

2019 Transparency Report
Deloitte LLP and Deloitte Limited

30 September 2019



Regulatory context

This Audit Transparency Report (Report) has been prepared in accordance with Article 13 of Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014 (the EU Audit Regulation). The EU Audit Regulation came into force on 17 June 2016 and requires the publication of an annual transparency report by audit firms that carry out statutory audits of public interest entities. It supersedes the provisions of the Statutory Auditors (Transparency) Instrument 2008.

In January 2010, the Institute of Chartered Accountants in England & Wales (ICAEW) published the 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 revised Code was published on 27 July 2016, applicable for financial years beginning on or after 1 September 2016. This Report includes disclosures required by the revised Code and explains the steps taken to comply. A reconciliation to the revised Code is provided in [Appendix 7](#).

Deloitte Limited, the Deloitte practice operating in Gibraltar, became a subsidiary of Deloitte LLP¹ on 1 June 2017 and is also required to prepare an audit transparency report under Article 13 of the EU Audit Regulation. This Report relates to Deloitte LLP and Deloitte Limited's principal activities in the UK and Gibraltar respectively for the year ended 31 May 2019, 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.

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.



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Highlights



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Richard Houston, our Senior Partner and Chief Executive, talks about **his priorities for the firm** as he starts his tenure, and about **the importance of audit** to what we do as a professional services firm and to the UK economy



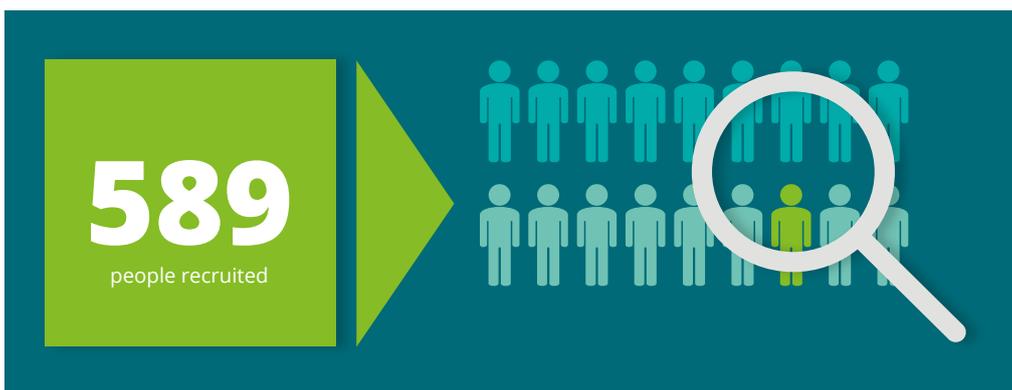
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Stephen Griggs, our Managing Partner, Audit & Assurance and Public Policy, talks about his **views on the proposed reforms and on the future of audit**



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Jim Coyle, Independent Non-Executive, talks about **the work of the INEs** in promoting **audit quality**, helping the firm secure its **reputation** and reducing the **risk of firm failure**. He also talks about his first impressions of the firm, including around its **culture**





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Jack Kelly, our Head of Audit Quality & Risk Management, gives his views on the **value of audit**, while recognising we must **continue to strive to bridge the gap** between what our audit service provides and what those who rely on our work want

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We explain our approach to **client and engagement acceptance**, including **independence and conflicts checking**, and how we consider the **public interest** in our acceptance decisions



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We explain what we're doing to promote a good **culture** across the firm and how we **measure and reward audit quality performance**

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We set out our **Audit Quality Inspection results**, and **how we are responding to the FRC's findings**



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Steve Williams, Chair of the UK Oversight Board, talks about our current **UK governance arrangements, including the role of the INEs**, and our plans to enhance them

Appendix 5

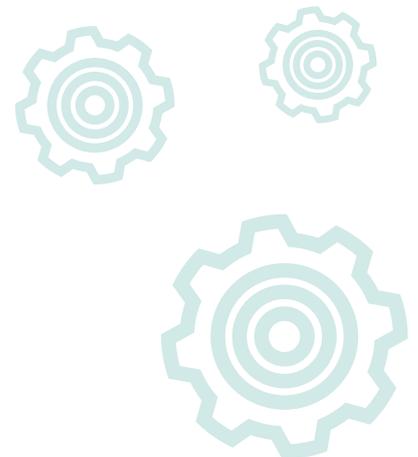
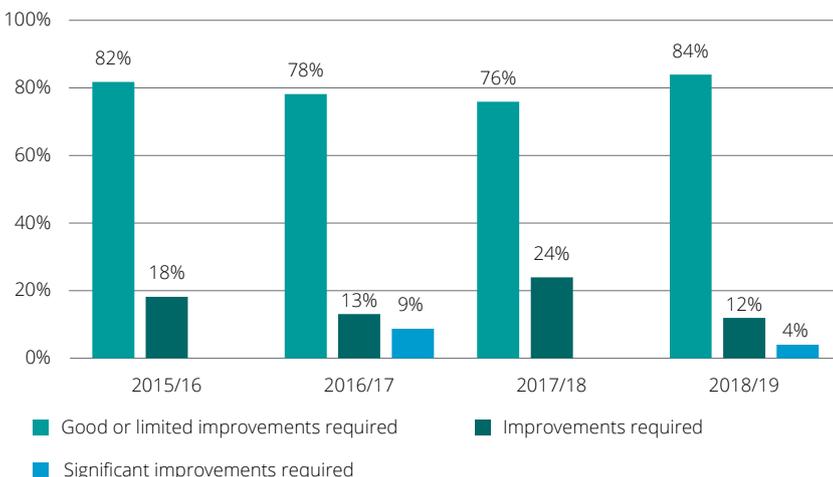
We set out the **Principal risks** facing our firm and how we are managing them.



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Oliver Grundy, our Ethics Partner, talks about how we protect the **integrity, objectivity and independence** of our whole firm, including our Audit & Assurance business. He also provides a summary of the **whistleblowing matters** reported during the year and what we are doing to address the issues they highlight

Results of AQR reviews of the firm



Whilst we are pleased that, overall, our quality record has improved, **we remain committed to continuous improvement and achieving a high standard across every engagement**



Leadership messages

Foreword from Richard Houston, Senior Partner and Chief Executive

Welcome to Deloitte's Audit Transparency Report for the year ended 31 May 2019. Given the current economic and regulatory challenges, 1 June 2019 was certainly an interesting time to take on the role of Senior Partner and Chief Executive.

When I was seeking election, I made it clear to our partners that, in line with our global strategy, audit would always be a critical part of our firm, our brand and our reputation. I wanted to demonstrate absolute commitment to audit quality in both my words and actions. So I pledged to continue investment in the audit business – both in the technology required, and in the skills and development of our auditors – and I reaffirmed our obligation to leading the reforms needed to address public interest concerns over quality and choice.

Now, as CEO, I'm focused on ensuring our firm's culture encourages the right behaviours, and that all our partners and people know and live our values and purpose in their daily work. You can read about our tone from the top, how we promote and oversee our culture, and how our approach to audit builds on our culture of ethics and integrity in this Report.

My background is in financial services consulting and I was previously Head of Deloitte's Consulting business both in the UK and across North West Europe. Yet auditors and non-auditors alike can see that the breadth of issues companies are dealing with are broad and diverse, such as technology, cyber security, social and environmental factors. This range of challenges also applies to audit, and contributes to the debate about what exactly an audit does. It also supports our belief that bringing a range of specialist skills into the audit is going to become more, not less, important to audit quality.

The public expects more of companies and, as a result, also expects more of the auditors of those companies. Of course, this is not just about what audit means to our firm or industry. Audit is the foundation of trust and confidence in our capital markets. We cannot separate trust in audit from trust in our global financial system. Audit is a key part of the professional and business services sector – a sector that accounts for 10% of the UK's overall economy and 14% of total jobs.

This is a critical time for the UK economy. We are supportive of many of the proposed reforms including those that encompass the whole corporate environment, including the roles of management, boards, investors and auditors in the efficient operation of the capital markets. However, the wrong reforms today could hurt our country's attractiveness and growth prospects for years to come.

We absolutely understand the calls to 'stop talking and start doing', but the UK needs to get this right. We must be mindful of unintended consequences – being seen to be doing something must not be more important than doing the right and valuable thing for the long-term, sustainable benefit of the UK capital markets. Quality must remain the guiding principle and it is also critical that, at a time when the UK is set to leave the EU, any changes do not put the UK out of line with global norms or add significant costs and complexity for companies, their shareholders or auditors.

I think it is worth noting that the proposed reforms cannot prevent companies from failing – failure is a natural, and sometimes necessary, part of the business cycle in a rapidly changing world that encourages enterprise and innovation. However, by providing greater trust in the business environment and capital markets, the proposed reforms can support growth. My priority, as I begin my tenure as Senior Partner and Chief Executive, is to address the big issues of trust, transparency and confidence. We talk about how we plan to tackle these issues – from enhanced governance to the audit product of the future – throughout this report; I hope you find it interesting and insightful.

Please do get in touch via atr@deloitte.co.uk to share any feedback.

A handwritten signature in black ink, appearing to read 'Richard Houston'.

Richard Houston
Senior Partner and Chief Executive



“This is a critical time for the UK economy... The wrong reforms today could hurt our country's attractiveness and growth prospects for years to come”



Message from Stephen Griggs, Managing Partner, Audit & Assurance and Public Policy

When I wrote my introductory message for last year's Transparency Report, I began with a reference to the significant focus on the audit profession and the opportunities provided by that focus to bring about changes that will ultimately benefit the public interest. Several reviews were ongoing at the time and the debate has intensified even further in the last year.

We have seen the results of Sir John Kingman's review of audit regulation; the Department for Business, Energy and Industrial Strategy (BEIS) consultation launched in response to the Competition and Market Authority's (CMA) review of the statutory audit market; the BEIS Select Committee's review of the future of audit; the review on reforming the audit industry commissioned by the Shadow Chancellor of the Exchequer and the ongoing review by Sir Donald Brydon on the audit of the future. The intense scrutiny that the audit profession is under clearly demonstrates its importance to the functioning of the UK capital markets.

Deloitte has been at the forefront of the debate on the future of audit, engaging with a variety of stakeholders and working on proposals that we believe will help restore trust in the audit profession. We held two audit debates in October 2018 and June 2019, bringing together stakeholders from government, regulators, investors and companies to discuss their concerns, debate the issues and consider the consequences of the proposed changes. We have also participated in numerous other conversations and debates and now have a much clearer view of how the proposed changes could address stakeholders' needs effectively. This debate has also presented an opportunity to really focus on the audit product itself, to ensure it remains relevant to the breadth of stakeholders and for the future.

We support many of the measures put forward to transform the audit market. The UK corporate environment would benefit from more choice in a more resilient audit market, while ensuring that audit quality remains high, and we support the CMA's overall objectives.

We do, however, have concerns with both joint audits – where it is not clear that the CMA's proposal would effectively increase choice while maintaining quality at a reasonable price or in a reasonable timeframe – and the proposed form of operational separation of the audit business, which could lead to a range of unintended consequences. The combination of recommendations has not been tested anywhere in the world and may create complexity for companies and increase the cost of operating out of the UK, and damage the attractiveness of the UK as a place to do business. I am also concerned that the recommendations do not appear to take into account the readiness of the market, particularly among the 'challenger firms' and audited entities, whose position and willingness to participate must be factored in to any reforms.

Whatever we do must work appropriately both now and in the future. A framework for change could perhaps be summarised as:

- Audit quality must be the overriding objective of the remedies pursued
- An increase in the choice of resilient providers of audit services to the UK's largest entities is desirable and in the public interest
- The remedies must work within the international context, given the requirements of investors and stakeholders in today's world.

In the meantime, we hear a lot about independence and conflicts of interest because firms like ours offer advisory services as well as audit. The reality is that we effectively do very little advisory work for the companies we audit – Appendix 2 shows that our revenues from non-audit services provided to the entities we audit (including audit-related services that the auditor is best-placed to provide) accounts for only 6% of our total revenue. However, our ability to access a host of independent specialists in a hugely diverse range of disciplines is essential to delivering a quality audit in an increasingly complex business environment. Audit partners at Deloitte are recognised and rewarded for delivering high quality audits, not for helping to sell non-audit work to the companies we audit. We describe how we do this later in the Report, in the 'People' sub-section of 'Delivering Quality Audits'.



“The intense scrutiny the audit profession is under clearly demonstrates its importance to the functioning of the UK capital markets”



Audit is, of course, only one part of the financial reporting ecosystem. Building the level of trust that stakeholders have in that ecosystem also needs entities with strong controls, high quality staff and systems, boards with the ability and willingness to challenge management, and high quality internal audit frameworks.

We are actively reviewing our portfolio of the entities we audit to ensure the fee structures allow us to sufficiently invest in quality, risk management and resources. The cost and associated risks of auditing are increasing, so where, for example, deadlines are unrealistic or the quality of management information is of a low standard, that increases the risk. Where management and those charged with governance do not engage constructively with these challenges or do not seek to address identified deficiencies, or where the fees do not reflect the required audit work and effort, we will continue to question whether we want to serve as that entity's auditor.

I started this piece by looking back. Looking ahead, I do hope that this time next year I will be reflecting on a year of pragmatic, collaborative and sustainable evolution as the various reviews and debates continue and conclude. In the meantime, we will continue to build on our own actions and ambitions – including our planned enhancements to our governance arrangements highlighted in Steve Williams's report on the work of the UK Oversight Board – as we seek to play our part in restoring public trust and confidence in audit and corporate reporting.





Report on the work of the Independent Non-Executives from Jim Coyle

I am delighted to present my first report on the work of the Independent Non-Executives (INEs) – Sir Gerry Grimstone, Ruth Markland and myself – since taking up appointment in January 2019. Sir Michael Peat stepped down in February 2019 and I would like to thank him for his diligent handover and wise counsel.

This is a critical time for the audit profession in the UK and I welcome the opportunity to play my part in restoring public trust. I qualified as a Chartered Accountant and my background is as a CFO in banking – an industry that has itself been the subject of intense scrutiny and regulatory change over a past number of years. I will use the benefit of my experience, alongside that of Gerry and Ruth, to provide constructive challenge to, and to advise, Deloitte throughout the changes that lie ahead.

INE role and responsibilities

Our primary focus as INEs is on:

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

We also have defined responsibilities in the following areas:

- Overseeing compliance with the firm's code of conduct
- Regular contact with the Ethics Partner, who has a direct reporting line into us
- Reviewing issues raised under the whistleblowing policies and procedures
- Oversight of the firm's independence policies and procedures
- Involvement in the annual review of the effectiveness of the system of internal control, which includes 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
- Reviewing people management policies and procedures, including remuneration and incentive structures, to ensure that the public interest is protected
- Engaging in dialogue with stakeholders about matters covered by the Code

We do this, in part, by being actively involved in Deloitte UK and international governance processes – Ruth, Gerry and I sit on the UK Oversight Board (UKOB); Gerry also sits on the NSE Board and Global INE Advisory Council; and Ruth attends the meetings of the UK Partnership Council².

We also engage with staff and leadership on a one-to one basis and with other stakeholders in order to meet our responsibilities, set out in more detail below.



“This is a critical time for the audit profession in the UK and I welcome the opportunity to play my part in restoring public trust”

2. The Partnership Council is responsible for ensuring fairness and equity between partners and fairness in the implementation of NSE policies and strategies. It 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. Its members currently comprise six UK partners.



UK Oversight Board

The agendas for the UKOB meetings flow from the three primary focus areas listed above and an area of particular focus for the UKOB this year has been the debate around the future of audit. The UKOB meetings provide us with a broad oversight of operations and of any areas of particular concern that may warrant follow-up meetings with management.

The matters we have been involved in through the UKOB during the year are highlighted in Steve Williams's report on the work of the UKOB later in this Report, and include oversight of: the work of the Public Interest Review Group, which considers whether or not certain proposed engagements should be pursued on public interest grounds; the annual review of the system of internal control; and reports from management on various other operational matters, policies and procedures.

Following each UKOB meeting, Ruth, Gerry and I meet privately to discuss matters relevant to our remit, share insights and ensure that, collectively, we meet our responsibilities under the Code, as well as meeting privately with key members of management.

Proposed governance changes

During the year, the firm initiated an internal review into the UK governance structure and the roles and authorities of the UK governance bodies. We have been actively involved in discussions leading to the considerations outlined in Steve Williams's report on the work of the UKOB and are supportive of the current proposed direction of travel.

Culture

When I took on this INE role, I was very mindful of the public criticism that has been levelled at Deloitte, and the other large audit firms, around their culture. In particular, around the perceptions that commercial success takes priority over audit quality; that auditors do not demonstrate enough professional scepticism; and that the firms are more focused on selling consulting services than on delivering a quality audit.

As INEs, we need to satisfy ourselves that an appropriate culture exists throughout the firm, so I was very keen to understand how this is done at Deloitte and, on the whole, I have been pleased with what I have seen although, as the firm acknowledges later in this Report, there is still more to do to define, enhance and embed a culture that builds trust in the profession.

As INEs, we have heard from leadership about how seriously they take their responsibilities for setting the tone and have seen it in action through their communications with staff; their commitment to investing in people and quality; and by getting around the firm and meeting partners and staff. We have heard from staff about their sense of common purpose, their commitment to acting with integrity and their pride in delivering quality. We have seen reports of the proposed engagements that have been turned down due to conflicts of interest or because the characteristics of the engagement were not felt to be in the public interest. We

have read with interest about Deloitte's work with numerous social enterprises, charities and schools, supporting them with pro bono services, volunteering and fundraising initiatives through One Million Futures.

Of course, with over 17,000 staff, we have also heard about instances where individuals have not demonstrated the behaviours expected of them and where appropriate sanctions have been applied. David Sproul's announcement in December about a number of partners having been dismissed for inappropriate behaviour, while it is saddening that it was necessary, demonstrates that such behaviours are not tolerated at any level at Deloitte. However, such instances are outweighed by the positive stories of people going above and beyond to serve the public interest and deliver high quality.

An Audit Culture Working Group was established during the year to actively promote the purpose of audit and core values and behaviours. The Group presented to the UKOB in April on the work it is currently doing and the plans for the future.

The new 'Do the Right Thing' dashboard and the 'Your Voice' staff surveys to monitor progress (discussed in more detail later in this report) are important steps forward in detecting issues and driving further improvements.

We meet privately with the Ethics Partner, in particular to discuss partner matters, and he has a direct reporting line into the INEs. Oliver's message on [page 49](#) reflects his critically important brief, both generally and specifically in relation to this Report.

Audit quality

Audit quality is, of course, central to our focus as INEs at Deloitte. During the year, we have had several meetings with the UK Heads of both Audit & Assurance and of Audit Quality & Risk, including to input into the development of an Audit Quality Indicator dashboard to be used internally to monitor the success of quality initiatives and to drive further actions as appropriate; and with the team delivering the audit transformation programme to input into the actions being taken there. In July 2019, I attended a meeting of the firm's Audit Quality Board.

As Jack Kelly mentions in his message, a number of causal factors were identified this year in relation to the audits inspected by the FRC that were found to be below par and, as INEs, we follow-up on these as a matter of course.

That said, the fact that 84% of the audit engagements reviewed by the FRC this year were rated good or requiring limited improvement is a testament to all the positive steps being taken by Deloitte, its partners and their teams in this area and we will continue to support and encourage further improvements in the UK Practice.



Stakeholder engagement

Not surprisingly, many of our interactions with external stakeholders this year have focused on the future of audit. We have been involved in various discussions with investors, audit committee chairs and regulators around the structure, scope and regulation of audit. We are regular attendees at the Deloitte Academy³, including as speakers.

The current debate plays very strongly to Deloitte's reputation and resilience and we are committed to playing our part in ensuring the ongoing strength of audit, which is such an important function of the UK's economy.

As part of the FRC's Audit Firm Monitoring and Supervision (AFMAS) programme we meet with the FRC on a regular basis. In addition to the annual close meeting following the FRC's inspections of Deloitte's audit engagements, topics for discussion this year have included: our reflections on Deloitte's management and structure; and our role and input into items such as audit quality, culture and contingency planning.

Links to NSE

Gerry is also a member of the NSE Board and provides that lens to his oversight of matters at a UK Practice level. Ruth and I are also updated on NSE matters of relevance to the UK Practice through the NSE Chair's summary and minutes from the NSE Board meetings and a bi-annual update to the UKOB from the NSE Audit & Risk Committee Chair.

Conclusion

Ruth, Gerry and I are confident in Deloitte's strong focus on audit quality, securing its reputation, ensuring its continued resilience and to working in the public interest in the UK. There are no other particular matters which we believe should be brought to your attention.

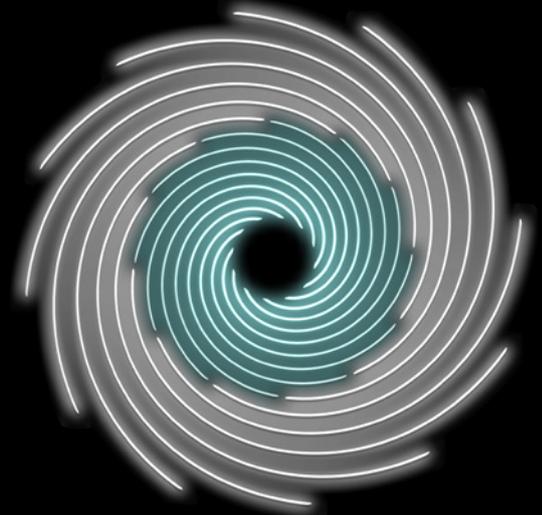
I hope this report provided you with useful insight into the role of the INEs at Deloitte in the UK and our involvement in its governance and operations. Communicating effectively with Deloitte's stakeholders is an important part of our role and we would be delighted to receive any comments or other input. If you would like to contact us, our e-mail address is independentnon-execs@deloitte.co.uk.

3. The Deloitte Academy is a development and networking programme for board directors, principally of the FTSE 350



Our purpose and commitment: instilling trust and confidence

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





Message from Jack Kelly, Head of Audit Quality & Risk Management

Last year I drew out some of the actions and behaviours of our audit teams of which I was most proud. Since I wrote that piece, the spotlight on the profession has remained and my frustration with how to demonstrate the value of audit while preserving client confidentiality has, I confess, grown.

I continue to be extremely proud of our people and our business and, while so much of what we do does not make the press, it is still noteworthy: the 13,500 audit reports we sign every year; the situations where auditors challenge management on critical judgements, front-half narratives or going concern projections; the times we refuse to take on audits or sign opinions, or where we resign. Indeed, I hope that this Transparency Report helps to communicate some of that value by explaining what goes into delivering audits in the current and evolving environment, and by trying to address some of the misconceptions around audit and auditors.

That said, I cannot and do not claim that we are perfect, and we must continue to strive to bridge the gap between what our audit service provides and what those who rely on our work want. The quality of our work, the expertise of our people and the scope of our product all need to improve. However, before looking at the 16% of audits inspected by the FRC that were found to be below par, I would also like to consider the 84% that were considered 'compliant' and the fact that, in the last 12 months, our audits have:

- Required £billions of adjustments to be made, often in respect of asset carrying values, contracts that should be considered onerous, or provisions that are understated
- Insisted, in many instances, that the narrative on a company's performance is more balanced and clear
- Pushed companies to enhance their disclosures on contingencies, related party transactions, critical judgements and distributable reserves, with reference to standards – sometimes despite contrary positions taken by other professional advisers and, at times, regardless of tensions and raised voices
- Guided companies through the difficulties associated with a discovered or suspected fraud and, on occasion, uncovered potential fraud
- Forced companies to be more transparent about their viability and risks when the preference would have been to remain silent; our stance has even led to some companies accelerating their refinancing plans

The dedication of audit partners and their teams defines our profession and this year they have had to work with two significant new accounting standards in the context of hitherto unencountered economic uncertainties, under the gaze of a regulator (itself under scrutiny) and, as importantly, whilst numerous people openly debate and challenge their competence – yet it is the stories of perceived audit failure that currently command most public attention. So, how do we bridge that gap?

Firstly, we have to be more transparent about the work we have done. We could do this:

- Within our audit files to show more clearly how we reached our conclusions, how we objectively challenged management, what contrary evidence we evaluated and what independent verification we sought
- Within our reports to those charged with governance so that they have no doubt as to our views about the report and accounts they have authored and approved
- Within our opinion to the shareholders of the companies we audit, i.e. to those who employ us



“The dedication of audit partners and their teams defines our profession”



Secondly, we must insist that the controls at the companies we audit are fit for purpose and that boards, audit committees and management teams take appropriate levels of responsibility for internal controls over financial reporting. In all of the areas referred to earlier, where auditors have required companies to make changes, the controls of that company will have failed in some way. For too long auditors have been relying on substantive testing alone. It is not as effective as a controls-based approach and, as companies get more complex and technology more pervasive, it leads to a greater chance of audit failure.

We support a form of Sarbanes Oxley⁴ in the UK but, regardless of the outcome of that debate, many companies need to invest further in their processes and controls; their directors need to verify more regularly and more intrusively that their controls are working; and the external auditor needs to tell the company where they're not able to rely on controls and why not. Finally, if the controls the auditor seeks to rely on as part of the audit do not work, they must report that to the audit committees as well as to management and most importantly, where those control weaknesses are pervasive or lead to a significant risk that the financial reporting is unreliable, report that to shareholders in their public opinion.

It will take time, but, in addition to a more effective audit, there is a long-term advantage: the more we test controls, the more knowledgeable our people become about good control environments – an area also covered by our learning programmes, – and, when they leave us as many do to go into industry, they will take that knowledge with them and can put it to good use in the companies that employ them.

Linking back to Stephen Griggs's comments on looking at our portfolio of entities, we do consider non-commercial matters associated with our portfolio, both current and those companies we might audit in the future. Is the corporate governance working? Is there sufficient investment in the accounting functions and internal controls? Does the company communicate with us in a clear transparent manner? Will/do our people auditing that company feel well regarded and respected in their roles? Where the companies we audit fall short in these areas, we will communicate this and, if necessary, resign or decline to bid. The Public Interest Review Group (see page 56) will also be consulted to assess whether the appropriate level of public interest consideration is applied as part of the client and engagement take-on process.

In conclusion, while we are pleased that our overall quality record has improved (this year's 84% compared with 76% in 2017/18 of audits deemed to be 'good or limited improvements required') and we have transformed our audit by investing continually in our firm-wide processes and controls, the 16% that I referred to earlier are, of course, a disappointment – we should have done better. This year we have identified causal factors for our failings which relate to evidencing professional scepticism, assumed knowledge, and client readiness/project management – and we have to ensure they are all corrected. You can read about what we have done and where we continue to focus to throughout this Report. I do hope that it helps to improve the transparency around the work we do.

