



# 2014 PwC Argentina Transparency Report

*Financial year  
ending 30 June  
2014*

*Price Waterhouse  
& Co. S.R.L.*



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## ***A message from our Territory Senior Partner***

*Welcome to the PwC Argentina Transparency Report of activities for the financial year ending 30 June 2014. We issue this report in accordance with Article 40(1) and 45(5) of the Directive on Statutory Audit 2006/43/EC, which prescribes that certain information on our legal structure, independence and quality assurance, has to be made publicly available.*

We fully support these requirements for greater transparency, which is aligned with our firm's values.

I take this report as an important opportunity to share our values, build trust in the firm, set out our strategy, and explain our approach to delivering consistently high-quality audits. Our audit practice is a vital part of our business and a core part of our brand. We believe that we have an obligation to create a lasting legacy that is founded not on short-term revenue growth, but on wider long-term objectives – including continually improving the quality of our work, achieving greater diversity in our talent base, building ever-deeper client relationships, and making a positive economic and social impact.

We are very much aware of the position of trust that we are granted by our clients, investors, and the community and we have implemented structures and standards to ensure the ongoing independence and integrity of all of our people in all of our activities and at all levels of our firm.

Our commitment to audit quality remains our top priority as it goes to the very heart of our reputation and is driven from the top of our firm and embedded in our culture.

The expertise and diversity of our people is fundamental to our ability to deliver audit quality. We want to recruit the best people and we now offer a number of different routes to join our firm including apprenticeships, our partnerships with universities and the more traditional graduate entry schemes. We also invest in training our people through our programmes in our School of Business founded last year.

As you will see from this report, we invest significant time and resources in delivering audit quality and believe that our continued focus on innovation will yield further improvements and value for our clients.

The Leadership Team of Price Waterhouse & Co. S.R.L. ("PwC Argentina") approved this report and I signed it on its behalf on 30 September 2014.

I hope that you enjoy reading this report.

***Javier Casas Rúa***  
Territory Senior Partner

## 1. Legal structure and ownership

PwC Argentina operates as a *Sociedad de Responsabilidad Limitada* (SRL), a limited liability company under the laws of Argentina. We are registered with the *Inspección General de Justicia* under number 7645. We are also registered as auditors as per the rules and regulations of the *Comisión Nacional de Valores* (CNV), the Argentine National Securities and Exchange Commission, and of the *Banco Central de la República Argentina* (BCRA), the National Central Bank of Argentina.

We are also registered with overseas regulators such as the Public Company Accounting Oversight Board (PCAOB) of the United States of America, the Financial Reporting Council (FRC) of the United Kingdom and the Commission de Surveillance du Secteur Financier (CSSF) of Luxembourg.

### **(a) Ownership of PwC Argentina**

PwC Argentina is owned by individuals practicing audit, tax or consulting services in Argentina, commonly referred to as partners who hold the voting rights. There are other legal entities in Argentina named PricewaterhouseCoopers, each of which is a separate and different legal entity from the others, which provide non - audit services. These entities are also members of the same international network as PwC Argentina.

The majority of PwC Argentina's partners are registered auditors and also registered accountants with the applicable governing bodies of the accounting profession in Argentina. Some of the partners are also Certified Public Accountants licensed in the United States of America. The average number of partners during the year ended 30 June 2014 was 58.

### **(b) PwC Argentina office structure**

PwC Argentina operates out of 4 offices located in 4 different provinces in Argentina. Our headquarters is located in the City of Buenos Aires. A full list can be found at [www.pwc.com.ar](http://www.pwc.com.ar)

We had approximately 1,900 people working with us during the year ended 30 June 2014.

### **(c) Principal lines of business**

PwC Argentina operates through four principal Lines of Service (LoS). These are Assurance, Consulting, Tax and Legal.

*The primary services provided by each of the four principal lines of service are as follows:*

## **Assurance**

**Assurance, regulatory reporting and capital market transactions** – statutory audit, financial accounting, corporate reporting, compliance with new and existing regulations and remediation, risk and regulatory monitoring, International Financial Reporting Standards (IFRS) conversion and assurance on capital market transactions and listings and assurance on non-financial information.

**Risk assurance** – including IT risk assurance, business resilience, commercial assurance, performance assurance, treasury services and internal audit.

**Actuarial** – mergers and acquisitions, capital structuring, financial modelling, risk and capital management, claims, reinsurance, insurance reserving and reporting, pensions and other benefit plans, performance benchmarking and insurance needs for the public sector.

## **Tax**

**Tax** – corporate tax advisory, tax on transactions, transfer pricing, corporate and international tax structuring, finance and treasury, indirect taxes, property taxes, tax management and accounting services, dispute resolution, corporate tax compliance and outsourcing, private business tax advisory, personal tax advisory and compliance, tax valuations, municipal taxes, industrial promotion, etc.

## **Consulting**

**Consulting** – finance, strategy, delivering deal value, operations, people, technology, governance risk and compliance, enterprise performance management (process transformation, systems implementation and application management), project and programme management and cyber security.

### **Sustainability and climate change**

– impact reviews, strategic and performance planning, corporate governance and business ethics, policy development and roll-out, risk management, carbon markets planning and transactions, environmental tax and regulation, environmental health and safety management, ethical supply chain management, reporting and assurance on waste and resource use management.

**Transaction services** – buy and sell-side financial and due diligence, commercial and market due diligence, structuring, sale and purchase agreements, business modelling, valuations, bid support and defence.

**Corporate finance** – mergers and acquisitions advisory, private equity advisory, project finance and public private partnerships, debt advisory, public to private transactions and public company advisory.

### **Business recovery services**

– financial and operational restructuring, working capital management, corporate and personal insolvency, independent business reviews, chief restructuring officers, interim leadership, optimised exits, accelerated mergers and acquisitions, corporate liability management, pension scheme credit advisory, distressed property advisory and corporate simplification.

**Forensic services** – disputes including asset tracing, commercial, competition, intellectual property and shareholder disputes, construction and insurance claims; investigations including anti-money laundering, fraud and corruption, anti-trust, royalty examinations and warranty compliance; and forensic advisory including contract and project risk, fraud prevention, project delay analysis, litigation readiness and revenue leakage.

