



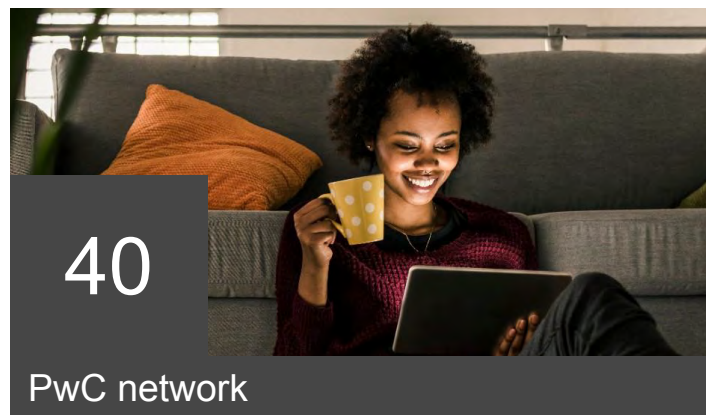
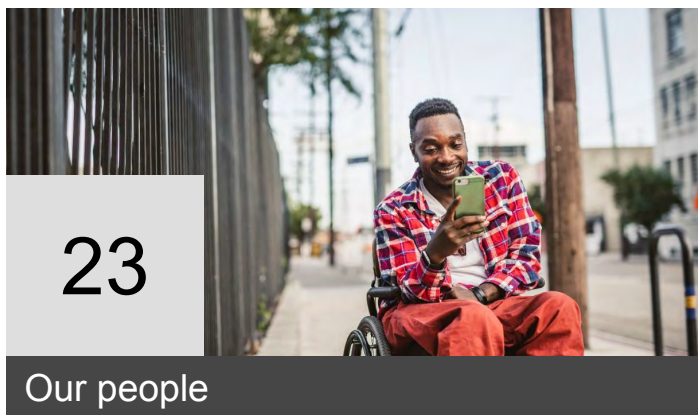
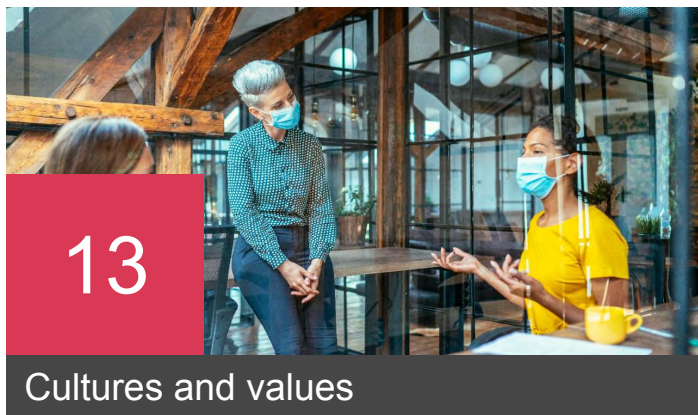
PwC Canada

# Transparency report 2021

October 2021



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# Message from leadership

## Welcome to our 2021 Transparency report

At PwC, our purpose is to build trust in society and solve important problems. This serves as our guiding principle to align the focus of our people and direct the decisions we make and actions we take. One of the ways we build trust is by being transparent. We are committed to drive a strong culture of quality and excellence that is core to our purpose.

As auditors, we're also acutely aware of another trust driver: the quality of our external audits. Quality goes straight to the heart of our purpose; it's a top priority and a baseline expectation from our stakeholders. This report describes our policies, systems and processes for ensuring quality, the results of key quality monitoring programs and reviews, and the way we foster a culture of quality at every level of the firm.

Our *Transparency Report 2021* details our quality metrics and the practices and processes in place to drive audit quality, as well as the culture that supports it. This includes our values and tone at the top and how we're bringing diverse people and perspectives together to achieve the best outcomes.

These conversations have never been more important. Across the globe, regulators, auditors and businesses are coming together to discuss how the audit needs to change to meet society's evolving expectations. We know there are no easy answers but we're committed to changes that ensure audits remain relevant and valuable. These efforts are aligned to The New Equation, our global strategy focused on building trust and delivering sustained outcomes.

Meanwhile, the pandemic has tested every organization, including our own. Throughout the pandemic, we have been able to live our purpose and be an agent of stability in an otherwise chaotic world. Our people's wellbeing was and continues to be a top priority, but we're proud of the resilience they've shown. While the pandemic presents some unprecedented challenges, we have been able to provide our stakeholders with a continued level of quality that they've come to expect. We are continuing to focus on our people as they are one of our most important assets.

While PwC is a multidisciplinary firm, this report is primarily focused on our audit practice and related services. The audit profession continues to be under significant public scrutiny and challenge. We understand the concerns and we support and are committed to changes that will improve audit quality.



In June 2021, we unveiled The New Equation, PwC's landmark global strategy which responds to fundamental changes in the world, including technological disruption, climate change, fractured geopolitics and the continuing effects of the COVID-19 pandemic. The New Equation is based on analysis of global trends and thousands of conversations with clients and stakeholders. It builds on more than a decade of sustained revenue growth and continued investment. The New Equation focuses on two interconnected needs that clients face in the coming years. The first is to build trust, which has never been more important, nor more difficult. The second is to deliver sustained outcomes in an environment where competition and the risk of disruption are more intense than ever and societal expectations have never been greater. For more information on The New Equation, please see [www.pwc.com/ca/en/the-new-equation](http://www.pwc.com/ca/en/the-new-equation).

Our new strategy builds on our ongoing commitment to quality.

Our people are key to performing high quality audits and we draw upon a wide range of specialist skills across our multidisciplinary practice. That's why we maintain a constant emphasis on our purpose and values that address integrity and independence. The COVID-19 pandemic has changed our people's experience and it's time to reimagine the future of work at PwC. We continue to invest in our people by providing ongoing professional and personal development, with in-depth training.

We have taken steps to align our business to support this focus on audit quality. We continuously invest in innovation and new technology to support our services across the firm, to meet the changing audit challenges in a digital age and to enhance the quality of our audit services.

Taken together, these measures represent a significant transformation of our audit business and support our focus on audit quality and our public interest responsibilities.

## Broadening the definition of audit quality

We welcome the public conversations that arise as a result of transparency about audit quality. We believe there are many factors that contribute to a quality audit and to get a balanced picture of audit quality in Canada, stakeholders need to see a range of measures. The measures not only put PwC's audit inspection results on the public record but also disclose how we're performing against other key measures of audit quality including our internal inspection findings, accounting error and restatement rates and adjustments to financial statements. We continue to be very proud of our internal and external inspection results (ECR, PCAOB and CPAB). We are also increasing transparency around our people and processes as how we execute our work is as important as the end result. A selection of measures is included in this report.

We're aware that by committing to this additional level of transparency, there may be times in the future when the way we deliver or the results we publish don't meet our high expectations, let alone the public's.

In this report you will also read about:

- **Our approach to environmental, social and governance (ESG).** At PwC Canada, we understand the importance of having a deep commitment to sustainable and responsible business practices. By investing our time, capabilities and resources to make a sustainable impact through our operations, supply chain and the services we offer to our clients, each of us is part of the solution to the challenges around us.
- **Our ongoing commitment to inclusion and diversity.** Inclusion, diversity and equity are a core part of our brand values and our people experience. Our strategy is focused on creating a culture of belonging where everyone can bring their authentic selves to work. Recognition of the unique perspectives our people bring strengthens our firm and positively impacts our quality and communities.

- **Our focus on living our values and maintaining independence.** Acting with integrity and maintaining independence are the foundation for building trust. We have made it clear—no client, no fee and no opportunity is worth compromising our values. We provide our people with the support and tools they need to maintain independence and to uphold our values.
- **Our innovative, risk-based audit approach.** Our combination of people and technology continues to make a difference for our clients and the capital markets. Driven by a quality-first, purpose-always mindset, our people execute an audit approach that focuses on simplification, standardization, specialization and automation.

## Continuing the discussion on audit quality

Our audit business is fundamental to our strategy and brand. We continue to invest in continuous improvement in audit quality through new systems and technology, risk processes and learning and development for our people. We're proud of the work we do and the role we're playing in encouraging discussion about audit quality in Canada. We welcome the opportunity to keep the conversation going through our *Transparency Report 2021* and other transparency initiatives.

Thank you for your engagement and interest in our quality journey.



**Nicolas Marcoux**  
Chief Executive Officer,  
PwC Canada



**Michael Paterson**  
National Assurance Leader  
and Asia Pacific Americas  
Assurance Leader,  
PwC Canada



**Paul Fitzsimon**  
Chief Assurance, Risk, Quality  
and Regulatory Officer  
PwC Canada

# Year in review

## 2020 PCAOB inspection report\*

0

Audits anticipated in Part 1.A

7

Number of audit quality reviews performed by the PCAOB

*\*Due to regulatory restrictions, results of CPAB inspections are not publicly available*

## Restatements

3

Number of annual financial statement restatements due to material errors (*involving smaller capitalization PIE audits*)

0.62%

Percentage of restatements of annual financial statements for issuer audit clients

## Real time assurance

Files reviewed, with over 2,800 hours (FY20 - 1,800) spent by our review team:

79

FY21\*

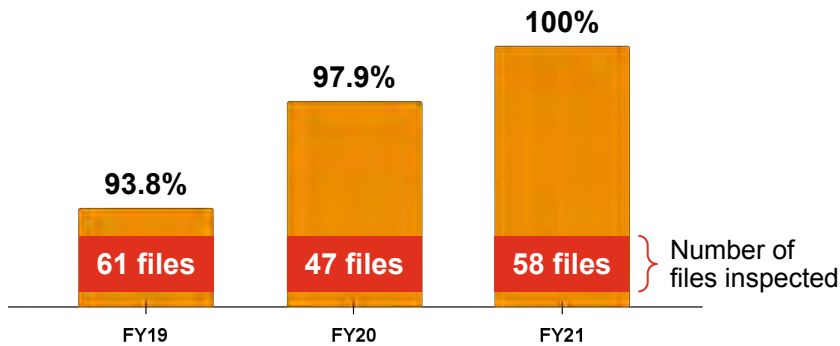
74

FY20

\*115 targeted reviews (over 400 hours) also performed in the context of the pandemic

## Audit quality reviews

### Internal inspections with no significant findings



## Our system of quality management



14,000

Hours spent on monitoring

## Training



100%

Of partners and staff have completed all mandatory training attendance in FY21

### Assurance Training FY21

Number of training courses offered

331

E-learns

75

Classroom and Webinar

406

Total

Average hours completed per learner: 64

Total hours completed: 151,148

### Auditing and Accounting Training FY21

Averaged assurance training hours by level

34

Partner

66

Staff

### Assurance Training FY20

Number of training courses offered

124

E-learns

74

Classroom and Webinar

198

Total

Average hours completed per learner: 39

Total hours completed: 68,502

### Auditing and Accounting Training FY20

Averaged assurance training hours by level

22

Partner

40

Staff

Please see the full report for additional information regarding the data points shown.