4. US legislation requiring that management and auditors report publicly on the internal controls over financial reporting



Delivering quality audits

We set out below the steps we take to deliver quality audits, building on our culture of ethics and integrity and on the recognition that quality is our foundation.

Quality is driven by:

1. Culture
2. People
3. Systems and processes
4. Global Consistency

1. Culture

Culture is an essential part of our business in engendering and preserving trust and we continue to define our culture and to build confidence and trust in our profession.

The Global Deloitte Shared Values, Code and Integrity Imperative apply to all Deloitte businesses. These reflect the common set of explicit values and expected behaviours, all underpinned by a strong culture of quality and integrity.

Tone at the top

The tone at the top is consistently honest and clear and cascaded throughout our business through firm-wide and audit-specific engagement and communication activities. Topics such as pride in our profession, innovation supporting audit quality, the benefits of our Multi-Disciplinary Model to our audit delivery and maintaining professional scepticism regularly feature on our intranet, in leadership questions and answers online, at our annual TechEx training and at audit business town halls.

David Sproul, our previous Senior Partner and Chief Executive, aired his views on unacceptable workplace behaviours and the shift towards a culture of greater respect and inclusion in the press and on social media. New and mandated respect & inclusion eLearning for all partners and staff clearly sets expectations around what a positive and thriving workplace environment and culture looks like for our people.

Our Leadership is driving an enthusiastic and engaging approach on 'what an audit is and why it matters' in a spotlight series of articles. There, Leadership share, opinions and their personal experiences to highlight and champion our core values of integrity, objectivity and independence.

Finally, an edition of our 'Essential Professional Update' video, produced for all qualified audit professionals to watch in advance of audit 'busy season', reinforces the audit imperatives (see page 26), core principles and ethics to embed quality into everyday activities.

Promoting the purpose of an audit and the societal value that it brings

We established an Audit Culture Working Group in FY19, with representation from across our audit business. It is committed to actively promoting the purpose of audit, reinforcing our core values and acknowledging the behaviours we wish to encourage and reward throughout the firm.

The Working Group, sponsored by our Audit Talent Partner, has made tangible progress by embedding the purpose of audit into induction course content for new and experienced hires. Partner-led discussion and storytelling on the purpose of audit now form part of the Engagement Team Based Learning support materials. This places greater emphasis on sharing knowledge and bringing to life practical examples of where audit has made an impact to our stakeholders.

Recognising that it is equally important our people not only understand the purpose of audit, but also feel proud of the work they do, we launched a 'stories of pride' campaign by inviting over 100 colleagues to gauge opinions and share stories on what makes them feel most proud to be a Deloitte auditor. The output of this targeted engagement activity was videos on the role of the auditor and how we work together, designed to initiate conversations within audit engagement teams.

In October 2018, we asked over 4,000 staff across the firm what we could do to make Deloitte a better place to work through the first of our 'Your Voice' surveys. These surveys are now running every quarter, sharing anonymised responses with leaders to improve our future planning and to focus action in our audit business. They will inform and shape our work around culture by actively listening to what our people are saying and obtaining continuous feedback on topics such as thriving at work, trust, open relationships with your leader and on purpose.

Recognising positive contributions to high quality audit

We are committed to recognising and celebrating our people who reinforce a culture of wellbeing, personal growth and development and to rewarding exceptional contributions to quality. In 2018, a Deloitte Global working party was set up to consider global reward and recognition in respect of audit quality. Deloitte UK contributed one of the six partners on that working party.

The global working party issued guides designed to help Deloitte member firms recognise the 'moments that matter'; in the UK, we used these global guides for partners and staff to develop



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

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

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

Our recognition and reward scheme for exceptional contributions to quality is open to all Audit & Assurance staff. Over 70 awards were announced in relation to the first six months of the new reward scheme year (December 2018 to May 2019) and we continue to listen, acknowledge and reward our people every quarter, throughout the year.

Management Information

The firm has developed a 'Do the Right Thing' dashboard, for use by the UK Executive and for reporting to the UKOB. This dashboard provides enhanced oversight on culture, providing the information to assess and challenge how we are performing against our core values of integrity, quality and respect at the heart of everything we do.

The dashboard covers firmwide metrics on Ethics, Quality and Risk, Talent, Stakeholders and Societal Impact. It includes commentary on key trends and areas of strength, areas for improvement and specific areas of focus. Key actions and trends will reside with Audit & Assurance Executive members to prioritise and ensure the right interventions are embedding culture and improvements in desired outcomes. For example, action planning in respect of the 'Your Voice' survey results, included in the dashboard, occurs every six months. Dependent on the results, planning will usually direct management focus on areas that are already being targeted, but which require more emphasis. The 'My Feedback' tool has also been introduced to address staff sentiment from the survey and make it easier for staff to provide upward feedback. The tool allows our people to give, receive and capture feedback in real time.

The 'Do the Right Thing' dashboard was developed as a pilot in the UK as part of a proposed NSE level Partnership Culture framework. A plan is in place to evolve this dashboard and roll it out across NSE.





The role of governance in reviewing and promoting an appropriate culture

It is paramount that the firm's Leadership takes an active responsibility for promoting and establishing our culture, underpinned by the fundamental audit principles of integrity, objectivity and independence.

At its April 2019 meeting, a deep-dive presentation on the culture of the firm was delivered to the UKOB, encompassing the steps being taken to establish and promote an appropriate culture throughout the firm, and how progress is being measured. Access to the new management information dashboards will enable the INEs to form an independent view of the culture of the firm and, where necessary, to challenge the firms' Leadership and direction.

The UKOB met with the Ethics Partner on two occasions in the last year, to review the Ethics Code of Conduct and the ethical behaviours we want to champion across the firm, as well as to receive updates on the internal investigations process for partners and staff.

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

In addition, the UKOB has reviewed the adequacy of the whistleblowing procedures in place and has assessed the work undertaken to improve independence compliance through the implementation of Independence Breach Policies.

Shared values:



- Lead the way
- Serve with integrity
- Take care of each other
- Foster inclusion
- Collaborate for measurable impact

Global Principles of Business Conduct:



- Integrity
- Quality
- Professional behaviour
- Objectivity
- Competence
- Fair business practices
- Confidentiality, privacy and data protection
- Respect, diversity and fair treatment
- Professional development and support
- Anti-corruption
- Responsible supply chain
- Social responsibility



2. People

The processes outlined below seek to ensure that the professionals working on our audit engagements have the necessary knowledge, capabilities, experience and competence to deliver work of the highest quality and that they are appropriately supervised by skilled partners and managers.

i) Recruitment

During the year ended 31 May 2019 we recruited 589 people into our Audit & Assurance graduate and school leaver programmes. We have also recruited experienced hires, including audit practitioners from other Deloitte network firms, and we maintain the high calibre of the people within our Audit & Assurance Practice through a rigorous recruitment process, including skills assessments and competency-based interviews.

ii) Wellbeing

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

iii) Learning programmes

Our approach to continuing professional development is based around targeted learning programmes, including regular audit, accounting and industry-specific training to keep all our professionals at the forefront of new developments and regulations.

All qualified audit professionals are required to complete annual technical update training – ‘TechEx’ – a residential course covering audit, accounting and other matters such as internal controls, accounting estimates and professional scepticism, audit innovation, audit tools and project management. Experienced partners and technical experts lead the delivery of the course, seeking to ensure consistency, quality and maximum impact.

We have a mandatory global audit learning curriculum for all levels which promotes consistency with other Deloitte member firms and incorporates parallel curriculums designed for our practitioners working on PCAOB and ISA engagements. We supplement these courses with UK-specific learning topics and courses, as required, to best meet the needs of our business and markets. Sector-specific courses are provided to particular audit specialisms, for example on financial instruments and loan loss provisions, and for Public Sector auditors there is annual update training on health and higher education. More information about our approach to local audit is in our 2019 [Local Audit Transparency Report](#).

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

Continuing education of statutory auditors



In accordance with Article 13.2 (h) of the EU Audit Regulation, we confirm that staff working on statutory audits receive suitable training through the learning programmes detailed in this Report in order to maintain their theoretical knowledge, professional skills and values.

Client-facing staff (and some others involved in preparing or presenting training material for client-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.



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

All these programmes are mandatory for our practising auditors and we monitor compliance. Anyone who has not completed the training programmes within the designated timeframe is prevented from participating in audit work until the programmes have been completed.

iv) On-the-job training

We develop our professionals with appropriate mentoring, on-the-job training, regular feedback, appraisal and other support activities, supervised by partners and other senior team members.

In the autumn of each year we run partner-led Engagement Team Based Learning, designed to help our people integrate their learnings from the annual technical update training, and other training courses, into their work on audit engagements. In Autumn 2018 this covered topics including Brexit, internal controls, risk assessment, revenue and group audits.

v) Measuring and rewarding audit quality performance

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

The four main pillars against which audit partners and staff are assessed are team leadership, audit quality, audit transformation and business development. Audit quality is an integral pillar in our promotion and remuneration decisions and we create an environment where high quality is valued, measured and rewarded.

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:

- Additional partner review role(s) they may fulfil
- Findings from internal and external audit reviews, and corporate reporting reviews
- Timely completion of appraisal documentation and audit compliance (updates of personal independence and continuing professional development, timely archiving of audit engagement files, and timely completion of essential professional updates and other mandatory audit learning)
- For Responsible Individuals (audit partners and signing directors) any independence breaches and other procedural breaches
- 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 their audit engagements, are given an increased weighting

in formulating an overall audit quality performance score and a Harvey Ball graphic, together with an indication of movement from the previous year, is included. Any failings in certain key quality metrics will apply a restriction to a Harvey Ball result, whatever the overall score.

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

Both the audit quality dashboard and, where relevant, the audit responsibility rating are key inputs into the appraisal and remuneration process for Responsible Individuals (Audit Partners and signing directors) and other staff at manager level and above.

Managers and above are required to set Audit Quality objectives at the beginning of the appraisal year and to carry out a self-assessment exercise at year-end to review progress, which are considered as part of annual performance review discussions.

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

We are committed to furthering our culture of quality and excellence, which expects all our professionals to strive to demonstrate an exceptional contribution to quality.

Partners and staff are not evaluated or remunerated on the selling of other services to the entities they audit.

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

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



from quality dashboard scores in their quality objectives.

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

Leadership 360 feedback is sought from a variety of individuals (senior, peers, upward) to assess an individual's performance against an agreed set of people leadership behaviours, which we believe contribute to tone at the top and influence behaviour around areas such as quality. The output is fed into all areas of partner assessment.

During FY19 the policy on responses to audit quality issues expanded a range of potential remedies in respect of quality matters. The overriding aim of the responses is to improve audit quality and support partners and professionals in achieving this aim and may include:

1. Inclusion in the Audit Quality Measurement and Monitoring programme (AQMM)
2. Additional coaching and learning for the partner(s) or Director Responsible Individual (RI)
3. Financial penalties in the form of bonus or unit reduction

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

The Audit Quality Remuneration Committee (AQRC) comprises a small group of partners, independent of the Audit & Assurance Executive, who are respected for their own quality contribution. The AQRC uses the audit quality dashboards and audit responsibility ratings as key tools in their evaluation of partners, and its recommendations are used by the Audit & Assurance Executive to make final decisions on audit partner reward and promotion, which are then reviewed by the firm's overall Executive.

For FY19, a new 'Yellow/Red card' system was introduced for partners, replacing the existing penalty regime. Should there be a negative quality event, a partner may receive a yellow card from the AQRC. The individual has one year to reverse the situation by making a positive quality contribution and if, as we hope, that contribution is meaningful the yellow card will be removed. If the situation is not reversed a financial penalty will arise. When a negative quality event is of such significance or represents a recurring quality failure, a financial penalty may be recommended without yellow card suspension.

vi) Developing the auditor of the future

As we transform the nature of the audit to a more analytical, data-driven audit, so the nature and skills of the people we have auditing need to evolve and develop.

This starts from the moment they join us from school or university via our Early Career Development Programme (ECDP) which was launched this year. ECDP will provide them with the building blocks to become both auditors and leaders of the future. We are also enhancing our technical learning curriculum to reflect the nature of work that our people will be doing in the future, focusing on the use of areas such as data analytics and IT to deliver an enhanced higher quality audit.

Additionally, we are directly recruiting and developing different types of skills to the traditional accountancy and auditing skills, including deep subject matter expertise in data science and advanced project management.

vii) Key partner and staff rotation

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



3. Systems and processes

The steps outlined below demonstrate the investment we have made in our underlying audit methodology, tools and resources to enhance the effectiveness of our audit process as we look to the audit of the future.

i) Audit methodology and software

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

The core of our methodology is a robust, fact-based risk assessment, with an audit response based on that risk assessment. We continue to enhance our audit methodologies across all the member firms in our network. In 2019 we continued our global, multi-year programme to develop 'Deloitte Way Workflows' for each area of the audit, to promote greater global consistency in the execution of our methodology. Each of these workflows includes a Guided Risk Assessment, prescribed tasks and templates, embedded use of analytics and audit delivery centres along with associated guidance and support. These workflows allow us to perform audit work consistently across our global network, and ensure errors are spotted and escalated more readily, to maintain continuous quality improvement.

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

ii) Use of specialists and experts

The use of specialists is vital in our delivery of quality audits. The firm has over 2,000 practitioners (including tax, IT, real estate, actuarial and valuations specialists, as well as our centres of excellence for impairment and pensions) who act as specialists on audits. They share the same culture of delivering audit quality as our audit practitioners, and work as integrated members of our engagement teams.

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

The views of some of our people who act as specialists on audits:

“Given the seasonality of audit work, tax specialists work on audit engagements during peak times but have their own portfolios of tax advisory clients they work with for the rest of the year. This balance of work allows tax specialists to bring the best quality input to audited entities, but conversely experience on audit work allows tax advisors to better serve their non-audit client base.”

Corporate Tax Partner

“Across my audit portfolio this year I have leveraged our expertise in Artificial Intelligence, Cloud, SAP, Oracle and Microsoft Dynamics to name a few. These teams have built their skills working with non-audit clients in advisory delivery roles as well as supporting our audit portfolio. Our audited entities need and expect us to be able to leverage these experiences as we are in a unique position to help them understand and manage technology risks, for example navigating issues of traceability and auditability of Artificial Intelligence and machine learning.”

Risk Advisory Partner, Technology and Digital Risk (TDR)

“Our advisory work with non-audit clients enables our specialist team to identify risks, issues and potential options which can help audited entities enhance their credit risk capabilities. This valuable insight also helps the CMET to develop technical materials and innovative solutions which can enhance audit quality and efficiency.”

Risk Advisory Director, Credit Model Expert Team (CMET)



iii) Audit engagement acceptance and continuance

For any proposed service, whether it be an audit or any other type of service, we review whether it conflicts with any existing relationship/services (conflict check), and we perform independence checking, client due diligence and anti-money laundering procedures. Each new engagement is assigned an Engagement Risk Rating based on the risk profile of the work, which determines the additional review procedures required to be performed by quality control review partners.

Our risk assessment and due diligence procedures are refreshed at least annually. The full process is repeated when there has been a change to a client ownership structure or to the parties involved in the engagement, or if there is a substantial change in the services provided or in the risk profile. As part of this annual refresh, each Responsible Individual goes through every engagement in their portfolio and discusses them in detail with a senior audit quality and risk management partner to challenge the risk assessment, succession planning for partner and staff rotation, the need to involve specialists and experts, significant risks, governance and the client's control environment.

iv) Audit project management and timing

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

v) Audit reporting

High quality, insightful audit reporting must be carefully tailored to the entity and to the requirements of its stakeholders, and be clear and unambiguous. All of our enhanced audit reports are reviewed by our Enhanced Auditor Reporting Panel to consider the appropriateness and clarity of the report. This panel also seeks to share best practice in audit reporting and latest developments, such as the changes as a result of EU legislation, to help audit engagement teams give further perspective in their audit reports.

We recognise that, in addition to focusing on the quality of our own audit reports, auditors also have an important role to play in raising the overall quality of the financial statements. Our Quality Corporate Reporting Centre of Excellence assists our people in dealing with increasing complexity around financial reporting by undertaking enhanced pre-issuance reviews on those audited entities that exhibit risk factors related to corporate reporting; performing thematic reviews in targeted corporate reporting areas; and by publishing both internal and external guidance to contribute to improving the production of insightful and accurate financial information by the entities we audit.

Effective, clear and timely communication with audit committees, and with others charged with governance, is also key to the quality of our audits. We aim to continually improve the quality of such reporting, including enhancing the clarity of our explanations of

the audit process, for example when discussing materiality and the impact this has on the audit work undertaken.

vi) Engagement Quality Control Review

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

PSR supports our high standards of professional scepticism and audit quality by providing independent challenge as appropriate, 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.

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

The independent EQCR partner role is performed by appropriately skilled and experienced audit partners who would, in other circumstances, be eligible to act as audit engagement partner on the relevant audit engagement. EQCR partners are involved in our public interest entities and higher risk engagements, together with other entities as appropriate. For other engagements, the independent challenge process 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.

All engagements, where the team is considering issuing a modified audit opinion, are subject to an additional level of independent review by the Centre of Excellence for Modified Opinions. This Centre reviews the proposed wording and audit documentation to assess its appropriateness, accuracy and consistency.

vii) Driving continual improvement

We are always looking to improve aspects of our services and use the findings of our internal inspections programme, other internal reviews and external regulatory reviews to enhance our system of quality control.



This is led, implemented and monitored at the leadership level by the Audit & Assurance Executive and, in more detail, by the Audit Quality Board (AQB).

We continue to innovate our approach to quality monitoring to lead and align in a world where the economy, political landscape and stakeholders' expectations evolve over time and in line with our ambition to be recognised as the standard of excellence. A new, more demanding standard on quality control is being issued to respond to the changes in audit delivery, underlying supporting processes, and public and regulatory expectations. The International Standard on Quality Management 1 (ISQM 1) places an emphasis on the public interest perspective, such that the firm's strategic decisions and actions, including financial and operational priorities, demonstrate a commitment to quality and to the firm's role in serving the public interest, by consistently performing quality engagements. We support the aim and structure of the new standard and successful implementation is a key focus for Leadership.

viii) Causal Factor Analysis

Where any external or internal inspection indicates that an audit has fallen short of the highest expected quality standards, we perform a robust causal factor analysis to understand the deficiencies and consider what remediation is required. The scope of causal factor analysis includes:

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

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

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

We have made further investment in our causal factor process

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

ix) Audit Quality Structures

We established our AQB in 2014, comprising partners and directors from across our Audit & Assurance Practice. Jim Coyle, Independent Non-Executive, attended an AQB meeting during the year. AQB's remit is to:

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

The AQB meets quarterly and actions driven by the AQB 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
- Including some large private companies within our PIE policies
- Discussion of future plans for audit reporting
- Updates from the Global AQB to discuss a UK specific response
- Identifying priorities and creating a formal Audit Quality Plan for 2020

Audit Quality Forum (AQF)

The AQB established an Audit Quality Forum in 2015, comprising staff from associate to manager grades, to give a voice to people at different stages of their careers and further improve audit quality. The forum meets three or four times a year. Matters discussed in the current year included the future of the audit product, methodology, the form and content of audit learning, performance



management, and working with the wider engagement team such as specialists. A representative from the Forum sits on the AQB to feed back results for further action, as necessary.

Ruth Markland, Independent Non-Executive, attended one meeting of the AQF to give her perspective on audit quality and to hear from the members of the Forum on their current concerns.

Emerging Issues Group (EIG)

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

Some recent areas where the EIG has focused attention include Brexit, climate change, cryptocurrency and certain industry sectors. We have issued guidance to the Audit & Assurance Practice on how to incorporate emerging issues into their risk assessment.

The EIG drives the development of actions to address these matters, working with Industry Groups, NAA and the network of Audit Quality Leaders who are embedded in the audit groups. The EIG reports directly to the Audit & Assurance Executive.

Message from the AQF (summer 2019):

As Future Audit Leaders, audit quality is always at the forefront of our minds. We are immensely proud to be a part of a firm that takes quality so seriously, and always has the quality of the audits that we deliver as the driving factor behind everything we do. We recognise that it is up to each and every one of us to continuously improve on the quality of the audits that we deliver. We have all felt the increase in focus on audit quality. This has meant, amongst other things, changes in the ways we do things in an attempt to increase the quality of audits we deliver, and I am sure that all our clients have felt this as well.

In fact, I would be very surprised if there was any audit team who has not heard the words "but you didn't ask for this last year" at least once during every one of their recent audits!

As we strive to improve on audit quality, the FRC's recent results are a real disappointment to us, and something we take very seriously. This does not get us down, though – we are still undergoing our transformation journey and we aim to improve with every audit that we are a part of. We have an amazing support structure from the top downwards, which continuously reminds us that quality should underpin everything we do, and we all know that, should we at any time need it, we have a dedicated leadership group who are there for any support we need. As an example of this, we have received, and continue to receive, very clear messaging about not signing an audit report before we, as audit teams, are ready to do so. This is encouraging and has been felt personally by some of us: where an audit which wasn't quite ready to sign missed a deadline as we held off on our audit opinion until we were all happy that the audit work performed supported the opinion issued.

We all value this support from partners and leadership as we know we will be listened to if we speak up. With the formation of the Audit Quality Forum, we are also reminded that quality is the responsibility of each and every one of us. Audit quality is at the heart of everything we do and we are very proud to be a part of Deloitte.





ix) Developing the audit of the future

Over the past 12 months, there have been various reviews into the UK audit market and Deloitte has welcomed and engaged in these reviews and consultations, and continues to be committed to proposals that address concerns over quality, choice in the market and – critically – trust in the audit profession.

We have been challenging ourselves as to how we can enhance and evolve our audit product to reflect the changing needs of stakeholders, audited entities and society. This has included improving the clarity and detail of narrative reporting, to give stakeholders more relevant and meaningful information around key judgements and risks, and how these have been challenged as part of the audit process. Annual reports have undergone significant change in recent years. We are actively looking at how we should expand the scope of our work, to match this shift in reporting landscape, moving beyond that required under current auditing standards, where it is in the public interest to do so.

4. Global consistency

i) Global network

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

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

Global Centre of Excellence for Audit Quality (GCoE)

The Deloitte network established the GCoE in 2015, with a focus on driving enhanced audit quality on global systemically important financial institutions and PCAOB engagements. The aim is to instil best practices from firms with extensive experience and expertise in PCAOB audits into other network firms by providing support based on their knowledge and lessons learned. Leadership for this Centre of Excellence works closely with our PCAOB Audit Quality and Risk Management team. Deloitte’s actions to enhance and embed audit quality on PCAOB engagements have included:

- The use of a global PCAOB audit approach manual, in addition to our separate audit approach manual for International Auditing Standards
- Internal inspections designed to replicate a PCAOB inspection, both in the style of the review and in the consequences of the results of the inspection

Audit & Assurance Transformation

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

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



- Top up learning focused on PCAOB requirements for all staff working on PCAOB engagements
- A single partner responsible for PCAOB audit quality and risk and the development of specific support within the UK team for PCAOB audits
- Using seconded professionals with significant, recent PCAOB, SEC and capital markets experience to provide support to engagement teams working on PCAOB engagements in preparing for an effective audit
- Distributing global communications about the latest PCAOB auditing guidance and hot topics so that all relevant people in the global network receive the same information at the same time



Global IFRS Leadership Team

The Deloitte network's Global IFRS Leadership Team (GILT) is supported by nine International Financial Reporting Standards (IFRS) Centres of Excellence (including one in the UK) to provide our audit professionals with swift and consistent responses to IFRS technical queries. In particular:

- Global IFRS technical activities, including communications, are led from the UK
- The global auditing and accounting teams work closely together to provide all our people with swift and consistent guidance around the world
- The expertise of the UK-led IFRS Financial Instruments Expert Advisory Group in supporting the new Expected Credit Loss Centre of Excellence as IFRS 9 Financial Instruments came into effect and the first audits of ECL-based loan loss provisions were conducted

During 2019, GILT's work supported by the UK team has included the successful launch of iGAAP on the Deloitte Accounting Research Tool (DART) (with hot links to IFRS Standards), the first truly global instance of DART, together with the UK's GAAP 2019 on DART. The DART is an online platform that includes PCAOB standards, other accounting and auditing standards and Deloitte's interpretations. The UK team continued to assist in issuing accounting FAQs and learning on IFRS 9, 15, 16, and 17 and improved our people's knowledge and support on auditing accounting estimates and impairment.

ii) Audit imperatives

The Deloitte network's aim is to drive professional excellence through the consistent global application of our audit imperatives, comprising five core principles and eight priorities (which do not necessarily change year-on-year), which have been adopted by every member firm. All audit professionals are expected to know what these are and to understand that they need to demonstrate each one on every audit. The audit imperatives have been implemented in the UK and are supported by the initiatives discussed throughout this section. We monitor adherence to these imperatives through our internal inspections, to identify where additional actions may be required. When such actions are required, we also analyse the causal factors for this, to improve our processes for the future.

iii) Member firm group audits

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

iv) Working across North and South Europe (NSE)

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

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

Core principles



1. Act with integrity, ethics and professionalism
2. Recognise the important role of auditors
3. Always learn
4. Continually improve
5. Live audit quality

Current priorities



1. Internal control
2. Risk assessment
3. Accounting estimates
4. Consultations
5. Transformation of audit delivery
6. New accounting standards
7. Optimisation of audit execution
8. Supervision



External and internal audit quality monitoring

Audit Quality Monitoring & Measurement

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

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

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

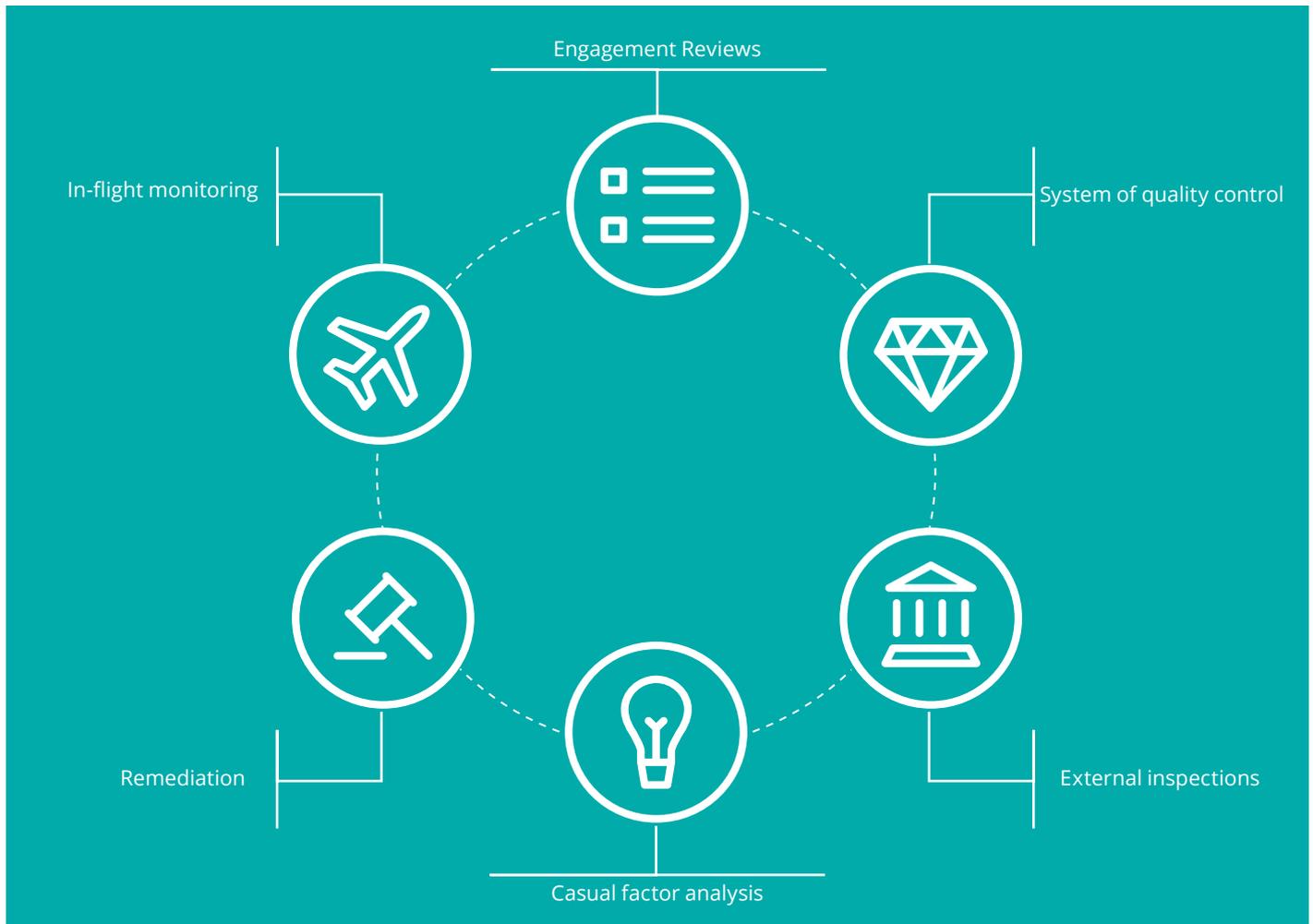
The AQMM program is focused on driving:

- Continuous, consistent, and robust monitoring of completed and in-flight engagements

- Fundamental understanding of deficiencies and timely execution of corrective actions by all member firms consistently
- Greater transparency and consistency in reporting key measures of audit quality

In this section we describe how audit quality is monitored at Deloitte in three ways:

1. Internal inspection
2. External reviews
3. Audit Quality Indicators





1. Internal inspection

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

Within the practice review programme there are two elements that work together to meet the overall aims: individual Engagement Review (ER) that primarily assesses compliance with the AAM; and the System of Quality Control (SQC) review that primarily focuses on the firm's internal processes to comply with the DPM. Additional rigour and independence is brought through the oversight of an independent partner from another member firm within the Deloitte network, together with independent engagement reviews and the use of SQC subject matter experts from a central global team. Our overall aim is that our internal inspection will have at least the same scrutiny and rigour as that applied by our external regulators.

