

# Our focus on audit quality

## 2022 Audit Quality Report



# Contents

# To our stakeholders

The stories that continue to make headlines—the continuously evolving COVID-19 pandemic, the Russian government’s invasion of Ukraine, the Great Resignation, climate change, the continued fight for equity in business and government, and many more—have left an indelible mark on us as individuals, as a firm, and as a society. We are proud of the resilience, empathy, and commitment demonstrated by our people over the past year. Together, we fully embraced **The New Equation**, our global strategy—underscoring our purpose to **build trust in society and solve important problems**. Day after day, our community of solvers came together to help build trust, take on societal challenges, and make a meaningful impact in our communities and the business sector.

Against the backdrop of an ever-changing and challenging world, we have kept **trust** at the heart of our business, and our values have continued to drive us forward. As you’ll read in this report:

- **We performed our work with integrity and a relentless focus on quality.** We invested significant time and resources to maintain and continually enhance quality—and have seen the continued positive impact on our inspection results.
- **We showed our people that we care.** We provided them with greater flexibility in how and where they work and found more ways to recognize their contributions with meaningful rewards.
- **We made a difference through our ongoing commitment to diversity, equity, and inclusion.** Central to our strategy is a culture of belonging that continues to evolve.
- **We worked together to keep pace with an unprecedented rate of change.** As the largest trust practice in the world, we continued to help build trust in the capital markets through participation in regulatory and standard setting activities, issuance of thought leadership, and engagement with stakeholders.
- **We reimagined the possible to deliver Tomorrow’s audit, today.** We continue to identify new ways for our people to work with one another and with clients to maintain quality and transform the audit experience.

Audit quality is and always will be our number one priority—no matter the challenges and opportunities presented in the months and years ahead. Thank you for engaging with us on quality, and for your interest in our continued progress.



**Tim Ryan**  
US Chair and  
Senior Partner



**Wes Bricker**  
Vice Chair, US Trust  
Solutions Co-Leader



**Kathryn Kaminsky**  
Vice Chair, US Trust  
Solutions Co-Leader

\* MDs – managing directors; AC – Acceleration Centers  
Please note, unless specifically indicated, ACs are excluded

# 2022 year in review





# Our culture and values

## Trust Solutions

Trust has never been more important than it is today. [The New Equation](#), our global strategy, is about being relentlessly committed to quality and focused on our clients as they work to build trust and deliver sustained business outcomes. By combining our assurance and tax compliance and reporting lines of service, we've created the **largest trust practice in the world**. Trust Solutions brings together our passionate community of solvers in unexpected ways to deliver the audit and tax services that our brand is built on and to explore new opportunities to build trust, solve important problems, and further our commitment to quality.

Under The New Equation we are investing in new capabilities in areas that are central to our strategy—including environmental, social, and governance (ESG). We are also teaming across the firm and transforming the way we work, finding new ways to deliver quality and value by harnessing the power of our people and technology. We continue to effectively draw on the deep technical knowledge and experience of our non-audit professionals to develop a deeper understanding of our audit clients' processes and financial reporting risks, which leads to a better audit, including more insightful feedback to management and the audit committee. This ready access to specialists in areas including, but not limited to, climate, human capital, cybersecurity, valuation, and tax will continue to support the quality of our work as the environment in which we and our clients operate becomes increasingly complex.

Through the New Equation, we are driving sustainable change. We're committed. We're transparent and accountable. And we take action. In 2021, we launched [Tomorrow Takes Trust](#), a landmark commitment to embed trust-based principles into the core of today and tomorrow's businesses. This includes the [PwC Trust Leadership Institute](#), an immersive learning experience that aims to equip business leaders with the skills to help build trust around the challenges and realities of the future. In March 2022, we concluded our first session of the Trust Leadership Institute, and in June we launched additional programming and academy options.

Our [annual Purpose Report](#) details our commitments to diversity, equity, and inclusion (DEI), operating responsibly in sustainable ways, and driving a human-led, tech-powered approach.

“At PwC, we believe that trust will be THE defining factor in a business's ability to thrive in the future.”

—Tim Ryan




# Tone at the top

We<sup>1</sup> are a purpose-led and values-driven organization, and the role the firm plays has always been underpinned by the need for trust and our ability to deliver quality services, valuable insights, and meaningful solutions. We look at tone at the top broadly, considering areas such as how we win new work, accept new clients, develop and share thought leadership, recruit and develop our people, and create an inclusive and respectful work environment.

For the 11th year in a row, PwC is the **#1 accounting firm on Vault's Top 25 Accounting Firms list.**

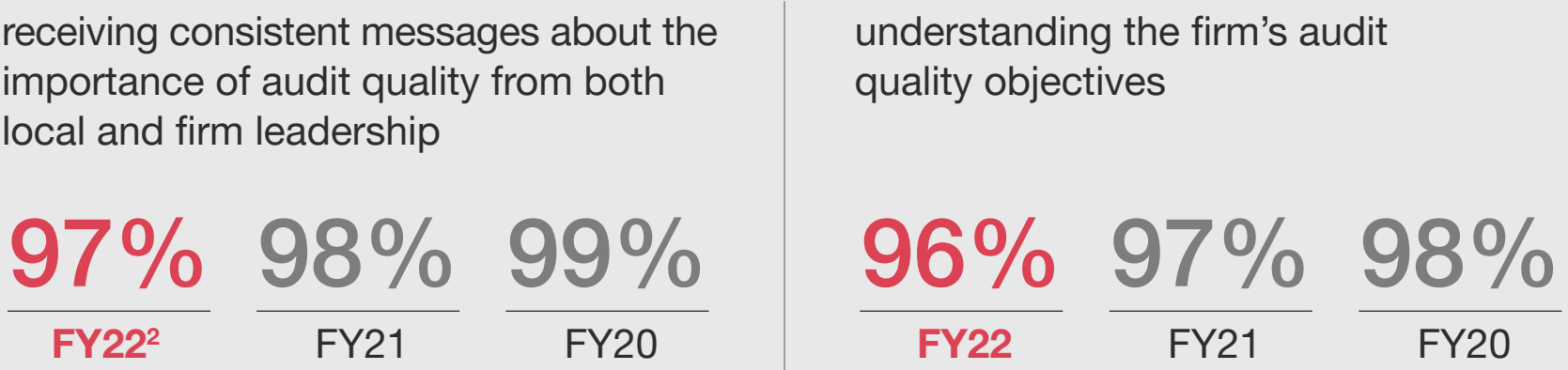
## Our purpose is to build trust in society and solve important problems.

We expect our professionals to exhibit the core values underlying our purpose, as these values define the expectations we have for working with each other and our clients:

				
Act with integrity	Make a difference	Care	Work together	Reimagine the possible

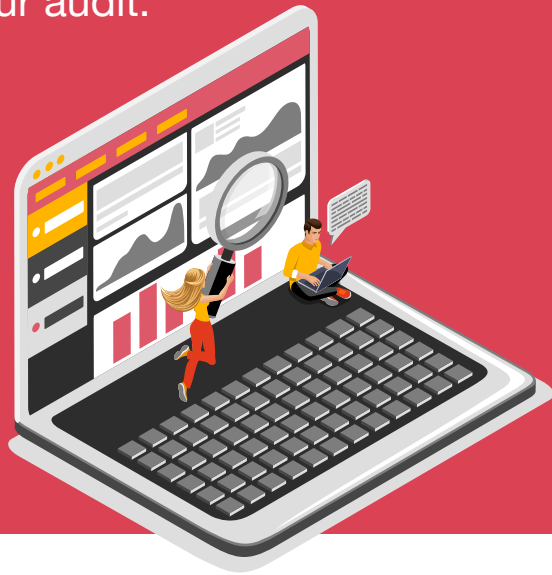
While we recognize that our professionals are working in a complex environment with competing demands, our brand and professional reputation are built on delivering quality. As a result, topics such as quality and accountability are an ongoing focus of our leadership communications, which are used to reinforce our commitment to our purpose and values and the importance of audit quality to the success of our firm. Key messages are communicated to our people by our Senior Partner and our leadership team and are reinforced by engagement partners.

## Percentage of audit professionals surveyed who report:



“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 in identifying and responding to risks relevant to our audit.



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
- recognize our role in the capital markets.

## Ethics, independence, and objectivity

### Ethics

Ethical behavior is the foundation for building trust. We have a code of conduct and supporting policies that identify specific actions or behaviors expected of each partner and employee. We also provide multiple ways for our people to ask questions and obtain policy guidance or voice concerns, including an Ethics Helpline, through which concerns may be reported anonymously, if preferred.

Doing business the right way, conducting business with integrity, maintaining independence, safeguarding the information entrusted to us, preserving necessary records, and competing and winning fairly in the marketplace are key components of our ethics policies, training, and awareness activities. We train our partners and employees on these policies during our required new hire, new manager, new partner, and annual training. We also require our partners and employees to confirm their compliance with our policies and applicable laws and regulations during our annual compliance confirmation process.



## Independence and objectivity

As auditors, we are required to be independent from our audit clients. Independence, in fact and appearance, sets the foundation for us to exercise professional skepticism and make objective conclusions without being affected by influences that could compromise our professional judgment.

Our independence policy is based on the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants and is supplemented to comply with the requirements of US standard setters and regulators.

We support our people in maintaining independence by providing systems and processes that:

- track the entities for which independence is required;
- enable assessments and approvals for providing permissible non-audit services;
- automate the recording of many security transactions;
- facilitate the assessment and monitoring of joint business relationships;
- facilitate the evaluation, pre-approval, and monitoring of securities and other financial arrangements held by partners, employees, and others to whom independence rules apply;
- support independence-related consultations; and
- document our professionals' annual confirmation of compliance.

Our systems and processes also support the monitoring of independence compliance by audit team members, including selective testing of individual compliance, facilitating the process of sending engagement independence confirmations, and generating the documentation necessary to evidence the confirmation process.

To further mitigate potential independence risk in the execution of non-audit services and to enhance audit committee pre-approval communications, our process for reviewing and authorizing certain non-audit services for SEC-issuer audit clients includes:

- the review and assessment of the scope of services for permissibility by an independence specialist;
- the review of the related audit committee pre-approval communications, when certain criteria are met; and
- the performance of pre-engagement independence coaching sessions and independence in-flight reviews for certain engagements.

In addition, to support the implementation of our processes and reinforce the individual behaviors necessary to maintaining independence, our professionals are required to take training courses tailored to their level and the services they provide.

Supporting these efforts, we have a team of professionals (**15** partners and **262** employees) who, with the support of the Acceleration Centers, are responsible for maintaining our independence policies, processes, and controls.

Professionals from this team are also responsible for developing our independence training courses and serving as a resource for our people when questions arise. In FY22, this team engaged in **approximately 41,500** independence-related consultations.

In FY22, we launched [Personal independence at PwC](#) on [pwc.com](#), a public resource that explains the personal independence requirements applicable to PwC US partners, employees, third-party contractors, and their immediate family members, and what they need to do to comply and maintain personal independence.



