Africa Annual Review 2024

Translating our humanity: Risk and quality

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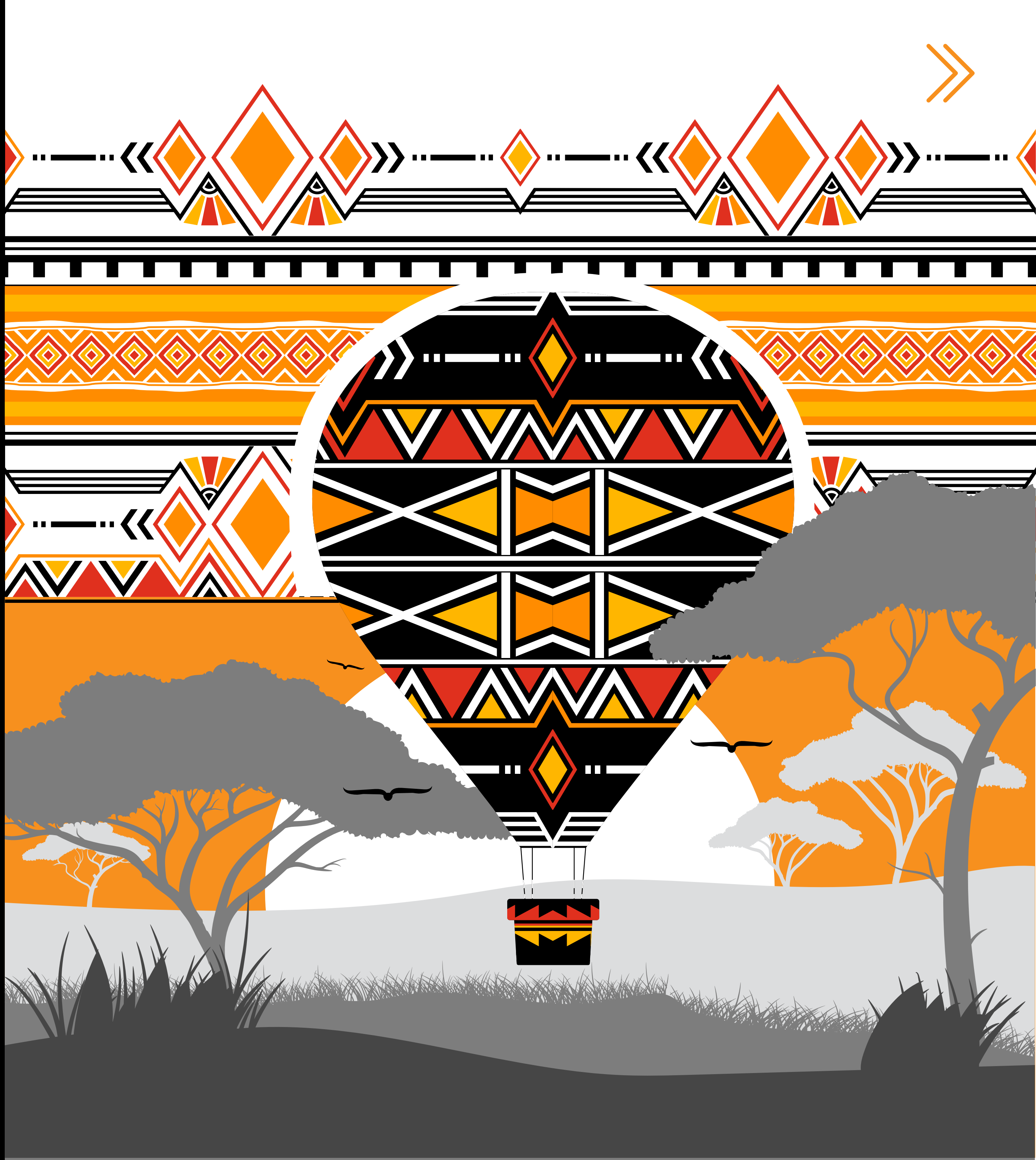


Translating our humanity

Risk and quality

Governance, leadership and legal structure

Africa Governance Board

PwC firms in the South Market Area (SMA), West Market Area (WMA) and East Market Area (EMA) fall under the governance arrangements of the PwC Central and Southern Africa Joint Venture (PwC Africa). These governance arrangements are exercised by the Africa Governance Board, constituted in terms of the PwC Africa joint venture agreement, which details its powers and duties.

