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## **Regulatory context**

This Transparency Report has been prepared in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008 (the Instrument), made by the Professional Oversight Board (POB) of the Financial Reporting Council (FRC) on 3 April 2008. The Instrument came into force on 6 April 2008 and requires the publication of certain information by transparency reporting auditors, defined as statutory auditors that have made an audit report on the annual accounts of one or more public interest entities during the financial year of that statutory auditor. The Instrument applies in respect of any financial year of a transparency reporting auditor commencing on or after 6 April 2008; as such, Deloitte LLP (Deloitte) is required to prepare a Transparency Report. This Transparency Report is in respect of the year ended 31 May 2012.

In addition to the requirements of the Instrument, the POB issued the 'Audit Quality Framework' (the Framework) in February 2008 and has indicated that Transparency Reports may represent a useful opportunity for audit firms to set out the steps that they are taking to achieve audit quality by reference to the Framework. This Transparency Report addresses all of the elements set out in the Framework. A reconciliation of this Transparency Report to the Framework has been supplied to the POB. This Transparency Report has also been prepared with due regard to publications issued by and comments received from the POB regarding transparency reporting by audit firms.

In January 2010, the Institute of Chartered Accountants in England & Wales (ICAEW) published the Audit Firm Governance Code. This Code applies to the eight largest audit firms in respect of financial years commencing on or after 1 June 2010 and sets a benchmark for good governance. This Transparency Report includes disclosures required by the Code (including those published on our website) and explains steps taken by Deloitte to comply with the Code. A reconciliation to the Code has been supplied to the POB.

# Section 1

## – Introduction

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This is the fifth Deloitte Audit Transparency report, and is in respect of the year ended 31 May 2012.

Economic and market conditions continue to be difficult and there is a need for the business community to respond to the challenges it is facing. We recognise our role in meeting this challenge. Our approach to public interest and policy is central to the realisation of our strategy. It focuses on the long-term value we provide. It promotes the sense of professionalism and social responsibility that makes all of our people proud to work at Deloitte. It is an important source of differentiation, helping us to stand out in our markets through the impact we have on the reputation and success of our clients, and contributing to a sustainable and prosperous society.

We embrace the principles behind the Transparency Report and are pleased to set out our approach to ensuring audit quality, robust governance and ethics. In addition, we have included reports from both our Public Interest Oversight Committee and our Audit Committee.

This year, in addition to the Transparency Report, we are presenting Deloitte Impact 2012, a report in which we focus on the leading economic, social and environmental contribution we make to UK plc and wider society. Deloitte Impact 2012 will be published in October 2012.



**David Sproul, Senior Partner and Chief Executive**

To further demonstrate our commitment to enhanced dialogue with stakeholders, we are pleased to report that we will be holding our first Stakeholder Forum in October 2012. This meeting will be led by members of Deloitte's Board of Partners and Executive Group and our Independent Non Executives will also be in attendance – further details are set out in the Governance section of this report. We look forward to discussing and answering questions from stakeholders at this event.

During the year we completed our appointment of three Non-Executive Board members. The three Independent Non Executives are members of our Board of Partners, and also constitute the Public Interest Oversight Committee (PIOC). Its report later in this document describes some of the key activities the Independent Non Executives have undertaken during the year and the contribution they have made to our governance.

# Section 2

## – Audit quality



Panos Kakoullis, Managing Partner, Audit

Our unyielding pursuit of quality is one of the cornerstones of our success. By delivering consistent, objective and insightful assurance and advice of the highest quality and reliability, underpinned by our strong ethical principles, we earn the trust of our stakeholders and inspire each other. Quality is not an isolated, abstract concept or even a process: delivering quality is an individual and collective responsibility, which drives investor satisfaction, regulatory compliance and ultimately growth within our business and the opportunities available to our people.

The following are the key matters on which we focus:

- public interest and market changes
- our audit process
- audit quality and risk management
- independence and managing conflicts of interest
- regulatory reviews.

### 2.1 Public interest and market changes

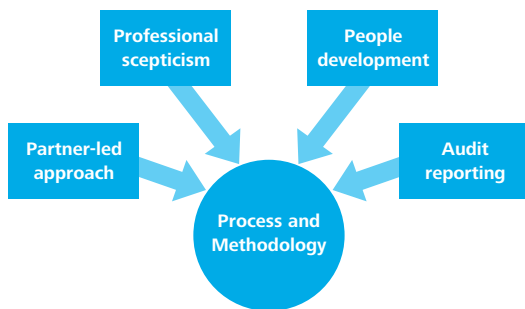
We are proud of the role we play within the business community and beyond. We contribute to public policy debates and standard setting, and to the growth of UK plc. We know that our business activities affect society in many ways, and that restoring and preserving the trust and confidence of all our stakeholders is critical to our sustained success and high reputation. Further information on Deloitte's contribution will be available in our Deloitte Impact 2012 report due to be published in October 2012.

This has been a year when the debate over the role of audit, the auditor, and audit choice, has been intense. In particular, competition and choice in the marketplace and audit quality continue to be scrutinised extensively. We welcome these debates and continue to add our input to them. We believe that the issues being considered benefit from a rigorous exchange of views and discussion, both broad and deep, from all stakeholders. However, the fundamental issue is to ensure that change is proportionate and does not threaten audit quality.

The Competition Commission (CC) inquiry into the statutory audit market for large UK companies began in October 2011, and will take up to two years to complete. Deloitte is co-operating extensively with the CC. We have submitted a number of documents during the inquiry to date. Our overall view remains that the audit market works effectively, delivers high quality and is fiercely competitive.

The European Commission published proposals on changes to audit regulations in November 2011. Currently being considered by the European Parliament and the Council of Ministers, some of the proposals contemplate unprecedented changes to the EU audit market. We are supportive of any measures that would enhance audit quality, strengthen the independence of the auditor, and foster competition, but we do not support proposals that we believe will put audit quality at risk.

## 2.2 Our audit process



Our audit process and methodology encourage and foster professional scepticism and a robust challenge, recognising this as a valuable component of the audit process. Our audit technology and tools, AuditSystem/2 (AS/2), provide a comprehensive framework for the planning, performance, documentation and review of our work in accordance with auditing standards and applicable professional, regulatory and legal obligations.

AS/2 has a particular focus on gaining a deep understanding of the audited entity's businesses and key transaction flows. We operate on the basis of a strong culture of adaptability; this, and the way in which AS/2 has been developed, allow us to introduce rapid but considered changes and enhancements to methodology and documentation within 24 hours.

### 2.2.1 Partner-led approach

Engagement partners remain fully responsible for the services they provide and for understanding the audited entity's businesses. Their involvement is required from the very outset of any audit relationship and engagement, with partner-led audit planning key to our audit approach.

Where the professional services we provide are subject to external regulation, they are led by persons who are individually authorised by the appropriate regulatory body. For example, all partners and senior employees who act as audit engagement partner for statutory audits have been granted Responsible Individual status by the ICAEW under the ICAEW's Audit Regulations.

Our audit business is structured into specialist industry groups, led by senior partners with great depth of experience and expertise. These groups collaborate in order to share their understanding of market developments, risk assessments and emerging trends. This is particularly important at times of market turbulence and change. Our partners and people are continuously building their understanding of the audited entity's businesses, helping us to better conduct our audits in a way most beneficial to all stakeholders.

These steps ensure that our partners and staff understand the audited entity's business and adhere to the principles underlying auditing and ethical standards. We are confident that our partners and staff exhibit professional scepticism in their work and are robust in dealing with issues identified during the audit.

### 2.2.2 Professional scepticism

We are continually addressing the challenges of demonstrating enhanced professional scepticism and innovation as part of our commitment to the continuous improvement in the quality of our audits. We achieve this through a combination of ongoing initiatives, including guidance, innovative audit techniques, benchmarking and analytics. We also focus on behaviour and culture, with emphasis on identifying fraud, the sharing of knowledge and ensuring scepticism is fully embedded in our audit documentation. This is particularly important when auditing critical judgements during the audit, such as impairments which are inherently dependent on assumptions and judgements made by the directors. Our audit work and our reports to those charged with governance demonstrate our challenge of the key assumptions and judgements, for example the discount or growth rates used, so that it is clear how we have exercised professional scepticism and reached our conclusions. The key message remains for our audit professionals to challenge and look for what could be wrong, and then to document that challenge fully in the planning, performance and review of our audit.

In its public report on the 2011/12 inspection of our firm, the FRC's Audit Inspection Unit (AIU), now known as the Audit Quality Review team, noted our enhanced procedures in this area.

## Section 2 – Audit quality

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### 2.2.3 People development

Our approach to continuing professional development is based around targeted learning programmes, including regular audit and industry specific training that keeps our people at the forefront of new developments and regulations. These are designed so that our work is of the highest quality, that we comply with regulations and that we do not accept any assignments that would compromise our integrity or independence.

All of our partners and people are supported in their ethical, quality, compliance and personal independence, risk management and anti-money laundering obligations by appropriate technical and other learning programmes as well as supervision by more senior team members and our partner-led audit process. Over and above a comprehensive mandatory audit learning and development syllabus for our staff, we run monthly technical briefings and updates which are available online for download. In addition, the firm provides mandatory annual accounting and auditing technical training during the summer months, as well as specific learning modules where new developments require additional understanding.

Our approach allows us to develop our people not only through structured learning but also by appropriate mentoring, on-the-job training, appraisal and other support activities. Partner leadership of these activities is an important aspect of their value and success. Individual appraisals set considerable store by feedback provided on specific engagements. Our use of web-enabled technology to capture 360 degree feedback from peers as well as team members and partners allows us to obtain a rounded view of individuals' performance and development needs. The evaluation of our people for promotion involves a detailed scrutiny of their personal performance, by reference to our wide-ranging competency model, which includes competencies relating to building distinctive relationships, delivering the client experience, quality, innovation and brand and delivering our talent contract.

