

Deloitte.



Transparency Report
Deloitte Zimbabwe

August 2017

Introduction

Deloitte Zimbabwe or one of its affiliated entities is the Zimbabwean member firm (collectively, the “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 coordinate 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.

The Zimbabwe practice is part of the Deloitte Africa structure as per the Africa Association Agreement signed by member firms within Africa. Deloitte Zimbabwe is part of the Central African Management Committee, which reports into the Deloitte Africa Executive Committee.

Member Firm Structure

The key elements of the Central Group governance structure are as follows:

- Regional Chief Executive Officer (CEO) - There is a CEO for the Central Group as a whole, as elected, and reporting to the Africa CEO;
- Regional Management Committee (MANCO) - The Regional CEO has, in consultation with Africa Service Line leaders, elected members of a MANCO to assist him in carrying out the regional strategy;
- A Regional Chief Risk Officer (CRO) has been elected to oversee all Risk matters;
- A Regional Professional Practice Director (PPD) has been elected to oversee quality and process matters across the region.

Internal quality control system

The Deloitte Zimbabwe Internal quality control system is based on “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Service Engagements” (ISQC 1).

The Deloitte Zimbabwe system of quality control includes policies and procedures addressing each of the following elements:

- Leadership responsibilities for the system of quality within the Practice
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance
- Monitoring.

A detailed description of each of the elements is on Appendix 1.

The internal quality control system was functioning effectively during the year ended 31 May 2017.

An indication of when the last quality assurance review referred to in Article 29 took place:

The Public Accountants and Auditors Board in Zimbabwe (PAAB) reviews were performed in 2012/2013, 2013/2014, 2014/2015, and 2016/2017. The results were satisfactory. Deloitte Southern Africa has also performed a peer review on two files for 2015/2016, with areas of improvement noted. A peer review for 2016/2017 is ongoing.

List of audited public interest entities:

Zimbabwe Public Interest Entities

- | | |
|----|--|
| 1 | African Distillers Limited |
| 2 | Ariston Holdings Limited |
| 3 | CABS (Central African Building Society) |
| 4 | CFI Holdings Limited |
| 5 | CIMAS Fund |
| 6 | Delta Corporation Limited |
| 7 | Easylink Money Transfers (Private) Limited |
| 8 | Ecobank Zimbabwe Limited |
| 9 | Econet Wireless Zimbabwe Limited |
| 10 | FBC Holdings Limited |
| 11 | Hippo Valley Estates Limited |
| 12 | Homelink (Private) Limited |
| 13 | IDBZ (Infrastructure Development Bank of Zimbabwe) |
| 14 | Infralink |
| 15 | IH Securities |
| 16 | Local Authorities Pension Fund |
| 17 | Meikles Limited |
| 18 | Medical Aid Society of Central Africa |
| 19 | MicroKing Finance (Private) Limited |
| 20 | Nampak Zimbabwe Limited |
| 21 | OK Zimbabwe Limited |
| 22 | Proplastics Limited |
| 23 | Quality Insurance |
| 24 | Securities Exchange Commission of Zimbabwe |
| 25 | Tetrad Investment Bank |
| 26 | Turnall Holdings Limited |
| 27 | ZB Financial Holdings Limited |
-

A statement concerning the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted:

The Deloitte Zimbabwe Independence policies are based primarily on the requirements of section 290 of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (the "Code") and supplemented by other relevant requirements, including the DTTL Audit Policy Manual. Certain policies in the firm are more restrictive than would be imposed under the Code. Where a more restrictive policy has been adopted, it is based on the conclusion that the policy makes good business sense because it:

- Mitigates risks of noncompliance;
- Facilitates assigning or consulting the appropriate individuals on a timely basis; and
- Enhances our ability to service global Clients on an integrated basis.

An internal review of independence compliance was conducted in the 2016/2017 financial year, and the results were satisfactory.