### **Human resource services**

– reward and compensation, employment services, pensions and retirement, international assignment solutions, HR management including HR transaction advice, human capital metrics and benchmarking, HR function effectiveness and service delivery.

## **Legal**

**Business law** – corporate law compliance, dispute resolution, corporate reorganisations, drafting of corporate documents, corporate registration, legal due diligence, escrow arrangements, management contracts, take-overs, drafting of letters of intents and commercial contracts, private and public bids, e-business compliance, trademarks, data protection, intellectual property.

**Labour and social security** – remuneration, benefit plans, stock option plans, transfers of personnel in mergers and acquisitions, severance.

**International trade and customs** – utilisation of free trade zones or special customs areas, application of international treaties and custom duties preferences, transfer pricing, foreign trade, dumping, foreign exchange matters.

**A full list of our services can be found at [www.pwc.com.ar](http://www.pwc.com.ar)**

*We are one firm doing  
the right thing for our  
clients, our people and  
our communities.*



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## 2. The PricewaterhouseCoopers network

*‘PricewaterhouseCoopers’, ‘PwC Network’ and ‘PwC’ refer to the network of member firms of PricewaterhouseCoopers International Limited (PwC International), each of which is a separate legal entity.*

### **Introduction**

In our view, the key factors that differentiate PwC among the world’s leading professional services organisations are the talent of our people, the breadth of the PwC network and the standards with which PwC firms comply. These standards cover important areas such as service quality, governance arrangements, independence, risk management, people and culture, and brand and communications. PwC firms agree to follow network standards and their compliance with these standards is monitored regularly.

### **(a) Legal structure of the network**

In most parts of the world, the right to practise audit and accountancy is granted only to national firms that are majority owned by locally qualified professionals. PwC is a global network of separate member firms, owned and operating locally in countries around the world. PwC firms are members of PwC International and have the right to use the PricewaterhouseCoopers name.

As members of the PwC Network, PwC firms share knowledge, skills and resources. This enables PwC firms to work together to provide high-quality services on a

global scale to international and local clients, while still taking advantage of being local businesses, knowledgeable about local laws, regulations, standards and practices.

PwC International is a private company, limited by guarantee, incorporated in England and Wales in which PwC firms are members. PwC International does not practice accountancy, or provide services to clients. Instead, it acts as a coordinating entity for PwC firms. PwC International works to develop and implement policies and initiatives that create a common and coordinated approach for PwC firms. PwC International focuses on key areas such as strategy, brand, and risk and quality.

PwC firms can use the PwC name and draw on the resources and methodologies of the PwC Network. In return, member firms are required to comply with certain common policies and the standards of the PwC Network.

Each member firm of PwC International is a separate legal entity and does not act as an agent of PwC International, or any other PwC firm. PwC International is not responsible or liable for the acts or omissions of any of its member firms, nor can it control the exercise of their professional judgement or bind them in any way.

No member firm is responsible, or liable for the acts or omissions of any other member firm, nor can it control the exercise of another member firm's professional judgement, or bind another member firm, or PwC International in any way.

### **(b) Size of the network**

Member firms of PwC International provide industry-focused assurance, tax and advisory services to enhance value for their clients. Over 180,000 people in 158 countries worldwide share their thinking, experience and solutions to develop fresh perspectives and practical advice.

### **(c) Governance structures of PwC International**

The governance structures of PwC International are as follows:

- Global Board, who is responsible for the governance of PwC International and for the oversight of the Network Leadership Team. The Board does not have an external role. Partners elect board members from all PwC member firms around the world every four years.
- Network Leadership team, which is responsible for setting the overall strategy for the PwC network and the standards to which the member firms agree to adhere.

- Strategy Council, which is made up of the leaders of the largest member firms of the network, agrees changes to the strategic direction of the network, in order to facilitate their consistent implementation.
- Network Executive Team, which reports to the network Leadership Team, coordinates the service lines and the key functional areas (such as Risk & Quality, Human Capital, Operations, Brand & Communication) across the network.

### **(d) Key features of the network**

Every PwC firm is also responsible for its own risk and quality performance and, where necessary, for driving improvements. Every PwC firm is also exclusively responsible for the delivery of services to its clients.

To support transparency and consistency, each PwC firm's Territory Senior Partner signs an annual confirmation of compliance with certain standards. These cover a range of areas including independence, ethics and business conduct, Assurance, Advisory and Tax risk management, governance, anti-bribery and data protection and privacy.

These confirmations are reviewed by others who are independent from the PwC firm in question. Member firms are required to

develop an action plan to address specific matters where they are not in compliance; such action plans are reviewed and execution of the plan is monitored.

There are some common principles and processes to guide PwC firms in applying the standards. Major elements include:

- The way we do business
- Sustainable culture
- Policies and processes
- Quality reviews.

#### **(i) The way we do business**

PwC firms undertake their businesses within the framework of applicable professional standards, laws, regulations and internal policies. These are supplemented by a PwC Code of Ethics and Business Conduct for their partners and staff. The PwC Argentina Code of Conduct (the 'Code') is set out at [www.pwc.com.ar/who-we-are/code-of-conduct](http://www.pwc.com.ar/who-we-are/code-of-conduct)

#### **(ii) Sustainable culture**

To promote continuing business success, PwC firms nurture a culture that supports and encourages PwC people to behave appropriately and ethically, especially when they have to make tough decisions. PwC people have ready access to a wide array of support networks within their respective member firms, both formal and informal, and technical specialists to help them reach appropriate solutions.

The foundation of PwC's culture is objectivity, professional scepticism, cooperation between PwC firms and consultation.

### *(iii) Policies and processes*

Each PwC firm has its own policies, based on the common standards and policies of the PwC Network. PwC firms also have access to common methodologies, technologies and supporting materials for many services. These methodologies, technologies and content are designed to help a member firm's partners and staff perform their work more consistently, and support their compliance with the way PwC does business.

