

# Building trust through assurance

Transparency report for the year ended  
30 June 2019



# 2019 Highlights

## Assurance at a glance

### Culture and Values



of Assurance People participated in our 2019 Global People Survey (GPS)

#### Assurance GPS highlighted the following strengths:

- The people I work for support and demonstrate high standards of ethical conduct
- The leaders I work with act with integrity
- The people I work for trust me to use flexibility options without compromising the quality of my work
- The leaders I work with encourage one-firm collaborative behaviour to provide quality services to our clients
- My work is meaningful to 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

**51** Number of audit engagements subject to internal inspection in 2019 (2018:47, 2017:52)

#### Audit hours performed by service delivery centres

FY16	FY17	FY18	FY19
64 058	86 081	113 606	155 115

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

1 to 8.3\*

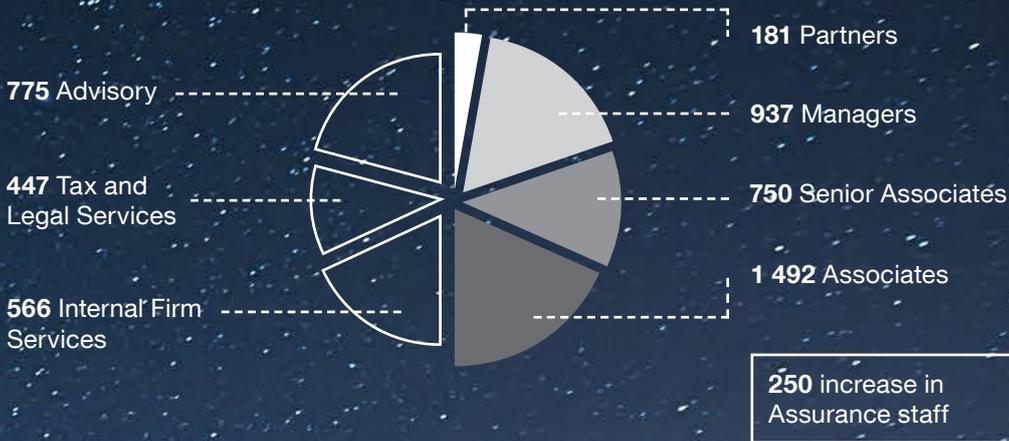
Audit partners' average years' experience at PwC:



\* Includes 3 JSE Reporting Accountants specialists

## Our people

We employ more than 5 100 people in our offices including more than 3 300 assurance professionals



of assurance people who participated in our 2019 GPS expect (plan) to be working at PwC 12 months from now.

## Transformation

PwC invested over

**R230 million**

in learnership programmes in the past 16 years. This helped qualify more than 2 400 Chartered Accountants from historically disadvantaged backgrounds.

### South Africa partners



10% black female



31% black partners

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



PwC AGI APC pass rate of



Retained a

**AAA+**

Level 1, **B-BBEE** contributor status for the period 1 July 2018 to 30 June 2019 — the highest rating possible, recognising the firm as a good **B-BBEE** contributor

## Results

PwC South Africa revenues grew by 13% in 2019 to **R5.0bn**

Assurance revenues grew by 15% in 2019 to R3.2bn and constitute 64% of firm revenues

Assurance  
ZAR3.2bn

Advisory  
ZAR1.2bn

Tax  
ZAR0.6bn







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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”).



01

# Our focus on audit quality



**We live in a complex world and the global economy is evolving fast. So many of our clients are driving transformational change to keep pace – capitalizing on new opportunities and navigating new challenges. At PwC we’re changing quickly too, so that we’re prepared to identify and address the risks we face in this environment.**

## **Quality is our top priority**

During this time of significant change there are some things that remain the same. We’re committed to driving a strong culture of quality. It’s core to our purpose – to build trust in society and solve important problems. Importantly, it’s also what our clients and stakeholders expect of us. 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’s reflected in our leadership and governance structures and is consistent throughout our global network. It guides the decisions we make – both internally and externally – forms the basis of our strategy and is underpinned by expectations of quality and the highest of standards.

## **Bringing our purpose to our Assurance practice**

While traditionally the largest portion of our firm, our Assurance practice does not operate in isolation. As a multidisciplinary professional services firm, we go to market by industry, bringing the best of our firm to add holistic value to our clients. With regulatory requirements firmly front of mind, we approach our business on a One Firm basis, always underpinned by the need for trust in the capital markets and in the quality of our audits. This means we use the resources and technologies of our non-audit disciplines to benefit audit quality. For instance, our Advisory and Tax & Legal service lines support our audits in areas such as information systems, cybersecurity threats, valuations, and complex tax matters. This enables us to bring our full capabilities and insights to our audits as required and appropriate.

## Audit quality starts with our people

The importance of integrity and independence are constantly emphasised. We continue to invest in ongoing personal and professional development, with indepth technical training and resources. We're focused on positioning our people and firm for the future, providing our people with opportunities to build the digital fitness needed to survive in an increasingly digital world. We're also making significant investments in our people and technology to help our firm provide quality audits.

## We see technology as a key enabler of quality

Through tech-enabling the audit, we're matching tailored innovations in transformative technology with the continued emphasis on vital skills of our people, like critical thinking, skepticism and communication to enhance how we perform our audits.

## We're responding to and anticipating change

In response to new standards and an evolving environment, we provide enhanced training, tools and methodologies so our people have the guidance and insights they need to deliver quality audits.

## We value differences

When people from different backgrounds and with different viewpoints work together, there is better ability to challenge – ultimately making for more informed audit work and promoting quality. Diversity is good for our performance and creates value for our clients, our people and society. We're committed to fostering an inclusive workplace that leverages the power of our differences to achieve our goals.

## We're proud to be auditors

Quality, independent audits play an important role in the financial reporting system and support the overall health of the global economy. We do not take this responsibility lightly.

## Restoring trust in the profession and in the audit

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 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. We continue to engage with 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. PwC also plays a key role in The South African Auditing Profession Trust Initiative, or SAAPTI, a voluntary committee established by the audit profession in South Africa. The committee's members include CEOs of both the larger, medium and emerging audit firms.

## Our ongoing commitment

Reflecting the nature of our business and our profession, this report is a fluid and dynamic work in progress, and year on year we trust that it will continue to build a true and accurate reflection of the progress we've made and demonstrate how we're continually going about seeking opportunities for improvement.

In this 2019 edition of our Transparency Report we once again provide insight into how we deliver on our audit quality objectives and summarise actions we've 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. Quality matters – to us, our brand, our stakeholders and our clients.



**Dion Shango**  
PwC Africa  
Chief Executive Officer  
*(effective 1 July 2019; former PwC South Africa CEO up to 30 June 2019)*



**Shirley Machaba**  
PwC South Africa  
Chief Executive Officer  
*(effective 1 July 2019)*

October 2019

# 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:



**Act with integrity**

- Speak up for what is right, especially when it feels difficult
- Expect and deliver the highest quality outcomes
- Make decisions and act as if our personal reputations were at stake



**Make a difference**

- Stay informed and ask questions about the future of the world we live in
- Create impact with our colleagues, our clients and society through our actions
- Respond with agility to the ever changing environment in which we operate



**Care**

- Make the effort to understand every individual and what matters to them
- Recognise the value that each person contributes
- Support others to grow and work in the ways that bring out their best