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

- The engagement review process has continued to improve during the year by additional performance of in-flight reviews which were implemented in the prior year: reviews of live engagements which focus upon significant risk areas which are subject to high numbers of findings from internal and external inspections, with the aim of improving audit quality before the audit opinion is signed.
- The SQC review process has continued to evolve to drive changes in internal processes that have the outcome of improving audit quality. We have continued to expand the breadth and depth of the SQC review by both widening existing, and adding additional, procedures to increase the robustness and level of challenge in our work. The additional procedures incorporate and expand on European Audit Inspection Group (EAIG's) Common Audit Inspection Methodology programme for reviewing a firm's SQC and requires the firm to provide evidence of operational effectiveness of the control alongside appropriate design and implementation. We no longer take a compliance approach to the review, but a best practice approach to encourage stringent and robust reviews to implement appropriate controls.

Our transformed practice review process includes the following key parts that ensure it is delivered with the right level of scrutiny and rigour:

i) Selection process

A detailed selection process is undertaken each year for both the engagements to be reviewed and the scope of work for the SQC.

- **Engagement Review:** Engagements are selected across our audit business portfolio using a risk based approach, focusing on high risk and/or high profile engagements, and ensure that, as a minimum, each of our partner and director Responsible Individuals are subject to a review every three years. All sectors are covered by this selection process, including Public Sector engagements. Selected files are then subject to independent inspection by professionals from the central inspection team, along with reviewers comprising partners and senior auditors from other UK offices, groups and overseas member firms.
- **SQC:** A detailed risk assessment is performed across all areas that support audit quality to set the areas and the level of testing to be performed. During this process meetings are held with stakeholders to inform the process and a number of critical factors are assessed including Global, UK, and regulatory focus areas to reach a conclusion on the level of risk associated with the process and the scope of work to be performed.

ii) Experienced reviewers

A critical success factor in achieving our desired level of rigour and scrutiny is the competency of the reviewers. Across both the ER and SQC, we undertake a comprehensive selection process, ensuring the reviewers as a team have the relevant industry and technical experience, quality record, seniority, and sufficient time to be able to bring robust independent challenge. Once selected, all reviewers are given thorough training by the leaders in our central team. All reviews of FTSE 350 engagements involve a member of our central team or a director who has undergone regulatory review themselves in order to apply a 'regulatory lens' to the review.

iii) Consistency of findings

At the end of each review, the findings are moderated centrally by a moderation panel. This moderation panel applies a regulatory lens from our library of inspection findings to ensure that findings are classified consistently. The moderation panel determines the rating for each review. For ER we classify engagements as either Compliant, Improvement Required or Non-Compliant. SQC processes are rated as Acceptable, Acceptable with Opportunities for Enhancement, Needs Improvement and Requires Significant Improvement.

iv) Action and ongoing education

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



The FY19 practice review took approximately 2,704 days (FY18: 3,050) from experienced professionals, as well as significant senior partner resource from within the UK firm. Approximately 97 days (FY18: 89) were provided by professionals from other member firms within our network to bring an increased level of independence and specialised expertise to our review.

Of the 100 UK engagements that were reviewed as part of the FY19 practice review 5% were assessed as non-compliant (also 5% in FY18).

The review of the system of quality control resulted in:

- 25 acceptable process
- 19 acceptable with opportunities for enhancement
- 15 needs improvement
- 1 requiring significant improvement

This compares with, in FY18:

- 324 fully implemented
- 14 partially implemented
- 3 not implemented policies

These results and the change in reporting style are discussed further in the Audit Quality Indicators section below.

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

In accordance with Article 13 of the EU Audit Regulation, and based on the practice review carried out in 2019, we confirm that the Audit & Assurance Executive is satisfied that our internal quality controls and systems are, in general, robust and operating effectively and allow us to readily identify any areas of potential improvement or refinement. We continually seek to improve all aspects of our business and we use the findings of the practice review, other internal reviews and external regulatory reviews to enhance our SQC.

2. External reviews

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

i) 2018/19 UK Audit Quality Inspection Report

The AQR undertakes independent inspections of the overall quality of the auditing function in the UK in relation to listed and other major public interest entities. The AQR published a report on the findings of its 2018/19 inspection of the firm on 10 July 2019. The full report is available on the FRC's website at the following link: <https://www.frc.org.uk/getattachment/710399f0-8c44-457b-9dd8-affdb7427a7e/Deloitte-LLP-Public-Report-2018-19.pdf>

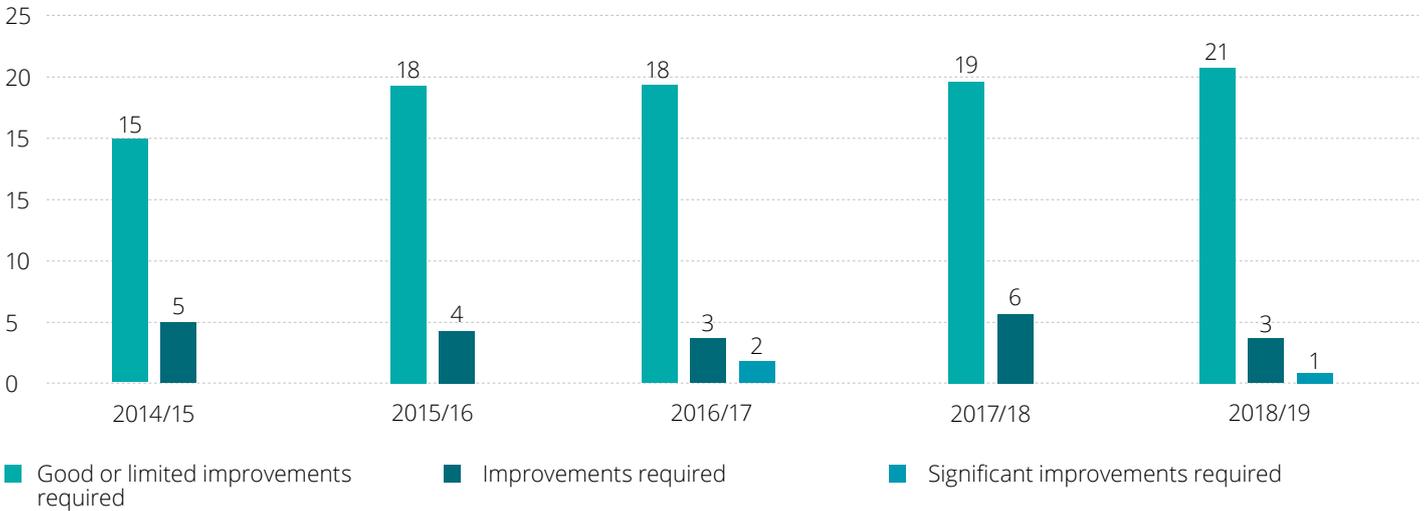
The firm's policies and processes supporting audit quality were reviewed, as were 25 individual audits. The AQR's review identified that we had taken the actions we committed to following their 2017/18 review, and that they had limited or no repeat findings in most of those areas. In addition, they highlighted that we had made the following enhancements to our policies and procedures:

- As discussed earlier (see Global Consistency sub-section), through the firm's global audit quality programmes, there has been an increased focus on consistency of audit work across the Audit & Assurance Practice. For certain account balances, standardised approaches have been adopted, further use has been made of centres of excellence and delivery centres and new technologies embedded into the audit process to support and enable risk assessments, analytical procedures and project management activities.
- Further methodology updates and additional guidance and training for the Audit & Assurance Practice covering group audits, accounting estimates, financial services (including the adoption of IFRS 9) provisions and contingencies and the evidencing of quality control procedures (including EQCR) on individual audits.
- Increased support for audit teams throughout the audit cycle. This includes global AQMM approach measures, mirrored in the UK, such as in-flight reviews of audit files as audits progress, coaching programmes for teams, the monitoring of audit milestones and greater use of diagnostics to monitor progress.
- Continued focus on the approach to the testing of internal controls. The firm provided additional training and support to audit teams adopting a controls-based audit approach, increased focus on reporting to Audit Committees on internal controls and on the wording of auditors' reports.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality. We have further transformed our internal review processes including a new focus for reviewing in progress audits, developing our Audit Quality Indicators ('AQIs') which are monitored and reported to the Audit & Assurance Executive and UK Oversight Board, and on enhanced remediation procedures.



Results of AQR reviews of the firm



Whilst we are pleased that overall our quality record, as measured by external inspections, has improved from 76% to 84%, we remain committed to continuous improvement and achieving a high standard across all engagements. We are, however, extremely disappointed that one engagement received a rating of ‘significant improvements required’ during the period. This is viewed very seriously within Deloitte and we have worked with the AQR team to agree a set of significant firm-wide actions on the critical area of findings relating to the assessment of potential prior period adjustments and conduct matters.

We are also pleased to see the impact of our previous actions on impairment, group audits and contingent liability disclosures reflected in the audits under review, as there were limited or no findings in those areas. Nevertheless, these continue to be a focus in our training and internal coaching and of our internal review programmes to maintain or increase the level of challenge our audit provides in those areas.

We continually invest in our firm-wide processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge. This investment includes continued recruitment and enhancement of the skillsets of our audit staff, including those involved in quality control. This also supports the transformation programmes and standardisation of audit procedures. We are pleased there were no significant findings from the reviews undertaken in these areas in 2018/19, which included our internal quality monitoring and engagement quality control review procedures. In particular we have also taken actions around our systems in response to prior year matters to enable more timely monitoring activities.

In the event that an internal or external review results in an ‘improvements required’ or ‘significant improvements required’ rating, we have a formal policy of assessing what retrospective remediation is appropriate taking account of the public interest. Our causal factor analysis shows that, while our recent actions have had a measureable impact, as evidenced by the reduced findings in previous areas of challenge, more can always be done.



We identified the following three areas of root cause underpinning a number of the AQR findings:

<p>Assumed knowledge</p>	<p>Whereby engagement teams do not sufficiently evidence work, or omit information from the audit file due to familiarity or inherent knowledge of the engagement.</p> <p>We addressed this during TechEx 2019, as we strive to continually improve.</p>
<p>Sufficiency of evidencing professional scepticism</p>	<p>In particular, ensuring engagement teams challenge management’s judgements and estimates rather than adopting a confirmatory approach. This is often influenced by assumed knowledge.</p> <p>This was a focus of TechEx 2019, particularly in relation to auditing management estimates.</p> <p>We recently published a new Fraud Response Guide aimed at sharing practice tips with all audit practitioners on how to respond when a fraud is suspected or discovered including consultations, assessing the impact on the audit plan and involving specialists.</p>
<p>Client readiness for audit</p>	<p>We recognise our role in challenging management to ensure they have given sufficient time and resource to complete their own assessments of key areas of judgement and to evidence those within their own accounting papers.</p> <p>This supports our focus on project management, enabling us to have appropriate time to plan and then challenge management on those judgements. We have an imperative this year to focus on audit milestones to ensure key areas of planning work are completed in a timely manner with the right level of senior input and challenge.</p> <p>Our audit transformation also supports strong project management, for example with increased standardisation of audit procedures and with additional tools to manage the process from start to finish, such as automated information request lists and trackers, and a new resource management system which will enable more sophisticated analysis of our people’s workloads supporting our strategic objectives around wellness.</p> <p>We continue to engage a behavioural psychologist to support our causal factor analysis work to better understand the less tangible factors that can impact audit quality.</p>

The FRC’s key individual review findings related principally to the following:

- Exercise greater professional scepticism in the audit of potential prior year adjustments and related disclosures in the annual report and accounts.
- Strengthen the extent of challenge of key estimates and assumptions in key areas of judgement, including asset valuations and impairment testing
- Improve the consistency of the firm’s audit of revenue
- Achieve greater consistency in the audit of provisions and liabilities

Our responses are set out in [Appendix 4](#).

ii) FRC Audit Quality Thematic Reviews

The FRC’s AQR team uses thematic reviews to supplement its annual programme of audit inspections of individual firms. In a thematic review, firms’ policies and procedures are reviewed in respect of a specific aspect of auditing to test their application in practice. Thematic reviews analyse further aspects of auditing which are not considered in detail during the FRC’s routine audit inspections. Thematic reviews seek to identify both good practice and areas of common weakness among audit firms.



During the year, the FRC published a thematic report on 'other information in the annual report' focusing on the work performed by auditors to meet their reporting responsibilities in this area. We find these thematic reviews valuable as the benchmarking style provides insight to audit firms and other interested parties, and it provides a focus on best practice which we use to inform our actions in related areas.

The FRC is undertaking thematic reviews on audit quality indicators and a follow up review on the use of technology in audits which will be delivered during 2019/20.

iii) Gibraltar

Deloitte Limited and its individual statutory auditors are regulated by the Gibraltar Financial Services Commission ("GFSC"). The most recent quality assurance review by the GFSC was carried out in February 2019.

iv) Other overseas and offshore regulatory bodies

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

- **United States:** the PCAOB is the regulator for the audits of public companies with securities listed in the US. The firm's engagements relevant to the PCAOB include SEC registrants that are Foreign Private Issuers and the UK components of US listed groups. The PCAOB has the right to inspect the firm and their 2016 inspection report was published on 30 October 2017. Further details are provided within the metrics on audit quality reviews in [Appendix 4](#).
- **The Crown Dependencies of Jersey, Guernsey and the Isle of Man:** under arrangements with the relevant regulatory authorities in the Crown Dependencies, the AQR undertakes the review of relevant audits performed by the firm in respect of the financial statements of entities registered in the Crown Dependencies.
- **Others, namely Canada, Japan, Ireland and South Africa:** in each case the relevant regulators have jurisdiction over the firm's Audit & Assurance Practice in respect of the audit of entities listed in the above geographies and, in the case of Ireland, also those incorporated there.

3. Audit Quality Indicators (AQIs)

The expanded style of audit reports continues to contribute to providing more insight into audit processes, but there is still room for improvement. Enhancing our own understanding of what audit quality means to companies, their investors and the broader stakeholder population helps us better focus on ways to further improve audit quality.

In 2014 the six largest audit firms worked together, through the Policy and Reputation Group (PRG), to identify the key factors contributing to audit quality. 11 metrics were identified and disclosed in the firms' 2014 Audit Transparency Reports, measuring activity across a number of important areas. We recognise the importance of being able to compare the performance of firms over time, as well as the extent to which the firms are active in each area.

A subset of the internal AQIs that we use to help manage our business is set out in Appendix 4. We have endeavoured to include all of the information suggested by the PRG. However, it should be recognised that every firm has differing business and operating models. Therefore, whilst every effort has been made to produce consistent information, there will undoubtedly be some variations across firms.

In the interests of transparency, along with narrative commentary on the metrics given, we have also included explanations of how the dataset has been built up and where we will seek to extend or enhance metrics in future years.

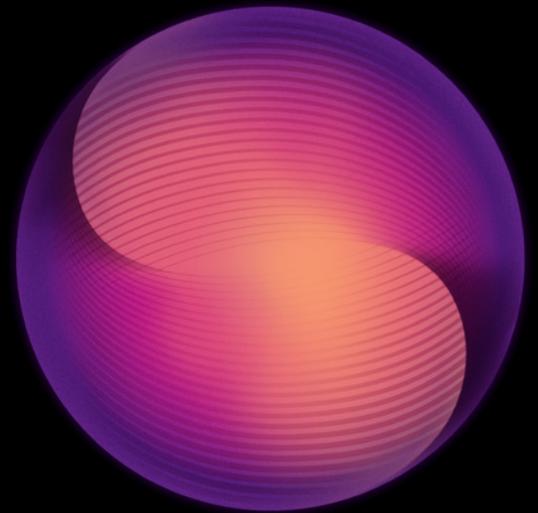
This year we have again chosen to include two additional metrics, showing the tenure of our audit partners and the overall partner and staff turnover. These form part of the suite of metrics that we review internally to monitor any impact they may have on audit quality.

Our AQIs are included in Appendix 4.



Governance, legal structure and Deloitte network

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





Report on the work of the UK Oversight Board from Steve Williams, Chair

Introduction

I am delighted to introduce our report on the work of the UK Oversight Board (UKOB), having been a member of the UKOB since it was established.

Importantly, as well as outlining how the UKOB has met its objectives during the year, I also want to explain how the governance framework around the UK Practice will be enhanced in the coming months, to ensure it is well placed to meet our public interest responsibilities and the requirements of expected changes to the regulatory environment.



UKOB's Objective

Central to the UKOB's objective has always been to provide oversight of how the UK Practice meets its UK regulatory and legal responsibilities, including the requirements of the Audit Firm Governance Code (the Code).

In particular, the UKOB's focus is on promoting audit quality, assisting the firm to secure its reputation more broadly, and reducing the risk of firm failure. These are all fundamental considerations in the current debate about the future of audit; Deloitte's response to which has been a key area of focus for the UKOB during the year.

In meeting these objectives, the UKOB operates in conjunction with the NSE Audit & Risk Committee to provide oversight of how the material risks facing the UK business are managed and controlled and how Deloitte meets its public interest responsibilities in the UK. The UKOB is also responsible for overseeing relevant regulatory and financial reporting matters.

The UKOB met formally four times during the year and held ad hoc calls as required by the business, for example to discuss the firm's responses to the CMA and to Sir John Kingman, and a proposed change in the firm's pension arrangements. In FY20, and going forward, the UKOB will meet formally five times a year.

Membership of the UKOB during the year comprised the UK CEO, UK Head of Audit, three UK partners (including myself) who are also members of the Deloitte NSE Board and who provide a direct line of sight into NSE matters potentially impacting the UK business, and three INEs.

The Managing Partner Quality, Risk & Security (or his delegate) also attended all the meetings of the UKOB this year, along with other attendees by invitation.

Regarding the INEs, I would personally like to thank Sir Michael Peat for his invaluable contribution over many years, more recently on the UKOB and previously on the UK Board – his insights and advice, and also his thoughtful challenge have been greatly appreciated. At the same time, I would like to formally welcome Jim Coyle who joined the UKOB in January and who has made an immediate impact bringing his experiences from other regulated governance bodies, applying his relevant skills and experience from his time working as a Finance Director in the financial services sector.

UK governance review

While the UKOB meets all its present responsibilities under the Code, it is likely that its role and authorities will need to further evolve - to undertake both an enhanced role within the UK Practice, and to address the expected changes in the regulatory environment.

With this in mind, an internal review is being undertaken into the future roles and authorities of the UKOB and other UK governance bodies, in order to assess the future membership of these bodies, and to understand how the roles and responsibilities of the UKOB could be extended to early adopt elements of those recommended by the CMA.

“While the UKOB meets all its present responsibilities under the Code, it is likely that its role and authorities will need to further evolve - to undertake both an enhanced role within the UK Practice, and to address the expected changes in the regulatory environment



As part of this review, consideration is also being given to immediately formalising a UK INE Oversight Committee, comprising solely of INEs; and, subject to further analysis, building a Workforce Advisory Panel, similar to that prescribed by the Corporate Governance Code. It has also been agreed that we will further formalise the relationship between the UKOB and the NSE Board; and provide the INEs with even greater and broader exposure to the business.

Year under review

During the year under review, the key areas of focus for the UKOB were:

The Future of audit

The UKOB has been closely monitoring management's response to the ongoing reviews into the future of audit.

The partner responsible for leading this team has provided updates on progress at each meeting and the UKOB members have reviewed and provided input into each relevant consultation response.

Audit quality

Audit quality defines the Deloitte brand and any failures impact on the reputation of the whole firm. Consequently, audit quality continues to be a key focus of the UKOB's oversight.

In particular, during the year the UK Head of Audit & Assurance Quality & Risk presented to the UKOB on the procedures for ensuring the delivery of high quality audits and the new internal set of UK Audit Quality Indicators and Metrics that have been developed (with input from the UKOB) to monitor the improvements being made.

In addition, the UKOB has overseen the actions being taken in response to internal and external inspection results.

Public Interest

In addition to delivering high quality audits, 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 impact upon society.

Public interest considerations are central to the UKOB's oversight of the activities of the firm and its management. In particular, the UKOB provides oversight of the work of the Public Interest Review Group (see page 56), which considers whether or not certain proposed engagements should be pursued on public interest grounds.

Ethics and Culture

Ethics and culture go to the heart of our public interest responsibilities as a business and are another key focus of the UKOB's oversight.

During the year, the UKOB received a 'deep dive' report from the

Audit Culture Working Group focusing on 'doing the right thing' and encompassing the steps being taken to establish and promote an appropriate culture throughout the firm, and how progress is being measured. The UKOB provided input into the new 'Do the Right Thing' dashboard that has been developed.

The UKOB also reviewed the adequacy of the firm's whistleblowing procedures and discussed with the Ethics Partner the specific matters raised in respect of partners. The UKOB also met with the Ethics Partner to discuss the procedures in place for ensuring ethical conduct and for promoting an ethical culture across the firm.

Risk Management and Internal Control

The operational resilience of the UK business is another key focus of the UKOB in terms of reducing the risk of firm failure. During the year, UKOB met with the UK Head of Business Security to discuss the firm's response to the August 2018 FRC thematic review of Crisis Management and Contingency Planning; the Information Security framework in place across the UK business and any present material risks; the use of a three lines of defence model; and the UK Privacy and GDPR programmes and targets for FY19.

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 firm's Executive, is designed to mitigate and manage, and not eliminate risk, and therefore provides reasonable rather than absolute assurance against the firm not achieving its strategic goals, material loss or misstatement, or non-compliance with laws, regulations and professional standards.

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

The Executive's ongoing monitoring of the system of internal control is complemented by oversight from the UKOB. Evidence considered by the UKOB during FY19 was presented in accordance



with the annual plan approved in October 2018. This plan, developed on a risk basis, set out those areas of the firm's operations upon which the UKOB wished to focus in discharging its responsibilities for oversight of the firm under the Code, including the outputs of monitoring activities from across the firm.

Additionally and to provide transparency of the firm's control environment to the UKOB, the principal controls in place for each of the firm's enterprise risks, finance and culture are documented and refreshed annually in order to evidence the scope of the controls framework in each area, how, and the frequency with which, these controls are refreshed and monitored, and the independent assurance in place over each of these.

Based upon this 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 of these, having regard to both qualitative and quantitative measures, could seriously affect the performance, future prospects or reputation of the firm. This included whether any 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.

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

Although actions arise from both the ERF and internal audit reports, these are not of such significance that they individually or collectively undermine the system of internal control in place, rather they represent actions which we believe will further strengthen our system of internal control.

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

Other reports

In addition to the above, the UKOB considered the following reports in respect of FY19:

- A report from the Money Laundering Reporting Officer setting out the money laundering risks facing the UK Practice and the operation and effectiveness of its money laundering detection and prevention systems and controls. The report also included an update on financial crime compliance, including anti-bribery and corruption, and sanctions.
- A report on the key matters relating to independence and conflicts during the year.
- A report on the regulatory and claims landscape facing the UK Practice, and the current claims in progress.
- The UK Practice's FY19 indicative ratings for compliance with relevant DTTL Member Firm Standards, which are the Deloitte network's quality standards.
- Consideration of the UK Practice's approach to people management, focusing on the procedures within the UK Practice for ensuring appropriate training (including on ethical standards), an appropriate culture, and for ensuring that remuneration policies for partners and staff do not incentivise inappropriate behaviour.
- Reports from the UK internal audit function and the Central Monitoring Group (CMG), including consideration of their audit/monitoring plans and the reports issued.
- Oversight of UK external reporting, with particular emphasis on our public interest obligations, the needs of stakeholders and the disclosures required under the Code. This included reappointing BDO as our external auditors, in the UK and across NSE, after a competitive tender process.
- Quarterly reports from the UK CEO on the strategic matters driven by Deloitte NSE, that impact the UK business.
- Reports from the CFO on the performance of the UK business and updates on the plan for the production of the UK's annual financial statements for the year ending 31 May 2019.
- Reports from the firm's Consulting and Risk Advisory service lines on the procedures in place for safeguarding quality and reputation, and for avoiding conflicts of interest.
- The results of the FY19 isolated working review, which was carried out to identify any partners, directors or business units operating alone and potentially posing a risk to the firm's reputation.