### *(iv) Quality reviews*

Each PwC firm is responsible for monitoring the effectiveness of its own quality control systems. This includes performing a self-assessment of its systems and procedures, and carrying out, or arranging to be carried out on its behalf, an independent review. In addition, PwC International monitors member firms' compliance. This includes monitoring not only whether each PwC firm conducts objective quality control reviews of all of its services, but also includes consideration of a member firm's processes to identify and respond to significant risks.

In accordance with applicable regulatory requirements, each firm may also be reviewed periodically, in some cases annually, by national and international regulators or professional bodies.

For Assurance work, there is a specific quality review programme, based on relevant professional standards relating to quality controls including International Standards on Quality Control 1: 'Quality control for firms that perform audits and reviews of historical financial information, and other assurance and related services engagements' (ISQC 1) and where applicable, of the US Public Company Accounting Oversight Board (PCAOB) Quality Controls Standards.

The overriding objective of the assurance quality review programme is to assess for each PwC firm that:

- Quality management systems are appropriately designed, are operating effectively and comply with applicable network standards and policies
- Engagements selected for review were performed in accordance with professional standards and PwC Audit requirements, and
- Significant risks are identified and managed appropriately.

A member firm's assurance quality review programme is monitored, as

is the status and effectiveness of any quality improvement plans a PwC firm puts in place.

### *(e) Independence practices policy*

Objectivity is the hallmark of our profession, at the heart of our culture and fundamental to everything we do. Independence underpins objectivity and has two elements: independence of mind and independence in appearance. PwC firms reinforce both of these elements through a combination of setting the right tone from the top; independent consultation on judgemental issues; detailed policy requirements including prescribed processes to safeguard independence; regular training; and careful observance of independence requirements.



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### 3. Governance structure of PwC Argentina

*The governance structure of PwC Argentina is made up of two main elements: a Leadership Team responsible for directing and implementing the policies and strategies of the firm and for its day-to-day management and an Oversight Board, which oversees the executive management.*

#### **(a) Leadership team**

The Leadership Team is the executive group responsible for:

- Planning, development, management and control of the firm's operations;
- Implementation and customization of the global strategies and policies;
- Implementation of the policies; and,
- Implementation of the recommendations made by the firm's Oversight Board.

The principal objective is therefore promoting maximisation of the value, leadership and prestige of PwC in Argentina and globally.

The Leadership Team is chaired by Javier Casas Rúa (the Chairman), who was elected to serve a term of office for four years from 1 July 2012 to 30 June 2016. The Chairman was elected by the firm's partners and he appoints the other Leadership Team members, all of whom are partners in the firm. Each team member has responsibility and accountability for a specific aspect of our business.

*In conjunction with the other members of the Leadership Team, the TSP has the responsibility and authority to ensure the proper integration of the firm's lines of service, with the objective of enhancing leadership, and has joint management responsibility for support functions in coordination with the appropriate global leaders.*

The members of the Leadership Team, who served through the year ended 30 June 2014, are shown below:



**Javier Casas Rua**  
Chairman and Territory  
Senior Partner (TSP)



**Santiago Mignone**  
Head of Assurance



**Martín Barbafina**  
Head of Markets



**Ricardo Tavieres**  
Human Capital



**Edgardo Sajón**  
Head of Advisory



**Jorge San Martín**  
Tax



**Carlos Rivarola**  
Finance

The Leadership Team provides the necessary liaison between the global structure and the firm. Each member works in coordination with the relevant global leaders and provides guidance for the adequate application of global and local strategies and policies. The Leadership Team implements all the mechanisms necessary for the adequate planning of the operations of the firm (strategic plans and budgets) and the fair and equitable evaluation and compensation of the partners, taking into consideration the underlying objective of promoting the strength of PwC as a whole (corporate strength) and integration needs.

The TSP has, jointly with the Leadership Team, the responsibility and the authority for conducting the firm's affairs within the limits set by strategies and policies at global level. In conjunction with the other members of the Leadership Team, the TSP has the responsibility and authority to ensure the proper integration of the firm's lines of service, with the objective of enhancing leadership, and has joint management responsibility for support functions in coordination with the appropriate global leaders.

## ***(b) Oversight Board***

The principal roles of the Oversight Board are to hold the firm's Leadership Team to account and to represent the interests of partners, and as such it is a vital part of the firm's governance structure.

The Oversight Board is made up of 3 partner members, who are elected for a term of three years by our partners.

Partners use the Oversight Board as a formal communication channel with the Leadership Team. This is achieved by holding regular meetings with partners to get their views on the firm's overall strategy and any other issues that may be of concern.

PwC Argentina has adopted detailed policies and related rules regarding business ethics and compliance with all applicable professional standards. It strictly monitors compliance with all regulatory, professional and internal independence requirements related to financial interests, business and service relationships with clients and asks for annual confirmation of this from all relevant staff.

The members of the Oversight Board, who served through the year ended 30 June 2014, are shown below:



**Carlos Pace**  
Assurance



**Norberto Montero**  
Assurance



**Carlos Zima**  
Tax

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## 4. Internal control and internal quality control systems

*We are committed to delivering the highest quality professional services and audit quality remains of paramount importance to the firm and our continued success in the marketplace. Quality comes from more than the systems and processes that are embedded in the way we work to achieve compliance with standards and regulation, important though these are. Ultimately, it depends on the culture of the firm, which is based on the ‘tone at the top’, and our ability to recruit, train and motivate intelligent professionals who take personal responsibility to deliver high-quality work.*

### Introduction

PwC Argentina’s quality control systems for our Assurance practice are based on International Standards on Quality Control 1 – ‘Quality control for firms that perform audits and reviews of historical financial information and other assurance and related services engagements’ (ISQC 1) – issued by the International Federation of Accountants (IFAC).

ISQC 1 applies to firms that perform audits of financial statements, and provide other assurance services where they relate to activities that are reported in the public domain and are therefore in the public interest.

The objective of ISQC 1 is for the firm to establish and maintain systems of quality control to provide it with reasonable assurance that:

- The firm and its personnel follow professional standards and applicable legal and regulatory requirements
- Reports issued by the firm, or by engagement leaders are appropriate in the circumstances.