**Work together**

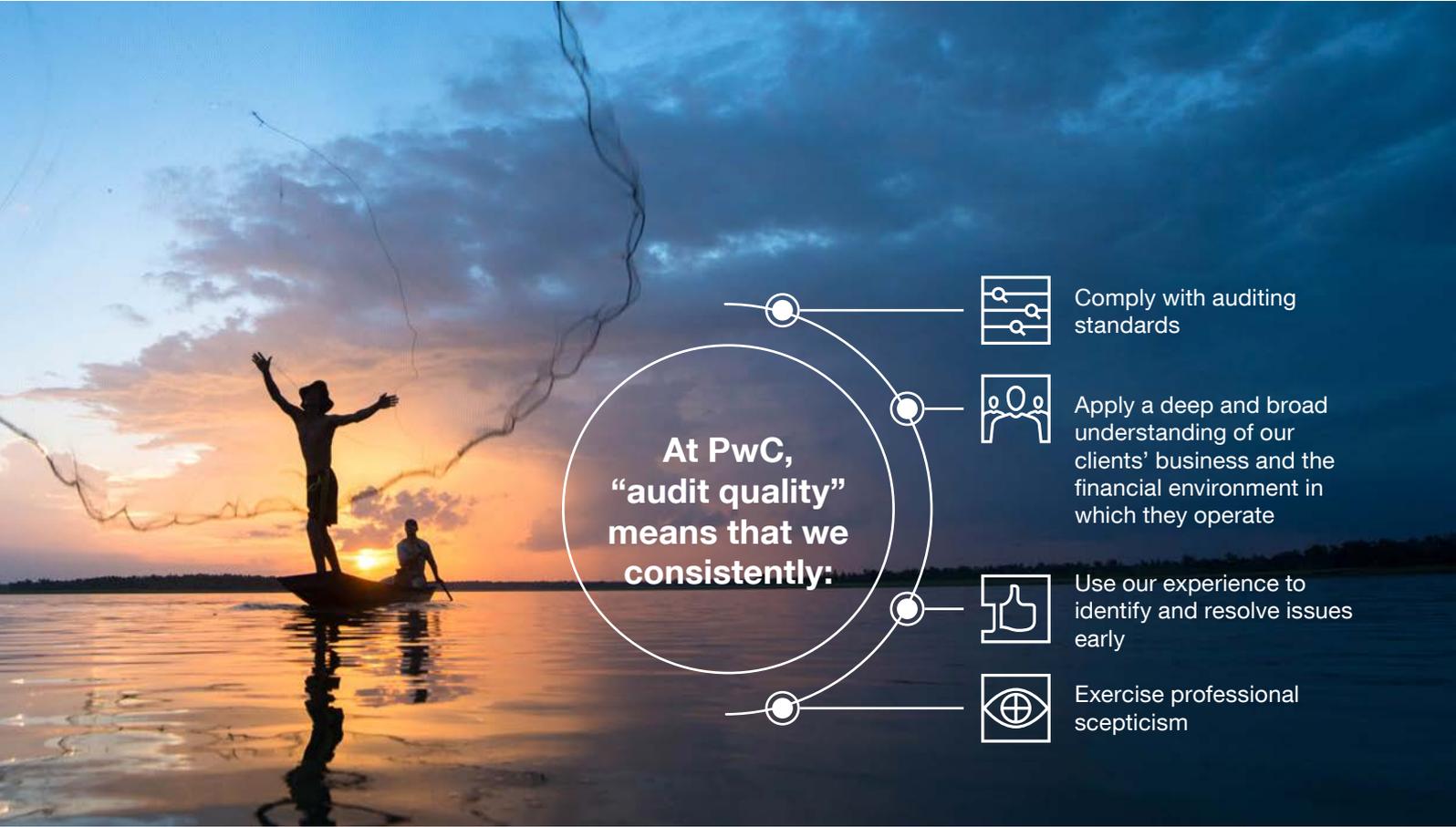
- Collaborate and share relationships, ideas and knowledge beyond boundaries
- Seek and integrate a diverse range of perspectives, people and ideas
- Give and ask for feedback to improve ourselves and others



**Reimagine the possible**

- Speak to challenge the status quo and try new things
- Innovate, test and learn from failure
- Have an open mind to the possibilities in every idea

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.



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



Comply with auditing standards



Apply a deep and broad understanding of our clients’ business and the financial environment in which they operate



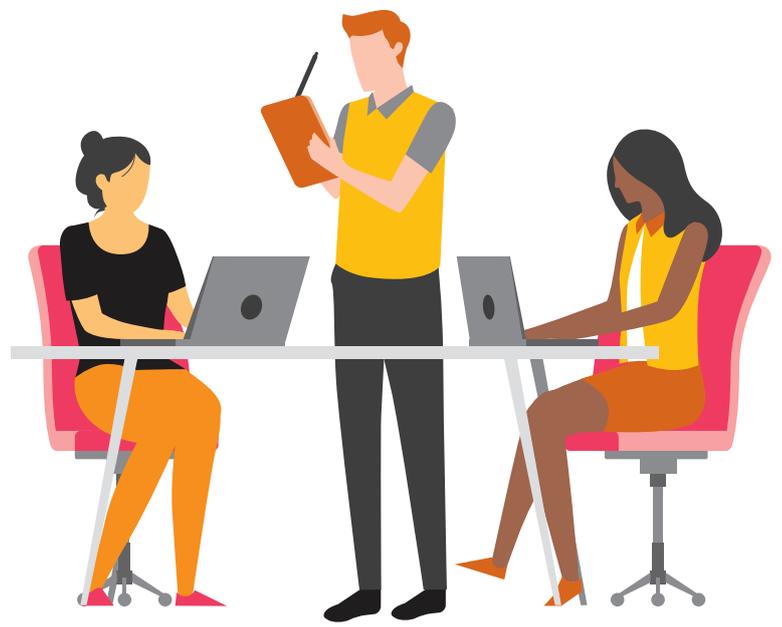
Use our experience to identify and resolve issues early



Exercise professional scepticism

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

- |  |  |  |
|--|--|--|
| <b>1</b> ask tough questions   | <b>4</b> are the audit committee’s independent “eyes and ears” | <b>7</b> recognise our role in the capital markets |
| <b>2</b> apply an objective and sceptical mindset                                    | <b>5</b> plan our work in a timely and thorough fashion        | <b>8</b> stay current on professional standards    |
| <b>3</b> embrace the supervision and review process as a way to continuously improve | <b>6</b> remain alert to issues that need deeper analysis      | <b>9</b> 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 together with the firms in the East and West Market Areas, 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.

## South Africa Governing Board

- 10 members (elected by South Africa partners)
- Four scheduled meetings per annum (and ad-hoc meetings if required)
- Term of office: Four years
- The CEO is an ex-officio member of the board

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 Busi Mathe. 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.

## 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 2019)



**Coenraad Richardson**

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



**43%**  
ACI



**Nana Madikane**

Transformation Leader



**Pieter Hough**

Assurance Leader



**29%**  
Female

## South Africa Governing Board

(at 30 June 2019)



**Busi Mathe**

Chair



**John Bennett**



**Brendan Deegan**



**Craig West**



**Nicolette Jacobs**



**Sandile Lukhele**



**Peter McCrystal**



**Jayshila Mistri**



**Ahmed Chohan**



**Vincent Tshikhovokhovho**



**60%**  
ACI



**30%**  
Female

\* On 1 July the following changes took place in the management committee.

- Shirley Machaba appointed as CEO
- Anastacia Tshesane appointed as Transformation Leader
- Johannes Grosskopf appointed as Operations Leader
- Kalane Rampai appointed as Consulting Leader

The composition of the management committee following the changes is:

- 37.5% Female
- 50% ACI



**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 19 offices across the country, with its head office situated in Johannesburg.**



**19 Offices in South Africa**



**5 148 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. We're a network of firms in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, advisory and tax services.

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 Dion Shango, Africa Senior Partner, manages our relationship with the Network Leadership Team. This role was performed by Hein Boegman until 30 June 2019.



