

Our focus on audit quality

2023 Audit Quality Report



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To our stakeholders

Another year, another series of unpredictable events and unexpected challenges with the potential to shift priorities and shake convictions. Yet, as a firm and as individuals, we have remained steadfast in our purpose and our commitment to quality. By embedding our long-held values into every aspect of our business, we were able to maintain our focus on what matters, respond to issues as they developed, and minimize the disruption to our people and our clients.

While we are incredibly proud of our firm's record on audit quality, we are constantly seeking feedback to inform how we reinforce our foundation for audit quality and how we adapt our audit quality efforts to address possible issues. We also continuously assess the impacts of changes in the business environment, profession, workforce, and workplace to direct the actions we take today that affect the future of our people, our firm, our profession, and the capital markets.

Through our role in serving our clients, we help further the public interest by building trust in what matters to the capital markets – **it's what puts the "P" in certified public accountant.**

Each year, the expectations of our stakeholders grow, and the demand for information and insights from auditors increases. This is reflected in an unprecedented level of standard setting and the growing pace of regulation – including that related to the use of technology and data in corporate reporting and auditing – which show no sign of slowing down.

We recognize and accept our responsibility to lead change to meet those expectations because **confidence in the role of auditors is critical.**

We spend considerable time, effort, and resources in helping to shape the future of corporate reporting and auditing in a way that builds trust in the capital markets. We also continue to take appropriate measures to prepare our people and clients for changes in the environment in which we operate. This includes significant investments in the skills of our people and capabilities of our firm in areas including artificial intelligence and sustainability. It also includes significant investments to develop a platform to power the next generation audit – continuing to harness the power of our award-winning technology to drive audit quality and efficiency while maintaining an appropriate focus on establishing practices and controls to manage associated risks.

To our stakeholders

In this report, you will read more about these investments, as well as our efforts to increase interest in the profession, enhance our people experience, engage with our stakeholders, and support our audit teams in delivering quality. You will also read about other important aspects of our audit quality progress over the past fiscal year, such as our recent internal and external inspection results, and how we address risks to independence and objectivity.

There is so much to look forward to in the years to come. We recently committed to a series of voluntary actions to invest in our profession over the next several years and across five foundational areas – accountability, quality, independence, transparency, and engagement. This includes, but is certainly not limited to, undertaking efforts to provide greater transparency to our stakeholders around audit quality and conflicts of interest.

On [page 44](#), read about the bold actions we are taking to lead the profession in enhancing confidence in the independent audit, and to deliver on the promise of the New Equation.

We are, as always, pleased to engage with you on our continued progress. **At PwC, we know that future success hinges on having trust in what matters.** Trust is vital to the health of our organization, our profession, and our communities. Because of this, audit quality is – and always will be – our number one priority.



A handwritten signature in black ink, appearing to read 'Tim Ryan'.

Tim Ryan
US Chair and
Senior Partner



A handwritten signature in black ink, appearing to read 'Wes Bricker'.

Wes Bricker
Vice Chair
US Trust Solutions
Co-Leader



A handwritten signature in black ink, appearing to read 'Kathryn Kaminsky'.

Kathryn Kaminsky
Vice Chair
US Trust Solutions
Co-Leader



FY23 Year-in-review

Audit professionals surveyed who report:

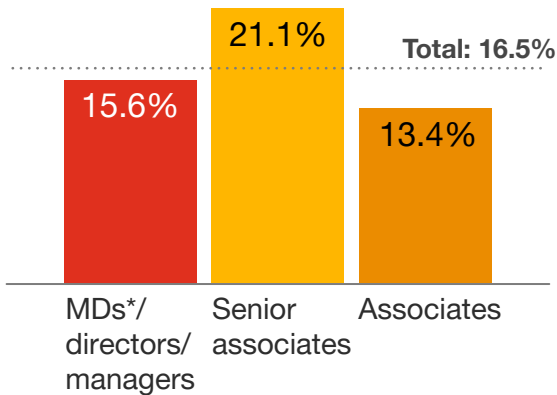


Receiving consistent messaging on the importance of audit quality

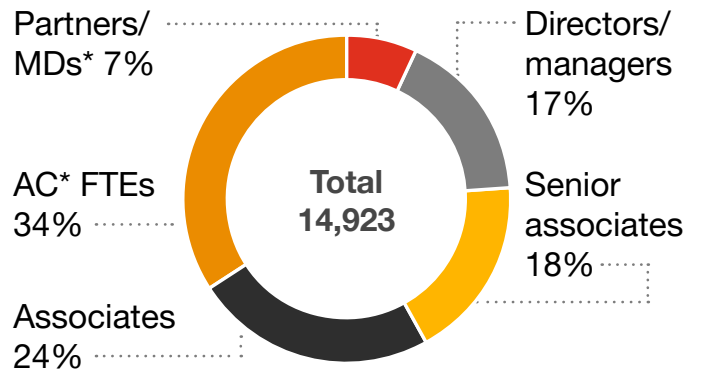


Understanding the firm's audit quality objectives

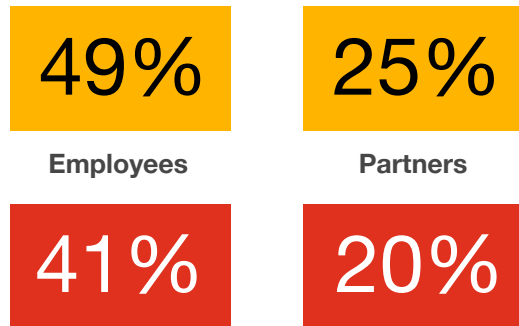
Average annual voluntary turnover rate



Audit team members by level



Percentage of our firm composed of (each) women and racially/ethnically diverse individuals



Women Racially/ethnically diverse individuals

87 hours

Average training hours completed per audit professional

82%

People Engagement Index

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

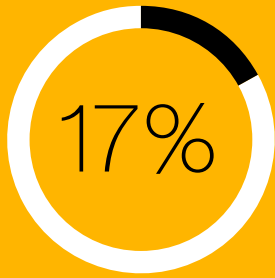
Partners/MDs* - 356

Directors/managers - 280

Senior associates - 223

Associates - 194

*MDs - Managing Directors, AC - Acceleration Centers



of audit hours provided by specialists

Leverage ratio for audit team members

Partners/MDs* to all other audit team members (excluding ACs)

1:7.9

1:6.0

Ratio of partners/MDs* serving in technical support roles to total partners/MDs

2021 PCAOB inspection report



97%

Compliance rate of audit engagements selected for internal inspection

200

Number of audit engagements subject to internal inspection

160+

Number of pre-issuance reviews

1,800+

Number of engagements supported by Centers of Excellence

2,000+

digital assets available to audit teams on the Digital Lab

10M & 1.5M+

Thought leadership views and streams, respectively



of reports on a company's internal Control over financial reporting that were not reissued or withdrawn



of issuer audit client financial statements that were not restated

Our culture and values



Trust Solutions

Our¹ global strategy – [The New Equation](#) – embodies our commitment to operate as a multidisciplinary firm. As part of The New Equation, we organized our operating model into two segments – Trust Solutions and Consulting Solutions – built around the ways in which we serve our clients, helping them as they seek to build trust and deliver sustained outcomes. Our multidisciplinary model is the foundation from which we build, and draw upon, the deep technical knowledge and industry experience, diverse backgrounds and perspectives, and distinct skills of professionals across the firm to further our commitment to quality and benefit our people and stakeholders.

Our [2023 Trust Survey](#) of business leaders, consumers, and employees found that **91%** of business executives say their ability to build and maintain trust improves the bottom line.

Trust is key to business success. Our Trust Solutions segment harnesses the power of our people and technology to deliver the audit, assurance, and tax services our reputation is built upon, as well as a growing range of services in other areas of reporting (e.g., digital assurance and transparency and sustainability reporting). As part of the largest Trust Solutions practice in the world, our audit professionals draw on our broad bench of non-audit specialists to enhance their own skills and gain unique perspectives. Further, by involving specialists from both

segments of the firm in performing risk assessment, designing and performing audit procedures, and evaluating audit evidence, our audit teams are able to more effectively focus audit effort and provide more value to management and the audit committee, especially during times of change or uncertainty. This ready access to specialists in areas such as climate, human capital, digital assets, 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.

[Tomorrow takes trust](#) is PwC's groundbreaking commitment to embed trust-based principles into the core of today's and tomorrow's businesses. It includes the Trust Leadership Institute, a premier executive leadership forum that brings together leading insights on personal, organizational, and societal trust.

“

For trust to touch every part of your business, it will require everyone, from leadership down, working together to help drive it forward.

Tim Ryan

Our purpose and values

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:



As a firm, we continue to lean into our purpose to live our values. We're proud of what we've accomplished against the backdrop of uncertainty and complexity over the past few years – but we know there's more that needs to be done, and we're committed to continuing this work. In our annual [Purpose and Inclusion Report](#), we share how we're investing in and progressing against our aspirations to help support diversity, equity, and inclusion within our organization; drive change in society and advance equity outside of our firm; embrace collaboration to solve significant societal challenges; and enable a more sustainable and equitable planet.

