

# Building trust through assurance

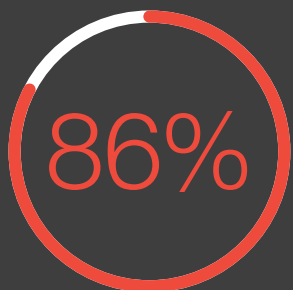
Transparency report  
for the year ended 30 June 2018



# 2018 Highlights

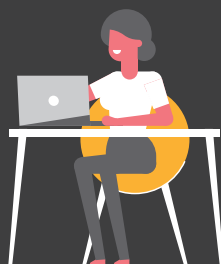
## Assurance at a glance

### Culture and Values



of Assurance People participated in our 2018 Global People Survey (GPS)

**Assurance GPS highlighted the following strengths:**

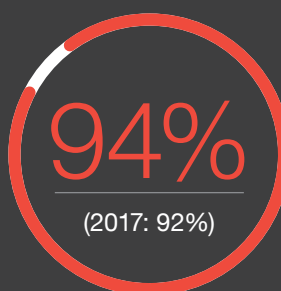


- The leaders I work with act with integrity.
- The people I work for support and demonstrate high standards of ethical conduct.
- The leaders I work with encourage one-firm collaborative behaviour to provide quality services to our clients.
- I have opportunities to connect with partners and/or leaders on my teams regarding matters affecting me.

### Audit Quality

A proven track record in auditing more listed clients than any other audit firm in South Africa

Our purpose is to build trust in society and solve important problems. We build trust by delivering on our commitment to quality.



Compliance rate of audit engagements selected for internal inspection



**47** Number of audit engagements subject to internal inspection in 2018 (2017: 52)



### Audit hours performed by service delivery centres

FY16	FY17	FY18
69,109	102,079	146,208

Ratio of partners serving in a technical support role to the total number of audit partners

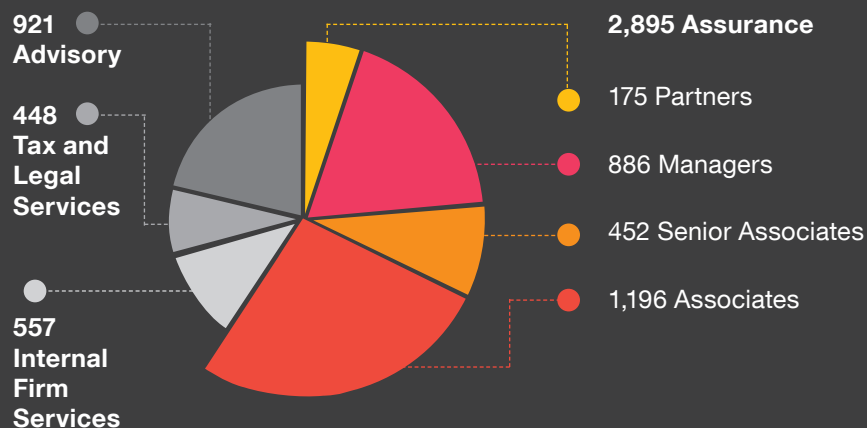
**1 to 8.5**

Audit partners' average years' experience at PwC



## Our people

We employ more than 4,800 people in regional offices including more than 2,800 assurance professionals



More than **70%** of assurance people who participated in our 2018 GPS expect (plan) to be working at PwC 12 months from now.

Investment in training and development more than

**290,000** hours of training and personal development by assurance people annually

## Transformation

PwC invested

**R200 million**

in learnership programmes in FY18. This helped qualify more than 2,000 Chartered Accountants from historically disadvantaged backgrounds in the past 14 years.

### South Africa partners

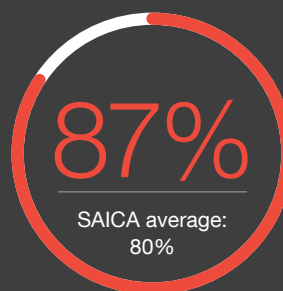


**10%**  
black female

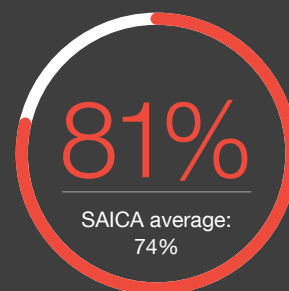


**31%**  
black partners

PwC total Assessment of Professional Competence (APC) pass rate of



PwC ACI APC pass rate of



Retained a

**AAA+**

Level 1, **B-BBEE** contributor status for the period 1 July 2017 to 30 June 2018 — the highest rating possible, recognising the firm as a good **B-BBEE** contributor

## Results

PwC South Africa revenues grew by 2.5% in 2018 to **R4.4bn**

Assurance revenues grew by 1% in 2018 to **R2.8bn** and constitute 64% of firm revenues

Assurance  
**ZAR2.8bn**

Advisory  
**ZAR1.0bn**

Tax  
**ZAR0.6bn**





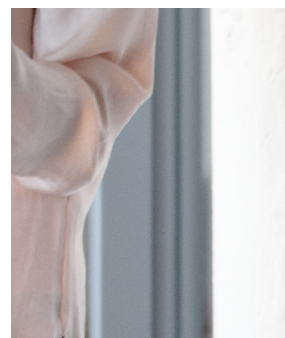




# Contents

Why transparency in audit matters	6
Our culture and values	8
Governance	12
Leadership responsibilities for quality within the firm	18
Ethics, independence and objectivity	20
Acceptance and continuance of client relationships and specific engagements	28
Our people	32
Engagement performance	38
Monitoring	46

Throughout this report, the term “PwC” refers to the global network of separate firms (each a separate legal entity) and the terms “PwC South Africa”, “Firm”, “we” and “our” refer to PricewaterhouseCoopers Incorporated and PricewaterhouseCoopers South African Firm, the South African members of PricewaterhouseCoopers Incorporated Limited (“PwCIL”).



# Why transparency in audit matters



**At PwC, we're acutely aware of the critical role that transparency plays in building trust. Put simply, it's hard to be trusted without being transparent. That's why we welcome the opportunity to share our 2018 Transparency Report, which provides insights into how we maintain quality in our audit work.**

Our purpose statement is to *build trust in society and solve important problems*. To us, these are not just words. Rather, our purpose statement serves as our guiding principle to align the focus of our people and direct the decisions we make and actions we take. It is reflected in our leadership and governance structures and embraced throughout our firm (and the PwC Global Network). It drives the clients and work our Firm accepts and the quality we deliver across our Assurance, Advisory, and Tax lines of service.

#### **What does our purpose statement mean for our Assurance practice?**

We believe that auditing is a noble profession, underpinned by the need for trust in the capital markets and in the quality of our audits. We approach our profession as “One Firm,” enabling us to use the resources and technologies from our non-audit disciplines to benefit audit quality. Our Advisory and Tax service lines support our audits in areas such as information systems, cybersecurity threats, valuations, and complex tax matters. As “One Firm,” we bring our full capabilities and insights to our audits when and where they are needed and appropriate.

#### **Our role in the financial reporting ecosystem**

Strength across the entire ecosystem — including quality, independent audits — is necessary to provide a credible foundation for confidence in the financial reporting system and the capital markets. This is one of the reasons why we consistently make significant investments in continuing to evolve and enhance our audits, as well as support continuous improvement of the broader financial reporting ecosystem. Examples of this include our outreach to the investment community and corporate director continuing education programmes, as well as supporting both the South African Institute of Chartered Accountants (SAICA), the Independent Regulatory Board for Auditors (IRBA) and Auditor — General of South Africa initiatives.

#### **Our people, our technology, and our tomorrow**

To sustain quality audits, we need to attract and retain talented professionals. To attract top talent, we focus on recruiting, traineeships, and creating an inclusive environment. We develop our people through technical training, professional development, and encouraging behaviours that lead to greater well-being. We also continue to invest in tech-enabling our audit and increasing our people's technology and data analytics skills.

#### **Our ongoing commitment**

While we are proud of the progress we have made, we recognise we must continue to identify opportunities for enhancement. In this document, we provide insight into how we deliver on our audit quality objectives and summarise actions we have taken to address regulatory developments, and emerging technologies. We also discuss how we utilise a continuous improvement cycle to identify attributes of quality audits to implement enhancements across our practice.

For us, audit quality starts and ends with our purpose statement, to build trust in society and solve important problems.

Thank you for engaging with us on these topics.



**Dion Shango**  
Chief Executive Officer



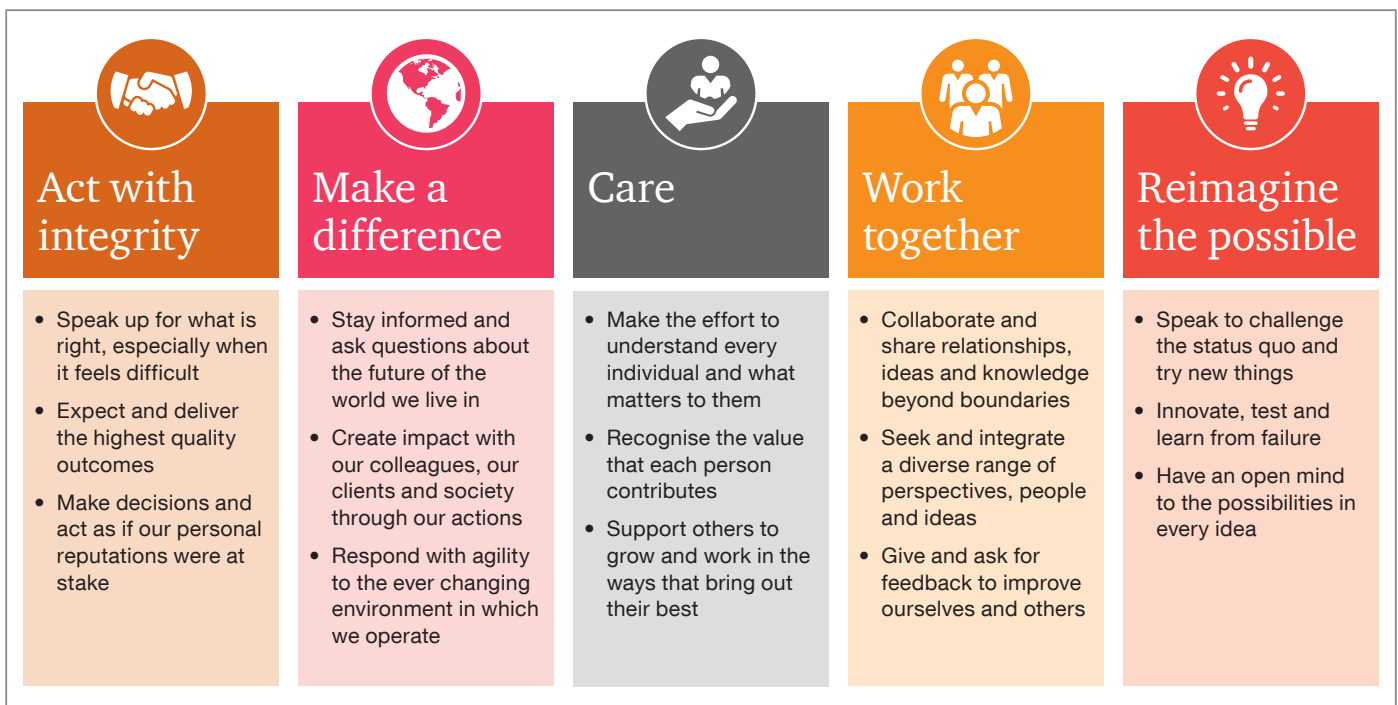


# Our culture and values



**Our purpose is to build trust in society and solve important problems. We build trust by delivering on our commitment to quality. This means that performing quality audits is job #1 for our Assurance practice. Our focus on quality drives our actions with clients, colleagues and other stakeholders, and guides our decision-making.**

