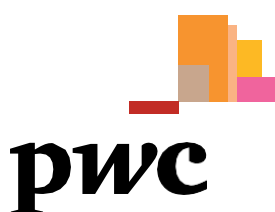
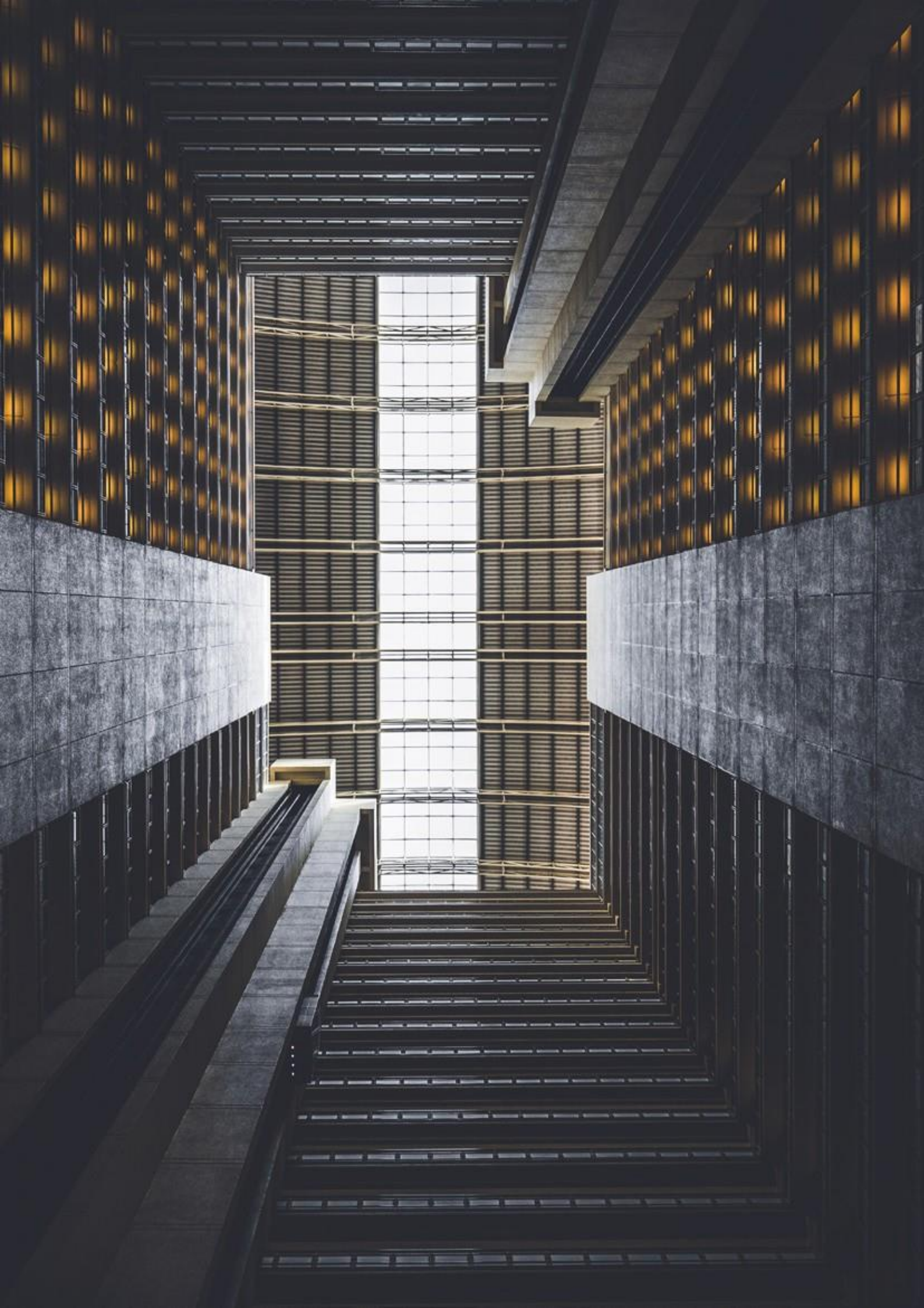




# PwC Indonesia Transparency Report

November 2021





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# Message from leadership



## Welcome to our 2021 Transparency report

We would like to welcome you to PwC Indonesia's transparency report 2021, which provides to you with an insight to how we maintain quality in our audit work.