04

# Leadership responsibilities for quality within the firm



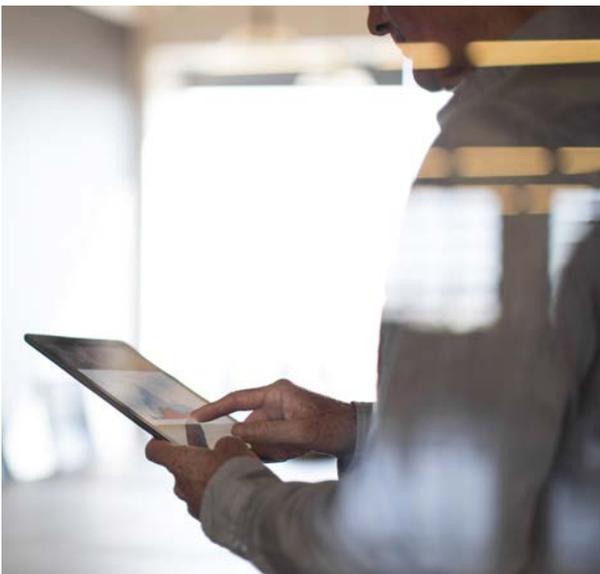
## Leadership holds our professionals accountable for performing quality audits

### 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 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.



05

# 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 and ethical requirements

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 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:



**Integrity** – to be straightforward and honest in all professional and business relationships.



**Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.



**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.



**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.



**Professional behaviour** – to comply with relevant laws and regulations and avoid any action that discredits the profession.

In addition, our Network Standards applicable to all Network firms cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/fair-competition, anti-corruption, information protection, firm's and partner's taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC Network and leadership in South Africa monitors compliance with these obligations.

In addition to the PwC Values (Act with Integrity, Make a difference, Care, Work together, Reimagine the possible) and PwC Purpose, PwC South Africa has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals- behaviours that will enable us to build public trust. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal – to do the right thing.

Upon hiring or admittance, all staff and partners of PwC South Africa are provided with the PwC Global Code of Conduct. They are expected to live by the values expressed in the Code in the course of their professional careers and have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing behaviours inconsistent with the Code. Each firm in the PwC Network provides a mechanism to report issues. There is also a confidential global reporting option on [pwc.com/codeofconduct](http://pwc.com/codeofconduct). PwC South Africa has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

The PwC Code of Conduct is available on-line for all internal and external stakeholders @ [pwc.com/ethics](http://pwc.com/ethics).

## 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.



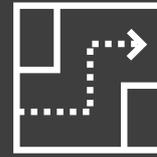
### Compliance with anti-money laundering legislation and professional requirements

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.

In addition, there is 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 PwC comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Policies and supporting guidance are reviewed and revised when changes arise such as updates to laws and regulations or in response to operational matters.

## Independence-related tools

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. This system drives the 'Independence List' and also feeds Independence Checkpoint;
- 'Independence Checkpoint' which facilitates the pre-clearance of publicly traded securities by all partners, and practice managers before acquisition and records their subsequent purchases and disposals. Where a PwC member firm wins a new audit client, this system automatically informs those holding securities in that client of the requirement to sell the security where required;
- 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; and
- Global Breaches Reporting System which is designed to be 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.)

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.



**In the past calendar year all partners were subject to personal independence compliance testing**



## 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.

For entities that meet the IESBA, IRBA 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 the cooling-off period being determined as set out below.

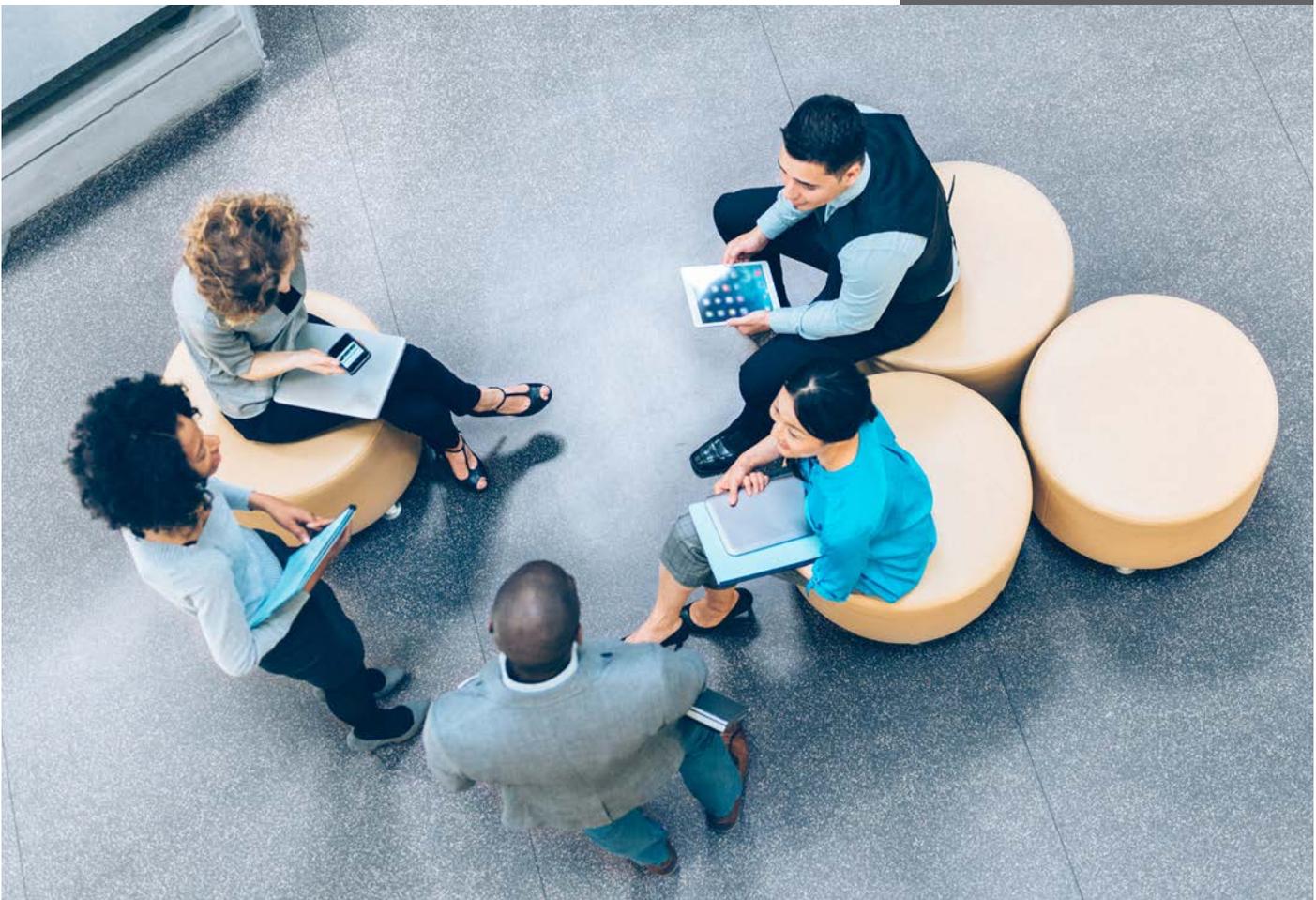
Where the engagement leader, quality review partner and key audit partners has served cumulative years in the same role:

Role	Time on period	Cooling off period (consecutive years)
Engagement leader (EP/EL)	7 years	5 years
Quality Review Partner (QRP)	7 years	3 years
Other Key Audit Partner	7 years	2 years

Where the engagement leader, quality review partner and key audit partners has served cumulative years in a combination of roles, different cooling off periods apply in terms of the IESBA code.

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





06

# Acceptance and continuance of client relationships and specific engagements

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

# Acceptance and continuance process

## Considerations in accepting and continuing an audit client relationship

Our principles for determining whether to accept a new client or continue serving an existing client are fundamental to delivering quality, which we believe goes hand-in-hand with our purpose to build trust in society. We have established policies and procedures for the acceptance of client relationships and audit engagements that consider whether we are competent to perform the engagement and have the necessary capabilities including time and resources, can comply with relevant ethical requirements, including independence, and have appropriately considered the integrity of the client. We reassess these considerations in determining whether we should continue with the client engagement and have in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary.

## Client and Engagement Acceptance and Continuance

PwC South Africa has implemented a process to identify acceptable clients based on the PwC Network's proprietary decision support systems for audit client acceptance and retention (called Acceptance and Continuance ('A&C')). A&C facilitates a determination by the engagement team, business management and risk management specialists of whether the risks related to an existing client or a potential client are manageable, and whether or not PwC should be associated with the particular client and its management. More specifically, this system enables:

- **Engagement teams:**
  - to document their consideration of matters required by professional standards related to acceptance and continuance;
  - to identify and document issues or risk factors and their resolution, for example through consultation, by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
  - to facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement.
- **The firm** (including the firm's leadership and risk management):
  - to facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements;
  - to provide an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio;
  - to understand the methodology, basis and minimum considerations all other member firms in the Network have applied in assessing audit acceptance and continuance; 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.