We also have a framework that identifies specific actions or behaviors that are expected of each partner and employee to be in compliance with independence policies and regulatory requirements related to personal, service, and other relationships. Increased accountability is responsive to the heightened expectations of stakeholders. The framework includes consequences that, following review, are applied when violations or exceptions occur.

We report independence rule exceptions to those charged with governance, including audit committees as applicable, at our affected clients so the impact on the firm's independence can be assessed.

## **Partner rotation**

Partner rotation strikes a balance between bringing “fresh eyes” to the audit and maintaining a deep understanding of the client's operations, in part, through continuity of other team members. Our practice leaders use systems and processes to manage current and successor partners' portfolios, including understanding their skills and capacity to maintain audit quality. On audits of SEC issuers, lead audit partners and quality review partners are required to rotate off engagements every five years and other audit partners every seven years. Furthermore, there are rotation policies for partners and other senior personnel on audit engagements not subject to the SEC rotation requirements.



## Accountability and incentives

Partners are evaluated based on their contributions towards our strategic agenda, One Firm teaming, and their individual goals, inclusive of quality and use of technology. In holding partners, including lead audit partners, quality review partners, auxiliary partners, and specialist partners accountable, our accountability program considers the results of external and/or internal inspections in audit areas requiring their review. Partner accomplishments are measured based on the partner's relative performance against established goals. Partners receive a share of the firm's profits based on their level of responsibility, the firm's performance, and the partner's performance. Through audit quality team awards, we further recognize and incentivize partners who meet certain criteria in delivering quality and demonstrate behaviors that are consistent with our strategic agenda. Our audit partners are not evaluated or compensated for selling non-audit services to their audit clients.

Our non-partner professionals are assessed against the dimensions of the *PwC Professional framework*, as discussed on page 19. They are eligible to participate in our annual performance bonus plan based, in part, on the achievement of quality goals and objectives.

When necessary, partners, managing directors, and directors/managers are required to implement a responsive action plan to address quality issues. Implementation of the plan is monitored by leaders.

As we emphasize to our people, we strive to do the right thing whether we're dealing with clients, with our stakeholders, or with each other. This is the foundation of our professional reputation, status, and brand, and we will not compromise it. We have made it clear—no client, no fee, and no opportunity is worth compromising our values. This is simply non-negotiable, and we do not accept pressure to do otherwise.

# Considerations in undertaking an audit engagement

Our approval processes govern the acceptance of new audit clients and continuance of existing audit clients (annual and/or as-needed assessments) based on the audit team's responses to a series of questions, which, in aggregate, form the basis of our risk assessment. For the acceptance of new audit clients, our process requires approvals by lead audit partners, quality management partners, and sector leadership. For existing client continuance assessments, the extent and level of approvals depend on the nature of the client and results of the required risk assessment. Additionally, an event-driven reassessment is performed when certain events occur, or become known, that were not considered at the time of the latest assessment in order to reevaluate our relationship with the client.

We consider that the basis for performing a quality audit includes the availability of resources with the right skills, experience, and capacity, as well as whether the amount of audit fees is commensurate with the expected level of effort. We only accept new or continue existing audit relationships when supported by our assessment of risks and when we believe our audit procedures can be satisfactorily designed and executed. We consider:

- the applicable professional and regulatory standards as compared to our professional competence and capabilities;
- the integrity, conduct, and reputation of key management, board members, and significant shareholders;
- the nature of the company's operations, its industry, and applicable laws and regulations;
- the potential impact on independence, conflicts of interest, and/or relationships with other entities and whether there are circumstances that might impair our independence or objectivity as auditors of the company; and
- the timing and resource needs of the engagement, including any potential constraints that would affect our ability to comply with applicable standards.

In addition to the aforementioned considerations, we continue to evaluate trends impacting our clients and engagement teams. For example, in light of a continued increase in companies expressing an interest in activities that associate them with digital assets such as cryptocurrency, we conduct acceptance and continuance consultations with our teams with respect to these matters. Further, through guidance and targeted reach-outs, we also continue to support teams as they identify and respond to related risks.





# Our role in the financial reporting ecosystem

In the US, the capital markets and the auditing profession benefit from a strong regulatory environment, which includes the SEC and the PCAOB, both of which have investor protection as part of their mission. We believe a strong audit profession and regulatory environment facilitate transparency and instill confidence in the capital markets. However, our role in the financial reporting ecosystem goes beyond the issuance of audit reports.

As of June 30, 2022, **over 700** of our audit clients were SEC registrants,<sup>3</sup> representing **over \$11 trillion** in market capitalization. **Over 27%** of Fortune 500<sup>4</sup> companies are our audit clients.

We audit **nearly two-thirds** of mutual funds based on assets under management (AUM) and **over three-quarters** of exchange-traded funds based on AUM.<sup>5</sup>

Our US Chair and Senior Partner, Tim Ryan, serves as the Chair of the Center for Audit Quality's (CAQ) Governing Board, and is also a member of the Board of Trustees of the Financial Accounting Foundation. Our Vice Chair—US Trust Solutions Co-Leader, Wes Bricker—serves as Chair of the board of XBRL International and is also a member of the CAQ's Advisory Council and the AICPA's Governing Council. In addition to Wes, Roz Brooks, US Public Policy Leader, and certain other individuals from our National Office are members of the CAQ's Advisory Council. Brian Croteau, our Regulatory, Risk & Quality Control Group leader, is a member of the PCAOB's Standards and Emerging Issues Advisory Group.



# Active participation in regulatory and standard setting activities

The dynamic environment in which we operate necessitates the development of new and revised accounting and auditing standards, in addition to an increasingly wide range of regulatory and policy initiatives in the US and around the globe. We play an active role in these initiatives, both as an individual firm and in collaboration with others in the profession by working with the CAQ.

Collectively, our people spend **tens of thousands of hours** participating in standard setting and regulatory efforts to enhance the quality and usefulness of financial and non-financial information available to the capital markets.

Experienced individuals in our firm who are subject matter specialists contribute as leaders and members of working groups, committees, and advisory boards of the CAQ, standard setters, and other organizations working toward this purpose.

“Assurance on information that matters, delivered by skilled professionals, is critical for the health of our markets and builds trust in our society.”

— Wes Bricker

## Thought leadership

Through presentations, client interactions, publications, podcasts, videos, and webcasts, we foster quality reporting by keeping our audit teams, clients, and other stakeholders informed of standard-setting activity, regulatory matters, and other developments.

In FY22, our National Office released **over 170** publications, podcasts, webcasts, and videos covering a wide variety of topics, including insights on key accounting and reporting issues relating to, for example, special purpose acquisition companies (SPACs); digital assets, including cryptocurrency; and ESG-related matters, including the SEC’s proposed climate disclosures. In addition, **23** of our accounting guides were expanded or updated for new or enhanced content or to add additional examples. During the year, our publications were viewed **more than 5.3 million times**, and users streamed our podcasts, webcasts, and videos **more than 1.3 million times**.

Please see [viewpoint.pwc.com](https://viewpoint.pwc.com) for our publicly-available National Office content.

# Stakeholder engagement

Our Governance Insights Center helps boards of directors and their committees meet the challenges of their critical roles and duties and seeks to enhance the financial acumen of investment professionals. The Center also strives to strengthen the bridge between investors, directors, and corporate management as we provide insights to help companies address evolving expectations and regulations.

We share perspectives and insights with directors and investment professionals through various events and other mediums such as training sessions, webcasts, videos, and publications, so they can improve their oversight and investment decisions.

For example, we:

- conduct individual board and audit committee educational sessions to enhance the board's understanding of contemporary issues, sharing our research, latest activities, and practical insights;
- publish governance newsletters and frequent publications that give corporate directors, executives, and investors timely, fresh perspectives on topics including macroeconomic and corporate governance trends;
- provide, through webcasts and publications, the need-to-know highlights for audit committees to oversee financial reporting;
- issue quarterly audit committee newsletters that spotlight potential agenda meeting topics and the latest financial reporting and committee developments;
- publish key findings from our [Annual Corporate Directors Survey](#);
- issue key findings from our [C-suite Executives Survey](#); and
- host a multi-day annual forum for board and audit committee members to discuss the latest governance topics and share practices with peers.

Over the past year, the Center hosted our annual forum for board and audit committee members that reached **more than 240** directors representing **more than 440** companies and produced multiple webcasts that reached just **over 6,800** external attendees.

Members of the Center also presented virtually or in person at **more than 500** client meetings or other events.

Lastly, the Center issued **nearly 50** director-focused publications on important governance matters, in addition to the thought leadership released by our National Office as described on page 14.

We regularly engage with investors and analysts through individual outreach, hosting forums, and participating in investor-focused events and conferences. This past year, we hosted multiple forums for investors and analysts to learn and discuss emerging standards and regulations that impact year-end financial reporting, as well as forward-looking topics for their agendas. We also held a webcast for investors that reached **more than 20** distinct investment companies and analyst organizations.

For more information, see the Governance Insights Center section on [pwc.com](https://www.pwc.com).

While we engage in a wide variety of governance and investor activities, we place a significant focus on the audit committee because it has the primary responsibility for oversight of an issuer's financial reporting process, as well as the appointment, performance, and independence of the external auditor. Through timely, meaningful exchanges, our audit teams obtain the perspectives of their clients' audit committees and fulfill their professional responsibilities to communicate certain items to them (see page 38). We encourage audit committees to ask candid questions and engage in an open dialogue to help foster an environment of accountability and to enhance audit quality. 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 of financial reporting.

“The foundations of our markets are built on the ongoing exchange of quality financial information between institutions and investors, and building and maintaining trust in those markets is a role we take seriously.”

—Kathryn Kaminsky

## Non-audit services

By bringing together our combined audit, tax, ESG, and digital assurance capabilities, we are well-positioned to use our established understanding of our clients and the environments in which they operate to deliver permissible trust solutions to our clients. These services, including tax compliance and reporting, digital assurance and transparency, and ESG reporting, address issues by which organizations are increasingly measured by stakeholders.

As described on page 9, our protocols and monitoring processes are designed to address the risks to independence from providing permissible non-audit services to our audit clients. The majority of our non-audit services revenue comes from clients with whom we have no audit relationship.

# Our role in action

## Environmental, social, and governance

Investors and stakeholders in the capital markets are increasingly looking to information about a company's ESG-related risks and opportunities to assess value. We are taking a leading approach to ESG. Through PwC Network representation on the Sustainability Accounting Standards Board (SASB) and the Financial Stability Board's Task Force on Climate-Related Financial Disclosures, we have contributed to the development of ESG reporting metrics. Through numerous publications, podcasts, and webcasts, we provide timely, relevant thought leadership to our clients and stakeholders addressing issues such as the [SEC's proposed rules to enhance and standardize climate-related disclosures](#).

We also support our audit teams with ESG-related resources and guidance. For example, we have provided our public company audit teams with required risk assessment procedures and additional guidance to help them assess and document climate risk factors applicable to their clients. Further, we have provided our audit teams materials and guidance to support timely, meaningful exchanges with our clients' audit committees regarding ESG-related matters.

We deliver other trust solutions using methodology specifically designed for ESG attestation engagements, which enhances the credibility of accurate and reliable ESG data. We have issued numerous review and examination reports on select ESG data to provide additional confidence to the users of that data. We will continue to deliver new and expanded permissible ESG trust solutions in areas including sustainability and climate-related risks; diversity, equity, and inclusion; and supply chain integrity.