Governance KPIs

The following indicators are used to report on the performance of our governance:

KPI	Performance during FY19
<p>UKOB structure and composition</p> <ul style="list-style-type: none"> The UKOB has an appropriate ratio of INE members to partner members (both executive and non-executive) Relative to the responsibilities of the UKOB, the members bring the right combination of skills, expertise and knowledge 	<p>During the year, the UKOB composition (3 INEs, 2 executive partners, 3 non-executive partners) aligned with that prescribed in the Partnership Agreement and is in accordance with the requirements of the Code.</p> <p>As noted in Steve Williams's report on the work of the UKOB, the composition is currently under review.</p> <p>The partner and INE UKOB members have a broad range of skills, expertise and knowledge from their roles across the UK Practice, and as former professionals and current Board members in other organisations respectively.</p> <p>The majority of voting rights on the UKOB are held by members who have an appropriate audit qualification.</p>
<p>Meeting attendance</p> <ul style="list-style-type: none"> Each UKOB member should attend at least 75% of meetings during the year 	<p>Meeting attendance is reported in Appendix 1 to this Report.</p> <p>There were four formal UKOB meetings during the year and each member attended all of the meetings that they were eligible to attend. Other ad hoc calls were arranged, as necessary.</p>
<p>UKOB Meetings</p> <ul style="list-style-type: none"> The duration of the UKOB meetings is appropriate, with key issues and decisions being given sufficient time for discussion UKOB meetings are effective in enabling the UKOB to fulfil its roles and responsibilities in relation to meeting the Code requirements and other responsibilities as set out in the terms of reference UKOB meeting agendas are appropriate to effectively address the responsibilities of the UKOB Actions arising from meetings are effectively compiled and responded to 	<p>Each UKOB meeting lasts four hours, with a subsequent private meeting of the INEs lasting an additional hour.</p> <p>UKOB agendas are drafted at the beginning of the year to align with the requirements of the Code and the anticipated needs of the business and may be flexed as necessary.</p> <p>Detailed agendas and pre-UKOB briefing meetings/calls with presenters ensure the timings are sufficient to cover the scheduled content in enough detail to enable the UKOB to meet its responsibilities under the Code and its other responsibilities as set out in the terms of reference.</p> <p>The UKOB Secretary takes minutes of the meetings and compiles an action plan, which are distributed to the UKOB members and relevant action owners.</p>
<p>Information flows</p> <ul style="list-style-type: none"> Information flows in sufficient time to UKOB members both for meetings and in between meetings, including all the areas required by the Code, Audit quality, ethics, public interest and other reputational and regulatory areas There is appropriate quality and content of UKOB papers and presentation of management information There is an appropriate flow of information to and from the NSE ARC 	<p>UKOB agendas and pre-read information are uploaded onto an electronic board portal in advance of the UKOB meetings, with a view to them being available to members during week before the meeting and at least 24 hours in advance.</p> <p>The UKOB Chair has a discussion with each of the presenters in advance of the UKOB meetings to ensure the content of the presentation and any materials are appropriate and sufficient to meet its objectives.</p> <p>The current UKOB Chair also chairs the NSE ARC and ensures an appropriate flow of information between the two governance bodies.</p>
<p>Monitoring UKOB effectiveness</p> <ul style="list-style-type: none"> A review is undertaken into the effectiveness of the UKOB on at least a three yearly basis 	<p>During the year, an internal review was initiated into the future roles and authorities of the UKOB and other UK governance bodies, as noted in Steve Williams's report on the work of the UKOB earlier in this Report.</p> <p>The results were reported to the UKOB at its July 2019 meeting.</p>

Based on all of the above, the UKOB was satisfied that the UK Practice has complied with the principles of the Code, as set out in Appendix 7.

Finally, I would like to thank the members of UKOB for their hard work and diligence over the year, and I look forward to continuing to drive forward our agenda in the year ahead.



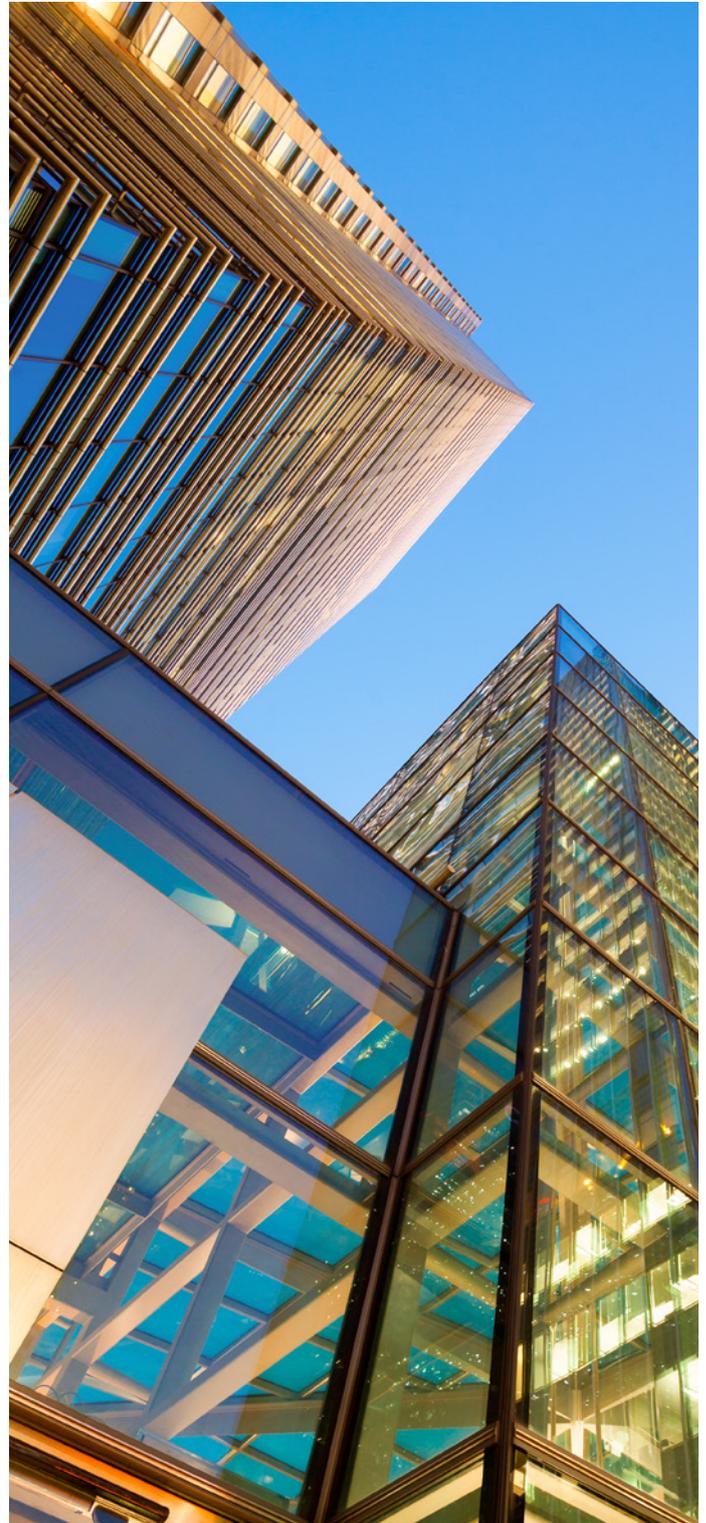
Deloitte UK: legal structure and ownership

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

With effect from 1 June 2017, Deloitte LLP became the UK affiliate of Deloitte NWE LLP, a member firm of the Deloitte network and, with effect from 1 June 2019, Deloitte NWE LLP was renamed Deloitte NSE LLP. The governance arrangements are set out below.

Financial Advisory and Consulting services in the Middle East are provided through joint venture entities in which Deloitte LLP has an interest. Services in the Commonwealth of Independent States (CIS) are provided by the local Deloitte member firm, in which Deloitte LLP has an indirect holding⁵. As at 31 May 2019 we employed 17,424 staff (FTE) and had 1003 partners⁶.

Deloitte LLP operates an integrated business model: each of our service lines applies a common set of procedures and policies, where appropriate, and each has developed additional and bespoke policies and guidance to reflect the specific requirements of its business offerings. For the purposes of transparency reporting, this report contains information about Deloitte UK which is relevant to all of the service lines, as well as specific matters relevant to the audit business.



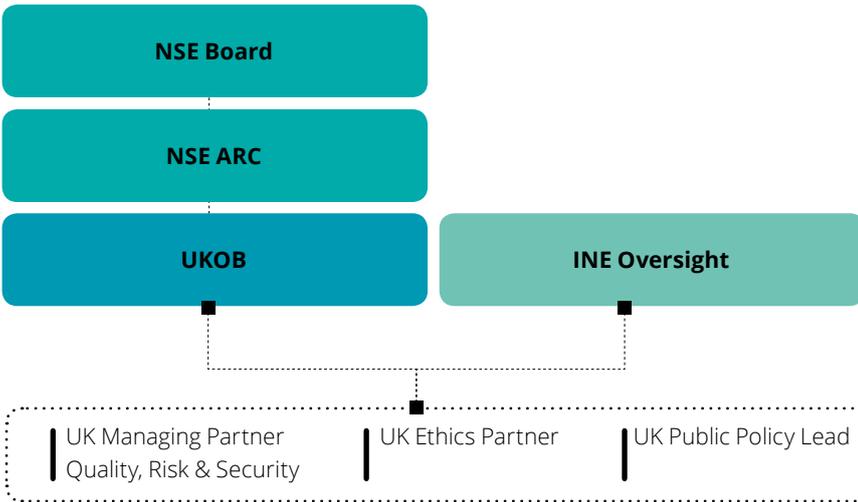
5. The Deloitte LLP group also has interests in India, Romania and Spain that do not provide services directly to clients

6. Figures relate to the UK, Channel Islands, Isle of Man and Gibraltar



Deloitte UK: governance and management

Governance



Management



	Role and responsibilities	Membership
UK Oversight Board	<p>Operates in conjunction with the NSE Audit & Risk Committee to provide oversight of how the material risks facing the UK business are managed and controlled and how Deloitte UK meets its public interest responsibilities.</p> <p>The UKOB is also responsible for overseeing relevant UK regulatory and financial reporting matters.</p> <p>Meets at least quarterly.</p>	<ul style="list-style-type: none"> • Three elected UK partners who are NSE Board members (one of whom is the UKOB Chair) • UK Senior Partner and Chief Executive • UK Managing Partner Audit & Assurance • The three INEs
Executive Group	<p>Assists the Senior Partner and Chief Executive in managing the UK Practice.</p> <p>Has responsibility for the UK Practice's operating functions and for planning its future development.</p> <p>Has authority for managing the day-to-day operations of the UK Practice.</p>	<ul style="list-style-type: none"> • Partners appointed by the Senior Partner and Chief Executive • Each partner on the Executive has specific responsibilities with an emphasis on the group working as a team to lead the UK Practice • The Executive team is also actively engaged with clients
Audit & Assurance Executive	<p>Delivery of Deloitte's business objectives within the UK Audit & Assurance service line.</p>	<ul style="list-style-type: none"> • Appointed by the Managing Partner, Audit & Assurance with oversight from the Executive



The roles, responsibilities and membership of the key elements of our UK governance and management structures are set out below:

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.

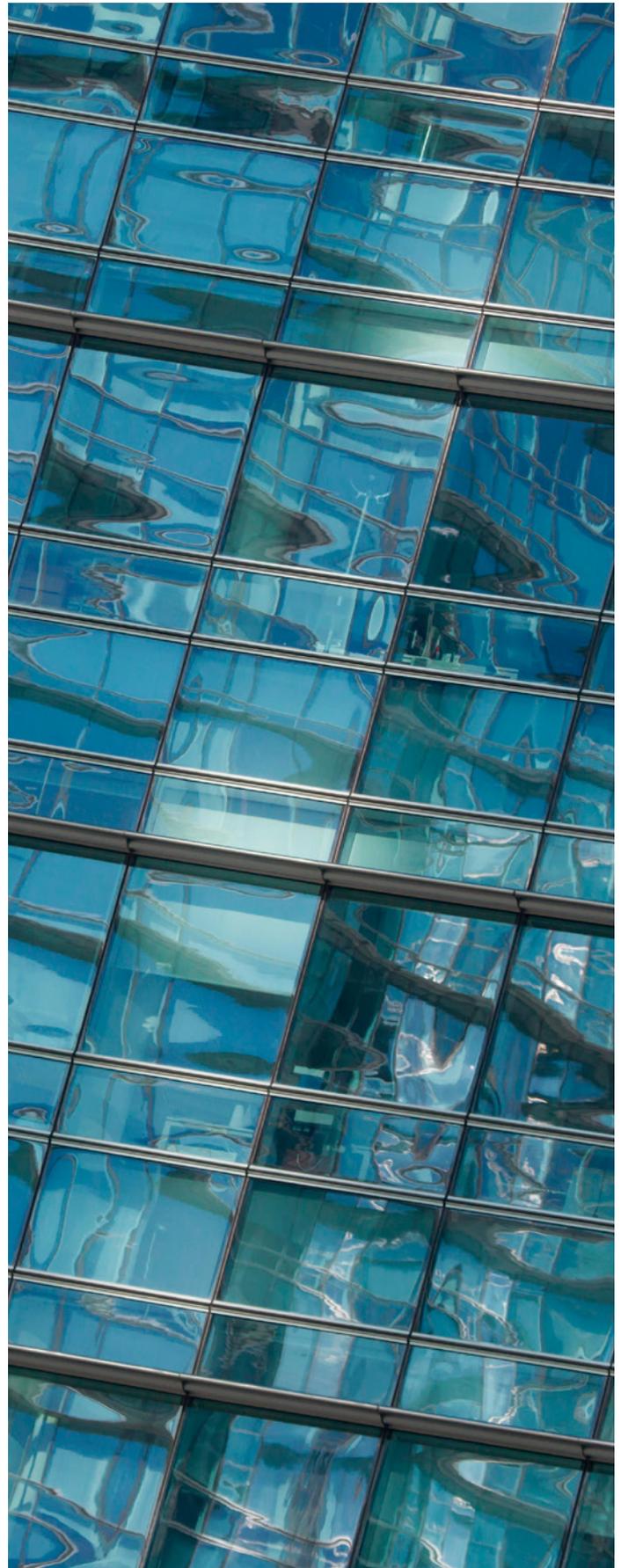
David Sproul served as Senior Partner and Chief Executive of the UK Practice until 31 May 2019. Richard Houston began his first term as UK Senior Partner and Chief Executive on 1 June 2019 and has full executive authority for the management of the UK Practice. He is also Senior Partner and Chief Executive of Deloitte NSE. 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:

- The business of Deloitte, including the development and management of professional services at the highest level of quality, and compliance with all regulations
- The development of policies and strategic direction
- Financial performance
- Partners, including the development and management of our talent goals
- International, representing Deloitte UK within Deloitte Global

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

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.





Equity partners

Performance appraisal and profit share

Equity partners' share of profits in Deloitte 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 which describes the skills, attributes and broad performance expected of them. Each equity group carries a wide band of profit sharing units so that relative contributions can be recognised.

In assessing partner⁷ 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
- **Performance:** Strong performance against key metrics and objectives
- **Leadership:** Demonstration of strong leadership skills and partner behaviours which reflect the organisation's culture and Deloitte Leader framework

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

- **Clients:** Client portfolio managed and other market roles performed
- **Business:** Shaping and delivering on the firm's strategic and financial plan
- **People/Talent:** Contributions across all aspects of talent management, including people 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

Partner performance is evaluated in all of the competencies, beginning with the NSE Board's approval of the profit sharing

strategy proposed by the Senior Partner and Chief Executive and concluding with the NSE Board's review of the recommended profit allocation and equity group for each individual partner. An NSE Board sub-committee of partners oversees the management process with a focus on consistent and equitable treatment.

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 his or her 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. There are no equity partners in Gibraltar.

All Deloitte NSE equity partners share in the profits of the Deloitte NSE group. In the UK, equity partners draw a proportion of their profit share in 12 monthly on-account instalments during the year in which the profit is made, with the balance of their profit, net of a tax deduction, paid in instalments in the subsequent year. All payments are made subject to the cash requirements of the business. Tax retentions are paid to HM Revenue & Customs on behalf of equity partners, with any excess being released to equity partners as appropriate.

7. Partners who aren't equity partners are also evaluated against the criteria set out above. However, their remuneration is comprised of salary and bonus, as for other employees.



Independent Non-Executives

Appointment of INEs

The INEs are, subject to earlier termination, appointed for an initial period of three years. Unless the appointment is renewed on or prior to the termination date, the INE will cease to be an INE on termination of the appointment.

We are mindful of the Code requirement for Independent 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. Sir Gerry Grimstone was appointed in 2011, Ruth Markland in 2015 and Jim Coyle in 2019.

INEs’ Duties

The INEs serve on the UKOB and meet as a separate group to discuss matters relating to their remit. Sir Gerry Grimstone is also an INE on the NSE Board.

They participate in the UKOB’s activities in relation to promoting the success of the firm by directing and supervising its affairs.

Additionally the INEs participate in other activities of the firm consistent with their role and experience such as promoting audit quality; helping the firm secure its reputation more broadly, including in its non-audit businesses; and reducing the risk of firm failure.

Their performance is reviewed by the UKOB Chair through regular discussions regarding matters relating to their remit.

Supporting the INEs

To assist the INEs in discharging their role, the firm provides them with:

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

INEs’ other directorships and business interests

The INEs have various business interests, other than those of the firm, which help them bring appropriate challenge and different

perspectives to the firm by drawing on their diverse external roles and experiences.

They have been members of a number of audit committees and, as required under provision C.2 of the Code, we confirm that Jim Coyle’s competence includes auditing and accounting through his qualification as a Chartered Accountant with KPMG and various accounting roles throughout his career.

The INEs declared any pre-existing assignments (including any appointments, directorships or posts) and potential conflicts of interest apparent at the time of appointment. They cannot be a director or officer of a restricted entity of the firm (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).

The INEs are required to consult with the Chair of the UKOB and obtain his written consent prior to accepting any further assignments with a third party. In the event that an INE becomes aware of any actual or potential conflict of interest or any threat to the firm’s independence, the INE is required to disclose it to the UKOB Chair as soon as it becomes apparent.

Independence of INEs

In assessing the independence of the firm’s INEs, we:

- considered the INEs’ financial interests and business, family and employment relationships entered into and notified to the firm
- applied the Code’s principles and complied with its provisions on INEs without placing them in the chain of command
- considered the independence requirements of the UK and US regulators, as well as those of the International Federation of Accountants

Termination of appointment of INEs

The appointment may be terminated at any time, by either the INE 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 INEs are paid a fixed annual fee for their work for the UK Practice, based on an agreed number of days’ service per annum. In the year to 31 May 2019, this amounted to £75,000 each for Sir Gerry Grimstone and Ruth Markland; £56,250 for Sir Michael Peat (9 months’ service); and £31,250 for Jim Coyle (5 months’ service).



Other matters

Appropriate indemnity provisions are in place in respect of any legal action against any INE and sufficient resources are provided by the firm to enable the INEs to perform their duties.

A process has also been established to resolve any disputes between the INEs and the governance structures and management of the firm.



Deloitte Gibraltar: Legal structure, ownership and governance

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 (Auditors) Act 2009.

Deloitte Limited is governed by a board of directors, which currently consists of the five locally based partners 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.

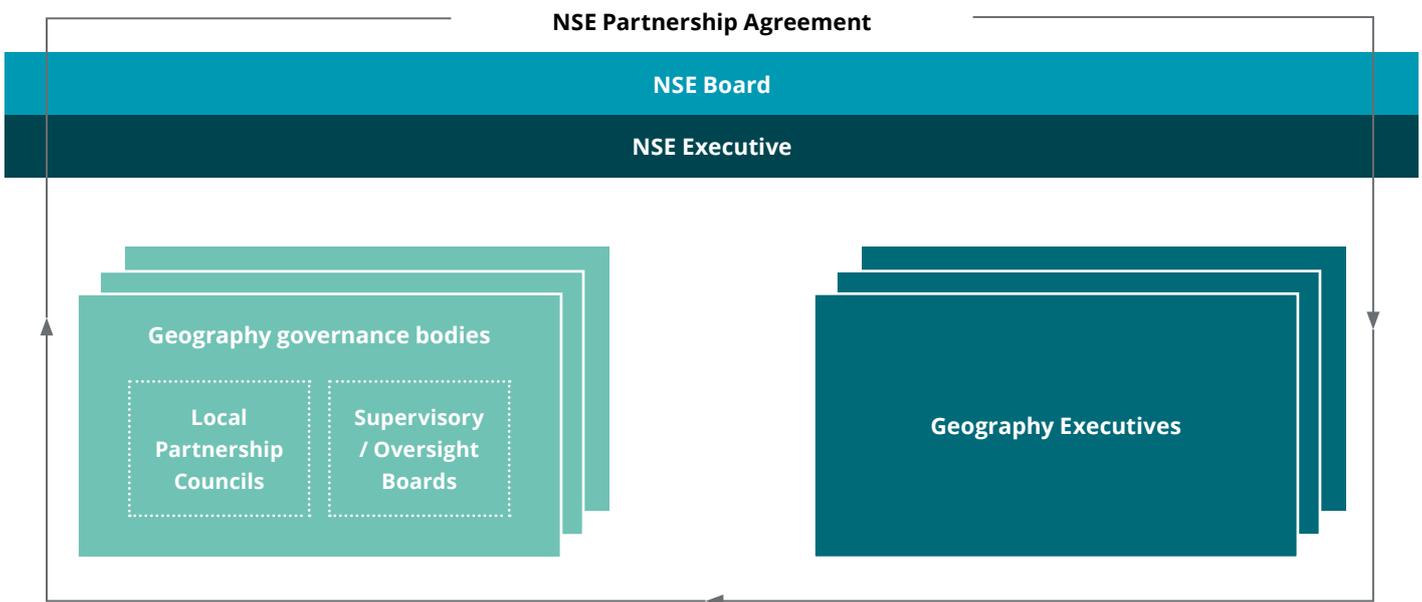




NSE Governance

On 1 June 2019, the Deloitte Central Mediterranean member firm (comprising the Deloitte practices in Italy, Greece and Malta) combined with Deloitte NWE to create Deloitte NSE.

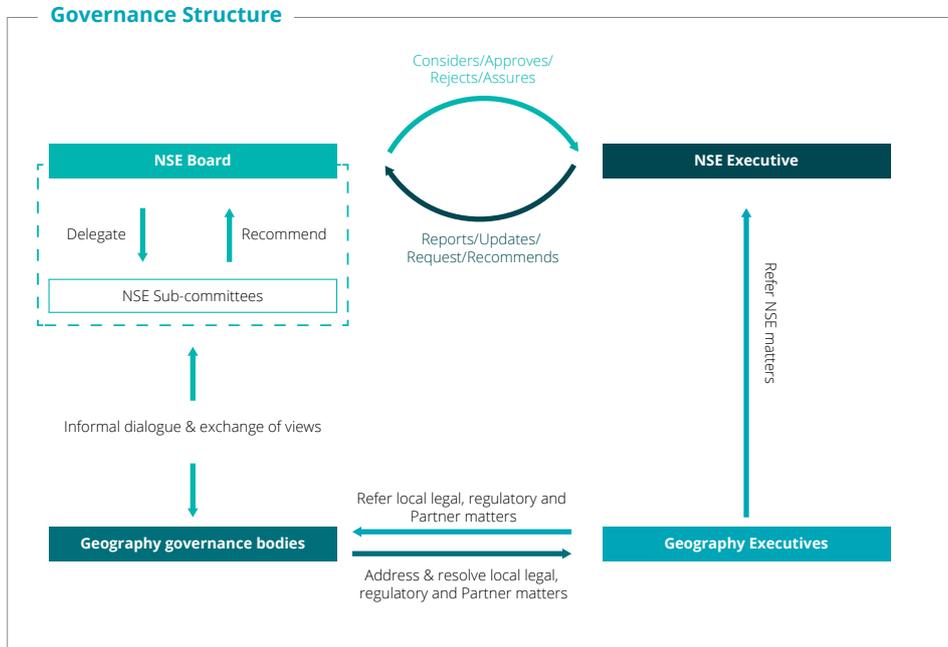
The Deloitte NSE governance structure consists of the NSE Board, NSE Executive, Geography governance bodies and Geography Executives, underpinned by the NSE Partnership Agreement:



- The **NSE Partnership Agreement** underpins the governance of NSE
- The **NSE Board** is the primary governance body of NSE, responsible for ensuring high quality governance and stewardship of NSE. The NSE Board works with the NSE Executive to set and approve the long-term strategic objectives of NSE and the markets in which it operates. The NSE Board comprises the NSE CEO, NSE Chair and elected members, as well as INEs and a Deloitte Global Representative. The latter do not have voting roles.
- The **NSE Board** oversees the risk appetite in each business area; is responsible for the oversight of the executive function, ensuring alignment with Deloitte Global obligations; and is responsible for the promotion and protection of NSE Equity Partner interests generally
- The **NSE Executive** is responsible for developing strategy, ambition and supporting policies, then leading their implementation and execution across NSE
- **Geography governance bodies** exist where this is required for legal and/or regulatory purposes and to oversee local Partner matters. Examples include the UK Oversight Board and Dutch Supervisory Board
- The **Geography Executives** work with the NSE Executive to reflect the Connected+ Autonomy operating model (balancing local and central requirements), including the development and delivery of approved plans, in line with the NSE strategy, tailored to reflect local market conditions



The NSE governance and leadership structure provides clear paths of communication from a Geography to NSE level:



Deloitte NSE Board sub-committees

Audit & Risk (Standing)

- Oversee the appointment of internal and external auditors to the firm
- Oversee audit quality in accordance with applicable regulations
- Oversee the level of risk acceptable in each business area
- Provide oversight and support to the national practices in the delivery of audit quality and local legal and regulatory compliance

Public Interest Oversight (Standing)

- Oversee public interest matters as they affect NSE

Partner Matters & Fairness (Standing)

- Make recommendations to the Board regarding the admission, suspension, retirement of NSE Equity Partners, and make determinations in relation to any NSE Equity Partner's long term ill health
- Ensure fairness between NSE Equity Partners across all Geographies

Nomination (Standing)

- Produce a shortlist of potential candidates and recommend to the Board a final list of candidates to stand in Board elections
- Ensure diversity requirements are met in the composition of the Board

Elected Leader (event driven)

- Oversee selection of candidates for NSE Chair and NSE CEO roles
- Run the election process and present proposals for NSE Chair and NSE CEO candidates to the full NSE Board for approval

Governance & Composition (event driven)

- Review the composition and size of the Board whilst both respecting the minimum number of elected Board members representing each Geography and seeking to ensure the firm's diversity requirements are met in the composition of the Board

Remuneration (event driven)

- Seek feedback, conduct appraisals, and make recommendations to the Board with regard to the proposed assignment of Equity Groups and the allocation of NSE Units to the NSE Chair, the NSE CEO and holders of such other senior management positions as the Board may determine

Compensation & Partner Units (event driven)

- Review and discuss with the NSE CEO the processes established and applied for the determination of NSE Units and Equity Groups to NSE Equity Partners (other than the NSE Chair and NSE CEO), to ensure that the principles set out in the Profit Sharing Memorandum proposed to the Board by the NSE CEO are consistently applied and the NSE Unit allocation process results in fairness between NSE Equity Partners and groups of NSE Equity Partners (other than the NSE Chair and NSE CEO) provided that the Committee shall not duplicate the work of the NSE CEO and/or the Remuneration Committee

Transactions & Major Projects (event driven)

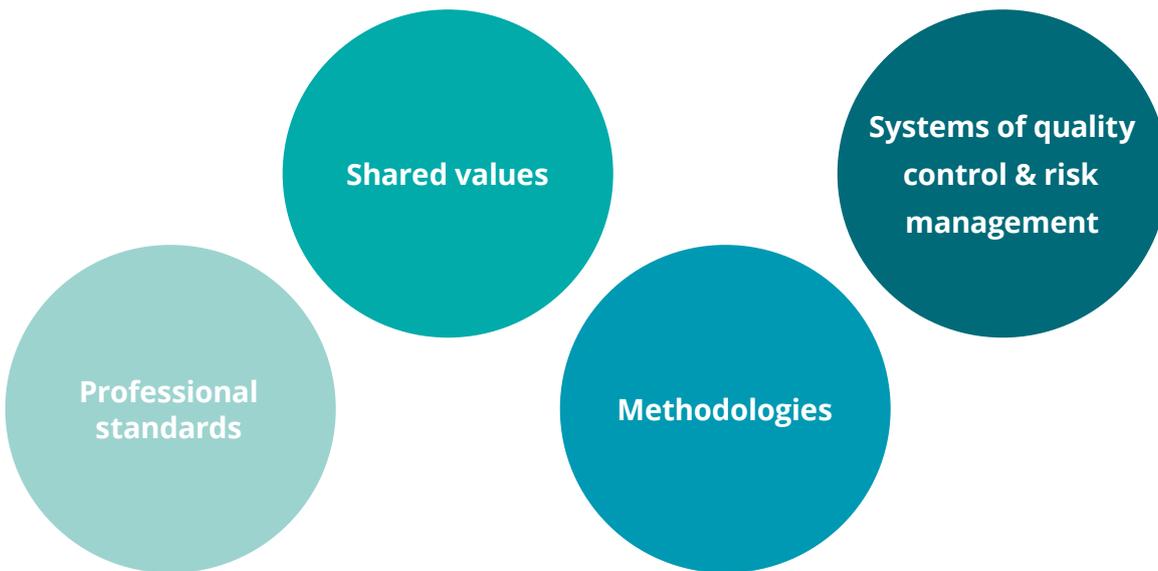
- Consider on behalf of the Board and provide recommendations to the Board on proposals from the NSE CEO to borrow money, make investments, give undertakings and enter into contracts on behalf of the firm subject to agreed thresholds
- Oversee major projects as directed by the Board and ensure that the interests of the firm are protected
- Consider, report to the Board on and make recommendations to the Board on major transactions or other significant investments



Deloitte network

Network description

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



Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global).