Due to the unique risks, the firm established a special panel to consider engagements at certain State-Owned Entities.

## 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.



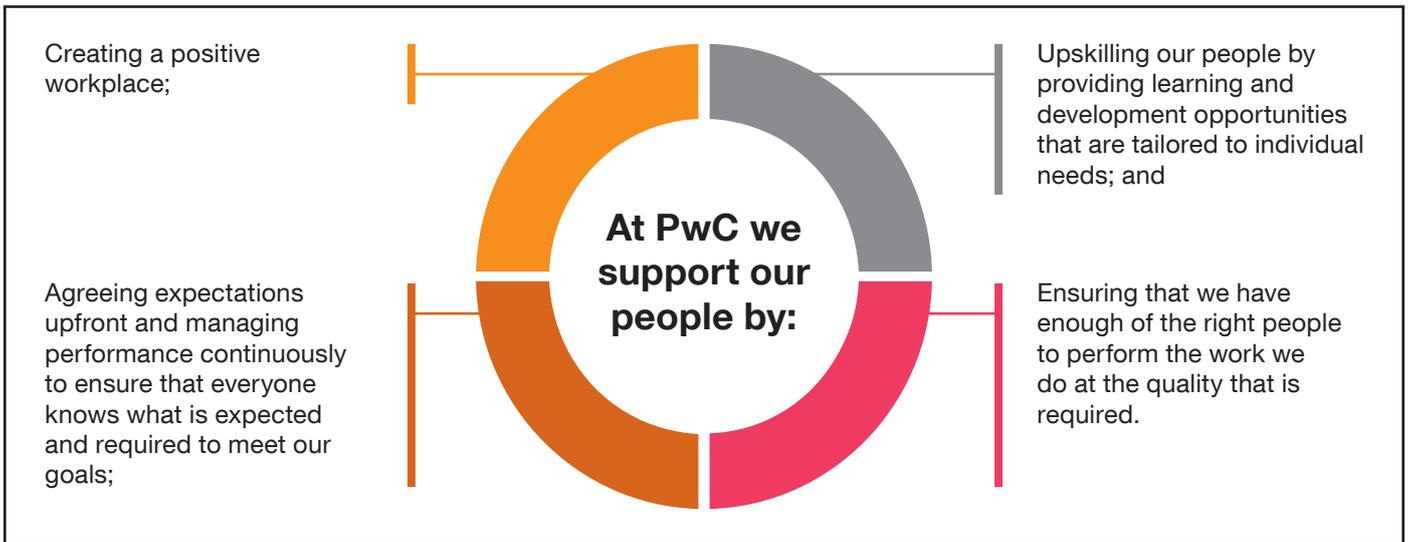


07

# Our people

Our people are at the heart of our organisation, and we invest significant resources into making PwC a great place to work. With over 5 000 professionals around South Africa, we come from many different backgrounds and places. Guided by our purpose, culture and values, we work together to build trust in society and solve problems for clients and the communities in which we live and work.

These values and culture define the shared aspirations and expectations we have for dealing with our clients, stakeholders, communities we operate in and each other. They also impact how we behave, make decisions, treat each other and deliver to all our stakeholders. Act with integrity, make a difference, care, work together and reimagine the possible.



## Creating a positive workplace

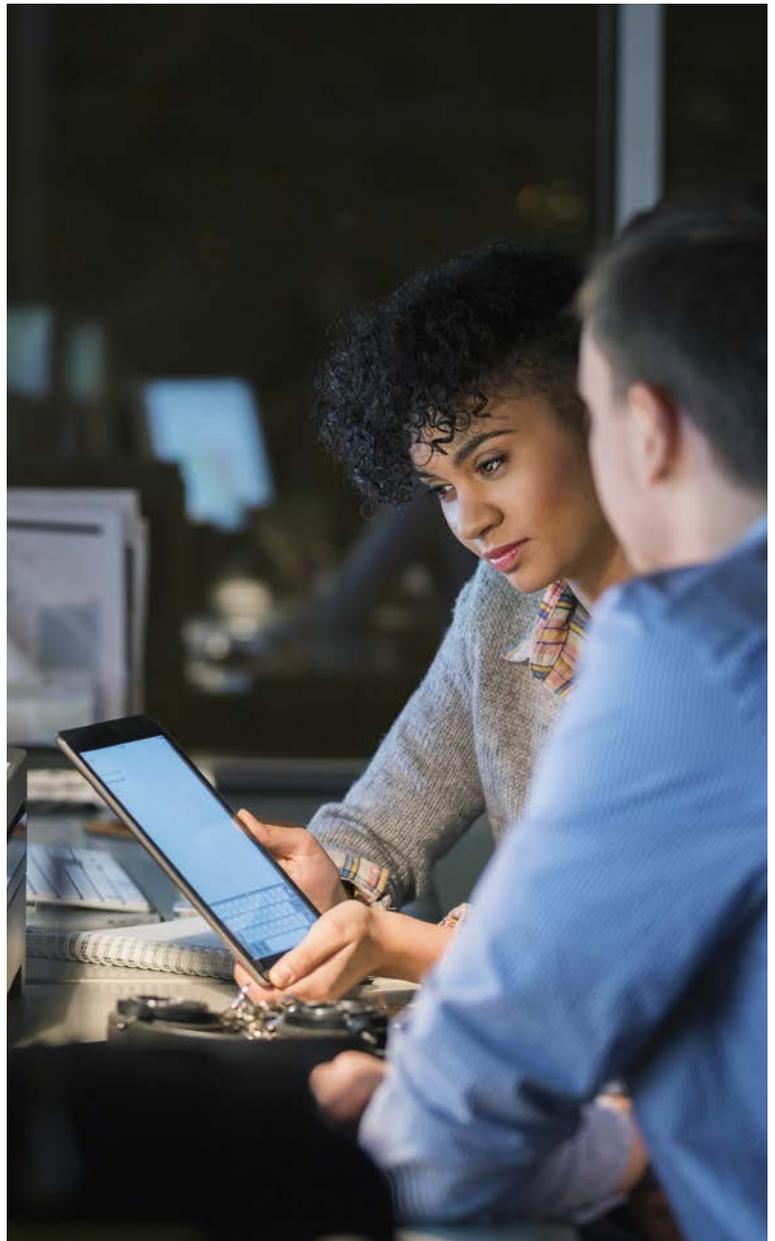
We aim to create a workplace where everyone feels included, supported and safe. Every year we conduct a survey to find out how our people feel about working at PwC. This year 86% of our Assurance people took part in the survey.

At 72%, our SA Assurance engagement score reflects the extent to which employees feel passionate about their jobs and are committed to the organisation. The PwC Assurance global engagement score is 74%.

The vast majority of the 2 835 of our people who completed the survey told us that the people they work for support and demonstrate high standards of ethical conduct (80%), that the leaders they work for act with integrity (79%) and that they encourage 'one-firm' collaborative behaviour to provide quality service to our clients (71%).

Our people also tell us that PwC is a place where they can grow and achieve their career ambitions, with 70% saying that they are involved in work that is meaningful to them.

There are also opportunities for us to improve. The percentage of our people that feel that the people they work for are considerate of their life outside of work is 51%. On the upside, 72% of them say that their team leaders trust them to perform their work using flexibility options without compromising the quality of their work. We continue to invest in programmes to help our people to work flexibly and manage their energy and personal wellbeing so they can be their best selves at home and at work.





## Agreeing expectations upfront and managing performance continuously

At PwC every employee has a team leader and a coach to support our people in the delivery of their work, their development needs and wellbeing. All people are expected to set annual goals agreed with their Team leader and coach and to obtain continuous feedback on their performance and development areas.