We also continue to take key steps on our own [ESG journey](#).

Listen to Wes Bricker unpack the SEC's proposed climate change disclosure rule in [this episode](#) of his LinkedIn series "Business Today with Wes."

## XBRL

The increased use of XBRL and related regulation is an important trend that we are actively monitoring and addressing. We have issued multiple publications and podcasts emphasizing the importance of quality XBRL data to the capital markets and highlighting how robust quality control processes with clear ownership impact the quality of the XBRL filing. We also engaged with the SASB to develop an ESG XBRL taxonomy, and to help craft a data preparer's guide that provides guidance on tagging ESG information in a structured data format and disclosing it through regulatory and non-regulatory channels. We continue to refine our strategy, including the trust solutions we offer, related to XBRL and its ability to enable insight-rich, technology-driven reporting solutions.





# Our people

Our hiring standards include a structured interview process with behavior-based questions built from *The PwC Professional framework*, an assessment of academic records, a review of relevant prior experience (if applicable), and background checks. In FY22, we hired **nearly 1,700** and **800** entry-level and experienced audit professionals, respectively, and **over 1,900** audit interns to supplement our workforce. Amid historic rates of voluntary turnover in job markets and professions across the world, including public accounting, we have taken meaningful steps to continue to attract and retain top talent, as described on page 22.

## Audit partners' average years of experience at PwC US

<b>23</b>	<b>23</b>	<b>23</b>
<b>FY22</b>	FY21	FY20

## Number of audit team members<sup>6</sup> by level

	<b>FY22</b>	FY21	FY20
Partners/managing directors	<b>1,125</b>	1,082	1,081
Directors/managers	<b>2,537</b>	2,693	2,671
Senior associates	<b>2,339</b>	2,238	2,572
Associates	<b>3,383</b>	3,891	4,550
AC staff full-time equivalents <sup>7</sup>	<b>2,444</b>	1,617	1,185
<b>Total</b>	<b>11,828</b>	<b>11,521</b>	<b>12,059</b>

The Acceleration Centers (ACs) represent a global talent pool that help us enhance quality and improve our people and client experiences through innovation, flexibility, and increased efficiency.<sup>8</sup> By continuing to further integrate team members located at the ACs on our audits, we were able to manage workload in response to increasing turnover rates which helped our teams continue to meet the needs of our clients, while also creating opportunities for our audit professionals to take on more challenging work earlier in their careers and to provide value-add insights to our clients.



# Professional development

We are committed to our audit professionals' ongoing development, which is fundamental to our ability to deliver quality services. Throughout their career, our audit professionals are provided with career development opportunities; virtual, classroom, or on-demand learning; and on-the-job real time coaching and development. Through our strategic deployment efforts, we assign our professionals to engagements across Trust Solutions, allowing us to meet the needs of our clients and create additional career development and mobility opportunities for our people. How we assign our professionals to engagements takes into account our new ways of working as described on page 21.

Achieving a professional credential supports our firm's commitment to quality through consistent examination and certification standards. Obtaining a CPA credential, an important element of our audit professionals' career progression, is a prerequisite for promotion to audit manager. Our people are incentivized with a bonus to get credentialed early and will often attain their credential well before they are eligible for promotion to manager.

In 2022, 57 individuals out of the 72,000 who sat for the CPA exam were recognized by the AICPA for achieving exceptional results on the CPA exam; **11** were from our firm.

## **The PwC Professional framework**

The *PwC Professional framework* is our global leadership development framework, which provides a single set of expectations across our segments, roles, and territories, and helps us to fulfill our purpose, drive our strategy, and live our values and behaviors.

The *PwC Professional framework* assesses skills and competencies, which are expressed as observable behaviors across five dimensions: Relationships, Business acumen, Technical and digital, Global and inclusive, and Whole leadership. It also includes specific quality dimensions to guide our non-partner audit professionals in building critical skills and behaviors related to delivering audit quality, such as professional skepticism, review and supervision, auditing skills, issues management, and accounting and technical knowledge. The performance of audit team members, excluding partners, are assessed against the dimensions of the *PwC Professional framework*.

Each non-partner audit professional is aligned to a Development Team composed of a Relationship Leader, Career Coach, and Talent Consultant. Relationship Leaders play a primary role in the professional growth of our non-partner audit professionals by providing mentoring and career support by continuing to review and discuss progression against the dimensions.

“We need to do everything we can to position the next generation of workers for success in this workplace.”

—Tim Ryan

# Our people experience

We are focused on being the world's leading developer of talent with a desired outcome of quality client services, greater engagement of our people, and an inclusive environment that allows our people to reach their full potential. As we compete to retain employees and bring in new talent, we know and respect that each individual has different priorities.

We embed **continuous listening** into our people experience strategy, leveraging our Trust Solutions Staff Council, Global Pulse Survey, and other feedback channels to gather insights from our people to help positively influence their experience.

We have continued to make significant investments in the **digital upskilling** of our people, providing:

- numerous learning tools to expand the use of digital solutions on audits and foster a mindset of continual improvement and innovation;
- a variety of engaging learning channels, including podcasts, to help build digital IQ through personalized curriculum;
- virtual Digital Academies focused on data wrangling, automation, and data visualization; and
- a program to obtain multiple knowledge and skill badges, including Human-Centered Design, Digital Acumen, and Digital Learning Paths.

Audit team members located at the ACs are similarly provided access to a wide range of digital upskilling, automation, and innovation programs.

Our audit teams use the **Digital Lab** to find, build, and share digital solutions that support tech-enabling the audit. This, together with investments in digital upskilling, has helped us create innovative, digitally fluent audit teams.

**Connectivity** is front and center of everything we do. The pandemic demonstrated the importance of connectivity in a virtual work environment, and our experiences throughout have helped inform our approach to keeping our people connected. We have provided resources to our teams that include creative ways to connect virtually. We continue to enhance our reimagined virtual onboarding experience for our new joiners that includes the training, tools, and resources to help them be successful as they begin working for the firm. Our people also have access to the **Difference Makers**, an approach that gives us a fresh way of working together through new behaviors, activities, techniques, and virtual tools.

This year we launched My+, which will provide our people the power to build personalized careers, from choosing the types of assignments they work on, to the hours they work, to where they work and the benefits they need.

**Flexibility and well-being** are all about putting the power of the firm’s resources behind our people and helping support their journey to greater well-being. We continue to focus on *Be Well, Work Well*—our investment in well-being, including creating team plans aligned with our new ways of working (described below) that account for all team members’ work preferences and flexibility needs. This year we increased our well-being support, adding mental health resources and incentives designed to encourage our professionals to take a full week of consecutive days off up to four times within the year to rest and recharge.

“Our goal is to develop outstanding leaders who build greater trust, belonging, and collaboration within our teams, in the market, and in society.”  
—Kathryn Kaminsky

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

	FY22	FY21	FY20
Partners/managing directors	349	342	396
Directors/managers	295	260	283
Senior associates	256	248	263
Associates	220	224	238

Providing our people with the ability to meet their professional and personal commitments is a critical component of our people experience. This year we provided our employees with the choice to work virtually on a full-time basis. With extensive guidance and best-in-class training resources, our people put our new ways of working into action. We shared working practices to leverage firm-approved technologies and added new technology to many of our offices to support hybrid interactions between remote and in-person participants.



Our leaders are also invested in sharing more about how they balance work and family. To hear more, listen to [this episode](#) of Kathryn Kaminsky’s LinkedIn series “Candid Career Conversations with Kathryn Kaminsky.”

## Retention

Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand, and the development and experience we provide make our people highly sought after in the external market. Our voluntary turnover can fluctuate based on several factors, including external market demand.

### Average annual voluntary turnover rate of audit professionals by level

	FY22	FY21	FY20
Managing directors/directors/managers	23.5%	15.3%	10.9%
Senior associates	34.8%	34.3%	19.0%
Associates	22.9%	22.0%	13.8%
<b>Total</b>	<b>26.4%</b>	<b>23.2%</b>	<b>14.4%</b>

In response to increasing voluntary turnover rates, we took several key steps to further promote retention of our audit professionals, by not only providing them with greater flexibility in how and where they work, but also by finding more ways to recognize their contributions with meaningful rewards. We executed mid-year pay increases as part of our commitment to competitive pay, as well as mid-year promotions, in appropriate circumstances, to more quickly promote those professionals already demonstrating skills at the next level. We empowered our audit professionals to award greater financial incentives to recognize audit team members who made exceptional contributions to deliver quality and exemplified our values. We also expanded the integration of audit team members located at the ACs to help manage the distribution of workload and create opportunities for all team members to take on more challenging work earlier in their careers.

## Global People Survey

In Spring of 2022, the PwC Network administered the Global People Survey, which among other components, measures the pride, advocacy, commitment, and overall satisfaction of our people (a measurement we call our People Engagement Index (PEI)). Many internal and external factors have the potential to impact our PEI; market demand for our talent and our total rewards and benefit programs are two factors that impact the commitment and overall satisfaction of our people. Our PEI has a substantial influence on how we define and adjust our people initiatives.

Our PEI in FY22 for the US Trust Solutions practice was **77%**. We believe this result reflects our continued commitment to the well-being of our people and our unwavering focus on our purpose and values.



# Diversity, equity, and inclusion

DEI is an essential aspect of our purpose, culture, and values. It is critical that all our people have equitable opportunities and feel a sense of belonging. Our DEI strategy drives equity within the firm from recruitment to partnership—with our systems, programs, and processes designed to support all of our people so that every person has the same opportunities to grow to their full potential.

Central to our strategy is a culture of belonging that continues to evolve—one where we move from awareness to empathy and demonstrate inclusive leadership that cultivates a greater sense of trust.

As of FY22, women and racially/ethnically diverse individuals comprise **48%** and **39%** of our employees, respectively.

The diversity of our partners has gone from 17.7% women and 8.8% racially/ethnically diverse in 2012 to **24%** women and **18%** racially/ethnically diverse in 2022.

Our 2022 new internal admission partner class was **33%** women and **32%** racially/ethnically diverse individuals.

As of July 1, 2022, our US Leadership Team is **36%** women and **36%** racially/ethnically diverse individuals, and our Board of Partners is **38%** women and **38%** racially/ethnically diverse individuals.

As described in our [annual Purpose Report](#), we have committed to disclosing indicators relevant to our business, rather than limiting data to only show representation of our total workforce and leadership. This year, we've made headway on 14 of our 18 indicators used to measure diversity and inclusion progress and have added new indicators to hold ourselves accountable for accelerating progress against our DEI strategy and goals. These new indicators include data on our extended leadership team, voluntary turnover, our PEI, average hours of training, and pay equity.

Additionally, we have added additional near-term goals to hold ourselves accountable to and accelerate progress toward our long-term aspirational goals focused on workforce representation, talent attraction, and the makeup of our partnership. And while we have made progress, we acknowledge that there is still more work to be done.