A statement on the policy followed by the audit firm concerning the continuing education of statutory auditors referred to in Article 13:

Deloitte Zimbabwe has established the minimum levels of continuing professional development that their Audit Partners and Professional Staff should undertake within a specific period of time. These levels include a minimum of 20 hours of structured learning per year and 120 hours of structured learning in every three-year period (i.e., an average of 40 hours per year).

Financial information

Statutory audit assignments	Other assurance assignments	Tax advisory assignments	Other non-audit assignments	Total
\$6,603,000	\$2,057,000	\$1,132,000	\$1,805,000	\$11,597,000

These amounts are disclosed in US \$.

Basis for the partners' remuneration:

Partners' remuneration is based on profit sharing ratios as determined by a Remuneration Committee (REMCO). These ratios are determined based on the value that each partner contributes to the practice. Appropriate performance evaluations are undertaken at least annually to evaluate each partner's performance against key performance criteria. The partner's remuneration is adjusted accordingly based on the results of such performance evaluation, which includes adherence to the firm's internal quality control policies.

To ensure that audit partners focus on their primary responsibility to provide audit services of the highest quality, the policies of Deloitte, which are consistent with regulations in Zimbabwe, forbid them from receiving compensation, bonus, or other direct financial incentives for selling products or services, other than audit, review, or assurance-related services, to the audit clients they serve. Moreover, in determining the remuneration of audit partners, due consideration is given in their performance evaluations to the results of practice reviews of their engagements.



Chief Risk Officer – Deloitte Central Africa Cluster

Appendix 1

Overview of Quality Control Procedures

Deloitte & Touche Zimbabwe or one of its affiliated entities is the Zimbabwe member firm (herein referred to as the “Firm”) of Deloitte Touche Tohmatsu Limited (DTTL). DTTL is an English company limited by guarantee, whose member firms provide services in particular geographic areas and are each legally separate and independent of one another. Member firms operate under the Deloitte brand and related names. These names include “Deloitte,” “Deloitte & Touche,” “Deloitte Touche Tohmatsu,” “Tohmatsu,” and others. Deloitte & Touche Zimbabwe provides audit and related assurance services through its engagements with clients. When taken as a whole, this overview provides a summary of the Firm’s quality control policies and procedures related to such engagements, and is organized into the following sections:

- Leadership responsibilities for the system of quality control
- Ethical requirements
- Client and engagement acceptance and continuance
- Human resources
- Engagement performance
- Monitoring

Leadership Responsibilities for the System of Quality Control

The Firm maintains policies and procedures to promote an internal culture based on the recognition that quality is our number one priority. The Firm focuses on professional excellence as the foundation for achieving outstanding audit quality on a consistent basis.

While the Firm’s leadership assumes ultimate responsibility for the system of quality control, the Professional Practice Director is assigned operational responsibility for the Firm’s quality control system and has the necessary experience and authority to assume that operational responsibility.

Ethical Requirements

Ethics

The Firm maintains policies and procedures that are designed to provide reasonable assurance that it and its partners, professional staff, and support staff comply with relevant ethical requirements.

The Firm complies with the DTTL policies and procedures, which align with the requirements and guidance set out in Parts A and B of the Code of Ethics for Professional Accountants (the “Code”) issued by the International Ethics Standards Board for Accountants, a standard-setting body of the International Federation of Accountants (IFAC). When the national professional requirements are more restrictive than the DTTL policies and procedures, the Firm follows the applicable national requirements.

The Firm has appointed an Ethics Officer who is an experienced partner other than the Chief Executive Officer or Managing Partner (collectively referred to as “CEO”) of the Firm, who has direct access to the CEO and the Firm’s governing body. In addition, the Firm has developed and implemented its own code of conduct that describes, in some detail, critical professional behavior that reflects local customs, regulations, and legal requirements.

The Firm provides communication channels through which partners, professional staff, and support staff can consult on and report ethical issues and situations. The Firm reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems.