# Year in review

## Number of overtime hours by level

|               |            |                        |                      |            |
|---------------|------------|------------------------|----------------------|------------|
| <b>FY21:</b>  | <b>423</b> | <b>325</b>             | <b>194</b>           | <b>175</b> |
|               | Partners   | Directors/<br>Managers | Senior<br>Associates | Associates |
| <b>FY20:*</b> | <b>431</b> | <b>304</b>             | <b>181</b>           | <b>154</b> |
|               | Partners   | Directors/<br>Managers | Senior<br>Associates | Associates |

Average annual hours worked in excess of 40 hours per week by level for audit professionals

\*Comparative figures have been updated to conform to the current year's calculation

## Experience of our partners



# 18 years

Average years of experience at PwC of our audit partners for both FY21 and FY20

## Technical support

**FY21:** 1 to 10

**FY20:** 1 to 11

Ratio of partners serving in technical support roles to the total number of audit partners\*

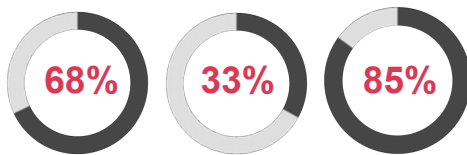
\*Ratio calculated based on information as at July 1

## Leveraged ratio of audit-related hours for audit professionals\*\*

|                        |    |                        | FY21 |    |      | FY20 |    |      | FY19 |    |      |
|------------------------|----|------------------------|------|----|------|------|----|------|------|----|------|
| Partners               | to | Directors/<br>Managers | 1    | to | 3.1  | 1    | to | 3.5  | 1    | to | 2.6  |
| Directors/<br>Managers | to | Staff                  | 1    | to | 3.8  | 1    | to | 4.0  | 1    | to | 4.8  |
| Partners               | to | Staff                  | 1    | to | 11.8 | 1    | to | 13.9 | 1    | to | 12.3 |

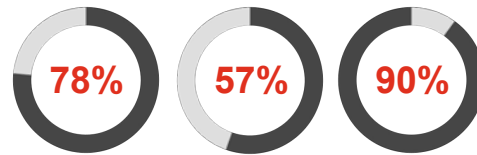
## Average retention rate of audit professionals per level

**FY21:**



Directors/  
Managers      Senior  
Associates      Associates

**FY20:**



Directors/  
Managers      Senior  
Associates      Associates

## Staff workload

**FY21:** 104%

**FY20:** 102%

**FY19:** 103%

Actual to planned utilization of staff

## Number of audit professionals per level as at June 30\*\*

|                           | FY21        | FY20        | FY19        |
|---------------------------|-------------|-------------|-------------|
| <b>Partners</b>           | 174         | 185         | 183         |
| <b>Directors/Managers</b> | 376         | 388         | 366         |
| <b>Senior Associates</b>  | 570         | 607         | 574         |
| <b>Associates</b>         | 672         | 726         | 756         |
| <b>Total</b>              | <b>1792</b> | <b>1906</b> | <b>1879</b> |

## Use of Acceleration Centres

**FY21:** 19%

**FY20:** 13%



Percentage of audit hours performed by Acceleration Centres

\*\*Excluding staff in Acceleration Centres

Please see the full report for additional information regarding the data points shown.

## Our quality improvement programs

At PwC, we are invested in continuously improving our audit quality through the design and operation of an effective system of quality management. Further, as part of PwC's new global strategy, The New Equation, PwC will continue to invest to further enhance quality. This includes a focus on the following key areas:

- Continuing to strengthen our quality culture to support our partners and teams displaying behaviours consistent with driving audit quality;
- Integration of the use of assurance quality indicators to aim to **predict** quality, real time assurance to aim to **prevent** quality issues, root cause analysis to **learn** from quality issues and a recognition and accountability framework to **reinforce** quality behaviours, cultures, and actions;
- Increasing our focus on ongoing and real time quality monitoring including through the use of real time assurance and assurance quality indicators; and
- Developing an implementation plan that addresses explicit requirements resulting from the recently approved IAASB quality management standards. However, it is not expected that the changes related to International Standard on Quality Management (ISQM) 1 will have a significant impact on our system of quality management (SoQM).

In addition, we continue to work with our stakeholders to have:

- enhanced transparency of information about our business; and
- real time engagement around the changes we're seeing in the world and their impact on audit quality and compliance, like technology disruption, climate change, geopolitics—changes that have been magnified and accelerated by the COVID-19 pandemic.

“At PwC, we expect and deliver the highest quality outcomes and we speak up for what’s right, even in difficult situations.”

Nicolas Marcoux, Chief Executive Officer, PwC Canada







## Our approach to quality



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# Our approach to delivering quality services across all our operations and network

The quality of our work is at the heart of our organization and we invest significant and increasing resources in its continuous enhancement across all of our businesses. This investment is targeted into many different areas, including training (technical, ethical and behavioural), methodologies, adding resources in key areas and exploring new ways of delivering our work. Each investment reflects a common determination to understand the factors that drive quality and identify opportunities for enhancement.

We are also investing heavily in new technology to drive continuous improvement in the capabilities and effectiveness of all of our services.

We are proud to have been the first of the global professional services networks to have published its internal audit quality inspection results. It is very important that we are transparent about both the efforts that we are making to enhance quality and also the results and the impact that these efforts are having. The publication of this data by our network over the last few years, along with public discourse on the subject of the audit, has quite rightly put an increasing focus on the issue of audit quality, which we discuss in detail in this report.

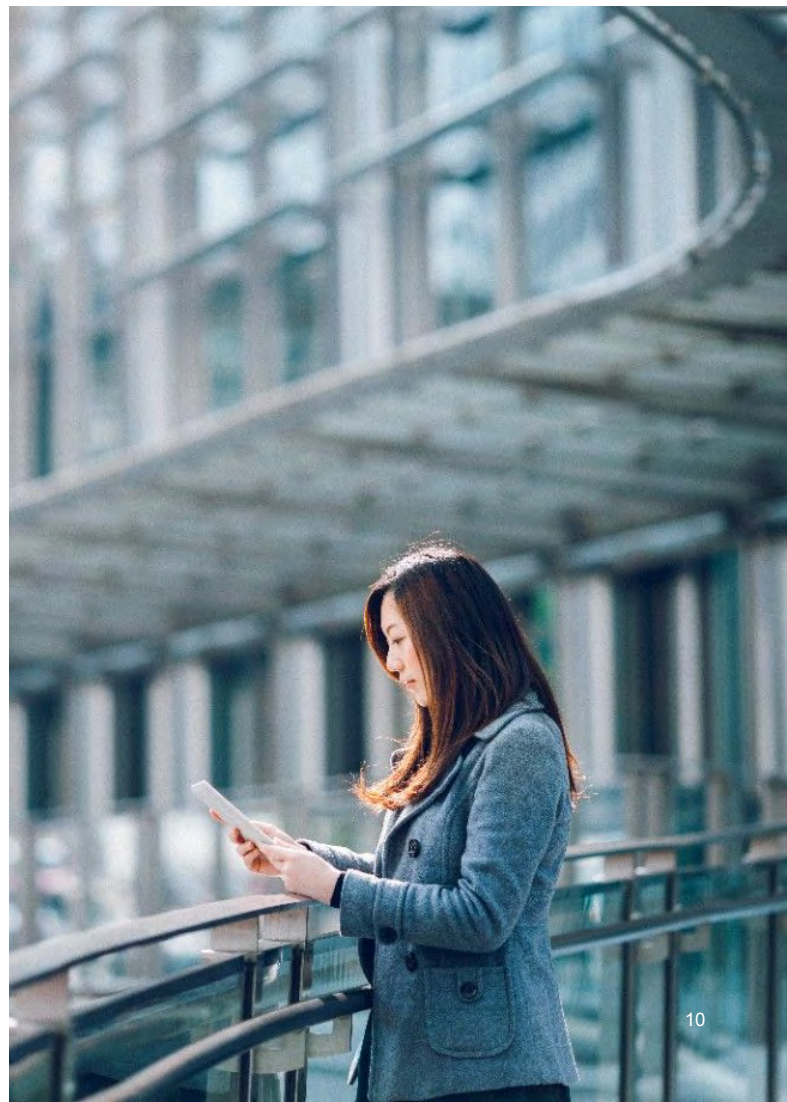
## Definition and culture

At PwC, we define quality service as one that consistently meets the expectations of our stakeholders and that complies with all applicable standards and policies. An important part of delivering against this quality definition is building a culture across a network of firms in 156 countries with more than 295,000 people that emphasizes that quality is the responsibility of everyone. Continuing to enhance this culture of quality is a significant area of focus for our global and local leadership teams and one which plays a key part in the measurement of their performance.