Our strategy for sustainable change within the firm is rooted in our culture of belonging and in providing intentional support along our people's career journey from the talent attraction process, a person's first two years with the firm, and progression through our pipeline to partnership. We believe that these are important stages to introduce strategic interventions at scale for women and underrepresented minorities, which we define as Black and Latinx individuals, to achieve a more equitable people experience, as well as a diverse workforce and partnership.



Our employees named us one of

## Forbes Best Employers for Diversity



We received a **100%** score on the 2021 **Disability Equality Index** survey, a joint initiative of the US Business Leadership Network® and the American Association of People with Disabilities



Our web application,

**Bias Analyzer**, created by our Technology Impact Office, is recognized among Fast Company's first-ever **Next Big Things in Tech** class of honorees.



The Human Rights Campaign Foundation designated us one of the **Best Places to Work for LGBTQ+Equality**, with a 100% on the 2022 Corporate Equality Index.

To learn more about our diversity, equity and inclusion strategy, and more awards and recognition we have received in this area, please visit [pwc.com](https://www.pwc.com).

This year we took a natural step forward by formally evolving from Diversity & Inclusion to DEI. This evolution to DEI elevates our long history of working toward more equitable workplaces and communities.

We continue to introduce learning resources, provide opportunities for connection and candid conversations, and execute specialized programs for all employees—especially our diverse and female colleagues. In April 2022, we launched the Inclusive Mindset Badge designed to help our people grow personally and professionally, developing the skills that help them progress as inclusive, purpose-led, and value-driven leaders.

Also, to continue enhancing our efforts to support parity in experience and opportunities for all of our people, we added increased transparency to myMetrics, that will ultimately allow partners to see the gender, race, and ethnicity composition of the teams they oversee and relevant related insights. This data will provide partners with the insights and accountability to help them make sure each team member has a rewarding experience and has the opportunity for long-term success at the firm.

Our digital platform, My Story, Your Story, continues to inspire deeper connections, grow relationships and communities, and allow our people to be better allies. It also connects our **11** Inclusion Networks, made up of **over 19,000** employees. Our Inclusion Networks are dynamic communities of PwC professionals based on shared backgrounds, experiences or interests.

We also focus on being a changemaker within our communities and in society. We empower our people to invest their passion and skills in causes that are important to them and in support of nonprofit organizations and educational institutions tackling social justice issues. **Approximately 25,000** of our people provided a total of **nearly \$28 million** to nonprofits addressing critical societal issues. The US firm amplified the giving of our people with **more than \$80 million** to nonprofit organizations addressing issues locally and nationally.

One of the greatest concerns facing our communities is the growing gap between those with access to opportunity and those without. To close this divide, we extended our Access Your Potential program by committing **\$125 million** to support a more equitable future for 25,000 Black and Latinx college students to prepare for and begin their career. In support of our diversity and inclusion strategy, we aspire to hire 10,000 Black and Latinx students by 2026.

Through **Skills for Society**, we're giving our employees 40 hours of paid time to use the skills and experience they bring to client work to help nonprofits digitally transform and tackle operational challenges in order to help effectively address injustice—pro bono projects and nonprofit board seat service are just two examples of how our employees are bringing this to life. In FY22, **over 6,000** of our people worked with **over 3,800** organizations addressing issues in areas such as education, health, and economic empowerment.

As a founding signatory of **CEO Action for Diversity & Inclusion™** (CEO Action), we have demonstrated our ongoing commitment to being a firm where diverse perspectives and experiences are respected and to advancing diversity, equity, and inclusion conversations and actions in the business community. **More than 2,200** CEOs and presidents of America's businesses, academic institutions, and nonprofits have signed the [CEO Action pledge](#).

The coalition includes organizations from over 85 industries with more than 13 million employees collectively. And its Actions Database contains over 1,700 actionable best practices, helping others learn and advance change efficiently and effectively. Through CEO Action, our Days of Understanding events throughout the year have driven nationwide dialogues with our people.

The **CEO Action for Racial Equity** (CEOARE) Fellowship focuses on advancing racial equity through public policy at the federal, state, and local levels. With **over 100** CEO Action signatory organizations working together to advance its mission, CEOARE mobilizes business leaders from across industries and regions to lend their passion, purpose and professional expertise to this first-of-its-kind model for responding to societal issues.

“As business leaders, family members, friends, and colleagues—we have a responsibility to stand up for equality in our companies and communities.”

—Shannon Schuyler,  
US Chief Purpose and  
Inclusion Officer



## Learning

Continuous learning is a fundamental aspect of our culture. The composition of our audit teams provides newer team members the opportunity to work with more seasoned team members, which promotes meaningful on-the-job training. Judgment is honed by observing how seasoned auditors approach issue identification, management, and resolution.

Learning that occurs through on-the-job supervision, review, and mentoring is supplemented through participation in classroom, virtual, and on-demand training programs.

Our National Office Learning Team collaborates closely with firm leadership so training is responsive to developments impacting our audits, including changes in the profession and our practice. The way we deliver training evolves with the restructuring and digitizing of content—both to make it more accessible and to align with what audit work is done, by whom, when, and how.

Our National Office Learning Team is dedicated to developing course content and updating our training curriculum based on feedback obtained from:

- our National Office on new accounting and auditing standards and financial reporting developments;
- our internal inspections process, consultations on accounting and auditing matters, and other inputs related to monitoring quality;
- observations from our PCAOB inspections and peer reviews; and
- surveys, focus groups with engagement team members, and post-course assessments.

We take measures to reinforce the importance of learning to an individual's professional development, including providing our audit professionals with sufficient time to complete training courses specifically targeted to their role and experience level. These courses integrate auditing and accounting concepts and use simulation-based elements for a more effective learning experience.



Our partners, managing directors, and directors/managers also receive industry-specific training and training related to new accounting standards, when applicable. In addition, we offer our professionals training on non-technical topics, such as project management, issues management, auditing while working remotely, and working in virtual teams. Audit team members located at the ACs are also provided training specific to their responsibilities, which is aligned to the training provided to other audit team members performing in a similar role. As the responsibilities of audit team members located at the ACs expand, they are provided additional training relevant to those expanded responsibilities.

Completion of mandatory auditing; accounting; and annual independence, ethics, and compliance training is a component of individual performance. Mandatory auditing and accounting training courses include a learning assessment as part of the overall learning experience, which requires the participant to earn a passing score to be granted credit for course completion. We take steps to communicate and continually reinforce the understanding that assessments are required to be completed on an individual basis. Failure to complete mandatory training or to achieve the minimum number of auditing, accounting, and ethics training hours for licensure can impact an audit professional’s performance evaluation and compensation.

The amount of annually mandated auditing and accounting training can vary from year to year based on a number of factors, including the issuance of new accounting and auditing standards, the nature and extent of feedback obtained, as previously described, and the impact of our ongoing curriculum redesign, which includes the use of digital tools to deliver training more efficiently. Our audit professionals are required to meet the minimum continuing professional education requirements for licensure. The average annual training completed per audit professional significantly exceeds the minimum annual requirements for licensure.

**Average training hours completed per audit professional**



Protected time for learning continues to be a key element of our strategy and has evolved from quarterly Infinite Learning days to year round uninterrupted time each Friday afternoon. “Fridays your way” encourages our professionals to invest in their own learning—whether it’s focusing on technical accounting and auditing, digital upskilling, and/or professional development.

# Assurance Quality Advisory Committee

Our independent Assurance Quality Advisory Committee (AQAC) currently consists of three members who have the collective experience and deep understanding of the interests of the preparer, auditor, investor, and standard setting and regulatory communities.

The AQAC provides perspectives and advice to Trust Solutions leadership on aspects of the business, operations, culture, governance, and risk management approach that are reasonably expected to impact audit and assurance quality. During a year of active regulatory and geopolitical activity, the AQAC has been a valuable resource for our leadership team, providing insight as it relates to emerging regulatory areas such as ESG, cybersecurity, digital assets, SPACs, human capital retention, and recruiting strategies. The establishment of the AQAC in 2020 made us the first firm with both a Board that includes external members and an independent advisory committee focused on quality.



## **Russell (Russ) Golden, Chair**

Has extensive experience related to technical accounting matters, having served as Chairman of the FASB from July 2013 to June 2020. Prior to his role as FASB Chair, Russ served as the Technical Director overseeing the FASB's accounting standards and technical application and implementation activities and as Chair of the FASB's Emerging Issues Task Force.



## **Alan Beller**

Is a recognized thought leader on securities and corporate law, capital markets, accounting and auditing and corporate governance matters as a Senior Counsel at Cleary Gottlieb Steen & Hamilton LLP. Alan is also a Director at the Value Reporting Foundation. Previously, Alan served as the Director of the Division of Corporation Finance at the US Securities and Exchange Commission and as a Senior Counselor to the Commission.



## **Joanne Wakim**

Has a strong track record of leadership in the capital markets having served as Chief Accountant at the Federal Reserve Board's Division of Supervision and Regulation. Joanne has also worked to advance international initiatives, having served as a member of the Basel Committee Accounting Experts Group. She also previously served on the staff of the FASB.





# Our audit approach

Performing audits in accordance with professional standards is an important way that we fulfill our purpose to build trust in society and solve important problems. Each year we issue audit reports on the financial statements of thousands of public and nonpublic companies. We conduct our audits following applicable auditing standards in order to obtain reasonable assurance regarding whether the financial statements are presented fairly, in all material respects. Although reasonable assurance is a high level of assurance, it is not a guarantee. An audit involves examining the underlying audit evidence, including information and reports provided by the company, on a test basis. In some circumstances, we also rely on—and for many companies, test and opine on—a company’s internal control over financial reporting, which due to inherent limitations may or may not prevent or detect misstatements. We are proud of the important role that audit opinions play in the capital markets and how they help us fulfill our broader purpose as a firm.

Rooted in our core values, [Tomorrow’s audit, today](#) reflects our view of the future—people-led, enhanced by powerful technology, and digitally amplified. While technology is a key part of how we’re reimagining and revolutionizing the audit experience, it’s our people—with their unique blend of audit and digital acumen—that set us apart. Driven by a **quality-first, purpose-always** mindset, our people deliver an audit that focuses on:

**Simplification:** We provide the resources and guidance our teams need to take out unnecessary complexity and focus on the areas of risk.

**Standardization:** Through the consistent adoption of our tools and guidance, further integration of audit team members located at the ACs, and centralized execution by our COEs, we are able to appropriately scale and standardize.

**Specialization:** Our audit teams have relevant industry and technical knowledge, and they leverage specialists and consult with the National Office, when appropriate, to bring the right knowledge to the audit at the right time.

**Automation:** Our people are upskilled to understand and use our innovative technology and are empowered to create custom automations.

We have an ongoing process to assess our audit approach, including the technology and tools used by our teams, so that it continues to align with our strategy, including driving audit quality.

# FY22 developments



Over the past year, we have issued guidance to our teams addressing matters such as: the audit and reporting considerations related to the evolving COVID-19 pandemic; the risks of material misstatement related to the disclosure of climate-related commitments and impacts; and the financial reporting considerations, audit risks, and other implications of the Russian government's invasion of Ukraine, including related sanctions, supply chain disruptions, and volatility in the financial markets.