We strive to create an environment where achieving high quality is valued, invested in and rewarded and that our appraisal and reward systems for partners and our people promote the characteristics essential to quality auditing. Quality and ethics form the foundation of our appraisal criteria; audit partners and staff are not evaluated or remunerated by reference to the selling of non-audit services to their audited entities. A quality dashboard is produced for each audit partner, and any quality matters raised are required to be addressed in the appraisal, and the partner's objectives include an appropriate response to the matter. Audit partners are required to have a specific objective which is associated with performing a high quality audit. In addition, these steps ensure that staff performing detailed on-site audit work have appropriate capabilities, experience and competence, are appropriately supervised by partners and managers and that sufficient training is given to audit personnel in audit, accounting and industry specialist issues.

### 2.2.4 Audit reporting

We recognise that there is considerable value to our clients and to our wider stakeholders in providing clear and unambiguous reports of the highest quality in the context of applicable laws and regulations. Our audit reports comply with auditing standards and legislation and, within that prescribed format, convey our opinion clearly with a proper conclusion as to the truth and fairness of the financial statements. Our communications with audit committees and boards of directors cover the scope of our audit, our consideration of any threats to our independence or objectivity, our risk assessment and the judgements made as well as providing value-added commentary around more qualitative aspects of financial reporting and management of the audited entity's businesses.

### 2.2.5 Looking to the future – Deloitte Audit

At Deloitte, we continue to invest in the refreshing of our audits. We have always sought to ensure that our approach to providing clients with robust assurance is at the cutting edge. Deloitte Audit sets a new standard for achieving audit excellence in the dynamic global business environment and has been developed with one key principle at its core – a tailored approach.

Deloitte Audit is about focusing on what matters most to our clients and customising our approach to better meet their needs. It is a three year initiative that started earlier this year. During this period, AS/2 will continue to be used on engagements that have not yet been transitioned over to Deloitte Audit.

Deloitte Audit:

- builds a bespoke audit file based on the audited entity's unique business characteristics;
- enhances our control over large complex audits;
- provides real-time information on audit progress;
- embeds latest regulatory content and industry intelligence;
- allows easy capture and reporting of key findings and insights.

Deloitte Audit focuses on partner leadership, early planning and response to significant risks to deliver a 'no surprises' audit which evolves alongside the audited entity's business and delivers the assurance and value our clients require.

### 2.3 Audit quality and risk management

Our delivery of quality is achieved through effective internal quality control systems and a focus on leadership, communication, infrastructure, culture and performance management. We have rigorous processes, systems and tools supported by a culture which promotes the merits of consultation on difficult issues and supports partners in the exercise of their personal judgement. These processes are in place not only where required by regulation, but as a cornerstone of our business. Our audit methodology and tools ensure that our audit quality control procedures are effective, understood and applied.

Within the audit business, the internal quality controls and systems include:

- our dedicated professional standards review team (PSR) which provides a 'hot' review before any audit or other opinion is signed;

- dedicated technical advice and support;
- strategically focused second partner reviews and independent review partners (IRP);
- information security;
- annual practice reviews of a selection of completed engagements.

In setting our fee structures, we acknowledge the importance of our role and the need to demonstrate a high-quality and value-added service that is efficient, fair and competitively priced. Our audit approach and, in particular, our focus on early engagement on key audit issues, ensures that the collection of sufficient audit evidence is not constrained by financial pressures. We will continue to be robust in our pricing structures to ensure that the quality of future audits is not impacted by downward fee pressures. This point was made by the Financial Reporting Council in its messages to audit committees contained within the 2011/12 annual report on Audit Quality Inspections.

In agreeing timetables, fees and responsibilities, we ensure that the reporting deadlines allow us the opportunity to carry out an audit without undue reliance on work performed before the end of the reporting period. Appendix 1 to this report provides financial information for the firm's financial year, and shows the importance of our statutory audit work.

#### 2.3.1 Our dedicated professional standards review team

We consider PSR to be a particularly strong feature of our firm's quality control procedures. The PSR team, reporting to Audit Quality and Risk Management, is operationally independent of the business units and audit engagements they are reviewing. PSR supports our high standards of professional scepticism and audit quality by providing a further independent challenge. Our PSR professionals work with engagement teams throughout the audit process, focusing on significant accounting, auditing and financial reporting judgements, appropriate audit documentation and disclosure areas.



## Section 2 – Audit quality

### 2.3.2 Dedicated technical advice and support

Engagement partners benefit from expert and strong technical support on accounting, auditing and regulatory matters as they affect our audited entities and the audit work itself. Our technical expertise is leading edge and our approach responsive and consultative, both externally and internally. In National Accounting and Audit (NAA), we have dedicated teams to support on UK auditing and accounting matters, IFRS and our audit methodology. Expertise is also available from Deloitte Touche Tohmatsu Limited (DTTL) and other member firms; our audit policies and methodology are developed and implemented globally to help deliver consistency and quality within the international network. Additionally, on IFRS and US accounting and auditing issues and SEC listing rules and regulations, the expertise of the Global IFRS and Offerings Services (GIOS) network is available to support our client-facing professionals. Both NAA and GIOS are key components of our audit service proposition, comprising highly respected partners and staff with outstanding reputations within the profession as well as internally.

Our clients and people need swift, consistent and borderless responses to IFRS technical queries. DTTL member firms have established a network of nine IFRS Centres of Excellence around the globe (including one in the UK) manned by experts with day-to-day, first-hand experience of the issues of practical application of IFRS in different regulatory, legal and local accounting environments around the world. The leaders of these centres consult with each other with a view to reaching consensus on complex technical accounting matters. Designated experts drawn from this network are available to advise engagement partners dealing with complex accounting issues. The global IFRS technical activities of this network are led out of London, by a UK partner. The global IFRS communications activities are also led out of London.

Members of NAA also support the Deloitte Academy and engage with bodies representing the corporate sector, regulators and investors to respond to their needs. The Academy is a response to the increasing demands on directors of UK public companies and provides access to a comprehensive programme of technical training, support and guidance across a wide range of management and governance issues relevant to business leaders. The Academy curriculum is customised to the specific needs of directors based on their role and company profile and is delivered in a dedicated purpose-built facility.

These resources and our partner-led audit approach (described in section 2.2.1) ensure that our partners and staff have sufficient time and resources to deal with difficult issues as they arise and that high quality technical expertise is available when the audit team requires it or encounters an unfamiliar situation.

### 2.3.3 Strategically focused second partner reviews and independent review partners

The strategically focused second partner role is separate from that of the IRP required under auditing standards<sup>1</sup>, with the former providing second partner review (focusing on significant risks, significant components and other important audit issues), consultation and audit service support and the IRP acting as a third partner review, including an objective evaluation of the significant judgements made and conclusions reached. The IRP is not part of the client-facing team and is, therefore, able to bring a further independent viewpoint and challenge to the audit process.

We have established a small group of highly experienced senior audit partners to take on the IRP role for all the firm's FTSE 350 audited entities. This approach to IRPs demonstrates our commitment to the quality agenda, promoting a continuing high, consistent challenge to audit issues.

<sup>1</sup> Within Deloitte, the Engagement Quality Control Review required under auditing standards is referred to as an Independent Review Partner to emphasise the need for that review partner to be independent of the audit team.



### 2.3.4 Information security

The importance of maintaining confidentiality around client and other relevant information is continually emphasised and our approach to encryption, ethical walls, clear desk policy and secure storage devices underpins this commitment. Our policies require all confidential information held on the firm's laptops to be encrypted, and our people are expected to take the utmost care with such information, whether verbally, in hard copy or electronic form. We have supported this by significant investment in a document management system to refine our working practices and the adoption of encryption software to protect the security of information in our possession as well as training for our staff on security. In conjunction with external regulatory inspections, we undertake our own regular security checks to confirm that our information security policies are being complied with.

During the year, we have maintained our ISO 27001 certification, the international standard for information security management. This is part of our ongoing commitment to our clients to improve the quality of our service to them. It gives our clients real independent assurance that when we handle their confidential information, we do so in an appropriate and secure way. Information security is increasingly a core business requirement and one we support through the delivery of extensive information, physical and technology risk services to our clients. Our own compliance to the standard demonstrates our commitment to this area.

### 2.3.5 Annual practice reviews of a selection of completed engagements

The practice review, which covers each of our audit partners at least once in a three year cycle, is subject to oversight by an independent partner from another member firm within the DTTL network. Engagements are selected across our audit business portfolio, with the files then subject to independent inspection by other members of our professional staff from separate offices or groups. The practice review determines whether we have complied, in all material respects, with the professional standards and the policies contained in the Deloitte Policies Manual and Audit Approach Manual, the applicable professional standards and applicable regulatory and legal requirements.

Our overall risk management procedures are also evaluated. The results of the practice review are communicated to the Managing Partner, Audit and to the Senior Partner and Chief Executive, as well as to the Managing Director, Quality and Regulatory, DTTL. The practice review is an objective and robust exercise with an investment of approximately 1,000 days of time from experienced professional staff and significant senior partner resource and leadership.

### *Statement on the effectiveness of the functioning of the internal quality control system*

In accordance with the Schedule to the Statutory Auditors (Transparency) Instrument 2008, we confirm that we are satisfied our internal quality controls and systems are robust, operating effectively and allow us to readily identify any areas of potential improvement or refinement. We guard against complacency and continually seek to improve all aspects of our business, as we aim to be the standard of excellence.

### 2.4 Independence and managing conflicts of interest

We make a significant investment in systems to enable us to maintain our independence and avoid conflicts of interest in audit assignments. We monitor investments to ensure that we safeguard the independence and objectivity of Deloitte, our people and our engagement teams. Our firm has a dedicated Compliance, Independence and Ethics Partner, as well as a team of professionals to support our people with their compliance obligations. The Compliance, Independence and Ethics Partner works directly with the Senior Partner and Chief Executive, and the Board of Partners, to set the strategy and priorities for ethics and compliance, and has operational responsibility for our compliance, independence and ethics programme.