The Firm requires all partners, professional staff, and support staff to confirm annually that they have read and understood the code of conduct and understand that it is their responsibility to comply with it.

Independence

The Firm has policies and procedures that are designed to provide reasonable assurance that it complies with applicable independence standards. These policies and procedures are based on the Code, and are enhanced, as appropriate, to reflect local standards or DTTL policies that may be more restrictive.

The Firm’s system of quality control related to independence includes the following:

- Independence policies and procedures
- Compliance business process tools, including the Deloitte Entity Search and Compliance (DESC) system, the Global Independence Monitoring System (GIMS), Confirmations, and Consultation
- Business relationship assessments and monitoring
- Independence learning

- Monitoring of independence systems and controls relating to personal independence, and engagement and practice reviews
- Disciplinary measures and actions
- Assignment of responsibility for independence systems and controls
- “Tone-at-the-top” culture relating to independence

1. *Independence Policies and Procedures*

The Firm’s independence policies and procedures cover the Firm, and the Firm’s partners, professional staff, and support staff, and certain relatives thereof, where applicable. These policies and procedures are, in some instances, more restrictive than the independence standards in the Code and contain specific independence requirements that are applicable when the Firm is to maintain independence with respect to an audit client (“restricted entity”) and its affiliates.

Policies require that the Firm, and its partners and professional staff, determine, among other things, whether an entity is a restricted entity before the Firm, a partner, or professional staff member (including their spouse, spousal equivalent, and dependents) engage in certain transactions with the entity. The Firm, partners and managerial personnel enter their financial interests and brokerage accounts into a tracking system (GIMS). GIMS enables an electronic review of financial interests and brokerage accounts to help identify if independence restrictions may affect the ability to hold such items. The Firm obtains confirmations from its partners, professional staff, and support staff upon joining the Firm, as well as ongoing confirmations on an annual basis, that such individuals are in personal compliance with the Firm’s independence policies.

The Firm’s independence policies and procedures are made available electronically to the Firm’s partners, professional staff, and support staff. Updates to these policies and procedures are also made and communicated electronically to the Firm’s partners, professional staff, and support staff. Moreover, other independence-related materials are available on an independence website. Reminders on policy and other matters are routinely published as part of communications showing changes to entities that are internationally restricted, as relevant.

Policies and procedures are in place at the engagement level to require the audit engagement partner to consider independence matters during the course of an audit engagement and to conduct communications with the audit committee or those charged with governance, where required.

2. *DESC System, GIMS, and Confirmations*

There are three related aspects of the Firm’s systems and controls related to the Firm’s independence and the personal independence of its partners, professional staff, and support staff: DESC system, GIMS, and the confirmation process. These three aspects support each other in that (1) partners and professional staff search DESC system (which includes a database of internationally restricted entities) and/or GIMS (which has a database of financial interests and brokerage accounts) to identify if an entity or its financial interests or brokerage accounts are restricted, (2) partners and managerial personnel record their financial interests and brokerage accounts in their portfolios in GIMS, and (3) the Firm periodically confirms to DTTL its compliance and the compliance of its partners, professional staff, and support staff with the Firm’s independence policies.

DESC system

DESC is operated by DTTL on behalf of the DTTL member firms. At a minimum, each DTTL member firm reports the names of its audit clients and their affiliates that meet the definition of an international restricted entity. The policy definition of an international restricted entity includes public audit clients, as well as other audit clients that may be of public interest. Such restricted entity information is recorded in the DESC system. The entity information provided by the Firm to DTTL is continuously updated to help ensure its accuracy and completeness, including periodic validation processes performed by engagement teams and/or the DTTL member firms.

Updates to DESC system’s entity information are made daily based upon these processes. The Firm’s partners and professional staff access DESC system online.