This report includes information about how the PwC Indonesia Assurance practice is governed and includes updates from Jumadi Anggana, our Assurance Leader. Whilst PwC Indonesia is a multidisciplinary firm, this report is primarily focused on our Assurance practice. The audit profession continues to be under significant public scrutiny and challenge. We understand the concerns and we support, and are committed to, changes that will improve audit quality.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with more than 284,000 people who are committed to delivering quality in assurance, advisory and tax services. We are committed to drive a strong culture of quality and excellence that is core to our purpose.

In June 2021, we unveiled The New Equation, PwC's landmark global strategy which responds to fundamental changes in the world, including technological disruption, climate change, fractured geopolitics, and the continuing effects of the COVID-19 pandemic. The New Equation is based on analysis of global trends and thousands of conversations with clients and stakeholders. It builds on more than a decade of sustained revenue growth and continued investment. The New Equation focuses on two interconnected needs that clients face in the coming years. The first is to build trust, which

has never been more important, nor more difficult. The second is to deliver sustained outcomes in an environment where competition and the risk of disruption are more intense than ever and societal expectations have never been greater. For more information on The New Equation, please see <https://www.pwc.com/gx/en/>

Our new strategy builds on our ongoing commitment to quality.

To deliver high quality audits, our people are the key and we draw upon a wide range of specialist skills across our multidisciplinary practice. We have taken steps to align our business to support this focus on audit quality. We maintain a constant emphasis on our purpose and values that address integrity and independence and continue to invest in our people by providing ongoing professional and personal development. Continuous investment is made towards innovation and new technology to support our services across the firm, to meet the changing audit challenges in a digital age and to enhance the quality of our audit services. Taken together, these measures represent a significant transformation of our audit business and support our focus on audit quality and our public interest responsibilities.

### **Eddy Rintis**

Territory Senior Partner

## **A message from our Assurance Leader**

Trust lies at the heart of everything we do at PwC Indonesia. It is fundamental to fulfilling our firm's purpose. One of the ways we build trust is by being transparent. As auditors, we're acutely aware a key trust driver is the quality of our audits.

We are pleased to present our Transparency Report for 2021, which shows how we maintain quality in our audit work and describes our policies, systems and processes for ensuring quality. The report also includes the results of key quality monitoring programs and reviews performed, and the way we foster a culture of quality at every level of the firm. It details the nature of companies we performed audits for.

### **Continuing the discussion on audit quality**

Our audit business is fundamental to our strategy and brand. We have invested in the continuous improvement of the quality of our audits through new systems and technology, risk processes and learning and development programs for our people. I am proud of the role we are playing in opening up the discussion about audit quality in Indonesia and welcome the opportunity to keep the conversation going through our Transparency Report, and other transparency initiatives.

### **Jumadi Anggana**

Territory Assurance Leader



## Year in review

### Partner and staff survey

**97%**

of our staff and partners participated in our Global People Survey.

**87%**

of the respondents believe they are encouraged to come up with new and better ways of providing quality services to clients.

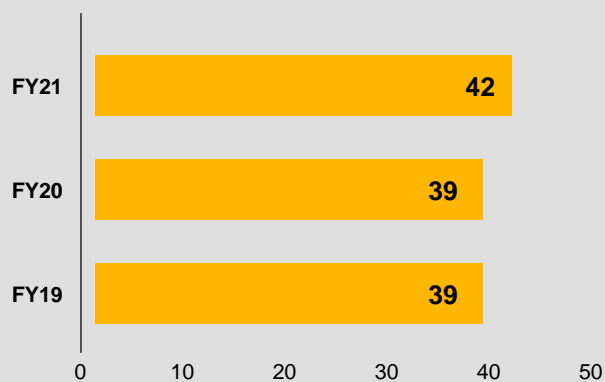
### Audit quality reviews - external parties (non-PwC)

Number of engagements reviewed by external parties - FY21: 1 (FY20: 2).

**0%**

of engagements reviewed by external parties resulting in non-compliance.

### Audit quality reviews - Number of PwC Internal Inspections



### Our system of quality management

Number of hours spent on monitoring audit quality.

**8,584 hours**

### 5 findings

Quality findings identified and remediated.

### Real time reviews

Number of audit engagements included in our real time review program.

**50 audit engagements**

With over 2,967 hours spent by the reviewers.