We invested significantly in technology to digitally enable our people to receive real time feedback that is honest and focussed on improving their skills and performance. Our tools include Snapshot and Workday.

“Snapshot” is our real time feedback tool to assess progression against the five dimensions of the PwC Professional Framework, identify development actions where appropriate and highlight examples of differentiated performance. It is used to capture feedback on work performed for all employees. All our people are expected to obtain continuous feedback throughout the year. During FY19 13 565 ‘Snapshots’ were requested and completed by our people.

Workday, our cloud based global people management system, is used to capture and track progress on our performance goals.

Feedback forms a key element of our annual appraisal process. All partners and staff assess their performance against their agreed goals 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 our individuals and teams have made to the firm. Our focus is on supporting our people to have rich conversations with their coaches and team leaders about their contribution and how they have demonstrated the PwC Professional attributes.

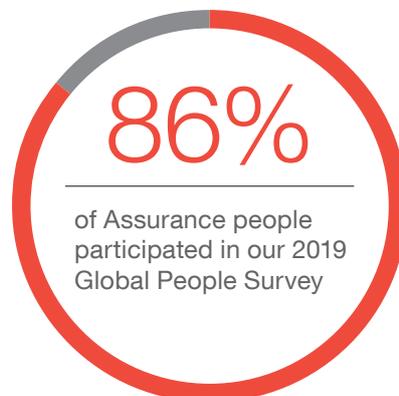
Our top performers have the opportunity to progress faster and to receive higher reward and recognition through pay progression and bonuses.

Individuals who performed below average will progress more slowly, and where performance is unsatisfactory, corrective action is taken.

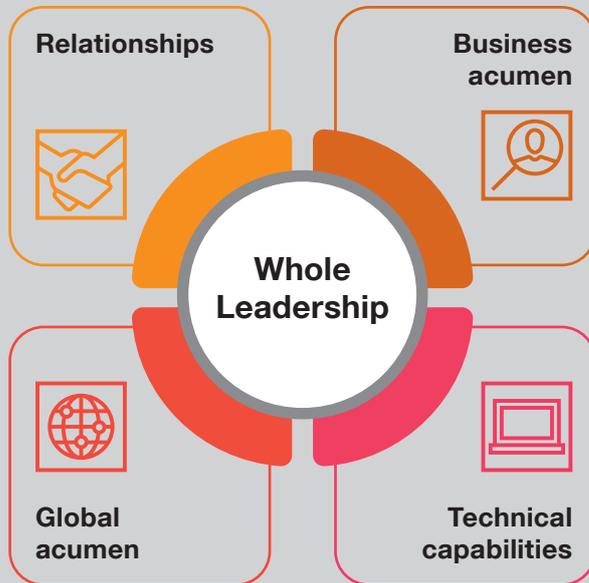
All associates need to achieve competencies as prescribed by SAICA, which oversees the qualification of Chartered Accountants within South Africa.

Achieving the competencies is part of the requirements to qualify as a South African chartered accountant. Trained, accredited assessors within the firm evaluate associates against these 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 Advanced Development Plan.



## The PwC Professional



Re-imagining our Future in PwC. In a world of constant change and disruption, it is critical for our people to evolve their technical knowledge, professional skills and future value as part of the practical work they perform, the performance business coaching received and from formal learning activities that they undertake throughout the year.

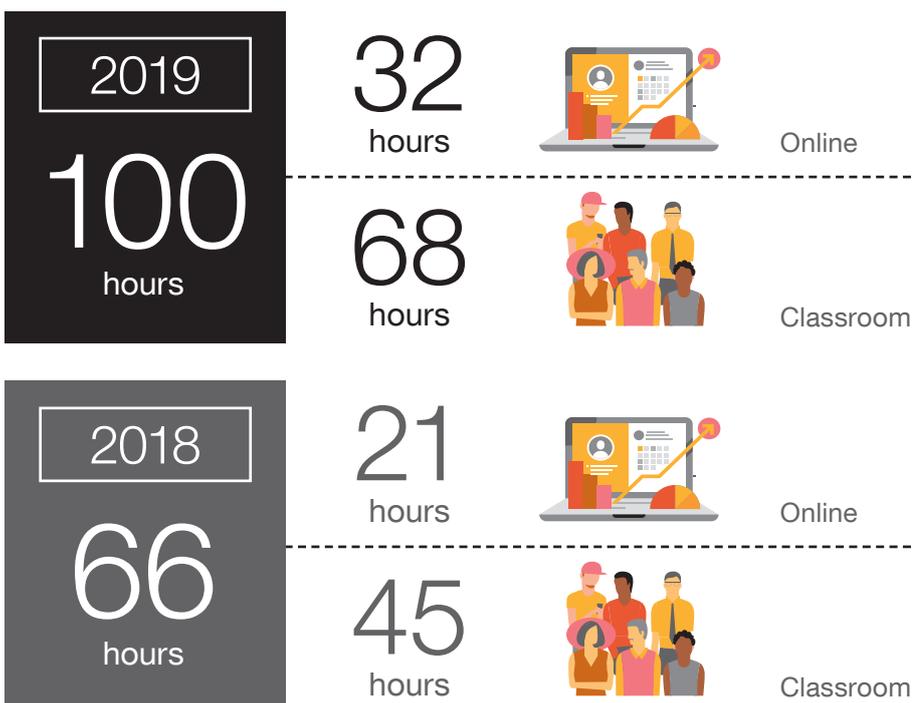
## Practical experience and coaching

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

We invest heavily in developing and upskilling our people. We give people dedicated time to invest in developing and enhancing their technical and soft skills. 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 services to our clients. Our goal is also to give our people the same opportunities to develop the skills required to be successful in the digital world.

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



Learning and development is a continuous process, which starts with onboarding activities when our people join the firm and continues throughout their careers. The business specific onboarding is tailored to the grade, role and experience of each individual. Our training curriculum includes talent programmes as well as our technical, digital and business skills training programmes. We support our people to complete professional qualifications required or relevant to their roles. Our industry groups provide specialist training programmes relevant to their sectors. National training programmes are supplemented by additional training at offices, as required.

Our practices to maintain capabilities and technical competence include:

- All partners and staff complete annual risk and quality update training spanning matters relating to compliance, independence and ethics.
- All partners and staff 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.
- The mandatory technical training programme, which comprises core training for Year 1 to 3 associates and update training. Core programmes build trainees' 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 a programme in place to equip our facilitators with effective instructor skills and we regularly measure the effectiveness of our facilitators.
- We also regularly evaluate our training programmes against the global standard and take the necessary action should the ratings be lower than the standard.