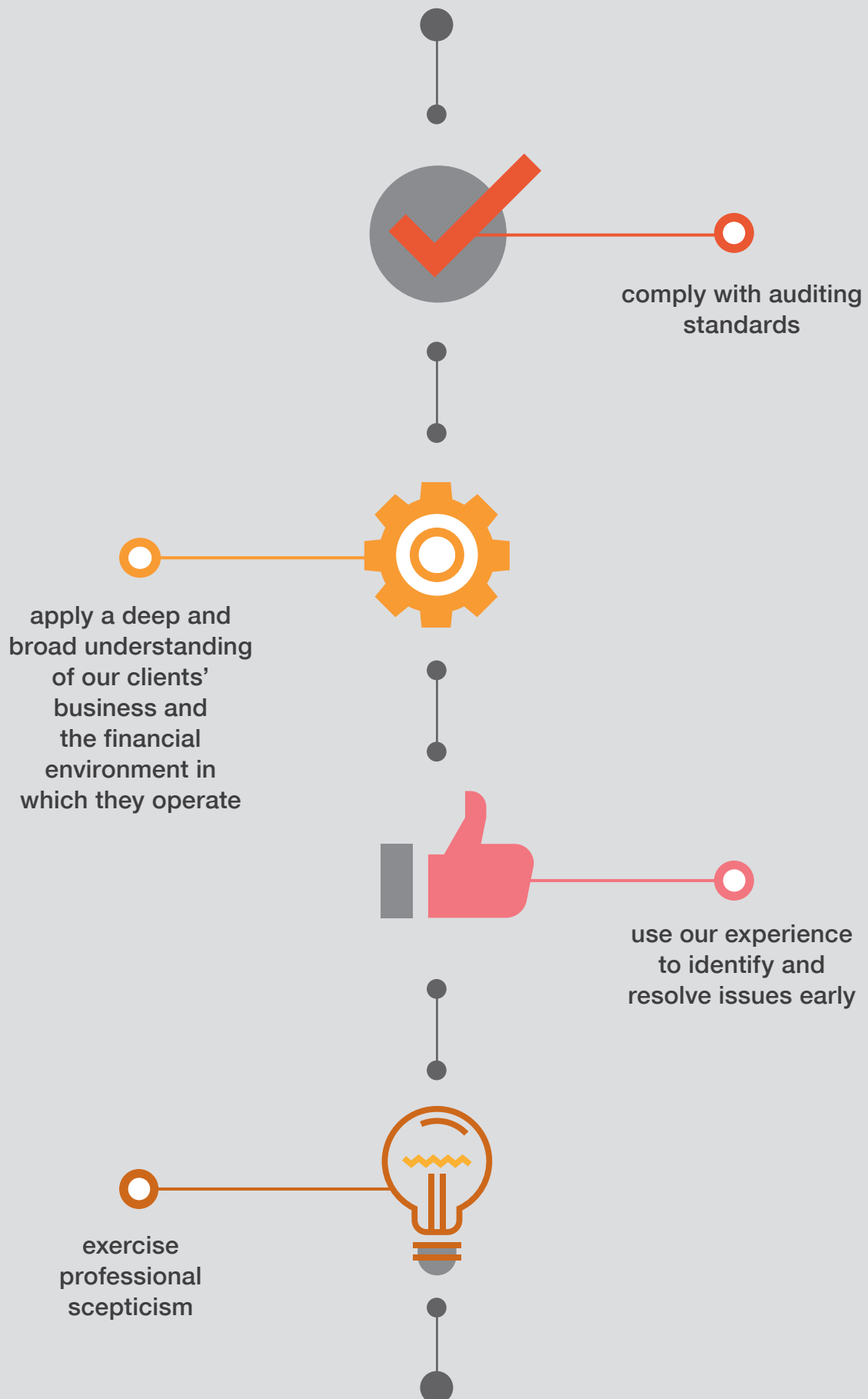
We expect our partners and staff to exhibit the core values underlying our purpose:



Key messages are communicated to our Firm by our Chief Executive Officer and our Leadership, and are reinforced by engagement partners. These communications focus on what we do well and actions we can take to make enhancements. We track whether our people believe that our leaders' messaging conveys the importance of quality to the success of our firm. Based on this tracking, we are confident our people understand our audit quality objectives.



# At PwC, “audit quality” means that we consistently:



Our audit quality principles  
are achieved through our  
audit quality practices and  
mean that we:

ask tough questions

apply an objective and  
sceptical mindset

embrace the supervision  
and review process as  
a way to continuously  
improve

are the audit committee's  
independent "eyes and  
ears"

plan our work in a timely  
and thorough fashion

remain alert to issues  
that need deeper  
analysis

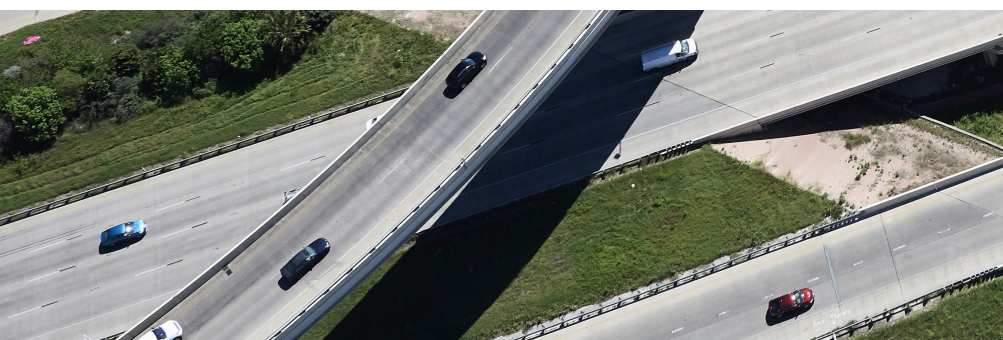
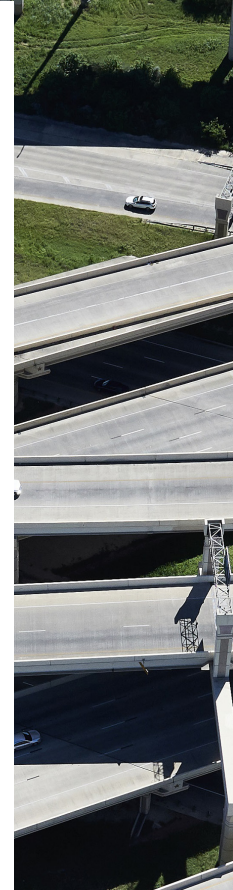
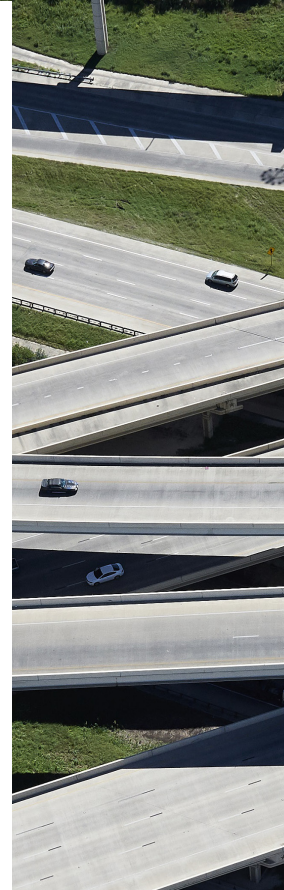
recognise our role in the  
capital markets

stay current on  
professional standards

act with professionalism







# Governance



## Africa Governance Board

- 12 members (including six from the Governing Board)
- Four scheduled meetings per annum (and ad-hoc meetings if required)
- Term of office: Four years

PwC South Africa is part of the South Market Area of PwC Africa, and falls under the governance arrangements of PwC Africa. These governance arrangements are exercised by the Governance Board, constituted in terms of the Africa joint venture agreement, which details its powers and duties.

The members are elected by the partners in each of the three market areas making up PwC Africa. The Chairman of the Governance Board is elected by the members of the Governance Board. It has several committees that act in accordance with the delegated authority of the Governance Board. The committees are accountable to the Governance Board and report to the members at each board meeting.



The principal responsibilities of the Governance Board and Governing Board are to hold the firm's Leadership to account and to represent the interests of the partners. Their role is purely one of oversight and they are not involved in the day-to-day management of the firm.

## South Africa Governing Board

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

The Governing Board is constituted in terms of the PwC South Africa firm's partnership agreement, which details its rights and responsibilities.

Other than the Chief Executive Officer, none of the members serve as members of the firm's Leadership Team.

The chairperson of the Governing Board is elected by the members of the Governing Board. The current chairperson of the Governing Board is Shirley Machaba.

## Management Committee

- Members appointed by the Chief Executive Officer
- Eight scheduled meetings per annum
- Term of office: Four years

The Management Committee is accountable for the firm's results and its principal responsibilities include creating, directing and overseeing strategy implementation, developing succession plans for leadership roles and ensuring regular and ongoing partner communication on the progress and performance of the firm.