In addition, compliance with International Standards on Auditing requires PwC Argentina to have quality control systems over its assurance practice. The policies and procedures that form our internal quality control systems have been documented, and there is a monitoring regime to enable the Leadership Team to review the extent to which the policies and procedures are operating effectively.

The policies and procedures are embedded as part of the firm’s day-to-day activities.

Although this report is focused on our Assurance practice, many of our systems, policies and procedures operate firmwide across all parts of our business.

Our internal control systems are based on the six elements of quality control set out in ISQC 1, which are:

- Leadership Responsibilities for Quality within the Firm
- Ethical Requirements
- Acceptance and Continuance of Client Relationships and Specific Engagements
- Human Resources
- Engagement Performance
- Monitoring

***The reputation and success of the firm depends on the professionalism and integrity of every partner and member of staff.***

In parts 1 to 6 below, we set out how our internal control and internal quality control systems incorporate each of the above elements. Certain elements of the firm's internal quality control systems are reviewed by the firm's regulators. They are also subject to review as part of the evaluation by PwC International of PwC Argentina's compliance with the Network Risk Management Standards. Updates and changes to the firm's internal quality control systems, as well as points needing reinforcement, are communicated to partners and staff via mandatory training and other technical communications. Details of the firm's internal quality control systems are available to partners and staff.

***1. Leadership responsibilities for quality within the firm***

**(a) Organisational structure**

The Leadership Team under Javier Casas Rúa's chairmanship is responsible for the firm's internal control and internal quality control systems.

Day-to-day responsibility for implementing this system and for monitoring risk and the effectiveness of control is delegated to Compliance, Risk Management and the individual Lines of Service, where appropriate.

The firm's leadership is committed to quality work and has established a culture of upholding the values of integrity, independence, ethics and professional competence.

Resources dedicated to establishing high standards in quality, independence and professional ethics are in place. Quality has been embedded throughout the firm and the detailed policies endorsed by the Leadership Team including ethical, human resources and engagement performance, are discussed below.

***2. Relevant ethical requirements***

We take good ethical behaviour seriously and seek to embrace the spirit and not just the letter of relevant ethical requirements.

PwC Argentina has an Ethics Committee comprised of 5 partners, namely, Hugo Almoño, Teresita Amor, Jesús Espevez, Norberto Montero and Ricardo Tavieres. In addition, Ricardo Tavieres is PwC Argentina's Business Conduct partner, a role defined by the Ethics Standards. He is also a partner member of the Leadership Team and supported by a team to help the firm apply comprehensive and consistent independence policies, procedures and tools.

All partners and staff undertake regular mandatory training so that they understand the ethical and professional requirements under which we operate.

**(a) Professional conduct**

The reputation and success of the firm depends on the professionalism and integrity of every partner and member of staff. Partners and staff comply with the standards developed by the PwC Network and PwC Argentina, and the firm monitors compliance with these obligations.

On joining the firm, all staff and partners are provided with a copy of the PwC Argentina Code of Conduct. The Code of Conduct sets out what we stand for and is underpinned by the following overarching principles:

- Acting professionally doing business with integrity
- Upholding our and our clients' reputations
- Treating people and the environment with respect
- Acting in a socially responsible manner
- Working together and thinking about the way we work
- Considering the ethical dimensions of our actions.

***We have rigorous client and engagement acceptance and continuance procedures to help protect the firm and its reputation.***

#### **(b) Independence**

The firm has specific policies, procedures and practices relating to independence, which are explained in more detail in Section 6.

#### **(c) Confidentiality and information security**

Confidentiality and information security are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the firm to legal proceedings, and it may also adversely impact our reputation. We have policies in place to ensure oversight, policy and strategic direction on information security matters.

### ***3. Acceptance and continuance of client relationships and specific engagements***

We have rigorous client and engagement acceptance and continuance procedures to help protect the firm and its reputation.

#### **(a) Acceptance and continuance systems**

Within Assurance, we use an Acceptance and Continuance system (A&C) for all audit work. The A&C enables engagement teams, business unit management and risk management specialists to determine whether the risks related to an existing or potential client or engagement are manageable, and whether or not PwC Argentina should be associated with a particular client, its management and the services in question. It

also contains triggers that require consultation within business units and with the Risk Management partner. This allows the right people to make the right decisions and also enables the firm to put in place safeguards to mitigate identified risks.

#### **(b) Withdrawal from an engagement**

Policies and procedures are in place for circumstances in which we determine that we should, or are required to, withdraw from an engagement. These policies include the need for appropriate consultations both within the firm and with those charged with governance of our clients, ensuring compliance with legal and professional obligations.

The policies and procedures also deal with circumstances where we become aware of information after accepting the engagement which, had we been aware of that information earlier, would have led us to decline the engagement.

#### **(c) Conflicts of interest**

Before accepting a new client or engagement, we perform checks to identify relevant relationships. Where conflicts of interest are identified, we either decline to accept an engagement or we put in place arrangements to make sure that potential conflicts of interest are appropriately managed.

## ***4. Human resources***

Perhaps the most critical components of quality are the skills and personal qualities of our people. As a professional services firm, many of these skills and qualities are relevant to all our Lines of Service. As a consequence, our strategy for recruitment, engagement, development, diversity and remuneration is consistent across the firm.

#### **(a) Recruitment**

PwC Argentina aims to recruit, train, develop and retain the best and the brightest staff that shares in the firm's strong sense of responsibility for delivering high quality services. We have always believed that the best audits are performed by bright and intelligent people. Accordingly, we maintain a strategy of accepting strong graduates into our audit business and set a high academic threshold. Candidates are considered according to multiple criteria, including their academic achievement.

#### **(b) Performance evaluation**

We continue to invest in equipping our partners and staff with the coaching and management skills needed to give honest feedback, to continually improve performance. We expect feedback to be provided regularly by all staff and partners. This feedback then forms a key element of our annual appraisal process. All partners and staff assess their performance against their agreed objectives and against grade-related Global Core Competencies.