Our engagement take-on, continuance, compliance, audit appointment and client database systems are all internally developed and comprise robust solutions to address the complexity of regulatory requirements. The tools are designed to be intuitive to use whilst facilitating timely compliance, reporting and monitoring.

## Section 2 – Audit quality

### Confirmation of review of independence practices and monitoring

We confirm that an internal review of our independence practices has been properly conducted in the year. Our internal practice review and other monitoring processes provide us with assurance that these policies are appropriately observed. In addition, the practice review includes an assessment of compliance with DTTL and UK independence policies. The results of these internal reviews are reported to the UK Executive Group and Board of Partners and DTTL's Chief Executive Officer and Board. Significant issues are discussed in regional DTTL meetings of the independence network's leadership and considered as further guidance and learning materials are developed.

### 2.5 Regulatory reviews

In addition to our own focus and internal reviews of audit quality described above, the AIU, now known as the Audit Quality Review team, undertakes independent inspections of the overall quality of the auditing function in the UK in relation to listed and other major public interest entities. The AIU published a report on the finding of its 2011/2012 inspection of Deloitte LLP on 15 June 2012. The full report is available on the FRC's website at the following link:

<http://www.frc.org.uk/getattachment/a66d1400-554a-41a2-b050-a23a42f74717/Public-Report-on-the-2011-12-inspection-of-Deloitte-LLP.aspx>

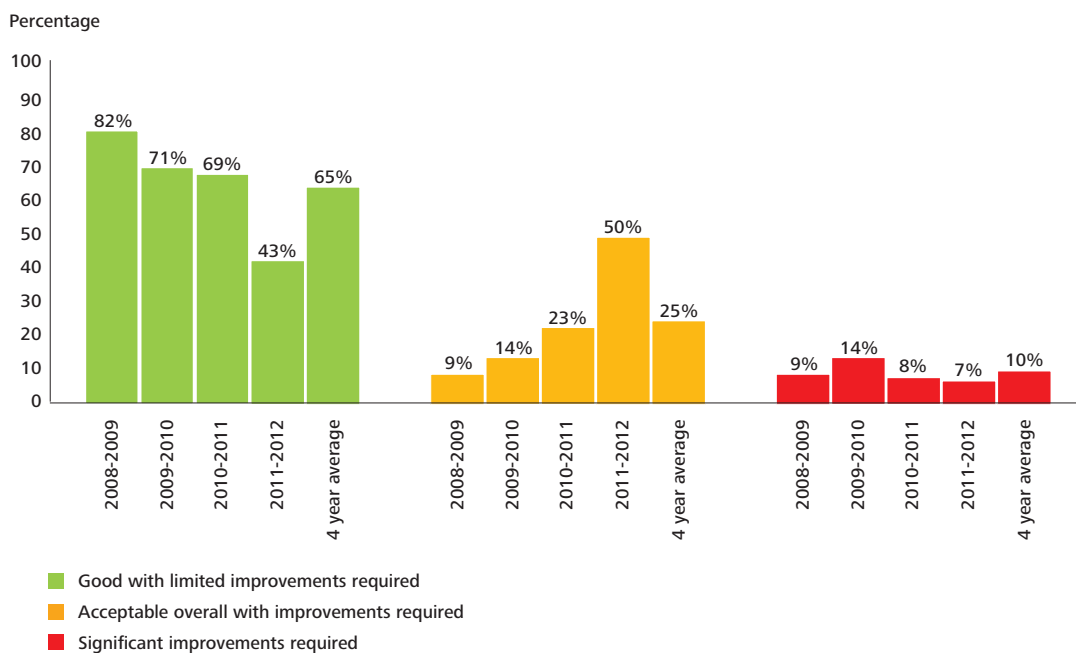
The AIU's report on Deloitte identified the considerable emphasis we place on systems of quality control.

The main areas for improvement recommended in the AIU's 2012 report, which have already been communicated to audit partners and staff and addressed in our materials, where appropriate, were:

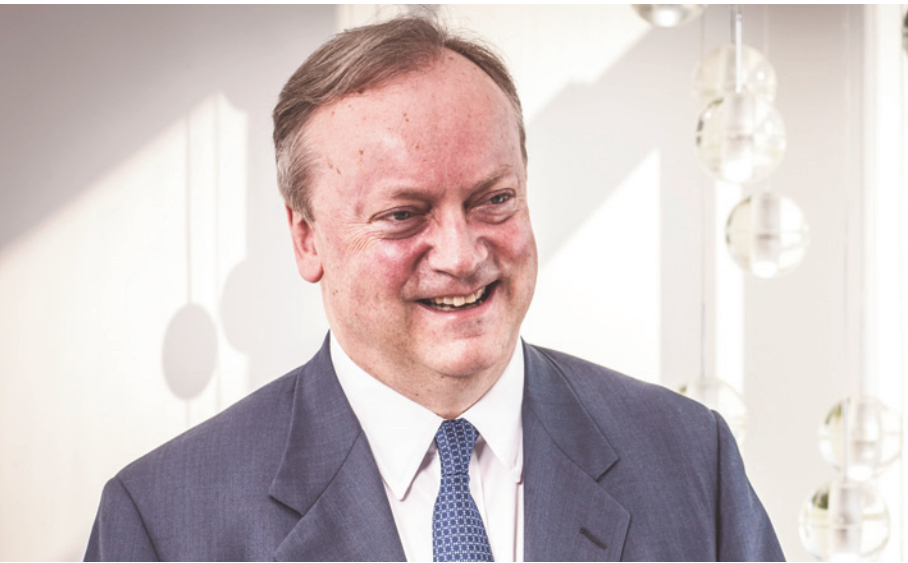
- ensure group audit teams are adequately involved in discussions with component audit teams and that they evidence those discussions, as well as the review of the component auditors' work.
- provide further guidance and training to audit teams regarding the assessment of the impairment of goodwill and other assets, especially in relation to key assumptions and disclosures. Such training should include the relevant financial reporting requirements, to ensure they are properly understood.
- ensure audit teams pay more attention to planning and performing the audit of revenue with appropriate focus on responding to significant risks.
- encourage the use of the firm's methodology for statistical sampling techniques for substantive testing purposes, instead of judgemental sampling.
- ensure audit quality is considered in the performance evaluation of audit staff and that there is a direct impact on partner remuneration resulting from adverse quality review findings.
- ensure that the Practice Review is more focused on monitoring areas where there have been recurring inspection findings on audits.

We consider that the AIU's report provides a balanced view of the results of their inspection, and we are therefore pleased to record our agreement with its overall conclusions and findings. The external inspection process provides further impetus to our quality agenda and we confirm that we have already implemented a number of actions to respond to the AIU findings.

The following chart shows the results of the AIU inspection process for Deloitte over the four years it has been undertaken together with a four year average. The three categories represent good (green), acceptable (amber) and significant improvements required (red):



# Section 3 – Governance and Ethics



David Cruickshank, Chairman of the Board

## 3.1 Governance

We do not take for granted the trust placed in Deloitte by clients, investors, regulators and the wider business community, and sustaining this trust rests with every individual – at every level – within our firm. We recognise that embedding the values of integrity, respect, fairness, objectivity and accountability within our organisation to sustain that trust starts with the tone at the top and the strength and vision of our leaders.

Our leadership is shaped to meet continuing market challenges and to prioritise our continued investment in quality and our people. We have a robust and effective structure for the leadership and management of the firm which includes strong governance structures to provide oversight of activities of the management team.

### 3.1.1 Audit Firm Governance Code

In January 2010, the Institute of Chartered Accountants in England & Wales (ICAEW) published the Audit Firm Governance Code. This Code applies to the eight largest audit firms and sets a benchmark for good governance. We recognise the value in demonstrating our own commitment to good practice and are pleased to record that we are compliant with the Code's requirements.

We consider two particular aspects of the Code to be noteworthy:

- **Independent Non Executives (INEs):** We appointed our first two INEs in July 2011, Gerry Grimstone and Dr DeAnne Julius. In October 2011, we announced the appointment of our third INE, Sir Michael Peat. We have appointed these individuals to our main Board of Partners so that they can have full oversight of all aspects of the firm's activities.

Our INEs and Board members oversee the public interest aspects of our business, and engage in an active dialogue within Deloitte that helps to direct and influence our firm, not only in the interest of greater transparency and our public interest obligations, but also in helping determine the future of our business.

Our INEs comprise the Public Interest Oversight Committee (PIOC), which oversees public interest matters as they affect our firm. The terms of reference for the Public Interest Oversight Committee can be found on our internet site at [http://www.deloitte.com/view/en\\_GB/uk/about/our-leadership-and-governance/index.htm](http://www.deloitte.com/view/en_GB/uk/about/our-leadership-and-governance/index.htm) and it makes its first report in Section 4.

Appointments to the PIOC are made every three years, and meetings are planned to take place approximately four times a year.

In assessing the independence of the firm's INEs, we have:

- considered the INEs' financial interests and business, family and employment relationships entered into and notified to the firm;
- applied the Code's principles and complied with its provisions on INEs;
- considered the independence requirements of the UK and US regulators, as well as those of the International Federation of Accountants (IFAC).

- 
- **Investor dialogue:** We welcome the Code's requirements for audit firms to engage with the investor community. We consider open discussion and dialogue between auditors, investors and audit committees to be an important aspect of ensuring that the auditing profession understands the needs of its key stakeholders.

During the year, we have held discussions with a number of key investors and other market participants and commentators. We have found the emerging dialogue both informative and constructive, and have concentrated our efforts in recent months to conduct the dialogue in the context of our governance structures. I have played a central role in these discussions as have our INEs.

As noted in the introduction, we plan to hold our first Stakeholder Forum in October 2012, led by members of Deloitte's Board of Partners and Executive Group, and with our Independent Non Executives in attendance. We aim to cover:

- our annual review of the year ended 31 May 2012
- our governance structure
- the regulatory environment
- audit quality
- this Transparency Report.

We will also be taking time to understand what is important to our stakeholders and how we can respond more effectively to those needs, particularly in our annual and other reporting. We are committed to being transparent about these aspects of our organisation, and our senior leadership team and the INEs will take questions during the course of the presentation.