We have also continued to reimagine the end-to-end audit experience by:

- providing additional training, guidance, examples, and tools to assist teams in effectively planning and phasing audit work, understanding data flows, testing manual information technology general and configurable controls, and more;
- further expanding our data extraction and data analytics capabilities related to risk assessment, as well as procedures in certain audit areas, such as revenue;
- providing industry sub-sector tools, such as a comprehensive analysis of quantitative and qualitative factors and key trends in the sub-sector that teams may use in connection with performing certain risk assessment procedures;
- leveraging members of our Chief Auditor Network to provide hands-on support to select audit teams to complete planning more effectively and efficiently and enhance the team's risk assessment and response; and
- providing tailored support to select audit teams in adopting the most impactful tools and technology for their audit, as well as optimizing the use of COEs.



In addition, we addressed other auditing, accounting, and reporting matters, such as:

- providing support to our audit teams performing audits of companies involved in an initial public offering or a transaction with a SPAC through enhanced guidance and targeted outreach and workshops;
- issuing additional guidance to assist teams in effectively communicating to the audit committee the participation in the audit of other firms or persons not employed by PwC US, and the related Form AP implications;
- mandating additional training related to certain complex income tax accounting topics; and
- implementing changes to our guidance related to new non-public auditing standards on auditor reporting and audits of employee benefit plans.

# Our audit technology

Our technology development is purposeful and focused on the end-to-end audit experience. Our comprehensive audit platform delivers enhanced quality, more consistent execution, and improved issue identification and communication.

**Aura**, the PwC Network's cloud-based audit platform, is used globally across all of our audits (**more than 100,000** auditors across the PwC Network use Aura), driving quality and consistency on a world-wide basis. Aura helps our teams deliver an audit tailored to our clients' business. It enables sequential and intuitive audit plan development and risk assessment through each phase of the audit, leveraging embedded industry-specific content that drives consistency in execution. We continue to make enhancements to Aura that further drive quality and standardization, support improved project management, and facilitate timely execution and review.

**Automated data extraction**, using our direct-feed data ingestion tools, can locally or remotely extract, compress, encrypt, and transfer data securely. Data handoffs are eliminated, thereby reducing room for error. By accessing our client's data directly, we can better analyze and assess risks, spot anomalies, and direct audit focus and testing.

Our award-winning **data visualization, analytics, and auditing tools** are designed to enhance our risk assessment process and facilitate automated testing and data validation to support the different phases of the audit—from planning, to execution, through completion. For example, audit teams can access specialized tools to identify journal entries to test as part of the procedures performed to address the risk of fraud as required by the auditing standards. Similarly, our investments tools help audit teams analyze investment portfolio data and price testing results. We continue to expand our capabilities, harnessing the power of data to further enhance our audit quality. Sophisticated analytics facilitate risk assessment and help us spot anomalies or new trends, using a robust set of analytical tools. Audit teams can easily navigate between numerous content-themed visualization dashboards and detailed data schedules, prompting more focused audit analysis and testing.

Learn more  
about  
our audit  
technology  
on [pwc.com](https://www.pwc.com)

The PwC Network's **digital document sharing tools** allow clients to quickly and securely share audit documents and deliverables. We also ease the burden of tracking the status of deliverables and resolving issues by using our **real-time project management dashboards** to automatically flag and track outstanding items and issues identified through the audit for more immediate attention and resolution. Clients are also able to see audit adjustments, control deficiencies, and statutory audit progress for all locations—in real time. Our global **digital collaboration tools** also streamline, standardize, and automate real-time communication and collaboration between group and component audit teams. The result: secure document exchange, enhanced status tracking, and issue management capabilities between group and component audit teams.



Additionally, our Sector teams are empowered to innovate with their respective client base in mind, leveraging our platforms as appropriate.

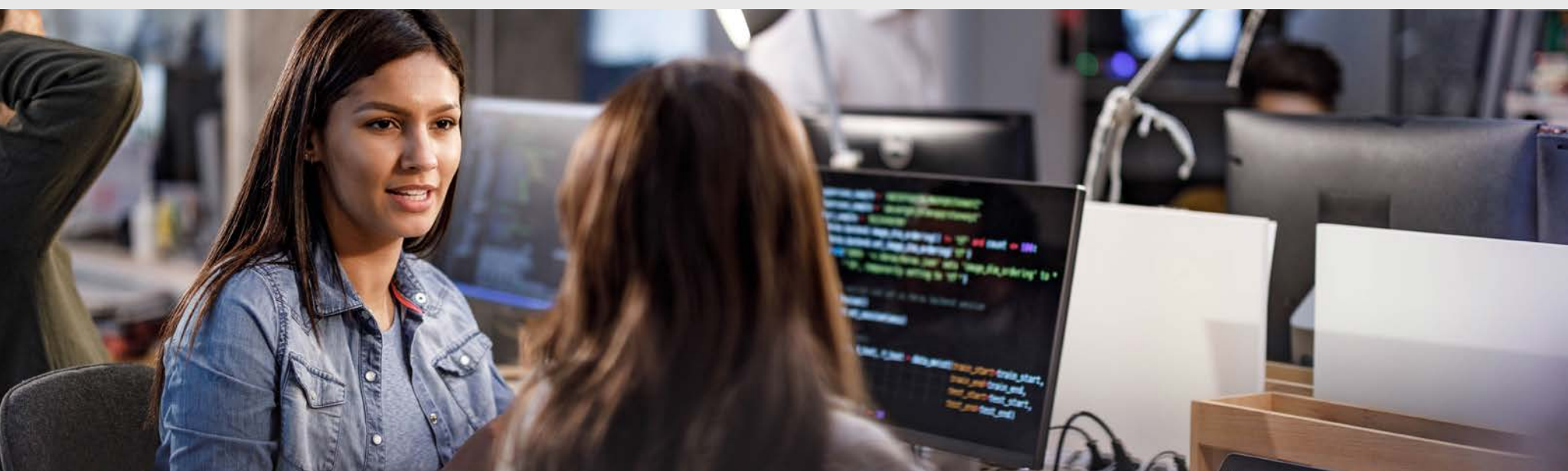
**People-led innovation.** The continued digital upskilling of our audit teams allows us to build on our base data analysis and other technological capabilities to enhance quality, increase efficiency, and improve the audit experience. Our skilled audit teams are able to use our technology platforms to dig deeper into their client's data, surfacing audit-related matters, and providing relevant perspectives and insights as a result of audit procedures.

Our commitment to digital upskilling and people-led innovation is helping redefine the profession. We're developing more well-rounded audit team members who are skilled in both digital and audit acumen, and this, in turn, enhances quality and the audit experience. Automations developed by our people and the ACs reduce time-intensive routine tasks, allowing more time for performing analysis. Custom data visualizations bring insights to life, and quality is enhanced because work is done more consistently.

Digital Lab, our unique technology-sharing community, has been integral to our innovation journey. Digital Lab allows audit team members to find, build, and share digital assets to enhance efficiency and audit quality. **Nearly 65%** of our US audit team members were active<sup>9</sup> in Digital Lab during FY22, leveraging **over 2,000** digital assets and their digital core skills and training to enhance audit quality.

## Data security

Our standards of behavior emphasize the importance of integrity and require our people to protect the confidentiality of client data and information. Our information security policies outline controls every staff member and partner must comply with in using or building technologies to support the audit. We use security technology and processes so confidential data is shared only on a need-to-know basis. Our Security Operations Center is tasked with monitoring and managing the global security systems that establish the security of firm and client assets and data. Teams of highly skilled professionals are focused on threat detection and response around the globe.







# Our audit teams

We are committed to putting the right people with the right skill sets in the right place at the right time. One way we do this is by leveraging our talent sourcing platform, which provides visibility into our audit professionals’ experiences and interests so that we can efficiently and appropriately staff client engagements.

## Leverage ratio for audit team members

	FY22	FY21	FY20
Partners/managing directors to all other audit team members (including ACs)	1 to 9.7	1 to 9.8	1 to 10.4
Partners/managing directors to all other audit team members (excluding ACs) <sup>10</sup>	1 to 7.5	1 to 8.3	1 to 9.3

As fully integrated members of the audit team, team members located at the ACs are able to leverage their experience performing audit work on a wide range of clients and their familiarity with advanced digital tools to appropriately scale and automate certain audit procedures and project management-related tasks—freeing up time for other team members to focus on more complex or judgmental matters.

## Centers of Excellence

Professionals in our Centers of Excellence (COEs) apply specialized skill sets to design and complete procedures in certain areas of the audit and specific audit-related activities (e.g., the preparation of comfort letters). By applying those skills across a broad range of clients, the COEs further drive standardization and quality and are able to develop unique perspectives that bring additional insights and value to our audits.

In FY22, our COEs performed work in an increasing number of audits and audit areas. We continue to increase use of the COEs through new and expanded policies and guidance and refinement of our tools and operational protocols. **Over 1,700** of our client engagements were supported by the COEs in FY22, and, collectively, the scope of services for these engagements has increased compared to FY21.

Quality Review Partners

Quality review partners (QRPs) and QRP assistants are a component of our quality control system. Individuals serving in these roles must have the requisite technical knowledge, training, experience, and time to perform the role effectively. All QRPs and QRP assistants are required to take training before assuming their role.

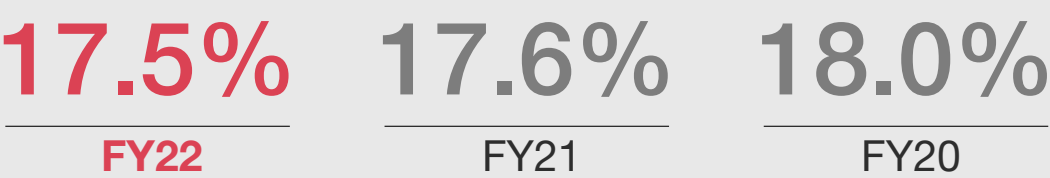
QRPs and QRP assistants are involved in the most important aspects of the audit, including reviewing the audit plan, considering the firm’s independence, evaluating the significant risks of material misstatement in the financial statements and our responses to those risks, and reviewing certain accounting, auditing, and financial reporting and disclosure matters.

The consultation process and use of specialists

Specialists

As part of our collaborative culture, audit teams utilize specialists from both segments of the firm in various accounting and auditing areas (e.g., the potential impact of complex income tax matters; valuation processes related to the use of fair value in financial reporting; information technology innovations; cybersecurity threats; and forensic investigations) and never have to go it alone.

Percentage of audit hours provided by specialists<sup>11</sup>:





## The National Office

Our National Office comprises resources who apply specialized knowledge and experience in technical accounting, auditing, and financial reporting matters. Our policies identify matters that require National Office consultation and are updated as appropriate. Additionally, audit teams are encouraged to voluntarily consult with the National Office whenever they believe they could benefit from additional insights. In the event an audit partner initially has a different viewpoint than our National Office, a resolution process provides guidance for elevating the discussion until agreement can be reached. Our National Office also includes resources who, with the support of the ACs, are responsible for keeping our policies and guidance in these areas current.