### Assurance Training 2020

Average hours achieved by partners and staff.

<b>29</b>	<b>63</b>	<b>92</b>
online	classroom	total

Total hours completed  
**156,082**

### Assurance Training 2019

Average hours achieved by partners and staff.

<b>19</b>	<b>56</b>	<b>75</b>
online	classroom	total

Total hours completed  
**138,733**

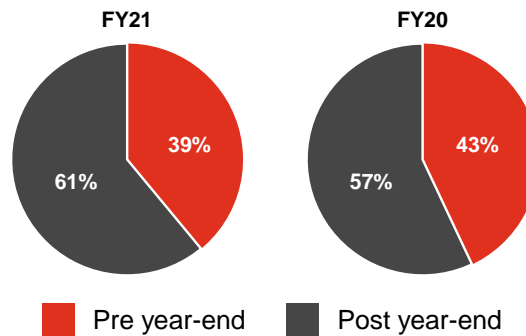


**Average annual hours worked per person in excess of 40 hours per week by level**



**Project management**

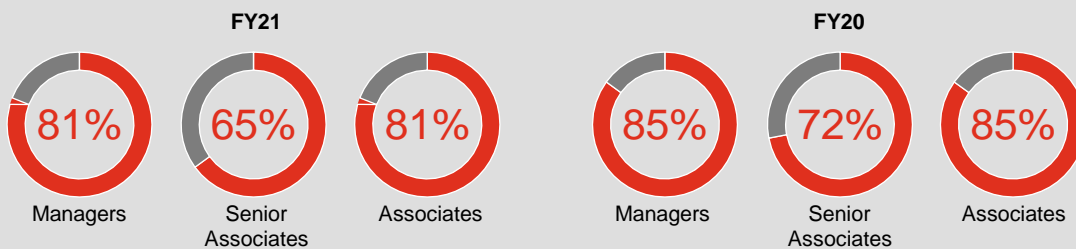
Percentage of audit hours recorded prior to period end date in relation to total audit hours for all Assurance engagements.



**Leveraged ratio of audit-related hours for audit team members**

		FY21		FY20		FY19	
Partners and Directors	to	Managers	1 to 4.2	1 to 4.7	1 to 5.4		
Managers	to	Staff	1 to 10.6	1 to 10.3	1 to 9.0		
Partners and Directors	to	Staff	1 to 44.4	1 to 47.9	1 to 48.4		

**Average retention rate by staff level**



**Staff workload**

Actual to budget hours on all Assurance engagements.

FY21: **104%**  
FY20: **102%**  
FY19: **115%**

**Technical support**

**1 to 8**

Ratio of partners serving in technical support roles to the total number of audit partners.



**Experience of our partners**

Partners' average years of experience

**25 years**





## Our quality improvement programs

At PwC, we are invested in continuously improving our audit quality through the design and operation of an effective system of quality management. Further, as part of PwC's new global strategy, The New Equation, PwC will continue to invest to further enhance quality. This includes a focus on the following key areas:

- Continuing to strengthen our quality culture to support our partners and teams display behaviours consistent with driving audit quality
- Integration of the use of Assurance Quality Indicators to aim to **predict** quality, Real Time Assurance to aim to **prevent** quality issues, Root Cause analysis to **learn** from quality issues and a Recognition and Accountability Framework to **reinforce** quality behaviours, cultures, and actions

- Increasing our focus on ongoing and real-time quality monitoring including through the use of Real Time Assurance and Assurance Quality Indicators
- Developing an implementation plan that addresses explicit requirements resulting from the recently approved IAASB quality management standards. However, it is not expected that the changes related to ISQM 1 will have a significant impact on our System of Quality Management (SoQM).

In addition, we continue to work with our stakeholders to have a real time engagement around the changes we're seeing in the world, such as technology disruption, climate change, geopolitics, which have been magnified and accelerated by the COVID-19 pandemic, and their impact on audit quality and compliance.

“At PwC, our purpose is at the core of what we do and why we do it.”

Eddy Rintis, PwC Indonesia Territory Senior Partner

# Our approach to quality



## Our approach to delivering quality services across all our operations and network

The quality of our work is at the heart of our organisation and we invest significant and increasing resources in its continuous enhancement across all of our businesses. This investment is targeted into many different areas, including training (technical accounting, audit quality, as well as ethical and behavioural soft skills), adding resources in key areas and exploring new ways of delivering our work. Each investment reflects a common determination to understand the factors that drive quality and identify opportunities for enhancement.