### 3.1.2 Governance structure

The principal activities of Deloitte are the provision of audit, tax, consulting and corporate finance services in the United Kingdom and the Channel Islands and, through its subsidiaries, in Switzerland. In addition, corporate finance services are provided in the Middle East by a joint venture with the local DTTL member firm.

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

## Section 3 – Governance and Ethics

Biographical details of members of the firm’s governance structures and management team are given in Appendix 3, along with meeting attendance details for the year in Appendix 4.

The UK presence on the Board of DTTL is explained in Appendix 5 – Legal structure and network.

The role, responsibilities and membership of the key elements of our governance structure are set out below:

	Role and responsibilities	Membership
<b>The Board of Partners</b>	<p>Responsible for the promotion and protection of partner interests and for the oversight of management</p> <p>Determines Deloitte’s long-term strategies and has specific oversight of risk and quality</p> <p>Meets monthly except for August</p>	<p>The Chairman</p> <p>The Senior Partner and Chief Executive</p> <p>The INEs</p> <p>A further ten elected partners (who must not be members of the Executive Group)</p> <p>Three Executive Group partners proposed by the Senior Partner and Chief Executive and affirmed by the partners</p>
<b>Board Sub-Committees</b>	<p>Have oversight of management</p> <p>Covers audit, compensation, remuneration, nomination and public interest oversight</p> <p>Ensures that Deloitte adheres to applicable corporate governance, quality and risk management requirements, and discloses these matters in full</p> <p>A detailed explanation of the role of each Committee is given in Appendix 3</p>	<p>Elected members of the Board of Partners who are independent from the Executive Group</p> <p>The INEs</p> <p>Other members of the partner group</p>
<b>The Executive Group</b>	<p>Assists the Senior Partner and Chief Executive in managing the firm</p> <p>Implements the policies and strategies of the firm as determined by the Board of Partners</p> <p>Has responsibility for the firm’s operating functions and for planning of the firm’s future development</p> <p>Has authority to manage the day to day operations of the firm</p>	<p>Partners appointed by the Senior Partner and Chief Executive</p> <p>Each partner on the Executive Group has specific responsibilities with an emphasis on the group working as a team to lead the firm</p> <p>Every member of the Executive Group is also actively engaged with our clients</p>
<b>The Audit Executive</b>	<p>Delivery of Deloitte’s business objectives within the UK audit service line</p>	<p>Appointed by the Managing Partner, Audit with oversight from the Executive Group</p>

### The role of the Senior Partner and Chief Executive

The Senior Partner and Chief Executive, David Sproul, has full executive authority for the management of Deloitte. The Senior Partner and Chief Executive is nominated by the Board of Partners and elected by the partners for a four year term of office.

The responsibilities of the Senior Partner and Chief Executive fall under five principal headings:

- the business of Deloitte, including the development and management of professional services at the highest level of quality and compliance with all regulations;
- the development and implementation of policies and strategic direction;
- financial performance;
- partners, including the development and management of our talent goals;
- international, representing the UK firm in its association with DTTL.

The Senior Partner and Chief Executive communicates regularly with the partner group and with all of our people, in person and by a series of webcasts, voicemails and email alerts.

### 3.2 Ethics

The relentless pursuit of the highest quality and integrity in our professional work remains one of the cornerstones of our firm's continuing success, allowing us to deliver excellence to our stakeholders. We see 'doing the right thing' as being a principle that is fundamental, not just to the public interest, but also to the reputation of our firm, partners and people.

We have well-established systems and procedures to help safeguard the objectivity of our people and the firm, to avoid conflicts of interest and to comply with ethical and other applicable standards. We continue to balance carefully the straightforward approach outlined in our ethical framework, the Deloitte Code, and the increasing levels of regulation and professional requirements in this area.

We take these requirements seriously and are confident that they are demonstrated through the tone set by the leaders of our firm and the behaviour and actions of our people.

Our online anti-money laundering, anti-bribery, information security and independence awareness learning programmes are undertaken by all employees of the firm. A more focused personal independence online learning programme is completed by all of our client-facing people of manager grade and above. Ethics learning is also embedded into various classroom-based learning programmes across the firm, including at the induction stage. In addition, our helplines allow our people to request information, ask questions or report issues confidentially to senior members of National Quality and Risk Management (National QRM).



# Section 4 – Report from the Public Interest Oversight Committee



Sir Michael Peat, Chairman of the Public Interest Oversight Committee

DeAnne Julius, Gerry Grimstone and I were appointed as Independent Non Executives (INEs) in 2011. This followed the publication, in 2010, of the Audit Firm Governance Code by the ICAEW. The Code requires the INEs to be the majority on a body that oversees the firm's public interest matters. Deloitte has called this body its "Public Interest Oversight Committee" (PIOC), and has constituted the PIOC as a sub-committee of the Deloitte UK main Board of Partners. I am delighted to present this, the PIOC's first annual report. It gives (a) our view of the effectiveness of Deloitte's public interest focus, stakeholder dialogue and management of reputational risk; (b) an outline of how we fulfil our responsibilities; and (c) a summary of the Committee's activities during the last and coming 12 month periods.

## 4.1 Our view of Deloitte

We have very much enjoyed our involvement as INEs and have been impressed by Deloitte's governance structure and culture. The division of responsibilities between the Deloitte UK Board of Partners, led by the UK Chairman, and its Executive Committee, led by the UK Chief Executive and Senior Partner, works well. There are monthly, well attended, Board meetings, which usually take up the whole of the working day. There is strong emphasis at Board meetings on the importance of serving the public interest and looking to the long term, on risk management and on stakeholder dialogue. The firm's risk management structure has been strengthened during the past year and there has been increasing stakeholder dialogue. In other words, and while there is never room for complacency and relaxation, we are encouraged after our first, nearly, 12 months in post. We believe that we have been provided with all the information and had access to all the partners and staff needed to fulfil our responsibilities, and have not identified any matters of major concern.

## 4.2 The role of the PIOC and the INEs

The PIOC's terms of reference can be found at [http://www.deloitte.com/view/en\\_GB/uk/about/our-leadership-and-governance/index.htm](http://www.deloitte.com/view/en_GB/uk/about/our-leadership-and-governance/index.htm)

As noted above, the Code provides that the INEs should be the majority on the body that oversees the firm's public interest matters; however, to ensure a rigorously independent outlook, the three INEs are the PIOC's only members. The Chairman of the UK Board, the Managing Partner, Public Policy, the Chairman of the Audit Committee and others attend PIOC meetings to provide briefings and explanations. The PIOC works in conjunction with other governance sub-committees, such as the Audit Committee.

The Committee's principal objective is to assist Deloitte in being a highly visible example of good practice governance. This is so that Deloitte can continue to fulfil its important roles of providing, through audits and related work, confidence and integrity in commercial, financial and capital markets, and, more generally, of contributing to the development and success of the UK economy.

As noted in the introduction to the Audit Firm Governance Code, it may be particularly beneficial for the large accounting firms to have INEs. This is, put simply, because the firms are owner-managed partnerships. A consequence may be that partners focus on enhancing profitability in the short term, i.e. while they remain owners; although we have not seen any evidence of this at Deloitte. Secondly, because the firms are self-owned partnerships they have not been required to report on their activities to external shareholders and to the public generally. While all the main firms now publish annual reports, how they are run and the functions they fulfil are, perhaps, still not always fully understood.

It is the responsibility of the INEs to bring an independent view, challenge and appropriate scepticism, so that risks and broader and longer term issues continue to be identified and given due weight, even at times of stress. In addition, an important part of the INEs' role is to help ensure that there is clear communication and full transparency, so that the role and contribution of Deloitte are clearly understood. This is (a) to give shareholders of the companies it audits and other stakeholders confidence in the firm's work and systems; and (b) to encourage and facilitate excellent stakeholder dialogue and feedback as a basis for continuing development and improvement, for the benefit of the firm, its clients and the UK generally.

It has been helpful in fulfilling our responsibilities that Deloitte decided not just to ask us to be members of the PIOC, as suggested in the Code, but also to sit on the main Board of Partners. This has enabled us to be kept up-to-date on a continuing basis, in the same way as other Board members, and to have first-hand experience of how the firm is run, of the "tone from the top" and of the main opportunities and challenges which the firm faces. Board meetings include regular updates about and from other DTTL member firms. This helps give us an understanding of the broader international context.

#### 4.3 Summary of 2011/12 activity

During our first year we have concentrated on building our understanding of Deloitte's operations and have received presentations and updates on:

- Deloitte's code of ethics;
- the strategy for maintaining and improving audit quality;
- audit inspection processes and results;
- the process for assessing the performance of the Chairman of the Board and the Senior Partner and Chief Executive;
- the firm's remuneration strategy for both partners and staff;
- whistle-blowing activity;
- public interest matters reviewed by the Audit Committee.

We believe that assisting the firm in understanding investors' views and requirements is particularly important, and, as part of this, we joined a leadership team delegation when they met a group of investors in Scotland this May. We hope that there will be other similar meetings during the current financial year.

We are very aware that the quality and relevance of audits and audit reports are key factors that underpin the reputation of the firm and confidence in financial markets. In this context, we met representatives of the FRC on two occasions and also had a private meeting with representatives of the FRC's AIU, now known as the Audit Quality Review team, to discuss their review of Deloitte's auditing procedures and performance. There will, again, be similar meetings during the current financial year.

## Section 4 – Report from the Public Interest Oversight Committee

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As noted above, Deloitte is not only a successful business but also makes a significant contribution to the UK from both an economic and social perspective (e.g. through its employment and training practices and support for the Olympic and Paralympic Games). We believe that the contribution that the firm makes should be explained more clearly and are pleased that Deloitte will publish, for the first time (in October), 'Deloitte Impact 2012'. I very much hope that you will have a chance to read it.