**Ratio of partners/managing directors serving in technical support roles<sup>12</sup> to the total number of audit partners/managing directors:**



The ratio of our partners/managing directors serving in technical support roles to the total number of audit partners/managing directors is based on our periodic evaluation of our technical support resource needs and leverage model which ensures sufficient, quality technical resources are available for our audit teams. This ratio also reflects the resources needed to prepare guidance, policies, and publications to address new accounting and auditing standards or other developments impacting financial reporting.

## Chief Auditor Network

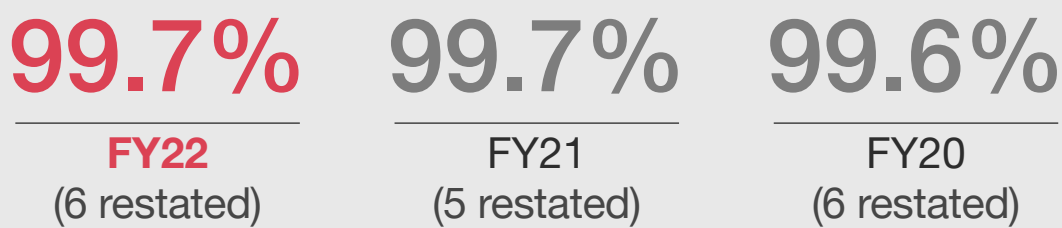
Our Chief Auditor Network professionals support audit teams in designing effective and efficient audit approaches, including reinforcing key learning points and guidance based on continuous feedback from inspections and other practice monitoring activities. They provide advice through consultations and facilitation of targeted workshops with audit teams as they plan their audit procedures, leveraging data analysis and other leading practices and also serve as instructors for audit-related trainings. In addition, the Chief Auditor Network performs targeted outreach to audit teams addressing quality reminders and recent developments (e.g., climate risks and changes in the economic environment). The Chief Auditor Network also supports team members located at the ACs through audit training and by facilitating interactive sessions focused on key audit topics and other reminders while also supporting audit teams in the integration of team members located at the ACs. Through these activities, the Chief Auditor Network is able to support audit teams in enhancing audit quality and provide leaders with insights on the practice environment and overall audit quality trends.

Quality Management Network

Our Quality Management Network comprises **over 130** experienced audit partners serving in local, sector, and national roles in support of our audit practice. Quality Management professionals are responsible for the design, development, and implementation of our Quality Management policies and guidance.

The design of the Quality Management Network allows the Quality Management partners to provide support to audit partners and teams as they navigate complex issues with our clients and other stakeholders. A Quality Management partner is assigned to each audit partner and assists in assessing risks (including whether to undertake or continue an audit engagement) and applying the firm’s quality management policies. Audit teams are required to consult with Quality Management on a variety of topics, including specific circumstances related to the determination of materiality, evaluation of errors, potential illegal acts, going concern considerations, and principal auditor considerations. Given the levels of collective experience, audit teams are encouraged to consult with Quality Management when they become aware of complex matters to evaluate the risks, consider the potential impact, and gather insight even when consultation may not be required.

Percentage of issuer<sup>13</sup> audit client financial statements that were not restated:



Percentage of reports on an issuer’s internal control over financial reporting that were not reissued or withdrawn:





# Our audit process

Our top-down, risk-based audit starts with obtaining an understanding of the company's industry and business, financial systems, processes, and internal controls. We combine deep, dynamic, tech-enabled analysis with the digital skills, industry and technical knowledge, and professional judgment of our audit teams to obtain this understanding.

Our risk assessment procedures inform our assessment of risks inherent in the financial statements, influence the controls we select for testing, and guide our substantive audit response. Our risk assessment begins in the planning phase of the audit and continues through the issuance of our report.

Using data either obtained via **automated data extraction** or provided by our client via our **digital document sharing tools**, our audit teams apply advanced data science, visualization, and guided risk assessment to analyze full populations and focus work on areas of relevant risk. With the knowledge obtained in understanding the business, our audit teams analyze large volumes of data and transactions to identify likely sources of potential misstatement for a thorough risk assessment, often with the help of our **data visualization, analytics, and auditing tools**. The timely involvement of more experienced audit professionals, including partners, during planning and risk assessment facilitates the appropriate consideration of materiality, audit risk, and planned response. Completing audit planning by established milestones allows our audit teams to better allocate and manage resources and avoid late surprises by performing audit work earlier in the audit cycle.

With **Aura**, our audit teams are able to develop a more targeted audit plan that specifies risk levels, controls reliance, and substantive testing. Smart dashboards show the impact of scoping decisions and progress of the audit more quickly. Our audit teams leverage our **real-time project management dashboards** to drive further transparency regarding status and issue resolution with the client.

“Our audit approach allows for the combination of our people's emotional intelligence, sound judgment, professional skepticism, and experience with the deep dynamic analysis made possible by machines—a combination far more powerful than either alone.”

—Wes Bricker



When we audit the financial statements of a company with operations in multiple locations or business units (i.e., components), our audit approach, including the nature, timing, and extent of our involvement in the work of component auditors, is influenced by our understanding of and reliance on the component auditors, the significance of the component, and identified significant risks of material misstatement to the group financial statements. We continually refine how we use the work of component auditors and the level of our involvement in their work so that all components of our audits meet US standards and satisfy our own quality expectations.

Throughout the audit, we stay connected with our clients to anticipate and resolve complex issues and discuss relevant emerging topics and data trends. Our tools provide a place where our clients' teams and ours can communicate, share documents, and see real-time status updates. We also communicate with audit committees on a timely basis. 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, when 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;
- audit observations and insights related to 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 PCAOB inspection results.



# Looking to the future

Innovation is about more than just technology. It's about building and strengthening trust and delivering quality. It is rooted in people who are skilled and empowered. With these powerful forces, we are driving human and machine collaboration and reshaping the audit for the future.

As part of The New Equation global strategy, the PwC Global network is investing \$1 billion in a multi-year program to deliver a totally new audit ecosystem for the next generation audit. By exploring and investing in new technologies and revisiting underlying audit methodology and processes, we will further standardize, simplify, centralize, and automate our audit work.

The program is underpinned by a human-centered design approach. Our innovation team includes **hundreds** of Trust Solutions professionals who, working with others across the PwC Network, are focused on developing the next wave of innovation. This team leverages internal and external learnings from our community of solvers—thousands of audit practitioners and hundreds of engagement teams—to focus on the needs of our stakeholders and identify new ways for our people to work with one another and with clients to enhance quality.

We are looking at new ways of securely ingesting and using data to identify risks, detect anomalies, and surface insights, with built in checks that enhance audit quality—increasing the application of artificial intelligence to the audit. Intuitive, guided experiences and workflows will help our people and clients complete the right tasks at the right time, adapting and scaling in response to the needs and complexities of each engagement.

A new cloud-based platform will form a virtual meeting place where our people can come together to collaborate and work, and where we can meet our clients to share information, updates, and insights. It will redefine how we digitally enable the ways we work and elevate the experience for our people and our clients in the process. By working with external technology providers, we are combining industry leading technologies and design systems with our audit know-how.

The investment will accelerate the pace of innovation and enable us to be responsive to the needs of stakeholders, provide a transformed audit experience with technology that is exciting to use, and focus relentlessly on maintaining audit quality and reducing the burden on clients and teams by streamlining data acquisition, standardizing processes, and focusing our work on areas of higher risk.







# Our approach to quality management

## 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 which are separate legal entities.

### **PricewaterhouseCoopers International Limited**

Firms in the PwC Network are members in, or have other connections to, PwCIL, an English private company limited by guarantee. PwCIL does not practice 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 an 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 firms’ exercise of professional judgment.



The governance bodies of PwCIL are:

- The 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. The Board is composed of 20 members. Two are appointed as external, independent directors, and the other 18 Board members are elected by partners from PwC member firms around the world every four years.
- The 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.
- The 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.
- The Global Leadership Team, which 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.

## Quality across the PwC Network

Quality audits across the PwC Network are vital to the US firm's brand. The PwC Network has established clear objectives around audit quality focused on having the right people, supported by effective methodologies, processes, and technology, appropriately directed and supervised. To further promote audit quality across the Network, and help member firms achieve these objectives, there are a number of dedicated functions at the Network level that develop practical tools, guidance, and systems to support and monitor audit quality across the PwC Network. These resources are available to support a member firm's system of quality management under the Quality Management for Service Excellence (QMSE) framework, which integrates quality management into business processes and the firm-wide risk management processes. This QMSE framework introduces an overall quality objective for the audit practice that is focused on having the right people and processes and is supported by a series of underlying quality management objectives.

Each PwC Network member firm and AC designs, implements, and operates its own system of quality management to achieve the overall quality objective and the underlying quality management objectives. In addition, each PwC Network member firm and AC is responsible for monitoring its own system of quality management, including an ongoing assessment aimed at evaluating whether the policies and procedures that constitute the member firm's or AC's system of quality management are designed appropriately and operate effectively to provide reasonable assurance that the overall quality objective for assurance services is achieved.

At the Network level, the PwC Network coordinates an inspection program to review the design and operating effectiveness of member firms' systems of quality management. Each PwC Network member firm also undergoes risk-focused reviews of completed engagements covering, on a periodic basis, individuals in the member firm who are authorized to sign audit or non-audit assurance or related services reports. These reviews assess whether an engagement was performed in compliance with applicable professional standards and engagement-related policies and procedures. These reviews are planned and executed, and findings are assessed, using guidance and a range of checklists and tools developed at the Network level. The results of these reviews are reported to member firm leadership who are responsible for analyzing the results of the inspections along with the findings identified from all sources of information and implementing remedial actions as necessary. PwC US partners are informed about the Network inspection program comments in other PwC member firms, which enables our partners to consider these findings, when applicable, in planning and performing their audit work.

We also assist PwC Network member firms in promoting quality in audits performed under US auditing standards. This includes, for example, providing training materials specifically designed for PCAOB audits, in addition to annual US accounting and auditing standards update training, and providing access to experienced resources who share learnings and best practices on quality. At the audit team level, we have provided our group audit teams with guidance and shared effective working practices related to the supervision and review of component auditor work.



## Emerging markets

Quality audits in emerging markets have been a priority area for regulators for a number of years. The Holding Foreign Companies Accountable (HFCA) Act was enacted in 2020, and the PCAOB has since issued to the SEC its [first HFCA Act determination report](#) regarding registered public accounting firms headquartered in mainland China and Hong Kong. The report listed audit firms that the PCAOB has been unable to inspect or investigate completely for three consecutive years. In March 2022, the SEC staff began identifying issuers that have used such PCAOB-identified firms. In accordance with the HFCA Act, these SEC-identified issuers will be delisted from US exchanges within three years of identification, subject to any further changes to the law or any modification to such issuer's status as an SEC-identified issuer. Engagement between regulators remains ongoing to determine whether an approach to inspections can be agreed upon.

We recognize the need for effective and consistent global oversight of member firms, including those operating in emerging markets. While our existing processes across the PwC Network are built to deliver quality audits regardless of jurisdiction, we continue to evaluate our firm-level oversight processes and engagement-level procedures to be responsive to evolving risk factors related to audit work performed in emerging markets. We welcome continued dialogue with the SEC and PCAOB on this important issue.