We are also investing heavily into new technology to drive continuous improvement in our capabilities and effectiveness of all of our services.

We are proud to have been the first of the global professional services networks to have published its internal audit quality inspection results. It is very important that we are transparent about both the efforts that we are making to enhance quality, and also the results and the impact that these efforts are having. The publication of this data by our network over the last few years, along with public discourse on the subject of the audit, has quite rightly put an increasing focus on the issue of audit quality, which we discuss in detail in this report.

## Definition and culture

At PwC, we define quality service as one that consistently meets the expectations of our stakeholders and which complies with all applicable standards and policies. An important part of delivering against this quality definition is building a culture across a network of 284,000 people that emphasises that quality is the responsibility of everyone, including our 2,750 people in PwC Indonesia. Continuing to enhance this culture of quality is a significant area of focus for our global and local leadership teams and one which plays a key part in the measurement of their performance.

## Measurement and transparency

For all our businesses, each PwC firm – as part of the agreement by which they are members of the PwC network – is required to have in place a comprehensive SoQM; to annually complete a SoQM performance assessment; and to communicate the results of these assessments to global leadership. These results are then discussed in detail with the leadership of each local firm and if they are not at the level expected, a remediation plan is agreed with local leadership taking personal responsibility for its successful implementation.

As our services change and develop, and the needs and expectations of our stakeholders also change, we are continually reviewing and updating the scale, scope and operations of our system of quality management and investing in programs to enhance the quality of the services that we provide.

## Specific focus on audit quality

### Specific focus on audit quality

Delivering quality audits is core to our purpose. To that end, we are committed to providing a quality audit. However, where our work falls below the standards that we set for ourselves and are set by the regulators, we are disappointed and also rightly criticised. We take each of these instances very seriously and work hard to learn lessons and to enhance the quality of audits that we undertake in the future.

### The right objectives and capabilities

To help us put this strategy into effect, the PwC network has established clear objectives around audit quality and provides support to help us meet these objectives. Our engagement teams can only deliver quality audit services if they have access to the necessary capabilities – both in terms of people and technology. That's why our quality objectives focus on having the right capabilities – both at a member firm level and across our network – and on using

these capabilities to meet our own standards and the professional requirements. These capabilities can only be developed under the right leadership and quality culture, promoting the right values and behaviours.

### Integrated and aligned in the right way

The quality objectives focus on having the right people supported by effective methodologies, processes, and technology appropriately directed and supervised. These represent the capabilities that we believe are relevant to achieving and sustaining audit quality. To help us achieve these objectives, there are a number of dedicated functions at a network level that develop practical tools, guidance and systems to support and monitor audit quality across our network. These elements have been integrated and aligned by our network to create a comprehensive, holistic and interconnected quality management framework that we tailor to reflect our individual circumstances.

## Delivering a quality end-product consistently

Central to the framework is the recognition that quality management is not a separate concept; it needs to be embedded in everything we do as individuals, teams, firms and the network. The quality objectives are supported by designated key activities which are considered necessary to achieve the quality objectives, focused mainly on building a quality infrastructure and organisation. We supplement and design those key activities as appropriate to respond to risks we have identified to achieving each quality objective.

## Values and judgments

Performing quality audits requires more than just the right processes. At its core, an auditor's role is to assess with a "reasonable" degree of assurance whether the financial statements prepared by the company's management are free of "material misstatements" – reaching a professional judgment on whether the financial statements present a fair picture of the company's financial performance and position.

To carry out this assessment effectively, the auditor needs to use all the capabilities that have been built up in line with our quality objectives. These include applying ethical behaviour in accordance with PwC's values, professional scepticism, specialist skills and judgment – all supported by technology.

## Delivering audit quality during the COVID-19 pandemic

### Our response to COVID-19

The COVID-19 crisis has had a significant impact on Indonesia's economy and society. In the early stage of the COVID-19 pandemic, PwC Indonesia took action which was initially seen as very rigorous. Starting mid-March 2020, we decided to immediately implement a full "work from home" scenario, allowing staff only to go to the office, clients, or Governmental agencies on a strict business need, while no alternatives were available. This policy was soon followed by the Government of Municipal Jakarta, and later broadly rolled out in Indonesia.

