 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
 Capital & Regional PLC
 Castle Trust Capital PLC
 Catalina London Ltd

Entity name

Catalina Worthing Insurance Ltd
 Centrica PLC
 Charter Court Financial Services Ltd
 Chesnara PLC
 Churchill Insurance Company Ltd
 CLS Holdings PLC
 CNA Insurance Company Ltd
 Coats Group PLC
 ConvaTec Group PLC
 Countrywide Assured PLC
 Cumberland Building Society
 Currys PLC
 Custodian REIT PLC
 Deliveroo PLC
 DF Capital Bank Ltd
 Direct Line Insurance Group PLC
 Domestic & General Insurance PLC
 Dominion Insurance Co. Ltd
 Drax Group PLC
 DS Smith PLC
 Dunedin Income Growth Investment Trust PLC
 DWF Group PLC
 Eastern Power Networks PLC

Entity name

Electricity North West Ltd
 Elementis PLC
 EnQuest PLC
 ENW Finance PLC
 Eversholt Funding PLC
 Financial & Legal Insurance Co. Ltd
 Foresight Enterprise VCT PLC
 Foresight Solar & Technology VCT PLC
 Foresight VCT PLC
 Fundsmith Emerging Equities Trust PLC
 Future PLC
 Gatehouse Bank PLC
 Genus PLC
 Ghana International Bank PLC
 Glaxosmithkline Capital PLC
 Go-Ahead Group PLC (The)
 Great Portland Estates PLC
 GSK PLC
 Gulf Marine Services PLC
 Hampden & Co PLC
 HBL Bank UK Ltd
 HBOS PLC
 Helical PLC

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Helios Towers PLC
 High Speed Rail Finance (1) PLC
 Home Group Ltd
 Homeserve PLC
 Howden Joinery Group PLC
 Hunting PLC
 Ibstock PLC
 ICBC (London) PLC
 ICBC Standard Bank PLC
 IMI PLC
 Inchcape PLC
 Independent Order of Odd Fellows Manchester Unity Friendly Society Ltd
 Informa PLC
 International Personal Finance PLC
 JPMorgan American Investment Trust PLC
 Kexim Bank (UK) Ltd
 Kingfisher PLC
 Kyoei Fire & Marine Insurance Company (U.K.) Ltd
 Law Debenture Corporation PLC (The)
 Leeds Building Society
 Lloyds Bank Corporate Markets PLC
 Lloyds Bank General Insurance Ltd

Entity name

Lloyds Bank PLC
 Lloyds Banking Group PLC
 London Power Networks PLC
 London Wall Mortgage Capital PLC
 LondonMetric Property PLC
 Loughborough Building Society
 M&G Credit Income Investment Trust PLC
 Macfarlane Group PLC
 Manchester and 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
 Melrose Industries PLC
 Mitchells & Butlers PLC
 Morgan Advanced Materials PLC
 Morgan Stanley Bank International Ltd
 National Bank of Egypt (UK) Ltd
 National Express Group PLC

Entity name

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
 Northumbrian Water Finance PLC
 NWEN Finance PLC
 Oban Cards 2021-1 PLC
 Ocado Group PLC
 Omnilife Insurance Co. Ltd
 OneSavings Bank PLC
 OSB Group PLC
 Oxford Nanopore Technologies PLC

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Pacific Life Re Ltd
 Pensionbee Group PLC
 Pharos Energy PLC
 PHP Bond Finance PLC
 Pinnacle Insurance PLC
 Pod Point Group Holdings PLC
 Primary Health Properties PLC
 Principality Building Society
 Provident Financial PLC
 PRS Finance PLC
 PZ Cussons PLC
 Quadgas Finance PLC
 Rathbone Investment Management Ltd
 Rathbones Group PLC
 Rechabite Friendly Society Ltd (The)
 Reliance National Insurance Company (Europe) Ltd
 Riverstone Insurance (UK) Ltd
 RM PLC
 Rotork PLC
 RPS Group PLC
 Safestore Holdings PLC
 Saltaire Finance PLC
 Schroder Japan Growth Fund PLC

Entity name

Scottish Friendly Assurance Society Ltd
 Scottish Widows Ltd
 Secure Trust Bank PLC
 Severn Trent PLC
 Severn Trent Utilities Finance PLC
 Simplyhealth Access
 Smithson Investment Trust PLC
 South East Water Ltd
 South Eastern Power Networks PLC
 South Staffordshire Water PLC
 Spectris PLC
 Spirax-Sarco Engineering PLC
 Spirent Communications PLC
 St Andrew's Insurance PLC
 SuperDry PLC
 Tenecom Ltd
 Tesco Corporate Treasury Services PLC
 Tesco Personal Finance Group PLC
 Tesco Personal Finance PLC
 Tesco PLC
 Tesco Underwriting Ltd
 Transfercom Ltd
 Trent Insurance Co. Ltd