# Management Committee

(at 30 June 2018)



Coenraad Richardson  
X-LoS Risk and Quality Leader



Corlia Volschenk  
Human Capital Leader



Dion Shango  
Chief Executive Officer, Regional  
Senior Partner, South Market area



Fulvio Tonelli  
Operations Leader



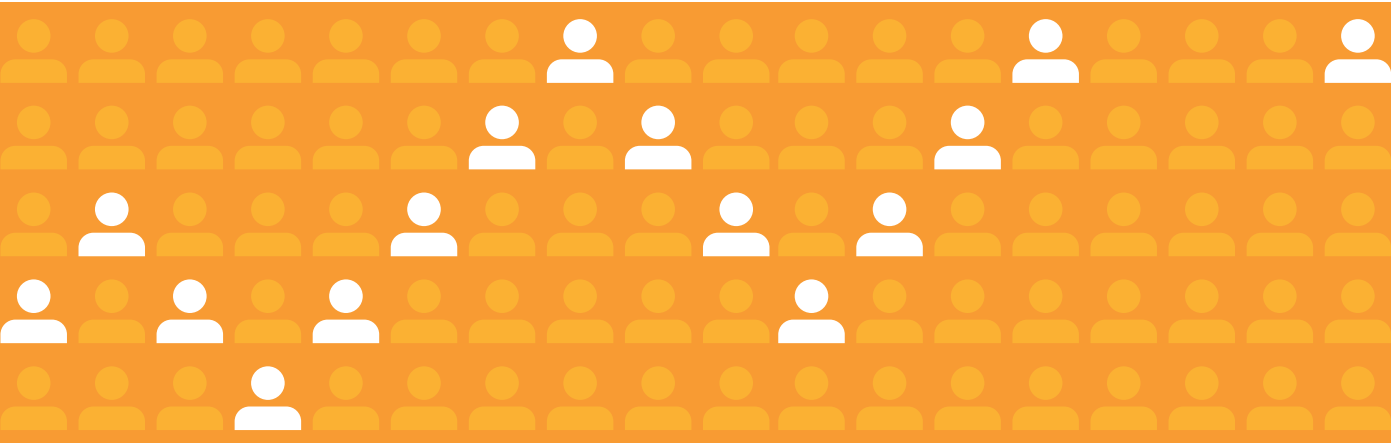
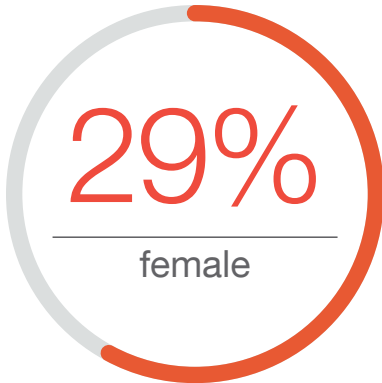
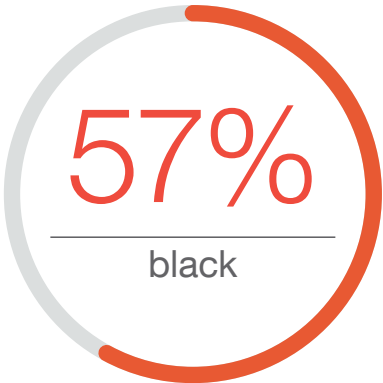
Jabu Masondo  
Tax Leader



Nana Madikane  
Transformation Leader



Pule Mothibe  
Assurance Leader



# South Africa Governing Board

(at 30 June 2018)



Andrea Puggia



John Bennett

55%

black

27%

female



Johannes Grosskopf



Nicolette Jacobs



Andries Brink



Skalo Dikana



Hardie Malan



Asanda Myatiza



Shirley Machaba



Mark Ally



Zuhdi Abrahams

“

PwC South Africa operates in the form of a dual structure, namely PwC Incorporated, a registered company, and the PricewaterhouseCoopers South African Firm, which is a partnership. PwC South Africa has 21 offices across the country, with its head office situated in Johannesburg.



21 Offices in South Africa



4 821 people in South Africa



## PwC Network

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

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

For these reasons, the PwC network consists of firms that are separate legal entities.

### PricewaterhouseCoopers International Limited

The firms that make up the network are committed to working together to provide quality service offerings for clients throughout the world. Firms in the PwC network are members in, or have other connections to, PwCIL, an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for member firms in the PwC network. Focusing on key areas such as strategy, brand, and risk and quality, the Network Leadership Team and Board of PwCIL develop and implement policies and initiatives to achieve a common and coordinated approach amongst individual member firms where appropriate. Member firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC network. In addition, member firms may draw upon the resources of other member firms and/or secure the provision of professional services by other member firms and/or other entities. In return, member firms are bound to abide by certain common policies and to maintain the standards of the PwC network as put forward by PwCIL.

The PwC network is not one international partnership and PwC member firms are not otherwise legal partners with each other. Many of the member firms have legally registered names which contain "PricewaterhouseCoopers", however there is no ownership by PwCIL. A member firm cannot act as agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm, and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control member firm's exercise of professional judgement.

### The governance bodies of PwCIL are:

**Global Board**, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of network standards. The Board does not have an external role. Board members are elected by partners from all PwC 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 PwC firms agree to adhere.

**Strategy Council**, which is made up of the leaders of the largest PwC firms and regions of the network, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy.

**Global Leadership Team** is appointed by and reports to the Network Leadership Team and the Chairman of the PwC network. Its members are responsible for leading teams drawn from network firms to coordinate activities across all areas of our business.

**PwC South Africa** is one of the Strategy Council members and Hein Boegman, Africa Senior Partner, manages our relationship with the Network Leadership Team.





# Leadership responsibilities for quality within the firm



## Leadership holds our professionals accountable for performing quality audits

### Accountability

Partners are remunerated based on their level of responsibility, the firm's performance, and individual performance. Our audit partners are not evaluated or compensated for selling non-audit services to their clients. Partners are evaluated based on their contributions to people, quality and profitable growth. Partner accomplishments are measured based on the partner's relative performance against established goals. Partners are also held accountable in accordance with our accountability framework - which imposes financial sanctions on partners who do not meet our high standards of quality.

Our staff are assessed against the dimensions of the PwC Professional — an assessment of each staff member's business acumen, technical capabilities, global acumen, relationships and whole leadership. We are committed to putting the right people in the right place at the right time. Eligible staff participate in a bonus scheme based, in part, on the achievement of quality goals and objectives.

In cases that require it, partners and managers are required to implement a responsive action plan to address quality issues. Implementation of the plan is monitored by leaders.

### Our system of quality control

Our quality control system for the Assurance practice is based on International Standard on Quality Control 1, *Quality control for firms that perform audits and reviews of financial statements and other Assurance and Related Services Engagements* (ISQC 1). 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 a system of quality control to provide it with reasonable assurance that:

- the Firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and
- reports issued by the Firm, or by engagement leaders, are appropriate in the circumstances.

Further, we are also required to comply with the policies and regulations of a number of other regulatory bodies with which PwC South Africa is either registered with, as a condition of ongoing registration to perform audits of certain entities, or regulated by. These regulatory bodies include overseas regulatory bodies such as the United States Public Company Accounting Oversight Board (PCAOB).

PwC South Africa's quality control system complies with these standards.

The policies and procedures that form our internal quality control systems have been documented, and there is a monitoring regime to enable leadership 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.



**"At PwC, our values and our culture influence how we work every day. We insist on quality and excellence."**

**Dion Shango,**  
Chief Executive Officer



# Ethics, independence and objectivity





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

We have appointed an Ethics and Business Conduct Leader (E&BCL) and a Partner Responsible for Independence (PRI), who are both senior partners within the Firm, supported by a team of specialists to help the Firm apply comprehensive and consistent ethics and 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. All partners and staff are also required annually to confirm that they are aware of and will continue to follow all relevant ethical and professional obligations.

### **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 South Africa, and the Firm monitors compliance with these obligations. On joining the Firm, all staff and partners are made aware of the PwC Code of Conduct and must confirm annually that they are familiar and have complied with it. The PwC Code of Conduct is based on the PwC Purpose and our core set of shared values. It sets out a common framework around how we are expected to behave and do the right thing. The Code emphasises that Speaking Up is part of our culture, and includes a framework for helping us decide the right thing to do in specific circumstances.

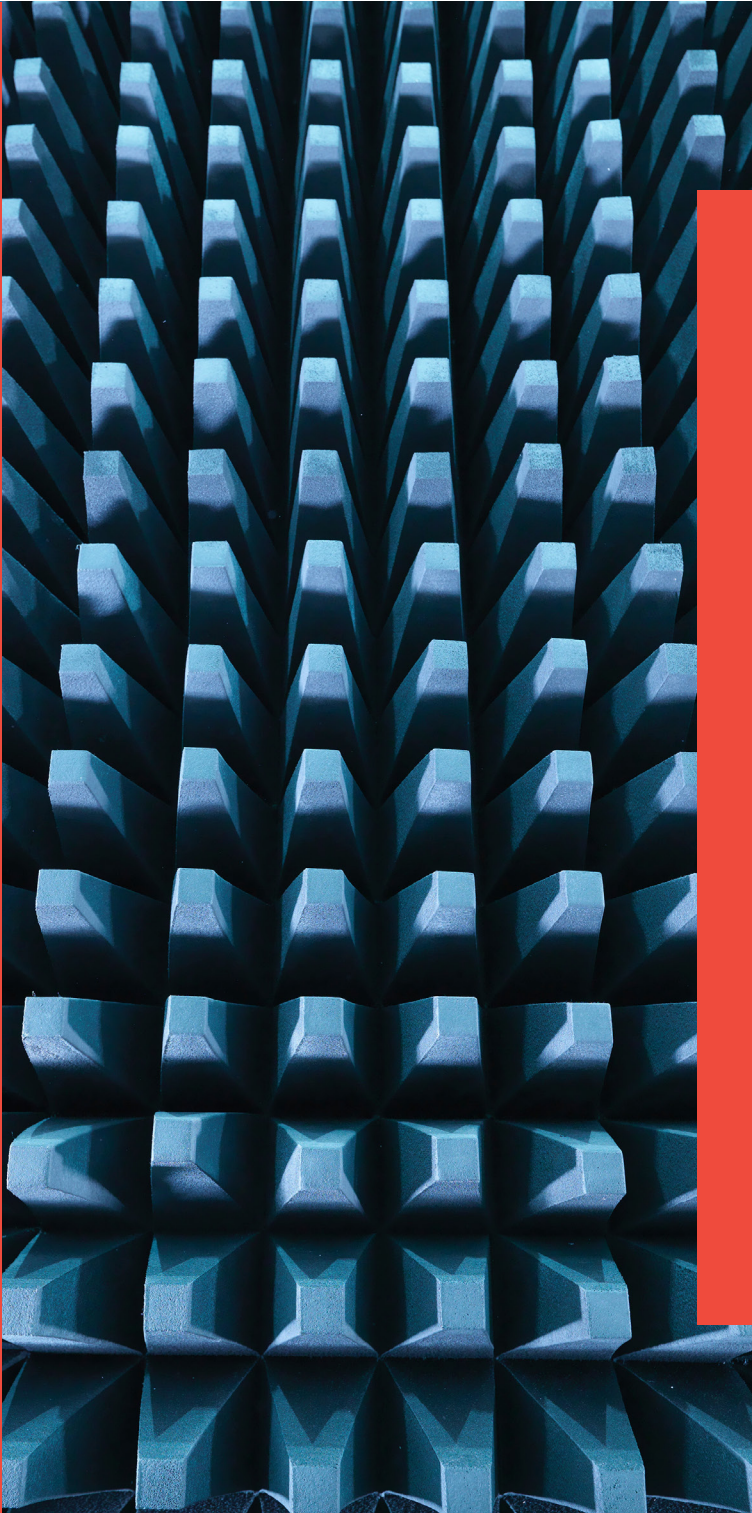
An ethics risk assessment, together with a business plan, is prepared annually to ensure that all risks are identified and plans are in place to mitigate them.