## Measurement and transparency

For all our businesses, each PwC firm—as part of the agreement by which they are members of the PwC network—is required to have in place a comprehensive SoQM; to annually complete a SoQM performance assessment; and to communicate the results of these assessments to global leadership. These results are then discussed in detail with the leadership of each local firm and if they are not at the level expected, a remediation plan is agreed to with local leadership taking personal responsibility for its successful implementation.

As our services change and develop, and the needs and expectations of our stakeholders also change, we are continually reviewing and updating the scale, scope and operations of our system of quality management and investing in programs to enhance the quality of the services that we provide.



# Specific focus on audit quality

## Specific focus on audit quality

Delivering quality audits is core to our purpose. To that end, we are committed to providing a quality audit. However, where our work falls below the standards that we set for ourselves and are set by the regulators, we are disappointed and also rightly criticized. We take each of these instances very seriously and work hard to learn lessons and to enhance the quality of audits that we undertake in the future.

## The right objectives and capabilities

To help us put this strategy into effect, the PwC network has established clear objectives around audit quality and provides support to help us meet these objectives. Our engagement teams can only deliver quality audit services if they have access to the necessary capabilities—both in terms of people and technology. That’s why our quality objectives focus on having the right capabilities—both at a member firm level and across our network—and on using these capabilities to meet our own standards and the professional requirements. These capabilities can only be developed under the right leadership and quality culture, promoting the right values and behaviours.

## Integrated and aligned in the right way

The quality objectives focus on having the right people supported by effective methodologies, processes and technology appropriately directed and supervised. These represent the capabilities that we believe are relevant to achieving and sustaining audit quality. To help us achieve these objectives, there are a number of dedicated functions at a network level that develop practical tools, guidance and systems to support and monitor audit quality across our network. These elements have been integrated and aligned by our network to create a comprehensive, holistic and interconnected quality management framework that we tailor to reflect our individual circumstances.

## Delivering a quality end-product consistently

Central to the framework is the recognition that quality management is not a separate concept; it needs to be embedded in everything we do as individuals, teams, firms and the network. The quality objectives are supported by designated key activities that are considered necessary to achieve the quality objectives, focused mainly on building a quality infrastructure and organization. We supplement and design those key activities as appropriate to respond to risks we have identified to achieving each quality objective.

## Values and judgments

Performing quality audits requires more than just the right processes. At its core, an auditor’s role is to assess with a “reasonable” degree of assurance whether the financial statements prepared by the company’s management are free of “material misstatements”—reaching a professional judgment on whether the financial statements present a fair picture of the company’s financial performance and position. To carry out this assessment effectively, the auditor needs to use all the capabilities that have been built up in line with our quality objectives. These include applying ethical behaviour in accordance with PwC’s values, professional skepticism, specialist skills and judgment—all supported by technology.

# Delivering audit quality during the COVID-19 pandemic

## Our response to COVID-19

The global COVID-19 pandemic has had an unprecedented impact on our clients and our people over the last year and a half, as well as global and local economies and broader society.

At PwC, in addition to continuing to safeguard the health, safety and well-being of our people, we have remained focused on working together as a network, with our clients and other stakeholders, to continue to deliver audit quality.

## Sharing developments and experience

From the early stages of the pandemic, the PwC network put a team in place to monitor developments globally and to highlight areas of critical importance to ensure we did not compromise on audit quality. We have leveraged the guidance developed by our network to provide consistent leadership and guidance on audit quality and equip our teams to consider their client's unique circumstances and respond accordingly.

Our network response was comprehensive. It covered all aspects of audit quality, including regulatory and standard setting updates, auditor reporting, methodology, accounting and learning and education. Using the network guidance, we considered changes needed to our existing policies and procedures as well as what needed to be reinforced through appropriate communications to our staff and partners.

## Identifying and addressing risks related to COVID-19

The COVID-19 pandemic resulted in us facing a number of new challenges in our audits. This ranged from how we operate as a team to plan and complete the audit, to how we interact with our clients to obtain the necessary audit evidence and execute specific audit procedures such as completing physical inventory counts.

The foundation we have built for our system of quality management helped us navigate some of our biggest challenges as a result of the pandemic. We were able to monitor the actions we took to address identified risks and assess whether changes needed to be made on a real time basis. We used the experience and examples shared with us from across the network to support our assessment of the issues that had the potential to impact our system of quality management.

We focused on enhanced supervision and review, the use of consultations with specialists within our firm, enhanced real time assurance programs to respond to the risks we identified.

The investment in technology and moving quickly to upskill our partners and staff to work seamlessly in a digital world put us at the forefront in managing remote working during our busiest time of year without sacrificing quality in our audits. Our teams utilized the resources made available and worked cohesively to execute our audits remotely.

We continue to monitor and respond to the ongoing impacts of the pandemic on our people and clients including the implications of changing or easing restrictions.





## Cultures and values



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# Cultures and values

## Leadership and tone at the top

Our purpose and values are the foundation of our success. Our purpose is to build trust in society and solve important problems, and our values help us deliver on that purpose. Our purpose reflects 'why' we do what we do, and our strategy provides us with the 'what' we do. 'How' we deliver our purpose and strategy is driven by our culture, values and behaviours. This forms the foundation of our system of quality management and permeates how we operate, including guiding our leadership actions, and how we build trust in how we do business, with each other and in our communities.

Key messages are communicated to our firm by our Senior Partner and our leadership team and are reinforced by engagement partners. These communications focus on what we do well and actions we can take to make enhancements. We track whether our people believe that our leaders' messaging conveys the importance of quality to success of our firm. Based on this tracking, we are confident our people understand our audit quality objectives.

When working with our clients and our colleagues to build trust in society and solve important problems, we:



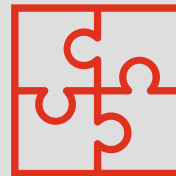
**Act with integrity**



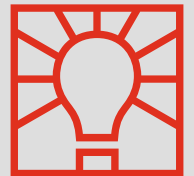
**Make a difference**



**Care**



**Work together**



**Reimagine the possible**



## Quality management for service excellence

Delivering service of the highest quality is core to our purpose and our assurance strategy, the focus of which is to strengthen trust and transparency in our clients, in the capital markets and wider society.

To help PwC Canada put this strategy into effect, the PwC network has established the Quality Management for Service Excellence (QMSE) framework for quality management which integrates quality management into business processes and the firm-wide risk management process. The QMSE framework introduces an overall quality objective for the Assurance practice focused on having the people and processes to deliver services in an effective and efficient manner that meets the expectations of our clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and our SoQM must be designed and operated so that these objectives are achieved with reasonable assurance.

The achievement of these objectives is supported by a **quality management process** established by our firm and Assurance leadership, business process owners and partners and staff.

This involves the integrated use of assurance quality indicators to aim to predict quality issues, real time assurance to aim to prevent quality issues, root cause analysis to learn from quality issues and a recognition and accountability framework to reinforce quality behaviours, culture and actions.

These programs, by design, require ongoing monitoring and continuous improvement, in particular assurance quality indicators, which we expect will evolve significantly over time and as we continue to use and learn from these measures.

## The quality management process

This quality management process includes:

- identifying risks to achieving quality objectives;
- designing and implementing responses to assessed quality risks;
- monitoring the design and operating effectiveness of policies and procedures through the use of process-integrated monitoring activities such as real time assurance as well as appropriate assurance quality indicators;
- continuously improving the system of quality management when areas for improvement are identified by performing root cause analyses and implementing remedial actions; and
- establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration and career progression decisions.

### Aim to predict: assurance quality indicators

We have identified a set of assurance quality indicators (AQIs) that support our Assurance leadership team in the early identification of potential risks to quality, using metrics to aim to predict quality issues. This quality risk analysis is an essential part of our QMSE, and the AQIs, in addition to other performance measures, also provide a key tool in the ongoing monitoring and continuous improvement of our SoQM.

### At PwC, “audit quality” means that we consistently:

- comply with auditing standards;
- exercise professional skepticism;
- use our experience to identify and resolve issues timely; and
- apply a deep and broad understanding of our clients’ businesses and the financial environment in which they operate.

### Our audit quality principles are achieved through our audit quality practices and mean that we:

- ask tough questions;
- apply an objective and skeptical mindset;
- embrace the supervision and review process as a way to continuously improve;
- stay current on professional standards;
- have timely, meaningful exchanges with audit committees and management;
- plan our work and resolve issues in a timely and thorough fashion;
- remain alert for issues that need deeper analysis;
- act with professionalism and integrity; and
- recognize our role in the capital markets.



### **Aim to prevent: real time assurance**

We have developed a real time quality assurance (RTA) program, a global initiative designed to provide preventative monitoring that helps coach and support engagement teams get the 'right work' completed in real time during the audit, prior to issuance of the report.

It enables us to cover both a wide range of engagements and assurance quality indicators through our internal monitoring processes with standardization and automation saving time and resources.

Our RTA program involves the review of engagement files with areas of focus identified in the current year remediation plan. The review assesses engagements during the performance phase of the engagement rather than after issuance of the opinion or report. It provides an effective and efficient process for monitoring and supporting audit quality.

The RTAs follow a coaching or supporting model to assist with getting the work done correctly and coaching along the way.

Quality improvement themes identified through these reviews are shared with the practice via webinars and newsletters.

### **Learn: root cause analysis**

We perform analyses to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. Our primary objectives when conducting such analyses is to understand what our findings tell us about our SoQM and to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at quality findings from all sources including our own ongoing monitoring of our SoQM as well as network inspection of our SoQM, audits both with and without deficiencies—whether identified through our own internal inspections process or through external inspections and other inputs such as financial statement restatements and accounting errors—to help identify possible distinctions and learning opportunities.

For root cause analysis on individual audits, an objective team of reviewers identifies potential factors contributing to the overall quality of the audit. We consider factors relevant to technical knowledge, supervision and review, professional skepticism, engagement resources and training, amongst others. Potential causal factors are identified by evaluating engagement information, performing interviews and reviewing selected audit working papers to understand the factors that may have contributed to audit quality.