Africa Governance Board members are elected by the partners in each of the three market areas making up PwC Africa. The members of the board elect the Chairman. The Governance Board delegates authority to several board committees. The committees are accountable to the Governance Board and report to the members at each board meeting.

Constitution

- 12 members
- Four scheduled meetings per annum (and ad hoc meetings if required)
- Term of office: Four years

Africa Leadership Team

PwC Africa's CEO, Dion Shango, leads our Africa Leadership Team. Dion appoints the members who represent PwC Africa's three market areas and strategic functions, including lines of service, operations and strategic functional areas of our business.

PwC South Africa Governing Board ("the Governing Board")

The PwC South Africa partners elect members, and the members elect the Chairman. The Governing Board oversees the implementation of PwC Africa's long-term strategies and business plans across South Africa.

Constitution

- 10 members (nine elected by partners and the Chief Executive Officer, serving ex officio)
- Four scheduled meetings per annum (and ad hoc meetings if required)
- Term of office: Four years

Market area management Committees

Each PwC Africa market area has its own management committee. These committees handle direct management and the firms' results in each Market Area. Their principal responsibilities include creating, directing, and overseeing strategy implementation, developing succession plans for leadership roles, and ensuring regular and ongoing partner communication regarding the progress and performance of the market area's firms.

Constitution

- Members appointed by the PwC Market Area's Chief Executive Officer (SMA) or Regional Senior Partner (EMA and WMA)
- Eight scheduled meetings per annum
- Term of office: Four years

Legal structure

'PwC' refers to the international PwC network and/or one or more of its member firms, each of which is a separate legal entity.

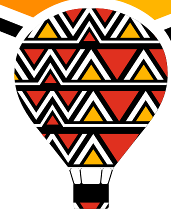
PwC is the brand under which PricewaterhouseCoopers International Limited (PwCIL) member firms operate and provide professional services. Together, these firms form the PwC network. 'PwC' refers to individual firms within the PwC network or several or all of them collectively.

In many parts of the world, accounting firms are legally required to be locally owned and independent. Although regulatory attitudes on this issue are changing, PwC member firms do not and cannot currently operate as a corporate multinational. The PwC network is not a global partnership, a single firm or a multinational corporation.

In Central and Southern Africa, the individual member firms of 18 countries in the three market areas formed a joint venture, which we call PwC Africa. Each joint venture member remains a separate legal entity and contracts and delivers services as an independently owned separate legal entity.

Risk management

How we identify and manage key risks and engage with our stakeholders



At PwC, we understand that robust risk management is essential for sustaining the trust and confidence of our clients, regulators and stakeholders. We strive to maintain a strong and responsive enterprise risk management (ERM) framework. The framework is reviewed regularly to reflect the inherently dynamic nature of the risks we face as a business. The network's governance and oversight structure includes the following elements, all of which are geared toward effective risk management.

At PwC, the Africa Governance Board provides oversight, review and approval of our network's ERM approach and focus.

- The Africa Leadership Team provides strategic direction (including in the area of ERM).
- The Chief Risk Officer (CRO) is responsible for network risk management, including ERM.
- The PwC network and its member firms take a systematic approach to ERM.

The risks with the highest potential impact for the PwC network are reviewed on an annual basis.

- These Key Network Risks (KNRs) and their related significant mitigation plans are reviewed by the PwC Global Board.
- KNRs are risks which have the potential to either undermine the achievement of the network strategy and business objectives, or fundamentally damage the network and compromise its future.
- These global KNRs as well as local facts and circumstances are considered when determining the key risks for PwC Africa.