***The firm's leadership is committed to quality work and has established a culture of upholding the values of integrity, independence, ethics and professional competence.***

The appraisal process covers technical competence and quality, and consideration is given not only to what an individual has achieved, but also how they achieved it. Based on this assessment, individuals are assigned a performance rating that is benchmarked across the firm and which influences their salary, bonus and progression within the firm. Unsatisfactory work results in reduced or no performance-related remuneration and corrective action being taken, as appropriate.

#### **(c) Career development**

We develop our people through a combination of on-the-job experience, coaching and training programmes. This is supported by additional development opportunities, such as internal and external secondments, international assignments, membership of professional committees and working groups.

Each member of staff has a coach manager assigned to them, who is responsible for their performance management, coaching and well-being. The coaches work with individuals to understand their strengths and development areas, and assess what opportunities are available to help them to acquire necessary skills.

#### **(d) Promotion**

Any promotion in the firm is based on an individual's performance, their skills and the business case. In the case of admission to partnership, the process is particularly thorough and involves the Line of Service leadership teams. All potential admissions to partnership are considered by the Partner Admissions Committee, and are put to the full partnership for consideration.

#### **(e) Remuneration**

In determining remuneration for our staff, we carefully balance several elements including: the economic climate; recognition of people's hard work including the quality of the work they deliver; the performance of the firm; and investment for the future.

#### **(f) Assignment of engagement teams**

Partners and staff are assigned to engagement teams, based on the individuals' experience, competencies and grade. In addition, for certain types of work we specify levels of experience and specific additional training to make sure that the individuals are competent to undertake that type of work. In some areas, formal accreditation is needed, for example only accredited individuals can lead or undertake certain types of work such as capital market transactions and due diligence work.

#### **(g) Diversity**

In all of the above areas of activity, we prioritise diversity. Having a diverse workforce with a broad range of strengths helps us to ensure we deliver quality work to our clients. We want all our people to flourish, whatever their background, and we specifically measure our performance in this area against our gender profile.

### ***5. Engagement performance***

We invest heavily in the effectiveness of our audits, in the skills of our people and in our underlying audit methodology, as well as in making the right amount of time and resources available.

#### **(a) Methodology and tools**

Member firms of PwC International use a common audit methodology and process (PwC Audit), supplemented by local regulatory requirements, for their audit engagements. This common methodology allows us to provide high quality and consistent audit services to multinational organisations and facilitates sharing of good practice and mobility of partners and staff across the PwC Network. The PwC Argentina audit approach adheres to International Standards on Auditing, and laws and regulations in Argentina, and we continuously seek to improve the model.

PwC Audit includes specific policies and procedures about the audits of groups including multi-locational and cross-border groups. Those policies and procedures include the use of, and reliance on, other auditors, whether they are part of the PwC Network or not, and the signing of group audit reports.

the practice. These policies cover both professional and regulatory standards and also reflect the guidance that PwC Argentina provides to its professionals on how best to implement them. They are available in electronic files and databases, and are accessible to our people remotely at any time.

Assurance Risk and Quality group is in accordance with professional standards.

#### **(d) Supervision and review**

The engagement leader and engagement manager supervise the audit, review the work done, coach the team and maintain audit quality. Our audit software, Aura, is designed to help audit team members track the progress of the engagement and therefore make sure that all work has been completed, that work is reviewed by the relevant individuals including the engagement leader and, where relevant, the Quality Review Partner, and that all matters arising have been appropriately addressed.

The engagement leader is expected to:

- Lead the performance of the audit and its documentation by being proactively and sufficiently involved throughout the audit including being satisfied that risks have been assessed and responded to appropriately
- Drive a cultural mindset that strives for continuous quality improvement, challenges engagement team members to think, analyse, question and be rigorous in their approach, and embody the experiences of our clients and people in how the team delivers the audit and applies professional scepticism
- Foster an integrated coaching culture and demonstrate a willingness to learn and to coach others

***Our audit software, Aura, drives audit quality and enables the execution of a single, globally consistent audit approach.***

Our audit work is documented using our electronic documentation tool, Aura. Aura supports teams in applying our methodology effectively by creating transparency of the linkage between risks and the work done to address those risks, as well as providing comprehensive project management capabilities. The objective is that the quality of our audits improves, as teams are able to focus their efforts on areas of risk.

#### **(b) Comprehensive policies and procedures**

The firm has policies and procedures governing accounting and auditing practice. These are regularly updated to reflect new professional developments, changes in our operating environment and emerging external issues, as well as the needs and concerns of

#### **(c) Consultation and support**

Consultation is a key element of quality control. The firm has policies setting out the circumstances under which consultation is mandatory. The firm's technical experts track new developments in relevant areas and provide updates to the appropriate professional staff.

Our consultative culture also means that our engagement teams regularly consult with each other on an informal basis, as well as experts and others, often in situations where consultation is not formally required.

Within Assurance, we use a consultation database that has been specifically designed to aid the enquiry and consultation process. It also makes sure documentation of consultations with the

- Be responsible for the engagement team undertaking appropriate consultation on difficult or contentious matters, initiating those consultations where necessary
- Have an ongoing involvement in assessing the progress of the audit, and in making key judgements
- Be satisfied that the review, supervision and quality control procedures in place are adequate and effective
- Have an overall responsibility for reviewing and assessing the quality of the work done, its proper and timely documentation and the conclusions reached.

The engagement manager supports the engagement leader by:

- Setting an example in the performance of the audit and its documentation by being involved throughout the audit including identifying the risks and being satisfied that they are responded to appropriately
- Striving for continuous quality improvement, challenging engagement team members and applying rigour to the audit process
- Fostering an integrated coaching culture and demonstrating a willingness to learn and coach others
- Together with the engagement leader, putting in place arrangements for timely reviews of audit work and documentation, and, taking into account the

nature, extent and level of reviews already performed by other members of the team, satisfying himself or herself that the work performed and documentation is consistent with the understanding of the engagement

- Reviewing work done and the record of the audit including considering the quality of the audit process and the results of the work and the documentation of conclusions.