### 4.4 Key areas of focus going forward

As scrutiny of the audit and accountancy profession continues in the wake of the global financial crisis, it will be important for us, as INEs, to maintain our constructive challenge to the Executive team on all public interest matters. During the next few months, the Committee will focus in particular on:

- Deloitte's engagement with investors
- enterprise risk management processes
- audit quality
- the roles of and linkage between governance committees.

We intend to review the firm's ethics strategy annually and to consider staff survey results and corporate responsibility updates as they become available. We will also continue to monitor regulatory and policy consultations on an ongoing basis, and to work with Deloitte's leadership team to embed in the firm's DNA the highest standards of professional ethics, rigorous management of financial and reputational risks and the delivery of high quality, robust audits.

### 4.5 Conclusion

As I have said, an important part of the Committee's role is to encourage candid feedback from the firm's stakeholders. My two colleagues and I should be delighted to receive any comments about Deloitte and our roles and responsibilities, and to meet to discuss the firm or matters relating to auditing and good governance more generally. Good communication is a vital prerequisite for continuing development and improvement, and DeAnne, Gerry and I are keen to play our part. Any assistance that you can give us in doing so will be hugely appreciated.

# Section 5 – Report from the Audit Committee

Each year the Board of Partners appoints an Audit Committee, which operates in accordance with such written terms of reference as the Board of Partners may determine. The Audit Committee is made up of at least three partners (excluding any partners who are members of the Executive Group and holders of such senior management appointments as the Board of Partners may determine). The Board of Partners appoints one of the members of the Audit Committee as the Chairman of the Committee.

Appointments to the Audit Committee are made every year and a partner appointed serves for the entire year and, subject to not falling within the exclusion referred to above, may be reappointed for any subsequent year. During the year, I was appointed to succeed David Barnes as Chairman of the Committee, as David had ceased to be eligible following his appointment to the Executive Group. On behalf of the Audit Committee, I would like to express our thanks to David for his excellent work during his time as Chairman.

The Audit Committee plays a key role in our risk management and quality process, taking responsibility for monitoring the reporting, accounting, financial and control aspects of the Executive Group's activities.

Our activities and areas of focus during the year are discussed below.

## 5.1 External reporting

We reviewed, discussed and approved the external auditors' audit strategy and plan at the start of the external reporting process in December 2011. This set out the nature and scope of work which would be undertaken and an initial indication of the key audit risks.

At the April 2012 meeting, Grant Thornton UK LLP presented the interim findings and the impact on the audit approach.

At the July 2012 meeting, at the conclusion of the audit of the FY12 financial statements, we reviewed the findings of the audit with Grant Thornton UK LLP.



Chris Powell, Chairman of the Audit Committee

The following key audit risks were reported to and discussed with the Audit Committee:

- revenue recognition – including engagements, the recoverability of client receivables and judgements related to the recognition of income in respect of engagements with specific characteristics, e.g. those with contingent fee arrangements;
- recoverability of client receivables – including allowances and adjustments made against unbilled receivables and debtor balances;
- accounting treatment of transactions – including the potential impairment of any related goodwill in respect of acquisitions undertaken in previous years and the investment during the year in Deloitte CIS Holdings Limited; and
- provisions – including the underlying assumptions in respect of provisions for pensions and annuities, surplus property provisions (which were prepared by Drivers Jonas Deloitte and independently reviewed by external specialists) and professional liability claims provisions.

## Section 5 – Report from the Audit Committee

### 5.2 Narrative and other reporting

We provided independent oversight of management's development of all our external reporting, including the implementation of disclosures required under the Audit Firm Governance Code as set out below.

During the year we reviewed this Transparency Report and the annual financial statements and, in particular, disclosures in relation to:

- the work of the Audit Committee
- the adoption of the going concern basis of preparation
- internal control and risk management
- our principal risks and uncertainties
- our 'responsible business' reporting.

### 5.3 External auditors

Grant Thornton UK LLP was appointed as our auditor in 2003, following a competitive tender process, when Deloitte registered as a Limited Liability Partnership and became subject to audit requirements. Following completion of the 2011 audit a client satisfaction review was undertaken, with a senior partner of Grant Thornton UK LLP who was not involved in the audit process, through a meeting with senior members of our finance function. As in previous years, there were no matters arising from the review of the 2011 audit and the Audit Committee concluded that it was satisfied with the performance of Grant Thornton UK LLP and proposed to the Board of Partners that they be re-appointed. The review of the 2012 audit will take place prior to the October 2012 Audit Committee meeting.

Later this year the Audit Committee and the Public Interest Oversight Committee (which is made up of our Independent Non Executives) will consider our policy for tendering the audit. At the present time, the Board of Partners has taken the decision that, in order to avoid potential issues of commercial sensitivity, it would not appoint another Big Four firm as external auditor.

The provision of non-audit services is monitored carefully by the Audit Committee. In the current year the only non-audit services provided by Grant Thornton UK LLP were in relation to the provision of assurance on the carbon reporting presented in the Deloitte Impact 2012 report. The fee for this work was £24,000.

We were consulted about this appointment and were satisfied that Grant Thornton's independence would not be impaired as a result of undertaking the assignment.

### 5.4 The Assurance Group

Deloitte's Assurance Group is a key element of our continuous review of the effectiveness of our systems of internal control. The Group is responsible for maintaining the firm's Assurance Framework and Assurance Plan, for co-ordinating the assurance provided by the various assurance providers, for reviewing the effectiveness of the other assurance processes, and for providing additional independent assurance where required. The Group also carries out independent Assurance projects on the effectiveness of the firm's enterprise risk management and internal control processes, based on an annual plan agreed with the Managing Partner Quality and Risk and approved by the Audit Committee.

Projects are determined on a risk-based approach. The objective is to provide assurance over the design and operation of key mitigating and monitoring activities associated with the management of risk in the areas in scope. The Director of Assurance's authority and responsibilities are set out in an Assurance Group Charter approved by the Audit Committee. The Director reports to the Managing Partner, Quality and Risk and has unrestricted access to the Senior Partner and Chief Executive, members of the Audit Committee and the Chairman of the Board in addition to reporting formally to the Audit Committee. The Charter gives the Assurance Group unrestricted rights of access to all records, personnel and assets that are required to discharge its responsibilities. The Group also works closely with our external auditors and other assurance providers. It is staffed by a dedicated in-house team, making use of subject matter experts from within the firm where appropriate.

We considered the adequacy of the Assurance Group's resources, its authority, access to information and its standing within the firm. We also reviewed and approved the Assurance Group plan, considered the results of the Group's work and how management has addressed issues raised and the co-ordination between the Assurance Group and external auditors. We also considered the effectiveness of the Assurance Group. The Committee concluded that the Assurance Group is generally effective. The actions agreed in the previous year to improve its effectiveness have been implemented subject to completion of the Assurance Framework in the 2013 financial year.

#### 5.5 Risk management and internal control

We conducted a review of the effectiveness of the firm's system of internal control using the FRC's Internal Control Revised Guidance for Directors on the Combined Code (the Turnbull Guidance) as the framework for the review.

This review involved discussion by the Committee including appropriate enquires of the Executive Group, discussion at the Board of Partners, with the newly appointed Head of Deloitte Business Security on the consolidation of those involved with the firm's security and business continuity into a new team, and on security matters including the development of the firm's security strategy and reviews of:

- a report from the firm's Executive Group setting out the Executive's assessment of the firm's enterprise risks including, for each, a rating of residual risk exposure and the status of further actions, if any.
- signoffs from the service line Managing Partners confirming:
  - the review of risk in their portfolio of engagements;
  - the appropriate design of systems to support engagement acceptance;
  - update and approval of the service offering risk analysis;
  - the acceptability of the portfolio of engagement risk and actions taken to protect the Deloitte brand;
- the effectiveness of the systems of internal financial control and compliance with the Financial Controls Memorandum;
- the service line accounts are in accordance with the firm's accounting policies and fairly reflect the operations and balance sheet;
- they are not aware of any material post-balance sheet events which have not been accounted for;
- compliance with client money regulations.
- reports from the Director of Assurance summarising the results of projects carried out in the year.
- a report from the Partner responsible for the firm's Transparency Report including an opinion on the extent of compliance with the Code's risk management principles and provisions.
- a report from the Head of National Quality and Risk Management summarising any whistle-blowing matters which he considered should be brought to the Committee's attention or that there were no such matters.
- a report from the external auditors, Grant Thornton UK LLP, including a summary of misstatements, if any, identified by the audit and commentary on the design effectiveness of internal controls and adherence to risk management procedures.

## Section 5 – Report from the Audit Committee

No significant weaknesses were identified during this process. The Committee is therefore of the view that:

- there is an ongoing process for identifying, evaluating and managing the firm's significant risks;
- the process had been in place for the year ended 31 May 2012 and up to the date of approval of the FY12 annual financial statements and this Transparency Report;
- the process is regularly reviewed by the Committee and accords with the Turnbull Guidance;
- the results of the review were reported to and considered by the Board of Partners.

### 5.6 Whistle-blowing and fraud

We considered reports from National Quality and Risk Management on fraud related matters and on arrangements in place for staff to raise concerns about possible improprieties or unethical behaviour. We considered whether instances reported constituted fraud, breaches of firm policy and regulatory or legal requirements, including any potential breaches of The Bribery Act 2010. We also reviewed details of the investigation and follow-up of any issues raised.

### 5.7 The Audit Firm Governance Code

We were involved at every stage of the implementation of the Audit Firm Governance Code and the development of our disclosure action plan arising from the Code. All relevant disclosures for the annual financial statements, this Transparency Report and on our website have been approved by the Audit Committee.

Our activities and findings are reported upon to the Board of Partners. The Audit Committee meets at least three times a year. We met five times during the year ended 31 May 2012. The members of the Audit Committee are given in Appendix 3 of this report.