An annual communications plan is also prepared. The communication plan is focused on the higher risk areas or on areas that are current and/or more prevalent based on information obtained from the risk assessment, risk register and reported incidents.

In line with the communications plan, regular communication to the practice is achieved through various models, usually poster campaigns, competitions etc. The ethics helpdesk is also used to communicate important matters on an ad hoc basis. Additionally, ethics Champions and Officers attend staff meetings to communicate ethics matters.

Ethics Champions meet on a quarterly basis to discuss ethics matters, plans, Global People Survey results and action plans and the ethics register, which is updated quarterly. While the register is updated quarterly, all major ethics incidents and concerns are reported to the E&BCL immediately and the appropriate action is taken. To ensure the completeness of the register, the Human Capital incidents are obtained and analysed – any matters that relate to ethics are also included on the register. The incident and the response are discussed in detail and consensus is reached on whether sanctions were appropriate.

The E&BCL reports back every six months to the Ethics Board, chaired by an independent member, and to the Governing Board through the Firm's Social and Ethics Committee on a quarterly basis.



At PwC, we adhere to the fundamental principles of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, which are:

- a. Integrity** – to be straightforward and honest in all professional and business relationships.
- b. Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- c. Professional competence and due care** – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practise, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- d. Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.
- e. Professional behaviour** – to comply with relevant laws and regulations and avoid any action that discredits the profession.

## Speak Up helpline

The Firm has a whistle-blowing helpline called the Speak Up helpline. This is available to any partner or member of staff who observes inappropriate business conduct or unethical behaviour that cannot be resolved locally, or where the normal consultation processes are not appropriate. In addition, third parties may also call the Speak Up helpline. The PwC Code of Conduct encourages partners and staff to speak up when dealing with behaviour or facing a situation that doesn't seem right. Partners and staff have a responsibility to report and express concerns in good faith, fairly, honestly and respectfully. We are committed to dealing responsibly, openly and professionally with any genuine concerns raised about possible malpractice. We also protect against any form of retaliation. The helpline is manned by an independent service provider.

An internal help desk, monitored by the E&BCL, is also available for staff to access assistance with ethical matters and queries. Ethics Champions (partners) and Ethics Officers (mainly managers) are also available for queries and assistance to staff in every office.

## 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.

All partners and staff are required to keep any personal data and other confidential information, including information relating to clients, PwC firms and partners and staff, confidential unless permission to disclose the information is obtained from the client and/or other appropriate parties or there is a legal or professional duty to disclose the information. This also applies after a client relationship has ended in the case of client confidential information. We are permitted to disclose such information to other personnel only where there is a legitimate business purpose to do so. We do not use confidential client information or personal data for any purpose other than that for which it was intended and where it is disclosed to other parties request that they apply that same principle.

PwC's information security policies and procedures aim to make sure that:

- information is protected from internal and external threats;
- confidentiality, availability and integrity of information is maintained
- statutory regulatory and contractual obligations are met; and
- access to confidential information is granted only for justified business needs.

Our policies and procedures include:

- encryption of all the Firm's laptops, PCs and memory sticks;
- secure and managed apps for data accessed by mobile devices;
- software restricting the use of removable media;
- access to engagement files – both electronic and hard copy paper files – is restricted to those with a 'need to know';
- regular backup of data on individual laptops and PCs;
- clear-desk policy, both in our offices and at client sites;
- securing hard copy files when they are not in use;
- remote access to our network via a secure virtual private network, or equivalent technology;
- policies on the transmission of data by email outside of the organisation; and
- restricted access to operational areas of PwC South Africa and our buildings.

The Firm has incident reporting and response procedures that seek to minimise the impact of any data loss which arises. These procedures include notifying clients when it is known that their data is at risk and, where appropriate and feasible, taking corrective action.



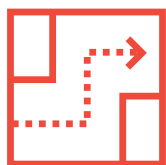
### **Compliance with anti-money laundering legislation and professional requirements**

At PwC, we do not provide any service, or enter into any business relationship, that could entail any individual, or the Firm, being involved in direct or indirect money laundering activities. We have policies and procedures in place that establish our client's identity in accordance with the PwC policy. All knowledge or suspicion of money laundering is reported to the Firm's nominated individual in accordance with our reporting procedures.



### **Anti-bribery**

We are opposed to bribery in any form. The PwC Code of Conduct makes it clear that it is unacceptable for our people to solicit, accept, offer, promise or pay bribes whether directly or through a third party. Policies, training and procedures designed to prevent bribery are in place.



### **Reportable irregularity requirements**

Audit engagement leaders who have reason to believe that they have identified a reportable irregularity, as defined in section 1 of the Auditing Professions Act of 2005, are required to consult with Risk Management and the Office of General Counsel.



# Independence policies and practices

## Policies and guidance

The PwC Network Independence policy, which is based on the IESBA Code of Ethics for Professional Accountants, contains minimum standards which all member Firms of PwCIL have agreed to follow, including processes that are to be followed to maintain independence from clients. The independence requirements of the US Securities and Exchange Commission (SEC) and those of the PCAOB are, in certain instances, more restrictive than the IESBA code and the PwC Network policy accounts for this by including provisions that are specifically applicable to SEC restricted entities. The Firm also supplements the PwC Network policy with the regulatory requirements of South African professional bodies, such as the Independent Regulatory Board for Auditors (IRBA) and the Companies Act of 2008.

The policy covers, among others, the following areas:

- **Personal and Firm independence**, including policies and guidance on the holding of financial interests (such as shares) and other financial arrangements (which include bank accounts and loans) by partners, staff and the Firm;
- **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 audit clients;
- **Business relationships**, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and purchasing goods and services; and
- The **rotation** of audit engagement personnel.

## Systems

The PwC Network has a number of global systems that assist PwC South Africa and its partners and staff to comply with its independence policies and procedures. These systems include:

- **The Central Entity Service (CES)**, which contains information about corporate entities including audit clients and their related securities. CES assists partners and staff in determining the independence status of clients of the Firm when they are considering a new non-audit engagement or business relationship.
- **Checkpoint**, which all member firm partners and practice staff managers and above use to pre-clear securities before acquisition and to record their subsequent purchases and disposals. Where a member firm wins a new audit client, this system automatically informs those holding securities in this client if there is a requirement to sell the security.
- **Authorisation for Services (AFS)**, which is a system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documents the potential independence threats of the service and proposed safeguards, and acts as a record of the audit engagement leader's conclusion on the acceptability of the service.

PwC South Africa also has a number of SA-specific systems, including a database that records significant business relationships entered into by the Firm (excluding the purchase of goods or services in the normal course of business). These relationships are reviewed periodically during the year to assess their ongoing permissibility.

## Independence monitoring and disciplinary policy

PwC South Africa is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, we perform:

- Compliance testing of independence controls and processes;
- Personal independence compliance testing of a random selection of, at a minimum, partners as a means of monitoring compliance with independence policies; and
- An annual assessment of the member firm's adherence with the PwC Network's independence risk management standard.

The results of PwC South Africa monitoring and testing are reported to the firm's management on a regular basis, with a summary reported to them on an annual basis.

PwC South Africa has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

This would include discussion with the client's audit committee regarding the nature of the breach, an evaluation of the impact of the breach on the independence of the member firm and the need for safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. The member firm also follows supplemental local requirements relating to the reporting of external breaches. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in PwC South Africa's systems and processes and for additional guidance and training.

## Engagement leader, Quality Review Partner and Key Audit Partner rotation policy

We adhere to the rotation requirements of the independence rules published by IESBA, the SEC and the Companies Act, 2008 as applicable to a particular audited entity.

For entities that are subject to the requirements of Section 92 of the Companies Act of 2008, engagement leader tenure is set at five years, with a two-year cooling-off period.

Lead audit engagement partners and quality review partners on audit engagements subject to the independence rules of the United States SEC are rotated every five years, followed by a five-year cooling-off period. There are also separate rotation requirements applicable to other partners who play a significant role on SEC audits.

The engagement leader and quality review partner on engagements relating to a high-profile client have a seven-year tenure, with a two-year cooling-off period.

For entities which meet the IESBA or our internal definition of Public Interest Entity (PIE), the tenure for the engagement leader, quality review partner and key audit partners involved in the audit is set at seven-years, with a two-year cooling-off period.

For all other entities our policy sets tenure for the engagement leader, quality review partner and key audit partner at ten years, with a two-year cooling-off period.

Key Audit Partners will include the statutory auditor designated by the Firm as being primarily responsible for carrying out the statutory audit of the PIE, including at the level of the group, the statutory auditor who signs the audit report and, in the case of a group audit, the statutory auditor designated at the level of material subsidiaries.



## Training and confirmations

Annually, all partners and practice staff receive mandatory training on the Firm's independence policies and related topics. Completion is monitored and non-completion may lead to disciplinary action being taken. PwC South Africa requires all partners and staff, upon joining the Firm and at least annually thereafter, to confirm that they comply with all aspects of the Firm's independence policy. In addition, all partners and must confirm that all non-audit services and business relationships for which they are responsible comply with policy, and that the Firm's processes have been followed in accepting these engagements and relationships. These confirmations serve two primary purposes: to identify potential breaches of independence that may have arisen and as an important reminder of the Firm's independence policies and procedures. These annual confirmations are supplemented by confirmations from engagement team members.

## Promoting compliance

PwC member firms are required to have disciplinary policies and mechanisms to promote compliance with independence policies and processes, and to report and address any breaches of independence requirements. This would include, where appropriate, discussion with the client's audit committee or governance function, regarding an evaluation of the impact on the independence of the Firm and the need for safeguards to maintain objectivity. Potential breaches of the Firm's independence policies that are identified from self-disclosures, independence confirmations, personal independence audits, engagement reviews and other monitoring activities, are investigated by the Firm's Independence team to determine if a reportable breach has occurred. In PwC South Africa, a violation of independence policies by a partner or staff member has consequences that may include a fine or other disciplinary action, including dismissal.

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

- engagement reviews to confirm compliance with the Firm's risk management procedures, including independence;
- procedures to review a random selection of existing partners and all partner candidates;
- annual independence confirmations by partners and staff: and
- annual assessment of the Firm's adherence to the PwC Network's risk management standard for independence.

In addition, policies and guidance are reviewed and revised to reflect updates to laws and regulations, when PwC Network policies and guidance change, or when required as a result of the above reviews and of our monitoring and testing programme. The results of the Firm's monitoring and testing are reported to Leadership on a regular basis.







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.**

## **Acceptance and continuance systems**

Within Assurance, we use a system called Acceptance and Continuance (A&C) which:

- enables engagement teams, business unit management and risk management specialists to determine whether the risks related to a potential or an existing client or engagement are manageable, and whether or not PwC South Africa should be associated with a particular client, its management and/or the proposed services in question; and
- contains triggers that require consultation within business units and with the Assurance risk management partners. This allows the right people to make the right decisions at the right time and also enables the Firm to put in place safeguards to mitigate identified risks.

The system facilitates risks to be properly assessed and appropriate policies being followed in response to those identified risks.