In addition to reviews by the engagement leader and engagement manager, all staff are expected to critically self-review their own work to make sure that it meets the relevant requirements.

#### **(e) Engagement quality control review**

We appoint a Quality Review Partner (QRP) to conduct engagement quality control reviews of the audits of listed clients, other public interest entities and clients identified as high risk. QRPs are experienced partners who are independent of the core engagement team; they receive training when appointed as a QRP. QRPs are appointed to an engagement, based on their experience and expertise.

The QRP is responsible for reviewing key aspects of the audit including independence, significant risks and their responses, judgements, uncorrected misstatements, documentation of work done in the areas reviewed, the financial statements, communication with

those charged with governance and the appropriateness of the audit report to be issued. QRPs are involved throughout the audit process so that their input is timely.

The QRP will seek to challenge the audit team in the judgements they have made and work done. Their review is completed and any matters raised are resolved to the QRP's satisfaction in advance of the audit report date.

#### **(f) Engagement documentation**

At the end of an engagement, teams are required to assemble the hard copy paper file and then archive both this and the electronic file within set periods laid down by professional standards and law.

In the case of the electronic audit file, automated processes exist to make sure that the file is archived on time and the act of archiving prevents any further amendments being made to the file. The hard copy file is then retained in a secure access controlled filing system.

Both the electronic and hard copy paper files are accessible only by members of the engagement team until they are destroyed. All engagement files are destroyed after periods specified by law or professional standards.

#### **(g) Audit reporting**

We are acutely aware that the effectiveness of our work as auditors is directly linked to the effectiveness of our reporting, whether to audit

committees and boards of directors, or in the role we play in external reporting.

*(i) Reporting to audit committees*

When reporting to audit committees, and those charged with governance in other organisations where no audit committee exists, we place particular emphasis on communicating our audit scope and approach, together with our assessment of audit risk. During the course of the audit we communicate any threats to auditor objectivity including independence, the significant risks and judgements that impact the reported financial performance and position, and the manner in which the information is presented in the annual report. In part, this presentation of significant judgements includes highlighting to the audit committee the judgements that have been made by management in preparing the financial statements that we believe are important to an understanding of the performance being presented. It is important as auditors that we recognise that the nature of accounting and the judgements that are applied mean that there is often not a precise answer.

It is also our role to inform the Board whether we can conclude that what is reported externally is reasonable within established norms of materiality including considering both qualitative and quantitative aspects of accounting and reporting.

*(ii) External reporting*

The form and content of our audit reports for Argentinean entities are laid down by professional

standards in force in Argentina. We are conscious that our reports should be clear and unambiguous. We also believe that they should be informative and valuable in providing additional insights from our audit.

Engagement leaders only conclude on the reasonableness of the financial statements and sign an audit opinion following appropriate review of the work performed by the audit team, resolution of issues identified, clarification of any uncertainties and an assessment of uncorrected misstatements, both quantitative and qualitative, identified in respect of the financial statements. Consultation procedures are in place where a modified opinion or an emphasis of matter is proposed. The consultation process assists in conveying matters raised clearly and unambiguously.

## **6. Monitoring**

Monitoring of our internal quality control systems comprises internal and external monitoring. External monitoring is undertaken by the firm's regulators and is dealt with in Section 5.

Quality monitoring is an integral part of the firm's continuous improvement programme. The firm constantly seeks to improve policies, procedures and the consistency of the quality of our work. Instances of failure to meet defined performance standards are treated seriously and the engagement leader responsible will be counselled to improve performance. In addition, under the firm's accountability framework, an engagement leader's remuneration can be impacted by quality failings.

**Quality monitoring is an integral part of the firm's continuous improvement programme. The firm constantly seeks to improve policies, procedures and the consistency and quality of our work.**

Details of the Assurance programme are set out below.

### **(a) Global Assurance Quality Review Programme**

The PwC Network has established a review programme for all PwC Assurance practices. This includes a Quality Management Review (QMR), which tests whether our quality management systems are appropriately designed, operating effectively and complies with our Network standards, and an Engagement Compliance Review (ECR) programme to assess whether engagements are performed in accordance with relevant standards. The results of the QMR and ECR are included in the Member Firm Report, issued on each Assurance practice.

*(i) Quality Management Review*

A full QMR is performed at least every three years with an update being performed in the intervening years. The updates monitor progress on remediation of any control issues raised in the last full review and assess the impact of any new developments on the internal quality control systems. The QMR is led and resourced from other PwC Network firms.

*(ii) Engagement Compliance Reviews*

- The key features of the annual ECR programme are as follows:
- A review of completed audit engagements of individuals in the firm who are authorised to sign audit reports (known as Responsible Individuals)
- An audit engagement of each Responsible Individual is reviewed at least once every three years as required by Audit Regulations, although the frequency increases where we target higher profile clients
- A review of completed non-audit engagements
- Engagement leaders who perform non-audit work are reviewed at least once every five years but, depending on the nature of the non-audit work performed, the engagement leader may be reviewed more frequently
- Engagement reviews are led by experienced partners, supported by teams of directors and managers who are all independent of the office, business unit and engagement leader being reviewed
- Follow-up reviews take place if deficiencies have been identified
- Adverse findings are taken into consideration in determining the reward and promotion of engagement leaders
- Results are reported to the Leadership Team and PwC International.



## 5. External monitoring

### **(a) Regulators in Argentina**

The firm is registered and authorised to undertake statutory audit work by the BCRA, the Argentine Central Bank; the SSN, the National Insurance Entities Regulator; and the CNV, the Securities and Exchange Commission in Argentina.

Each year, as part of its monitoring responsibilities, the BCRA undertakes inspections of the financial institutions under its scrutiny. Under this inspection programme, the BCRA may conduct reviews of the working papers of those who perform an external control over the financial institutions, including their statutory auditors.

Up to the date of this report, the CNV has not set up an external inspection programme over statutory auditors.