Entity name

TT Electronics PLC
 U K Insurance Ltd
 Ultra Electronics Holdings PLC
 Unite Group PLC (The)
 United Trust Bank Ltd
 Unity Trust Bank PLC
 US Solar Fund PLC
 Vanquis Bank Ltd
 Videndum PLC
 Wales & West Utilities Finance PLC
 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
 Wilmington Cards 2021-1 PLC
 WPP Finance 2010
 Yorkshire Water Finance PLC
 Yorkshire Water Services Finance Ltd

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Entities with securities admitted to trading on an EEA regulated market

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Avon Finance No.1 PLC
 Tower Bridge Funding No.2 PLC
 Tower Bridge Funding No.3 PLC
 Tower Bridge Funding No.4 PLC
 Tower Bridge Funding 2020-1 PLC
 Northern Powergrid Holdings Company
 E-Carat 10 PLC
 E-Carat 11 PLC
 E-Carat 12 PLC
 BP PLC
 Student Finance PLC
 Canterbury Finance No.1 PLC
 Charter Mortgage Funding 2018-1 PLC
 Spirit Issuer PLC
 Greene King Finance PLC
 Kentmere No.1 PLC
 Kentmere No.2 PLC
 CRH Finance (U.K.) PLC
 DS Smith PLC
 Durham Mortgages A PLC
 Durham Mortgages B PLC
 EnQuest PLC

Entity name

Equinox (Eclipse 2006-1) PLC
 Stratton Mortgage Funding 2019-1 PLC
 EuroMASTR PLC
 Ferguson Finance PLC
 Motopark Finance PLC
 Turbo Finance 8 PLC
 Oak No. 2 PLC
 Oak No.3 PLC
 International Finance Facility For Immunisation Company
 Unite (USAF) II PLC
 Allfunds Group PLC
 Hercules (Eclipse 2006-4) PLC
 ICBC Standard Bank PLC
 International Personal Finance PLC
 Yorkshire Water Finance PLC
 Castell 2018-1 PLC
 Polaris 2019-1 PLC
 Polaris 2020-1 PLC
 Castell 2020-1 PLC
 Polaris 2021-1 PLC
 Hobart Property PLC
 Avenell Property PLC

Entity name

Albion No.4 PLC
 Bank of Scotland PLC
 Morgan Stanley & Co. International PLC
 Canterbury Finance No.2 PLC
 CMF 2020-1 PLC
 Canterbury Finance No.3 PLC
 Canterbury Finance No.4 PLC
 Precise Mortgage Funding 2018-2B PLC
 Precise Mortgage Funding 2019-1B PLC
 Precise Mortgage Funding 2020-1B PLC
 Principality Building Society
 Friary No.5 PLC
 Friary No.6 PLC
 RAC Bond Co PLC
 Delamare Cards MTN Issuer PLC
 Tesco Property Finance 1 PLC
 Turbo Finance 9 PLC
 Wellcome Trust (The)
 WPP Finance 2016
 WPP Finance 2017

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Market traded companies

Entity name

3i Infrastructure PLC
abrdn Property Income Trust Ltd
Blackstone Loan Financing Ltd
Chenavari Toro Income Fund Ltd
Ferguson PLC
Glencore PLC
India Capital Growth Fund Ltd
JLEN Environmental Assets Group Ltd
Lamprell PLC
Macau Property Opportunities Fund Ltd
Man Group PLC
Real Estate Credit Investments Limited
Renewables Infrastructure Group Ltd (The)
Ruffer Investment Company Limited
Sherborne Investors (Guernsey) C Ltd
SLF Realisation Fund Ltd
Syncona Ltd
TP ICAP Group PLC
Triam Investors 1 Ltd
UK Commercial Property REIT Ltd
WPP PLC

Additional non-regulatory disclosure

In addition, the following three entities audited by Deloitte LLP have transferable securities listed on a UK regulated market but do not meet the definition of a UK PIE or Market Traded Company (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
Southern Water Services (Finance) Ltd
Trafford Centre Finance Limited

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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	
<p>The management of a firm should be accountable to the firm's owners and no individual should have unfettered powers of decision.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>See Appendices 12 and 13: Deloitte UK: Governance and legal structure and The Deloitte network; and our website</p> <p>See Report on the work of the Audit Governance Board and UK Oversight Board; our website</p> <p>As above, see also Message from the Non-Executives and Appendix 9: Deloitte UK: Governance and legal structure</p> <p>See Appendix 1: Executive Group, Audit Governance Board and UK Oversight Board members' biographies; also our website (re. the Executive Group, AGB and the UKOB)</p> <p>See Appendices 12 and 13: Deloitte UK: Governance and legal structure; and The Deloitte network</p> <p>See document about the Executive Group on our website</p>
A.2 Management principle	
A firm should have effective management which has responsibility and clear authority for running the firm.	
<p>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.</p>	