PwC Indonesia implemented this policy with the objective to protect our people, and our clients. We were fully aware of the increased risk inherent to our business: increased risks for both our people and our clients, related to visiting many client-premises as part of our business. This was one of the reasons that we insisted on continuing working from home, even after the Governmental restrictions were relaxed or even released.

Additional procedures we implemented were:

- Strict health and safety protocols for those exceptional cases in which visits to the office, our clients, or Governmental agencies were still required.
- Daily health-reporting by our people, and monitoring any COVID-cases or suspected cases.
- Mediation for medical assistance, in cases where such was feasible.
- Facilitating a vaccination program for all our PwC Indonesia people.

After one and a half year of COVID-19, we feel comfortable to conclude that the impact of remote working on our client-service has been minimal. Contributing factors were: the agility of our people and our clients, and the available technology.

Going forward, we will carefully monitor the COVID-19 developments, and adjust our current procedures where required by the circumstances. At this moment, we have not yet made any decision on relaxation of these procedures, although we have developed our plans to gradually open (part of) our offices when the developments would justify this. We will apply a conservative approach, putting priority at the health and safety of our people, our clients, and any other business parties.

#### **Sharing developments and experience**

From the early stages of the pandemic, the PwC network put a team in place to monitor developments globally and to highlight areas of critical importance to ensure we did not compromise on audit quality. We have leveraged the guidance developed by our Network to provide consistent leadership and guidance on audit quality and equip our teams to consider their client's unique circumstances and respond accordingly.

Our Network response was comprehensive. It covered all aspects of audit quality, including regulatory and standard setting updates, auditor reporting, methodology, accounting and learning and education. Using the Network guidance, we considered changes needed to our existing policies and procedures as well as what required reinforcement through appropriate communications to our staff and partners in PwC Indonesia.

#### **Identifying and addressing risks related to COVID-19**

The COVID-19 pandemic resulted in us facing a number of new challenges in our audits. This ranged from how we operated as a team, the planning for and the completion of our audits, to how we interacted with our clients to obtain the necessary audit evidence and execute specific audit procedures such as attending physical inventory counts and performing going concern assessments.

The foundation we have built for our SoQM helped us navigate some of our biggest challenges as a result of the pandemic. We were able to monitor the actions we took to address identified risks and assess whether changes were needed on a real time basis. We used the experience and examples shared with us from across the Network to support our assessment of the issues that had the potential to impact our SoQM.

We focused on the enhanced supervision and review of our audit teams, the use of consultations with specialists within our firm and enhanced our Real Time Assurance programs to respond to the risks to audit quality as a result of COVID-19.

Our teams transitioned quickly and seamlessly to working remotely. Our Network audit technology infrastructure and tools, including our Connect Suite (see page 26-27 for how we use technology tools in our audits), which have been in place for a number of years, enabled our people to continue to carry out their work despite the significant change in our physical work environment.

The impact of the COVID-19 continues to evolve. We are continuing to monitor, assess and respond to the resulting risks in our audits.



# Cultures and values



## Leadership and tone at the top

Our purpose and values are the foundation of our success. Our purpose is to build trust in society and solve important problems, and our values help us deliver on that purpose. Our purpose reflects 'why' we do what we do, and our strategy provides us with the 'what' we do. 'How' we deliver our purpose and strategy is driven by our culture, values and behaviours. This forms the foundation of our system of quality management and permeates how we operate, including guiding our leadership actions, and how we build trust in how we do business, with each other and in our communities.

When working with our clients and our colleagues to build trust in society and solve important problems, we:

- Act with integrity
- Make a difference
- Care
- Work together
- Reimagine the possible

Key messages are communicated to our firm by our Senior Partner and our leadership team 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 success of our firm. Based on this tracking, we are confident our people understand our audit quality objectives.

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 the PwC Indonesia Assurance practice put this strategy into effect, the PwC network has established the Quality Management for Service Excellence (QMSE) framework for quality management which integrates quality management into business processes and the risk management process. The QMSE framework introduces an overall quality objective for the Assurance practice focused on having the people and processes to deliver services in an effective and efficient manner that meets the expectations of our clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and our SoQM 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 firm and Assurance leadership, business process owners, and partners and staff.