## 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.



## Upskilling our people

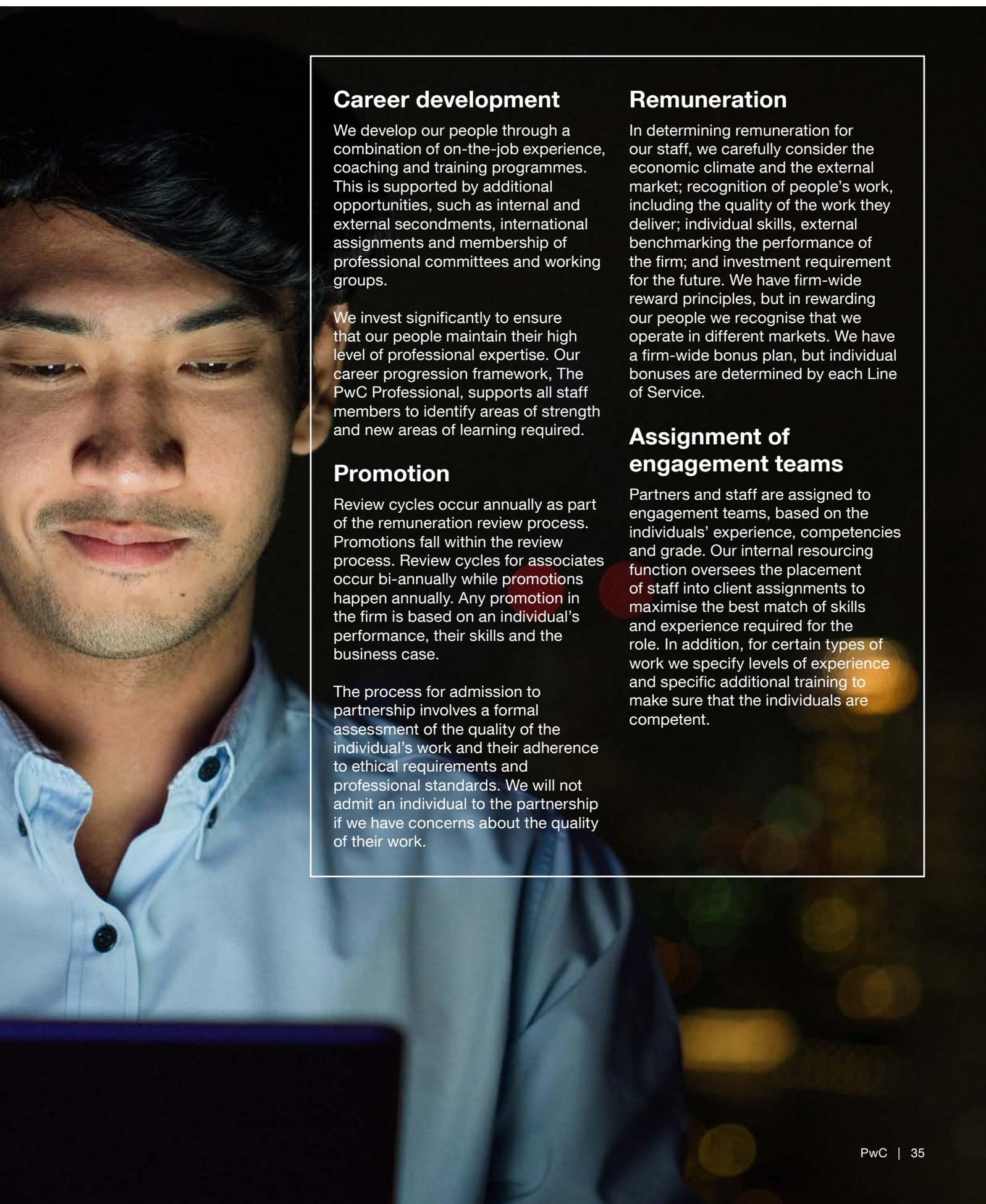
The world of work is changing rapidly. Like many of our clients, we're going through a digital and workforce transformation ourselves to adapt and get ready for the future. To continue to serve our stakeholders and deliver on our purpose, we need to help our people prepare for the changes that lie ahead as well as adapt to the ever changing changes and demands in the assurance profession. We need to create an environment where people and technology thrive together to accomplish more than they could apart. We follow the 70:20:10 model for learning and development for our people.

## Attracting the future workforce

We employ talent who share the firm's purpose of building trust in society and solve important problems and identify with our values. PwC is among the largest recruiters of graduates in the world. Our recruiting starts at schools and we support qualifying students with financial support during their graduate studies. We evaluate prospective employees (graduates as well as experienced hires) on their aptitude to learn and adapt, their personality attributes, ways of working, technical ability and experience. We use psychometric assessments and face to face interviews to determine suitability and fit with our purpose and values in line with the PwC Professional framework.

The hiring process is concluded with the required verification processes and referencing.

Our resource needs are determined prior to the firm's annual budgeting process and is taking into consideration projected growth targets, the future world of work and the market dynamics as a result of our ever changing industry.



## Career development

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

We invest significantly to ensure 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 remuneration review process. Promotions fall within the review process. Review cycles for associates occur bi-annually while promotions happen annually. Any promotion in the firm is based on an individual's performance, their skills and the business case.

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 consider the economic climate and the external market; recognition of people's work, including the quality of the work they deliver; individual skills, external benchmarking the performance of the firm; and investment requirement for the future. We have 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.

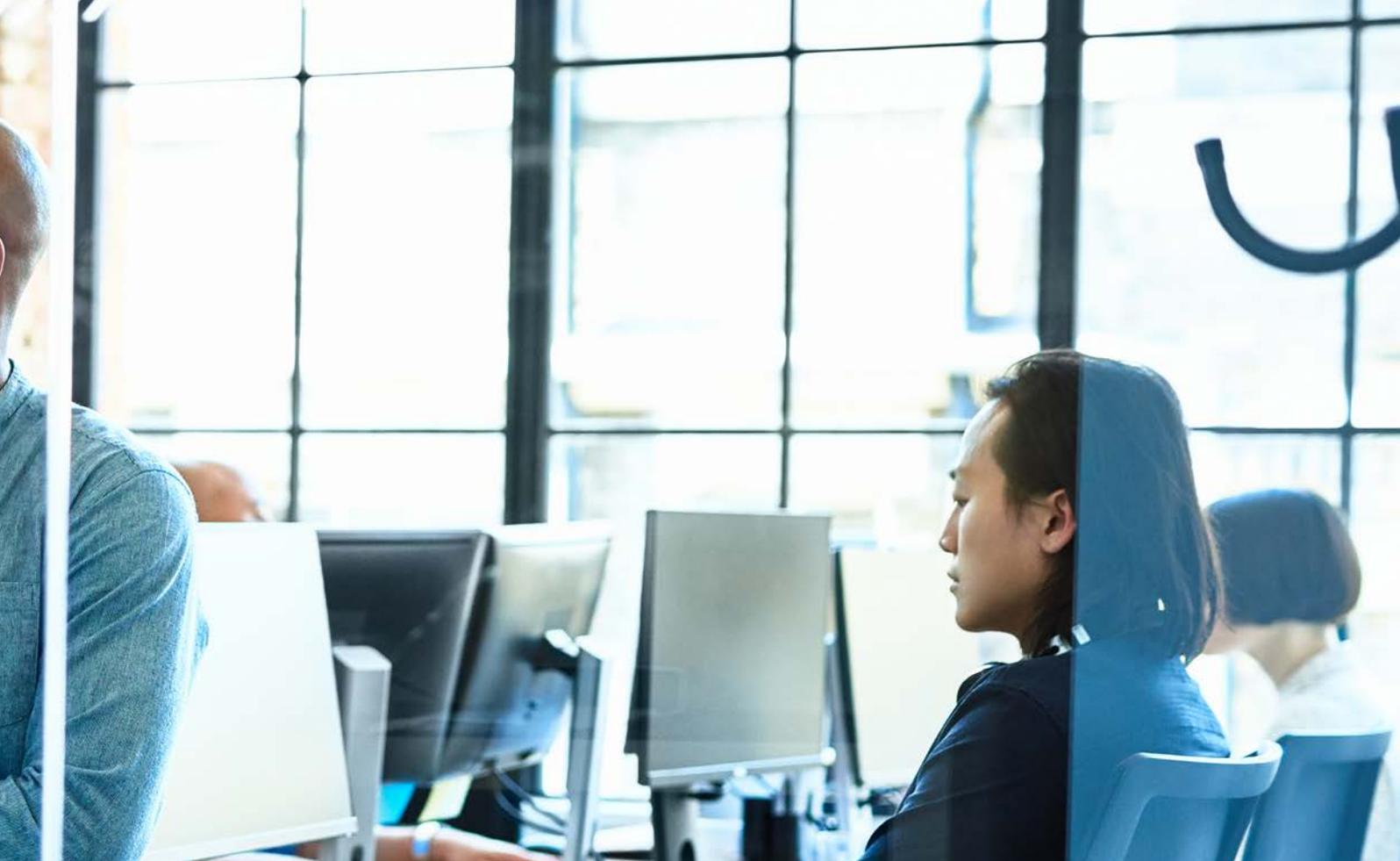
## Assignment of engagement teams

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 assignments 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.



08

# 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. We continue to invest in audit technology that builds quality into the audit and enhances our ability to provide insights to our clients. Our technology is built and implemented globally ensuring consistency 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.