Our policy requires the reassessment of audit client/ongoing engagement continuance at least annually or on the occurrence of a significant event. This would be dealt with in a sensitive manner. The process for assessing whether to continue includes:

- consideration of the current relationship and previous financial metrics of the engagement;
- checking the audit independence status;
- where appropriate, carrying out a relationship check and updating anti-money laundering documentation;
- where appropriate, discussion with other engagement teams providing services to the client; and
- consideration whether the client has registered or listed securities for trading since the engagement commenced. In these circumstances, we consider whether the Firm must register with foreign authority oversight bodies (or other authorities as needed) in order to continue to be qualified to act.

## Relationship checks, independence assessments and conflicts of interest

Before accepting a new engagement we perform:

- checks to identify relevant relationships – these checks are performed by a dedicated relationship checking team within Risk Management. Where potential conflicts of interest are identified, we either decline to accept an engagement or we put in place arrangements to make sure that the potential conflicts of interest are appropriately managed, including, where appropriate, the use of restricted access rooms to work in; and
- in the case of new audit clients, an independence assessment – this is a comprehensive assessment which, depending on the nature and complexity of either the relationship or the structure of the prospective audit client, is either performed by a dedicated team within Risk Management or by the prospective engagement team with advice from Risk Management. The assessment covers all aspects of independence in relation to a new potential client. This enables us to identify existing relationships including business relationships, non-audit services and Firm arrangements and determine whether:
  - those relationships that are prohibited by the Ethical Standards can be terminated before we are appointed as auditor. Where this is possible, the non-audit service providers in the PwC network are instructed to terminate the service prior to our appointment and confirm that they have done so. If we are unable to terminate the non-audit service before our potential audit appointment, we then decline the audit appointment; and

- for those relationships that are permissible and can continue after our appointment as auditor, create any threat to our independence and objectivity. Where threats are identified and appropriate safeguards could be put in place, these are discussed and agreed with those charged with governance prior to appointment. Where the threats to our independence and objectivity are insurmountable, we decline the audit appointment.

## 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 those charged with governance at the entity, together with 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.





## Communicating with previous auditors of a potential client

When the Firm is invited to accept nomination for appointment as auditors to an established company, we write a letter to the directors of the prospective client, which covers the following matters:

- We indicate that, before we can accept nomination, our rules of professional conduct require us to communicate with the existing auditors to seek information that could influence our decision as to whether or not we may properly accept appointment.
- We request the management of the prospective client to inform the existing auditors of the proposed change (unless it has already done this). We ask management to make it clear to the existing auditors that we have not yet accepted nomination and to give the existing auditors authority to discuss their client's affairs with us. If the prospective client fails or refuses to grant the existing auditor/advisor permission to discuss the client's affairs with us, the existing auditor or advisor reports that fact to us and we do not accept nomination/appointment.
- We request the management of the prospective new client to ensure that we are not nominated as auditors until we have agreed to this in writing.

When we have received management's permission, as discussed above, we write to the existing auditors requesting them to inform us of any matters that could influence our decision as to whether or not we may properly accept appointment.

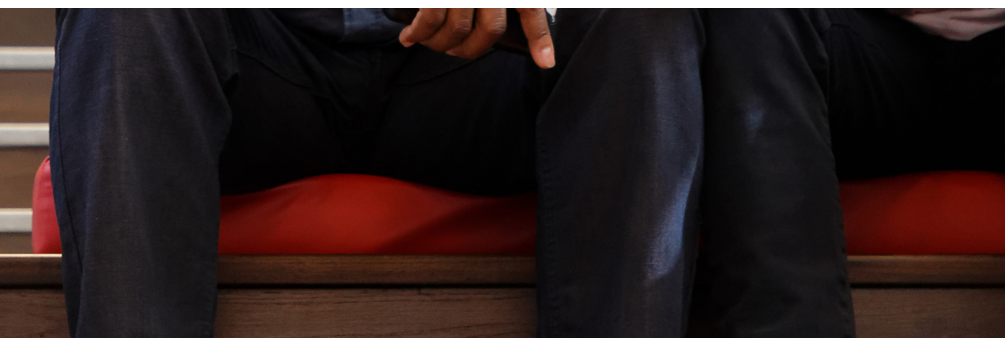
If the existing auditor/advisor does not respond within a reasonable time, we as the prospective successor auditors endeavour to contact the existing auditor/advisor by other means (e.g. phone/email). If this fails then we send a final letter to the existing auditors by recorded delivery stating that unless we receive a reply we shall assume that there are no matters of which the existing auditor is aware that should be brought to our attention.

We ensure that the existing auditors have validly vacated office. If they are either being removed or are resigning, we ask them for a copy of any representations made.

We consider whether it is appropriate to meet the existing auditors, if we believe they might have reasons that they wish to explain to us in detail. In such cases, we make a full record of the matters discussed.

When we have carried out the steps discussed above, and provided that we are not informed by the previous auditors of any matters that would prevent us from accepting the proposed appointment, we send a letter to the client accepting nomination.

Certain organisations, either because of legislative requirements or otherwise, call for submissions or tenders, e.g. competitive bids, in relation to professional services offered by accountants in public practice. In reply to a public advertisement or an unsolicited request to make a submission or submit a tender, we, if the appointment may result in the replacement of another member or associate in public practice, state in the submission or tender that, before acceptance, the opportunity to contact the other member or associate in public practice is required so that enquiries may be made as to whether there are any professional reasons why the appointment should not be accepted. If the submission or tender is successful, the existing accountant is then contacted.



# Our people





**Our global PwC values and behaviours have been communicated across the global PwC Network. They define the shared aspirations and expectations we have for working with our clients and each other. The common values and behaviours guide how we behave, make decisions, treat each other and serve our clients to: act with integrity, make a difference, care, work together and reimagine the possible.**

### **Recruitment**

PwC South Africa aims to recruit, train, develop and retain the best and the brightest staff who share in the Firm's strong sense of responsibility for delivering high-quality services. Staff needs are determined as part of the Firm's annual budgeting process taking into consideration projected growth targets. All recruits for our full-time programmes are required to submit an application form and are subject to a rigorous interview process. Certain information, such as qualifications, is verified.

Our recruitment process is closely aligned to The PwC Professional framework, enabling us to select the best talent, based not only on their technical skills but also on their behaviours and ways of working.

## **The PwC Professional**



## Technical knowledge, professional skills and values

Our people develop technical knowledge, professional skills and values through the work they perform, the coaching received from others and from formal learning activities that they undertake throughout the year.

### *Practical experience and coaching*

Each engagement leader is responsible for ensuring that their engagements have partners and staff with appropriate professional competence and experience. As described in our engagement performance section below, engagement leaders are expected to oversee the adequacy of the direction, coaching, supervision and review of the more junior members of their engagement teams as part of a culture that embraces coaching across our entire business.

### *Formal learning*

Our PwC Professional global leadership framework underpins a training curriculum that provides a wealth of opportunities for our people to build professional skills and knowledge to support the delivery of high-quality assurance services to our clients.

Learning and development is a continuous process, which starts with onboarding activities when a person joins the Firm and continues throughout their career. It is tailored to the grade, role and experience of each individual.

Our training curriculum includes talent programmes as well as our technical and business skills training programmes. We support many individuals to complete professional qualifications that are required or relevant to their role. Our industry groups operate specialist training programmes relevant to their sectors. National training programmes are supplemented by additional training sessions within offices, as required.

## Average hours of formal learning achieved by Audit Partners and staff



Our practices to maintain capabilities and technical competence include:

- All partners and staff must complete annual risk and quality update training spanning matters relating to compliance, independence and ethics.
- All partners and staff must confirm that they have complied with the Firm's development policy within the general annual confirmation, including completing and retaining appropriate records; any exceptions are investigated.
- Within Assurance, all partners and staff are required to complete a learner profile to identify their annual mandatory Assurance technical training requirements based on the experience, grade and role of each individual;
- The mandatory technical training programme, which comprises both foundation and update training. Foundation programmes build auditors' technical capabilities. Annual update training addresses new external requirements, internal policy or methodology changes and the remediation of observations raised through internal quality reviews and external inspections.
- We consider training needs on an ongoing basis and release guidance and/or training materials as appropriate throughout the year to respond to emerging performance gaps promptly when they are identified.
- We monitor the completion of mandatory training and failure to complete mandatory training by set deadlines results in disciplinary steps being taken.
- We review the training programme for compliance with PwC network standards.
- We have processes in place to equip our tutors with effective instructor skills and to measure the effectiveness of our training.
- We assess programmes through a number of evaluation techniques.

#### ***Access to reference material and subject matter experts***

The Firm maintains online reference materials covering all aspects of policy, procedure and methodology, as well as a library of all relevant auditing, accounting and ethical standards. To keep technical knowledge up to date, partners and staff receive regular electronic update communications on technical and regulatory topics as they arise. A helpline of technical subject matter experts is also available.

## 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 throughout the year by all staff and partners.

Feedback forms a key element of our annual appraisal process. All partners and staff assess their performance against their agreed objectives and against grade-related skills and capabilities based on The PwC Professional. 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. We continue to place particular focus on the contribution and impact each person has made to the Firm. Our focus is on supporting our people to have rich conversations with their coaching manager about their contribution and how they have demonstrated the PwC Professional attributes.

Our higher performers have the opportunity both to progress more quickly and to receive higher reward through pay progression and bonuses.

Individuals with lower performance will progress more slowly, and where performance is unsatisfactory, corrective action is taken.

All associates need to achieve competencies as prescribed by SAICA, which oversees the qualification of Chartered Accountants within South Africa. Achieving the competencies is part of the requirements to qualify as a South African chartered accountant. There are trained, accredited assessors within the Firm who evaluate associates against the competencies.

To register as an auditor, qualified Chartered Accountants need to complete the Audit Development Programme (ADP). Key talent at senior manager level and above is eligible for the ADP.







## 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 and membership of professional committees and working groups.

A great deal of attention is devoted to ensuring that our people maintain their high level of professional expertise. Our career progression framework, The PwC Professional, supports all staff members to identify areas of strength and new areas of learning required.

## Promotion

Review cycles occur annually as part of the salary review process. Promotions fall within the review process. Review cycles for associates occur bi-annually while promotions fall annually. Any promotion in the Firm is based on an individual's performance, their skills and the business case.