### **(b) Overseas regulators**

PwC Argentina is registered in the following territories in order to meet local requirements in relation to the audits of certain entities:

- US
- UK
- Luxembourg

As a requirement of these registrations, PwC Argentina is subject to monitoring by the relevant regulatory bodies. Up to the date of this report, none of these regulators with the exception of the US Public Company Accounting Oversight Board (PCAOB) have undertaken inspections of our audit work.

The US PCAOB is the regulator for the audits of public companies with shares listed in the US. PwC Argentina engagements relevant to the PCAOB include SEC registrants that are Foreign Private Issuers and the Argentinean components of US listed groups.

The PCAOB inspected PwC Argentina in 2006, 2009 and more recently in 2012. The PCAOB's inspection included the review of the audit files for a number of engagements and the firm's related quality control procedures. The 2006 and 2009 inspections have concluded satisfactorily. The PCAOB

has issued a report on the inspection carried out during 2012 which is publicly available on the PCAOB's website. According to the PCAOB rules, the firm has a 12-month period due 1 October 2014 in order to respond to the inspection report. PwC Argentina issued its final response in August 2014. As of the date of this report, the PCAOB has not formally approved the response issued by PwC Argentina.

No other regulatory inspections by overseas regulators have taken place or are currently planned.

***We are committed to working constructively with, and take seriously, all the findings identified by the firm's regulators in relation to the quality of the firm's audit work.***

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## 6. Independence policies and practices

### (a) Organisation

PwC Argentina has a designated partner Sergio Testoni, (known as the “Partner Responsible for Independence” or “PRI”) with appropriate seniority and standing, who is responsible for providing appropriate support and processes such that partners and staff are knowledgeable about independence matters and that they take the actions required of them by the firm’s independence policies and supporting guidance. A small team of independence specialists supports the partner.

### (b) Policies and guidance

The PwC Network Independence Policy, which is based on the International Ethics Standards Board for Accountants (‘IESBA’) Code of Ethics for Professional Accountants, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

The independence requirements of the United States Securities and Exchange Commission and those of the Public Accounting Oversight Board of the United States are, in certain instances, more restrictive

than the firm’s policy. Given the reach of these requirements and their impact on PwC Network Firms, the policy identifies key areas where these requirements are more restrictive.

PwC Argentina supplements the PwC Network Independence Policy as required by the Argentine professional standards and of their regulators.

The Firm’s independence policy covers, among others, the following areas:

- Personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts and loans by partners, staff, the firm and its pension schemes;
- Non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services (‘SOPS’), which provide practical guidance on the application of the policy in respect of non-audit services to assurance clients; and
- Business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business.

### (c) Training and confirmations

PwC Argentina provides all partners and staff with annual or on-going training in independence matters. Additionally, PwC Argentina’s independence specialists and risk and quality teams deliver face-to-face training to members of the practice on an as-needed basis.

PwC Argentina requires all partners and staff, upon joining and at least annually thereafter, to confirm their compliance with all aspects of PwC Argentina independence policy, including their own personal independence. In addition all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that PwC Argentina processes have been followed in accepting these engagements and relationships. These confirmations serve two primary purposes: to identify any threats to independence that may have arisen; and to provide a periodic reminder of PwC Argentina’s independence policies and procedures. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations for PwC Argentina’s public clients.

## ***(d) Independence Systems***

As a member of the PwC Network, the Firm has access to a number of global systems that assist PwC member firms and their personnel in complying with independence policies and procedures.

These systems include:

- The Central Entity Service (“CES”), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the firm before entering into a new non-audit engagement or business relationship. This system also feeds the Global Portfolio System (“GPS”);
- The GPS that facilitates the pre-clearance of publicly traded securities by all partners, directors and practice managers before acquisition and records their subsequent purchases and disposals. Where a member firm wins a new audit client, this system automatically informs those holding securities in this client of the requirement to sell the security where required; and
- Authorisation for Services (“AFS”) which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documenting the potential independence

threats of the service and proposed safeguards, and acts as a record of the audit partner’s conclusion on the acceptability of the service.

- PwC Argentina also has a number of local systems, which include, for example, a rotation tracking system that monitors compliance with our Firm’s audit rotation policies for engagement leaders and key partners.

## ***(e) Internal reviews of independence procedures and practices***

Our independence procedures and practices are subject to internal review on an on-going basis. This is achieved through a monitoring and testing programme, which includes the following:

- Quality control reviews of engagements to confirm compliance with risk management processes, including independence;
- Personal independence compliance testing of a random selection of partners, directors and managers;
- Compliance testing of independence controls and processes; and
- Annual assessment of our Firm’s adherence with the PwC Network’s independence risk management standard.

- In addition, policies and guidance are reviewed and revised when changes arise such as updates to laws and regulations, when PwC Network policies and guidance change or as a result of the above reviews and of our monitoring and testing programme.
- The results of our Firm’s monitoring are reported to our Leadership Team to provide assurance that our Firm’s policies and processes are being followed. The investigations of any identified violations of policies also serve to assess the need for improvements in our Firm’s systems and processes and for additional guidance and training. An internal review of the effectiveness of our independence processes is conducted annually

## ***(f) Disciplinary policy***

PwC member firms are required to have disciplinary mechanisms to promote compliance with independence policies and processes and to report and address any violations of independence requirements. A partner or staff member may be subject to a fine or other disciplinary action for a violation of independence policy.