DESC system also has features that are used to request and document approvals related to providing services to an entity. In many jurisdictions, a restricted entity’s audit committee or others charged with governance must preapprove services that will be delivered within the restricted entity group. Where such features are enabled, DESC system’s features establish a standard business process among the DTTL member firms, whereby service requests are submitted to the lead client service partner who is responsible for obtaining and documenting appropriate authorizations prior to approving the service request.

GIMS for financial interests and brokerage accounts

Each DTTL member firm also identifies and reports the publicly available securities and brokerage accounts at financial institutions that are associated with an international restricted entity. Such securities and financial institutions are recorded in GIMS. GIMS is operated by DTTL on behalf of the DTTL member firms, and each DTTL member firm administers the related monitoring processes related to its partners and professional staff. Partners and professional staff search DESC and/or GIMS before acquiring a financial interest or establishing a brokerage account, to determine if restrictions apply that affect them. This includes investments and brokerage accounts of a spouse, spousal equivalent, and dependent. Partners and managerial personnel enter defined types of such financial interests and accounts into their individual portfolios in GIMS for monitoring purposes.

In addition, GIMS assists partners and managerial personnel by identifying situations which may not comply with the Firm's policies so that the item may either be reviewed or corrected.

When such a situation is detected, the system advises the individual that an independence-impairing situation may exist, and poses questions which aid the individual to determine whether or not the item is permitted in the particular circumstances. This includes generating notices to the individual in situations where a once-permissible holding becomes newly restricted, so that appropriate and timely action can be taken. The Firm monitors and follows-up on such notices until the individual resolves the item.

Confirmations

The Firm obtains confirmations from its partners, professional staff, and support staff upon joining the Firm, as well as ongoing confirmations on an annual basis.

Annually, the Firm reports to DTTL that the Firm has taken appropriate steps to obtain sufficient evidence that it and its partners, professional staff, and support staff comply with applicable independence requirements (including that the Firm itself is independent of restricted entities).

Consultation Network

The Firm communicates with its partners and employees regarding the consultation policies for independence matters and identifies the individuals who are to be contacted. Additionally, the Firm consults with DTTL's independence group and other member firms when the Firm determines that additional input or advice is needed under the circumstances.

3. Business Relationship Assessments and Monitoring

The Firm has a business relationships assessment and monitoring process. The objective of such process is to ensure that, prior to entering into any business relationship with a restricted entity or its management or substantial stockholders, a determination is made to ensure such a relationship does not impair independence with respect to that restricted entity.

4. Independence Learning

The Firm provides independence learning to its partners and professional staff. Learning is provided in the classroom, as well as electronically through e-learning that are updated from time to time, with any updates to Global independence rules. Independence learning is provided at least twice on an annual basis to all professional staff. In addition, it is provided to all new hires, as well as on promotion to managerial and/or partner level.

5. Monitoring of Independence Systems and Controls Relating to Personal Independence, and Engagement and Practice Reviews

Inspection of Personal Independence

On a periodic basis, the Firm inspects for compliance with the Firm's independence policies and procedures. The objective of the inspection and testing program is to determine whether the representations and information submitted by partners and professional staff relating to independence matters and the information contained in GIMS are accurate and complete.

Inspection of Firm's Compliance

The Firm is subject to a practice review at intervals not to exceed three years. Compliance with independence policies at both a firm level and at a client level is reviewed.

See further details of engagement and practice reviews in the "Monitoring" section below.

6. Disciplinary Measures and Actions

The Firm has disciplinary procedures in place to address noncompliance with the Firm's independence policies and procedures. These disciplinary procedures are designed to provide an appropriate response to breaches of such policies and procedures by partners, professional staff, and support staff.

7. *Assignment of Responsibility for Independence Systems and Controls*

The Firm has assigned a Director of Independence who has the responsibility to implement and maintain quality controls over independence. More specifically, the Director of Independence is responsible for taking the lead on all significant independence issues within the Firm, including the implementation and maintenance of the Firm's business processes related to (1) independence consultations, (2) independence learning programs, (3) restricted entity information in DESC system, (4) use and monitoring of the features of DESC system, (5) use and monitoring of GIMS, (6) annual confirmations, (7) testing and inspection programs, and (8) disciplinary processes. Communication channels exist between the Firm's Director of Independence, Firm management, and DTTL's independence group.