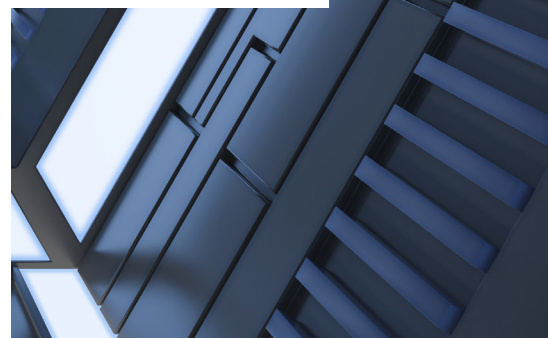
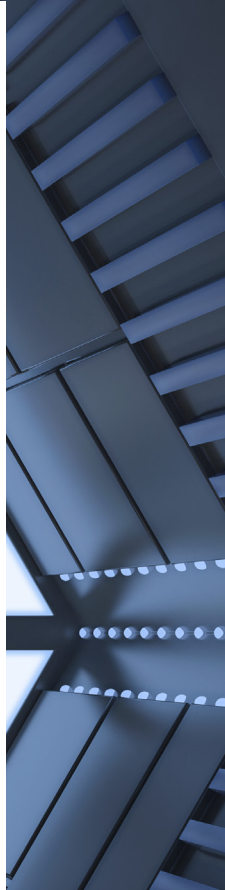
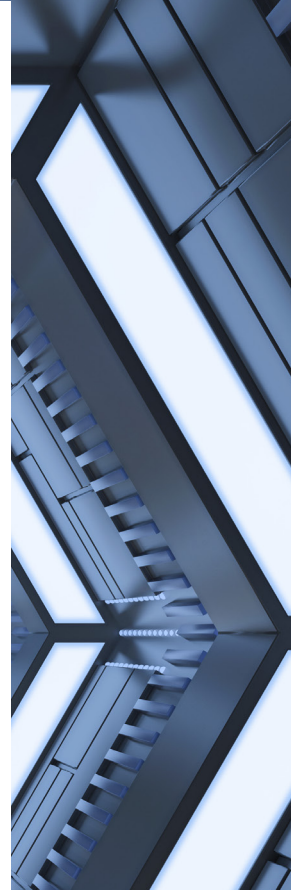
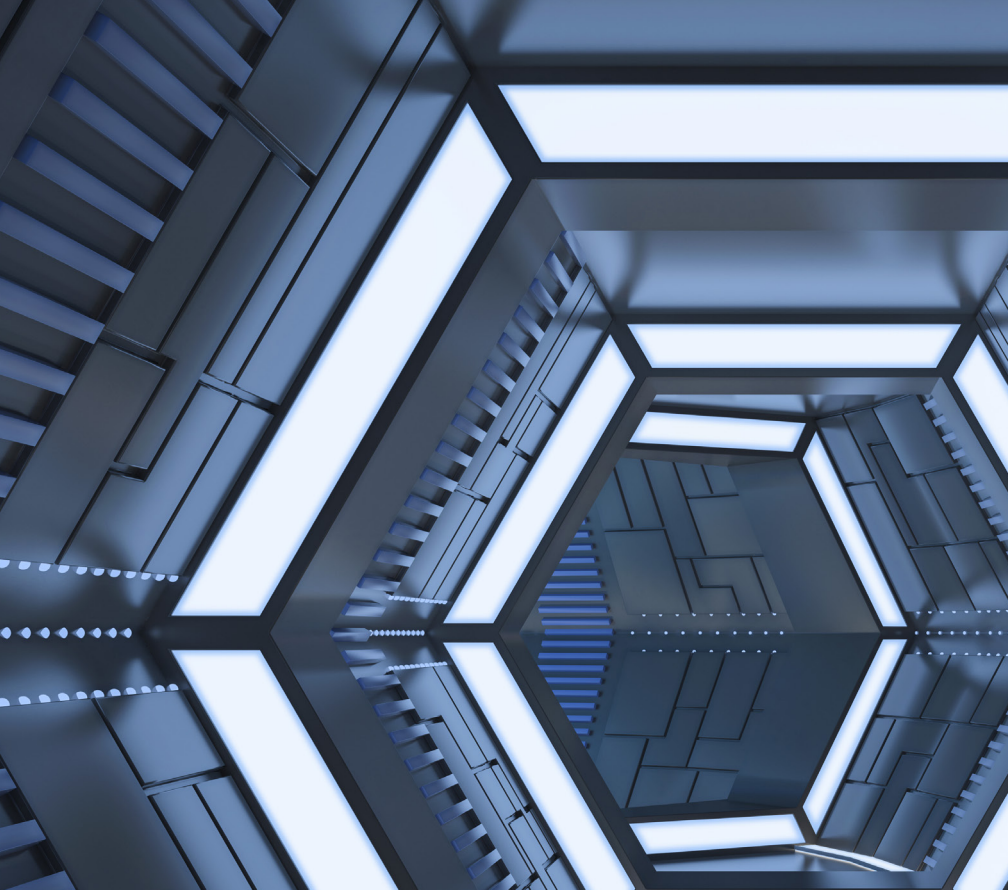
Within Assurance, the process for admission to partnership involves a formal assessment of the quality of the individual's work and their adherence to ethical requirements and professional standards. We will not admit an individual to the partnership if we have concerns about the quality of their work.

## Remuneration

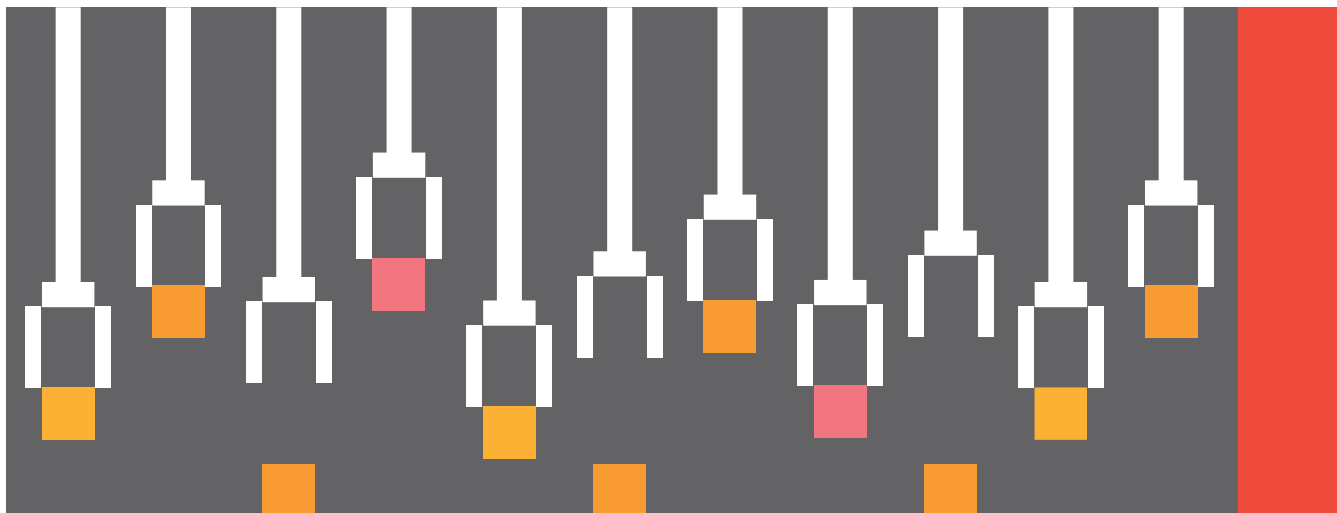
In determining remuneration for our staff, we carefully balance several elements, including the economic climate and the external market; recognition of people's hard work, including the quality of the work they deliver; the performance of the Firm; and investment for the future. We have common firm-wide reward principles, but in rewarding our people we recognise that we operate in different markets. We have a Firm-wide bonus plan, but individual bonuses are determined by each Line of Service.

## Assignment of engagement teams

Partners and staff are assigned to engagement teams, based on the individuals' experience, competencies and grade. Our internal resourcing function oversees the placement of staff into client programmes to maximise the best match of skills and experience required for the role. 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.



# Engagement performance



The quality and effectiveness of our audit service is critical to all of our stakeholders. We therefore 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.

We pay close attention to what our audit clients require from us, what they tell us we need to improve and to the findings of regulatory inspections on the quality of our work. Just as important are the internal indicators and processes that routinely monitor the effectiveness of our risk and quality processes, and provide timely information about the quality of our audit work and any areas for improvement.

## Methodology and tools

Member firms of PwCIL 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 from the small owner-managed business to multinational organisations, and facilitates sharing of good practice and mobility of partners and staff across the PwC Network. The PwC South Africa audit approach adheres to the relevant auditing standards, laws and regulations, 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.**





PwC Audit is underpinned by Aura, our global audit documentation system which is used by more than 100,000 auditors across the entire PwC Network. Aura supports teams in applying our methodology effectively, by creating transparent linkage between risks, required procedures, controls and the work performed to address those risks, as well as providing comprehensive guidance and project management capabilities. Aura provides audit engagement teams with:

- a single instance global software with embedded global, territory and industry specific audit procedures enabling consistency, synergy and scale;
  - a systematic risk-based approach, meaning that we focus on the things that matter;
  - a workflow technology that allocates audit procedures and individual tasks on personalised dashboards, enabling the timely execution and review of work;
  - a workshare feature designed for shared service centres and group audits, allowing us to work more collaboratively across borders, eliminating duplication of effort; and
  - real time monitoring of engagement quality and progress — anytime, anywhere and on any device (e.g. laptop, iPad, iPhone and other mobile devices).
- Aura online is an online version of Aura, which enables fast access to Aura files and is particularly beneficial for central functions that need access to multiple files.

Aura is regularly enhanced to improve features. New Aura features and functionality are developed at a global level to reflect technology initiatives to improve quality and efficiency, themes from external and internal quality reviews and feedback from global users.



Connect is a web-based collaborative workflow tool that allows fast, efficient and secure sharing of documents and information with our clients. Connect monitors the status of information flows on a real-time basis, it's simple to use and allows both the client and audit team to track status at an overall engagement and individual level anytime, anywhere.

The PwC network has also introduced a new engagement team collaboration tool that provides for secure tracking, and issue management capabilities between group and component teams.



Halo, the PwC network's award-winning data extraction, visualisation, and auditing platform, is designed to enhance our risk assessment process and facilitate automated testing and data validation in a number of audit areas. Halo for Journals helps audit teams identify journal entries to test as part of the procedures performed to address the risk of fraud.

PwC Extract is a tool that standardises the way engagement teams request, extract, and protect client data. Data, from any system, is transformed into a common data model allowing it to be analysed and used effectively and efficiently to not only provide audit support but valuable insights for our clients.

For more information on ways the firm is tech-enabling the audit, including videos about Aura, Connect, and Halo, see [pwc.com](https://www.pwc.com).



We continue to make significant investments in our tools and technology while retaining a focus on standardising activities to reduce operational friction for our teams and clients in respect of data extraction and analysis.

Our development includes continued investments in our existing tools, as well as the creation of new platforms and applications that incorporate leading-edge technologies such as machine learning, robotic process automation, drones and blockchain.

More information is available at [pwc.com](https://www.pwc.com).

## Comprehensive policies and procedures

The Firm has policies and procedures governing accounting, corporate reporting, regulatory 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 the practice and regulators. These policies and procedures are supported by guidance that PwC South Africa provides to its professionals on how best to implement them.

The policies, procedures and guidance are available in electronic files, databases and on web-based applications. These are readily accessible to our people remotely at any time.