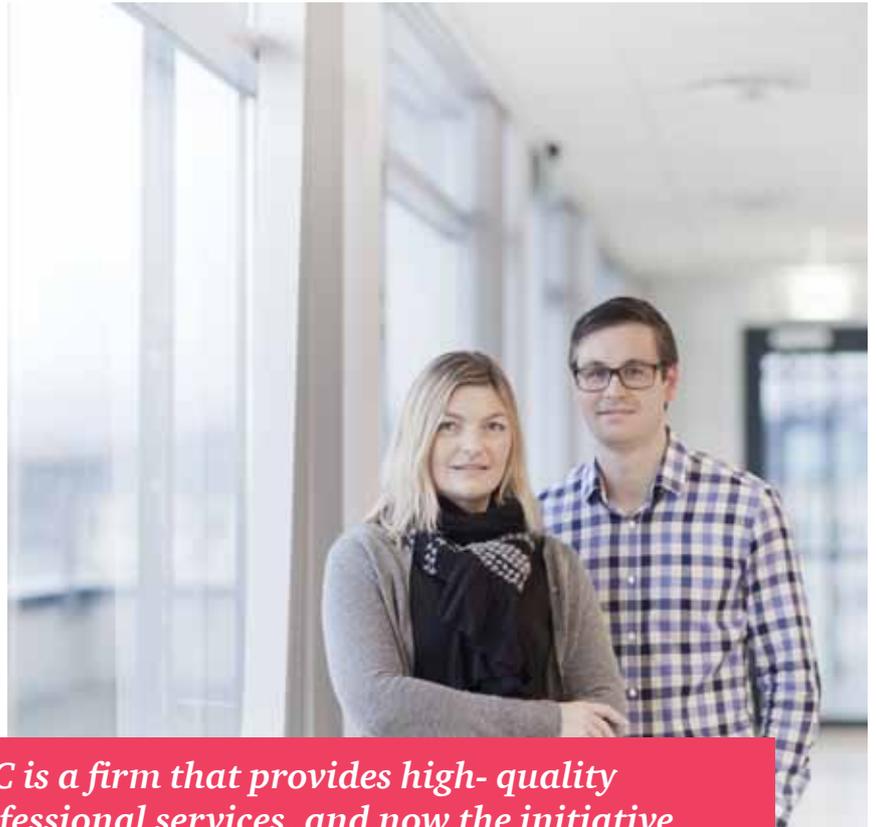
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## 7. Our people

### **(a) Continuing Education**

Our Firm has created and maintains up-to-date comprehensive online reference databases and materials, which are accessible by all assurance practice partners and staff. These cover audit policy, procedures and methodology, and include a library of relevant Argentine and international accounting, auditing and ethical standards. To support and keep staff and partners' knowledge up to date, partners and staff receive regular communications on technical and regulatory topics as they arise through internal technical alerts and newsletters. Partners, managers and staff participate in at least four update technical meetings a year covering several aspects of technical and regulatory topics. A Technical Team provides consultation support on all aspects of auditing, accounting and regulatory requirements. We have subject matter experts in specialist industries.

Our Firm's internal training curriculum provides a broad range of technical solutions as well as business and personal skills programmes. There are also specialised training programmes available for those with clients in specialist industries.



*PwC is a firm that provides high- quality professional services, and now the initiative of the PwC Argentina School of Business falls within our commitment to society to train professionals and executives “who know how to be” and have a responsible vision of business.*

We carefully assess the training needs of our people to be certain of a close match with our business needs and optimum cost efficiency. As a result, most of our training solutions concentrate on reinforcing the technical excellence of our people (accounting standards, risk management, industry and audit methodology for example).

## ***(b) Our School of Business***

Today we are living in a new paradigm regarding business education. Its values and principles were strongly impacted by the effects of the global crisis that erupted in September 2008. This impact created a current that called into question the moral responsibility in the face of risk and forced us to reflect on ethics and culture in the business world. To be able to respond to future market trends and innovation, universities and companies ought to work together in the vocation of diffusion and generation of knowledge.

With this in mind, PwC generates value for its clients through the contribution of our human capital. That is why it is strategic to enhance the quality and quantity of available talents, providing them appropriate technical training, empirical and moral formation for those who are working as entrepreneurs and managers of business.

Which is why last year PwC Argentina created the PwC Argentina School of Business. Its opening and continuous growth enables us to leverage our strategy and our vision 2015. Our School of Business marks the integration of our current technical curricula with training programs in management and leadership that are developed in partnership with top-notch universities.

We have sealed strategic alliances with universities focused on developing a series of internal programs for PwC professionals and external ones for the business community in general, addressing diverse topics that include business development; strategy; management and generating results; creativity and innovation; ethics and corporate governance; team management; negotiation; networking; commercial management, and much more.

During the year ended 30 June 2014, the PwC Argentina School of Business had a series of conferences with renowned local professionals in the development of current political-economic topics and management issues from businesses in Argentina. We also continued to sponsor Senior Management Programmes for our partners in association with renowned local universities.

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## 8. Financial Information

At PwC Argentina our wide range and size of clients come from a broad spectrum of activities, the financial sector, including banking, asset management and insurance, to industrial and commercial activities, from large multinationals to small family-run businesses and, of course, the public and institutional sectors.

Our gross revenues for audit services represent approximately 52% of our firm's total gross revenues. Tax, advisory and other assurance services represent approximately 22%, 23% and 3% of our firm's total gross revenues, respectively.

A list of the public interest entities defined as those incorporated outside of the EU that have transferable securities listed on a EU regulated market for which we carried out a statutory audit during the year ended 30 June, 2014 can be found below. In the aggregate, these clients represented approximately 1% of our firm's total gross revenues from audit services for the year ended 30 June, 2014.

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## 9. Remuneration of partners

At PwC Argentina, our partners are remunerated solely out of the profits of our firm. The final allocation and distribution of profit to individual partners is made once their performance has been assessed and the annual financial statements have been approved.

Each Partner's remuneration comprises three interrelated profit-dependent components:

- Responsibility income – reflecting the Partner's sustained contribution and responsibilities;
- Performance income – reflecting how a Partner and their team(s) has performed; and
- Seniority income – reflecting the number of years of the person as an active partner in the firm.

Each partner's performance income is determined by assessing achievements against an individually tailored balanced scorecard of objectives based on the partner's role and responsibilities.

Under no circumstances are partners rewarded for selling non-audit services to audit clients.

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## 10. Public interest entities

During the period covered by this report PwC Argentina has signed the audit opinion for the following clients:

<i>Company Name</i>	<i>Type of Transferable Security</i>	<i>EU Regulated Market</i>
Mortgage Trust BHN III	Fixed and Floating Rate Bonds	Luxemburg Stock Exchange
Grupo Clarín S.A	Depository Receipts	London Stock Exchange