Further details on the terms of reference and work of the Audit Committee can be found on our website at [http://www.deloitte.com/view/en\\_GB/uk/about/our-leadership-and-governance/index.htm](http://www.deloitte.com/view/en_GB/uk/about/our-leadership-and-governance/index.htm)



# Appendix 1 – Financial information

The Statutory Auditors (Transparency) Instrument 2008 requires transparency reporting auditors to provide financial information for the firm’s financial year, including “showing the importance of the auditor’s statutory audit work”.

We have extracted the following financial information from Deloitte’s annual accounts and financial records for the year ended 31 May.

## Year ended 31 May 2012

1. From financial information extracted from Deloitte’s financial records showing the relative importance of audit work and the levels of non-audit services provided to audit and non-audit clients:

Revenue	Amount £m	Percentage %
Audit and directly related services	542	23
Non-audit work – audit clients	177	8
Non-audit work – non-audit clients	1,610	69
<b>Total</b>	<b>2,329</b>	<b>100</b>

2. From financial information extracted from Deloitte’s financial records showing the operating profit for the reportable segment under the Voluntary Code of Practice on Disclosure of Audit Profitability:

Operating Profit	Amount £m
Audit and directly related services	106

Operating profit for statutory audit and directly related services is calculated based on direct costs, including staff costs, recorded on audit engagements, together with an allocation of overheads such as property and IT. Overhead costs have been allocated, on a pro-rata basis, based on headcount or revenues.

## Year ended 31 May 2011

1. From financial information extracted from Deloitte’s financial records showing the relative importance of audit work and the levels of non-audit services provided to audit and non-audit clients:

Revenue	Amount £m	Percentage %
Audit and directly related services	510	24
Non-audit work – audit clients	185	9
Non-audit work – non-audit clients	1,403	67
<b>Total</b>	<b>2,098</b>	<b>100</b>

2. From financial information extracted from Deloitte’s financial records showing the operating profit for the reportable segment under the Voluntary Code of Practice on Disclosure of Audit Profitability:

Operating Profit	Amount £m
Audit and directly related services	117

Operating profit for statutory audit and directly related services is calculated based on direct costs, including staff costs, recorded on audit engagements, together with an allocation of overheads such as property and IT. Overhead costs have been allocated, on a pro-rata basis, based on headcount or revenues.

# Appendix 2 – Public interest entities

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A list of our public interest entity audits in respect of which an audit report was signed by Deloitte LLP in the year ended 31 May 2012 is provided on our website at the following link: <http://annualreport.deloitte.co.uk/audit-transparency-2012/at-pie-list-2012.pdf>

Under the provisions of the Statutory Auditors (Transparency) Instrument 2008, made by the Professional Oversight Board of the Financial Reporting Council, “public interest entity” means an issuer whose transferable securities are admitted to trading on a regulated market and the audit of which is a statutory audit within the meaning of section 1210 of the Companies Act 2006.

# Appendix 3 – Executive Group and Board and Committee Members, as at 31 August 2012

## Executive Group



**David Sproul**, Senior Partner and Chief Executive

David Sproul is Senior Partner and Chief Executive of Deloitte in the UK. He is also a member of the DTTL Executive and Board. Until his election, he was Managing Director for Tax in EMEA and the UK.

He was previously Managing Partner for Operations at Andersen and has held various roles in Deloitte including leading Deloitte's Consulting and Advisory business from 2002 to 2004, and being responsible for developing our Talent agenda from 2004 to 2006.



**Steve Almond**, International Markets

Steve Almond was appointed Managing Partner, International Markets, Deloitte UK on 1 June 2011. He is also the Chairman of DTTL.

Previous roles include Deputy Global Chief Executive Officer, Clients and Global Managing Partner, Audit. During the past eight years Steve was also a member of the Global Management Committee and then the DTTL Executive. He was a member of the UK Board of Partners for 13 years.



**David Barnes**, Public Policy

David Barnes was appointed Managing Partner for Public Policy on 1 June 2012.

He was previously the Head of London Audit Financial Services in the UK, a role which he held for six years, and Chairman of the Deloitte Audit Committee.

He continues to work with a wide range of major financial service companies in either an audit or advisory capacity.



**Sharon Fraser**, Regional Markets

Sharon Fraser is Managing Partner, Regional Markets, having responsibility for Deloitte's services in our practice offices outside London. Prior to this she led our regional audit practice for three years and spent the past four years on the Board of DTTL.

She has over 24 years' experience auditing and advising clients across a broad range of sectors, ranging from media and newspaper publishing, manufacturing, engineering, contracting, retail and consumer related businesses to technology companies. Her main specialism is retail and consumer business and she led our consumer business practice in the north west for over 10 years.



**Stephen Griggs**, Finance

Stephen Griggs was appointed Managing Partner, Finance on 1 June 2011.

Prior to his appointment Stephen led the Technology, Media and Telecommunications division of the London Audit Practice. He was a member of the firm's Audit Leadership team and Audit Talent Partner between 2006 and 2011.



**Heather Hancock**, Talent and Brand

Heather Hancock is the Managing Partner, Talent and Brand for Deloitte UK, and a Partner in the firm's Strategy Consulting business. She is the firm's Lead Client Service Partner for the London 2012 Olympic and Paralympic Games, and leads Deloitte's Olympic services globally. Heather is a Trustee of The Prince's Trust, and chairs its Audit Committee. Heather is also the DTTL Global Leader, Brand.

## Appendix 3 – Executive Group and Board Members



**Andy Hodge, Tax**

Andy Hodge is the Managing Partner of our UK Tax practice and a member of the Deloitte Global Tax Executive.

Andy became a partner in Andersen in 1997 and joined Deloitte in 2002. He has held various leadership roles in the past several years. Most recently, he was in charge of the Global Employer Services practice both in the UK and EMEA, and the UK leader of our Employer and Personal Tax practice.



**Panos Kakoullis, Audit**

Panos Kakoullis joined Touche Ross in 1989 and was admitted as a partner in 1999.

He is the Managing Partner of Audit. He has over 22 years' experience combining audit work with due diligence, London Stock Exchange and Securities and Exchange Commission reporting on a wide range of significant multinational clients.



**Timothy Mahapatra, Corporate Finance**

Timothy Mahapatra is Managing Partner of the firm's Corporate Finance business, as well as being responsible for Deloitte's Corporate Finance business in the EMEA region. Directly, Timothy has overall responsibility for the firm's UK Transaction Services business and has extensive experience of providing transaction services support to both Private Equity houses and corporates.

Timothy joined Deloitte in 2002 having previously been a partner in Andersen since 1996.



**Vince Niblett, Senior Markets Group**

Vince Niblett joined Deloitte in 1980 and became a partner in 1989. Most recently, he was Managing Director of Audit, UK.

Within the Growth and Market sector of the new Executive Group structure he is Managing Partner, Senior Markets Group which is a team made up of the Practice Senior Partners, Vice Chairmen, Industry and Segment Leaders. It provides direct marketplace input to the Executive Group, and has the key task of supporting the Executive Group to increase the number and quality of trusted client relationships.



**Richard Punt, Growth and Markets**

Richard Punt is Managing Partner, Growth and Markets. He leads the strategy practice's Impact Programme and is one of the firm's most experienced strategy consulting practitioners, with a strong track record in advising clients on strategy development, execution and organisation.



**Paul Robinson, Consulting**

Paul Robinson has over 25 years' experience in the Consulting industry. He joined Deloitte in 1994 initially working in Canada and the US. He has been a Partner for 14 years during which time he has held a number of roles, namely Managing Director (UK Technology), Global CRM leader and Manufacturing and Life Sciences Industry Leader for EMEA.

In the last 7 years he has been the Global Technology Leader for Consulting and has served on the Global Executive. Paul was appointed Managing Partner for UK Consulting in June 2011.



**Nick Sandall, Financial Services**

Nick is the managing partner leading the UK FSI practice. Nick has 25 years experience working in consultancy and advisory covering various projects. He has been an FSI Partner for thirteen years, and has led the retail banking practice and the financial services consulting service line within Deloitte UK. He has led a wide range of consulting assignments across finance, operations and talent. He is a frequent commentator on retail banking and a strategic thinker in the branch banking area.



**Steve Ward, Quality and Risk**

Steve Ward is Managing Partner Quality and Risk for the UK firm and Chair of the UK firm's Partnership Committee. The Partnership Committee is a group of senior partners, representing a cross-section of the firm, who assess Equity Partner candidates (internal and external) and make recommendations to the Board of Partners as regards their admission. Its responsibility also extends to the internal promotion and external recruitment of Non Equity Partners.

Steve has 25 years' tax experience with Deloitte handling the affairs of a wide variety of publicly held UK and International groups.

## Board of Partners



**David Cruickshank, Chairman**

David Cruickshank was elected as Chairman of Deloitte in the UK on 1 June 2007 and was re-elected for a second four year term commencing 1 June 2011. He has been a DTTL Board member since 1 June 2007.

David chairs the following sub committees of the Board – the Nomination Committee and the Compensation Committee.

David provides advice to a number of large companies and other organisations and is advisory partner on a wide range of the firm's major clients.

Prior to being elected Chairman, David led the firm's Tax practice for eight years and has been a partner since 1988. Outside the firm, among other things, David co-chairs the Education and Employers Taskforce; is a Council Member of Heart of the City; is a member of the Appeal Committee of the British Heart Foundation's Mending Broken Hearts Appeal; leads the Business Support Group for Community Links and is a founder chairman of The 30% Club.

**David Sproul, Senior Partner and Chief Executive \***



**Zahir Bokhari**

Zahir Bokhari is the partner in charge of Deloitte's Banking and Capital Markets Audit Group, Head of the UK Banking sector, and responsible for Growth and Markets for the Audit Service Line. He is a member of both the Audit and the FSI Executive. Zahir has been providing audit, assurance and advisory services to the banking industry for more than 20 years.



**John Cullinane**

John Cullinane joined Deloitte in 2002 following the Andersen transaction. He is currently an elected member of the Board of Partners and the UK firm's Tax Quality and Risk partner. During his career John has specialised in financial, international and corporate tax and in advising public authorities and others on developing taxation systems and on tax issues concerning building successful financial centres.