DTTL has assigned a senior leader and DTTL independence team members who provide access to timely and accurate information designed to facilitate the independence function at the Firm level.

8. *"Tone-at-the-Top" Culture Relating to Independence*

Firm leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate "tone-at-the-top" and instilling its importance into the professional values and culture of the Firm.

Strategies and procedures to communicate the importance of independence to partners, professional staff, and support staff have been adopted, emphasizing each individual's responsibility to understand the independence requirements.

Conflicts of Interest

Potential conflicts of interest are considered on all prospective engagements and prior to the Firm entering into a financial or business relationship with a third party. The Firm has policies and procedures in place to identify potential conflicts of interest in connection with the Firm either (i) accepting a prospective engagement or (ii) entering into certain business or financial relationships with another entity.

The Phoenix-CRM system (Phoenix) is designed to support the Firm's conflict checking business process to identify and manage potential conflicts relating to prospective engagements, business, or financial relationships. For each new engagement or relationship opportunity, Phoenix captures the principal parties to the engagement, the scope of work, engagement team, and specific questions which are driven by the proposed service offering. As part of each conflict check recorded in Phoenix, there is an automated search of DESC system to identify any potential audit/attest relationships. Phoenix also provides an automated means of cross-border conflict checking. Overall Phoenix provides a record of existing engagement, business, and financial relationships which is automatically searched when proposing for new engagements or relationships.

Human Resources

Hiring

The Firm has established policies and procedures designed to provide reasonable assurance that it has sufficient partners and professional staff with the competencies, capabilities, and commitment to ethical principles necessary to:

- Perform engagements in accordance with professional standards and applicable legal and regulatory requirements
- Enable the Firm to issue reports that are appropriate in the circumstances

Advancement

The Firm's policies and procedures for advancement have been established to provide reasonable assurance that professional staff selected for advancement have the qualifications necessary to fulfill the responsibilities they will be called on to assume. A few of the policies and procedures are identified below.

- Various professional staff levels within the Firm and descriptions of the related competencies required to perform effectively at each level have been established.
- Advancement policies and procedures that identify the experience and performance qualifications for advancement to each level have been established and communicated to the Firm's professional staff.
- Procedures for periodic performance evaluation have been established.
- A counseling program to assist professional staff in identifying realistic career paths and developing action plans to help realize professional goals has been established.

Professional Development

The purpose of the Firm's professional development program is to help partners and professional staff maintain and enhance their professional competence. To supplement on-the-job development, the Firm provides formal continuing professional development programs in relevant subject areas.

All partners and professional staff take personal responsibility to ensure that their own continuing professional development and education is appropriate to their roles, responsibilities, and professional requirements. However, the Firm establishes minimum levels of continuing professional development to be undertaken by partners and professional staff within a specific period of time. These levels include a

minimum of 20 hours of structured learning per year and 120 hours of structured learning in every three-year period (i.e., an average of 40 hours per year). To achieve these levels of development, the Firm offers structured, formal learning programs, such as internal or external courses, seminars, or e-learning covering all areas of the competency model (e.g., shared competencies, function-specific technical competencies, and competencies in areas of specialization).

Assignment of Partners and Professional Staff to Audit Engagements

The Firm assigns responsibility for each audit engagement to an audit engagement partner. The Firm's policies define the responsibilities of an audit engagement partner and those responsibilities are communicated to partners. The identity and role of the audit engagement partner is communicated to key individuals of the client's management team and those charged with governance at the client.

The Firm also has policies and procedures in place so that partners and professional staff assigned to all audit engagements have the appropriate degree of proficiency for their role and the responsibilities to be performed.