Tone at the top

We 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.

The leaders of our firm recognize that our brand and professional reputation are built on delivering quality. As a result, topics such as quality, ethical behavior, 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. For example, in practice-wide and firm-wide webcasts and during career milestone events and training, our leaders share real-life experiences that illustrate and encourage expected behaviors. With each opportunity, our leaders reinforce the critical importance of ethical behavior to our purpose and brand, to our success as individuals and as a firm, and to the strength of the profession. 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:

Receiving consistent messages about the importance of audit quality from both sector and firm leadership

97%

FY23²

97%

FY22

98%

FY21

Understanding the firm's audit quality objectives

99%

FY23

96%

FY22

97%

FY21

“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

Demonstrating ethical behavior and acting with integrity and objectivity are critical to our business strategy and success. Our people are expected to make ethical decisions guided by our purpose and grounded in our values.

We recognize that we operate in a complex environment with competing demands and expectations and the potential for actual or perceived conflicts of interest. We strive to do the right thing whether we're dealing with clients, our stakeholders, or each other. We firmly believe, and we make it clear to our people, that no client, fee, or opportunity is worth compromising our values or independence.

Independence is a hallmark of our profession, and professionals across both segments of our firm understand the value of demonstrating objectivity in all of the services we provide.

Ethics

Our purpose and values are the basis of the PwC Global Code of Conduct and its US companion. Each provides a frame of reference that underpins the high standards of ethical behavior expected of all our people.

We empower everyone at PwC, regardless of their position or tenure, to act as an ethical leader. This is enabled by a clear tone from the top. Our senior leadership regularly sets the expectation that we act with integrity and deliver quality products and services. Our leaders serve as ethical role models, inspiring our people to put our purpose and values front and center – consistently sharing a clear vision of who we are and what we stand for. We also provide multiple ways for people to ask questions, obtain policy guidance, or voice concerns, including a dedicated Compliance Resource Center for personal independence questions and an Ethics HelpLine, through which concerns may be reported anonymously, if preferred.

We require our partners and employees to complete training on our policies, including integrity, independence, information security, record-keeping, and fair competition, during our required new hire, new manager, new partner, and annual training. Acceleration Center (AC) audit team members (see page 23) receive similar training appropriate to their role on an annual basis.

Compliance with these policies, and the laws that provide the foundation for such policies, is confirmed during our required annual compliance confirmation process. We monitor our compliance programs to confirm they are operating as designed and effective at meeting legal, regulatory, and firm requirements.

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Given the nature of auditing work, it takes people who take our purpose to heart.

Wes Bricker

Independence and objectivity

As auditors, our stakeholders expect us to be independent, in both fact and appearance, to support our ability to exercise professional skepticism and draw objective conclusions. Our independence policy is based on the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA code) and is supplemented to comply with the requirements of US standard setters and regulators.

Our independence systems and processes:

- track the entities for which independence is required;
- enable assessments and approvals for providing permissible non-audit services;
- automate the recording of certain 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, including facilitating the process of sending engagement independence confirmations, generating the documentation necessary to evidence the confirmation process, and testing individual independence compliance.

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 Securities and Exchange Commission (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.

To support the implementation of our processes and reinforce the individual behaviors necessary to maintaining independence, our audit team members are required to take training courses tailored to their level and the services they provide. Compliance with our independence policies is confirmed during our required annual compliance confirmation process.

In addition, accountability reflects our purpose and values, and is responsive to the heightened expectations of stakeholders. Accordingly, we have an accountability framework that identifies specific actions and behaviors that are expected of each partner and employee to comply with independence policies and regulatory requirements related to personal, service, and other relationships. The accountability process involves multiple discussions/coaching held with the partner/employee to reiterate on the continued importance of maintaining independence, including additional training where needed. The framework includes consequences when exceptions occur, which may include financial impacts or impact on a partner/employee's continued service/employment with the firm. These are determined based on behaviors and circumstances that contribute to the firm's risk including considering any recurring patterns or negative behavior. We remain focused on continually promoting awareness of the requirements and our policies, emphasizing the importance of compliance, and implementing processes, controls, and technology that facilitate compliance by our partners and staff.

Our overall independence compliance programs, including the policies, systems, processes, and controls described earlier, often go beyond regulatory requirements, as they are designed to reinforce our purpose and values as well as to mitigate the risk of violations of the relevant rules and regulations.

We have a team of independence specialists (**14 partners** and **297 employees**) who, with the support of the ACs, are responsible for maintaining our overall independence compliance programs.

Specialists from this team are also involved in developing our independence training courses and serve as a resource for our people when questions arise. In FY23, this team engaged in **approximately 36,000 independence-related consultations and inquiries**.



Our independence compliance programs periodically identify exceptions to our independence policies related to financial, service, and other relationships. These independence policy exceptions typically result from the inadvertent failure to follow the firm’s processes. In some cases, they result from a service provided or relationship that existed during a period when the firm was not required to be independent or was subject to different independence requirements under which the service or relationship was not prohibited. For example, if management of a private audit client informs us of its decision to go public, in addition to evaluating the permissibility of ongoing services and relationships under the independence standards that apply to public companies, we assess the permissibility of previously completed services and relationships as appropriate under the independence standards.

When a potential independence policy exception is identified, the matter is analyzed carefully with the firm’s independence specialists to determine whether an exception to independence rules or standards has occurred. If it is determined that such an exception has occurred, an analysis is completed to determine whether the firm remains objective and impartial. The nature of the exception, including its duration, the relevant mitigating factors, and the overall impact on the firm’s objectivity and impartiality are communicated, in writing, and discussed with those charged with governance at our audit client so that we can obtain their perspective. If we or those charged with governance conclude we are not objective and impartial, we would not be able to continue the audit relationship. In certain situations, the firm and/or the firm’s clients may consult with the regulator related to the matter.

We continue to review and make modifications, as appropriate, to our independence compliance programs or related guidance based, in part, on our analysis of exceptions identified.

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Leaders must trust their teams, and teams must trust their leaders in return. This kind of trust is earned through many small acts of honesty and courage over time.

Kathryn Kaminsky



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 industry knowledge and 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 certain other audit partners every seven years. Furthermore, we maintain 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 and their individual goals, inclusive of quality and use of technology. All partners, including lead audit partners, quality review partners, auxiliary partners, and specialist partners are subject to our accountability program, which 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, individual quality results, the firm’s performance, and the partner’s overall performance. Through audit quality teaming awards, we further recognize and incentivize partners who exhibit outstanding behaviors with respect to audit quality consistent with our strategy and values, for example, demonstrating preparedness for inspection and positive interactions during inspection, or managing particularly challenging matters, including delivering difficult messages in an exceptional manner. Our audit partners are not evaluated or compensated for selling non-audit services to their audit clients.

Our non-partner professionals 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. Each plan is approved by the partners to whom they report along with other members of our Trust Solutions leadership team. Implementation of each plan is monitored to confirm agreed-upon actions are undertaken.



Considerations in undertaking an audit engagement

Our approval processes govern the acceptance of new audit clients and continuance of existing audit clients 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 approval depend on the nature of the client and results of the required risk assessment. Additionally, an event-driven reassessment of our relationship with the client is performed when certain events occur, or become known, that were not considered at the time of the latest assessment.

Our approval processes consider business, litigation, and reputational risks, as well as expectations with respect to our professional performance, and are updated as needed to reflect evolving societal and economic circumstances. We consider that the basis for performing a quality audit includes the availability of resources with the right skills, experience, and capacity. We accept new or continue existing audit relationships only 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.

Before agreeing to accept new or continue an existing audit engagement we also consider whether the amount of audit fees is commensurate with the expected level of effort.

In addition to the considerations above, we continue to evaluate trends impacting our clients and engagement teams. For example, to the extent our existing or potential clients are participating in or express an interest in activities that associate them with distributed ledger technology or crypto assets, including cryptocurrency and non-fungible tokens, we conduct acceptance and continuance consultations with our teams. These consultations have helped us mitigate risks in our client portfolio associated with these matters.



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 Public Company Accounting Oversight Board (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. As the capital markets continue to evolve, so does the profession and our role in the financial reporting ecosystem.

As of July 2023, over **700** of our audit clients were SEC registrants,³ representing over **\$13 trillion** in market capitalization. **Over 25%** of Fortune 500⁴ companies are our audit clients.

We audit approximately **two-thirds** of mutual funds based on assets under management (AUM) and over **three-quarters** of exchange traded funds based on AUM⁵.

Active participation in regulatory and standard setting activities

Standard setters and policy makers across the globe have significantly increased the volume and scope of their activities over recent years, and, given the ambitious strategic plans and agendas from the SEC, PCAOB, and others, this trend is likely to continue for years to come. We play an active role in initiatives designed to enhance the quality and usefulness of financial and non-financial information available to the capital markets, both directly as an individual firm and in collaboration with others in the profession through working with the Center for Audit Quality (CAQ). Subject matter specialists in our firm spend **tens of thousands of hours** contributing as leaders and members of working groups, committees, and advisory boards of the CAQ, standard setters, and other organizations working toward this purpose.