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee. DTTL serves a coordinating role for its member firms and their affiliates by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct and service across the Deloitte network. DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm's affiliated entities.

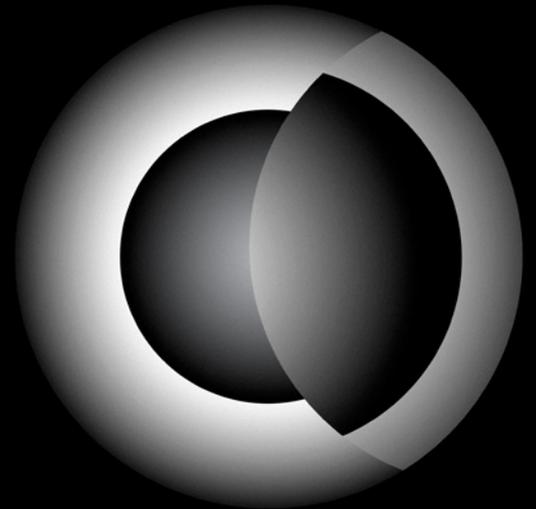
For more information about the Deloitte network, please see: [About Deloitte](#).



Conducting business with honesty, integrity and high standards of professional behaviour

Our Code of Conduct outlines our shared values and ethical principles. It provides a foundation for behaviour and encourages us to consult to make the right choices.

Fundamentally, Deloitte's reputation and continued success rests on the personal ethics of all our people.





Message from Oliver Grundy, Ethics Partner

Introduction

This is the first time I have provided a 'message from the Ethics Partner' for our Transparency Report and, given the current audit debate and the FRC's proposals in its consultation on the Ethical Standard to enhance the authority of the Ethics Partner, I think it's an important and timely addition.

In order to function effectively, market economies need to have a true and fair view of companies' performance and so they need transparent and accurate financial reporting. As auditors of those companies, we need to ensure that the users of financial statements can trust that we have acted with integrity and objectivity in independently reaching our audit opinion so that they can make informed decisions.

Deloitte has strict policies and robust processes to protect the integrity, objectivity and independence of our firm that apply across our whole business, not just in our Audit & Assurance Practice. These values are not only central to maintaining our reputation and the success of the firm, they also ensure we are able to meet our public interest responsibilities and deliver services that we can all be proud of.



Deloitte UK Ethics

Serving with integrity is one of our five Shared Values – the set of core principles that guide our collective behaviour. Our ethics programme seeks to ensure that we:

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

Communications and engagement with our business and our wider stakeholders

The ethics team is responsible for an active agenda of communications and training for our business and our wider stakeholders, including in relation to the Integrity Imperative, an extensive and ambitious global programme – launched in 2017 – designed to ensure that the firm remains focused on the importance of ethical behaviour.

During the year, the Ethics team:

- Met with the firm's Leadership, to emphasise their responsibility for setting the tone from the top, and assisted each service line with its communications plans around integrity
- Updated the INEs with details of ethics initiatives as well as discussing with them the more significant matters that come to Ethics through either our whistleblowing procedures or from other sources. We do this at both the UKOB and in private session
- Met on two occasions with the FRC and once with the ICAEW to discuss ethics matters and to share with them our internal reporting on whistleblowing matters and our ethics programme more generally
- Commenced an ambitious programme of delivering face-to-face ethics training to every partner, based on a globally produced case study which the UK ethics team helped to develop
- Acted upon the results of our global ethics survey which was run in June 2018. Our most important challenge is to give our people the confidence to speak up when faced with situations they find uncomfortable. In our communications, we have emphasised the confidentiality of our 'speak-up' procedures and our policy of non-retaliation when people bring concerns to us. We are also developing new training materials in this area.

Whistleblowing, 'Speak-up' matters

The Ethics team is responsible for running our whistleblowing procedures and we use an independent system so that staff, partners and external parties can access our hotline, both online and by phone, 24-hours a day. We deal with a variety of matters ranging from general enquiries to those that require reporting to Leadership.



A summary of reported whistleblowing matters is presented below:

	FY19 Ethics matters	FY18 Ethics matters
Total no. of reported matters	154 (0.8 per 100 individuals) ⁸	172 (0.9 per 100 individuals)
Top 5 reasons (in descending order)	<ul style="list-style-type: none"> • Discrimination or harassment • Respect and inclusion matters • General inquiries • Inappropriate behaviour/Bullying • Accuracy of time and expense reporting 	<ul style="list-style-type: none"> • Discrimination or harassment • Inappropriate behaviour/Bullying • General inquiries • Respect and inclusion matters • Accuracy of time and expense reporting

- During FY19, we experienced a marginally smaller number of whistleblowing matters being reported to Ethics than in FY18. Clearly there is no ‘right’ number of cases, however, we believe that the prior year’s figures may have been influenced by the emergence of the #MeToo movement.
- The main categories of whistleblowing matters have remained broadly consistent, with respect and inclusion matters, inappropriate behaviour/bullying and discrimination/harassment to the fore. The actions listed above that have been taken by the Ethics team during the year seek to address these areas.
- In addition, we have dealt with some expenses-related fraud matters and have sought to raise the profile of this risk, and the related behaviours, with other impacted areas of the business. We have also reviewed our related processes and have taken a number of steps to mitigate the risks of such incidents being repeated. As a consequence, although overall numbers are still low, we are seeing an increase in expense-related investigations and disciplinarys; serious matters are being referred to the police and there has been some media interest.
- A small number of audit quality-related matters were reported to Ethics. Such cases are also sometimes reported directly to the Audit Quality and Risk Management team and both teams actively engage on these matters.
- Partners in the firm are more likely to be the subject of complaints than staff, although approximately half of those complaints reported during the year were either unfounded or found only partially. The firm reported publicly on the number of partners exiting the firm as a result of behavioural and ethics matters over the last four years.

- For more serious matters, we have an Equity Partner Ethics Investigation Procedure which is followed in all cases to ensure that complaints are dealt with consistently. All complaints (regardless of origin) are recorded and tracked in our ethics matter database, which is a globally deployed application. The Ethics team and anyone assisting in an investigation is required to confirm that they are sufficiently independent and that no conflict which could create an impression of partiality exists. In addition the Investigation Procedures are subject to annual review as part of the firm’s Systems of Quality Control work and to ensure compliance with Deloitte Member Firm Standards.
- As discussed in the report on the work of the INEs, the Ethics Partner reports to the UK Oversight Board and also meets privately with the INEs to cover significant matters.

All matters that are brought to us are investigated thoroughly and we seek to learn lessons from them.

8. Includes partners, staff and contractors



Independence, conflicts and public interest

As a leading professional services firm, we have a responsibility to serve our clients and the wider public interest with integrity, objectivity and free from conflicts of interest, while proactively maintaining and demonstrating our independence.

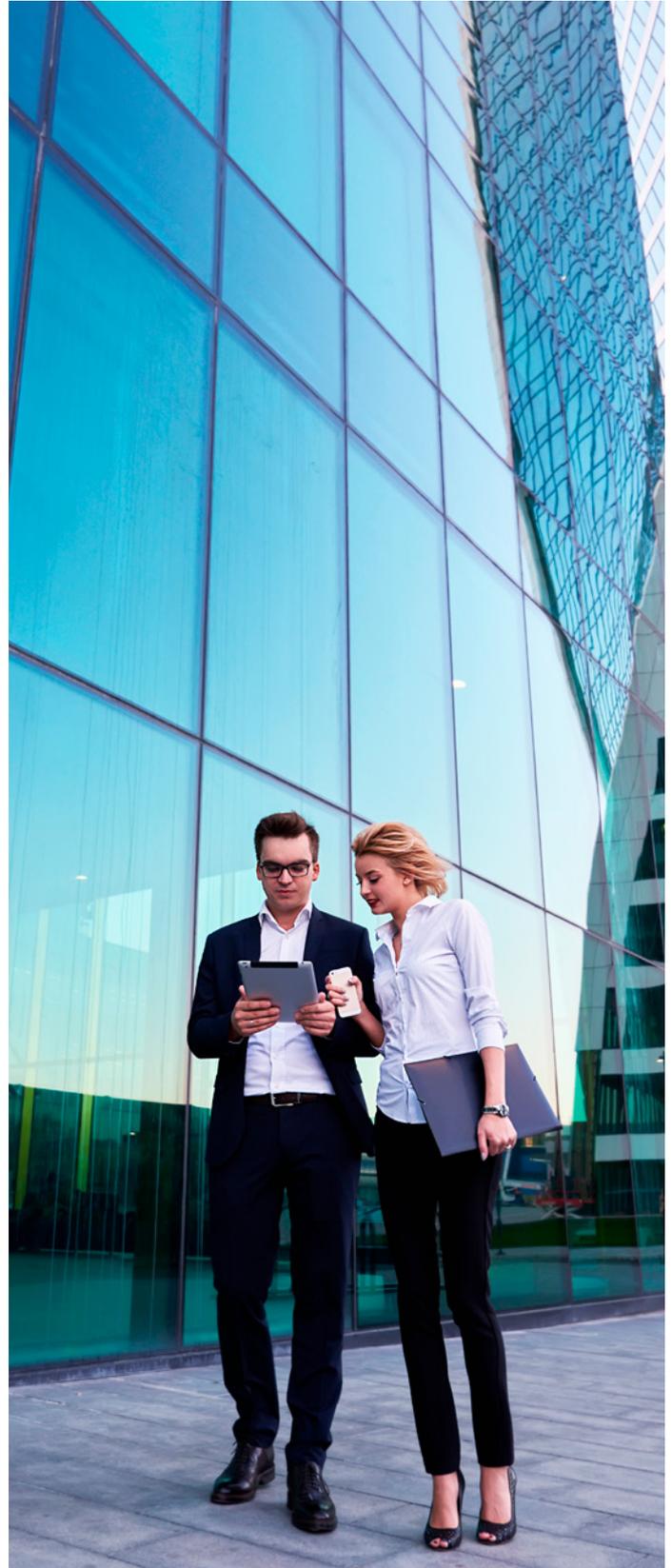
Our independence policies are based on the requirements of the International Ethics Standards Board for Accounting (IESBA), US Securities and Exchange Commission (SEC) and the UK Financial Reporting Council (FRC).

Independence is of the utmost importance to us – our dedicated Independence Team is committed to advising engagement teams, reinforcing our policies and maintaining effective systems and processes, whilst continuously improving them so that we remain independent in fact and appearance.

Systems and processes

We continue to invest in systems and processes to safeguard the independence and objectivity of our firm, our professionals and our engagement teams, and to avoid conflicts of interest on engagements. Key changes to our systems & processes in FY19 were:

- **Global Investment Tracking System:** Migrated to a new more user friendly global system which will also help make it easier for our people to record and monitor their financial interests
- **Enquiry Platform:** Developed and launched a consultation platform to enable the business to consult with the Independence Team more effectively and to drive consistent documentation and trend analysis.
- **Strategic and targeted approach to communications and awareness:** Implemented a more strategic and targeted approach to increase the impact of communications and awareness campaigns, particularly around personal independence.
- **Interim confirmation process:** Introduced a bi-annual confirmation process for partners to assist them in complying with personal independence requirements.
- **Entertainment and gifts:** during the year we provided information on this in relation to audit clients to the BEIS Select Committee and in order to better monitor this area we introduced an Entertainment & Gifts Pre-Approval system.

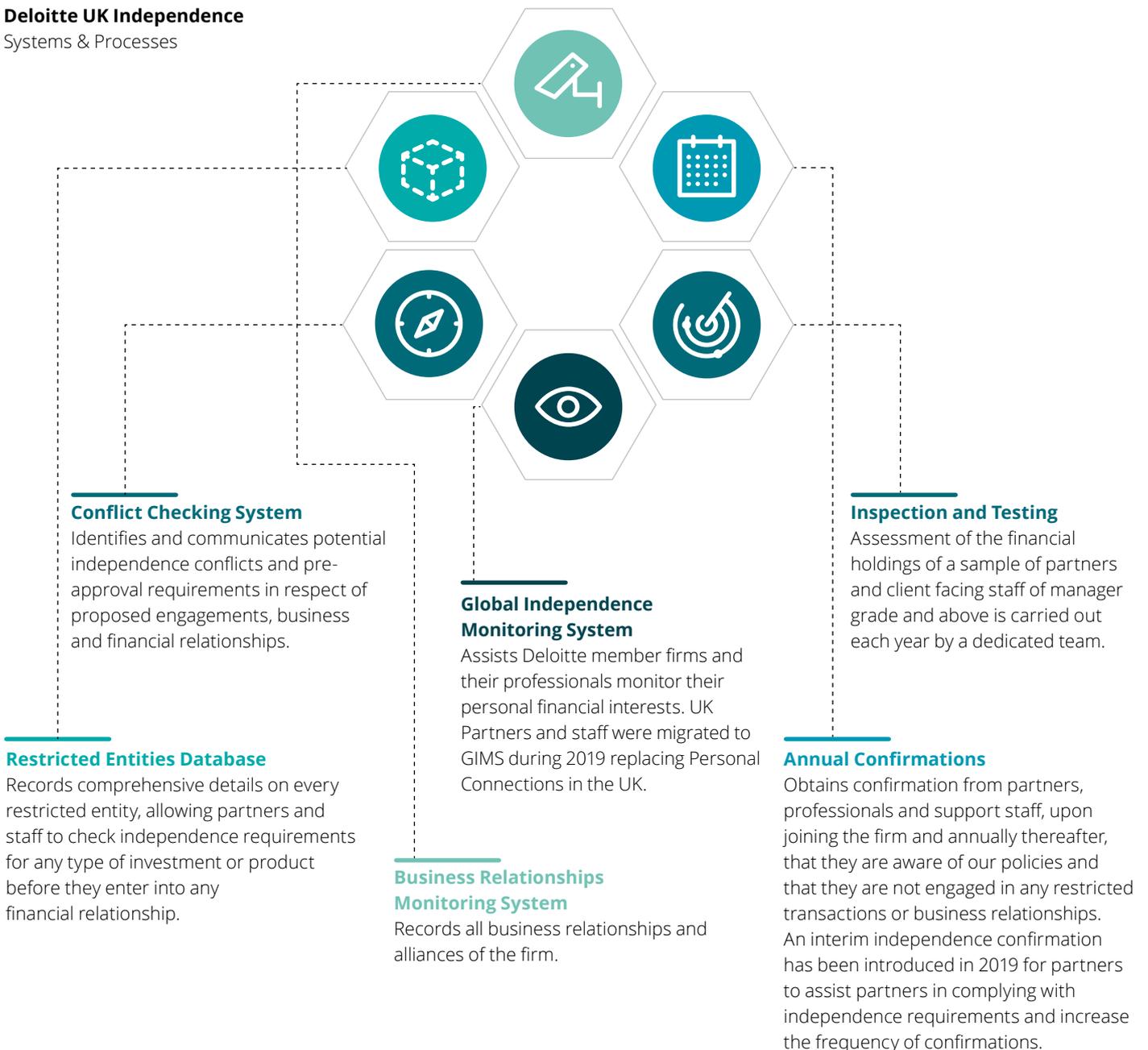




Our engagement take-on, continuance, compliance, audit appointment and client database tools are all internally developed and comprise solutions to address the complexity of global regulatory requirements. The tools are designed to be intuitive, while facilitating timely compliance, reporting and monitoring, and to ensure that we (including our partners, professionals and any of their close connections) do not engage in certain transactions or relationships with entities from which we are required to maintain independence ('restricted entities'). The main systems and processes of internal control in this area are:

Deloitte UK Independence

Systems & Processes

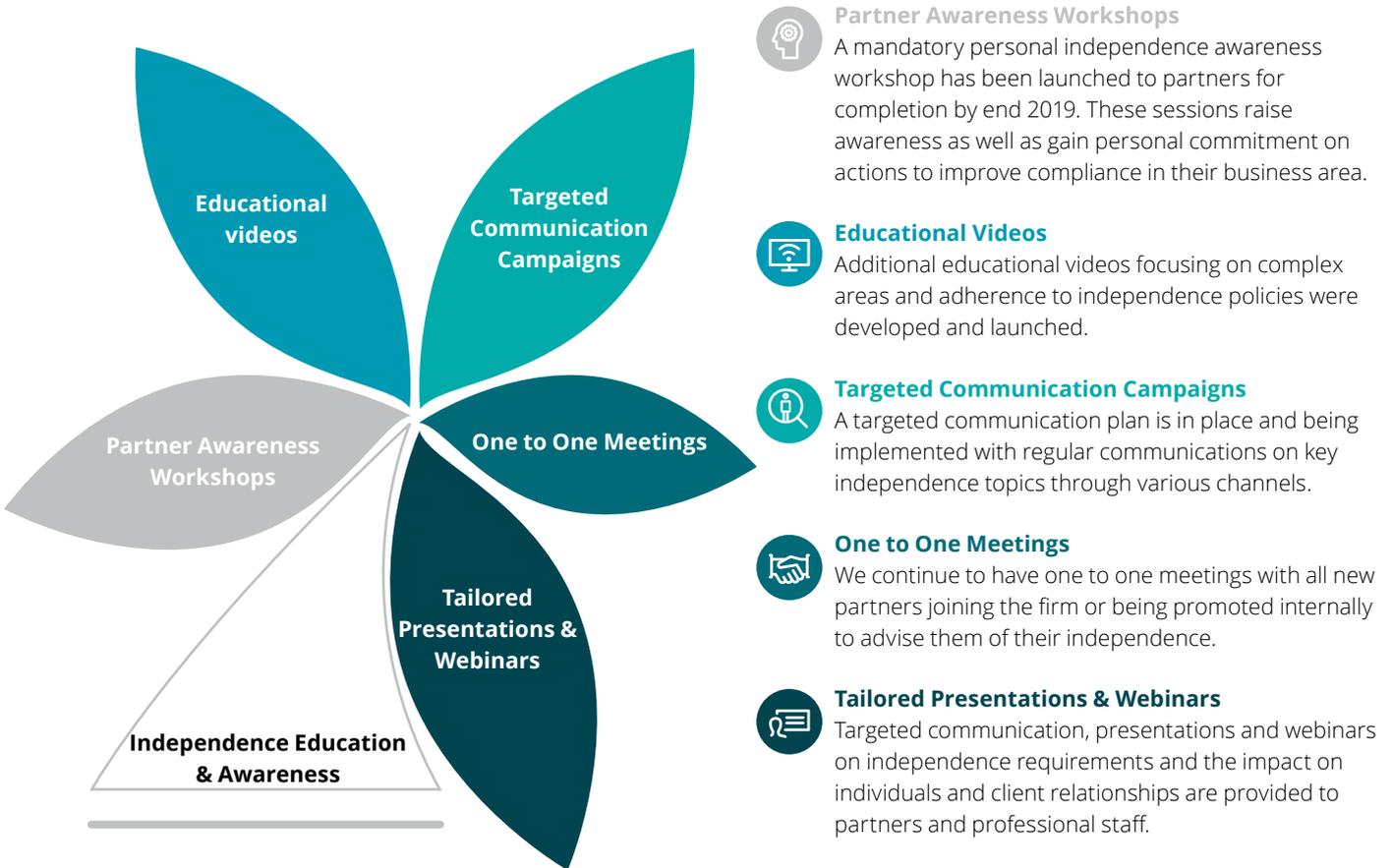


If any queries arise in respect of these areas, dedicated support is provided through our Quality & Risk Management teams. Additionally, on independence related matters, they may consult with Deloitte Global's independence group if they determine that the circumstances require global input or advice. Where it is determined that it is not possible to sufficiently mitigate the independence risk identified, the engagement or relationship is declined. The Independence Partner presented to the UKOB during the year to 31 May 2019, covering current key matters and trends related to independence. This also included a summary of recent interactions with the FRC, ICAEW and other regulators as well as communications and training provided to partners and professional staff.



Raising awareness

In addition to our systems and processes of internal control, we continue to raise awareness and improve education of independence requirements. The key components of our 2018/19 awareness & education programme are as follows:



Deloitte Global Independence

- 

Sets **independence policies and procedures** based upon the Code of Ethics for Professional Accountants issued by IESBA and the independence standards of the US SEC and the PCAOB. Performs full reviews of independence quality controls on a three-year cycle; annual focused reviews for the off-cycle years; in-depth follow-up reviews as needed.
- 

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

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

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



Dealing with conflicts of interest

Deloitte provides a diverse range of services to a broad client base. As such, from time to time, situations arise where the firm has relationships with two or more parties involved in a particular transaction or matter, potentially giving rise to conflicts of interest or threats to confidentiality. Professional standards and regulations require us to have effective policies and processes in place to identify and address these situations. It is also an imperative for us in order to retain the trust of our clients and wider stakeholders, including the general public.

Recent corporate failures and other events have led to intense public scrutiny around how accountancy firms manage conflicts of interest. We acknowledge that this requires us to consider not only the letter, but also the spirit, of professional standards and regulation and also to give due regard not only to whether a proposed engagement could be accepted, but also to whether it should be.

Our policy is that all proposed new engagements are subject to a confidential conflict check using the firm's bespoke conflict checking system prior to acceptance. This check is reviewed by our central conflicts team and references the firm's databases of existing and past engagements, opportunities, business relationships and other connections with the involved entities to identify potential conflicts.

Following the completion of the conflict check, the proposed engagement will either be cleared to proceed from a conflicts perspective, or declined. Where the engagement is cleared to proceed this may be conditional on specified safeguards and measures being implemented, designed to address any threats prior to, during and following the completion of the engagement. Such safeguards will vary depending on the specific facts and circumstances, but may include:

- Notifying the affected parties of the circumstances giving rise to the potential conflict of interests and obtaining their informed consent to act in the circumstances
- Limiting the scope of services provided to one or more of the affected parties
- The use of separate engagement teams to serve the affected parties
- The physical separation of teams serving the affected parties;
- Procedures to prevent unauthorised access to confidential information (for example through confidential and secure data filing)
- The use of confidentiality agreements signed by employees and partners of the firm
- Regular review of the application of safeguards by a senior individual not involved with relevant client engagements





The above safeguards are subject to monitoring and review by the central conflicts team or other Quality & Risk Management teams.

Where a potential conflict of interest is identified and the threat posed cannot be eliminated or reduced to an acceptable level through the implementation of sufficient safeguards, the proposed engagement is not accepted.

In addition to the above procedures, before commencing work on an engagement, each prospective engagement team member considers whether they have any personal relationships with, or interests in, any of the involved entities that could give rise to potential conflicts of interest. Any potential issues are discussed with the engagement partner or the conflicts team, as appropriate, to determine whether the individual should participate in the engagement.

The above procedures must be revisited by the engagement team in the event of a change in the facts and circumstances of an ongoing engagement, such as a significant change in the scope of our work or the parties involved.

Based on the circumstances surrounding the proposed engagement and on their knowledge and expertise, the central conflicts team will assess whether escalation is required to determine whether an engagement should be accepted. The points of escalation available for this purpose include to:

- The relevant business area's Quality & Risk Management team and/or Head of Quality & Risk Management
- The firm's Managing Partner Quality, Risk & Security
- The firm's Ethics Partner
- The Tax Review Panel
- The Public Interest Review Group
- The firm's regulators, in exceptional circumstances where their guidance is needed

Conflict checks are included within the scope of our firm-wide take-on monitoring process including existence, timeliness and accuracy of information provided. The results of this take-on monitoring are taken into account in partners' annual performance evaluation.