An engagement team ordinarily includes one or more of each of the following: audit engagement partner, audit manager, field senior, and staff. However, the engagement team will be developed based on the size, nature, and complexity of the entity's operations. Every audit engagement team is under the control and supervision of the audit engagement partner to whom responsibility for the conduct of all audit services on the engagement is assigned. The audit manager assigned to the engagement is responsible for providing primary supervision and direction to the professional staff in the execution of the audit plan and in the performance of the audit engagement.

The field senior is responsible for the day-to-day supervision of the other members of the engagement team. Specialists and other experts are also involved as needed.

The audit engagement partner considers many factors to determine that the engagement team collectively has the appropriate capabilities, competencies, and time to perform the audit engagement. Factors considered in this determination include, among others:

- The size and complexity of the entity's business
- The applicable financial reporting framework used in preparing the financial statements
- Applicable independence considerations, including any possible conflicts of interest
- The qualifications and experience of professional staff

Client and Engagement Acceptance and Continuance

The Firm has rigorous policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk, regardless of the proposed services to be rendered.

These policies and procedures are designed to provide the Firm with reasonable assurance that it will only accept engagements where it:

- Is competent to perform the engagement and has the capabilities, including time and resources, to do so
- Can comply with relevant ethical requirements, including independence and conflicts of interest assessments and considerations.
- Has considered the integrity of the client, and does not have information that would lead it to conclude that the client lacks integrity

Engagement risk classification associated with accepting an engagement is assessed as "normal," "greater than normal," or "much greater than normal," and is completed prior to accepting a client and engagement. The engagement risk assessment process includes approval by the recommending partner and concurrence by at least one other Firm partner that the Firm may accept the client and the engagement. In addition, the decision to accept appointment is approved by the Firm's Risk Leaders if engagement risk is assessed as "greater than normal" or "much greater than normal."

On international engagements, engagement acceptance and continuance procedures are performed at the member-firm level. The Firm does not assume the acceptability of a client and/or the engagement merely because it has been referred from another member firm.

In assessing acceptability of an engagement, client and professional service risks are considered, which generally include the following factors:

- Management characteristics and integrity
- Organization and management structure
- Nature of the business
- Business environment
- Financial results
- Business relationships and related parties
- Prior knowledge and experience

The Firm's engagement risk assessment procedures identify related risks and provide a basis for tailoring the audit approach in order to address engagement-specific risks.

The engagement risk assessment begins during the engagement acceptance/continuation process, and is an ongoing process that continues throughout the engagement. Risk assessment tools and programs are encompassed in the audit approach and common documentation to facilitate the comprehensive risk assessment for planning the audit once the engagement is accepted.

On an annual basis, engagements in process for more than one year are evaluated to determine if the Firm should continue the engagement. Factors discussed above are revisited to ascertain whether the relationship should continue.

In addition, any time an entity undergoes a significant change (e.g., change in ownership or management, financial condition, or nature of entity's business), continuation of the relationship is reevaluated. Decisions of engagement continuance are concurred by one other partner.

Engagement Performance

Audit Approach

The Firm's audit approach includes requirements and guidance to assist in the planning and performance of audit engagements and is based on the International Standards on Auditing issued by the International Auditing and Assurance Standards Board of IFAC. The Firm has further supplemented these requirements and guidance to reflect local requirements, as applicable. Common documentation and the enabling software technology are tools that enhance the consistent implementation of the Firm's audit approach and promote effectiveness and efficiency.

The following are the main elements of the Firm's audit approach:

Understanding of the entity and its environment

An understanding of the entity and its environment, including its internal control, to assess the risks of material misstatement at the financial statement and assertion level is vital to performing an effective audit. The Firm's engagement teams develop this understanding and assess risks of material misstatement in a number of ways, including analyzing financial information to identify trends and unusual balances, holding in-depth discussions with management and those charged with governance, considering the inherent nature of each financial statement component and the risks associated with that component, evaluating the design of relevant internal controls and determine if they have been implemented, assessing the extent to which technology is used in the financial reporting process, and, if applicable, reviewing internal audit findings.

