

Annex 6

The Audit Transformation Programme

In this Annex we describe in more detail the component parts of the Audit Transformation Programme, as referred to in paragraphs 3.39 and 4.24 - 4.28 of the submission.

Introduction

- 1 The Audit Transformation Programme (ATP) is a major global initiative which seeks to differentiate the PwC audit service across the world. It has five main objectives:
 - (a) to deliver consistently high quality audits;
 - (b) to increase productivity and reduce costs;
 - (c) to enable a more rewarding experience for our people;
 - (d) to enable distinctive service to clients; and
 - (e) to facilitate organisational learning.
- 2 As set out in [REDACTED],¹ there are three essential elements of the ATP: (a) audit tools and methodologies; (b) delivery models; and (c) behaviours. These elements are described in more detail below and enable us to respond to the challenges of increasing complexity of business models and reporting, combined with tight reporting deadlines, without compromising the quality of the service we provide.

Audit tools and methodologies

The Aura project

- 3 Aura, commissioned in April 2008, is a highly tailored audit support tool using bespoke IT software which aims to provide improved application of a single, global, consistent audit approach and methodology across the PwC network. Aura replaced the network's previous front-line software, MyClient, which functioned largely as an electronic filing cabinet. Aura was designed to materially improve on this outdated system, responding to the investments in IT made by our major competitors by using software that standardises various processes and assists the audit team members to track the progress of the engagement to ensure that all work has been completed to a consistently high standard.
- 4 [REDACTED]:
 - (a) [REDACTED]
 - (b) [REDACTED]

¹ See Exhibit 67: [REDACTED].

- (c) [REDACTED]
 - (d) [REDACTED]
 - (e) [REDACTED]
- 5 Introducing Aura across the PwC network has been a major logistical and financial undertaking:²
- (a) [REDACTED]
 - (b) Total global development costs of the Aura project are estimated to be US\$400 million. Of this amount, the contribution from PwC UK is approximately [REDACTED]. The PwC network has estimated that in-territory implementation costs across the PwC network of firms are a further US\$400 million.
- 6 Although the assessment of the quantitative benefits of Aura is still in its early stages, some PwC network firms have been able to identify these outcomes. [REDACTED].
- 7 [REDACTED]

Audit methodology

- 8 Value without Compromise (described further below) identified a number of opportunities to improve and enhance our audit methodology to improve audit quality without sacrificing efficiency.
- 9 The background to these developments was:
- (a) [REDACTED]
 - (b) [REDACTED]
 - (c) [REDACTED]
 - (d) [REDACTED]
 - (e) [REDACTED].
- 10 As part of our Audit Transformation programme we are researching areas designed to address these issues, focussing on improving our audit quality, whilst maintaining or improving efficiency by simplifying, standardising or otherwise improving our audit methodology. Aspects of this programme were implemented in December 2011.

Delivery models: Global Assurance Delivery Model (GADM)

- 11 GADM was introduced across the PwC network in 2009 as a sourcing model designed to reallocate certain administrative and common audit procedures to overseas Assurance Service

² See Exhibit 67: [REDACTED].

Delivery Centres (SDCs) in Kolkata, India and Katowice, Poland. GADM arose from experiences of certain individual territories in recent years that some audit work could be done remotely.

- 12 [REDACTED]. This work does not require auditor judgement and by allocating it to a centralised location it enables enhanced quality through standardisation; improved efficiency and speed through scale; greater flexibility in delivery; and a controlled cost of delivery.
- 13 As highlighted in [REDACTED],³ the benefits of GADM for the Assurance practice across the network are as follows:
- (a) It is an opportunity to increase our market share growth, competitiveness and innovation by improving our ability to win new audits.
 - (b) It helps us deliver our audits in a uniform and efficient way that better responds to client demands.
 - (c) It has lower delivery costs, greater efficiency and, deployed appropriately, motivates our people.
 - (d) It has the ability to release resources at the appropriate grades to drive revenue growth.
- 14 [REDACTED]⁴

Behaviour: The PwC Experience and Value without Compromise (VwC)

- 15 To achieve the network's aim of providing a level of service that not only meets the needs of clients but also their aspirations, changes to certain working practices are being made.

The PwC Experience

- 16 "The PwC Experience" is a PwC network initiative which defines the way we treat our people and work with our clients. It is a comprehensive framework that brings the PwC brand and the values which underpin it to life and drives our people's behaviour. The objective is to differentiate ourselves by delivering the PwC Experience globally to all of our clients and people all of the time as part of a distinctive offering.⁵

³ See Exhibit 147: [REDACTED].

⁴ See Exhibit 147: [REDACTED].

⁵ See Exhibit 148: As set out in [REDACTED], PwC UK in 2010:

- was voted Sunday Times 4th Best Big Company To Work For - 1st: Nandos / 2nd: Goldman Sachs / 3rd: Synter Group / 4th: PwC (up from 7th previously and with KPMG as 10th / Deloitte as 15th / E&Y did not enter);
- was named Top Graduate Employer – 7th year running;
- was named in the Top 50 'Where Women Want To Work' (no rankings given); and
- maintained more secondment opportunities than any other network member with 137 in (vs target of 112) / 66 out (vs 44).

Value without Compromise

- 17 In late 2009 we launched an initiative called Value without Compromise (VwC)⁶, which is comprised of a series of new concepts and tools designed to create an audit product clearly distinctive and superior to that offered by the other largest audit firms.
- 18 We recognised that there is a clear need for us to codify, communicate and build on what our best audit teams do and why it protects and adds value. There are five core concepts which define VwC:
- (a) [REDACTED].
 - (b) [REDACTED].
 - (c) [REDACTED].
 - (d) [REDACTED].
 - (e) [REDACTED].

⁶ [REDACTED].