In addition, the data compiled for audits both with and without deficiencies is compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, the number of years that key engagement team members have been on the engagement, whether the engagement was subject to a real time assurance review and the timing of when the audit work was performed.

Our goal is to understand how quality audits may differ from those with deficiencies and to use these learnings to continuously improve all of our audits. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practice. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.





## **Reinforce: recognition and accountability framework**

Our recognition and accountability framework (RAF) reinforces quality in everything our people do in delivering on our strategy, with a focus on the provision of services to our clients, how we work with our people and driving a high quality culture. It holds leadership and partners accountable for quality outcomes beyond compliance. Our RAF considers and addresses the following key elements:

- **Quality outcomes:** We provide transparent quality outcomes to measure the achievement of quality objectives. Our quality outcomes take into account meeting professional standards and the PwC network and our firm's standards and policies.
- **Behaviours:** We have set expectations of the right behaviours that support the right attitude to quality, the right tone from the top and a strong engagement with quality objectives.
- **Interventions/recognition:** We have put in place interventions and recognition that promote and reinforce positive behaviours and drive a culture of quality.
- **Consequences/reward:** We have implemented financial and non-financial consequences and rewards that are commensurate to outcome and behavior and sufficient to incentivize the right behaviours to achieve quality objectives.



## Ethics, independence and objectivity

### Ethics

At PwC, we adhere to the fundamental principles of ethics set out in the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, which are:

1. **Integrity:** To be straightforward and honest in all professional and business relationships;
2. **Objectivity:** To not allow bias, conflict of interest or undue influence of others to override professional or business judgments;
3. **Professional competence and due care:** To maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practise, legislation and techniques and to act diligently and in accordance with applicable technical and professional standards;
4. **Confidentiality:** To respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties; and
5. **Professional behaviour:** To comply with relevant laws and regulations and avoid any action that discredits the profession.

Our network standards applicable to all network firms cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/fair-competition, anti-corruption, information protection, firm's and partner's taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC network and leadership in PwC Canada monitors compliance with these obligations.

In addition to the PwC Values (Act with integrity, Make a difference, Care, Work together, Reimagine the possible) and PwC Purpose, PwC Canada has adopted the PwC network standards which include a code of conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals—behaviours that will enable us to build public trust. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal—to do the right thing.

Upon hiring or admittance, all staff and partners of PwC Canada are provided with the PwC Global Code of Conduct (the Code). They are expected to live by the values expressed in the Code in the course of their professional careers and have a responsibility to report and express concerns, and to do so fairly, honestly and professionally when dealing with a difficult situation or when observing behaviours inconsistent with the Code. Each firm in the PwC network provides a mechanism to report issues. There is also a confidential global reporting option on [pwc.com/codeofconduct](https://pwc.com/codeofconduct). PwC Canada has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code.

The PwC code of conduct is available online for all internal and external stakeholders at [pwc.com/ethics](https://pwc.com/ethics).

Finally, the Organisation for Economic Co-operation and Development (OECD) provides guidance, including the OECD Guidelines for Multinational Enterprises (the OECD Guidelines), by way of non-binding principles and standards for responsible business conduct when operating globally. The OECD Guidelines provide a valuable framework for setting applicable compliance requirements and standards. Although the PwC network consists of firms that are separate legal entities which do not form a multinational corporation or enterprise, PwC's network standards and policies are informed by and meet the goals and objectives of the OECD Guidelines.





- Business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business; and
- Acceptance of new audit and assurance clients and the subsequent acceptance of non-assurance services for those clients.

In addition, there is a network risk management policy governing the independence requirements related to the rotation of key audit partners.

These policies and processes are designed to help PwC comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Policies and supporting guidance are reviewed and revised when changes arise such as updates to laws and regulations, including any changes to the Code or in response to operational matters.

PwC Canada supplements the PwC network Independence policy as required by Canadian requirements, independence requirements of the United States Securities and Exchange Commission (SEC) and those of the Public Company Accounting Oversight Board of the United States and of the EU Audit Regulation where they are more restrictive than the network's policy.

**Independence-related systems and tools**

As a member of the PwC network, PwC Canada has access to a number of systems and tools that support PwC member firms and their personnel in executing and complying with our independence policies and procedures. These include:

- The Central Entity Service (CES), which contains information about corporate entities including all PwC audit clients and their related entities (including all public interest audit clients and SEC restricted entities) as well as their related securities. CES assists in determining the independence restriction status of clients of the member firm and those of other PwC member firms before entering into a new non-audit service or business relationship. This system also feeds Independence Checkpoint and Authorisation for Services.
- Independence Checkpoint which facilitates the pre-clearance of publicly traded securities by all partners and practice managers before acquisition and is used to record their subsequent purchases and disposals. Where a PwC member firm wins a new audit client, this system automatically informs those holding securities in that client of the requirement to sell the security where required.

**Objectivity and independence**

As auditors of financial statements and providers of other types of professional services, PwC member firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance clients, independence underpins these requirements. Compliance with these principles is fundamental to serving the capital markets and our clients.

The PwC Global Independence Policy, which is based on the Code, including International Independence Standards, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

PwC Canada has a designated partner (known as the Partner Responsible for Independence or PRI) with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a team of independence specialists. The PRI reports directly to the Chief Assurance Risk, Quality and Regulatory Officer, a member of the firm's extended leadership team.

**Independence policies and practices**

The PwC Global Independence Policy covers, among others, the following areas:

- Personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts and loans by partners, staff, the firm and its pension schemes;
- Non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services (SOPS), which provide practical guidance on the application of the policy in respect of non-audit services to audit clients and related entities;

- Authorisation for Services (AFS) which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader regarding a proposed non-audit service, documenting the analysis of any potential independence threats created by the service and proposed safeguards, where deemed necessary, and acts as a record of the audit partner's conclusion on the permissibility of the service.
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory). All breaches reported are evaluated and addressed in line with the Code.

PwC Canada also has a number of Canadian-specific systems which include:

- a rotation tracking system which monitors compliance with PwC Canada's audit rotation policies for engagement leaders and other key audit partners involved in an audit; and
- a database that records all approved close business relationships entered into by PwC Canada. These relationships are reviewed on a six-month basis to ensure their ongoing permissibility.

### **Independence training and confirmations**

PwC Canada provides all partners and practice staff with annual or ongoing training in independence matters. Training typically focuses on milestone training relevant to a change in position or role, changes in policy or external regulation and, as relevant, provision of services. Partners and staff receive computer-based training on PwC Canada's independence policy and related topics.

All partners and practice staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the member firm's independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships.

### **Independence monitoring and disciplinary policy**

PwC Canada is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, we perform:

- compliance testing of independence controls and processes;
- personal independence compliance testing of a random selection of, at a minimum, partners and managers as a means of monitoring compliance with independence policies; and
- an annual assessment of the member firm's adherence with the PwC network's standard relating to independence.

The results of PwC Canada's monitoring and testing are reported to the firm's management on a regular basis.

PwC Canada has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes and that require any breaches of independence requirements to be reported and addressed.

This would include discussion with the client's audit committee regarding the nature of a breach, an evaluation of the impact of the breach on the independence of the member firm and the engagement team and the need for actions or safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in PwC Canada's systems and processes and for additional guidance and training.



## Considerations in undertaking the audit

Our principles for determining whether to accept a new client or continue serving an existing client are fundamental to delivering quality, which we believe goes hand-in-hand with our purpose to build trust in society. We have established policies and procedures for the acceptance of client relationships and audit engagements that consider whether we are competent to perform the engagement and have the necessary capabilities including time and resources, can comply with relevant ethical requirements, including independence, and have appropriately considered the integrity of the client. We reassess these considerations in determining whether we should continue with the client engagement and have in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary.

## Client and engagement acceptance and continuance

PwC Canada has a process in place to identify acceptable clients based on the PwC network's proprietary decision support systems for audit client acceptance and retention called acceptance and continuance (A&C). A&C facilitates a determination by the engagement team, business management and risk management specialists of whether the risks related to an existing client or a potential client are manageable and whether or not PwC should be associated with the particular client and its management. More specifically, this system enables:

### Engagement teams:

- to document their consideration of matters required by professional standards related to acceptance and continuance;
- to identify and document issues or risk factors and their resolution, for example through consultation by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
- to facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement.

### Member firms (including member firm leadership and risk management):

- to facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements;
- to provide an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio; and
- to understand the methodology, basis and minimum considerations all other member firms in the network have applied in assessing audit acceptance and continuance.



## Environmental, social and governance

Stakeholders are increasingly looking beyond the traditional financial metrics to determine value by using more information about a company's risks and strategies related to ESG considerations. Our leading approach to ESG includes but is not limited to:

### Environmental sustainability:

- In 2020, PwC Canada joined the global PwC network of firms in a commitment to achieve net zero greenhouse gas (GHG) emissions by 2030. This commitment includes a science-based target to reduce absolute emissions by 50% against a 2019 baseline, which is aligned to a 1.5 degree global temperature rise scenario. In July 2021, our targets were independently validated by the Science Based Targets initiative.