## Our digital transformation journey

The PwC South Africa Assurance team has dedicated itself to a digital transformation journey that is designed to support our quality efforts. In line with our Africa strategy, digitising our business is imperative to our success as a firm, and for us to remain relevant in the market. The key to this journey lies in leadership taking the first steps towards digitisation and setting the example in becoming digitally fit for a future where we can be the architects of our own destiny. This future will enable us to deliver an even higher quality audit, be more effective and efficient and truly add value to our clients' business.

### New world. New skills.

Business has an important role to play to address the mismatch between the skills people have, and those needed for a new world. Our global firm is aiming to help millions of people around the world improve their understanding, skills and knowledge for the digital world, starting with accelerating the upskilling of our own people first. In South Africa, we've already embarked on this journey with an upskilling programme called Our Tomorrow.

Our Tomorrow involves so much more than simply learning new skills on emerging technologies. It requires a shift in mindset, pushing our teams and leaders to solve problems in a completely new way. Looking at old processes in new ways will empower people to innovate, test new operating models and adjust to a new way of working. We're focused on upskilling our practice in seven essential technologies, including data and analytics, robotic process automation, artificial intelligence, the Internet of Things, drones, blockchain and chat bots. Our digital academies are already training our staff members in Alteryx, UiPath and Power BI as the fundamental technologies we have selected to kick off this journey.

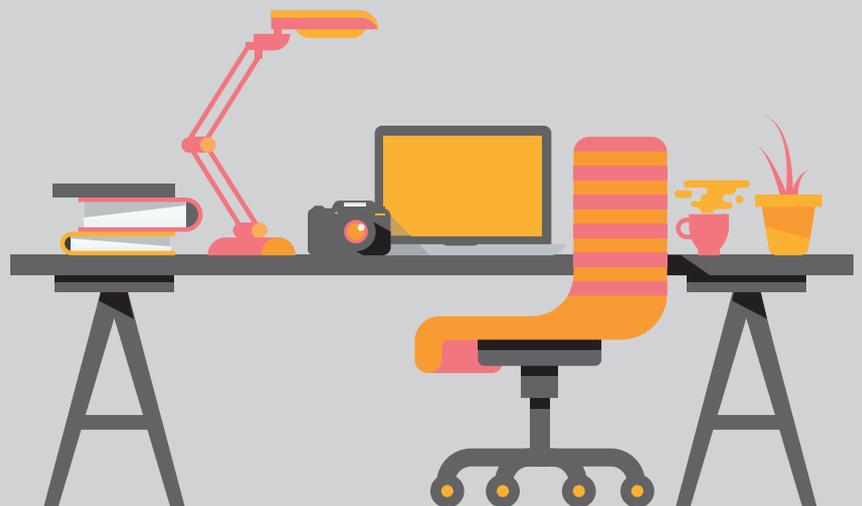
## The tools we use to ensure audit quality



Aura has been our global flagship Assurance application for almost a decade, with constant upgrades to ensure that it remains relevant in a changing world. This technology now resides in the cloud, creating a unique user experience for our teams. Aura is at the heart of how we build and execute the PwC audit. It is used globally across all Assurance and non-Assurance engagements, delivering audits tailored to the client's business. Smart dashboards show teams' audit progress and the impact of scoping decisions instantaneously.

### New functionality includes:

- 1 Enhanced dashboards – built-in visualisations makes teams more efficient by helping them focus on what's important
- 2 Improved workflow view - facilitates better project management
- 3 Seamless integration with other assurance tools – changes flow straight into Connect





Connect is our global project management and client collaboration solution. It's a platform where we share data, document requests and audit status. It provides fast, efficient and secure information sharing with our clients and multi-location audit teams at every stage of the audit: We have recently upgraded to Connect v3 which delivers an improved user interface, mobile support, improvements in speed, a HelpBot and various other functionalities. **In SA we're using Connect on over 300 client engagements, and are aiming to drive uptake of this technology to over 80% of our total audit engagements.**

Connect monitors the status of requests and information between our clients and the engagement team in real time. Audit and client teams know where things stand at all times through a consolidated dashboard showing all sites, digitisation of engagement matters, and automated key performance indicators.

Connect Audit Manager streamlines, standardises and automates group and component teams' coordination for multi-location and statutory/regulatory audits. It provides a single digital platform to see all outbound and inbound work and digitises the entire coordination process so there's greater transparency, compliance and quality for complex multi-location audits.



Halo is our market-leading audit technology that allows us to identify and assess risks and determine where to focus audit efforts. Halo interrogates, tests and analyses huge volumes of business-critical data, analysing whole populations, spotting and visualising anomalies and trends in financial information. It enables us to analyse patterns and trends, identify unusual and high-risk transactions, and provide valuable insight to our teams and our clients. Halo works with data from any system and there are a number of applications for different industries and risks.

With over **1 300 instances of our journal tool live**, Halo has become one of the essential technologies of our South African assurance delivery model. This involved our service delivery centre processing over **5 billion transaction lines over the past 12 months** in order to achieve this monumental feat. This equates to growth in uptake in excess of **1 500% year-on-year** and marks the start of a journey where the tech-enabled audit is becoming our reality.

## What's next in the digital transformation of Assurance?

Globally our digital transformation teams are constantly innovating and challenging the status quo with new and improved ways to deliver the best quality service to our clients. Cash.ai, which fully automates the audit of cash with artificial intelligence and machine learning, recently won the International Accounting Bulletin's 'Audit Innovation of the Year' award in the face of stiff competition, including from the other Big Four firms. This marks the third time in four years that this prestigious award has been won by PwC.

Winning and losing is happening faster than ever and while you think you're ahead, you might already be behind. Data has become the most valuable commodity of the 21st century and it's our responsibility to see to it that we're ready for the data revolution. At PwC we're committed to constantly challenge ourselves to improve on our service delivery to our clients by being more effective and efficient in solving important problems, while keeping quality at the heart of what we do. We're excited to embark on this journey.

AUDIT INNOVATION OF THE YEAR





## 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.

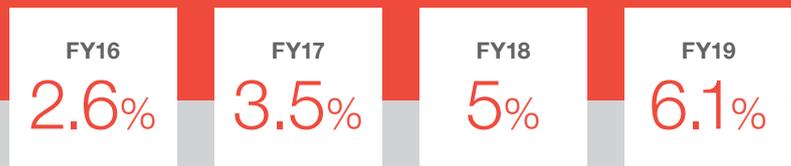
The use of delivery centres allows professional staff in South Africa to focus on applying their judgement and professional scepticism in the audit process, as well as spending more face-to-face time with the client. In the areas where the delivery centres have been involved to date, we believe that 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	FY19
<b>Number of full-time accounting and auditing specialists supporting our Assurance practice</b>	<b>39</b>	<b>51</b>	<b>61</b>	<b>74</b>

## 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 other clients where the risk is considered to warrant such appointment. 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 the team's 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.