In July 2023, the PCAOB [proposed rule](#) changes related to an auditor's consideration of a company's potential noncompliance with laws and regulations, including fraud. As described in our related [In depth](#), the changes, if adopted, would impact the scope of the audit by significantly expanding the auditor's objectives related to compliance beyond what has traditionally been addressed in a financial statement audit. Our [comment letter](#) includes our perspectives on the proposal and feedback for consideration, including recommendations for greater stakeholder outreach.

Our US Chair and Senior Partner, Tim Ryan, serves as the Chair of the 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 on the AICPA’s Board of Directors, and is also a member of the CAQ’s Advisory Council. In addition to Wes, Roz Brooks, US Public Policy Leader, is a member of the CAQ’s Advisory Council. Other experienced individuals, including our National Office leader, Tim Carey, are members of certain committees of the CAQ. Brian Croteau, our Chief Auditor, is a member of the PCAOB’s Standards and Emerging Issues Advisory Group (SEIAG) and the SEIAG’s Emerging Issues in Auditing subcommittee. Tom Barbieri, our Chief Accountant, serves as a member of the Financial Accounting Standards Board’s (FASB) Financial Accounting Standards Advisory Council.

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 FY23, our National Office released or updated over **190 publications, podcasts, and webcasts** covering a wide variety of topics, including insights on key accounting and reporting issues relating to, for example, the [SEC’s new cybersecurity disclosure rules](#); the Inflation Reduction Act; macroeconomic and geopolitical events; and environmental, social, and governance (ESG) related matters, including global reporting proposals and frameworks. In addition, **23 of our accounting guides** were expanded or updated for new content. During the year, our publications were viewed **nearly 10 million times**, and users streamed our podcasts, webcasts, and videos **more than 1.5 million times**.

In line with our commitment to support the quality of information reported to the capital markets, we continue to improve the user experience on viewpoint.pwc.com. For example, we recently eliminated barriers to allow seamless access to both our US interpretative guidance and US authoritative guidance at no charge.



Listen to Wes Bricker share key takeaways from conversations with today’s top business leaders in his revamped [LinkedIn series](#) “Business Today with Wes”

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;
- engage with the investment community through individual outreach and convening investors to learn and discuss emerging standards and regulations that impact financial reporting;
- issue frequent publications that give corporate directors, executives, and investors timely, fresh perspectives on topics including macroeconomic and corporate governance trends;
- host forums for corporate directors and audit committees to share perspectives and practices with peers;
- 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](#) and [C-suite Executives Survey](#); and
- host a multi-day annual forum for board and audit committee members to discuss the latest governance topics.

Over the past year, the Center hosted our annual forum for board and audit committee members that reached **more than 210 directors** representing **more than 350 companies** and produced multiple webcasts that reached **over 11,000 external attendees**.

Members of the Center also presented virtually or in person at **more than 450 client meetings or other events**.

Lastly, the Center issued **nearly 40 director-focused publications** on important governance matters, in addition to the thought leadership released by our National Office.

For more information on the Governance Insights Center, see its dedicated page 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 43). 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 observations regarding the company's management and governance of financial reporting.

Non-audit services

With the combination of our established understanding of our clients and the environments in which they operate and our range of capabilities, we are well positioned 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 11, our protocols and monitoring processes are designed to address the risks to independence from providing non-audit services to our audit clients that may impact our objectivity and impartiality and often go beyond regulatory requirements. Further, we continuously assess whether a permissible service presents unnecessary risks, including related to our objectivity and impartiality and take action as appropriate to decline or cease the provision of such service. The majority of our non-audit services revenue comes from clients with whom we have no audit relationship.



The growth of data, technology, and the demand for information

The ability to produce, collect, process, and analyze an increasingly vast array of financial and non-financial data at faster speeds has shifted how investors measure a company's value and how companies track and report performance. It has dramatically accelerated the pace at which market participants make decisions and implement plans – further raising expectations regarding the availability and reliability of information. With this backdrop, the demand for information related to a company's ESG impact continues to intensify, and companies are turning to technology to help transform huge quantities of ESG data into investor-grade reporting. Our role, in line with our purpose, continues to evolve in response to these unprecedented changes.

We continue to give our audit teams the training, guidance, tools, and support they need to assess and respond to related audit risks. For example, our audit teams are required to complete specific procedures to evaluate and document cybersecurity and climate-related risks, leveraging enhanced guidance, including illustrations of common risks and controls. They also have ready access to and support from our National Office, Digital Assurance & Transparency and sustainability specialists who have deep, relevant experience across industries. As new issues emerge that impact the audit, such as the SEC's proposed climate-related disclosures or the use of artificial intelligence (AI), we provide timely guidance and training to our audit teams.

We are harnessing the power of data and technology to drive quality throughout all phases of the audit. For example, our teams use sophisticated data visualization and analytics tools to facilitate risk assessment and perform full population analysis in areas such as revenue (see page 34). Further, data and technology play a key role in our development of the next generation audit (see page 45).

With respect to AI in particular, we have issued guidance and thought leadership to our teams and clients regarding the new and emerging risks presented by the use of AI as compared to traditional automation solutions. In addition, while we have introduced machine learning into certain aspects of our audit work, we continue to explore how we can use other forms of AI within the firm, including in our audits, business operations and system of quality management. We recognize the significant change AI will bring to our clients and our audits, and we are investing in upskilling all of our people to offer them the capabilities they need for a world that is increasingly being shaped by AI.

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We are more agile and resilient today than we were yesterday. And, while there never seems to be a good time to take on significant change, it forces us to be better.

Tim Ryan

We've provided a wide range of thought leadership to aid our clients and other stakeholders. For example, in FY23, our National Office published insights from our recent [US investor survey: Focus on sustainability](#) and [observations on recent climate-related disclosures](#), a podcast on [SEC comment letter trends on climate disclosures](#), and updated our [Crypto assets guide](#). In addition, our subject-matter specialists shared insights and perspectives in forums ranging from conferences to individual client meetings, as appropriate, and we've provided our audit teams with materials and guidance to support timely, meaningful exchanges with our clients' audit committees.

Our active participation with key stakeholder organizations means we are helping shape the future of corporate reporting. For example, as companies face intensifying pressure to report ESG factors, such as climate impact, we have contributed to relevant reporting metrics through the PwC Network's representation on the Sustainability Accounting Standards Board (SASB) and the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). We also engaged with the SASB to develop an ESG XBRL taxonomy and guidance on tagging ESG information in a structured data format.

As a purpose-driven organization, we lead by example. For example, this year we released our first [TCFD report](#).

The use of reliable and consistent structured data in corporate reporting is an important step in making it easier to perform data analysis and gain deeper insights for better decisions, which is why we believe our work with the SASB and ongoing involvement with XBRL International is particularly significant. Read more about how XBRL helps companies achieve trust and efficient financial reporting on [pwc.com](#).

We also continue to expand our capabilities and the industry-focused trust solutions we offer related to, for example, sustainability and climate-related risks, digital trust and transparency, digital assets, and XBRL. Over the past year we've issued numerous review and examination reports on select ESG data to provide additional confidence to the users of the data.

Even as we work to solve the problems of today, we are also looking to the future to prepare for the issues that will change the landscape of information used by the capital markets and find new and enhanced ways to build trust.



Our people



A career performing audit work at PwC can be rigorous, challenging, complex and ever-changing. We are committed to delivering a meaningful experience that supports development for our people and the skills to serve their professional goals.

The pace of developments in standards and technology, combined with stakeholder expectations that are higher than ever, is transforming how we perform our audits and requires that we bring together an audit team of individuals with diverse skills, backgrounds, and perspectives. Our recruiting efforts reflect these needs, and we continue to adapt how and where we source talent.

We're actively working to promote interest in the CPA profession and build the future talent pipeline. For example, this year we introduced Destination CPA, which is a program for accounting students in their sophomore or junior year of college pursuing 150 hours. This three-day in-person immersive experience is intended to highlight the value and versatility of earning the CPA credential and the impact it has on one's career. Find more information on [pwc.com](https://www.pwc.com).

Our hiring standards include a structured interview process with behavior-based questions built from The PwC Professional framework (see page 25), an assessment of academic records, a review of relevant prior experience (if applicable), and background checks. In FY23, we hired **approximately 1,900 entry-level** and **over 350 experienced audit professionals**, respectively, and **nearly 1,800 audit interns** to supplement our workforce.

Number of audit team members⁶ by level

	FY23	FY22	FY21
Partners/managing directors	1,121	1,125	1,082
Directors/managers	2,470	2,537	2,693
Senior associates	2,635	2,339	2,238
Associates	3,591	3,383	3,891
AC full-time equivalents⁷	5,106	4,007	2,487
Total	14,923	13,391	12,391

The ACs represent a global talent pool of people who work seamlessly with other team members to complete audit procedures for both public and non-public audits. By integrating AC audit team members, we can manage workloads 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 provide value-add insights to our clients. As fully integrated members of the audit team, AC audit team members 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.

Our people experience

With our [My+ people strategy](#) (My+), we are working toward a future at PwC where:

- there is increased emphasis on growth and development;
- rewards and benefits are customized;
- well-being is further stitched into our daily experiences; and
- there is flexibility to support our people as their lives and needs shift over time.