### Societal impact:

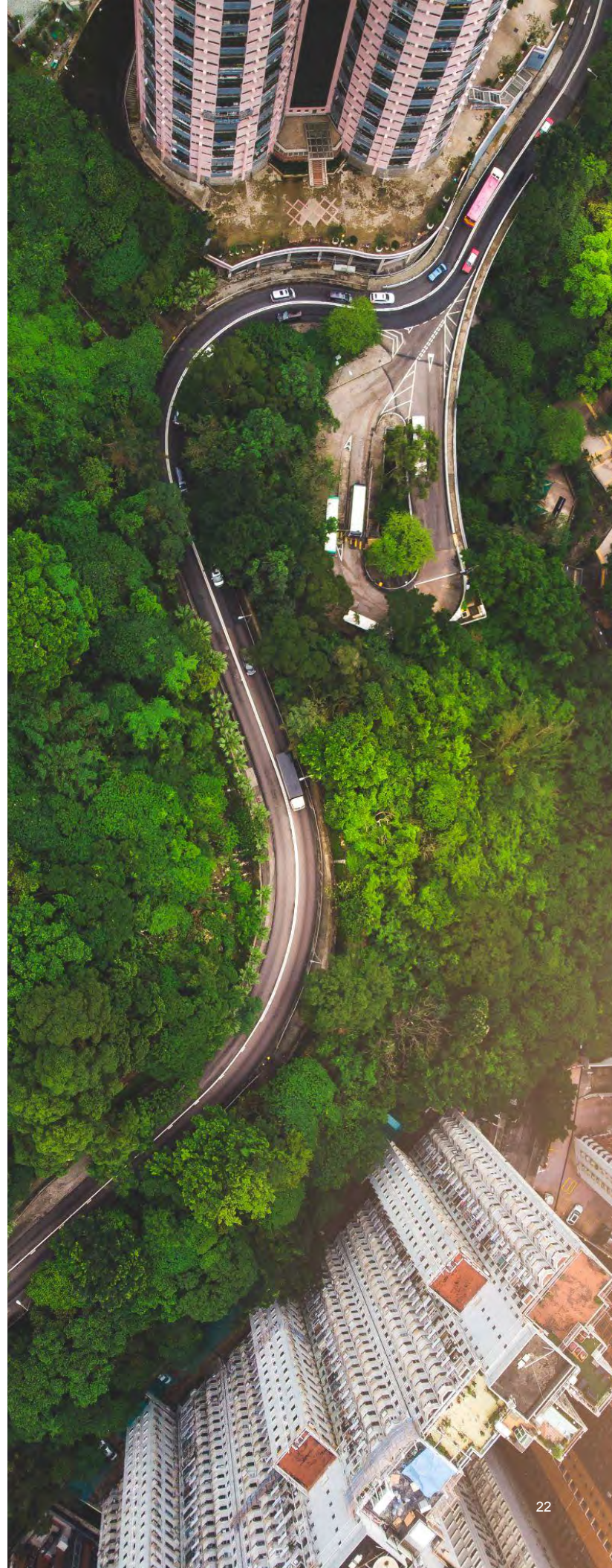
- We've launched our New world. New skills. Initiative in 2019 with a commitment to digitally upskill at least one million Canadians and to help close the digital divide. We've already impacted 634,000 people and organizations through programs like our paid day off to volunteer, not-for-profit board training and matching, pro-bono initiatives and by integrating purpose into our core services. We are actively working in collaboration with other businesses, governments and local communities to upskill people faster and with greater scale and impact to prepare them for the future of work.

### Governance and our services:

- We will launch PwC's Trust Roadmap to help us continually learn how and why our stakeholders trust us and what we can do to continue to earn their trust. We identified seven key trust drivers that will underpin our external disclosures and help PwC ensure every interaction, experience, relationship and outcome delivered earns trust to help us be more resilient and accountable.
- We also focus on helping our clients and the marketplace better understand ESG risks and opportunities, like providing our teams with materials to facilitate conversations with their clients' audit committees and management about ESG themes and perspectives, and to appropriately consider ESG matters that may impact their clients, such as climate change.

To learn more about our ESG approach and reporting, please visit our Corporate Responsibility site at

[www.pwc.com/ca/cr](http://www.pwc.com/ca/cr).





# Our people



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# Our people

## People strategy

Our people strategy is focused on being the world's leading developer of talent and enabling our people with greater agility and confidence in a rapidly changing world. Specific focus areas include creating a resilient foundation for times of change through elevating the people experience to enable effective delivery; developing inclusive leaders for a shifting world; and enabling our workforce through continuous upskilling to meet today's realities and tomorrow's possibilities.

We hire candidates who have diverse backgrounds and appropriate skills; have a questioning mindset and intellectual curiosity; and demonstrate courage and integrity. Our hiring standards include a structured interview process with behavior-based questions built from The PwC Professional framework, assessment of academic records and background checks.

## Partner remuneration

PwC Canada partners are remunerated solely out of the profits of PwC Canada. Audit partners are not permitted to be incentivized, evaluated or remunerated for the selling of non-audit services to their audit clients.

The final allocation and distribution of profit to individual equity partners is made by firm management once their performance has been assessed and the annual financial results have been determined. The firm's partnership board approves the process and oversees its application, including setting the compensation of the CEO and Leadership Team.

Each equity partner's remuneration is dependent upon the level of equity shares in the firm, which is a function of sustained performance as well as roles and responsibilities, and performance of the individual and his or her business unit in the current period.

Each equity partner's performance is evaluated by assessing achievements against an individually tailored dashboard, based on the partner's role and responsibilities. Quality is carefully considered in determining partner income.

There is full transparency among the equity partners over the total income allocated to each partner.

## Continuous upskilling

Today's world demands new skills. We are responding to our people and clients' changing expectations to deliver a different, more digital experience to our clients.

We provide our people with learning tools to expand the use of digital solutions on their audits and empower them with a mindset of continual improvement and innovation. Our Digital Academies leverage market-leading software and focus primarily on building three core skills: data wrangling, automation and data visualization. These tools enhance the firm's collective digital fluency while providing individuals with a personalized curriculum to build their digital IQ. Digital experts are embedded within our engagement teams and are dedicated to applying digital capabilities to each audit, as well as developing new digital solutions for the firm.

**1,764** engagement teams have executed **3,999** Alteryx business-led assets. **7,039** digital solutions have been downloaded from the digital lab by **1,231** staff members.

## Audit quality measures

- Average staff retention rate
- Leverage ratio of audit-related hours
- Staff workload
- Number of audit professionals by level
- Number of overtime hours by level
- Ratio of partners serving in technical support roles to the total number of audit partners
- Average years of experience at PwC



## The future is hybrid. And this is how we play

Our ways of working going forward will be a hybrid of in-person and virtual, with the office focused more on connection, collaboration and activity-based working. The mix will depend on our clients and our people, and it will be different across the firm and vary throughout the fiscal year. The new, hybrid model of work will allow us to continue to serve our clients while balancing remote work and retaining some of the flexibility our people appreciated while working from home. We have used protocols, including approval processes, occupancy limits and support teams to allow our people to return to offices and client sites as appropriate in the circumstances.





## Diversity and inclusion

At PwC, we're committed to creating a culture of belonging. We are focused on ensuring our ways of working embrace diversity and on fostering an inclusive environment in which our people are comfortable bringing their whole selves to work and feel that they belong and can reach their full potential. As demonstrated through our core values of Care and Work Together, we strive to more deeply understand and empathize with different backgrounds, perspectives and experiences. We know that when people from different backgrounds and with different points of view work together, we create the most value for our clients, our people and society.



## Recruitment

PwC Canada aims to recruit, train, develop and retain the best and the brightest staff who share in the firm's strong sense of responsibility for delivering high-quality services. Our hiring standards include a structured interview process with behavior-based questions built from The PwC Professional framework, assessment of academic records and background checks.



## Team selection, experience and supervision

Our audit engagements are staffed based on expertise, capabilities and years of experience. Engagement leaders determine the extent of direction, supervision and review of junior staff.



## Feedback and continuous development

Our team members obtain feedback on their overall performance, including factors related to audit quality, such as technical knowledge, auditing skills and professional skepticism. Audit quality is an important factor in performance evaluation and career progression decisions for both our partners and staff. Feedback on performance and progression is collected via Workday. Ongoing feedback conversations help our people grow and learn faster, adapt to new and complex environments and bring the best to our clients and firm.



## Career progression

PwC Canada uses The PwC Professional, our global career progression framework, which sets out clear expectations at all staff levels across five key dimensions. The framework underpins all elements of career development and helps our people develop into well-rounded professionals and leaders with the capabilities and confidence to produce high-quality work, deliver an efficient and effective experience for our clients, execute our strategy and support our brand. Our annual performance cycle is supported by continuous feedback conversations and regular check-ins with the individual's team leader to discuss their development, progression and performance.



## Retention

Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand and the development experience we provide makes our staff highly sought after in the external market. Our voluntary turnover rate fluctuates based on many factors, including the overall market demand for talent. The lower level of turnover in FY20 followed by higher levels of turnover in FY21 reflects, in part, the effects of a suppressed job market during the COVID-19 pandemic and subsequent recovery in the last half of FY21. Providing our people with the flexibility to meet their professional and personal commitments through hybrid working is a critical component of our people experience and strategy to enhance our retention rates.



## Global People Survey

Each PwC member firm participates in an annual Global People Survey, administered across the network to all of our partners and staff. PwC Canada is responsible for analyzing and communicating results locally, along with clearly defined actions to address feedback.

## Diversity and inclusion

At PwC Canada, we are committed to fostering a culture that supports authenticity and equitable treatment, and we want to ensure that our people feel like they genuinely belong at PwC. Diverse and inclusive teams drive innovation, collaboration and quality.

At PwC Canada, diversity is a business imperative and a core part of our PwC Canada Strategy. For FY22, we will focus on gender, disability, race, LGBTQ2+ and Indigenous communities.

Here are a few examples of our key priorities:



### The Valuable 500

Two years ago, The Valuable 500 launched the campaign to get 500 national and multinational, private sector corporations to be the tipping-point for change and help unlock the social and economic value of people living with disabilities across the world, because the potential of 1.3 billion should not be ignored. PwC is proud to participate with 499 other companies in putting disability on the business agenda.

### PwC Scholarship

There are a total ten (10) scholarships awarded each academic year to individuals enrolled in post-secondary education who are Black, Indigenous and/or Persons with Disabilities. At the successful completion of an undergraduate degree in Professional Services, an optional employment offer is made.