He was President of The Chartered Institute of Taxation from 2006-2007.

\* refer above for biography information

## Appendix 3 – Executive Group and Board Members

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**Nick Edwards**

Nick Edwards is the national head of the Private Markets business within Restructuring Services and is a Licensed Insolvency Practitioner.

He became an elected Board member on 1 June 2011. He was the London Corporate Finance Talent Partner between 2004 and 2006.



**John Fotheringham**

John Fotheringham is a Partner in Consulting and is an elected member of the Board of Partners. He is a member of the Consulting Leadership responsible for new business models.



**Chris Loughran**

Chris Loughran is a Consulting partner and Practice Senior Partner for Deloitte in the Midlands. He was elected to the Board of Partners in December 2010.

From 2003 to 2010 he was a member of the Consulting Executive and led the development and growth of the firm's Technology Consulting practice. He specialises in leading and advising on large technology-enabled change programmes and has done so in both the public and private sectors.



**Anna Marks**

Anna Marks is an Audit Partner who, having spent most of her career in London, spent the last few years based in the Birmingham office, before transferring back to the South region in 2010.

Anna is an elected member of the UK Board of Partners and a member of the region's Audit Executive team with responsibility for Talent, Quality and Brand.



**Ellie Patsalos**

Ellie Patsalos has been with the firm for over 25 years. She is the DTTL Global Managing Partner, Financial Services Industry Tax, a partner of the DTTL Global Employer Services Tax group, Vice Chairman of Deloitte UK and an elected member of the UK Board of Partners. She is also a member of the Global Tax and Legal Executive and member of the Global FS Executive Committee.

Ellie is a member of Deloitte's Women's Leadership Team appointed by the Senior Partner and Chief Executive to support him and the firm in this area.



**Chris Powell**

Chris Powell is an experienced Audit partner, based in Leeds, who works with a range of large public and private companies and other organisations. He is the Partner in Charge of the Deloitte Audit business in the North of England covering our Leeds, Manchester, Newcastle and Liverpool offices.

Chris is a member of the UK Audit Executive, with responsibility for Talent and Brand. He is also a member of the UK Talent Executive, an elected member of the UK firm's Board of Partners, and Chairman of the Audit Committee.



**Ian Steele**

Ian Steele is a Corporate Finance Advisory Partner based in Glasgow. He is also Senior Partner for Scotland and Northern Ireland, with responsibility for Deloitte’s business across the Region – Edinburgh, Aberdeen, Glasgow and Belfast.

Ian is an elected member of the UK Board of Partners and has been on the Board of Partners for over six years. He has chaired the Remuneration Committee for the last three years. He is Head of Global Advisory and Head of Advisory for EMEA.

Ian also sits on the Board of Ingeus – a joint venture between Ingeus Europe and Deloitte – as a Non-Executive Director.



**Denis Woulfe**

Denis Woulfe is the Practice Senior Partner for the South West and Wales region, Chair of our UK Compliance and Reporting Services business and is an elected member of the UK Board of Partners. He has considerable experience in advising a broad range of clients on tax and commercial issues.

Denis specialises in listed and large private companies and leads many such relationships for Deloitte either as Lead Client Service Partner or lead Tax Partner.

**David Barnes \***

**Stephen Griggs \***

**Vince Niblett \***

**Independent Non Executives**



**Sir Michael Peat, Independent Non Executive**

Sir Michael Peat was appointed to the UK Board of Partners in October 2011. He joined Peat Marwick Mitchell in 1972, becoming a partner in 1985. In 1986 he led a management review of the Royal Household. From 1987 to 1990 he was the auditor of the Privy Purse and administrative adviser to the Royal Household. In 1990 he was appointed Director of Finance and Property Services of the Royal Household, while remaining a partner at KPMG.

Sir Michael retired from KPMG in 1993 and in 1996 was appointed Keeper of the Privy Purse and Treasurer to the Queen. In 2002, he became Private Secretary to The Prince of Wales, with responsibility for the household, finances and charities.



**Gerry Grimstone, Independent Non Executive**

Gerry Grimstone was appointed to the UK Board of Partners in July 2011. He has had a long and distinguished career in government and financial services, and is currently Chairman of Standard Life. Gerry has held senior positions within the Department of Health and Social Security, HM Treasury and Schroders.



**Dr. DeAnne Julius, Independent Non Executive**

Dr. DeAnne Julius was appointed to the UK Board of Partners in July 2011. She is a distinguished economist, who was a founder member of the Monetary Policy Committee and former Chairman of Chatham House.

She has been a Non Executive Director of several major international companies and currently serves on the boards of Roche in Switzerland and Jones Lang LaSalle in the US.

\* refer above for biography information



## Appendix 3 – Executive Group and Board Members

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### Board Sub Committees

#### Audit Committee

The Audit Committee plays a key role in our risk management and quality process, taking responsibility for monitoring the reporting, accounting, financial and control aspects of the Executive Group's activities. Section 5 explains the work of the Audit Committee in further detail.

**Chris Powell**, Chairman \*

**John Fotheringham** \*

**Chris Loughran** \*

**Chris Powell** \*

**Denis Woulfe** \*

#### Compensation Committee

Each year the Board of Partners appoints a Compensation Committee to make observations to it with regard to the proposed assignment of equity groups and the allocation of profit sharing units to Partners who are members of the Board of Partners. The Committee operates in accordance with policy objectives and guidelines laid down by the Board of Partners and is made up of the Chairman of the Board who chairs the Committee, two Partners who are non executive members of, and elected by, the Board of Partners and two Partners (not being members of the Board of Partners at the time of their election) elected by the Partners.

The Compensation Committee serves for the duration of a calendar year. Elections and appointments to the Compensation Committee are held or made every year and a Partner elected or appointed to the Compensation Committee serves for the entire year. The Compensation Committee meets at least once a year.

**David Cruickshank**, Chairman \*

**Patrick Loftus**

Patrick Loftus is the Practice Senior Partner for our North West practice and advises many of our large plc and privately owned clients. Prior to becoming Practice Senior Partner, Patrick was the head of Audit for the North.

As well as his experience in Audit, Patrick has spent extensive periods in the firm's Computer Audit and Corporate Tax departments as well as over ten years leading the Corporate Finance team in the North.

**Ken McFarlane**

Ken McFarlane is a Partner and Vice Chairman of Deloitte in the UK. He is also a member of the Compensation and Nominations Committees of the Board of Partners. He has spent his entire professional career with the firm, being admitted to the partnership in 1990.

He has held various management roles in the firm including responsibility for the operations of the UK tax practice and mergers and acquisitions tax service line in Europe.

**Chris Powell** \*

**Ian Steele** \*

\* refer above for biography information

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## Remuneration Committee

Each year after the Board of Partners has appointed two Partners to the Compensation Committee, the Board of Partners appoints a Remuneration Committee to make recommendations to it with regard to the proposed assignment of equity groups and the allocation of profit sharing units to the Chairman, the Senior Partner and Chief Executive and such other holders of senior management appointments as the Board of Partners may have determined. The Board of Partners appoints one of the members of the Committee as its Chairman. The Committee is made up of three Partners who are non executive members of the Board of Partners and the two members of the Board of Partners who are members of the Compensation Committee.

The Remuneration Committee serves for a calendar year. Appointments to the Remuneration Committee are made every year and a Partner appointed to the Remuneration Committee serves for the entire year. The Remuneration Committee meets approximately four times a year.

**Ian Steele, Chairman \***

**John Cullinane \***

**Nick Edwards \***

**Ellie Patsalos \***

**Chris Powell \***

## Nomination Committee

Each year the Board of Partners sets up a Nomination Committee to oversee the selection of candidates to stand in Board elections. The Nomination Committee operates in accordance with policy objectives laid down by the Board of Partners and is made up of the Chairman of the Board who shall be the Chairman of the Committee, two Partners who are non executive members of the Board of Partners and four Partners (not being members of the Board of Partners or the Executive Group at the time of their election) elected by the Partners.

The Nomination Committee serves for the duration of a calendar year. Elections and appointments to the Nomination Committee are held or made every year and a Partner elected or appointed to the Nomination Committee serves for the entire year. The Nomination Committee meets approximately four times a year.

**David Cruickshank, Chairman \***

**Nick Edwards \***

**Anna Marks \***

**Carol Arrowsmith**

Carol Arrowsmith joined Deloitte in 2002 following the Andersen transaction. She is currently a member of the UK firm's Nomination Committee and the Partnership Committee.

During her career, Carol has specialised in advising Boards of leading companies in the field of executive remuneration.

**Patrick Loftus \***

**Graham Pickett**

Graham Pickett joined Deloitte in 1979 as a graduate trainee and was made partner in 1992. He is currently UK Head of Travel, Hospitality and Leisure (THL), global leader of Travel and Aviation as well as Practice Senior Partner for the South Region. Graham specialises in advising Travel and Aviation clients in the UK as well as globally.

**Ken McFarlane \***

## Public Interest Oversight Committee

The Public Interest Oversight Committee oversees public interest matters as they affect our firm. Section 4 explains the work of the Public Interest Oversight Committee in further detail.