We aim to deliver a distinct experience for our people through My+. Attracting, retaining, and developing top talent is fundamental to our ability to deliver quality services and help build trust. Technology is at the core of our people strategy and supports a personalized experience with customizable learning, benefits, and well-being tools.

Investing in our individual leadership development is a critical component of our My+ strategy. My Feedback is a new tool that provides a simple way to give upward and peer feedback to help individuals improve the effectiveness of their people leadership skills. In addition, this year we launched our Leaders in Action series featuring distinguished thought leaders talking about the human dimensions of leadership and coaching – courage, inclusion, and resilience.

Professional growth and development

Throughout their career, our audit professionals are provided with career development opportunities; virtual and in-person classroom training, on-demand learning; as well as on-the-job real time coaching and development. We have also directed significant focus and investments into the growth and development of AC audit team members. This includes our audit professionals completing strategic tours at the ACs, engagement leader/team visits to ACs, and alignment of training on and offshore to drive consistent integration, quality, execution, and skill enhancement.

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.

Audit partners' average years of experience at PwC US

24

FY23

23

FY22

23

FY21

To help provide a strong foundational start for all of our first-year associates, their formal training takes into consideration the evolving expectations of associates. This summer we launched a revamped, in-person leadership program, Trust Solutions Start, to bring all of our entry-level hires together in advance of multi-day technical training. This is followed by ongoing small group sessions that reinforce key learnings, enhance development, and drive quality. This year we also launched a reimagined first-year associate experience that enables our newest joiners to focus their first year at the firm on building their network and honing their skills through client and project work as they receive ongoing feedback and coaching without the pressure of a peer-relative performance assessment at year end.

Achieving a professional credential supports our firm's commitment to quality through consistent examination and certification standards. We offer programs, like the [While You Work CPA Acceleration Program](#), that are designed to provide a path for eligible individuals to obtain additional credit hours and a master's degree while working at PwC. Obtaining a CPA credential is an important element of our audit professionals' career progression and a prerequisite for promotion to audit manager. Our people are incentivized with a bonus to achieve their credential early in their tenure.

“

As a leader you can't go at it alone. You're only as good as the team around you and how well you develop that team, and that team develops you.

Tim Ryan

In 2023, 50 individuals out of the 67,000 who sat for the CPA exam were recognized by the AICPA for achieving exceptional results on the CPA exam; **8 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. 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.

Diversity, equity, and inclusion

At the core of building trust and delivering sustained outcomes is our strategy to advance diversity, equity, and inclusion to further build on a culture of belonging. Bringing people from different lived experiences and educational and professional backgrounds together creates a strong diversity of thought and experience that enhances the quality and value of our work and improves the audit experience for our people and our clients. It starts with an inclusive workplace that drives equitable opportunity within the firm from recruitment to partnership – supporting all of our people so that every person has opportunities to grow to their full potential and achieve professional success in a way that's important to them.



We are proud of the progress we have made in continuing to attract diverse talent into the firm as well as our commitment to enhance the experience of our diverse professionals throughout their career journey. At the same time, we acknowledge that there is still more work to be done, and we continue to challenge ourselves to bring equity, trust, and purpose into every aspect of our business.

For more information about our commitment to diversity, equity, and inclusion, refer to our [Purpose and Inclusion Report](#).

“

A big part of my responsibilities is to help our people come together in new ways – in diverse and inclusive teams – to better serve our clients.

Kathryn Kaminsky

As of FY23, women and racially/ethnically diverse individuals comprise 49% and 41% of our employees, respectively.

The diversity of our partners has increased from 18% women and 10% racially/ethnically diverse individuals in 2013 to 25% women and 20% racially/ethnically diverse individuals in 2023.

Our 2023 new internal admission partner class was 33% women and 29% racially/ethnically diverse individuals.

As of July 1, 2023, our US Leadership Team is 38% women and 38% racially/ethnically diverse individuals, and our Board of Partners is 38% women and 33% racially/ethnically diverse individuals.

Our employees named us one of **Forbes Best Employers for Diversity**.

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.

We received a top score on the 2023 **Disability Equality Index** survey, a joint initiative of Disability:IN and the American Association of People with Disabilities

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.

See more of our awards at [pwc.com](https://www.pwc.com) >

Rewards, benefits, well-being, and flexibility

Our rewards strategy is designed to recognize the growth and impact of the individual, including their contributions to deliver quality and value and drive The New Equation. We took steps this year to refine our rewards strategy to provide more predictability for our employees and to support pay equity.

We offer an array of benefits – including retirement plans, life insurance plans, parental leave, vacation, and more – that are competitive and flexible, and provide our employees with choices to meet their needs at every stage of their life. Our personalized benefits platform offers our employees enhanced support to help select providers, manage costs, and get one-on-one help when it's needed.

Through Be well, Work well – PwC's investment in well-being – we continue to offer enhanced tools and resources to help our employees feel empowered and supported to put their well-being first. This year we increased our mental health benefits and extended the length of paid parental leave for all parents. We also rolled out new vacation tools to make it easier to plan and take uninterrupted time off.

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

	FY23	FY22	FY21
Partners/managing directors	356	349	342
Directors/managers	280	295	260
Senior associates	223	256	248
Associates	194	220	224

Providing our people with the ability to meet their professional and personal commitments is a critical component of our people experience. We offer a variety of virtual and flexible work options to meet individual needs along with the leading technologies, guidance, resources, and time to stay connected with colleagues and clients.

Under My+ we are reinforcing our culture of listening so that each of us continues to have meaningful and real-time opportunities to develop as leaders. We introduced Team Polling and Team Health Index tools to provide our partners with more visibility into the performance and perspectives of their teams – including data relating to workload, well-being, and the overall people experience. Equipped with this information, partners have greater ability to assess who may need more support, action feedback timely, and help each team member have a rewarding experience.

Global People Survey

In Spring of 2023, 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.

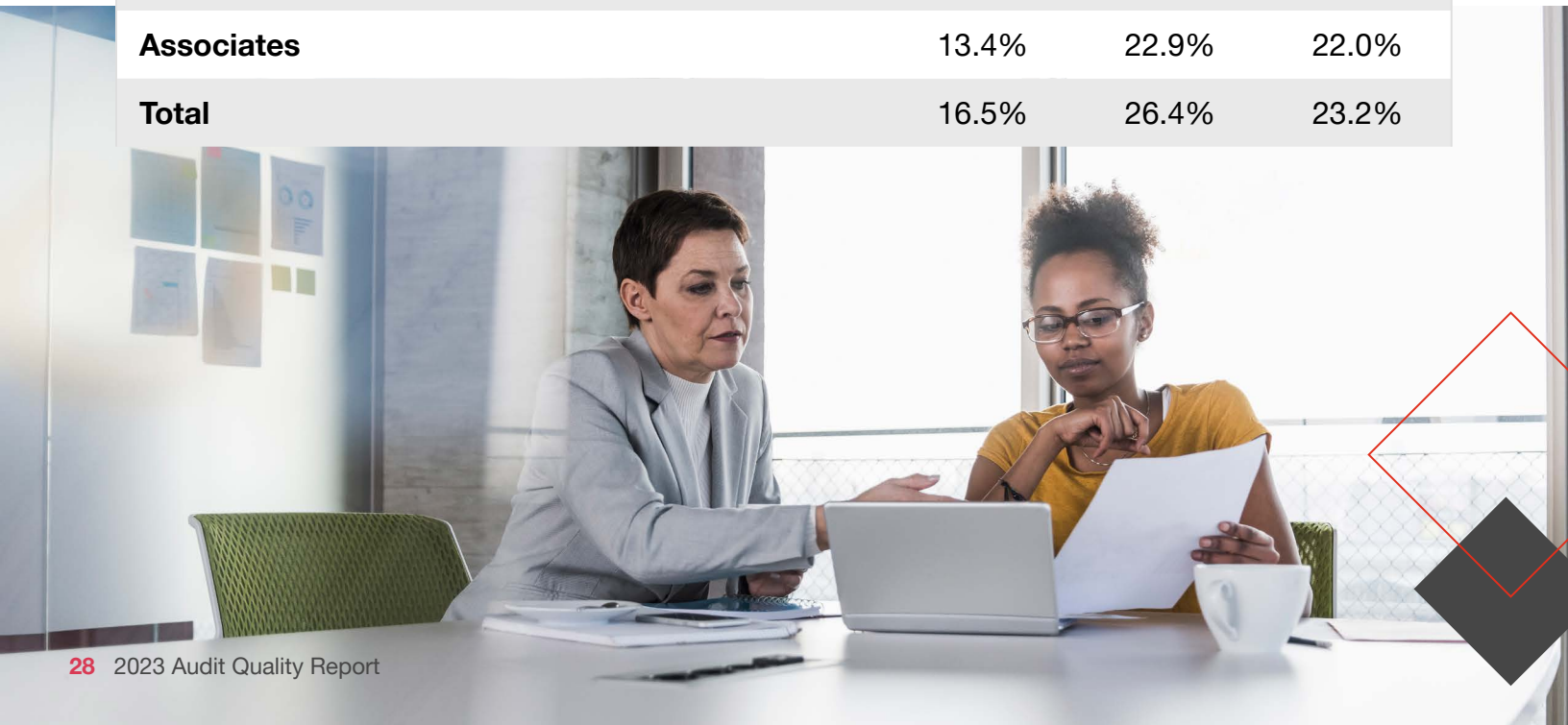
Our PEI in FY23 for the US Trust Solutions practice was **82%**. We believe this result reflects our continued commitment to the development and well-being of our people, and our unwavering focus on our purpose and values.