Key factors in our assessment include:

- Client and service quality, and the network's ability to fulfil its obligations to clients and regulators and to meet the expectations of other stakeholders.
- The trust of clients and other key stakeholders (including regulators and governments).
- Legal and regulatory compliance across the network.
- Achievement of the network and firm strategy, including its purpose.
- The ability of our individual member firms to recruit and retain key talent.
- Revenues across our individual member firms.

PwC Africa's key network risks

Building trust and delivering sustained outcomes

Geopolitical and macroeconomic conditions (including impact on sustainable financial results)

The risk of negative economic developments and headwinds coupled with geopolitical tensions in our markets of operation which may affect our ability to deliver on our strategy, achieve and maintain sustainable commercial success required to grow the business, invest in future talent and expand business operations.

Regulatory and policy changes impacting business

Failure to engage stakeholder groups which affects our ability to anticipate changes in regulation and public policy increases the risk of disruptive regulatory change to the business. Such change could impact our ability to deliver on our purpose and to operate in a sustainable way.

Climate resilience and ESG

Failure to consider the impact of climate change on the firm and to prepare for its implications, including the impact of physical risks and related disruption and to meet the network's commitment related to climate change.

Public perception and reputation

Risk related to loss of trust, insufficient market credibility and poor client and stakeholder experience resulting from adoption by individuals or groups, including alliance partners, and/or member firms, of values or behaviours which are inconsistent with the PwC values and purpose or are unethical in nature.

Physical security

Risks relating to the physical security of PwC staff and infrastructure wherever deployed.

Delivering quality

Quality

A significant failure in evaluating the risks associated with accepting or continuing with a client or engagement or a significant service delivery quality failure could impact our reputation and lead to litigation and/or regulatory action.

People

Failure to attract, retain and develop a diverse and inclusive pool of skilled talent will impact our ability to deploy resources rapidly to realise opportunities, deliver quality, meet clients' changing needs and deliver on our strategy.

Tech-powered

Technology enabled disruption

Failure to prepare for and respond to technology enabled disruptions such as genAI will impact our ability to bring new services and solutions to the market responsibly and with speed and agility.

Data management and security

Risk of not implementing appropriate controls and mitigations to manage data which prevents misuse, loss and unauthorised access.

Information security and cyber resilience

Failure to manage the cyber security of the firm resulting in reduced defences against ransomware attacks which will impact our reputation and cause legal and brand damage.

The most significant risks to our network stem from the nature of our business and external factors. We remain acutely aware of our impact on the world around us and the need to work with our stakeholders to manage those impacts more effectively.

Material issues impacting stakeholders

We continuously assess and address the concerns of our key stakeholders as part of our process for identifying risks. This includes:

- The quality of work performed for clients and delivering sustained outcomes.
- Our compliance with applicable laws, regulations, professional standards, rules and internal policies. This includes our member firms' compliance with audit and assurance independence rules and regulations.
- Our ability to meet the evolving requirements of regulatory and public policy.
- Our member firms' compliance with applicable data management standards.
- Our member firms' ability to safeguard and manage data.
- The quality of our information and cybersecurity processes and procedures.
- The actions of our people and our member firms aligning with our values and societal expectations.
- The resilience of our member firms to withstand economic, regulatory and political shocks.
- The resilience of critical technology systems across our individual member firms.
- Our ability to attract, retain, train and deploy the right people to achieve high-quality delivery and innovation.
- The maintenance of the PwC brand and the confidence it gives in our work and deliverables.

Engaging with our stakeholders

Our commitment to transparency extends to proactive engagement with stakeholders at both network and individual PwC firm levels.

Below are some examples of how we engage as a network. Although not exhaustive, these examples illustrate the various ways we actively interact with our stakeholders on important issues.