## Service delivery centres

We appreciate and share our clients' concerns around continuous improvement, audit quality and cost containment. Therefore, we have made investments focused on further enhancing audit quality through standardisation, optimisation and increased flexibility. A key element of this is a sourcing model that is designed to reallocate certain administrative and common audit procedures to service delivery centres. Allocating certain tasks that do not require auditor judgement to a centralised location achieves the following benefits:

- enhanced quality through standardisation;
- improved efficiency and speed through scale;
- improved flexibility in delivery; and
- controlled cost of audit delivery.

The use of delivery centres allows professional staff in South Africa to focus on applying their judgement and professional scepticism in the audit process, as well as spending more face-to-face time with the client. In the areas where the delivery centres have been involved to date, we believe that the quality of the work has improved.

The Firm uses the services of delivery centres to perform a variety of procedures, the most common of which are:

- casting, cross-referencing, internal consistency and quality review of financial statements;
- assisting audit teams with tests of details by setting up templates and the audit tests; and
- managing the preparation of requests for, and subsequent receipt of, external confirmations.

To maintain confidentiality and security of information, we have implemented strict data security controls, and work is performed solely by PwC employees. The centres are also subject to annual quality reviews.

### Percentage of audit hours performed by service Delivery Centres



## Consultation and support

Consultation is a key element of quality control. The Firm has policies setting out the circumstances under which consultation on accounting, auditing and risk management matters 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 with 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.

	FY16	FY17	FY18
Number of full-time accounting and auditing specialists supporting our Assurance practice	39	51	61

## Supervision and review

The engagement leader and senior engagement team members 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 Engagement Quality Control Reviewer (known in PwC Audit as 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;
- 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; and
- have an overall responsibility for reviewing and assessing the quality of the work done, its proper and timely documentation and the conclusions reached.



Senior engagement team members support the engagement leader by:

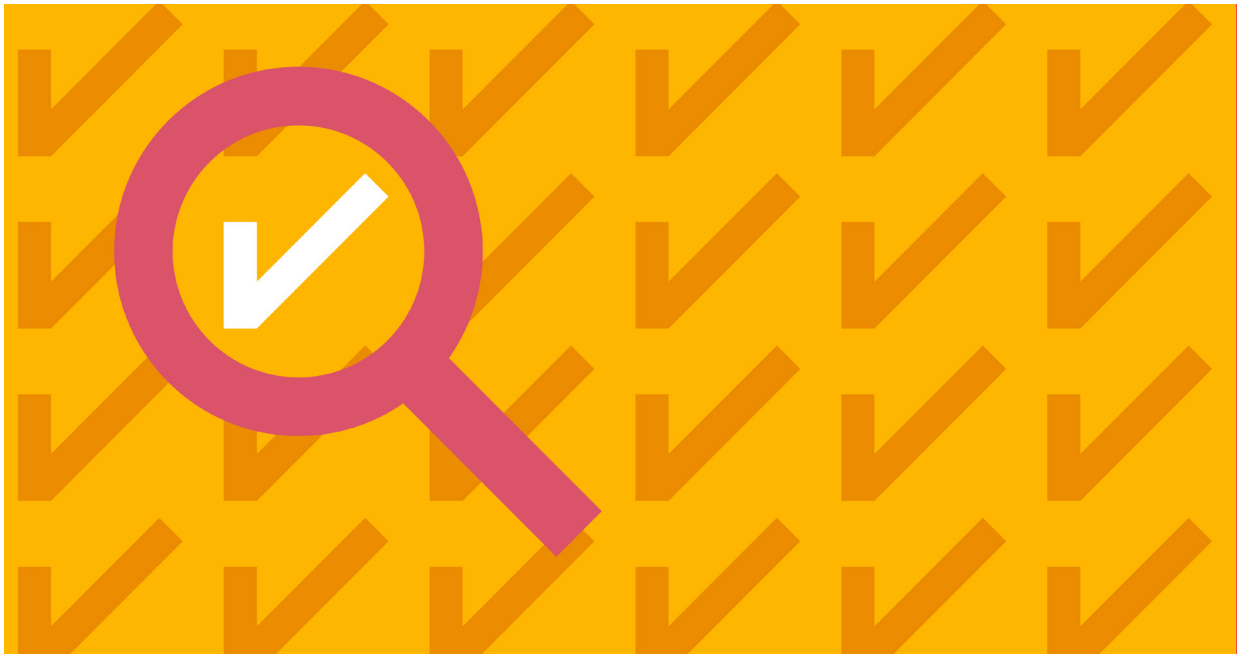
- setting an example in the performance of the audit and its documentation by being involved throughout the audit, including identifying the risks and being satisfied that they are responded to appropriately;
- striving for continuous quality improvement, challenging engagement team members and applying 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 are consistent with the understanding of the engagement; and
- 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 senior engagement team members, all staff are expected to critically self-review their own work to make sure that it meets the relevant requirements.

## Engagement quality control review

We appoint a Quality Review Partner (QRP) to conduct engagement quality control reviews of the audits of listed clients, and clients identified as higher risk. QRP's are experienced individuals who are independent of the core engagement team; they receive training when appointed as a QRP and their skills, capacity and experience are assessed on an annual basis thereafter.

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 to these risks, 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.



## 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 in accordance with policies laid down by professional standards. 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 paper file is archived using an electronic system that logs the files. The hard copy file is then retained in a secure access controlled filing system, either within the office or off-site.

Unless required for legal, regulatory or internal review purposes, electronic and hard copy paper files are only accessible by members of the engagement team until they are destroyed. All engagement files are destroyed after periods specified by law or professional standards. In the case of audit files, this is generally five years after signing the audit opinion (or longer, such as seven years for SEC audits).

## In the interest of continuous improvement, over the past year we have:



## Audit committee communications

Audit committee oversight of auditors is another key element of audit quality. Through timely, meaningful exchanges, we obtain the audit committee's perspectives and fulfil our professional responsibilities to communicate certain items to them. Required communications include discussions about our independence, our role, and the roles of management and the audit committee, among others. Examples of other topics we may discuss include perspectives on:



1

management's plans to adopt new accounting standards and respond to new laws and regulations

2

financial, business, and operational risks of the company

3

company resources to be allocated to the audit

4

new auditing standards

5

the quality of management, the company's culture, and the tone at the top

6

firm resources allocated to the audit

7

areas of significant estimates and judgments

8

the appropriateness of audit fees relative to the work to be performed

9

firm regulatory inspection results

10

the potential effects of proposed non-audit services on independence

These are just some of the topics we cover. We also encourage audit committees to ask us candid questions and engage in open dialogue with us to help foster an environment of accountability. We have also made enhancements to the content, templates, and technology our people use to report to audit committees. These updates drive consistency across engagement teams and are focused on highlighting meaningful insights, such as emerging risks and trending topics related to governance and the client's industry.



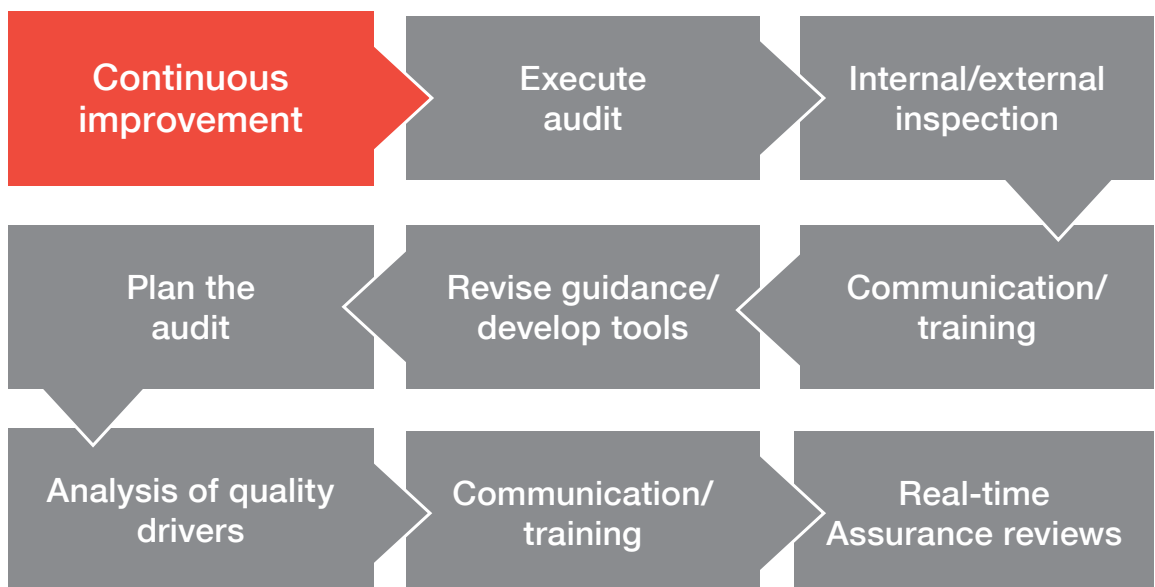


# Monitoring



**Testing the technical quality of our work is part of our quality control and risk management process. We constantly seek 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.**

The graphic below illustrates our continuous improvement process. We use the results of pre-issuance reviews and internal and external inspections to identify opportunities to enhance quality.



## Global Assurance Quality Review Programme

Our monitoring program is based on the PwC Network's Global Assurance Quality Review (GAQR) Program. This program which is based on professional standards relating to quality control including ISQC1, contains policies, procedures, tools and guidance, which are used by PwC Network firms. The GAQR program is coordinated by a central team, which consists of a GAQR Leader with a group of International Team Leaders (ITL) who are senior partners seconded to the GAQR central team by PwC member firms. Provision of oversight by the ITLs and their continuous involvement and support enable a consistent and effective performance of reviews across the PwC network.

This includes a Quality Management Review (QMR), which tests whether our quality management systems are appropriately designed, operating effectively and comply with PwC Network standards, and an Engagement Compliance Review (ECR) programme to assess whether engagements are performed in accordance with relevant standards. Our quality control system includes:



human capital  
needs



leadership  
responsibility  
related to quality



our process for  
monitoring the  
effectiveness of  
our quality control  
policies and  
procedures



relevant ethical  
requirements



considerations in  
undertaking an  
audit engagement



engagement  
performance

Partners and employees of our Firm are informed about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of engagements. In addition, the GAQR Leader informs engagement partners of our Firm who are responsible for group audits involving cross-border work about relevant quality review findings in other PwC firms, which enables our partners to consider these findings in planning and performing their audit work.



## Quality Management for Service Excellence

Delivering service of the highest quality is core to our purpose and our assurance strategy, the focus of which is to strengthen trust and transparency in our clients, in the capital markets and wider society.

To help PwC South Africa put this strategy into effect, the PwC network has established a framework for quality management that integrates quality management into business processes and the firm-wide risk management process. The framework introduces an overall quality objective for the Assurance practice, focused on having the necessary capabilities in our organisation and deploying our people to consistently use our methodologies, processes and technology in the delivery of services in an effective and efficient manner to fulfil the valid expectations of our clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and our quality management system (QMS) must be designed and operated so that these objectives are achieved with reasonable assurance.