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. The experience of our people can have a significant impact on turnover, and we remain focused and committed to realizing the full potential impact of our My+ strategy on our people experience.

Average annual voluntary turnover rate of audit professionals by level

	FY23	FY22	FY21
Managing directors/directors/managers	15.6%	23.5%	15.3%
Senior associates	21.1%	34.8%	34.3%
Associates	13.4%	22.9%	22.0%
Total	16.5%	26.4%	23.2%



Continuing education

Continuous learning is a fundamental aspect of our culture. Learning that occurs through on-the-job supervision, review, and mentoring is supplemented through participation in virtual and in-person classroom, and on-demand training programs. The way we deliver training continues to evolve through 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 collaborates closely with firm leadership so training is responsive to developments impacting our audits – including changes in the profession and our practice – and feedback obtained from:

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

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 activities for a more effective learning experience. This year we introduced MyLearning, a simplified learning platform available to our people that aggregates required, recommended, and elective learning in one place, enabling more transparent access to skill development aligned to career goals.

Our partners, managing directors, and directors/managers also receive industry-specific training and training related to new or revised professional standards and regulations and other practice or financial reporting developments, when applicable. AC audit team members are provided training that is aligned to the training provided to other audit team members performing in a similar role. As the responsibilities of AC audit team members expand, they are provided additional training relevant to those expanded responsibilities.



In addition, we offer audit team members training on non-technical topics, such as project management, issues management, auditing while working remotely, and working in virtual teams. Several years ago we began digitally upskilling our workforce, building digital IQ regarding data wrangling and visualization and automation. We continue to provide numerous learning tools to support the digital acumen of our audit teams, expand the use of digital solutions on audits, and foster a mindset of continual improvement and innovation - and as described on page 20, this year we have committed to an additional significant investment to upskill our people on AI. Similarly, we are upskilling our audit professionals on ESG-related topics through a variety of training programs and events.

Completion of required auditing; accounting; and annual independence, ethics, and compliance training is a component of individual performance. Required 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.

The amount of required 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 changes in response to 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 must meet the minimum continuing professional education requirements for licensure. The average annual training completed per audit professional significantly exceeds those minimum annual requirements. Failure to complete required 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.

Average training hours completed per audit professional:

87

FY23

84

FY22

78

FY21



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. Over the past year, the AQAC has been a valuable resource for our leadership team, providing insights as we look around the corner to anticipate issues during these uncertain times and as we embark on our new people strategy. The AQAC also continues to provide perspectives to our leadership team regarding the standard setting and regulatory environment and our business/growth strategy, including as it relates to ESG and digital assets. 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

Russ 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

Alan 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

Joanne 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 non-public 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 AC audit team members, 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 and drive audit quality.

FY23 Developments

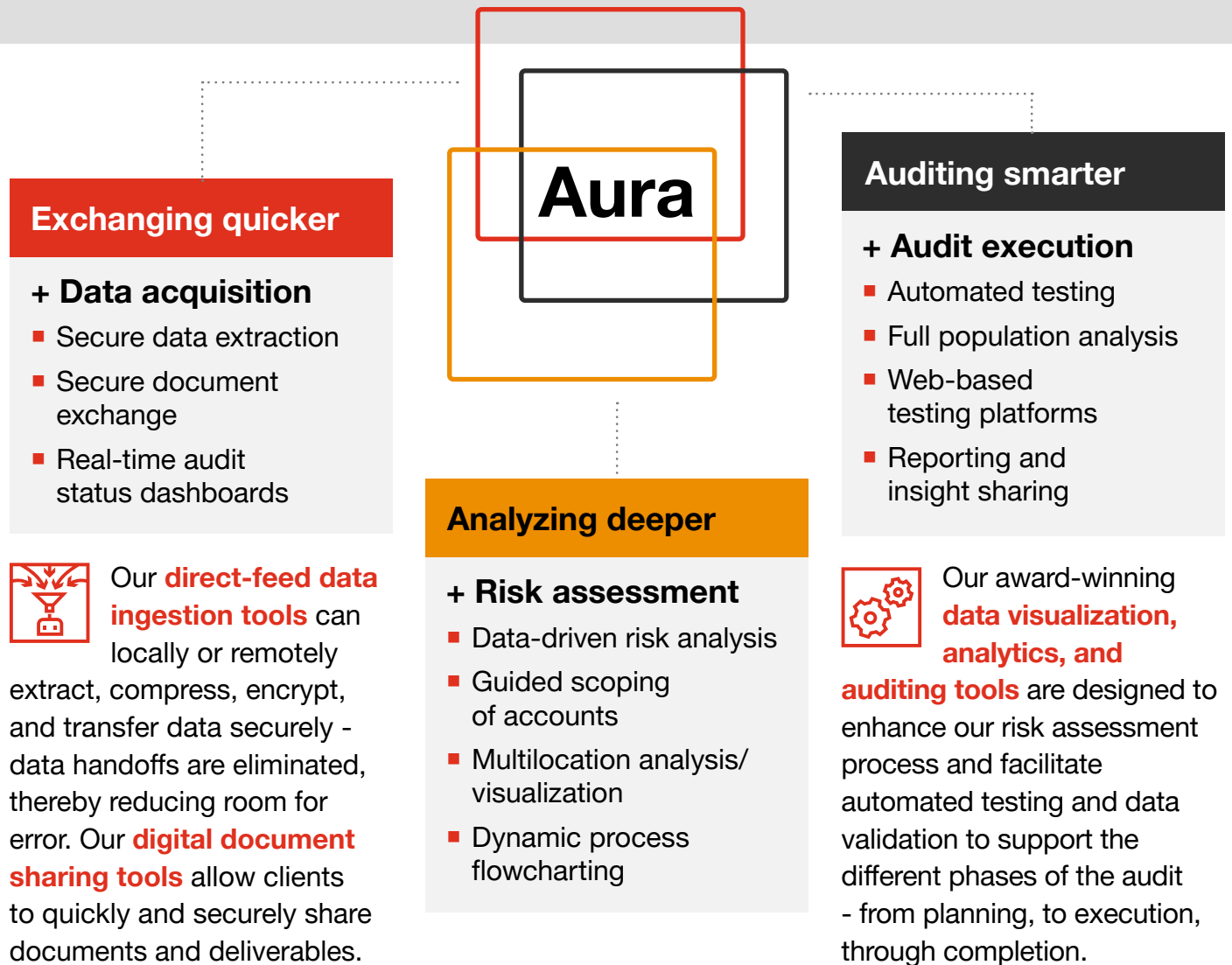
Over the past year we have addressed various auditing, accounting, reporting, and other practice matters, including the following:

- Delivered guidance and various resources to highlight accounting, reporting, and auditing considerations related to the uncertain economic environment, including the potential for:
 - new risks or changes to risks of material misstatement due to error or fraud, along with our audit procedures designed to address them;
 - changes in business processes and internal controls over financial reporting;
 - ramifications to financial statement disclosures and accounting policy conventions; and
 - changes in the identification and description of critical audit matters.
- Performed targeted reach-outs, facilitated by members of our Chief Auditor and Quality Management networks, to support audit teams in responding to the impact of current economic events, and where applicable, risks associated with SPAC and de-SPAC transactions.
- Provided immediate and continued guidance and support to audit teams in considering potential liquidity, accounting, and disclosure risks presented by recent bank failures and related events.
- Enhanced our guidance related to, for example:
 - auditing loan risk ratings, including assessing the homogeneity of the population;
 - auditing the implementation of ASU 2018-12, Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts;
 - auditing crypto-related assets and liabilities, specifically risk assessment and testing strategy considerations;
 - considerations related to the enactment of OECD Pillar Two global minimum tax;
 - identifying other firms or persons not employed by our firm and considering whether and how they should be included in audit committee communications and Form AP disclosures; and
 - climate-related risk considerations.
- Provided guidance designed to assist our teams in understanding AI and considering the audit impacts when AI is used in our clients' environments.
- Updated our guidance and tools to reflect the impact of various new and updated standards related to risk assessment, auditing estimates, use of specialists and pricing information, engagement quality review, and supervision and review.

Our audit technology

We continue to build trust through innovative and business-driven products that are human-led and tech-powered, focused on the end-to-end audit experience, and centered around Aura.

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.



Our audit teams use sophisticated tools to securely extract or receive key pieces of client data for assessment and analysis in Aura. They can easily navigate between numerous content-themed visualization dashboards and detailed data schedules, facilitating a data-driven risk assessment and prompting more focused audit analysis and testing. For example, audit teams can access specialized tools to perform full revenue population analysis at the transaction level; analyze investment portfolio data and price testing results; and analyze full journal entry data sets to identify patterns and journals with specific characteristics.