In circumstances where potential conflicts involve entities audited by the firm and have the potential to impact audit independence, the firm's engagement acceptance and continuance procedures include appropriate involvement of the audit partner. Such involvement would be initiated by the central conflicts team. If the audit partner concludes that the potential conflict would not affect audit independence, the engagement may be accepted subject to the implementation of appropriate safeguards. The audit partner would determine the nature and timing of any communication with the audited entity, including the audit committee.

Confirmation of review of independence practices and monitoring

In accordance with Article 13.2 (g) of the EU Audit Regulation, we confirm that an internal review of our independence practices has been properly conducted in the year as part of the 2019 practice review. Our internal and global practice reviews and other monitoring processes provide us with assurance that these policies are, in general, appropriately observed and, where exceptions are noted, identify where further action is required. In addition, the practice review includes an assessment of compliance with Deloitte Global and UK independence policies. The results of these internal reviews are reported to the UK Executive and UKOB and to Deloitte Global's Chief Executive Officer and Board.





Public Interest Review Group

The Public Interest Review Group was set up in 2013 to enable discussion in advance of accepting any potential engagements that may have an impact on the reputation of our firm.

We all have a professional duty to have regard to the 'public interest' in respect of the legitimate interests of stakeholders (including all those who rely upon the objectivity and integrity of our firm). To discharge this responsibility we must comply, and be seen to comply, with the five fundamental principles:



The Group seeks to provide help and support in considering these objectives.

It meets weekly to consider proposed engagements:

- that may be of interest to the public; or
- where there is concern that we may not be adequately considering the public interest.

The Group is chaired by the UK Ethics partner and comprises the Managing Partner Quality Risk & Security and other partners from across the firm. In addition, the meetings are attended by the relevant project partner and service line Quality & Risk partner and, as appropriate, the Money Laundering Reporting Officer (MLRO) and members of the Public Affairs team.

The Group considers the circumstances and determines the best course of action for matters brought before it, which might mean proceeding 'as-is'; proceeding with additional safeguards; or, in some cases, not proceeding at all. During 2018, 121 matters were brought to the Public Interest Review Group, 31% of which were cleared to proceed 'as is'; 56% were cleared to proceed with additional safeguards and 13% were declined.

There is currently a question in the firm's client 'take-on process' (TOP) risk management system asking whether there are any concerns that the engagement may carry reputational risk to the firm or be controversial on grounds of public interest. If the answer is 'yes', this triggers an action to first consult with the Service Line Quality & Risk team before the proposed engagement can be accepted.

The Quality & Risk team must be satisfied that the proposed engagement could be pursued from a risk perspective before referring the matter to the Group to consider the public interest and broader reputational perspective. The Group produces minutes of decisions and the rationale behind them. These are circulated to the relevant project team and, each quarter, a summary is shared with the UK Executive, the Service Line Risk Partners and the UKOB.



Managing risk

Principal risks and uncertainties

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

In line with the firm's FY19 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.

In FY19, the firm continued to utilise a process for updating and reporting the ERF that is timely, responsive to changes in the internal and external environment, and therefore better able to support decision making by risk owners and the Executive. The principal feature of this process is an ongoing and frequent dialogue between the Central Monitoring Group, 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 Managing Partner for Quality, Risk and Security who acts as the firm's Chief Risk Officer. This is complemented by a regular cadence of meetings, particularly for the firm's most significant risks, between the Managing Partner Quality, Risk & Security and each risk owner at which the vulnerability to each risk is assessed, emerging issues are discussed and additional mitigating actions, if required, are agreed. This process ensures that the firm maintains an up-to-date view of the status of its principal risks and is better able to respond to emerging risks. The Managing Partner Quality, Risk & Security continues to formally report the ERF to the Executive. Through detailed discussion of the assessment of the firm's enterprise risks, the Executive satisfied itself that the risk profile accurately reflects vulnerabilities and that appropriate mitigating actions, if any, are in place.

The results of the annual refresh and the ERF updates are discussed with the UKOB, which provides a further challenge to the 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 the integration of the NSE firm, Audit Quality, Audit Transformation and Independence; as well as the mitigating controls in place against these risks.

In considering the risks, specific attention was also paid to those risks that could impact the sustainability of the audit practice, in particular audit quality, regulatory compliance and engagement, talent and the attractiveness of the audit profession, operational excellence and financial viability. Consideration continues to be given to the impact of Brexit and over the summer the firm has increased its preparation for a no-deal outcome. This has included both internal preparations and engagement with clients to ensure the firm is ready for every outcome by the end of October. The Executive has had a number of work streams in place for some time, focussed on assessing and mitigating the impacts to the firm of the possible Brexit outcomes. In particular, the work to date has been focused around regulatory compliance, people impacts and the effects of an economic downturn. The assessments have been regularly revisited in light of political developments, with the specific focus of identifying mitigations for Day 1 of the UK's exit. This includes economic modelling exercises to understand how no-deal would impact the firm, and to help inform decisions in the event of a material economic deterioration.

Details of the principal risks and the principal mitigations to manage these are set out in Appendix 5.



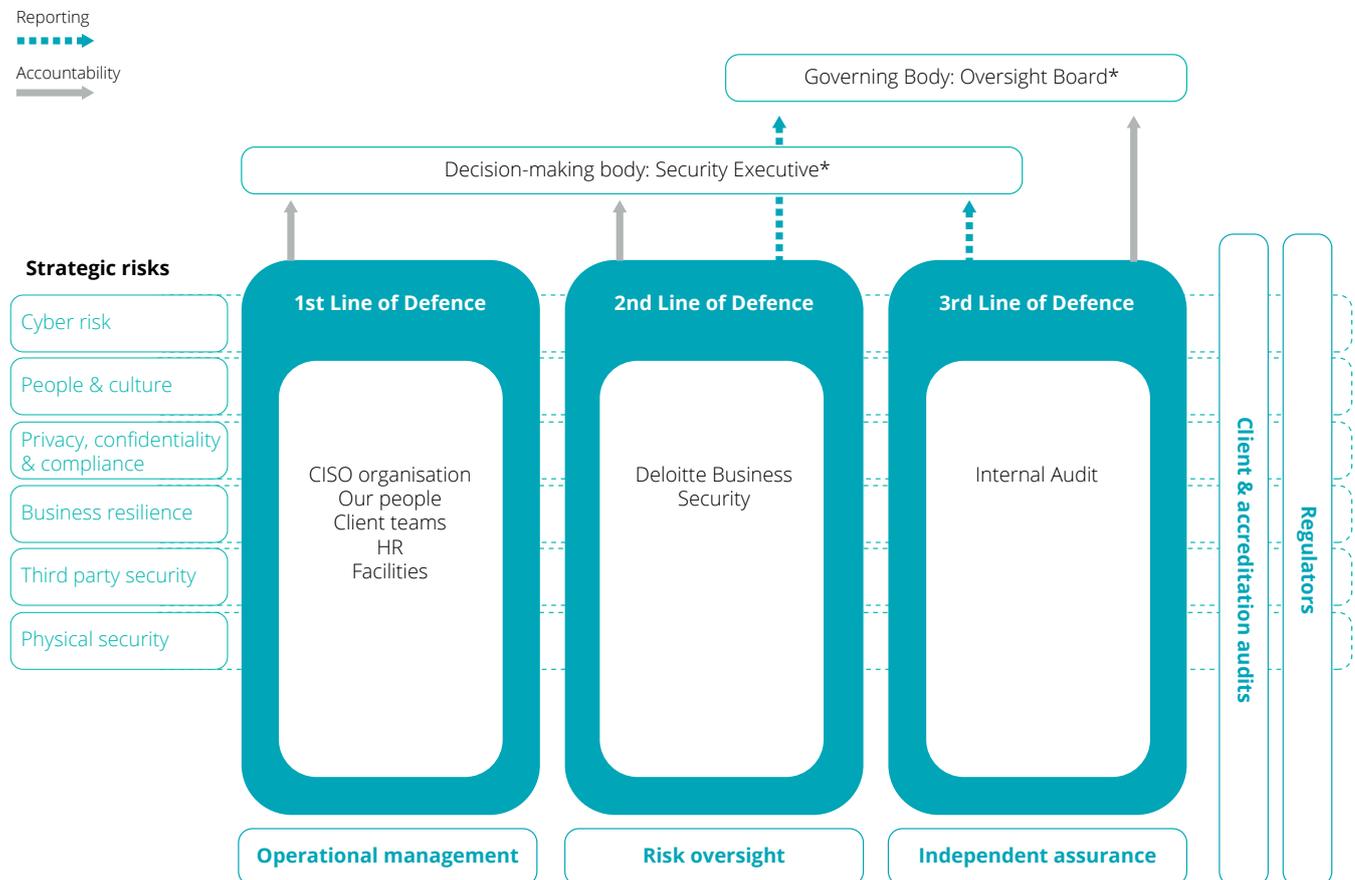
Our approach to security, privacy and confidentiality

Our clients and our regulators have the highest expectations of us when it comes to protecting data, a considerable challenge in a dynamic environment where we must constantly innovate new systems, analytics and applications to meet our clients’ needs.



Our focus on our clients requires a holistic and collaborative approach to reducing security, privacy and confidentiality risks with significant investment in appropriate controls and monitoring to embed an effective three lines of defence model.

This model has enabled us to strengthen our information security organisation, align to industry good practice and improve our internal control frameworks. The first line of defence consists of roles both across the business and within internal functions, responsible for maintaining effective internal controls; identifying, assessing, and mitigating risks; implementing corrective actions; and managing information security incidents. The second line of defence is an independent, integrated security, privacy and confidentiality function responsible for defining policy, monitoring implementation of a risk framework, identifying known and emerging risks and assuring first line of defence activities. The third line of defence provides independent assurance of security, privacy and confidentiality performance, reporting to the governance bodies with objective assurance of internal controls and risk management.



* UK Security Executive and UK Oversight Board are closely aligned with counterpart NSE Security Council and NSE Audit & Risk Committee for the purposes of oversight of security, privacy and confidentiality issues.



Data Privacy

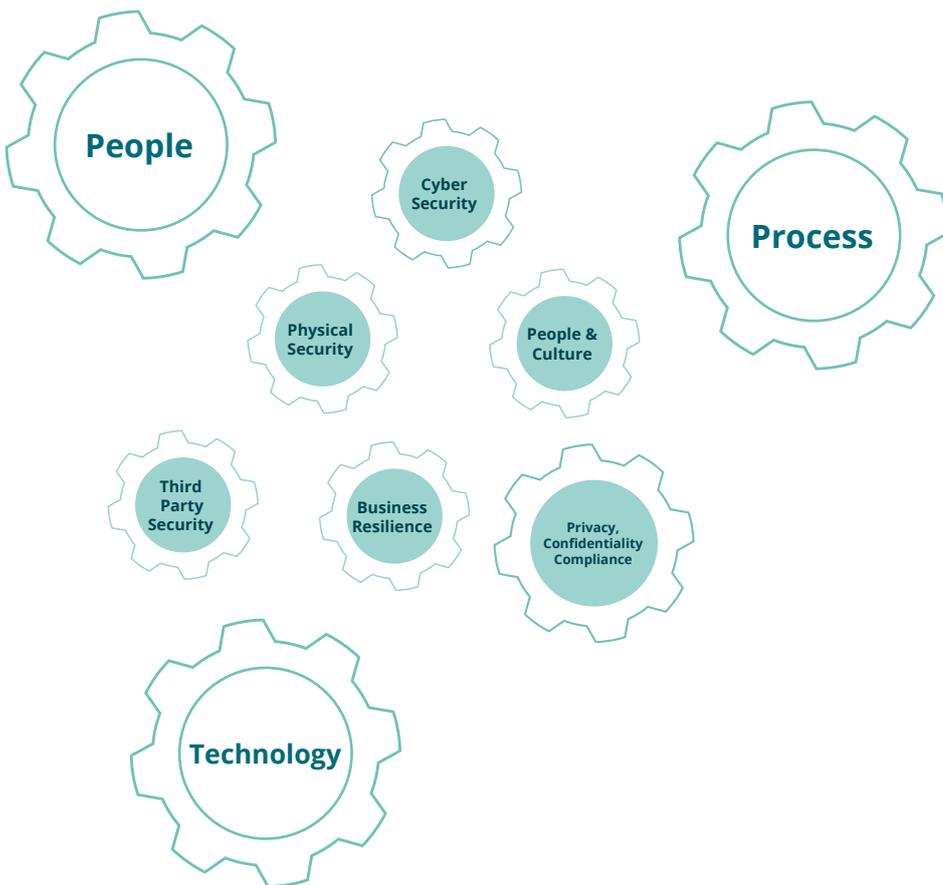
The firm maintains a robust and consistent approach to the management of all personal data, with everyone in our organisation having a role to play in safeguarding personal data. We have continued to build on our extensive GDPR readiness programme, and are committed to embedding good data management practices across our business. In May 2018, we appointed a Data Privacy Officer (DPO) and have since grown our Privacy team. We have also refined processes for managing Data Subject Requests and Data Protection Impact Assessments (DPIAs). In May 2019, we launched our refreshed annual firm-wide mandatory Data Privacy e-learning incorporating more practical guidance, and we continue our focus on training and awareness.

Cyber Security

A Cyber Red Team exercise was initiated during the previous financial year and is due to conclude shortly. A similar exercise will be conducted across other NSE geographies within the current financial year.

Risk Management

Data Security, Confidentiality and Privacy are reported as one of the firm’s Enterprise Risks. This risk has been split into six strategic risk drivers, spanning Cyber Risk, People & Culture, Privacy Confidentiality & Compliance, Resilience, Third Party Security and Physical Security. The risk is reported to the UK Oversight Board and per the process noted in the Principal risks and uncertainties section above. Ownership of this risk sits with the Managing Partner Quality, Risk & Security who is a member of the firm’s Executive.



Business resilience

The firm has in place plans, processes and systems that, when taken together, form the firm's Business Resilience programme. This includes regular testing and exercising its business continuity and resilience arrangements. An IT disaster recovery plan is documented to detail all the firm’s business and IT critical services / systems and their priority for recovery. In the event of an incident there is a robust crisis management and contingency planning process which provides a common framework for the escalation of incidents impacting business and/or IT operations. This incident management process includes data privacy, cyber security and confidentiality security breaches. Upon detection of an incident, Deloitte Business Security work closely to immediately investigate the incident under the guidance of the firm’s Security Partner. The Data Protection Officer is responsible for the investigation and assessment of all breaches relating to data privacy, including unauthorised access to information by employees.



Appendices



Appendix 1: Executive Group and UK Oversight Board members, including biography and meeting attendance details

1. Current Deloitte UK Executive

Richard Houston, Senior Partner and Chief Executive *

Richard is responsible for connecting the breadth and depth of capabilities of our people and partners to deliver value for our clients and make a difference in the communities in which we operate. In his previous role, Richard led the UK and NWE Consulting practices. He has over 20 years' experience in consulting, notably in financial services, and also spent eight years in industry. Richard joined Deloitte in 2002.

- Exec meetings: attended 4/5 during FY19

Dimple Agarwal, Managing Partner People and Purpose *

Dimple is responsible for our people agenda and the impact we have on our clients and society at large for Deloitte UK and NSE. She is also Deputy CEO in the UK. Her previous roles include Global Leader of the Organisational Transformation & Talent Practice in Consulting and member of the Consulting leadership team in the UK. Dimple joined Deloitte 15 years ago and became a partner on 1 June 2009. She works with consumer businesses on organisational transformation and provides advice on the future of work.

- Exec meetings: n/a – Dimple joined the Exec in FY20

Richard Bell, Managing Partner Financial Advisory

Richard was appointed Managing Partner of UK Financial Advisory in March 2018, which comprises Transaction Services, Restructuring Services, Forensic, Advisory Corporate Finance and Real Estate. Richard. Prior to his appointment, Richard was Managing Partner for Regions. He has been with Deloitte for 32 years; 18 years as a Corporate Finance Partner, specialising in transaction services to corporate, private equity and other financial institution clients.

- Exec meetings: attended 5/5 during FY19

Pauline Biddle, Managing Partner Regions *

Pauline is a Financial Advisory Transaction Services Partner, in addition to her role as Managing Partner Regions. She provides buy and sell side diligence, in addition to capital markets transaction support, to predominantly FTSE350 companies. Pauline became a Partner in 2005 and has been with the firm for 27 years. She is also a Deloitte NSE elected Board member.

- Exec meetings: 4/5 during FY19

Emma Cox, Managing Partner Deloitte Private

Emma leads the Deloitte Private Audit & Assurance business and was appointed to the Exec in June 2019. Emma has been with Deloitte since 2002 and has been an audit partner for 14 years, specialising in working with companies backed by private equity and has relationships with a number of leading Private Equity houses.

- Exec meetings: n/a – Emma joined the Exec in FY20
-

* denotes the individual also holds an NSE leadership role



Matt Ellis, Managing Partner Tax & Legal *

Matt is the Deputy CEO of the UK firm and Managing Partner of Tax & Legal in the UK and NSE. Matt's career in Tax spans over 32 years - 20 of which have been with Deloitte - during which time he has advised major UK companies across various industry sectors. In addition, Matt represents the UK Tax practice on the Global Tax & Legal Executive. He is a member of the Chartered Institute of Taxation and became a Deloitte Partner in June 2005.

- Exec meetings: attended 5/5 during FY19

Dominic Graham, Managing Partner Consumer

Dom co-ordinates sector specialists across service lines as they advise companies on optimising shareholder value. He also leads Deloitte's UK private equity business, working with international private equity and real estate clients and leading relationships with major American and European private equity clients. Dom has been at Deloitte since 1998, becoming a Partner in 2008, and has extensive transaction support experience.

- Exec meetings: n/a – Dom joined the Exec in FY20

Stephen Griggs, Managing Partner Audit & Assurance *

Stephen is Deputy CEO in the UK, he leads our Audit & Assurance business both in the UK and NSE, and has responsibility for public policy. He is a Senior Audit Partner specialising in large public company audits and transaction projects across a broad range of industry sectors. Stephen was previously Deloitte UK's CFO, a member of the UK Board of Partners and Talent Partner for the Audit practice. He joined Deloitte 17 years ago.

- Exec meetings: attended 3/5 during FY19

Anne-Marie Malley, Managing Partner Consulting

Anne-Marie is the UK Consulting Leader and sits on the UK and NSE Consulting Executives. She has over 20 years' consulting experience in client and leadership roles and has led multiple large, complex and multi-year projects in the private sector designing and implementing business transformations. Anne-Marie is passionate about the societal impact of our work and has been at Deloitte since 2002.

- Exec meetings: n/a – Anne-Marie joined the Exec in FY20

Andy Morris, Managing Partner Risk Advisory

Andy became Managing Partner, UK Risk Advisory on 1 June 2019 having previously led the Risk Advisory team within the former Audit & Risk Advisory service line. He has been at Deloitte since 2002 and a partner since 2005, working with a broad range of FTSE100 organisations with a particular focus on technology & digital risk, and internal controls. He previously held a number of leadership roles within Risk Advisory and the Consumer industry group.

- Exec meetings: n/a – Andy joined the Exec in FY20

Mark Mullins, Managing Partner Quality, Risk & Security

Mark has 34 years' professional experience, including 23 as an Audit Partner. Until January 2019, he was a member of the UK Audit Executive and COO of the Audit business. He has also been a member of the Deloitte Board of Partners and, from 2011 to 2013 was the COO of Deloitte CIS, based in Moscow. As an Audit Partner he has worked extensively with UK listed global manufacturing, engineering and services businesses. He has been with the firm since 1989.

- Exec meetings: n/a – Mark joined the Exec in FY20
-



David Noon, Chief Operating Officer *

David is responsible for day to day operational and financial matters for Deloitte UK and Deloitte NSE. He was previously the Global COO for Risk and Financial Advisory and Global Brexit lead and, prior to that, Head of Risk Advisory in the UK and EMEA. David specialises in providing risk and assurance solutions to large, complex organisations in both the public and private sectors. David has worked extensively with the Deloitte network and has been with the firm since 2002.

- Exec meetings: n/a – David joined the Exec in FY20

James O’Riordan, Managing Partner Financial Services *

James was appointed Managing Partner for Financial Services on the UK and NSE Executives on 1 June 2019. His previous roles have included UK Head of Insurance and Co-Lead of EMEA Insurance. James joined the firm as a partner in 2005; his skills and experience lie in middle and back office operations and in IT and business transformation strategy for FS organisations.

- Exec meetings: n/a – James joined the Exec in FY20

Donna Ward, Chief Financial Officer *

Donna became the CFO of Deloitte UK on 1 June 2015 and on 1 June 2017 she additionally assumed the role of CFO for Deloitte NWE (now Deloitte NSE). Donna was previously the COO of Risk Advisory in the UK and the leader of Finance & Transactions and of the Global Capital Markets Group. She has been with Deloitte since 2001.

- Exec meetings: n/a – Donna joined the Exec in FY20

Nigel Wixcey, Managing Partner Clients & Industries *

Nigel is the Managing Partner for Clients and Industries in the UK and across NSE. He previously led the Consumer and Industrial products practice in the UK with a focus on servicing major consumer goods clients and was a member of the Consulting Leadership Team. Nigel joined Deloitte as a Partner in Bangkok in January 1999 before returning to the UK in 2005.

- Exec meetings: n/a – Nigel joined the Exec in FY20
-



2. Former UK Executive members

The following former UK Executive members were members of the Executive during FY19; their Exec meeting attendance for FY19 is shown below:

David Sproul

- Exec meetings: attended 5/5 during FY19

Vanessa Borchers

- Exec meetings: attended 5/5 during FY19

Emma Codd

- Exec meetings: attended 4/5 during FY19

Andy Gwyther

- Exec meetings: attended 4/5 during FY19

Kirsty Newman *

- Exec meetings: attended 5/5 during FY19

Paul Robinson

- Exec meetings: attended 4/5 during FY19

Steve Ward

- Exec meetings: attended 4/5 during FY19
-



3. Current Deloitte UK Oversight Board

Feergus Mitchell *

Feergus is a Consulting partner whose main market focus is in the areas of pensions, insurance, and advanced analytics. Feergus is responsible for the execution of global strategy and development of multi-disciplinary market propositions as part of the Consulting Leadership Team. He has been with the firm for 23 years.

- UKOB meetings: attended 4/4 during FY19

Steve Williams *

Steve has been with Deloitte UK for 18 years and a partner since 2003. In total he has spent 28 years with Deloitte member firms working in a number of countries, including secondments in Macedonia and Slovenia and, while working for the Southern African firm, in Johannesburg. Steve is currently a member of the Regions Executive and is the Practice Senior Partner for Scotland and Northern Ireland, as well as being a member of the UK Financial Services Industry Executive and the Chair of the NSE Audit & Risk Committee.

- UKOB meetings: attended 4/4 during FY19

Richard Houston, Senior Partner and Chief Executive *

[See Deloitte UK Executive members]

- Richard became a member of the UKOB on 1 June 2019; he was in attendance at one UKOB meeting in FY19

Stephen Griggs, Managing Partner Audit & Risk Advisory *

[See Deloitte UK Executive members]

- UKOB meetings: attended 4/4 during FY19

Jim Coyle, Independent Non-Executive

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. Before joining Lloyds, Jim was Group Chief Accountant at Bank of Scotland. He is currently on the Board of HSBC UK Bank plc, for which he is also the Chair of the Audit Committee. He is also on the Boards of Marks & Spencer Financial Services plc, Honeycomb Investment Trust Plc, Scottish Water Holdings and World First UK Limited. Jim has been a Deloitte INE since January 2019.

- UKOB meetings: attended 2/2 for which he was eligible during FY19
-



Sir Gerry Grimstone, Independent Non-Executive *

Sir Gerry Grimstone is the immediate past-Chairman of Standard Life Aberdeen plc and of Barclays Bank plc. His board experience spans China, India, the USA, and the Gulf. He served as the Chairman of TheCityUK, the representative body for the financial and professional services industry in the UK, and has been an independent non-executive board member of Deloitte LLP since 2011. Within the UK public sector, he is the Lead Non-Executive at the Ministry of Defence. Gerry was previously a senior investment banker at Schroders and ran major businesses in London, New York and Asia Pacific. Prior to that, he was an official at HM Treasury where he was responsible for privatisation and policy towards state-owned enterprises.

- UKOB meetings: attended 4/4 during FY19

Ruth Markland, Independent Non-Executive

Ruth Markland has been an independent non-executive of the board of Deloitte LLP since 2015. She was a partner of Freshfields Bruckhaus Deringer until 2003, and was a non-executive director of Standard Chartered plc until December 2015 and of The Sage Group plc until February 2017. She is the senior independent non-executive director of Quilter PLC and is also a member of the supervisory board of Arcadis NV. Between 2006 and 2012 she chaired the board of trustees of Royal Voluntary Service.

- UKOB meetings: attended 4/4 during FY19
-



4. Former UK Oversight Board members

The following former UKOB members were members of the UKOB during FY19; their meeting attendance for FY19 is shown below:

Nick Owen, Chairman

- UKOB meetings: attended 4/4 during FY19

Sir Michael Peat, Independent Non-Executive

- UKOB meetings: attended 3/3 for which he was eligible during FY19

David Sproul, Senior Partner and Chief Executive

- UKOB meetings: attended 4/4 during FY19
-



Appendix 2: Financial information

Disclosure in accordance with Article 13.2 (k) (i)-(iv) of the EU Audit Regulation

We have extracted the following financial information from Deloitte's unaudited financial statements and financial records for the year ended 31 May 2019. The figures relate to the UK and Gibraltar, in line with the Report's scope and focus.