As necessary, based on the nature of the entity's information systems and the extent to which technology plays a role in the transaction processing and financial reporting processes, information technology specialists may be involved in the audit engagement.

Audit procedures

Engagement teams develop the audit plan to address the risks associated with the entity, the audit engagement, and the financial statements as a whole.

Throughout the audit, engagement teams continually assess risk and how audit findings bear on the audit procedures. The Firm's audit approach allows partners and professional staff to modify the audit procedures to address issues that arise in the course of the audit.

Audit procedures to address risks of material misstatement include substantive procedures, which comprises tests of details and substantive analytical procedures, and tests of the operating effectiveness of controls.

Use of experts

While the audit engagement partner retains responsibility for all aspects of the engagement, there are instances when the engagement team utilizes an expert. In such instances, an engagement team evaluates whether the expert has the necessary competence, capabilities, and objectivity.

In evaluating whether or not the expert's work constitutes appropriate audit evidence in support of the financial information, the engagement team considers:

- The source data used
- The assumptions and methods used and, if appropriate, their consistency with those used in the prior period
- The results of the expert's work in light of the engagement team's overall knowledge of the business and of the results of its audit procedures.

Engagement documentation

The Firm maintains policies and procedures to support the assembly and archiving of audit files whereby the audit engagement team submits the audit files for archiving within the shorter of (1) 60 days from the date of the report or (2) the period set out in applicable professional standards and regulatory and legal requirements. The Firm's policies and procedures address the retention of documents (in paper and electronic form), including those that address the confidentiality, safe custody, integrity, accessibility, and retrievability of archived documentation.

Engagement Team Reviews

A review of the audit documentation is required to be performed by a member of the engagement team who has more experience than the preparer. In some cases, elements of audit documentation may be reviewed by several team members.

Engagement Quality Control Reviews

An engagement quality control review is performed for all audit and related assurance services, with limited exceptions. The review is performed by a partner or a manager who is not directly involved in the engagement and who has the appropriate experience and knowledge about applicable accounting and auditing standards and regulations. The engagement quality control reviewer is not part of the engagement team and is not portrayed in fact or appearance as a member of the engagement team. Appropriate experience and knowledge of the entity's industry, economic environment, and accounting principles. For all public interest entities and all high-risk engagements, the review is performed by a partner with sufficient and appropriate experience and professional qualifications to act as an engagement partner on these types of audits.

The reviewer is appropriately briefed by the engagement team and conducts the review in such a manner that sufficient knowledge and understanding is obtained in order to reach conclusions. The reviewer's responsibility is to perform an objective review of significant auditing, accounting, and financial reporting matters, to document the procedures the reviewer performed, and to conclude, based on all the relevant facts and circumstances of which the reviewer has knowledge, that no matters that have come to his or her attention would cause the reviewer to believe that the significant judgments made and the conclusions reached were not appropriate in the circumstances.

Special Reviews

For engagements that have been identified as having much greater than normal engagement risk, a special review partner is assigned to provide an additional level of competence and objectivity in planning and performing the engagement. The special review partner is independent of the engagement. Normally this partner possesses specialized industry and technical skills applicable to the engagement and, in certain situations, is independent of the practice unit to enhance objectivity or to provide specialized resources.

Consultation Network and Differences of Opinions

The Firm has established a consultation network to assist in resolving issues identified by the engagement team. Consultations include technical accounting and auditing questions regarding the application and interpretation of applicable standards and reporting issues or on any other matter pertaining to an audit engagement that requires specialized knowledge.

To facilitate the technical consultation process, the Firm has a national accounting and auditing consultation structure. A National Professional Practice Director with specialized technical skills and experience is supported by subject-matter resources in various areas, for example, such as regulatory filing requirements; technical auditing requirements; complex accounting matters, etc.