Our existing tools are designed to support the application of leading audit practices based on the data and process maturity of their clients. As the data and technology used by our clients continues to change, we continue to expand our capabilities, harnessing the power of data to further enhance our audit quality.

Our technology innovations occur within our central innovation and technology team, as well as within specific industry-aligned teams who are empowered to innovate with their respective client base in mind, leveraging our platforms as appropriate. In FY23 we continued the advancement and enhancement of functionalities in various solutions, both broad-based and industry-specific, to drive quality and improve the experience. We also began migrating our underlying applications to a new platform that better aligns with our future technology vision (see page 45).

In addition, we improved the project management dashboards and quality checks in Aura – making it easier for our teams to prioritize and monitor the status of audit-related tasks and identify where updates to audit documentation are needed – and offered new tools that:

- facilitate streamlined and efficient processing of external audit confirmations, including preparing, sending, monitoring, and receiving electronic and paper responses;
- utilize cognitive technologies and regression analysis to assist in revenue testing;
- simplify, standardize, and automate aspects of information technology general controls testing for change management;
- standardize, centralize, and automate testing of configurable controls; and
- automate the extraction and review of data, including new data capabilities related to investee fund financial statements on fund of fund audits.

By combining their digital skills, technical knowledge, and professional judgment with our leading technology and world-class methodology, our audit teams deliver a quality audit and end-to-end digital experience at scale. When needed, a network of local professionals with advanced digital skills and training is available to support our audit teams in identifying and adopting the most impactful tools and automations for their engagement.





People-led innovation

Our digitally skilled audit teams build on our base data analysis and other technological capabilities to dig deeper into their client’s data, surfacing audit-related matters, and providing relevant perspectives and insights. Our teams can also tap into the proficiency of our digital support professionals to aid in the development and enhancement of automation solutions. These automations reduce time-intensive routine tasks, allowing more time for performing analysis.

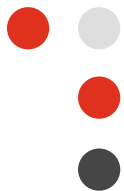
Digital Lab, our unique technology-sharing platform, has been integral to our innovation journey, centralizing automations, learning, and digital communities. Digital Lab allows audit team members to find, enhance, and share digital assets to enhance efficiency and audit quality. In FY23, our audit team members were able to leverage their digital core skills and training with **over 2,000 digital assets** available in the Digital Lab to drive 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. In assigning our audit team members, we leverage our talent sourcing platform, which provides visibility into their experiences and interests. Our audit teams are composed of individuals who bring the right blend of technical capabilities and industry knowledge to deliver quality and value to our clients. In a complex, increasingly digitized business environment, this often means considering the convergence of industries, and our agile approach to assigning audit team members allows us to leverage our broad bench of audit professionals across industries to meet our clients’ audit needs.



Listen as Kathryn Kaminsky shares perspectives on making the most of today’s evolving workplace on [this episode](#) of her LinkedIn Series “Candid Career Conversations with Kathryn Kaminsky”

During FY23, we continued to enhance our delivery model to drive quality and improve the audit experience. For example, we expanded the work performed and reviewed by our AC audit team members on both public and non-public audit engagements. We also expanded the offerings from our Centers of Excellence in various areas, such as investments, income tax, and inventory. As our audits have become increasingly “distributed,” we’ve provided our audit teams with relevant training and project management tools and guidance to address topics, including behaviors and working practices, in areas such as building relationships across the team and supporting effective coordination, supervision, and review.

Leverage ratio for audit team members

	FY23	FY22	FY21
Partners/managing directors to all other audit team members (including ACs)⁸	1 to 12.5	1 to 11.1	1 to 10.6
Partners/managing directors to all other audit team members (excluding ACs)	1 to 7.9	1 to 7.5	1 to 8.3

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.



Centers of Excellence

Audit professionals in our Centers of Excellence (COEs) apply specialized skill sets to scope 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 clients through our audits.

COE audit professionals perform procedures in numerous audit areas, such as cash and cash equivalents, accounts receivable, investments, deferred income taxes, payroll, and more. There are also industry-specific COE teams focused on testing of internal controls and performing substantive work in areas including insurance premiums and claims, bank loans and deposits, and broker dealer revenues and operating expenses. **Over 1,800 of our audit engagements** were supported by the COEs in FY23, and, collectively, the scope of services for these engagements has increased compared to FY22.

Other resources

Specialists

Our audit teams utilize our broad network of multidisciplinary specialists to better understand our clients' businesses, identify and address relevant risks, stay informed on developing matters, and obtain insights related to the audit. Our teams combine experience across a broad range of capabilities to address various accounting and auditing areas, for example, 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.

Percentage of audit hours provided by specialists⁹:

17.1%

FY23

17.5%

FY22

17.6%

FY21



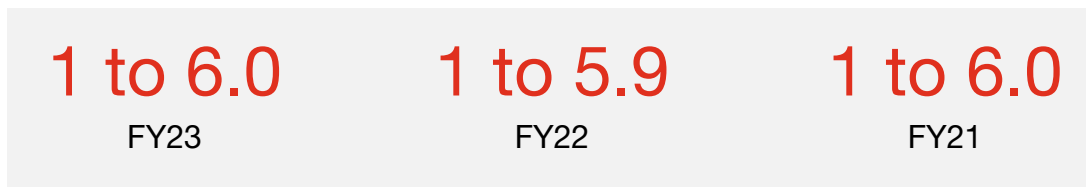
The National Office

Similar to the rest of our Trust Solutions practice, our National Office is aligned to the industries in which our clients operate, enabling these resources to effectively bring specialized knowledge and experience in a broad range of technical accounting, auditing, and financial reporting matters to audit teams and clients across all sectors. National Office resources provide informed perspectives on client-specific matters, play an active role in standard setting and regulatory activity, and deliver thought leadership to our stakeholders. 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.

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 FY23, our National Office conducted thousands of consultations with our audit teams on topics ranging from the accounting and auditing impact of the uncertain economic environment to the application of accounting standards to client-specific facts and circumstances.

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.

Ratio of partners/managing directors serving in technical support roles¹⁰ 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 and is intended to ensure 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.



At PwC, our National Office is a strategic asset, not a roadblock. We're industry aligned, responsive, transparent, and at the forefront of emerging issues - all to make sure our teams and clients never have to go it alone in quickly addressing complex matters.

Tim Carey, National Office Leader



Chief Auditor Network

Our Chief Auditor Network provides our audit teams on-the-ground support focused on advancing audit quality. They leverage their in-depth knowledge of our methodology and their industry-specific auditing experience to:

- support the design of effective and efficient audit approaches, reinforcing key learning points and guidance based on continuous feedback from inspections and other practice monitoring activities;
- 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;
- perform targeted outreach to audit teams addressing quality reminders and recent developments (e.g., the uncertain economic environment, IPOs/De-SPAC transactions, new accounting and auditing standards);
- support AC audit team members through mentoring and training as well as facilitating interactive sessions focused on key audit topics and other reminders; and
- support audit teams in the integration of AC audit team members.

Through these activities, the Chief Auditor Network helps drive audit quality and provides 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 audit 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 issuer¹¹ audit client annual financial statements that were not restated:¹²



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.

Using data either obtained via automated data extraction or provided by our client via our digital document sharing tools, and with the knowledge obtained in understanding the business, our audit teams analyze large volumes of data and transactions to identify risks inherent in the financial statements. With the help of our data visualization, analytics, and auditing tools, they apply advanced data science, visualization, and guided risk assessment to analyze full populations and focus work on areas of relevant risk.

This deep, data-driven risk assessment influences the controls we select for testing and guides our substantive audit response. It begins in the planning phase of the audit and continues through the issuance of our report. Aura 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. With Aura, our audit teams are able to develop a more precise audit plan that specifies risk levels, controls reliance, and substantive testing. 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. Establishing audit planning milestones supports our audit teams in better allocating and managing resources and avoiding late surprises by performing audit work earlier in the audit cycle.

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 expect all components of our audits to meet US standards and satisfy our own quality objectives and to that end, we continually refine how we use the work of component auditors and the level of our involvement in their work. Our global digital collaboration tools also streamline, standardize, and automate real-time communication and collaboration between group and component audit teams. This includes secure document exchange, enhanced status tracking, and issue management capabilities between group and component audit teams.



In 2022, both the PCAOB and International Auditing and Assurance Standards Board (IAASB) released changes to their auditing standards to strengthen requirements that apply to audits involving component auditors. For example, the changes add specificity to the expectations for the group auditor's supervision and review of the work of component auditors and new requirements related to two-way communications and engagement leader oversight. The changes go into effect for calendar year-end 2024 audits, and we are in the process of enhancing our policies, guidance, tools, and working practices applicable to group audits, as well as developing related training for our audit teams.

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 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.