1. From the unaudited financial information extracted from Deloitte's financial records showing the relative importance of audit work for EU PIEs and non-PIEs⁹ and the levels of non-audit services provided to entities for which Deloitte is – and is not – the auditor:

UK Revenue	FY19		FY18		FY17	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	£m	%	£m	%	£m	%
Statutory audit (PIEs and their subsidiaries)	187	5	126	4		
Statutory audit (non-PIEs and their subsidiaries)	282	8	291	9		
Audit & directly related services	469	14	417	13	418	14
Non-audit services (audited entities)	195	6	186	6	214	7
Non-audit services (non-audited entities)	2,763	81	2,488	80	2,309	79
Total (UK only)	3,427	100	3,091	100¹⁰	2,941	100

9. See definition in Appendix 3

10. Due to roundings



Gibraltar Revenue	FY19		FY18	
	Amount	Percentage	Amount	Percentage
	£m	%	£m	%
Statutory audit (PIEs and their subsidiaries)	0.6	15	0.6	19
Statutory audit (non-PIEs and their subsidiaries)	1.2	29	0.9	26
Audit & directly related services	1.8	45	1.5	45
Non-audit services (audited entities)	0.4	9	0.3	10
Non-audit services (non-audited entities)	1.9	46	1.5	45
Total (Gibraltar only)	4.1	100	3.3	100

2. From the unaudited financial information extracted from Deloitte's financial records showing the operating profit for the reportable segment:

Operating Profit	FY19	FY18	FY17
	£m	£m	£m
Audit and directly related services	92 ¹²	49	55

Revenue and operating profit have been recognised for the reportable period on a basis consistent with the firm's unaudited 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 2019.
- Operating profit for the reportable segment is calculated based on an allocation of direct costs and an allocation of overheads (such as property and IT costs) on a pro rata basis. The basis of allocation is primarily on headcount and revenues as well as an allocation of costs directly attributable to the reported segment based on information in our management accounts. No cost is included for the remuneration of members of Deloitte LLP, including partner annuities.
- Audit profitability improved significantly in the year following a three year reduction as the Audit business responded to the challenge of both mandatory auditor rotation and increased auditor regulation. This included continued investment in our people, audit quality, audit capture and innovation. The improvement this year is due to a combination of these investments delivering a return, some increases in pricing and improvements to the way in which audits are resourced.
- The performance this year is consistent with expectations set out in last year's transparency report. Based on our existing structure, we expect the aforementioned investments to continue to improve profitability in the next 12 months. Any future requirements to ringfence or separate the audit business would impact profitability.

11. Relates to the UK and Gibraltar, although Gibraltar's results are not material



Appendix 3: Public interest entities

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

1. UK

Regulatory context

The list below has been prepared in accordance with Article 13 of the EU Audit Regulation and is in respect of the year ended 31 May 2019. It contains details of the 296 entities¹² that meet all of the following four conditions:

1. The entity is incorporated/established in the United Kingdom
2. Deloitte LLP signed an audit report on the entity's annual financial statements during the year ended 31 May 2019
3. On the date that Deloitte signed that audit report, the entity was an EU PIE
4. The audit carried out by Deloitte was a statutory audit within the meaning of section 1210 of the Companies Act 2006

PIE definition

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

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

Entity name
A.G. Barr PLC
Aberdeen New Thai Investment Trust PLC
Aberforth Smaller Companies Trust PLC
Aberforth Split Level Income Trust PLC
Admiral Group PLC
Admiral Insurance Company Ltd
AIB Group (UK) PLC
Airtel Africa PLC
Al Rayan Bank PLC
Albion No.3 PLC
Aldermore Bank PLC
Aldermore Group PLC
Alfa Financial Software Holdings PLC
Alliance Trust PLC
Alliance Trust Savings Ltd
Alpha Bank London Ltd

Entity name
Anglian Water (Osprey) Financing PLC
Anglian Water Services Financing PLC
Anglo American Capital PLC
Anglo American PLC
Anglo Pacific Group PLC
Arsenal Securities PLC
Ashtead Group PLC
Assura PLC
Assura Properties PLC
Avenell Property PLC
Avon Insurance PLC
Axia Finance PLC
Axia III Finance PLC
BA (GI) Ltd
BAE Systems PLC
Bakethin Finance PLC

12. We have excluded two universities incorporated by Royal Charter (University of Leeds and University of Southampton) as, although they are EU PIEs that we audit (being issuers having debt securities in issue listed on an EEA regulated market), our audit does not constitute a statutory audit within the meaning of section 1210 of the Companies Act 2006.

To note: in the FY18 Transparency Report, we incorrectly included University of Leeds (RC000658). Therefore our FY18 entity list should have totalled 310 (not 311 as reported).



Entity name
Bakkavor Group PLC
Bank Mandiri (Europe) Ltd
Bank of Beirut (UK) Ltd
Baptist Insurance Company PLC (The)
Barratt Developments PLC
BBA Aviation PLC
Berkshire Hathaway International Insurance Ltd
Biffa PLC
BlackRock Income and Growth Investment Trust PLC
BlackRock Life Ltd
Blue Planet Investment Trust PLC
BMO UK High Income Trust PLC
Bodycote PLC
BP PLC
Brass No.4 PLC
Brass No.5 PLC
Brass No.6 PLC
Brewin Dolphin Holdings PLC
British Gas Insurance Ltd
Bruntwood Investments PLC
Cadent Finance PLC
CAF Bank Ltd
Caledonian Environmental Services PLC
Canada Life Ltd
Canary Wharf Finance II PLC
Capital & Regional PLC
Centrica PLC
Channel Link Enterprises Finance PLC
Charity Bank Ltd (The)
Charter Court Financial Services Group PLC
Charter Court Financial Services Ltd
Chesnara PLC
Churchill Insurance Company Ltd
Civil Service Healthcare Society Ltd
CLS Holdings PLC
CNA Insurance Company Ltd

Entity name
Coats Group PLC
Connect Group PLC
ConvaTec Group PLC
Countrywide Assured PLC
Custodian REIT PLC
Darlington Building Society
Deco 11 – UK Conduit 3 PLC
Deco 12 – UK 4 PLC
Deco 8 – UK Conduit 2 PLC
Delamare Cards MTN Issuer PLC
Dialog Semiconductor PLC
Direct Line Insurance Group PLC
Dixons Carphone PLC
Drax Group PLC
DS Smith PLC
Dudley Summit PLC
Dunedin Income Growth Investment Trust PLC
Eastern Power Networks PLC
E-Carat 6 PLC
E-Carat 7 PLC
E-Carat 8 PLC
E-Carat 9 PLC
Ecclesiastical Insurance Office PLC
Ecclesiastical Life Ltd
Electra Private Equity PLC
Electricity North West Ltd
Elementis PLC
ENW Finance PLC
Epihiro PLC
Equinox (Eclipse 2006-1) PLC
Estia Mortgage Finance II PLC
Estia Mortgage Finance PLC
EuroMASTR PLC
Eversholt Funding PLC
FBN Bank (UK) Ltd
Ferrexpo Finance PLC



Entity name
Ferrexpo PLC
Financial & Legal Insurance Co. Ltd
Fintrust Debenture PLC
FirstGroup PLC
Flybe Group Ltd
Foxtons Group PLC
Friary No.2 PLC
Friary No.3 PLC
Friary No.4 PLC
Fundsmith Emerging Equities Trust PLC
Gatehouse Bank PLC
Genus PLC
Ghana International Bank PLC
Glaxosmithkline Capital PLC
GlaxoSmithKline PLC
Go-Ahead Group PLC (The)
Great Portland Estates PLC
Guildford No.1 PLC
Gulf Marine Services PLC
Hampden & Co PLC
Hanstee Holdings PLC
HBL Bank UK Ltd
Health Shield Friendly Society Ltd
Healthcare Support (North Staffs) Finance PLC
Heathrow Finance PLC
Helical PLC
Hercules (Eclipse 2006-4) PLC
High Speed Rail Finance (1) PLC
Hobart Property PLC
Homecare Insurance Ltd
Homeserve PLC
Howden Joinery Group PLC
Ibstock PLC
Inchcape PLC
Independent Order of Odd Fellows Manchester Unity Friendly Society Ltd

Entity name
Informa PLC
Inmarsat PLC
Intermediate Capital Group PLC
International Personal Finance PLC
Irida PLC
ITE Group PLC
John Laing Group PLC
Jordan International Bank PLC
JPMorgan American Investment Trust PLC
Just Eat PLC
Katanalotika PLC
Kelda Finance (No.3) PLC
Kexim Bank (UK) Ltd
KIN AND CARTA PLC
Kingfisher PLC
Kion Mortgage Finance PLC
Kyoei Fire & Marine Insurance Company (U.K.) Ltd
Leeds Building Society
London Power Networks PLC
LondonMetric Property PLC
Lookers PLC
Loughborough Building Society
Man Group Ltd
Management Consulting Group PLC
Manchester & London Investment Trust PLC
Marks and Spencer Group PLC
Marks and Spencer PLC
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 6 PLC
Maven Income and Growth VCT PLC
McCarthy & Stone PLC
McColl's Retail Group PLC
Melrose Industries PLC



Entity name
MGM Advantage Life Ltd
Mitchells & Butlers Finance PLC
Mitchells & Butlers PLC
Monmouthshire Building Society
Morgan Sindall Group PLC
Morgan Stanley & Co. International PLC
Morgan Stanley Bank International Ltd
Moss Bros Group PLC
Mothercare PLC
National Bank of Egypt (UK) Ltd
National Express Group PLC
National Farmers Union Mutual Insurance Society Ltd (The)
National Grid Electricity Transmission PLC
National Grid Gas PLC
National Grid PLC
National House-Building Council
New River Reit PLC
Newbury Building Society
NGG Finance PLC
Non-Standard Finance PLC
Northern Electric Finance PLC
Northern Electric PLC
Northern Gas Networks Finance PLC
Northern Powergrid (Yorkshire) PLC
Northern Powergrid Holdings Co.
Northumbrian Water Finance PLC
Oak No.1 PLC
Ocado Group PLC
Pacific Life Re Ltd
Pangaea Funding 1 PLC
Petropavlovsk PLC
PHP Bond Finance PLC
Pinnacle Insurance PLC
Pisti 2010-1 PLC
Porvair PLC
Praxis I Finance PLC

Entity name
Praxis II Finance PLC
Primary Health Properties PLC
Principality Building Society
Provident Financial PLC
PRS Finance PLC
Punjab National Bank (International) Ltd
PZ Cussons PLC
R.E.A. Holdings PLC
RAC Bond Co PLC
RAC Insurance Ltd
Reach PLC
Rechabite Friendly Society Ltd (The)
Renold PLC
Resloc UK 2007-1 PLC
Robert Walters PLC
Rotork PLC
RPS Group PLC
RSL Finance (No.1) PLC
S & U PLC
Safestore Holdings PLC
Saffron Building Society
Schroder Income Growth Fund PLC
Scottish Friendly Assurance Society Ltd
Scottish Investment Trust PLC (The)
Secure Trust Bank PLC
Securities Trust of Scotland PLC
Severn Trent PLC
Severn Trent Utilities Finance PLC
Sky Group Finance PLC
Sky Ltd
Soco International PLC
South East Water Ltd
South Eastern Power Networks PLC
South Staffordshire Water PLC
Spectris PLC
Speyside Renewable Energy Finance PLC



Entity name
Spirax-Sarco Engineering PLC
SSB No. 1 PLC
Steamship Mutual Underwriting Association Ltd
Sun Life Assurance Company of Canada (U.K.) Ltd
SuperDry PLC
Talktalk Telecom Group PLC
Taylor Wimpey PLC
Teachers' Building Society
Templeton Emerging Markets Investment Trust PLC
Tenecom Ltd
Tesco Corporate Treasury Services PLC
Tesco Personal Finance PLC
Tesco PLC
Tesco Property Finance 1 PLC
Together Asset Backed Securitisation 1 PLC
Tolkien Funding Sukuk No. 1 PLC
Tombac No.2 PLC
Topps Tiles PLC
Torm PLC
TP ICAP PLC
Transfercom Ltd
Tullow Oil PLC
U K Insurance Ltd
UIA (Insurance) Ltd
Ultra Electronics Holdings PLC
Union Bank of India (UK) Ltd
Unite (USAF) II PLC
Unite Group PLC (The)
United Trust Bank Ltd
Uropa Securities PLC
Vanquis Bank Ltd
Vitec Group PLC (The)
Wales & West Utilities Finance PLC
Weatherbys Bank Ltd
Wellcome Trust (The)
Wellcome Trust Finance PLC

Entity name
Western Power Distribution (East Midlands) PLC
Western Power Distribution (South Wales) PLC
Western Power Distribution (South West) PLC
Western Power Distribution (West Midlands) PLC
Western Power Distribution PLC
Western Provident Association Ltd
Whitbread Group PLC
Whitbread PLC
William Hill PLC
WPP Finance 2010
WPP Finance 2010
Yorkshire Building Society
Yorkshire Water Services Finance Ltd

2. Gibraltar

Public Interest Entities for which Deloitte Limited carried out statutory audits during the year ended 31 May 2019:

1. Admiral Insurance (Gibraltar) Limited
2. Bank J. Safra Sarasin (Gibraltar) Ltd
3. Derwent Insurance Limited
4. Douglas Insurance (Gibraltar) Limited
5. Jyske Bank (Gibraltar) Limited
6. London & Colonial Assurance PLC
7. Nelson Insurance Company Limited
8. Petrus Insurance Company Limited
9. PREMIUM Insurance Company Limited
10. Skyfire Insurance Company Limited
11. STM Life Assurance PCC PLC
12. Turicum Private Bank Limited



Appendix 4: Audit quality monitoring

FRC audit quality inspection

The below text reflects the firm's actions in response to the FRC's key individual review findings, following its 2018/19 inspection of the firm, carried out by the Audit Quality Review team, and as reflected in its public report.

Exercise greater professional scepticism in the audit of potential prior year adjustments and related disclosures in the annual report and accounts

We recognise that we need to better evidence consultations. We believe project management and client readiness were both root causes of these issues. In addition, whether or not a company makes a prior year adjustment is an area requiring significant judgement and assessment of quantitative and qualitative factors. The accounting standards are not prescriptive, and are deliberately drafted so that prior year adjustments can only be made if certain criteria are met. We have considered this in developing our actions.

We have created a new consultation document specifically for the evaluation of potential prior year adjustments to focus on capturing the following in more detail:

- Timing of the consultation(s), which may include multiple discussions over an extended period of time
- More detail of who is being consulted and their qualification/ appropriate expertise and experience
- Considering and challenging the completeness of the adjustments identified
- Assessment of the appropriate reporting, to management, the Audit Committee and within our enhanced audit reports, and the level of disclosure provided by management

TechEx 2019 featured a session on regulatory findings, where we covered the new practice aid and the revised consultation templates and key matters for engagement teams to consider.

We also communicated this finding within our January 2019 briefing of EQCR reviewers and April EPU for all audit practitioners. This will encourage increased challenge from EQCR reviewers and a greater awareness of engagement team members of the importance of evidencing more fully work in this area.

Strengthen the extent of challenge of key estimates and assumptions in key areas of judgement, including asset valuations and impairment testing

In January 2019 we issued a practice aid on accounting estimates, developed to focus on evaluating management's own processes and controls and how to challenge and test management's accounting estimates, further informed by the findings identified here. An additional guide was published on the audit of trade debtors' credit loss estimates highlighting common pitfalls and best practices.

A number of the issues identified by the AQR were partly caused by the assumed knowledge and inherent conclusions made during the audit as a result of that knowledge. As previously noted earlier, we have taken a number of actions to highlight this pitfall and further develop our evidence of professional scepticism in audit documentation. Management estimates has a specific section at TechEx 2019.

We used our internal newsletter to focus on real estate and valuations in January 2019. We also issued an update on managements papers (linked to the causal factors on both evidencing professional scepticism and project management and client readiness) and on goodwill impairment.

We issued additional guidance to engagement teams on the use of reasonable ranges in the audit of management estimates, highlighting that auditors' should understand management's own approach, and then whether they are assessing specific assumptions or developing their own point estimate or range in order to audit management's estimate. It will also reiterate the importance of assessment of specialist reporting and any ranges identified within that.

We have pro-actively made enhancements to our approach to pension asset and liability testing during 2018 and agreed those changes in advance with the AQR. These changes were highlighted as good practice by the AQR last year and included changes to our methodology, issuing further guidance on approach and on working with specialists and we have developed a central pensions analytics tool to further support audit procedure consistency. We will embed further methodology changes to address new concerns.



Using specialists remains critical in providing sufficient challenge to management in our auditing of key estimates and assumptions in judgement areas. We regularly brief our specialists within the firm on regulatory inspection findings and internal practice reviews, and will also update on findings from this review cycle.

We held a detailed EQCR review team training in January 2019 to continue to keep areas of regulatory focus at the forefront of challenge of EQCRs. This captured this report and other external and internal practice review findings.

Impairment has been a critical area for us over the last two cycles. We established an impairment centre of excellence in 2016 and require engagement teams to consult with those specialists, with a continued focus on training in this area, and, as noted by the AQR we have seen significant improvement. It is disappointing a limited number of findings still arise and we believe addressing this through additional challenge from consultation with our specialists is appropriate. We have also briefed EQCR partners and PSR reviewers on key regulatory findings which has included these matters on impairment. We have highlighted within our April EPU (essential professional update – our online training video) the same matters and reminded engagement teams of the need to consult.

Improve the consistency of the firm's audit of revenue

Findings related to third parties maintaining revenue systems were both in connection with areas assessed by the auditor as having a low risk of material misstatement. AQR did not disagree with our risk assessment, nevertheless, it felt, and we agree, we could have better evidenced our use of the service auditor reports for these systems. A service auditor report is provided by an auditor, independent of the relevant entity or process, and which is designed to give an opinion on the status of controls over that process. We recognise the importance of service auditor reports in a variety of areas and plan the following actions

- We will hold a focused EPU session on the use of service auditor reports, common pitfalls and key areas to consider.
- TechEx2019 will include specific examples in highlighting these areas.

We have not identified any further thematic causes, and noting a number of these findings related to low risk areas, we have addressed the findings in the following ways:

- In each individual engagement referenced we will take action in the following year's audit to specifically address the findings and better evidence the audit procedures performed.
- We have communicated via an EQCR training session the regulatory findings and the importance of challenging engagement teams with similar circumstances. We have factored

all these findings into our practice review training, and recorded an online video tool for the Audit & Assurance Practice focussing on all recent regulatory findings. TechEx 2019 will feature a session on these findings.

- We have communicated the findings to each industry group within the audit business units, allowing them to consider further focused sessions on both the findings and best practice.
- The next wave of our Deloitte Way Workflows (which are standardised audit work packages to drive consistency in quality audit work), includes revenue. We will review those workflows to consider the relevance of including specific reminders within the template documents relating to areas of regulatory and internal review findings.

Achieve greater consistency in the audit of provisions and liabilities

We are pleased to not have any findings relating to contingent liability disclosures, which had featured previously, and our actions in this area were effective.

The assessment of provisions and liabilities is often an inherent area of judgement. We believe there are two broad causal factors which underlie these findings around both assumed knowledge and evidencing professional scepticism. In addressing the completeness findings, we are focused on ensuring teams actively seek contradictory and independence evidence to challenge management. These causal factors are an underlying theme throughout our TechEx2019 to strive for behavioural change in our audit teams. This is also supported by the overall wellness initiatives within the firm supporting our people, enabling them to perform to their best, including a focus on project management and client readiness.

In relation to matters of non-compliance with laws and regulation ('NOCLAR') we dedicated a large part of our January 2019 EPU to covering this important area which can often result in matters requiring assessment as provisions or liabilities.

In addition, we have taken action in the following year's audit to address each of the findings identified where relevant.

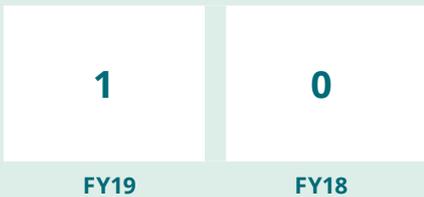
As noted on page 14 (of the report) we have communicated regulatory and internal review findings through EQCR training, practice review training, recorded an online training covering all findings and communicated via our April EPU.



Audit quality indicators

i) Metrics on external investigations related to audit

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



Deloitte commentary

During the year to 31 May 2019, there was one settlement of a matter with the FRC's Conduct Committee in relation to the firm's audit of the 2011 and 2012 financial statements of a subsidiary of Serco Group plc (fine: £4.225m (after discount) and a severe reprimand for the firm and fine £97,500 (after discount) and severe reprimand for the 2011 engagement partner). The investigation in relation to the 2012 engagement partner has yet to be concluded.

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 FY19 total for cases concluded:

1. An investigation in relation to the firm's audit work on **Autonomy Corporation Plc's** 2009-2011 financial reporting which the FRC concluded and in relation to which it served a formal complaint in 2018; a tribunal has been appointed and is due to hear the complaint in late 2019.
2. One ongoing investigation in relation to **Mitie Group plc** which commenced in July 2017 concerning the firm's audit work on Mitie Group's 2015 and 2016 consolidated financial statements.
3. A new investigation which commenced in June 2018 concerning the firm's audit work on **SIG plc's** 2015 and 2016 financial statements.

Number of cases in the last 12 months in which the disciplinary committee of any other regulatory body has found against the firm or one of its members



Deloitte commentary

During the year to 31 May 2019, the firm agreed to pay a regulatory penalty of £2,500 levied by the Audit Registration Committee in connection with the signing of an industry body report by an individual in the firm who was not, at the time, properly appointed as a licensed practitioner.

ii) Metrics on external investigations related to other matters

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



Deloitte commentary

No such cases occurred during the year to 31 May 2019.

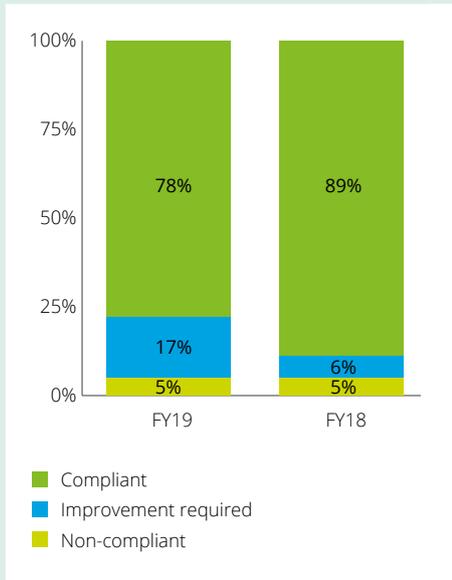


iii) Metrics on audit quality reviews (internal and external)

Results of the firm’s internal audit quality reviews

Number of Audit engagements reviewed

100	101
FY19	FY18



Deloitte commentary

Results of firm’s internal audit quality reviews

Both the current and comparative data include the UK and Gibraltar, but exclude Switzerland. Any comparison of FY19 and FY18 results should bear in mind that we continually seek to refine our approach to internal practice review and to make the reviews more challenging and robust.

Engagement reviews

In FY19, five engagements were rated as non-compliant. We performed causal factor analysis for all engagements and the significant findings which led to quality failings were retrospectively addressed through remediation. The increased robustness of our reviews has led to an increase in the number of files rated as improvement required.

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

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

System of Quality Control review

The FY19 review changed the method by which we monitor the effectiveness of our System of Quality Control. Reviews now focus on identifying best practice over processes, and no longer focus solely on compliance with individual policies. This change has altered the way in which the results are reported, moving to look at the quality of the overall process rather than compliance at an individual policy level.

The process rated as requiring significant improvement was the Engagement Quality Control Review (EQCR) process due to limited monitoring of EQCR hours. Processes rated as needing improvement related to areas associated with leadership, human resources, engagement performance and monitoring. Repeat findings identified were in the archiving, EQCR, leadership, recruitment and delivery centre processes.

An action plan has been put in place to remediate the deficiencies identified of which the implementation will be tested in the forthcoming review cycle.



Annualised % of Responsible Individuals (RIs) subject to firm's internal audit quality reviews:

40%

FY19

41%¹³

FY18

System of Quality Control review

Results	FY19	FY18
Fully implemented	-	324
Partially implemented	-	14
Not implemented	-	3
Process is acceptable / with opportunities for enhancement	44	-
Process needs improvement	15	-
Process requires significant improvement	1	-
Consecutive findings	5	2

13. Reported as 40% in the 2018 Transparency Report due to a rounding error.



Results of AQR reviews on the firm

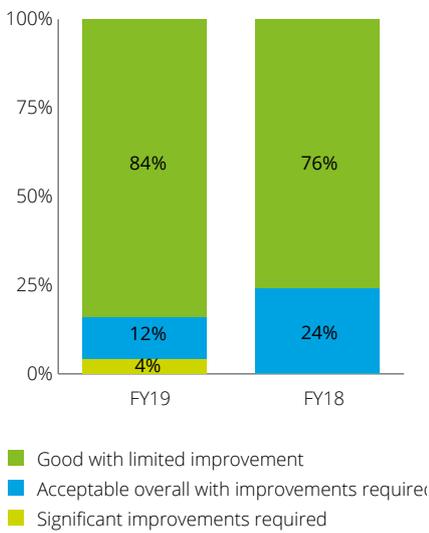
Number of Audit engagements reviewed:

25

2019/18

25

2017/18



Deloitte commentary

Results of inspection by AQR

The results of our most recent AQR inspection are discussed above and the full 2018/19 report of the AQR on Deloitte can be found at: <https://www.frc.org.uk/getattachment/710399f0-8c44-457b-9dd8-affdb7427a7e/Deloitte-LLP-Public-Report-2018-19.pdf>



Results of inspection by the QAD of the ICAEW

Number of Engagements reviewed:

10

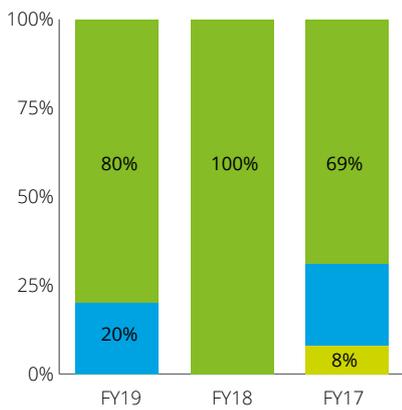
FY19

13

FY18

13

FY17



- Satisfactory or generally acceptable
- Improvements required
- Significant improvements required

Deloitte commentary

The QAD undertakes inspections of UK statutory audits which are outside the scope of the AQR's inspections. The firm receives a private annual report from the QAD documenting its findings.

The overall conclusion in the 2019 report, which covered reviews of statutory audit reports signed in 2018, was that *“overall, the audit work we reviewed was of a good standard. Four files were satisfactory, four were generally acceptable and two files required improvement. No files were in need of significant improvement. This continues a positive trend of results since 2016. Our last visit in 2017 produced a particularly strong set of results, with all files being satisfactory or generally acceptable”*.

There were some areas for improvement identified across the files which related mainly to documentation issues. There were two key findings in the reviews. One file needed improvement as the substantive analytical review was flawed. The second file needed improvement because of weaknesses in a number of key areas including group audit considerations and completion procedures. There was also a finding across four reviews in relation to our methodology of substantive analytical review. We have taken action to address this through the implementation of an additional consultation requirement for engagement teams in circumstances such as those highlighted in the QAD reviews.



Number of Part I references in the latest PCAOB inspection report

1

Latest AQI¹⁴

Deloitte commentary

The most recent inspection report on Deloitte was published by the PCAOB on 30 October 2017 and contained one Part I reference. The full report can be found at <https://pcaobus.org/Inspections/Reports/Documents/104-2018-004-Deloitte.pdf>

(The previous report was issued on 10 November 2014 and contained five Part I references.)