The Firm maintains policies and procedures for the resolution of differences of opinion among partners and others who are assigned to the engagement team, including those who are in a consultative capacity.

Monitoring

Annual Quality Assurance Review

In accordance with DTTL policies, the audit practice of the Firm is subject to an annual quality assurance review, commonly referred to as a "practice review". Compliance with this policy is achieved by an annual practice review covering the audit practice over a three-year cycle.

The annual practice review program is designed to cover a number of practice offices each year. Every practice office is subject to a practice review at intervals not to exceed three years. The audit partners with engagement responsibilities ordinarily have a sample of their engagements reviewed at intervals not to exceed three years. Consideration is also given to assessing the performance of managers. Candidates for partner nomination would ordinarily be expected to have been covered in the most recent practice review prior to their expected admission.

The Firm is responsible for the practice review. DTTL provides guidance and oversight regarding the practice review plans and procedures. The general coordination and administration of the practice review program is the responsibility of the Firm's practice review director, in conjunction with the regional practice review director.

The practice review plan, process, and results are reviewed and concurred by a partner from another member firm (the "external partner") every year. The external partner who is assigned this responsibility works closely with the Firm's practice review director and the regional practice review director in overseeing and challenging the planning and performance of the practice review.

Types of Engagements Reviewed

The engagements selected for review include national engagements and inbound/outbound transnational engagements (audits of financial statements that are or may be used across national borders), including public interest entities, as well as a number of high risk audit engagements. Some sensitive and complex engagements (e.g., first-year engagements, situations where there is a change in control, or deteriorating financial condition) are also selected. All major industries served by the Firm or practice office are considered.

Scope of Practice Reviews

Reviewers are chosen from regional or international pools or from other practice offices within the Firm. The assignment of reviewers is based on skill level, industry knowledge, and experience on transnational engagements.

The reviews of individual engagements consist of discussions with the partner and/or manager responsible for the engagement and a review of related reports, working papers, and, where appropriate, correspondence files.

Engagements are reviewed to:

- Determine whether quality control procedures have been properly applied to such engagements
- Assess the adequacy of implementation of the audit approach, including compliance with the policies and procedures contained in the Firm's policy manuals
- Monitor compliance with applicable local laws
- Assess the overall quality of service provided to clients

The overall risk management and quality control policies and procedures of practice offices within the Firm are also reviewed, including the following:

- Risk management program, including engagement acceptance and continuance
- Independence
- Recruitment and advancement
- Professional development
- Public filings in other countries
- Information technology specialist reviews
- Assignment of professional staff to audit engagements
- Consultation with Firm experts
- Consultation with outside experts
- Engagement quality control reviews

Results of Practice Reviews

The findings and recommendations resulting from the practice reviews are included in the Firm's audit quality plan and presented to the Firm's CEO. The purpose of the audit quality plan is to provide suggestions for improvement in response to findings noted, and to drive audit quality within the Firm overall. The Firm addresses findings by drawing up a detailed action plan setting out the action to be taken, the person(s) responsible, and the timing to implement the recommendations.

In addition, the Firm communicates deficiencies noted as a result of the practice review (if any) and recommendations for appropriate remedial action to the relevant partner and other appropriate personnel. The Firm also communicates on an annual basis the results of the practice review and ongoing consideration and evaluation of its system of quality control to its partners and other appropriate individuals within the Firm.

Complaints and Allegations

The Firm's policies and procedures are designed to provide it with reasonable assurance that it deals appropriately with complaints and allegations that the work performed by the Firm failed to comply with professional standards, and regulatory and legal requirements, and allegations of noncompliance with the Firm's system of quality control.

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

This communication is for internal distribution and use only among personnel of Deloitte Touche Tohmatsu Limited, its member firms, and their related entities (collectively, the “Deloitte network”). None of the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.