- **Our people** – We engage with our people across the world, both locally and network wide, in a variety of ways including global and local surveys.
- **Clients** – We work with clients across the continent, ranging from individuals to the world's largest corporations.
- **Standard setting bodies** – We actively participate in financial and nonfinancial reporting consultations
- **Regulators** – We work with our regulators across the world, particularly on efforts to enhance audit quality and support the effective operation of tax systems around the world.
- **Think tanks and NGOs** – We discuss key issues such as climate change and social inequality, which is a key part of our work to fulfil our purpose.
- **Investors** – We play a key role in the functioning of capital markets as one of the world's largest networks of audit firms.
- **Alumni** – Thousands of PwC alumni across the world remain an important part of the PwC community.

PwC participates in public policy development in a variety of ways intended to complement the PwC Purpose to build trust and solve important problems, for example:

- **Engaging with standard-setting bodies**, such as the International Ethics Standards Board for Accountants (IESBA) and the International Auditing and Assurance Standards Board (IAASB).
- Providing comments on draft regulations and guidance from **regulatory and other standard-setting bodies**.
- Participating in **multilateral organisations**, such as the Organisation for Economic Co-operation and Development (OECD).
- Contributing to **fora for issues of importance** to society such as the World Economic Forum.
- **Developing thought leadership** on critical issues like climate, tax, financial reporting, accounting and auditing, broader business issues, the future of work, sustainability reporting and assurance, independence, inclusion and diversity and use of emerging technologies.

All PwC firms are required to adhere to global policies on conduct and compliance related to public policy development or lobbying. For example, our network has a new Network Risk Management Policy that requires PwC firms to implement processes to manage the risks of conflicts of interest when partners and senior staff join PwC from a government, when they leave PwC to join a government or when secondment from PwC to a government are considered.

The aim of the policy is to raise awareness of the rules so that we minimise potential conflicts and prevent the misuse of confidential information for the advantage of a PwC firm. Having a policy that applies across the PwC network helps us take a consistent approach.

By adhering to this policy, PwC demonstrates its commitment to transparency, risk management and stakeholder engagement, enabling us to continue to build trust and deliver sustained outcomes in an increasingly complex world.

When we refer to government in this context, the term covers not only organisations regarded as strictly governmental, but also public sector entities and organisations that regulate or have public oversight of the professional services that we provide.

PwC’s approach to client acceptance

We have implemented global, cloud-based technologies to help manage client and engagement acceptance and continuance across our network. This helps PwC firms make better decisions about who they choose to work with and the services they agree to provide. It also helps us to manage the risks associated with potential conflicts, and, as a result, continue to foster trust with our stakeholders.

The PwC ethics and compliance standards and policies set out how our firms should mitigate the risk that they inadvertently become involved in actual or potential money-laundering activities, and these form an important part of our approach to client acceptance. As most legislation on anti-money laundering is based on the Financial Action Task Force (FATF) recommendations, the PwC standard is consistent with these recommendations. In addition to the PwC standards, PwC firms are required to comply with local laws and professional regulations.

The standards require each PwC firm to establish systems, policies and procedures to mitigate the risk of being directly or indirectly involved in money-laundering, terrorist financing or financial crime more broadly.

The standards also set out the core requirements and prohibitions for all PwC partners and people. They make clear that engaging in money-laundering practices is illegal and unacceptable behaviour, and partners and people have obligations to assist in the prevention of money laundering. Specifically, as part of client acceptance, PwC partners and people must:

- Establish their client’s identity (including the identification of ultimate beneficial owners where required).
- Not provide any service, or enter any business relationship, that could constitute being directly or indirectly involved in money-laundering activities.

Our policy and guidance provide practical and detailed explanations that outline for example, what to look for. We have established reporting procedures whereby any partner or staff member can report any knowledge or suspicion of money laundering.

Objectivity and independence

As auditors of financial statements and providers of other types of professional services, PwC firms and their partners and people are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. Independence underpins these requirements in our work with assurance clients. Compliance with these principles is essential to serving our clients and thereby instilling confidence in the capital markets.