### Onyx Program

The purpose of Onyx Initiative is to expand the Black Talent pipeline by fostering cohesive, mutually beneficial partnerships to close the systemic gap in the recruiting and selection of Black university and college students and recent graduates for roles in corporate Canada.



In support of

# HeForShe

UN Women Solidarity Movement  
for Gender Equality

### HeForShe

PwC has made three public commitments to UN Women. We've completed two out of our three commitments.

- Further supporting women in leadership roles by launching a Global Inclusion Index to evaluate women's representation across all levels of our network.
- Develop and launch an innovative curriculum by providing educational expertise and footprint to HeForShe, developing the Gender IQ to educate and empower our people as gender equality advocates.
- Engage 80,000 PwC men as agents of change.

### Women in Leadership Program

Women in Leadership (WiL) is our award-winning leadership development program focused on providing leadership insights, practical tools, networks and experiences that enable the personal and professional growth and aspirations of our diverse female talent. To learn more about WiL, [click here](#).



### Black North Initiative

In 2020, PwC signed the Black North Pledge committing us to:

- 2% of corporate donations and sponsorships to Black suppliers;
- supplier diversity strategy to support Black owned and led businesses; and
- 2.5% of Board members and C suite held by Black people.

## The PwC Professional

The PwC Professional supports the development and career progression of our staff by providing a single set of expectations across all lines of service, geographies and roles; outlining the capabilities needed to thrive as purpose-led and values-driven leaders at every level.

### Professional development

We are committed to putting the right people in the right place at the right time. Throughout our people's careers, they are presented with career development opportunities, classroom or virtual classroom and on-demand learning, and on-the-job real time coaching/development. Our flexible training portfolio facilitates personalized learning with access to a variety of educational materials, including webcasts, podcasts, articles, videos and courses.

Achieving a professional credential supports our firm's commitment to quality through consistent examination and certification standards. Our goal is to provide our staff with a more individualized path to promotion and support them in prioritizing and managing their time more effectively when preparing professional exams. Providing our people with the ability to meet their professional and personal commitments is a critical component of our people experience and retention strategy.

### Enhanced working practices

Enhanced working practices refers to the way we work as a team. At the heart of EWP approach is the concept of "teach, don't tell"—the use of open-ended questions to teach our people to think and learn, instead of providing answers. This approach is supported by five on-the-job routines:

1. rounds;
2. formal observation and feedback;
3. shadowing;
4. lessons learned; and
5. team workshops.

We have ingrained our EWP philosophy into the way we engage, motivate and inspire our people to deliver a distinctive client experience. We believe that if we treat our people right, we'll get it right with you.

## Audit quality measures

- Average training hours per audit professional
- Mandatory training attendance
- Number of training courses offered



## Continuing education

We, and other PwC member firms, are committed to delivering quality assurance services around the world. To maximize consistency in the Network the formal curriculum, developed at the Network level, provides access to training materials covering the PwC audit approach and tools—this includes updates on auditing standards and their implications, as well as areas of audit risk and areas of focus for quality improvement.

This formal learning is delivered using a blend of delivery approaches, which include remote access, classroom learning and on-the-job support. The curriculum supports our primary training objective of audit quality, while providing practitioners with the opportunity to strengthen their technical and professional skills, including professional judgment while applying a skeptical mindset.

The design of the curriculum allows us to select, based on local needs, when we will deliver the training.

We consider what additional training is appropriate—formal and/or informal—to address any additional specific local training needs based on feedback obtained from:

- our audit risk and quality and accounting consulting services teams on new accounting and auditing standards and financial reporting developments;
- our internal inspections process, RTAs, consultations on auditing matters and other inputs related to monitoring quality; and
- observations from regulatory reviews.

This training is then supplemented with learning from others, whether by receiving and discussing feedback, or by shadowing, observing and/or working with others in order to support them on the job.

Attendance at required training courses is monitored and is an important component of an individual's performance assessment. In addition, many courses are followed by learning assessments. These assessments help extend the learning experience by testing knowledge gained during the course and providing participants with a better understanding of where they could improve.

The modular content along with innovative learning approaches have led to formal recognition from the broader learning community. In both 2017 and 2018, PwC's Learning and Education won a Brandon Hall Group silver award for excellence in the "Best Strategy for a Corporate Learning University" © 2017, 2018 Brandon Hall Group, Inc.



# Our audit approach



Message from leadership



Our approach to quality



Cultures and values



Our people



Monitoring



Legal and governance structure



PwC network

# Our audit approach

PwC Canada uses a range of cutting-edge methods, processes, technologies and approaches to ensure continuous improvement in the performance and quality of our audit engagements

## Our audit approach

The quality and effectiveness of audit is critical to all of our stakeholders. We therefore invest heavily in the effectiveness of our audits, in the skills of our people, in our underlying methodology, in the technology we use and in making the right amount of time and resources available. We pay close attention to the internal indicators and processes that routinely monitor the effectiveness of our risk and quality processes and provide timely information about the quality of our audit work and any areas for improvement. Details of these indicators and processes can be found in the [monitoring of assurance quality](#) section. Additionally, we consider what our various stakeholders require from us, what they tell us we need to improve and the findings of regulatory inspections on the quality of our work. Details of the most recent external inspections can be found [here](#).



### People

Data and technology can help reveal insights, but it takes an inquisitive person with well-rounded business knowledge to understand what those insights mean. We recruit professionals with these capabilities—people who can deliver the highest quality outcomes in terms of client service and compliance.



### Technology

As technological change accelerates, our clients want to trust their information with organizations that don't merely keep up but lead the way. We've made a global commitment to offer leading audit technology, and we've invested heavily in tools to match our approach. The result is greater quality and insight to our clients.



### Approach

We've built our audit around our people and our technology. We've designed it to give us more time with our clients, understanding the things that matter to their business. That's more time understanding client concerns and more time focusing on the inherent risks we see, including how they change over time and how they compare with peer companies.



## The PwC Audit

### Audit quality measures

- Use of Acceleration Centres



## Audit committees

Audit committees have an important role, being charged with oversight of the appointment, performance and independence of auditors. Through timely, meaningful exchanges, we obtain the audit committee's perspectives and fulfill our professional responsibilities to communicate certain items to them. We encourage audit committees to ask us candid questions and engage in an open dialogue to help foster an environment of accountability. For public company audits, our communications occur at least quarterly.

Examples of topics we commonly discuss with the audit committee include:

- our independence, including, when appropriate, the potential effects of proposed non-audit services;
- our role and the roles of management and the audit committee;
- the audit committee's views about fraud risks in the company;
- our audit approach, including our risk assessment process, consideration of fraud risks and results;
- the scope of our audit, including multi-location considerations, where applicable;
- our client service team, including specialists;
- our planned use of the work of others;
- our timeline and communication plan;
- audit fees;
- management's accounting policies and practices, including adoption of new accounting standards and significant transactions;
- relevant trending topics, including economic developments and new laws and regulations affecting the company;
- the quality of the company's financial reporting;
- audit results, including areas of significant estimates and judgments; and
- firm external and internal inspection results.

We also frequently share observations regarding other matters related to the audit committee's roles and practices, such as the company's management and governance over financial reporting.



# Tools and technologies to support our audit

As a member of the PwC network, PwC Canada has access to and uses PwC Audit, a common audit methodology and process. This methodology is based on the International Standards on Auditing (ISAs), with additional PwC policy and guidance provided where appropriate. PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. Our common audit methodology provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.

The PwC Audit Guide explains PwC's methodology. The Guide along with PwC's technology-based audit support tools, templates and content support engagement teams in conducting assurance and related services engagements.

We supplement the methodology through the development and enhancement of audit tools and related guidance that are specific to the needs and requirements of the Canadian Firm.

## Our technology



**Aura**, our global audit documentation platform is used across the PwC network. Aura helps drive how we build and execute our audit plans by supporting teams in applying our methodology effectively, by creating transparent linkage between risks, required procedures, controls and the work performed to address those risks, as well as providing comprehensive guidance and project management capabilities. Targeted audit plans specify risk levels, controls reliance and substantive testing. Real time dashboards show teams audit progress and the impact of scoping decisions more quickly.

**Aura Platinum** is supported by a series of technology-based audit support tools and templates which are accessible via a range of electronic devices ranging from PCs to smartphones. These tools increasingly integrate with Aura, populating audit evidence directly into Aura. The main tools include:



**The Connect Suite** is our collaborative platform where we share data, document requests and audit status. It provides fast, efficient and secure information sharing with our clients and multi-location audit teams at every stage of the audit:

- **Connect** is our collaborative platform that allows clients to quickly and securely share audit documents and deliverables. Connect streamlines, standardizes and automates real-time communication and workflow between clients and the PwC Engagement team. Connect also eases the burden of tracking the status of deliverables and resolving issues by automatically flagging and tracking outstanding items and issues identified through the audit for more immediate attention and resolution.
- **Connect Audit Manager** streamlines, standardizes and automates group and component teams coordination for multi-location and statutory/regulatory audits. It provides a single digital platform to see all outbound and inbound work and digitizes the entire coordination process which facilitates greater transparency, compliance and quality for complex multi-location audits.



**Halo**, our data auditing tools, test large volumes of data, analyzing whole populations to improve risk assessment, analysis and testing. For example, Halo for Journals enables the identification of relevant journals based on defined criteria making it easier for engagement teams to explore and visualize the data to identify client journal entries to analyze and start the testing process.



**Count**, which facilitates the end-to-end process for inventory counts, allows our engagement teams to create and manage count procedures, counters to record results directly onto their mobile device or tablet and engagement teams to export final results into Aura.



**PwC's Confirmation System**, which facilitates an automated and standardized end-to-end process for all types of external confirmations, allows our engagement teams to create requests and receive external confirmation in a secure environment that helps mitigate the risks associated with receiving confirmation responses electronically.