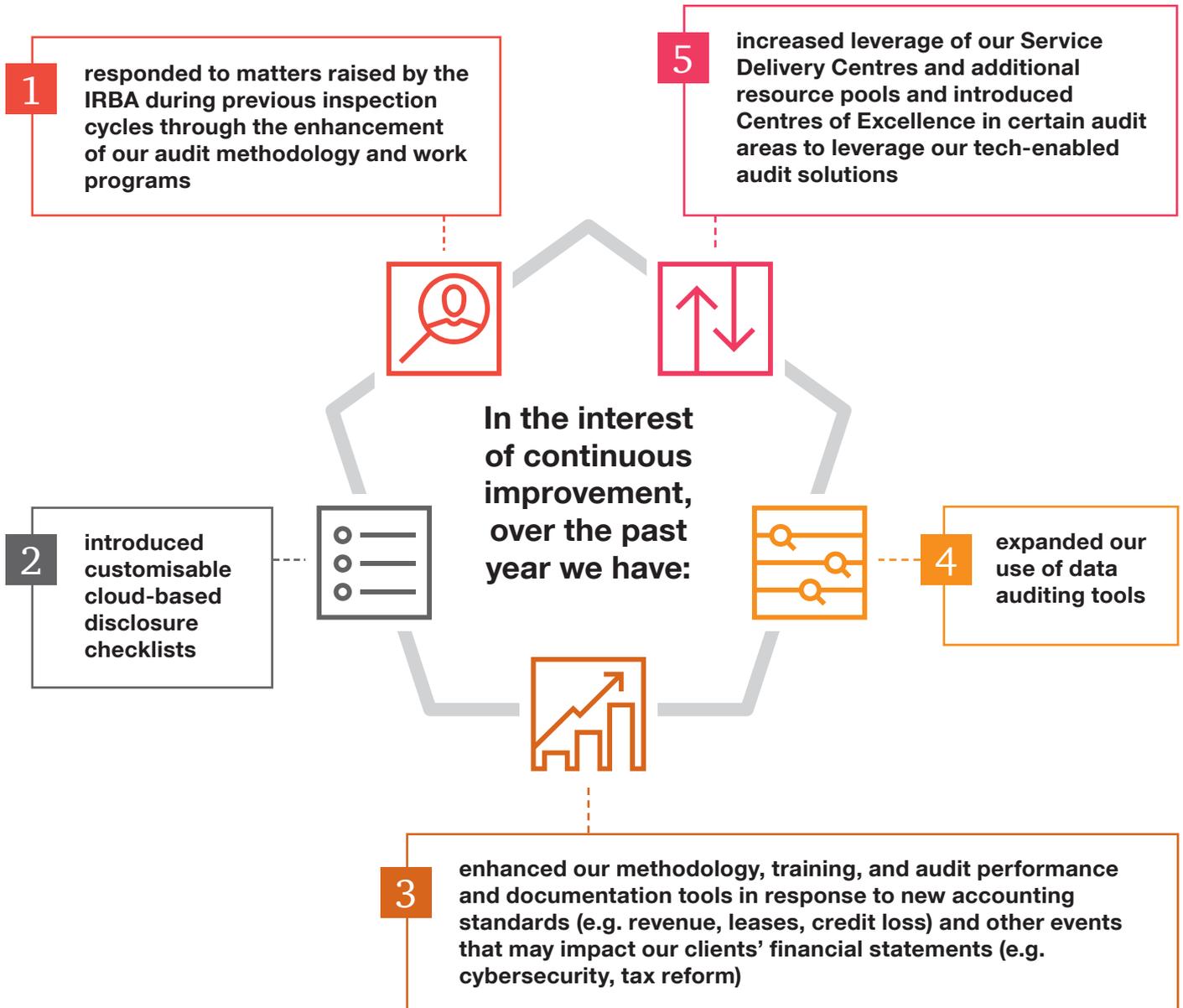
## Engagement documentation

At the end of an engagement, teams are required to assemble any documents required to be retained in a 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).



## 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.



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Testing the technical quality of our work is part of our quality control and risk management process.

# Monitoring



**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**
-  **our process for monitoring the effectiveness of our quality control policies and procedures**
-  **considerations in undertaking an audit engagement**
-  **leadership responsibility related to quality**
-  **relevant ethical requirements**
-  **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.

The achievement of these objectives is supported by a quality management process established by our Assurance leadership, business process owners, and partners and staff. This quality management process includes:



### Real Time Assurance

We have developed a Real Time Quality Assurance (RTA) program to provide our firm with a process and tool for monitoring and supporting audit quality leveraging current technology opportunities.

The RTA program is designed to be a preventative monitoring program that further supports engagement teams get the 'right work' completed during the audit. It enables us to cover both a wide range of engagements and Assurance quality indicators through our internal monitoring processes with standardisation and automation saving time and resources.

## Assurance Quality Indicators

We have identified a set of Assurance Quality Indicators (AQIs) that support our Assurance leadership team in the early identification of potential risks to quality. This quality risk analysis is an essential part of our QMSE, and the AQIs, in addition to other performance measures, provide a tool which assists us in monitoring the effectiveness of our QMS.

## 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 2019. 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. PwC South Africa responded to the points raised within the 2019 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:

- 1 a review of completed audit engagements of partners in the firm who are authorised to sign audit reports;
- 2 an audit engagement of each partner is reviewed at least once every three years;
- 3 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;
- 4 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;
- 5 follow-up reviews take place if deficiencies are identified;
- 6 adverse findings are taken into consideration in determining the reward and
- 7 the results are reported to the Assurance Executive and to PwCIL.

51 audit engagements and 8 non-audit assurance engagements were reviewed in 2019.

ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorized to sign audit or non-audit assurance reports. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other applicable engagement-related policies and procedures. The review process covers approximately one third of Responsible Individuals.

Reviews are led by experienced Assurance partners, supported by independent teams of partners, directors, and senior managers and other specialists. Review teams receive training to support them in fulfilling their responsibilities, and utilize a range of GAQR approved checklists and tools when conducting their review procedures.

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 2019, 46 audit engagements (2018: 44), representing 90% (2018: 94%) of the audit engagements reviewed were classified as compliant or compliant with review matters. All NAAE engagements were 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.



## Root cause analysis

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.

For individual audits, an independent team of reviewers identifies potential factors contributing to the overall quality of the audit. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, amongst others. Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing selected audit working papers to understand the factors that may have contributed to audit quality.

In addition, the data compiled for audits both with and without deficiencies is compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, whether key engagement team members are in the same geography as the client, the number of years that key engagement team members have been on the engagement, the number of other audits that engagement partners are involved in, whether the engagement was subject to a pre-issuance review, and the timing of when the audit work was performed.

Our goal is to understand how quality audits may differ from those with deficiencies, and to use these learnings to continuously improve all of our audits. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practise. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.





# Appendix

List of EU and EEA member state statutory auditors that are members of the PwC network as at 30 June 2019.

Member State	Audit firm/statutory auditor
Austria	PwC Wirtschaftsprüfung GmbH, Wien
	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz
	PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt
	PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz
	PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg
Belgium	PwC Österreich GmbH, Wien
	PwC Bedrijfsrevisoren bcvba/Reviseurs d'entreprises scrl
Bulgaria	PwC Audit Services SPRL
	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit s.r.o
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
	PricewaterhouseCoopers Audit
	PricewaterhouseCoopers Entreprises
	PricewaterhouseCoopers France
	PricewaterhouseCoopers Services France
	PwC Entrepreneurs Audit
	PwC Entrepreneurs Audit France
	PwC Entrepreneurs CAC
	PwC Entrepreneurs CAC France
	PwC Entrepreneurs Commissariat aux Comptes
	PwC Entrepreneurs Commissariat aux Comptes France
	PwC Entrepreneurs France
	PwC Entrepreneurs Services
	M. Philippe Aerts
	M. Jean-François Bourrin
	M. Jean-Laurent Bracieux
	M. Didier Brun
	Expertise et Audit Lafarge
	M. Pierre Blanquart
	Mme Elisabeth L'Hermite
M. François Miane	
M. Yves Moutou	
M. Claude Palméro	
M. Pierre Pégaz-Fiornet	
M. Antoine Priollaud	

Member State	Audit firm/statutory auditor
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft Wibera WPG AG
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Iceland	PricewaterhouseCoopers ehf
Ireland	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers Spa
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Vaduz
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers
Netherlands	PricewaterhouseCoopers Accountants N.V. Coöperatie PricewaterhouseCoopers Nederland U.A
Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp. z.o.o.
	PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp. k. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.
Portugal	PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais do Contas Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovakia (Slovak Republic)	PricewaterhouseCoopers Slovensko, s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB
	Öhrlings PricewaterhouseCoopers AB
UK	PricewaterhouseCoopers LLP

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 3.1 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's total revenues for the year ended 30 June 2019 amounted to approximately 312 million Euros, comprising revenue from audit services of 150 million Euros, broader assurance services of 50 Euros million, advisory services of 75 million Euros, and tax and legal services of 37 Euro million. This represents the revenues of PwC South Africa converted at the exchange rate prevailing at 30 June 2019.

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 5.5million Euros. Non-audit fees approximates 0.9 million Euros. The fees have been converted at the exchange rate prevailing at 30 June 2019.



At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with over 276,000 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 refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

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