The PwC Global Independence Policy is based on the IESBA International Independence Standards, supplemented by the independence requirements of the US Securities and Exchange Commission (SEC), the US Public Company Accounting Oversight Board (PCAOB), and the EU Audit Regulation of 16 April 2014. It contains minimum standards with which PwC firms have agreed to comply, including processes that are to be followed to maintain independence from assurance clients.

We have a designated partner (known as the Partner Responsible for Independence or PRI) with appropriate seniority and standing. This partner is responsible for implementing the PwC Global Independence Policy, including managing the related independence processes and providing support to the business. The partner is supported by a team of independence specialists.

Independence policies and practices

The PwC Global Independence Policy covers the following areas, amongst others:

- Personal and firm independence including policies and guidance on the holding of financial interests and other financial arrangements, such as bank accounts and loans by partners, people, the firm and its pension schemes.
- Non-audit services and fee arrangements supported by Statements of Permitted Services, which provide practical guidance on the policy's application regarding the provision of non-audit services to audit clients and related entities.
- Business relationships including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on the purchasing of goods and services acquired in the normal course of business.
- Acceptance of new audit and assurance clients and the subsequent provision of non-assurance services for those clients.

In addition, we have a Network Risk Management Policy governing the independence requirements related to the rotation of key audit partners.

These policies and processes are designed to help us comply with relevant professional and regulatory standards of independence that apply to the provision of many assurance services. Policies and supporting guidance are reviewed and revised when changes arise, such as updates to laws and regulations, changes to the IESBA International Independence Standards, or changes in response to operational matters.

We have supplemented the PwC Global Independence Policy as required by local regulations in our individual member firms in cases where these requirements are more restrictive than the global policy.

Independence-related systems, tools and processes

As a member of the PwC network, PwC Africa has access to systems and tools which support firms and their partners and people in executing and complying with our independence policies and procedures.

These include:

- Central Entity Service (CES), which contains information about corporate entities including all PwC audit clients and their related entities (including all public interest audit clients and SEC-restricted entities) as well as their related securities. The CES assists in determining the independence restriction status of clients of the PwC firm and those of other PwC firms before entering into a new non-audit service or business relationship. This system also feeds the 'Independence Checkpoint' and Authorisation for Services [detailed further below].
- Independence Checkpoint, which facilitates the pre-clearance of publicly traded securities by all partners and managerial practice people before acquisition and is used to record their subsequent purchases and disposals. When a PwC firm wins a new audit client, or a security otherwise becomes restricted (for example as the result of a corporate transaction), this system automatically informs any PwC partner or person holding securities in that client if they need to sell the security.
- Automated Investment Recording, a solution available to PwC firms that simplifies portfolio maintenance for PwC partners and people in the Independence Checkpoint by automatically recording security transactions using regular direct feeds from participating brokers.
- Authorisation for Services (AFS), a global system that facilitates communication regarding a proposed non-audit service between a non-audit services engagement leader and the audit engagement leader, documents the analysis of any potential independence threats created by the service and proposed safeguards (where deemed necessary), and acts as a record of the audit partner's conclusion on the permissibility of the service. In addition, independence specialist resources in our global SEC Centre of Excellence utilise AFS to support the approval process relating to the provision of non-audit services to SEC-restricted entities (see 'Controls over non-audit services' below).
- Global Breaches Reporting System, which is used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory). All breaches reported are evaluated and addressed.
- The Global Joint Business Relationship (JBR) system facilitates our compliance with JBR requirements. It assists the independence specialists in the JBR Center of Excellence in gathering information to assess, from an independence perspective, the permissibility of proposed joint business relationships and in monitoring the continued permissibility of previously approved existing joint business relationships.
- My Compliance Dashboard, which is a standardised compliance platform available to partners and people in all PwC firms. It is used by firms to issue, manage and report on confirmations obtained including the annual compliance confirmation and, where relevant, engagement independence confirmations.

We continue to invest at a network level in technologies to strengthen our independence-related systems and tools.