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Provision of the Code	How/where Deloitte is addressing the provisions in the Code
<p>B. Values</p> <p>B.1 Professionalism principle</p> <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>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>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>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 throughout this Report, notably in Audit quality; and Appendices 5, 6 and 7: Delivering audit quality, Monitoring audit quality and Measuring audit quality, and the sections relating to Ethics and Independence</p> <p>As above; see also the Leadership message at the start of the Report and our Ethics Code on our website</p> <p>See governance KPIs in the Report on the work of the Audit Governance Board and UK Oversight Board;</p> <p>See our Ethics Code on our website; the Message from the Non-Executives; Audit quality; and Appendices 5, 6 and 7: Delivering audit quality, Monitoring audit quality and Measuring audit quality</p>
<p>B.2 Governance principle</p> <p>A firm should publicly commit itself to this Audit Firm Governance 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>We continue to support the aims and principles of the Code</p> <p>See our Ethics Code on our website</p>
<p>B.3 Openness principle</p> <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 Leadership message; Audit quality; and Appendices 5, 6 and 7: Delivering audit quality, Monitoring audit quality and Measuring audit quality</p>

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Provision of 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.

How/where Deloitte is addressing the provisions in the Code

See Appendices 12 and 13: [Deloitte UK: Governance and legal structure](#); and [The Deloitte network](#)

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 a Non-Executive Committee to discuss matters relevant to their remit.

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

See Appendices 12 and 13: [Deloitte UK: Governance and legal structure](#); and [The Deloitte network](#)

Terms of reference for our governance bodies are on the [Leadership & Governance pages on our website](#)

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

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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.

C.2 Characteristics of Independent Non-Executives principle

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.

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.

How/where Deloitte is addressing the provisions in the Code

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

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

See the [Message from the Non-Executives](#); [Report on the work of the Audit Governance Board and UK Oversight Board](#); and Appendices 12 and 13: [Deloitte UK: Governance and legal structure](#); and [The Deloitte network](#)

See the [Report on the work of the Audit Governance Board and UK Oversight Board](#) and [Appendix 12: Deloitte UK: Governance and legal structure](#)

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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.

C.3.1 Each Independent Non-Executive should have a contract for services setting out their rights and duties.

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.

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:

- 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.

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.

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.

How/where Deloitte is addressing the provisions in the Code

See [Appendix 12: Deloitte UK: Governance and legal structure](#)

Each Non-Executive has an appropriate contract

None of the firm's Non-Executives has been in role for longer than nine years

See the [Message from the Non-Executives](#); and [Appendix 12: Deloitte UK: Governance and legal structure](#)

[Appendix 12: Deloitte UK: Governance and legal structure](#)

[Appendix 12: Deloitte UK: Governance and legal structure](#)

[Appendix 12: Deloitte UK: Governance and legal structure](#)
(this Report is also available on our [website](#))

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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.

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.

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.

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.

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.

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.

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 on the work of the Audit Governance Board and UK Oversight Board](#); and [Appendix 5: Delivering audit quality](#)

See [Audit quality](#); and [Appendix 5: Delivering audit quality](#)

See [Appendix 5: Delivering audit quality](#)

See [Independence](#); and [Appendix 9: Conflicts of interest](#) (and [Appendix 12: Deloitte UK: Governance and legal structure](#) regarding the Non-Executives' independence)

See [Audit quality](#); and [Appendix 5: Delivering audit quality](#)

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

See [Message from the Non-Executives](#), [Report on the work of the Audit Governance Board and UK Oversight Board](#) and [Appendix 10: Principal risks, uncertainties and mitigations](#)

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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.

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.

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.

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.

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.

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.

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.

How/where Deloitte is addressing the provisions in the Code

See [Report on the work of the Audit Governance Board and UK Oversight Board](#) and [Appendix 10: Principal risks, uncertainties and mitigations](#)

See [Appendix 10: Principal risks, uncertainties and mitigations](#)

See [Audit quality](#); and Appendices 5, 6 and 7: [Delivering audit quality](#), [Monitoring audit quality](#) and [Measuring audit quality](#)

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

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

See [Ethics](#) and our [Ethics Code](#)

See the [Message from the Non-Executives](#); the [Report on the work of the Audit Governance Board and UK Oversight Board](#); and [Appendix 5: Delivering audit quality](#)

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Provision of the Code	How/where Deloitte is addressing the provisions in the Code
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	
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.	Please refer to this Report and this reconciliation to the Code
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.	This Transparency Report is housed on our website
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.	N/A
E.3 Transparency principle	
A firm should publish on an annual basis in its transparency report a commentary on the firm's performance, position and prospects.	See Appendix 2: Financial information
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.	See Appendix 10: Principal risks, uncertainties and mitigations
E.3.2 The transparency report should be fair, balanced and understandable in its entirety.	The Report is produced with extensive subject matter expert input, is coordinated centrally and is subject to review by the AGB

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E.4 Reporting quality principle

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.