## Reliability and auditability of audit technologies

Our firm has designed and implemented processes and controls to underpin the reliability of these audit technologies. This includes clarification of the roles and responsibilities of audit technology owners and users. In addition, we have guidance focused on the sufficiency of audit documentation included in the workpapers related to the use of these audit technologies, including consideration of the reliability of the solution, and the documentation needed to assist the reviewer in meeting their supervision and review responsibilities as part of the normal course of the audit.

## Confidentiality and information security

Confidentiality and information security are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the firm to legal proceedings, and it may also adversely impact our reputation. We take the protection of confidential and personal data very seriously.

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 organization, align to industry good practice and improve our internal control frameworks.

### Data privacy

The firm maintains a robust and consistent approach to the management of all personal data, with everyone in our organization having a role to play in safeguarding personal data. PwC Canada adheres to a privacy program that has been designed to meet the standards prescribed by provincial, national and international privacy law, including but not limited to the Personal Information Protection and Electronic Documents Act and the General Data Protection Regulation (GDPR). We have continued to build on our extensive GDPR readiness program and are committed to embedding good data management practices across our business. PwC operates a mature privacy program and conducts appropriate monitoring activities to ensure privacy control adherence within the organization.

## Information security

Information security is a high priority for the PwC network. Member firms are accountable to their people, clients, suppliers and other stakeholders to protect information that is entrusted to them.

The PwC Information Security Policy (ISP) is aligned with ISO/IEC 27001, financial services industry standards and other reputable frameworks (COBIT, NIST, etc.) as benchmarks for security effectiveness across the network of member firms. The PwC ISP directly supports the firm's strategic direction of cyber readiness to proactively safeguard its assets and client information. The PwC ISP is reviewed, at a minimum, on an annual basis.

PwC Canada is required to adhere to the ISP requirements and complete an annual, evidence-based assessment to demonstrate compliance. The CISO approved assessment undergoes a detailed and standardized Quality Assessment (QA) process performed by a centralized, objective Network Information Security Compliance team.





## Supporting engagement performance



### **Evolving delivery model**

We continue to evolve the way we deliver our services so our people give our clients an even better experience, further enhance the quality of what we do and create economic capacity to invest in the future. We use delivery centres to streamline, standardize, automate and centralize portions of the audit. Key delivery centres used by PwC Canada include Acceleration Centres and Competency Centres.



### **Direction, coaching and supervision**

Engagement leaders and senior engagement team members are responsible and accountable for providing quality coaching throughout the audit and supervising the work completed by junior members of the team, coach the team and maintain audit quality. Engagement teams utilize Aura which has capabilities to effectively monitor the progress of the engagement to determine that all work has been completed and reviewed by appropriate individuals, including the engagement leader.



### **Consultation culture**

Consultation is key to maintaining high audit quality. We have formal protocols about mandatory consultation in the pursuit of quality. For example, our engagement teams consult with appropriate groups in areas such as taxation, risk, valuation, actuarial and other specialities as well as individuals within our National Technical function.



### **Specialists in auditing, risk and accounting**

Our Audit Risk and Quality (ARQ) and Accounting Consulting Services teams comprise technical accounting, auditing and financial reporting groups as well as risk and quality. These specialists play a vital role in keeping our policies and guidance in these areas current by tracking new developments in accounting and auditing and providing those updates to professional staff.



### **Quality Review Partners (QRP)**

Specific audit engagements are assigned a QRP as part of the member firm's system of quality management as required by professional standards. These partners, who have the necessary experience and technical knowledge, are involved in the most critical aspects of the audit. For example, they may advise on matters of firm independence, significant risks and a team's responses to those risks, and specific accounting, auditing and financial reporting and disclosure issues.



### **Differences of opinion**

Protocols exist to resolve the situations where a difference of opinion arises between the engagement leader and either the QRP, another Assurance partner or central functions such as ARQ. These include escalation to individuals independent of the engagement or to leadership as required.



## Monitoring



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# Monitoring

## Monitoring of assurance quality

We recognize that quality in the assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element to our assurance strategy.

Responsibility for appropriate quality management lies with the leadership of PwC Canada. This includes the design and operation of an effective SoQM that is responsive to our specific risks to delivering quality audit engagements, using the network's QMSE framework.

The overall quality objective under the QMSE framework is to have the necessary capabilities in our firm and to deploy our people to consistently use our methodologies, processes and technology in the delivery of assurance services in an effective and efficient manner to fulfil the valid expectations of our clients and other stakeholders.

Our firm's monitoring procedures include an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our SoQM are designed appropriately and operating effectively to provide reasonable assurance that our audit and non-audit assurance engagements are performed in compliance with laws, regulations and professional standards. This includes the use of real time assurance which is discussed in more detail in the [quality management process](#) section.

Our monitoring also encompasses a review of completed engagements (Engagement Compliance Reviews or ECR), as well as periodic monitoring of our SoQM by an objective team within our firm. The results of these procedures, together with our ongoing monitoring, form the basis for the continuous improvement of our SoQM.

Our firm's monitoring program is based on a consistent network-wide inspections program for assurance based on professional standards relating to quality control, including ISQC 1, as well as network policies, procedures, tools and guidance.



ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorized to sign audit or non-audit assurance reports. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other applicable engagement-related policies and procedures. Each signer is reviewed at least once every five years, unless a more frequent review is required based on the profile of that signer's client engagements.

Reviews are led by experienced assurance partners, supported by objective teams of partners, directors, senior managers, managers and other specialists. ECR reviewers may be sourced from other member firms if needed to provide appropriate expertise or objectivity. Review teams receive training to support them in fulfilling their responsibilities and utilize a range of checklists and tools developed at the network level when conducting their inspection procedures. The network inspection team supports review teams with support on consistent application of guidance on classification of engagement findings and engagement assessments across the network.

In addition, the PwC network coordinates an inspection program to review the design and operating effectiveness of our SoQM. The use of a central team to monitor these inspections across the network enables a consistent view and sharing of relevant experience across the PwC network.

The results of all inspections are reported to our firm's leadership who are responsible for analyzing the findings and implementing remedial actions as necessary. In situations where adverse quality matters on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or our firm's assurance leadership personnel may be subject to additional mentoring, training or further sanctions in accordance with our firm's Recognition and Accountability Framework.

Partners and employees of our firm are informed about the inspection results and the actions taken to enable them to draw the necessary conclusions for the performance of their engagements. In addition, engagement partners of our firm are informed by the network inspection program about relevant inspection findings in other PwC member firms, which enables our partners to consider these findings in planning and performing their audit work.

## Statement of effectiveness of audit quality controls

Management of PwC Canada believes that the quality control environment described above complies with all applicable regulations and provides a reasonable basis for believing that financial statement audits and other assurance engagements carried out by PwC Canada consistently meet the required quality standards.

## Audit quality measures

- Audits included in Part 1.A of PCAOB inspection report
- Number of file reviews by PCAOB
- Number of restatements
- Number of hours spent on real time assurance and number of file reviewed
- Results of internal inspections
- Number of hours spent on monitoring





## External inspections

External inspections of our public company audit practice provide a data point for audit quality and represent an important check on our internal monitoring and assessment processes. PwC Canada is subject to inspection by the Canadian Public Accountability Board (CPAB) and by the Public Company Accounting Oversight Board (PCAOB). The investments we have made in audit quality have had a positive impact on the results of the external inspections.

### CPAB

PwC Canada is eligible to undertake statutory audit work of publicly listed entities by virtue of its registration with the Canadian Public Accountability Board (CPAB). CPAB undertakes an annual inspection of the quality of PwC Canada's work as auditors of Canadian Reporting Issuers. In March 2021, CPAB issued a report on the 2020 inspection. As at June 30, 2021, the 2021 CPAB inspection was underway and is likely to be concluded towards the end of 2021. Due to regulatory restrictions, we are not able to publicly share the results of these inspections. However, we continue to be very proud of our CPAB inspection results.

### PCAOB

In addition, the Firm is registered with the PCAOB and subject to PCAOB inspection with respect to work as auditors of SEC registrants and their affiliates. As at June 30, 2021, the most recent PCAOB inspection report related to their 2020 inspection was not issued in final. Part I, which is the public portion of the PCAOB inspection report, contains an overview of the inspection procedures and observations on the engagements inspected. Part 1.A includes discussion of deficiencies identified by the PCAOB in its inspection of issuer audits. We do not anticipate any Part 1.A findings. A full copy of the report will be available on the PCAOB website at [www.pcaobus.org](http://www.pcaobus.org). The investments we have made in audit quality have had a positive impact on the results of the 2020 inspection.

The Firm continues to be registered with CPAB and PCAOB.

### Chartered Professional Accountants Canada

Chartered Professional Accountants (CPA) Canada is our national professional accounting body, with each province being represented by a CPA body. The firm is subject to provincial practice inspections that are focused on private company clients, which assess our adherence to professional standards as set out in the CPA Canada Handbook and relevant provincial rules. We continue to be pleased with these inspection results and use them as an opportunity to continuously improve.



## Legal and governance structure



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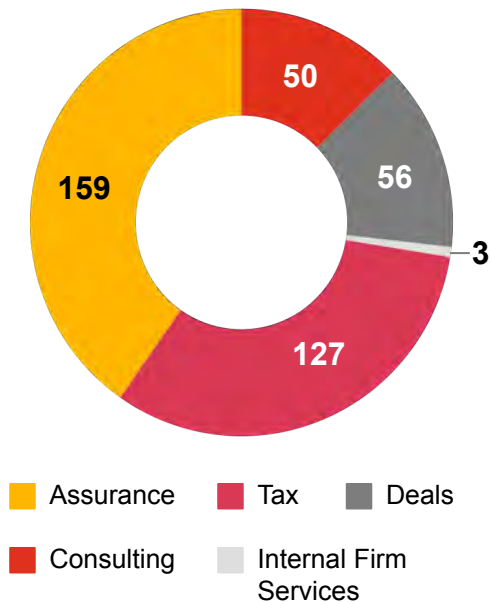
[PwC network](#)

# Legal and governance structure

## Legal structure and ownership of the Firm

The Canadian firm of PricewaterhouseCoopers LLP (PwC Canada or the Firm) is a limited liability partnership formed under the laws of the Province of Ontario, Canada. It is wholly owned by the partners of PwC Canada. PwC Canada operates out of 23 offices throughout Canada—a full list can be found at [www.pwc.com/ca](http://www.pwc.com/ca).