Independence training and confirmations

Consultation with independence specialists by engagement teams on independence issues is central to the PwC culture. In addition to required consultations, teams are encouraged to consult with independence specialists whenever a matter is complex or if there is any doubt about what to do.

Our processes are supported by comprehensive training of all partners and people. PwC Africa provides all partners and people with annual or ongoing training in independence matters. This training is typically based around milestones related to onboarding, a change in position or role, changes in policy or external regulation, and, as relevant, provision of services. Partners and people receive computer-based training on independence policy and related topics. Additionally, training is delivered on an as-needed basis by independence specialists and risk and quality teams.

All partners and people are required to complete an annual confirmation of their compliance with relevant aspects of the member firm's 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 the required processes have been followed in accepting these engagements and relationships. These annual confirmations are supplemented by periodic and ad-hoc engagement-level confirmations for certain clients.

Independence monitoring and disciplinary policy

Each PwC firm is responsible for monitoring the effectiveness of its quality management system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, firms perform:

- Compliance testing of independence controls and processes.
- Personal independence compliance testing of a random selection of partners and managerial practice people as a means of monitoring compliance with independence policies.
- An annual assessment of the firm's adherence to our network's standard on independence.

The results of monitoring and testing are reported to Africa Leadership Team on a regular basis.

PwC Africa has an Accountability Framework so that there is a consistent application of consequences for behaviour that is inconsistent with our policies and procedures that promotes compliance with independence policies and processes and requires any breaches of independence requirements to be reported and addressed. This includes a discussion with the client's audit committee regarding the nature of a breach, an evaluation of the breach's impact on the independence of the firm and the engagement team, and the need for actions or safeguards to maintain objectivity.

Controls over non-audit services

Before providing non-audit services to entities that are subject to independence restrictions, all PwC firms are required to obtain authorisation from the group audit engagement partner responsible for services to that entity.

To promote understanding of the independence requirements that apply, the PwC network has developed a comprehensive set of policy and supplementary guidance documents that address the provision of non-audit services to audit clients and their related entities. These documents are based on the requirements of the IESBA International Independence Standards, as well as the rules and standards issued by other regulatory authorities. PwC Africa has supplemented this for any relevant local standards in our individual member firms.

When our firms are providing non-audit services to audit clients, they are allowed to provide only those non-audit services that are permissible under the applicable rules. In some instances, these non-audit services are required by law or regulations to be performed by the auditor. We have controls in place regarding the provision of non-audit services to audit clients and are also conscious of the threats to independence in appearance that can be created by providing non-audit services to our audit clients. We assess this potential threat as part of our acceptance processes. Engagement teams which provide certain non-audit services to SEC-restricted entities are required to obtain input from an independence specialist in our global SEC Centre of Excellence. The conduct of certain services to SEC issuer audit clients is closely assessed and monitored through extended processes, including (as applicable) review of audit committee pre-approval communications, independence review of initial engagement communications with the client such as proposal materials, pre-engagement independence coaching discussions for the service team and independence in-flight review of the engagement through the course of the service.

Confidentiality and information security

Cyber readiness plan

Our cyber readiness plan exemplifies The New Equation, reinforcing PwC's commitment to building client trust. This success is due to our strategic multi-year programmes, which have established a robust and secure environment. We are implementing a global strategy designed to minimise the impact of breaches now and in the future.

Tools and monitoring

We have tools that give us visibility and control over our attack surface, supported by 24/7 monitoring and incident response teams. These are validated by industry experts, ensuring our clients can trust us to protect their data.

Addressing AI threats

The rise of AI has introduced confusion and misinformation, with deepfakes posing significant threats. Our investment in ISO27001 and ISO27701, along with adopting the new ISO 27001:2022 standards, demonstrates our commitment to strengthening PwC's information security defences and protecting client data.

Commitment to trust and security

We remain dedicated to these principles, ensuring our clients trust our technology and feel secure in entrusting their data to us. We are committed to protecting our clients' data and maintaining their trust by continuously enhancing our cyber readiness and security measures.

Contacts

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At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 149 countries with more than 370,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com