This involves the integrated use of Assurance Quality Indicators to aim to **predict** quality issues, Real Time Assurance to aim to **prevent** quality issues, Root Cause Analysis to **learn** from quality issues and a Recognition and Accountability Framework to **reinforce** quality behaviours, culture and actions.

These programs, by design, require ongoing monitoring and continuous improvement, in particular Assurance Quality Indicators, which we expect will evolve significantly over time and as we continue to use and learn from these measures.

## The Quality Management Process

This quality management process includes:

- identifying risks to achieving the quality objectives
- designing and implementing responses to the assessed quality risks
- monitoring the design and operating effectiveness of the policies and procedures through the use of process-integrated monitoring activities such as Real Time Assurance as well as appropriate Assurance quality indicators
- continuously improving the system of quality management when areas for improvement are identified by performing root cause analyses and implementing remedial actions and
- establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration, and career progression decisions

### Aim to Predict: 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, using metrics to aim to predict quality issues. This quality risk analysis is an essential part of our QMSE, and the AQIs, in addition to other performance measures, also provide a key tool in the ongoing monitoring and continuous improvement of our SoQM.

We assess the performance against our AQIs on a quarterly basis, where we monitor several metrics such as the distribution of workload, compliance with independence requirements and the direction and supervision of work.

### **Aim to Prevent: Real Time Assurance**

We have developed a Real Time Quality Assurance (RTA) program designed to provide preventative monitoring that helps coach and support engagement teams get the 'right work' completed in real-time, during the audit.

Our RTA program involves Real Time Reviews which are targeted to specific engagements and particular focus areas. These reviews are performed by experienced practice and Risk & Quality personnel and benefits the practice teams as they share best practice and provide specific coaching relating to accounting and auditing technical matters.

### **Learn: 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. Our primary objectives when conducting such analyses is to understand what our findings tell us about our SoQM and to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at quality findings from all sources, whether they are identified through our own internal inspections process or through external inspections, to help identify the root cause and learning opportunities.

For individual audits, an objective 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 an audit, the number of years that key team members have been involved on the audit and the number of other audits that engagement partners are involved in.

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.

### **Our people are accountable for the quality of their work, and are recognised for excellent achievements**

Our Recognition and Accountability Framework (RAF) enforces quality in everything our people do. The Framework drives our high quality culture, as part of our strategy. It focuses on providing services to our clients, and how we work with our people. It holds our Partners and Directors accountable for quality outcomes. Our RAF addresses the following key elements:

- Behaviours: We have set explicit quality behaviours. These include:
  - Conveying a strong Leadership's quality message: the right tone from the top.
  - The right attitude to quality: our quality-culture.
  - A strong quality-engagement at all levels.
- Quality measurement and outcomes: We measure our quality against our quality objectives. These include the professional standards, and PwC's internal standards. These comprise of global PwC standards and policies, and additional Indonesian standards and policies where required.
- Accountability and recognition: We have a mechanism of accountability and recognition through incentives, positive and corrective, which can be financial and non-financial. These are commensurate with our quality objective, and further promote and enforce positive quality behaviours.

Our RAF is part of our firm's internal Policy Portal, and accessible by all our people. Annually, our firm's Leadership determines to which extent quality-requirements are met, as part of our performance-rating process.



## Ethics, independence and objectivity

### Ethics

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

- I. **Integrity** – to be straightforward and honest in all professional and business relationships.
- II. **Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- III. **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.

IV. **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.

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

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 PwC Indonesia 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 Indonesia 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 Indonesia 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](https://pwc.com/codeofconduct). PwC Indonesia 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](https://pwc.com/ethics)

Finally, the Organisation for Economic Co-operation and Development (OECD) provides guidance, including the OECD Guidelines for Multinational Enterprises (the OECD Guidelines), by way of non-binding principles and standards for responsible business conduct when operating globally. The OECD Guidelines provide a valuable framework for setting applicable compliance requirements and standards. Although the PwC network consists of firms that are separate legal entities which do not form a multinational corporation or enterprise, PwC's network standards and policies are informed by and meet the goals and objectives of the OECD Guidelines.



## Objectivity and Independence

As auditors of financial statements and providers of other types of professional services, PwC member firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance clients, independence underpins these requirements. Compliance with these principles is fundamental to serving the capital markets and our clients.