## Number of equity partners as of July 1, 2021



## Governance structure of the Firm

PwC Canada's CEO and Senior Partner is responsible for managing and supervising the management of the business and affairs of the Firm. Among other responsibilities, the CEO has the authority to establish policies, strategic plans and budgets and to appoint, remove and replace members of the Firm's executive team. The CEO is a partner elected by the partnership.

To assist him in discharging his responsibilities, the CEO and Senior Partner has appointed a Leadership Team, which works with him in managing the Firm. The responsibilities of the Senior Partner and Leadership Team include establishing and determining the effectiveness of the Firm's system of internal control, including those relating to the quality of the Firm's audit and assurance services.

PwC Canada's Partnership board of directors (the Board), currently comprising ten elected partners and four external directors, is charged with overseeing the CEO and Firm management. Among other things, the Board is responsible for monitoring the financial performance and internal controls of the Firm, reviewing plans and budgets, approving the admission and removal of partners and reviewing and evaluating the performance of members of the Leadership Team. Board members are elected for four-year terms, and one half of the Board is elected by the partnership every two years. The Board meets several times throughout the year and has standing committees which focus on governance, risk management, partner affairs, senior management performance and finance. The CEO is also a member of the Board. Special Board committees are formed to focus on particular issues as required.



## PwC network



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# PwC network

## Global network

PwC is the brand under which the member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. Together, these firms form the PwC network. 'PwC' is often used to refer either to individual firms within the PwC network or to several or all of them collectively.

In many parts of the world, accounting firms are required by law to be locally owned and independent. The PwC network is not a global partnership, a single firm or a multinational corporation. The PwC network consists of firms that are separate legal entities.



## PricewaterhouseCoopers International Limited

Firms in the PwC network are members in, or have other connections to, PricewaterhouseCoopers International Limited (PwCIL), an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather, its purpose is to act as a coordinating entity for member firms in the PwC network. Focusing on key areas such as strategy, brand and risk and quality, PwCIL coordinates the development and implementation of policies and initiatives to achieve a common and coordinated approach amongst individual member firms where appropriate. Member firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC network. In addition, member firms may draw upon the resources of other member firms and/or secure the provision of professional services by other member firms and/or other entities. In return, member firms are bound to abide by certain common policies and to maintain the standards of the PwC network as put forward by PwCIL.

The PwC network is not one international partnership. A member firm cannot act as agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm and is liable only for its own acts or omissions. PwCIL has no right or ability to control member firm's exercise of professional judgment.

## The governance bodies of PwCIL are:

- **Global Board**, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of network standards. The Board does not have an external role. Board members are elected by partners from all PwC firms around the world every four years;
- **Network Leadership Team**, which is responsible for setting the overall strategy for the PwC network and the standards to which the PwC firms agree to adhere;
- **Strategy Council**, which is made up of the leaders of the largest PwC firms and regions of the network, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy; and
- **Global Leadership Team** is appointed by and reports to the Network Leadership Team and the Chairman of the PwC network. Its members are responsible for leading teams drawn from member firms to coordinate activities across all areas of our business.

PwC Canada's Chief Executive Officer (CEO) and Senior Partner, Nicolas Marcoux, is a member of the Strategy Council and maintains our relationships with the Network Leadership Team.

## Financial information

Total turnover achieved by statutory auditors and audit firms from EU/EEA Member States that are members of the PwC network resulting, to the best extent calculable, from the statutory audit of annual and consolidated financial statements is approximately €2.4 billion. This represents the turnover from each entity's most recent financial year converted to Euros at the exchange rate prevailing as of June 30, 2021.

A list of PwC network audit firms and sole practitioner statutory auditors in the European Union/European Economic Area (EU/EEA) Member States can be found in the [Appendix](#).

## Relevant EU/EEA and United Kingdom audit clients

During the period covered by this Transparency Report, PwC Canada has signed audit reports for the following clients that have transferable securities listed on regulated markets in the countries noted.

### EU/EEA

#### Ireland

- Royal Bank of Canada

#### Norway

- Questerre Energy Corporation

#### Sweden

- Africa Oil Corp.
- Africa Energy Corp.
- Filo Mining Corp.
- Josemaria Resources Inc.
- Lucara Diamond Corp.
- Lundin Mining Corporation
- Lundin Gold Inc.
- Royal Bank of Canada

### United Kingdom (UK)

- Canadian General Investments, Ltd.
- Pure Gold Mining Inc.
- Royal Bank of Canada
- Toyota Credit Canada Inc.



### Financial information

PwC Canada's audit and non-audit services revenues earned from relevant audit clients listed herein and all other revenue (CA\$ millions) for the fiscal year ended June 30, 2021 are:

- Audit revenues earned from relevant EU/EEA clients: \$24.4\*
- Non-audit services revenues earned from relevant EU/EEA clients: \$0.4\*\*
- Audit revenues earned from relevant UK clients: \$23.1\*
- Non-audit services revenues earned from relevant UK clients: \$0.2\*\*
- Audit revenues earned from all other clients: \$658.2
- Non-audit services revenues earned from all other clients: \$1,163.8

\* Audit revenues of \$22.4 included in both EU/EEA and UK revenues.

\*\* Non-audit services revenues of \$0.2 included in both EU/EEA and UK revenues.



# Appendix

## PwC network audit firms and sole practitioner statutory auditors in EU/EEA member states as at June 30, 2021

| Member State   | Name of firm  |
|----------------|---|
| Austria        | PwC Wirtschaftsprüfung GmbH, Wien                                   |
| Austria        | PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz |
| Austria        | PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt  |
| Austria        | PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz     |
| Austria        | PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg   |
| Austria        | PwC Österreich GmbH, Wien   |
| Belgium        | PwC Bedrijfsrevisoren bv/Reviseurs d'entreprises srl                |
| Bulgaria       | PricewaterhouseCoopers Audit OOD                                    |
| Croatia        | PricewaterhouseCoopers d.o.o  |
| Croatia        | PricewaterhouseCoopers Savjetovanje d.o.o                           |
| Cyprus         | PricewaterhouseCoopers Limited                                      |
| Czech Republic | PricewaterhouseCoopers Audit s.r.o.                                 |
| Denmark        | PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab     |
| Estonia        | AS PricewaterhouseCoopers   |
| Finland        | PricewaterhouseCoopers Oy   |
| France         | PricewaterhouseCoopers Audit  |
| France         | PricewaterhouseCoopers Entreprises                                  |
| France         | PricewaterhouseCoopers France                                       |
| France         | PricewaterhouseCoopers Services France                              |
| France         | PwC Entrepreneurs CAC   |
| France         | PwC Entrepreneurs Commissariat aux Comptes                          |
| France         | PwC Entrepreneurs Audit   |
| France         | PwC Entrepreneurs Audit France                                      |
| France         | PwC Entrepreneurs CAC France  |
| France         | PwC Entrepreneurs Commissariat aux Comptes France                   |
| France         | PwC Entrepreneurs France  |
| France         | PwC Entrepreneurs Services  |
| France         | M. Philippe Aerts   |
| France         | M. Jean-François Bourrin  |
| France         | M. Jean-Laurent Bracieux  |
| France         | M. Didier Brun  |
| France         | Mme Elisabeth L'Hermite   |

| Member State               | Name of firm   |
|----------------------------|--|
| France                     | M. François Miane  |
| France                     | M. Pierre Pegaz-Fiornet  |
| France                     | M. Antoine Priollaud   |
| Germany                    | PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft                          |
| Germany                    | Wibera WPG AG  |
| Greece                     | PricewaterhouseCoopers Auditing Company SA   |
| Hungary                    | PricewaterhouseCoopers Könyvvizsgáló Kft.  |
| Iceland                    | PricewaterhouseCoopers ehf   |
| Ireland                    | PricewaterhouseCoopers   |
| Italy                      | PricewaterhouseCoopers Spa   |
| Latvia                     | PricewaterhouseCoopers SIA   |
| Liechtenstein              | PricewaterhouseCoopers GmbH, Ruggell   |
| Lithuania                  | PricewaterhouseCoopers UAB   |
| Luxembourg                 | PricewaterhouseCoopers, Société coopérative  |
| Malta                      | PricewaterhouseCoopers   |
| Netherlands                | PricewaterhouseCoopers Accountants N.V.  |
| Netherlands                | Coöperatie PricewaterhouseCoopers Nederland U.A.                                     |
| Norway                     | PricewaterhouseCoopers AS  |
| Poland                     | PricewaterhouseCoopers Polska sp. z. o.o.  |
| Poland                     | PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.   |
| Poland                     | PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp. k.         |
| Portugal                   | PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda |
| Romania                    | PricewaterhouseCoopers Audit S.R.L.  |
| Slovakia (Slovak Republic) | PricewaterhouseCoopers Slovensko, s.r.o.   |
| Slovenia                   | PricewaterhouseCoopers d.o.o.  |
| Spain                      | PricewaterhouseCoopers Auditores, S.L.   |
| Sweden                     | PricewaterhouseCoopers AB  |
| Sweden                     | Öhrlings PricewaterhouseCoopers AB   |



We have prepared this Transparency Report, in respect of the financial year ended June 30, 2021, in accordance with the requirements of Article 13 of the EU Regulation No. 537/2014.

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PwC refers to the Canadian firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

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