Throughout the audit, we stay connected with our clients to anticipate and resolve complex issues and discuss relevant emerging topics and data trends. 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 applicable, 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



As the world evolves, assurance will continue to be one of the most important tools to help build confidence in the quality of information used by market participants. In fact, PwC's recent investor survey shows stakeholders trust reported information more if it's subject to an independent audit. At PwC, we are taking steps to deliver on the promise of the New Equation – combining people and technology to inspire and lead the profession and further build trust in the capital markets.

Taking action to lead the profession

Our role as auditors is to build trust in information that drives the capital markets – its accuracy, reliability, and consistency. As the needs and expectations of users of independent audits continue to evolve and information flows grow increasingly complex, PwC is committing to a series of **bold actions** in the following areas over the next several years that will further enhance confidence in the independent audit:

Accountability – we will implement tangible measures to demonstrate to our stakeholders that the leaders of our firm are accountable for audit quality, which will include firm leadership compensation at risk and public leadership certifications on our system of quality management.

Quality – we will execute a series of initiatives to enhance confidence in audit quality with a focus on fraud and going concern and to explore enhancements to the audit report through more expressive content.

Independence – we will cease the provision of certain types of permitted “pure” consulting services that would typically fall under the “other” category in the proxy statement for our SEC-registered audit clients. We are not changing our approach to other types of permissible services that typically fall within the audit, audit-related, or tax buckets of the proxy statement.

Transparency – we will continue to increase the level of transparency over key aspects of audit quality performance, including enhancing our audit quality report and communicating information related to our policies and practices with respect to potential conflicts of interest.

Engagement – we will execute a series of initiatives to enhance engagement with key sets of stakeholders, including potential talent, audit committees and investors, including investing time to raise awareness of careers in accounting.

We're approaching these actions in phases – starting with accountability – and expect that each will evolve over time as we consider standard setting and regulatory developments and emerging practice matters.

Expanding our technology platforms to power PwC's audit capabilities

As part of The New Equation strategy, the PwC Global network is investing \$1 billion in our audit tools, technologies and methodologies globally to further standardize, simplify, and automate our audit work to drive quality and enable our teams to deliver a faster and better experience for our clients. With the benefit of a first-of-its-kind relationship with Microsoft, we will leverage the latest cognitive technologies such as generative AI. This is another step on our innovation journey that included the digital upskilling of all of our people and the building of a culture of human-led and tech-powered innovation that has helped shape the profession.

Through this multi-year, tech-enabled transformation of our assurance business, we will redefine how our audit is executed and experienced. It's about more than just technology. 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 designing, developing, and deploying new ways of securely ingesting and using data to identify risks, detect anomalies, and surface insights, with built in digital checks that enhance audit quality. 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 not only support our people in providing efficient, robust, and independent assurance across financial and non-financial information, helping to build trust in what matters to our stakeholders, but will also serve as 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. It will accelerate the pace of innovation, enabling us to be responsive to the needs of stakeholders while focusing relentlessly on maintaining audit quality.

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As accountants, we should leverage technology – alongside our emotional intelligence, judgment and professional skepticism – to deliver something bigger with a more efficient, effective process and better analysis and insights.

Wes Bricker

In June 2023, PwC won the [Digital Innovation of the Year Award](#) at the International Accounting Forum and Awards for progress in the use of emerging AI tools across our Network.

Our approach to quality management



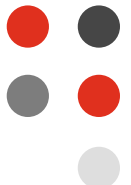
Global Network

“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 that 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 any member firm’s 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 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 member firms agree to adhere.
- The Strategy Council, which is made up of the leaders of the largest member 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 a Quality Management for Service Excellence (QMSE) framework, which integrates quality management into how each member firm runs its business, manages risk, and supports engagement teams in performing quality work.

The QMSE framework introduces an overall quality objective that is focused on member firms, including ACs, having the necessary capabilities and deploying its people to consistently use its methodologies, processes, and technology to deliver quality audits in an effective and efficient manner. To help member firms achieve this objective, the PwC Network invests significant resources into the continuous enhancement of quality across the Network, including maintaining a strong quality infrastructure, supported by skilled, experienced individuals and underlying tools and technology at both the Network and member firm level. The PwC Network's Global Assurance Quality organization aims to support member firms in promoting and monitoring quality by making available practical tools and guidance.

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

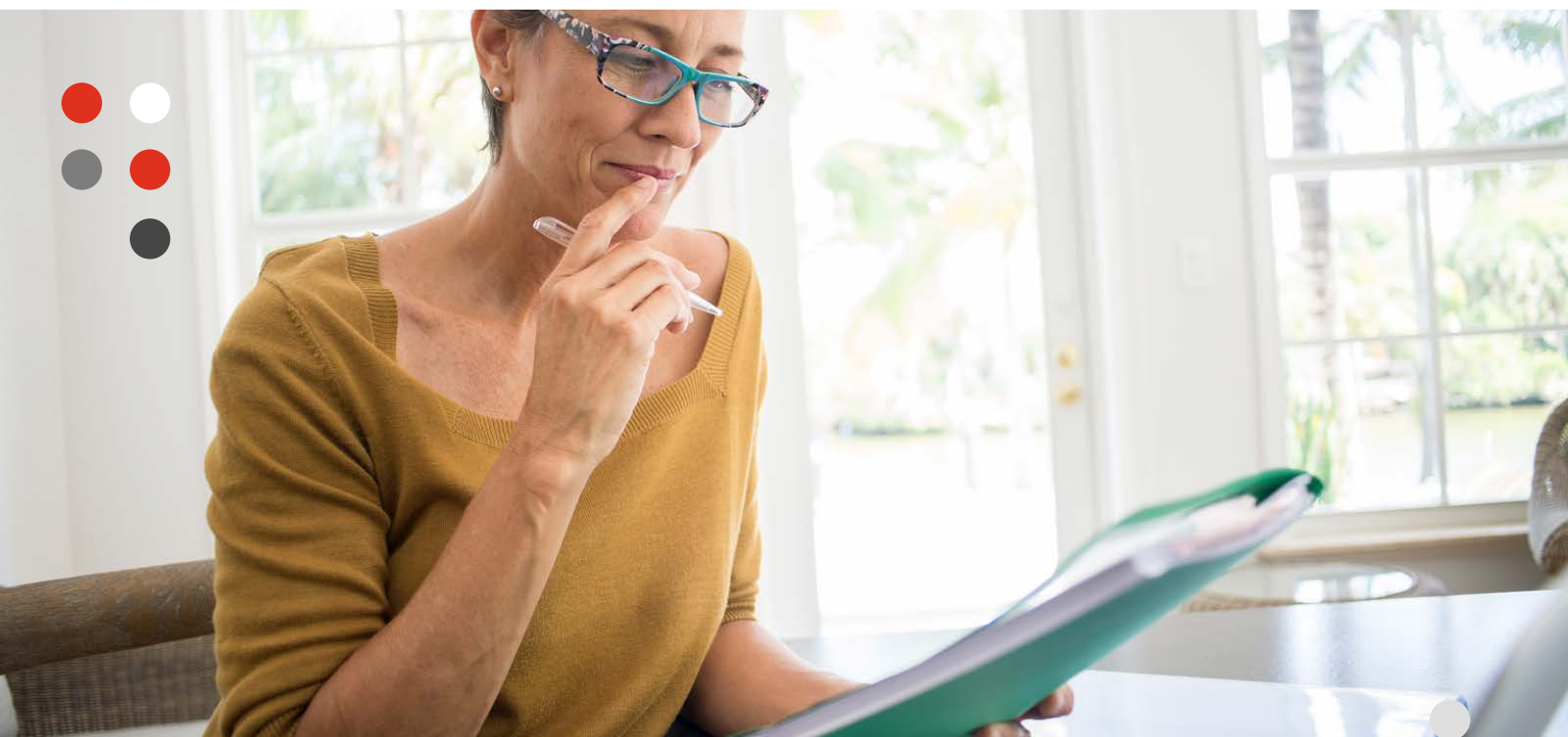


The PwC Network coordinates an inspection program to periodically review certain elements of the member firm’s system of quality management as well as the member firm leadership’s own assessment of the effectiveness of its system of quality management and determination of whether the overall quality objective is achieved.

In addition, each member firm executes 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, performing root-cause analysis, and implementing remedial actions as necessary.

PwC US partners receive information about the results of the Network inspection program, to consider, when applicable, in planning and performing their audit work.

We also assist 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 leading 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.



Our system of quality management

Our system of quality management is designed to meet the requirements of relevant quality control standards of the PCAOB, IAASB, and AICPA and the PwC Network's QMSE framework. The evolution of our system of quality management aligns to the enhancements prescribed by International Standard on Quality Management 1 (which we implemented as of the December 15, 2022 effective date), which has positioned us well to adapt to future regulatory developments, such as the new quality control standard proposed by the PCAOB in November 2022, and expected to be finalized in 2023.

Leveraging technology and data, we take a proactive, risk-based approach to 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 our Inspections 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 Network's 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, consistent with the prior year, certain of the selected engagements were subject to two pre-issuance review programs: with one focused on planning procedures and the other on execution-related audit activities.

In FY23, our Inspections group completed **more than 160 pre-issuance reviews across more than 130 engagements in varied sectors** (more than 140 reviews performed in FY22).