Since the start of the Russian government's invasion of Ukraine, the PwC Network's focus has been on the safety and well-being of our colleagues in Ukraine and on supporting the humanitarian efforts to aid the people of Ukraine.

The PwC Network's response to the war in Ukraine resulted in several actions, including the decision that, under the circumstances, the PwC Network should not have member firms in Russia and Belarus; consequently, PwC Russia was separated on July 4, 2022, and PwC Belarus exited the Network in August 2022.

In addition, the PwC Network is exiting work for entities or individuals subject to sanctions imposed by any country in the world relating to Russia or Belarus. The PwC Network will also not undertake any work for the Russian federal government or state-owned enterprises. In addition, the PwC Network has implemented processes to address and monitor the professional service-related sanctions issued by the US government and similar sanctions issued in other jurisdictions.

As part of our firm's system of quality management, we are assessing the potential risks to quality related to our Network's response to the conflict, including the separation of PwC Russia and PwC Belarus, and approach to sanctions, as well as the broader risks that impact our clients. Our firm is monitoring the actions we have taken and will take to address the identified risks to assess whether further changes are needed to our firm's system of quality management or how we perform our engagements and interact with our clients.



# Our system of quality management

Our system of quality management is designed to meet the requirements of relevant quality control standards<sup>14</sup> and the PwC Network's QMSE framework. The International Auditing and Assurance Standards Board has issued International Standard on Quality Management 1 ("ISQM1"), which will replace their current standard effective December 15, 2022. The evolution of our system of quality management aligns to the enhancements prescribed by ISQM1, and we do not anticipate challenges to timely implementation of the new standard.

Leveraging technology and data, we take a proactive, risk-based approach in designing and operating our system of quality management to achieve our quality objectives. Our system operates in a continual and iterative manner and is designed to be responsive and resilient to changes in the nature and circumstances of the firm and developments in the auditing environment and the regulatory landscape. We also continue to invest in and reimagine our system of quality management to capitalize on the rapid technological change and changing business environment, including harnessing data and using technology to monitor audit quality on a real-time basis.

Our system of quality management identifies risks and includes controls in the following functional areas:

- Organizational structure, including tone at the top and leadership's responsibility related to quality
- Practice environment
- Acceptance and continuance of clients and engagements
- Independence, integrity, and objectivity
- Personnel management, including training, assignment, and evaluation
- Engagement partner and QRP assignments
- Engagement performance, including technology used in our audits and review and supervision
- Participation by Network firms
- Monitoring, including internal inspections and root cause analyses of findings
- Administration, including design and maintenance of quality management policies and procedures



Annually, the design and operating effectiveness of our system of quality management over our audit practice is evaluated by the Quality Review & Monitoring Group. The most recent annual evaluation confirmed that our system of quality management over our audit practice is designed appropriately and operating effectively to provide reasonable assurance that the quality objectives prescribed by the relevant quality control standards and the PwC global QMSE framework have been achieved.





# Monitoring

## Pre-issuance reviews

One way we monitor quality is to review audit work on certain audit engagements prior to the issuance of their respective audit report. Our pre-issuance reviews provide audit teams with timely feedback, which can be incorporated into their audit prior to the completion of fieldwork, and the results are considered as part of our continuous improvement process.

Each year we reassess the scope and areas of focus of these reviews, taking into consideration factors such as changes in professional, regulatory, and/or firm policy requirements, recent inspection results, environmental considerations, the results of other monitoring procedures, and knowledge gained by those charged with supporting audit teams' quality efforts. An individual engagement may be selected for one or more pre-issuance reviews in a cycle. For example, this year we performed two pre-issuance review programs on each selected engagement; with one focused on planning procedures and the other on execution-related audit activities.

In FY22, our Quality Review & Monitoring Group led the performance of **more than 140 pre-issuance reviews across more than 70 engagements in varied sectors** (180 reviews performed in FY21).

Internal inspections

Our internal inspections program assesses audit engagements’ compliance with firm policies, procedures, and applicable professional and regulatory standards. The selected engagements are inspected subsequent to the issuance of their respective audit report.

Number of audit engagements subject to internal inspection<sup>15</sup>:

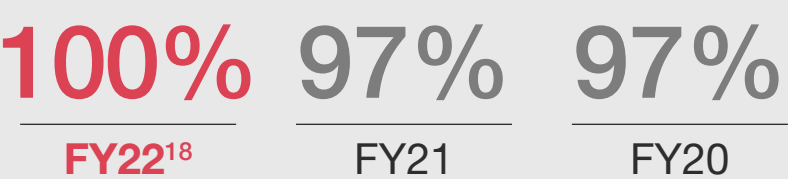


Under the firm’s internal inspections program, audit engagement partners are generally selected for inspection every three to five years. The frequency of selection reflects, in part, a balance with the number of pre-issuance reviews. Overall, the engagement selection process results in a sample of audit engagements that is representative of our audit practice (e.g., sector, geography, size) and meets or exceeds the requirements set forth in the applicable quality control professional standards.

Our Quality Review & Monitoring Group oversees all aspects of the internal inspections program, including its design and execution. The group monitors audit quality, drives consistency in our inspections process, and delivers insights into areas for continued focus. This group, along with support from audit professionals and specialists (if applicable) with relevant industry or technical experience, executes the annual inspections. **Approximately 600** audit professionals will participate as reviewers in the 2022 internal inspections of 2021 audit engagements.

The Quality Review & Monitoring Group communicates inspections observations and results to the audit practice. Further, the Quality Review & Monitoring Group works with other groups in the National Office, the National Office Learning Team, and firm leadership to identify actions we could take to continue to enhance quality. For example, additional guidance or training, audit methodology modifications, and targeted messaging from leadership are ways we can sustain and enhance audit quality.

Compliance rate for audit engagements selected for internal inspection<sup>17</sup>:



External inspections

PCAOB 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.

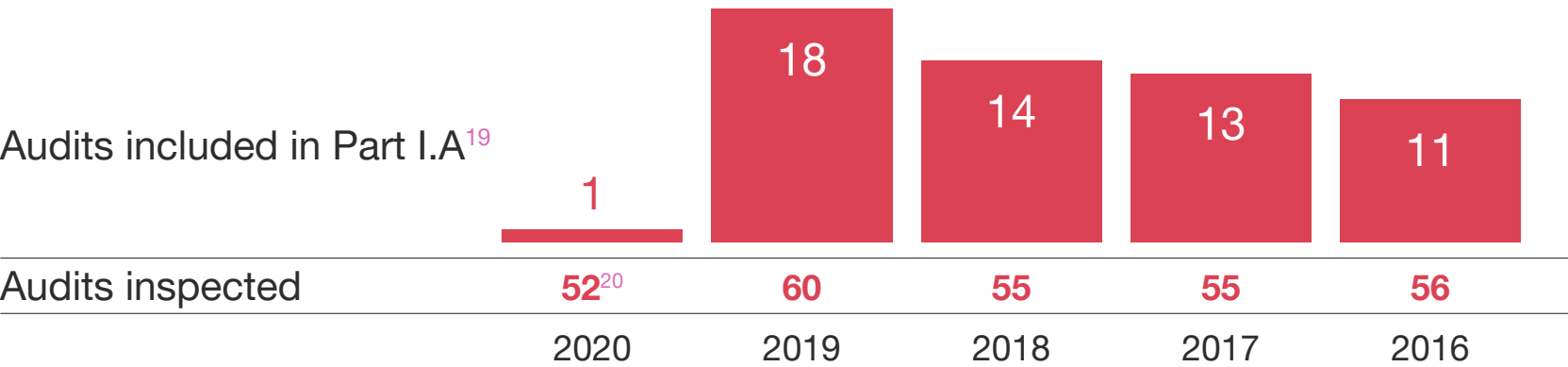
As the PCAOB has stated publicly, the audits they select and the portions of those audits they review are not done to identify a representative sample statistic that can be extrapolated accurately to a portfolio of audits. As a result, the findings cannot be used to draw conclusions about the frequency of deficiencies throughout a firm’s portfolio. The PCAOB’s approach is designed to be weighted towards targeting items of interest to their regulatory purposes. There are inherent differences in the purpose and methods used by the PCAOB to select audits for inspection compared to those used for our internal inspections.

The most recent inspection report on our audit practice is dated September 30, 2021 (our “2020 Inspection Report”) and describes the results of the PCAOB’s 2020 inspection of 52 (or approximately 3%) of our 2019 year-end issuer audits.

Part I of the PCAOB Report

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. Only one audit is included in Part 1.A of our 2020 Inspection Report—a significant decrease that reflects the positive impact of the investments we have made in audit quality. The PCAOB’s most recent 2021 inspection cycle (covering 2020 audits) is substantially complete, and the preliminary results are similarly positive.

Number of PCAOB-inspected audits included in Part I.A



Part I.B of the PCAOB inspection report includes information on deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s) but nevertheless address other deficiencies related to compliance with PCAOB standards or rules. Part I.B of our 2020 Inspection Report identified deficiencies related to certain audit committee communications and pre-approvals, reporting of CAMs, and Form AP information.





## **Part II of the PCAOB Report**

Part II of the inspection report reflects observations identified during the PCAOB's review of certain practices, policies, and processes related to our system of quality control. The Sarbanes-Oxley Act mandates that Part II not be made public if a firm addresses the quality control observations to the PCAOB's satisfaction within 12 months of the date of the inspection report. The PCAOB determined that it is satisfied with the actions we took to address observations contained in Part II of our 2018 inspection report (which generally covered calendar 2017 year-end audits). The PCAOB has not notified us of their determination of how we addressed observations contained in Part II of our 2019 inspection report (which covered our 2018 year-end audits). Our response to the quality control observations contained in Part II of our 2019 inspection report (which generally covered calendar 2018 year-end audits) was submitted to the PCAOB on December 15, 2021.

## **Peer review**

Our most recently completed peer review was conducted by Grant Thornton LLP for the year ended June 30, 2021 and covered audit and attest engagements that are not subject to permanent PCAOB inspection, including engagements performed under the Government Auditing Standards; a compliance audit under the Single Audit Act; audits of employee benefit plans; an audit performed to satisfy requirements of the Federal Deposit Insurance Corporation Improvement Act (FDICIA); audits of broker-dealers; and examinations of service organizations (SOC 1 and SOC 2 engagements). In the peer reviewer's opinion, the system of quality control in effect for the firm's accounting and auditing practice applicable to engagements that are not subject to PCAOB permanent inspection for the year ended June 30, 2021 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. The firm has received a peer review rating of pass. The report is publicly available.



## Analyses of quality drivers

We perform analyses of audits with and without deficiencies identified through internal and external inspections. A team of reviewers that is independent from the engagement team identifies and considers factors relevant to technical knowledge, supervision and review, professional skepticism, engagement resources, and training, as well as other factors that may have contributed to audit quality. These potential causal factors are identified by evaluating data for the engagement and certain members of the engagement team, performing interviews, and reviewing audit working papers.