We have evaluated the PCAOB’s comments on the one issuer audit identified in Part I of the 2017 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.

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.

The PCAOB’s next report on our UK audits is due during 2020.

iv) Metrics on partner and staff tenure

Average tenure in years of audit partners

19.3

FY19

19.2

FY18

Deloitte commentary

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

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

Average partner and staff turnover

15.7%

FY19

16%

FY18

Deloitte commentary

This metric measures the annual staff turnover for our Audit & Assurance Practice in the UK, including all grades of staff and partners. Turnover has remained roughly consistent over the last few years.

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.

14. The PCAOB review is undertaken every three years and this metric relates to audit work performed in 2016



v) Investment in training

Number of hours training undertaken per person (partners and qualified staff) in the Audit service line:

82.1

FY19

82.7

FY18

Deloitte commentary

This metric is derived from taking the total hours of learning delivered in structured sessions to Audit professionals and dividing this by the number of Audit professionals in the Audit service line. Audit professionals are deemed to be any individual from qualified assistant manager through to partner inclusive. There is an expected degree of fluctuation year on year, depending on the volume and complexity of regulatory changes that we need to update our people on.

Structured learning includes:

- Summer residential technical training, TechEx, mandatory for all audit professionals
- Mandatory training for personnel accredited to work on SEC audit engagements
- Mandatory firmwide training, for example on respect and inclusion, ethics and data privacy regulations
- Industry related learning for audit personnel including seminars and masterclasses

In addition, all qualified staff are required to view regular technical webinars and this is monitored. These approximately one hour long sessions provide updates on corporate and financial reporting, auditing and regulatory information to audit partners and staff in the UK. Nine webinars (FY18: 9) were made available for professionals during the year.

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

Notes:

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



vi) Investment in research and development on assurance

Deloitte commentary

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

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

With The Deloitte Way (standardised audit work packages to drive consistency in quality audit work), we are bringing innovation into the core of how we audit: with automation that improves routine tasks, analytics that yield a deeper and more insightful view into the data, and artificial intelligence that enhances human discovery and problem-solving. As a result, clients get an experience that is less burdensome, with more transparency and deeper insight.

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



vii) Metrics gathered by staff survey

As discussed previously in the Report, during the year we changed the way we conduct our staff surveys; replacing the biennial all firm engagement survey with a smaller quarterly survey (Your Voice), sent to a representative sample of the firm.

To date, we have insufficient data from Your Voice to enable any meaningful metrics in respect of the questions below, but will aim to report on this in next year's Transparency Report.

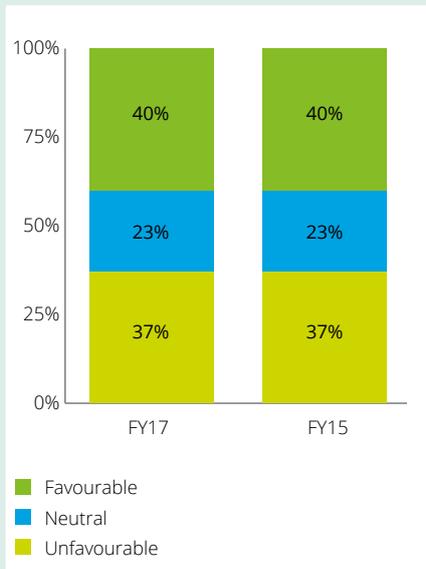
The FY17 results below are taken from our all firm staff survey conducted in autumn 2016.

Staff survey question

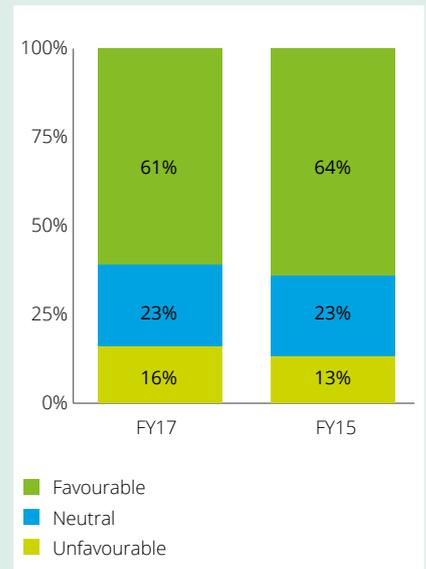
"I am encouraged to perform a high quality audit"



"The time and resources available to me enables the delivery of a high quality audit"



"The training and development I receive enables the delivery of a quality audit"





When leaving the firm, individuals are invited to complete an exit survey. While only representing a small sample of 225 leavers, the results for FY19 were:

Exit survey questions:

<i>“Audit engagement leadership (partners, directors and managers) demonstrated a relentless focus on audit quality in all their actions”</i>	<i>“I received appropriate learning (including on the job learning) to enable me to perform a high quality audit”</i>	<i>“Deloitte provided me with relevant resources and guides to enable me to perform a high quality audit”</i>	<i>“Deloitte promotes a culture of consultation to support its people in delivering a high quality audit”</i>
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Results FY19

56% Favourable	60% Favourable	61% Favourable	62% Favourable
32% Neutral	27% Neutral	29% Neutral	29% Neutral
11% Unfavourable	13% Unfavourable	10% Unfavourable	9% Unfavourable

Deloitte commentary

Earlier in this Report, we noted the actions and initiatives being taken by the firm to support our people in delivering audit quality. Attendees at TechEx 2019 were asked to complete a survey aiming to understand the level of commitment to transformation and change within Audit & Assurance. 82% of respondents responded favourably to the statement “transformation is improving quality” (15% were neutral and 3% responded unfavourably). We will continue to monitor progress by actively listening to what our people are saying, primarily through the Your Voice survey, and by taking any necessary actions to address concerns.

viii) Metrics on investor liaison

Deloitte commentary

As set out in Stephen Griggs’s message at the start of this Report, we held our first audit debate in FY19. As per our Stakeholder Forum events in prior years, this was an opportunity to convene stakeholder guests including investment house and investor body representatives. In the Autumn of 2018, however, we chose to structure it as a debate, with external speakers and an independent chair. This was in response to the level of interest in the audit market, product and the regulation of audit – as well as the broader assurance landscape – and to provide a forum for discussion and exchange. Such was the level of interest and feedback on its value, that we held another similar event at the very start of FY20.

In addition to the above, and the INEs’ own interaction with investors that Jim Coyle sets out in his report, we continue to engage with investors in a variety of ways. In FY19 this included:

- One-to-one discussions with investment houses, proxy advisors and investor bodies
- Deloitte-hosted and facilitated investor roundtables in September 2018 and January 2019
- Engagement through third parties such as the Audit Committee Chair Forum e.g. a roundtable event with an investor body



Appendix 5: Principal risks and mitigations

At 31 May 2019 the enterprise risks which the Executive and the UKOB considered to have the most potential significant impact on Deloitte's ability to realise its strategy, if they materialised, and related key mitigations were:

Priority risks	Mitigations	Risk exposure trend at 31 May 2019
 <p>Audit Quality & Independence Systemic or major failure of audit quality or compliance with audit independence rules</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • inability to prevent significant and/or multiple failures in the delivery of audit quality • failures brought about by component auditors • the unsuccessful deployment and implementation of technology or methodology • risk associated with unsatisfactory regulatory inspections • firm and/or its people fail to comply with audit independence rules 	<ul style="list-style-type: none"> • System of Quality Control assessment of processes and controls to drive audit quality • Individual engagement review to assess compliance with the audit approach manual • Response to audit quality observations raised by the FRC's AQR, the ICAEW's QAD team or the PCAOB, including root cause investigation of each finding, along with improvements to internal quality review procedures • Audit Professional Standards Review (PSR) • Processes to capture significant economic and industry risks which have an impact on audit quality • Audit Centres of Excellence • Firm and personal independence systems and monitoring • Annual certification of compliance with independence policies and procedures • Mitigations below (as applied to evolving services and delivery models) apply equally to audit quality 	 <p>The trend reflects the impact of the firm's continued focus on delivering quality audits. Overall, however, the exposure remains high in recognition of the fact that the firm needs to continue to move ahead of the "quality curve" as the bar continues to be set higher, particularly in the context of the broader debate on the future of audit.</p>
 <p>Client Service Quality Failure to manage the quality of evolving services and client delivery models</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • inability of the firm's quality and risk management policies, procedures, capabilities and infrastructure to keep pace with and so manage the quality of complex, evolving services and client delivery models • inability to innovate technology • inability to deliver alternative talent models (e.g. products and solutions business, managed services and growth platforms) 	<ul style="list-style-type: none"> • Firmwide Quality & Risk community led and staffed by dedicated experts • Established quality policies, processes and procedures on specific regulatory, legal, ethical and professional requirements • Involvement of QRS with innovation incubator programme • Updated Quality & Risk processes, systems and training in response to changing nature of services delivered • Delivery Model programme • Monitoring of delivery centre risk registers and mitigating actions • Practice and portfolio reviews of engagements and clients 	 <p>Good progress has been made with respect to developing quality frameworks for new and emerging advisory services and delivery models, including managed services. However the overall trending remains flat in view of the continued growth in the scale and complexity of the firm's advisory offerings, particularly those that are technology enabled.</p>



Priority risks	Mitigations	Risk exposure trend at 31 May 2019
 <p>Client Portfolio Failure to deliver our desired client portfolio</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • failure to leverage our assets into our client relationships • failure to achieve our vision of being the first port of call for clients when they are faced with major challenges 	<ul style="list-style-type: none"> • The Audit Capture programme to ensure that partners and teams bidding for FTSE100 audits have the time, incentives, support, best practice guidance, training and challenge to win in the market • Actively review 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 • Client portfolio strategy including industries and audit/advisory, supported by industry and account plans • The Lead Client Service Partner (LCSP) programme for non-audit clients focused on key activities needed to deliver change and support to the LCSP role over the short, medium and longer term, with an overall objective of strengthening client relationships and thereby driving incremental growth in our priority accounts • Governance structure through the public policy group to ensure the firm develops a strong, coordinated and consistent voice in the market, including on the impacts of Brexit • LCSP programme to prioritise client relationships • KPIs that are aligned to the strategy and monitored 	 <p>Reduction in risk exposure during the year as a result of achievements including establishing a single Clients & Industries strategy with integrated governance, refreshed and re-balanced client portfolios, strong FTSE 100 market share and a more clearly stratified client base combined with increase in revenue per client.</p>
 <p>Regulatory & Public Interest Failure to manage regulatory and public interest threats</p> <p>Threat narrative</p> <ul style="list-style-type: none"> • failure to mitigate risks arising from changes in policy and the regulatory landscape • risk that the firm acts without appropriate regard to the public interest 	<ul style="list-style-type: none"> • Stakeholder Engagement Programme to deliver the public policy priorities • Process to identify and respond to public policy and regulatory consultations • Channels for identifying regulatory change • 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 Public Interest Oversight Committee • A Public Interest Review Group to assess the public interest risks of potential engagements • A Tax Review Panel to consider the reputational issues associated with complex tax engagements 	 <p>Risk exposure has increased in light of the unprecedented public scrutiny of the profession, the FRC and firms.</p>



Priority risks	Mitigations	Risk exposure trend at 31 May 2019
<p> Talent Failure to deliver the culture and talent strategy</p> <p>Threat narrative</p> <ul style="list-style-type: none"> failure to have a flexible and sustainable talent model that enables us to respond to the changing shape of our business and the market 	<ul style="list-style-type: none"> Responsibility for setting and embedding the firm's culture and ethical standards sits with the firm's Executive; the Managing Partner Audit & Assurance is a member of the Executive The UK Oversight Board specifically oversees public interest, ethics and culture The Ethics Partner is a senior partner from the audit practice Robust HR policies including Equal Opportunities, Respect, Inclusion & Diversity and Agile working 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 Audit talent model transformation programme Embedding new performance management approach with supporting technology 	<p></p> <p>Increased exposure during the year reflecting the need to ensure that the firm's core HR capabilities remain fit-for-purpose and able to fully support the planned growth of the firm and evolving talent models.</p>
<p> Data Security & Privacy Failure to manage data security and privacy</p> <p>Threat narrative</p> <ul style="list-style-type: none"> the risk of a substantial loss, unauthorised access to, or inappropriate use of client or firm data the increased risk of supporting the evolving business models that threaten the firm's compliance with contractual, legal and regulatory requirements 	<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 	<p></p> <p>The risk exposure trend continues to increase, particularly with respect to the continually evolving cyber threat and maintaining a robust and consistent approach to the management and safeguarding of all personal data.</p>



Priority risks	Mitigations	Risk exposure trend at 31 May 2019
<p> IT Infrastructure Failure to ensure the IT infrastructure supports the current and future business models</p> <p>Threat narrative</p> <ul style="list-style-type: none"> failure to ensure that the IT infrastructure supports the firm’s ability to efficiently and effectively and securely deliver services under current and future business models 	<ul style="list-style-type: none"> T strategy objectives and assessment of future technology requirements IT framework in line with the IT Service Management Infrastructure Library (ITIL) and Control Objectives for Information and Related Technology (COBIT) standards An IT Risk Committee comprising key stakeholders from IT, Quality & Risk and Deloitte Business Security which considers IT infrastructure matters New Service Management team and processes Business Resilience and IT Disaster Recovery processes Monthly monitoring of ITS risk register that identifies operational and vulnerability risk Monitoring of SLAs for third party IT providers 	<p></p> <p>The overall trending remains flat as the firm continues to invest in the IT infrastructure required to support and manage the growth of the firm, particularly the increasing role played by technology in client service delivery.</p>
<p> Innovation Failure to innovate our core services, and create adjacent or transformational services, and thus not respond to changing client needs</p> <p>Threat narrative</p> <ul style="list-style-type: none"> people and partners fail to lead and/or respond to disruptive change limited leveraging of ideas from within Deloitte as well as alliances and partnerships outside the firm firm’s operating model does not support innovation both in terms of the nature of services as well as the means by which these services are delivered and priced – with speed and at scale 	<ul style="list-style-type: none"> An innovation strategy focussed on creative pervasive culture of change An embedded innovation strategy focused on refreshing Deloitte’s core products and services as well as developing new business offerings Creation of global Audit & Assurance platforms to deliver innovation An incubation programme to accelerate sustainable businesses that harness disruptive trends and technologies Programme of delivering internal and client deployments focused on disruption and development of business models Executive level oversight and focused leadership driving aligned approach to innovation 	<p></p> <p>Trending remains flat as although the time taken for “concept to market” has improved, continued focus is required in achieving “speed to scale”.</p>
<p> Operating Model Failure to create a resilient operating model and capacity for change within the firm that aligns to Deloitte Global network strategy</p> <p>Threat narrative</p> <ul style="list-style-type: none"> firm fails to evolve and optimise its operating model firm fails to play a leading role in influencing and executing the Deloitte Global Network strategy 	<ul style="list-style-type: none"> The firm’s Chief Operating Officer has overall responsibility for the operating model, reporting directly to the CEO Strategic and operational targets embedded within the business Alignment of Audit operating model to client value Alignment of partner objectives to support strategic and operational goals Strong UK representation and participation in Deloitte Global leadership and governance bodies including Audit 	<p></p> <p>Good progress has been made in evolving and optimising the operating model. However, the overall exposure has increased during the year due to uncertainty associated with external influences, particularly Brexit, and challenging market conditions.</p>



Appendix 6: EU / EEA audit firms

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

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

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

EU/EEA Member State	Name of audit firms carrying out statutory audits in each Member State
Austria	Deloitte Audit Wirtschaftsprüfungs GmbH
	Deloitte Burgenland Wirtschaftsprüfungs GmbH
	Deloitte Niederösterreich Wirtschaftsprüfungs GmbH
	Deloitte Oberösterreich Wirtschaftsprüfungs GmbH
	Deloitte Salzburg Wirtschaftsprüfungs GmbH
	Deloitte Tirol Wirtschaftsprüfungs GmbH
	Deloitte Wirtschaftsprüfung Styria GmbH
Belgium	Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises CVBA / SCRL
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	Deloitte Audit Eesti AS
Finland	Deloitte Oy
France	Deloitte & Associés
	Deloitte Marque & Gendrot
	Deloitte Marque Gendrot
	Audalian Commissaire
	BEAS
	Cisane
	Constantin Associés
	Constantin Entreprises
	Consultants Auditeurs Associés
	DB Consultants
	Durand & Associés
	ECA Audit
	Jacques Serra et Associés



EU/EEA Member State	Name of audit firms carrying out statutory audits in each Member State
	Laurens Michel 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 SA
Hungary	Deloitte Könyvvizsgáló és Tanácsadó Kft.
Iceland	Deloitte ehf.
Ireland	Deloitte Ireland LLP - Republic of Ireland
Italy	Deloitte & Touche S.p.A.
Latvia	Deloitte Audits Latvia SIA
Liechtenstein	Deloitte (Liechtenstein) AG
Lithuania	Deloitte Lietuva, UAB
Luxembourg	Deloitte Audit
Malta	Deloitte Audit Limited
Netherlands	Deloitte Accountants B.V.
Norway	Deloitte AS
Poland	Deloitte Audyт spółka z ograniczoną odpowiedzialnością spółka komandytowa
	Deloitte Audyт spółka z ograniczoną odpowiedzialnością
Portugal	Deloitte & Associados, SROC S.A.
Romania	Deloitte Audit S.R.L.
Slovakia	Deloitte Audit s.r.o.
Slovenia	Deloitte Revizija d.o.o.
Spain	Deloitte, S.L.
Sweden	Deloitte AB
United Kingdom	Deloitte LLP
	Deloitte Limited
	Deloitte NI Limited

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

The total turnover achieved by the audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements: € 2 billion¹⁵

15. Amount represents an estimate 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 endeavoured to collect specific statutory audit turnover for each EU/EEA Deloitte audit firm, in certain cases turnover from other services has been included. The turnover amounts included herein are as of 31 May 2019, except for a limited number of instances where a Deloitte audit firm has a different financial year-end or has not finalised its reporting for such period. In these cases, turnover amounts are for the relevant financial year or preceding financial year. Where currency other than Euros is used in the Member State, the amount in Euros was translated using an average exchange rate in effect for the period 1 June 2018 to 31 May 2019.



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

Audit Firm Governance Code

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

Provision of the Code	How / where Deloitte is addressing the provisions in the Code
A. Leadership	
A.1 Owner accountability principle	
<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>For information on our governance and operation, see Deloitte UK: governance and management and our website</p> <p>See the Report on the work of the UK Oversight Board and Deloitte UK: governance and management as well as our website</p> <p>As above; see also NSE governance and the Report on the work of the INEs</p> <p>See Appendix 1 and Deloitte UK: governance and management and Independent Non-Executives; also our website (re. the Executive Group and the UKOB)</p> <p>As above; refer also to equity partner performance appraisal and profit share details in the Deloitte UK: governance and management</p>
A.2 Management principle	
<p>A firm should have effective management which has responsibility and clear authority for running the firm.</p> <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>	<p>See document about the Executive Group on our website</p>



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



Provision of the Code

How / where Deloitte is addressing the provisions in the Code

C. Independent Non-Executives

C.1 Involvement of Independent Non-Executives principle

See [Independent Non-Executives](#) and the [Report on the work of the INEs](#)

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.

As above; see also [Report on the work of the UKOB](#).

There are three INEs on the UKOB and they also meet privately to discuss matters relevant to their remit.

One of the INEs also sits on the NSE Board and Global INE Advisory Council.

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.

See [Independent Non-Executives](#); [Deloitte UK: governance and management and the terms of reference for the UKOB](#)

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

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:

See the reports on [the work of the INEs](#) and on the [work of the UK Oversight Board](#)

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

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

See the [Report on the work of the INEs](#) and the [Message from Oliver Grundy](#)



Provision of the Code

How / where Deloitte is addressing the provisions in the Code

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.

See Independent Non-Executives and the reports on the work of the INEs and on the work of the UK Oversight Board

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.

See Independent Non-Executives, Jim Coyle's report on the work of the INEs and Steve Williams's report on the work of the UKOB



Provision of the Code	How / where Deloitte is addressing the provisions in the Code
<p>C.3 Rights and responsibilities of Independent Non-Executives principle</p>	
<p>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.</p>	<p>See Independent Non-Executives</p>
<p>C.3.1 Each Independent Non-Executive should have a contract for services setting out their rights and duties.</p>	<p>Each INE has an appropriate contract</p>
<p>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.</p>	<p>None of the INEs have been in role for longer than nine years</p>
<p>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:</p>	<p>See Independent Non-Executives and the Report on the work of the INEs</p>
<ul style="list-style-type: none"> • Promoting audit quality. • Helping the firm secure its reputation more broadly, including in its non-audit businesses. • Reducing the risk of firm failure. 	
<p>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.</p>	<p>See Independent Non-Executives</p>
<p>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.</p>	<p>See Independent Non-Executives</p>
<p>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.</p>	<p>See Independent Non-Executives (this Report is available on our website)</p>



Provision of the Code	How / where Deloitte is addressing the provisions in the Code
D. Operations	
D.1 Compliance principle	
<p>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.</p>	<p>See Delivering quality audits and Report on the work of the INEs</p>
<p>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.</p>	<p>See Delivering quality audits; External and internal audit quality monitoring and Independence</p>
<p>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.</p>	<p>See Delivering quality audits</p>
<p>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.</p>	<p>See Independence (and Independent Non-Executives regarding their independence)</p>
<p>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.</p>	<p>See Delivering quality audits; External and internal audit quality monitoring and Appendix 4</p>
D.2 Risk management principle	
<p>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.</p>	<p>See Report on the work of the UKOB</p>
<p>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.</p>	<p>See Report on the work of the UKOB and Report on the work of the INEs</p>
<p>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.</p>	<p>See Report on the work of the UKOB</p>
<p>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.</p>	<p>See Managing risk and Appendix 5</p>



Provision of the Code

How / where Deloitte is addressing the provisions in the Code

D.3 People management principle

A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code.

See [Delivering quality audits and Deloitte UK: governance and management](#)

D.3.1 The firm should disclose on its website how it supports its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code through recruitment, development activities, objective setting, performance evaluation, remuneration, progression, other forms of recognition, representation and involvement.

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

D.3.2 Independent Non-Executives should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, to ensure that the public interest is protected.

See the reports on the work of the INEs and on the work of the UK Oversight Board

D.4 Whistleblowing principle

A firm should establish and apply confidential whistleblowing policies and procedures across the firm which enable people to report, without fear, concerns about the firm's commitment to quality work and professional judgement and values in a way that properly takes the public interest into consideration.

See the [Message from Oliver Grundy and the Whistleblowing policy](#) on our website

D.4.1 The firm should report to Independent Non-Executives on issues raised under its whistleblowing policies and procedures and disclose those policies and procedures on its website. The independent non-executives should be satisfied that there is an effective whistleblowing process in place.

See [Delivering quality audits – culture sub-section](#), the report on the work of the INEs and the [Report on the work of the UK Oversight Board](#)

E. Reporting

E.1 Internal reporting principle

The management of a firm should ensure that members of its governance structures, including owners and Independent Non-Executives, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.

See our [governance KPIs](#). Our key governance bodies received timely and relevant information to enable them to discharge their duties



Provision of the Code	How / where Deloitte is addressing the provisions in the Code
<p>E.2 Governance reporting principle</p> <p>A firm should publicly report how it has applied each of the principles of the Audit Firm Governance Code and make a statement on its compliance with the Code's provisions or give a considered explanation for any non-compliance.</p>	Please refer to this Report and reconciliation to the Code
<p>E.2.1 The firm should publish an annual transparency report containing the disclosures required by Code Provisions A.1.2, A.1.3, B.1.2, C.2.1, D.1.3, D.2.2 and E.3.1.</p>	This Transparency Report is housed on our website
<p>E.2.2 In its transparency report the firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure.</p>	See the section on our UK governance review for details of our plans to enhance our governance arrangements
<p>E.3 Transparency principle</p> <p>A firm should publish on an annual basis in its transparency report a commentary on the firm's performance, position and prospects.</p>	See Appendix 2
<p>E.3.1 The firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The firm should describe those risks and explain how they are being managed or mitigated.</p>	See Managing risk and Appendix 5
<p>E.3.2 The transparency report should be fair, balanced and understandable in its entirety.</p>	The Report is produced with extensive subject matter expert input, is coordinated centrally and is subject to review and approval by the UKOB
<p>E.4 Reporting quality principle</p> <p>A firm should establish formal and transparent arrangements for monitoring the quality of external reporting and for maintaining an appropriate relationship with the firm's auditors.</p>	See Report on the work of the UK Oversight Board
<p>E.4.1 The firm should establish an audit committee and disclose on its website information on the committee's membership and terms of reference which should deal clearly with its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors. On an annual basis, the audit committee should publish a description of its work and how it has discharged its duties.</p>	See report on the work of the UK Oversight Board and our website regarding the UKOB



Provision of the Code	How / where Deloitte is addressing the provisions in the Code
<p>E.5 Financial statements principle</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Deloitte LLP prepares annual audited financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and UK laws and regulations.</p> <p>Our Financial Statements are available at Companies House</p> <p>As above</p> <p>As above</p>
F. Dialogue	
<p>F.1 Firm dialogue principle</p> <p>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.</p> <p>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.</p>	<p>See report on the work of the INEs and Appendix 4 (AQI regarding investor liaison)</p> <p>As above. See also our Public policy webpage and the Message from Stephen Griggs. This Report also references our dedicated mailbox for matters relating to / feedback on the Report, as well as the dedicated email address for the INEs.</p>
F.2 Shareholder dialogue principle	
<p>Shareholders should have dialogue with audit firms to enhance mutual communication and understanding.</p>	<p>As above</p>
F.3 Informed voting principle	
<p>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.</p>	<p>We consider that this principle is directed at shareholders hence not applicable for our firm.</p>



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;	Deloitte UK: legal structure and ownership Deloitte Gibraltar: Legal structure, ownership and governance
(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;	i. Deloitte network
ii. the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;	ii. Appendix 6
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;	iii. Appendix 6
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;	iv. Appendix 6
(c) a description of the governance structure of the audit firm;	Deloitte UK: governance and management Deloitte Gibraltar: Legal structure, ownership and governance
(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;	Risk management and internal control
(e) an indication of when the last quality assurance review referred to in Article 26 was carried out;	External and internal audit quality monitoring
(f) a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year;	Appendix 3
(g) a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted;	Independence
(h) a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 ¹⁶ of Directive 2006/43/EC;	Delivering quality audits – people sub-section
(i) information concerning the basis for the partners' remuneration in audit firms;	Delivering quality audits – people sub-section

16. "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]



Provision of Article 13.2	Reference to where in this report Deloitte LLP addresses the provisions in Article 13.2
(j) a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7) ¹⁷ ;	Delivering quality audits – people sub-section
(k) where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories:	Appendix 2
<ul style="list-style-type: none"> 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. 	

17. 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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