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The insight we get from our various monitoring programs is incredibly powerful - providing us timely and meaningful feedback to maintain and enhance quality through the ongoing evolution of our audit process.

Brian Croteau, Chief Auditor

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:¹³



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 Inspections 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 750 audit professionals** will participate as reviewers in the 2023 internal inspections of 2022 audit engagements.

The Inspections group communicates inspections observations and results to the audit practice. Further, the Inspections group works with other groups in the National Office and firm leadership to identify actions we could take to continue to enhance quality. These actions may include releasing additional guidance and training, updating tools, modifying audit methodology, and targeted messaging from leadership.

Compliance rate for audit engagements selected for internal inspection:¹³



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 states in the most recent inspection report, its “selection of audits for review does not constitute a representative sample of the firm’s total population of issuer 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 November 4, 2022 (our “2021 Inspection Report”) and describes the results of the PCAOB’s 56 (or approximately 3% of our issuer audits) inspections generally covering 2020 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 I.A includes discussion of deficiencies identified by the PCAOB in its inspection of issuer audits. Only two audits are included in Part I.A of our 2021 Inspection Report – reflecting profession-leading PCAOB inspection results for the second year in a row. The PCAOB’s 2022 inspection cycle (generally covering 2021 audits) is substantially complete, and the preliminary results are also positive.

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

Year	Audits inspected ¹⁶	Audits included in Part I.A ¹⁷
2021	56	2
2020	58	1
2019	60	18
2018	55	14
2017	55	13

Part I.B of the PCAOB Report

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 2021 Inspection Report identified deficiencies related to the completeness of workpapers, audit committee communications related to others involved in the audit, and Form AP information.

Part I.C of the PCAOB Report

Beginning with the 2022 PCAOB inspection report, the new Part I.C will discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. This includes instance(s) of noncompliance identified by the PCAOB and instance(s) of noncompliance identified by the firm, specifically by our independence compliance programs described on page 11. Each instance of noncompliance is further analyzed as described on page 13 to conclude on whether our impartiality or objectivity was impaired.



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.

In July 2023, the PCAOB made public portions of Part II of our 2019 Inspection Report related to Policies for Financial Holdings Disclosures, specifically with respect to the rate of managers who had not reported financial relationships within the five-day time period required by firm policy. The instances of noncompliance with our policy were identified by our selective testing of individual compliance. Further analysis performed upon identification determined that there was only one instance of a manager's noncompliance with our policy that resulted in a regulatory exception for the relevant period, and that exception did not relate to the provision of audit services by an individual holding impermissible securities. We take personal independence compliance very seriously. In response to the PCAOB's criticism as well as part of our continuous efforts to enhance compliance in general, we have taken and will continue to take meaningful and substantive actions to improve the rate of compliance with our policy to report financial relationships within five business days.

The PCAOB determined that it is satisfied with the actions we took to address observations contained in Part II of our 2020 inspection report (which generally covered our 2019 year-end audits). The 12-month period for us to address the comments made in Part II of our 2021 Inspection Report expires on November 3, 2023.

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.

Global developments

The Holding Foreign Companies Accountable (HFCA) Act was enacted in 2020, and in December 2021, the PCAOB issued to the SEC its [first HFCA Act determination report](#) regarding registered public accounting firms headquartered in mainland China and Hong Kong. In December 2022, [the PCAOB announced](#) that its Board determined it secured complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and released its [2022 HFCA Act determination report](#) vacating its December 2021 determinations.

In May 2023, the PCAOB released [inspection reports](#) detailing findings from their inspections of PricewaterhouseCoopers in Hong Kong and KPMG Hanzhen LLP in mainland China. PCAOB inspectors identified numerous deficiencies at these audit firms. PCAOB Board Chair Erica Williams [stated](#) “As I have said before, any deficiencies are unacceptable. At the same time, it is not unexpected to find such high rates of deficiencies in jurisdictions that are being inspected for the first time. And the deficiencies identified by PCAOB staff at the firms in mainland China and Hong Kong are consistent with the types and number of findings the PCAOB has encountered in other first-time inspections around the world.” The PCAOB is continuing to demand complete access in mainland China and Hong Kong moving forward, and inspectors have begun fieldwork for 2023’s inspections.

The PCAOB’s 2022 determinations reset the three-year clock for compliance and as a result, the SEC continues to allow trading in the securities of issuers engaging these audit firms. The Board does not have to wait another year to reassess its determinations.

We recognize the need for effective and consistent global oversight of member firms. 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 certain markets. We welcome continued dialogue with the SEC and PCAOB on this important issue.



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 factors related to other elements of our system of quality management 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 and relevant guidance.

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 reflect our commitment to advance audit quality – our number one priority.



Legal and governance structure



Legal structure and ownership of the firm¹⁸

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.¹⁹

Governance structure of the firm

The firm's Senior Partner serves as 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, 2023



Tim Ryan**
US 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



Paul Griggs
Vice Chair – Markets
and My+ Sponsor



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



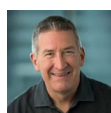
Jenny Koehler
Strategic Growth and
Business Development Leader



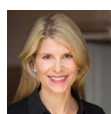
J.C. Lapierre
US Chief Strategy and
Communications Officer



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
Chief People Officer



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 1, 2023, there are 20 members of the Board in addition to the firm's Senior Partner:

Members of the Board of Partners and Principals as of July 1, 2023

Tim Ryan, Senior Partner	Kevin Healy	Lisa Sawicki*
Tyson Cornell, Chair	Jennifer Kennedy	Earl Simpkins
Julie Allen	Laura Martinez	Gurpreet Singh
Puneet Arora*	Scott Moore	Ignacio Toussaint
Dallas Dolen	Shawn Panson	Derek Townsend
David Foss	Carol Pottenger, External Director	Ellen Walsh
Bernadette Geis	Robert Sands	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 This report was prepared to provide our stakeholders with relevant information related to our US audit practice during our most recent fiscal year. References to the firm, our, and we in this document specifically relate to PricewaterhouseCoopers LLP. The scope of this document pertains solely to the PwC US firm registered with the PCAOB.
- 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 FORTUNE 1000 is a registered trademark of Fortune Media IP Limited and is used under license. FORTUNE and Fortune Media IP Limited are not affiliated with, and do not endorse products or services of, PricewaterhouseCoopers LLP.
- 5 As of June 2023. 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 (also referred to as “AC audit team members”). “Audit professionals” refers to our core audit and private company services professionals at the associate level or above. Specialists, including Digital Assurance & Transparency, are excluded. Short term assignees from third parties or other PwC member firms are also excluded.
- 7 Our Acceleration Centers are located in the US, India, Argentina, Mexico, Malaysia, and the Philippines. The AC full-time equivalent was adjusted in the current year to reflect an estimate of average utilization for these resources. Without this adjustment, the AC FTE is 3,319, 2,444, and 1,617 for FY23, FY22, and FY21, respectively.
- 8 The leverage ratio with ACs was calculated using an adjusted AC FTE, which now reflects estimated average utilization for these resources. If the AC FTE was not adjusted, the leverage ratio with ACs would be [1 to] 10.9, 9.7, and 9.8 for FY23, FY22, and FY21, respectively.
- 9 The percentage of audit hours provided by specialists includes the hours incurred by AC audit team members that performed work under the direct supervision of the specialist.
- 10 Technical support roles exclude Quality Management (see page 41) and independence specialists (see page 12).
- 11 Issuer audit clients comprise SEC registrants and registered investment companies.
- 12 The percentage of issuer audit client financial statements that have not been restated has been updated to reflect only restated annual audited financial statements. If restated quarterly unaudited financial statements are included consistent with the prior year presentation, these percentages would be 99.2% (15 restated), 99.7% (6 restated), and 99.7% (5 restated), for FY23, FY22, and FY21, respectively.
- 13 The number of audit engagements subject to internal inspection and compliance rate includes both issuer and non-issuer audit engagements.
- 14 Includes inspections completed as of June 30, 2023 and an estimate of the number of inspections to be completed during the remainder of the 2023 internal inspection cycle.
- 15 The FY23 compliance rate is for internal inspections completed as of June 30, 2023.
- 16 Includes two and six interim reviews inspected by the PCAOB for 2021 and 2020, respectively, none of which were included in Part I.
- 17 Includes the number of audits inspected and included in Part I for 2017.
- 18 The description of the legal and governance structure presents an overview as of June 30, 2023 with updates to reflect the July 1, 2023 US Leadership Team and Board of Partners and Principals composition. Although we are modifying certain aspects of our legal structure, these modifications will not change the leadership team reflected herein, and our governance processes will function similarly. This report covers fiscal year 2023, and updates regarding our revised structure will be reflected in our Audit Quality Report that covers fiscal year 2024. In our revised legal structure, as of July 1, 2023, each of the following US-based entities provide services to clients: PricewaterhouseCoopers LLP, PwC US Tax LLP, PwC US Business Advisory LLP, PwC US Consulting LLP, PricewaterhouseCoopers Advisory Services LLC, PwC Product Sales LLC, PricewaterhouseCoopers LLP (a Puerto Rico entity) and PricewaterhouseCoopers Corporate Finance LLC.
- 19 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.