In addition, we compare and contrast the data for audits with and without deficiencies to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, whether key engagement team members are in the same sector as the client, the number of years that key engagement team members have been on the engagement, the number of other audits the engagement partners are involved in, whether the engagement was subject to a pre-issuance review, and the timing of when the audit work was planned and performed. Our goal is to understand how audits without deficiencies may differ from those with deficiencies.

The potential causes we identify through our analyses are used to identify enhancements that may be useful to implement across all or certain elements of our practice and improve our system of quality management.

## Continuous learning and improvement process

Our continuous learning and improvement process is an ongoing process designed to identify opportunities for enhancement in a timely manner through various channels, including monitoring the results of consultations with our National Office, pre-issuance reviews, and internal and external inspections, as well as our analyses of quality drivers. As part of this process, we rapidly respond, developing and implementing actions to address the opportunities identified. The enhanced guidance and tools and the additional communications, training, targeted workshops, and reach-outs described throughout this report, as well as our efforts to reimagine the end-to-end audit process, reflect our commitment to advance audit quality—our number one priority.





# Legal and governance structure

## Legal structure and ownership of the firm

The firm is a limited liability partnership established under the laws of the State of Delaware. All interests in the firm are held by its partners and principals.<sup>21</sup>

### Governance structure of the firm

The firm's Senior Partner serves as Chairman and Chief Executive Officer and manages the firm pursuant to the powers delegated by the firm's partners.

The Senior Partner has appointed a Leadership Team to assist with managing the firm and discharging the responsibilities of the Senior Partner. The responsibilities of the Senior Partner and the Leadership Team include establishing and determining the effectiveness of the firm's system of internal control, including controls relating to the quality of the firm's audit services.

Changes to the Leadership Team are determined by the Senior Partner. The Senior Partner is elected by a partner vote for a four-year term. The Senior Partner may be re-elected for a second and a third term, unless limited by the terms of the partnership agreement and, with respect to any third term, subject to the Board of Partners and Principals approving the individual's nomination.



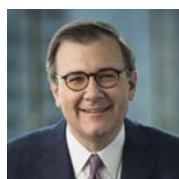
## Leadership Team members as of July 1, 2022



**Tim Ryan\*\***  
US Chair and Senior Partner



**Joe Atkinson**  
Vice Chair—US Chief Products  
and Technology Officer



**Wes Bricker**  
Vice Chair—US Trust Solutions  
Co-Leader



**Roz Brooks**  
US Public Policy Leader



**Martyn Curragh**  
US Chief Financial Officer  
and Head of Portfolio Strategy



**Neil Dhar**  
Vice Chair—US Consulting Solutions  
Co-Leader



**Mike Fenlon**  
US Chief People Officer



**Paul Griggs**  
Vice Chair—Markets



**Ana Paula Jiménez\*\***  
Senior Partner—Mexico



**Kathryn Kaminsky**  
Vice Chair—US Trust Solutions  
Co-Leader



**Mohamed Kande\***  
Vice Chair—US Consulting Solutions  
Co-Leader and Global Advisory Leader



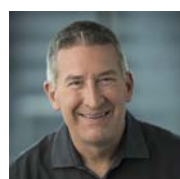
**Jenny Koehler**  
Strategic Growth and Business  
Development Leader



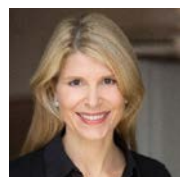
**J.C. Lapierre**  
US Chief Strategy and  
Communications Officer



**Christine Lattanzio**  
US Partner Affairs Leader  
and Chief Administrative Officer



**Mark Mendola**  
Vice Chair—US Managing Partner



**Shannon Schuyler**  
US Chief Purpose and Inclusion Officer



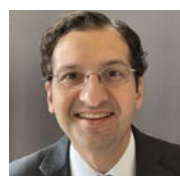
**Yolanda Seals-Coffield**  
US Deputy People Leader



**James Shira\***  
US and Global Chief Information  
and Technology Officer



**Zachary Stern**  
US General Counsel



**Sagar Teotia**  
Vice Chair—US Chief Risk Officer



**Roy Weathers**  
Vice Chair—US Societal Engagement  
and Policy Solutions



**Farhad Zaman**  
US Chief Network Officer

\* Also a member of the PwC Network's Global Leadership Team.

\*\* Also a member of the PwC Network's Strategy Council. Tim Ryan is also a member of the Network Leadership Team.



# Board of Partners and Principals

## Authority

The Board is responsible for overseeing the overall strategic direction of the firm. It oversees long-range strategies and business plans and approves major transactions or other matters that could significantly affect the firm’s business. Its authority also includes the approval of the firm’s capital policies, the manner in which partners participate in firm profits, and the admission of new partners.

The Board approves the compensation of the Senior Partner and members of the Leadership Team as a group after review and recommendation by a committee of the Board. All candidates proposed by the Senior Partner Nominating Committee to stand for election as Senior Partner must also be approved by the Board.

## Composition

The Board consists of partners and principals of the firm who have been elected for staggered terms of four years, as well as two external directors, each of whom also has a term of four years. Our external directors meet the applicable independence requirements to protect our reputation, objectivity, and integrity. They bring additional insights, expertise, and objective perspectives into our governance process as we consider the firm’s strategy, growth, and service offerings.

The Board is chaired by a Lead Director, who is elected by the members of the Board other than the Senior Partner. As of July 2022, there are 19 members of the Board in addition to the firm’s Senior Partner:

## Members of the Board of Partners and Principals

<b>Tim Ryan, US Chair and Senior Partner</b>	Dallas Dolen	Bob Sands
Brian Meighan, Lead Director*	Bernadette Geis	Lisa Sawicki*
Jane Allen*	Jennifer Kennedy	Earl Simpkins
Puneet Arora*	Laura Martinez	Gurpreet Singh
Don Christian*	Scott Moore	Jose Ignacio Toussaint
Tyson Cornell	Troy Paredes, External Director*	Ellen Walsh
	Carol Pottenger, External Director	Karen Young*

\* Also serves on the PwC Network’s Global Board (Lisa Sawicki serves as the Chair)

## Committees

The Board is assisted by various committees that help to carry out its role. The Risk & Quality (R&Q) Committee provides oversight and monitors the appropriate policies, processes, and procedures for managing and minimizing risks of the firm. The R&Q Committee also serves as the Accounting and Auditing Practice Committee, which provides oversight of the accounting and audit practice of the firm. The R&Q Committee's responsibilities include oversight of the firm's internal audit function, enterprise risk assessment, and risk management and compliance programs. The R&Q Committee regularly engages with Trust Solutions business and risk leadership to discuss matters potentially impacting audit quality and execution, including updates on internal and external quality inspection results, as well as the firm's progress in tech-enabling the audit.

As requested by the Board, the R&Q Committee reviews regulatory matters that affect the firm and, as appropriate, other parts of the PwC Network. Such matters may include accounting licensing and professional standards issues and global regulatory trends.

Other committees of the Board include, without limitation, the Finance Committee, Partner Affairs Committee, Board Admissions Committee, Governance Committee, and the Technology & People Committee.

## Board member selection process

The partner/principal vote for selecting Board members is done on a headcount basis. Partners and principals vote by ranking the candidates for the Board. The candidates with the most votes are elected. Board elections are supervised by an independent election teller.

External Directors are elected to the Board by the affirmative vote of two-thirds of the members of the Board voting thereon.



# Endnotes

1. References to the firm, our, and we in this document relate to PricewaterhouseCoopers LLP. The scope of this document pertains solely to the PwC US firm registered with the PCAOB. This report was prepared to provide our stakeholders with relevant information related to our US operations.
2. Our fiscal year ends June 30th.
3. In this context, “SEC registrants” excludes insurance company separate accounts/annuity products, employee benefit plans, and investment companies other than business development companies.
4. From FORTUNE Magazine & FORTUNE.com, June 2021 ©2021 Time Inc. FORTUNE is a registered trademark of Time Inc. and is used under license. FORTUNE and Time Inc. are not affiliated with, and do not endorse products or services of, PricewaterhouseCoopers LLP.
5. As of June 2022. Exchange-traded funds (ETFs) include open-end ETFs, exchange-traded notes, and exchange-traded managed funds. Mutual fund statistics include open and closed-end mutual funds and open-end ETFs. Fund of funds are excluded.
6. “Audit team members” includes audit professionals and audit team members located at the ACs. “Audit professionals” refers to our core audit and private company services professionals. Specialists, including Digital Assurance & Transparency, are excluded. Short term assignees from third parties or other PwC member firms are also excluded.
7. For purposes of this report, an individual performing audit work 40 hours per week is considered a “full-time equivalent.” The percentage of audit hours performed by Acceleration Centers is approximately 21%, 15%, and 11% for FY22, FY21, and FY20, respectively.
8. Acceleration Center audit team members are located in the US, India, Argentina, and the Philippines.
9. In this context “active” is defined as a user that has logged into Digital Lab and used more than 5 automations (at least 3 of which are unique).
10. The leverage ratio (excluding ACs) calculated based on audit-related hours, as presented in the FY21 Audit Quality Report, for Partner to Director/Manager is 1 to 4.3, 1 to 4.6, and 1 to 4.4 for FY22, FY21, and FY20, respectively. Similarly, for Director/Manager to Staff it is 1 to 2.8, 1 to 3.2, and 1 to 3.5, for FY22, FY21, and FY20, respectively.
11. The percentage of audit hours provided by specialists includes the hours incurred by audit team members located at the ACs that performed work under the direct supervision of the specialist. Excluding the hours incurred by the audit team members located at the ACs, the percentage of audit hours provided by specialists is 14.0%, 15.4%, and 16.4%, for FY22, FY21, and FY20, respectively.
12. Technical support roles exclude Quality Management professionals (see page 36) and dedicated independence professionals (see page 10). Excluding managing directors, the ratio of partners serving in technical support roles to the number of audit partners is 1 to 7.4, 1 to 7.6, and 1 to 8.0, for FY22, FY21, and FY20, respectively.
13. Issuer audit clients comprise SEC registrants and registered investment companies.
14. Additionally, the PCAOB issued a concept release, “Potential Approach to Revisions to PCAOB Quality Control Standards”, in December 2019. We support the principle of a quality management approach aimed at continuous improvement to firms’ systems of quality management.
15. The number of audit engagements subject to internal inspection has been updated to include both issuer and nonissuer audit engagements. 101, 100, and 118 issuer audit engagements were subject to internal inspection in FY22, FY21, and FY20, respectively.
16. Includes inspections completed as of July 21, 2022, and an estimate of the number of inspections to be completed during the remainder of the 2022 internal inspection cycle.
17. The compliance rate for audit engagements selected for internal inspection has been updated to include both issuer and nonissuer audit engagements. The compliance rate for issuer audit engagements only was 100%, 96%, and 97% in FY22, FY21, and FY20, respectively.
18. The FY22 compliance rate is for internal inspections completed as of July 21, 2022.
19. Includes the number of audits inspected and included in Part I for 2017 and 2016.
20. In addition, six interim reviews were inspected by the PCAOB, none of which were included in Part 1.A.
21. A partner is a certified public accountant (CPA) while a principal is not. Only CPAs may sign an audit opinion or perform any other function reserved by law or by the firm solely to CPAs. Partners and principals are alike in most other aspects of the partnership.