**Sir Michael Peat, Chairman \***

**Gerry Grimstone \***

**Dr. DeAnne Julius \***

\* refer above for biography information

# Appendix 4 – Meeting attendance

Committee	Executive Group	Board of Partners	Audit Committee	Compensation Committee	Remuneration Committee	Nomination Committee	Public Interest Oversight Committee
<b>Number of meetings held during the year ended 31 May 2012</b>	19	11	5	1	2	3	5
<b>David Sproul, Senior Partner and Chief Executive (from 1 June 2011)</b>	18	11					
<b>David Cruickshank, Chairman</b>		11		1		3	5*
<b>Ralph Adams</b>						1	
<b>Steve Almond</b>	15						
<b>Carol Arrowsmith</b>						2	
<b>David Barnes</b>		11	5				4*
<b>John Connolly</b>				1*			
<b>John Cullinane</b>		11			2	1	
<b>Nick Edwards</b>		10			1	1	
<b>Margaret Ewing</b>	15	7					5*
<b>John Fotheringham</b>		10	4				
<b>Sharon Fraser</b>	18						
<b>Stephen Griggs</b>	15	10	5*				
<b>Gerry Grimstone</b>		8					5
<b>Heather Hancock</b>	16						
<b>Andy Hodge</b>	16						
<b>Dr.DeAnne Julius</b>		8					5
<b>Panos Kakoullis</b>	17						
<b>Gerry Loftus</b>						1	
<b>Pat Loftus</b>			1			2	
<b>Chris Loughran</b>		11	4			1	
<b>Timothy Mahapatra</b>	14						
<b>Anna Marks</b>		11				2	
<b>Ken McFarlane</b>				1		3	
<b>Vince Niblett</b>	13	9					
<b>Ellie Patsalos</b>		9			2		
<b>Sir Michael Peat</b>		8					4
<b>Graham Pickett</b>						2	
<b>Chris Powell</b>		10	5	1	2		
<b>Richard Punt</b>	16						
<b>Paul Robinson</b>	17						
<b>Nick Sandall</b>	15						
<b>Nick Shepherd</b>	17						
<b>Ian Steele</b>		11		1	2		
<b>Denis Woulfe</b>		11	5				

Note: not all individuals were members throughout the whole financial year.

\* in attendance

# Appendix 5 – Legal structure and network

Deloitte LLP is a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000 and is wholly owned by its members (normally referred to as partners). Deloitte LLP provides audit services from 20 principal locations in the UK and Crown Dependencies. Deloitte LLP employs over 12,000 staff, with some 700 partners.

Deloitte LLP is the UK member firm of the Deloitte Network. The Deloitte Network is comprised of firms that are members of Deloitte Touche Tohmatsu Limited, an English company limited by guarantee (DTTL).

DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm's affiliated entities. Member firms in the Deloitte Network provide services to clients, either directly or through their affiliates (member firms and their affiliates are collectively referred to herein as "Member Firms"). Member Firms operate under the Deloitte brand and related names, including Deloitte, Deloitte & Touche, Deloitte Touche Tohmatsu, and Tohmatsu.

Member Firms provide professional services in particular geographic areas and are subject to the laws, regulations and professional requirements of the jurisdictions in which they operate. Each Member Firm is structured differently in accordance with, among others, national laws, regulations and customary practices.

Member Firms are not subsidiaries or branch offices of DTTL and do not act as agents for DTTL or other Member Firms. Rather, they are locally-formed entities, with their own ownership structure independent of DTTL, that have voluntarily become members of the Deloitte Network with a primary purpose to co-ordinate their approach to client service, professional standards, shared values, methodologies, and systems of quality control and risk management. DTTL has adopted certain policies and protocols in each of these areas in an effort to establish a consistently high level of quality, professional conduct and service in all Member Firms. This structure confers significant strengths, combining high quality standards and methodologies with a deep understanding of local markets and a sense of responsibility and initiative among professionals who have a direct stake in the integrity and growth of their respective practices.

With Member Firms in more than 150 countries, the international network of DTTL brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. The 182,000 DTTL and Member Firm professionals are committed to becoming the standard of excellence. Aggregate revenue of DTTL Member Firms for the year ended 31 May 2011 was US\$28.8 billion.

There are governance and management structures at both the DTTL and Member Firm levels. At the DTTL level, the DTTL Board of Directors (DTTL Board) has adopted certain resolutions, policies and protocols regarding the governance of DTTL, professional standards and methodologies and systems for quality control and risk management in an effort to establish a consistently high level of quality, professional conduct and service in all Member Firms. Member Firms provide services to clients and are responsible for applying these policies as well as for setting their own policies and exercising professional judgement to ensure compliance with applicable professional standards and local laws and regulations.

## Appendix 5 – Legal structure and network

The DTTL Board is the highest governing body of DTTL. DTTL's highest management body is the DTTL Executive, which is led by the DTTL CEO.

### The DTTL Executive

DTTL's CEO is approved by the DTTL Board subject to ratification by a two-thirds majority of Member Firm partners, serves a term of four years and may be approved and ratified for one additional four-year term. The DTTL Executive currently consists of 21 members and includes senior DTTL and Member Firm leaders from various regions around the world. It is responsible for, among other things, fostering a common vision and helping to develop and direct DTTL's strategies. The DTTL Executive works in a collegial style and attempts to reach decisions through consensus.

The DTTL CEO, Barry Salzberg, leads the Executive and selects its members, subject to approval by the Governance Committee of the Board and the provisions of DTTL's governing documents. Manoj Singh is the Chief Operating Officer and Philip Rotner serves as DTTL General Counsel.

### Global Audit Leadership Team

The Global Audit Leadership Team (GALT) comprises Global Audit's senior leadership body and is responsible for approving Global Audit Strategy and overseeing our implementation plans. GALT also approves policy and methodology revisions recommended by the Audit Technical Advisory Board.

GALT membership consists of key Audit business leaders together with those partners allocated specific responsibility for implementing our plans.

### The Board of Directors and the Governance Committee

The DTTL Board has responsibility for addressing governance issues within the competencies of DTTL. The DTTL Board must approve major initiatives of DTTL, such as strategies, plans, major transactions and significant policies.

The DTTL Board is led by the DTTL Chairman who is elected by the Board members. The current Chairman is Steve Almond, Managing Partner, International Markets of Deloitte UK. Steve was elected in 2011 and is serving a four-year term. The DTTL Board has 32 members: the DTTL CEO and 31 members appointed by Member Firms representing jurisdictions and regions around the world. The number of representatives from each Member Firm and region is determined by the DTTL Board based on a number of factors.

The Member Firms that hold seats on the DTTL Board are determined on the basis of such factors as size, revenues and clients. The persons who will hold the seats are selected by the Member Firms to which the seats are allocated, subject to approval of the Member Firms. The DTTL Board also includes three regional seats, ensuring that smaller Member Firms are represented. Members serve a four-year term, and may be reappointed.

The DTTL Board is supported by its Governance Committee, which has oversight responsibility for DTTL's management and focuses particularly on the major strategic issues facing DTTL and the Member Firms. The Governance Committee comprises representatives from the largest Member Firms, plus the DTTL CEO (ex-officio and non-voting). Each Committee member has one vote on matters considered by the Governance Committee. To maintain independence and objectivity, a member of the Governance Committee may not also serve on the DTTL Executive, except for the DTTL CEO.

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The DTTL Board also has a number of other committees that co-ordinate and recommend action on a wide scope of financial and administrative issues relating to DTTL's role. The Board committees include Risk Management, Audit and Finance, Membership Affairs and CEO Evaluation and Compensation.

- The DTTL Risk Management Committee performs oversight with respect to, among other things, DTTL's role in providing assistance to the Member Firms as they carry out their risk management responsibilities.
- The DTTL Audit and Finance Committee's purpose is to assist the Board in its oversight responsibility related to the quality and integrity of DTTL's financial reports and the adequacy and effectiveness of its internal accounting and financial controls.
- The DTTL Membership Affairs Committee oversees DTTL management's responsibilities regarding the rights and obligations of Member Firms and reports to the Board accordingly.
- The DTTL CEO Evaluation and Compensation Committee assists by proposing both the appropriate evaluation and the level of compensation of the DTTL CEO for the Board's consideration.

#### **DTTL Governance and Member Firm Voting Rights**

Member Firms have voting rights in DTTL that are set each year to be proportional to their respective professional headcount and annual revenue (each weighted 50%). Member Firms approve the annual allocation of votes among themselves.

# Appendix 6 – Partner remuneration

## Partners' profit sharing

Partners share profits in Deloitte UK based upon a comprehensive evaluation of their individual contribution to the achievement of the firm's strategic objectives.

Partners are assigned to an equity group, which is reviewed annually and which describes the skills, attributes and broad performance expected of them. Each equity group carries a wide band of profit sharing units so that relative contributions can be recognised.

In assessing the performance of partners, a strong contribution in the following areas is an absolute expectation from all partners, notwithstanding the level of their contribution in other areas:

- **Quality:** A role model for quality in professional work.
- **Talent:** Contribution to mentoring, leading, recruitment, engagement, development and training of our people.

In addition, the following criteria are also used for assessing the performance and contribution of each partner:

- **Clients:** Client portfolio managed and roles performed.
- **Brand and eminence:** Market related activity including stakeholder relations, thought leadership, innovation and brand protection roles.
- **Revenue generation, growth and business building:** Contribution to business development and relationship building.
- **Financial success:** Overall contribution to the financial success of Deloitte.
- **Leadership and management:** Contribution to the firm's broad success through leadership and management roles.

Our appraisal and promotion processes and consideration ensure that there is a strong linkage between audit quality and partner remuneration and that the partner selection process is thorough and robust.

Partners who provide audit services are not evaluated or remunerated on the selling of other services to their audit clients.

We are confident that this approach precludes financial considerations from driving actions and decisions having a negative effect on audit quality.

We use an Audit Quality Dashboard to assist in the partner appraisal process. The Audit Quality Dashboard identifies objective metrics of quality and measures partner performance against those metrics. The results are considered alongside other sources of evidence in assessing partner contribution to quality and when setting objectives for the forthcoming year. We have found that the Audit Quality Dashboard has strengthened the linkage between audit quality and partner remuneration.

Partner performance is evaluated in all of the competencies, beginning with the Board of Partners' approval of the profit sharing strategy proposed by the Senior Partner and Chief Executive and concluding with the Board of Partners' review of the recommended profit allocation and equity group for each individual partner, the conclusions of which are disclosed in full to all partners. A committee of partners oversees the management process to ensure consistent and equitable treatment.



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### **Partners' drawings and the contribution and repayment of partners' capital**

All partners share in the profits and contribute the entire capital of Deloitte LLP. Each partner's capital contribution is linked to his or her share of profit and is repaid in full on ceasing to be a partner. The rate of capital contribution is determined from time to time depending on the financing requirements of the business.

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





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