## Quality Management Review (QMR)

A full QMR is performed every three years, with a targeted 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. The Firm was subjected to a Targeted Quality Management Review in 2018. The review was conducted by an international team. Whilst the review identified a few improvements to processes and systems, none of these were assessed as likely to lead to engagements not being compliant with relevant standards.

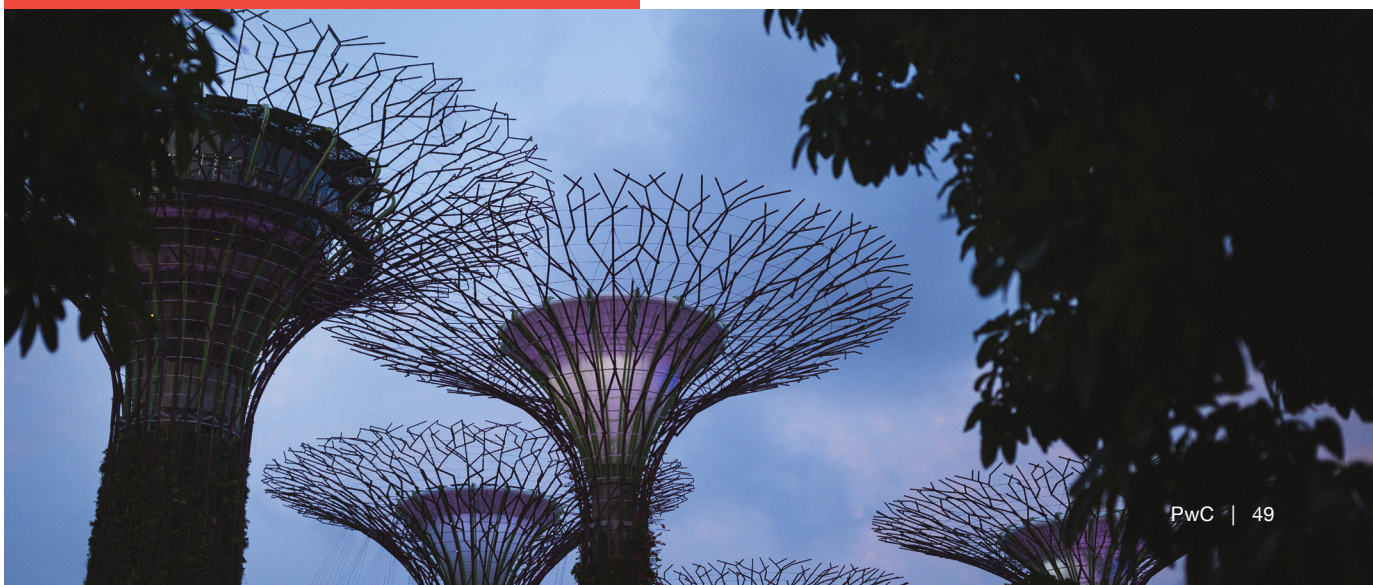
## The Member Firm Report

A Member Firm Report is prepared annually by the international team leader assigned to PwC South Africa. The report includes the results of both the QMR and ECR for that year and an overall conclusion on the firm's quality control systems.

Based on our analysis of the results of the activities described above, as well as our consideration of regulator reviews and the results of other internal monitoring activities, we are satisfied that our internal quality control system provides us with reasonable assurance of performing and reporting in conformity with applicable standards and PwC Audit in all material respects. The report also summarised the main points arising from the QMR and ECRs that merited our attention.

These actions were assigned to specific individuals and significant progress has been made in addressing these matters. The 2018 Member Firm Report was issued in October 2018.

PwC South Africa responded to the points raised within the 2018 Member Firm Report as well as external regulator reports, and developed an action plan to address the exceptions noted.



## Engagement Compliance Reviews (ECR)

The key features of the annual ECR programme are:

- a review of completed audit engagements of partners in the Firm who are authorised to sign audit reports;
- an audit engagement of each partner is reviewed at least once every three years;
- a review of a sample of completed non-audit assurance engagements under the international assurance standards and regulatory frameworks. The sample aims to reflect the range of different non-audit assurance work and its significance to the Firm;
- engagement compliance reviews are led by experienced partners, supported by teams of partners, directors and senior managers who are all independent of the office, business unit and engagement leader being reviewed;
- follow-up reviews take place if deficiencies are identified;
- adverse findings are taken into consideration in determining the reward and promotion of engagement leaders; and
- the results are reported to the Assurance Executive and to PwCIL.

47 audit engagements and 11 non-audit assurance engagements were reviewed in 2018.

The review process covers approximately one third of Responsible Individuals.

In the case of a non-compliant engagement, follow-up reviews are undertaken, the engagement leader will be reviewed again in the subsequent year's ECR and there are financial implications for the individual auditor.

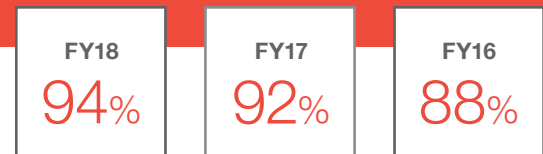
In 2018, 44 audit engagements (2017: 38), representing 94% (2017: 92%) of the audit engagements reviewed were classified as compliant.

An action plan is developed to respond to significant matters arising from the ECR. Specific individuals are responsible for implementing the action plan within agreed time frames. The action plan is monitored by the Assurance Risk and Quality leadership to make sure actions are implemented. These matters, along with any consistent themes, are included in the annual mandatory technical training programme and updates for the practice, including feedback through regular technical update emails. We also issue additional or revised guidance to assist teams, where we consider this is necessary.

### Number of Audit engagements reviewed



### Percentage of compliant Audit engagements



## Root cause analysis

We hold our reputation for quality in the highest regard. Inevitably, given the size of our business, we do on occasion fall short of the high standards we set ourselves. We perform analyses to identify potential factors contributing to our Firm's audit quality so that we can take actions to continuously improve. One of our primary objectives when conducting such analyses is to identify how our Firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at audits both with and without deficiencies — whether identified through our own internal inspections process or through external inspections — to help identify possible distinctions and learning opportunities. Our analyses cover matters arising from both individual engagement file reviews as well as those relating to the Firm's systems of quality control.

Our analyses are conducted in two ways; first by monitoring themes as they arise during the inspection process and, second, by then applying more formal root cause procedures. A team of reviewers that is independent from the engagement team or function identifies potential factors contributing to the quality of the audit or control. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement team behaviours and resources, and technical training, among others.

# Appendix

## EU EEA Member firms

The table below is a list of audit firms and statutory auditors within the network i.e. from EU or EEA Member States as of June 30, 2018.

### Country and Name of firm/statutory auditor

<b>Austria</b>	PwC Entrepreneurs CAC	<b>Liechtenstein</b>
PwC Wirtschaftsprüfung GmbH, Wien	PwC Entrepreneurs CAC France	PricewaterhouseCoopers GmbH, Vaduz
PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz	PwC Entrepreneurs Commissariat aux Comptes	<b>Lithuania</b>
PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt	PwC Entrepreneurs Commissariat aux Comptes France	PricewaterhouseCoopers UAB
PricewaterhouseCoopers Vorarlberg Wirtschaftsprüfungs GmbH, Dornbirn	PwC Entrepreneurs France	<b>Luxembourg</b>
PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz	PwC Entrepreneurs Services	PricewaterhouseCoopers, Société coopérative
PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg	M. Philippe Aerts	<b>Malta</b>
PwC Österreich GmbH, Wien	M. Jean-François Bourrin	PricewaterhouseCoopers
<b>Belgium</b>	M. Jean-Laurent Bracieux	<b>Netherlands</b>
PwC Bedrijfsrevisoren bcvba/Reviseurs d'entreprises scrl	M. Didier Brun	PricewaterhouseCoopers Accountants N.V.
PwC Audit Services SPRL	M. Hubert de Rocquigny	Coöperatie PricewaterhouseCoopers Nederland U.A
<b>Bulgaria</b>	M. Didier Falconnet	Norway
PricewaterhouseCoopers Audit OOD	M. Bernard Kervarec	PricewaterhouseCoopers AS
<b>Croatia</b>	M. François Miane	Poland
PricewaterhouseCoopers d.o.o	M. Yves Moutou	PricewaterhouseCoopers Polska sp. z.o.o.
<b>Cyprus</b>	M. Claude Palméro	PricewaterhouseCoopers sp. z.o.o.
PricewaterhouseCoopers Limited	M. Pierre Pégaz-Fiornet	<b>Portugal</b>
<b>Czech Republic</b>	M. Antoine Priollaud	PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais do Contas Lda
PricewaterhouseCoopers Audit s.r.o	<b>Germany</b>	<b>Romania</b>
<b>Denmark</b>	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft	PricewaterhouseCoopers Audit S.R.L.
PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab	Wibera WPG AG	<b>Slovakia (Slovak Republic)</b>
<b>Estonia</b>	<b>Greece</b>	PricewaterhouseCoopers Slovensko, s.r.o.
AS PricewaterhouseCoopers	PricewaterhouseCoopers Auditing Company SA	<b>Slovenia</b>
<b>Finland</b>	<b>Hungary</b>	PricewaterhouseCoopers d.o.o.
PricewaterhouseCoopers Oy	PricewaterhouseCoopers Könyvvizsgáló Kft.	<b>Spain</b>
PwC Julkistarkastus Oy	<b>Iceland</b>	PricewaterhouseCoopers Auditores, S.L.
<b>France</b>	PricewaterhouseCoopers ehf	<b>Sweden</b>
PricewaterhouseCoopers Audit	PricewaterhouseCoopers	PricewaterhouseCoopers AB
PricewaterhouseCoopers Entreprises	<b>Italy</b>	Öhrlings PricewaterhouseCoopers AB
PricewaterhouseCoopers France	PricewaterhouseCoopers Spa	<b>UK</b>
PricewaterhouseCoopers Services France	Latvia	PricewaterhouseCoopers LLP
PwC Entrepreneurs Audit	PricewaterhouseCoopers SIA	James Chalmers
PwC Entrepreneurs Audit France		Richard Sexton*

\*Registration ceased subsequent to 30 June 2018

The total revenue from the statutory audits of annual and consolidated financial statements completed by EU/EEA firms that are part of the PwC network was, to the best extent calculable, approximately 3 billion Euros. This represents the revenue from each entity's most recent financial year converted to Euros at the exchange rate prevailing at that financial year end date.

PwC South Africa acts as auditor for entities with transferable securities listed on an EU regulated market. This includes the audit of Naspers Limited for which group audit fees approximate 8.7million Euros.



At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with over 250,000 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](http://www.pwc.com).

© PwC Inc. [Registration number 1998/012055/21] ("PwC"). All rights reserved.

PwC refers to the South African member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/sa](http://www.pwc.com/sa) for further details.

(18-23003)