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

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.

See [Report on the work of the Audit Governance Board and UK Oversight Board](#); and the [Leadership & Governance pages on our website regarding the UKOB](#)

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 UK laws and regulations.

Our Financial Statements are available at Companies House

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.

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

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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.

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.

See [Message from the Non-Executives](#); and Appendices 5, 6 and 7: [Delivering audit quality](#), [Monitoring audit quality](#) and [Measuring audit quality](#)

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.

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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;	See Appendices 12 and 13: Deloitte UK: Governance and legal structure ; and The 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;	See Appendices 12 and 13: Deloitte UK: Governance and legal structure ; and The Deloitte network
(ii) the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;	See Appendix 14: 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;	See Appendix 14: 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;	See Appendix 14: EU/EEA audit firms
(c) a description of the governance structure of the audit firm;	See Appendices 12 and 13: Deloitte UK: Governance and legal structure ; and The 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;	See 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;	See Appendix 7: Measuring audit quality

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Provision of Article 13.2

- (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;
- (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;
- (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;
- (i) information concerning the basis for the partners' remuneration in audit firms;
- (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;
- (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.

Reference to where in this report Deloitte LLP addresses the provisions in Article 13.2

See [Appendix 15: Public interest entities](#)

See [Independence](#)

See [Appendix 5: Delivering audit quality](#)

See [Message from the Non-Executives](#); and Appendices 5 and 12: [Delivering audit quality](#) and [Deloitte UK: Governance and legal structure - The basis for partners' remuneration](#)

See [Appendix 5: Delivering audit quality](#)

See [Appendix 2: Financial Information](#)

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

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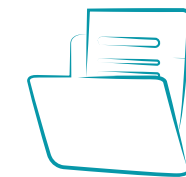
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Term	Description
Arm's length	A fair market basis used to determine the price for Deloitte specialists working outside of Audit & Assurance providing input to an audit.
Audit & Assurance Quality Board (A&AQB)	The A&AQB comprises partners and directors from across our Audit & Assurance business. Its remit is to: <ul style="list-style-type: none">• Develop and govern activities to improve audit quality and the quality of our work on assurance engagements• Implement these improvements across the Audit & Assurance business• Respond to audit quality issues raised by regulators and stakeholders.
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 Non-Executive (ANE)	Individuals who are independent of the management of the firm and who are responsible for providing independent advice and recommendations for management's consideration regarding the UK Audit & Assurance business. ANEs comprise a majority of the members of the Audit Governance Board and one of them is its Chair.
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 (AQRC)	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.

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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 Review (EQCR)	Provides an objective and independent evaluation of the significant judgements made by the Engagement Team and the conclusions reached in formulating their report. The requirement for an EQCR 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.

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Independent Non-Executive (INE)	Individuals who are independent of the management of the firm and who are responsible for providing independent advice and recommendations for management's consideration regarding certain UK firmwide and non-audit matters. INEs are members of the UK Oversight Board and one of them is its deputy chair.
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).
International Sustainability Standards Board (ISSB)	An international body established to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.
Non-Executive Committee (NEC)	A committee chaired by and comprising only Non-Executives to provide a forum for deeper dives into specific areas of public interest and to assist the Non-Executives in fully discharging their regulatory responsibilities.
Non-Executives	Collectively, the INEs and ANEs.
North and South Europe (NSE)	Deloitte NSE is the second largest member firm in the Deloitte network, spanning eight geographies (Belgium, Central Mediterranean, Ireland, Middle East, Netherlands, Nordics, Switzerland, United Kingdom), and 28 countries, with 3,500+ partners and 65,000+ people.
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.

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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)	As set out in UK law the definition of a PIE includes: <ul style="list-style-type: none">• UK incorporated companies with transferable securities listed on a UK regulated market• UK Credit institutions (broadly banks and building societies)• UK Solvency II insurance undertakings authorised by EU member states.
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.
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.
Single Quality Plan (SQP)	We are developing an SQP in response to FRC observations in summer 2022. This plan will pull together the numerous strands of audit quality actions, and monitor and prioritise those actions. In future years the FRC are planning to introduce formal reporting in respect of the SQP.
System of Quality Control (SQC)	Our systems and processes that provide us assurance that we are complying with applicable professional standards and our own quality standards.
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.

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