The PwC Global Independence Policy, which is based on the Code, including International Independence Standards, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

PwC Indonesia has a designated partner (known as the 'Partner Responsible for Independence' or 'PRI') with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a sufficient team of independence specialists. The PRI reports to Territory Assurance Leader and the Risk and Quality Leader.

### Independence policies and practices

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

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

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, including any changes to the Code or in response to operational matters.

PwC Indonesia supplements the PwC network Independence Policy as required by local regulations, including the independence requirements of other territories/regulations, where they are more restrictive than the network's policy.

## Independence-related systems and tools

As a member of the PwC network, PwC Indonesia has access to a number of systems and tools which support PwC member firms and their personnel in executing and complying with our independence policies and procedures. These include:

- The Central Entity Service (CES), which contains information about corporate entities including all PwC audit clients and their related entities (including all public interest audit clients and SEC restricted entities) as well as their related securities. CES assists in determining the independence restriction status of clients of the member firm and those of other PwC member firms before entering into a new non-audit service or business relationship. This system also feeds Independence Checkpoint and Authorisation for Services (AFS);
- 'Independence Checkpoint' which facilitates the pre-clearance of publicly traded securities by all partners and practice managers before acquisition and is used to record 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;
- AFS which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, regarding a proposed non-audit service, documenting the analysis of any potential independence threats created by the service and proposed safeguards, where deemed necessary, and acts as a record of the audit partner's conclusion on the permissibility of the service; 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). All breaches reported are evaluated and addressed in line with the Code.

PwC Indonesia also has a number of Indonesia-specific systems which include:

- A rotation tracking system which monitors compliance with the audit rotation policies for engagement leaders, other key audit partners involved in an audit; and
- A database that records all approved close business relationships entered into by PwC Indonesia. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.



### **Independence training and confirmations**

PwC Indonesia provides all partners and practise staff with annual or on-going training in independence matters. Training typically focuses on milestone training relevant to a change in position or role, changes in policy or external regulation and, as relevant, the provision of services. Partners and staff receive computer-based training on the PwC Indonesia's independence policy and related topics. Additionally, face-to-face training or training through virtual classroom is delivered to members of the practise on an as-needed basis by our independence specialists.

All partners and practise staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the member firm's independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations for certain clients where there are specific requirements to do so.

### **Independence monitoring and disciplinary policy**

PwC Indonesia 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, directors and managers as a means of monitoring compliance with independence policies; and
- An annual assessment of the member firm's adherence with the PwC network's standard relating to independence.

The results of the 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 Indonesia 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 a breach, an evaluation of the impact of the breach on the independence of the member firm and the engagement team and the need for actions or safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. PwC Indonesia also follows supplemental local requirements relating to the reporting of breaches. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in our systems and processes and for additional guidance and training.

## Considerations in undertaking the audit

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 Indonesia has a process in place 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)). The 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.

### Member firms (including member firm 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; and
- To understand the methodology, basis and minimum considerations all other member firms in the network have applied in assessing audit acceptance and continuance.

# Our people



## People strategy

Our people strategy is focused on being the world's leading developer of talent and enabling our people with greater agility and confidence in a rapidly changing world. Specific focus areas include creating a resilient foundation for times of change through supporting the well-being of our people and enabling effective delivery; developing inclusive leaders for a shifting world; and, enabling our workforce for today's realities and tomorrow's possibilities.

We hire candidates who have diverse backgrounds and appropriate skills; have a questioning mindset and intellectual curiosity; and demonstrate courage and integrity. Our hiring standards include a structured interview process with behavior-based questions built from The PwC Professional framework, assessment of academic records, and background checks.

## The PwC Professional

The PwC Professional supports the development and career progression of our staff by providing a single set of expectations across all lines of service, geographies, and roles; outlining the capabilities needed to thrive as purpose-led and values-driven leaders at every level.

Within the PwC Professional development framework, there are five attributes:

- **Whole leadership:** The ability to lead, make a difference and create a positive impact in a responsible, authentic, resilient, inclusive and passionate manner.
- **Business acumen:** The ability to bring business knowledge, innovation and insight to create distinctive value for clients and PwC.
- **Technical and digital:** The ability to apply a range of technical, digital and other professional capabilities to deliver quality and value.
- **Global and inclusive:** The ability to operate and collaborate effectively with a mindset that transcends boundaries and embraces diverse perspectives.
- **Relationships:** The ability to build relationships of high value which are genuine and meaningful.





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### Diversity and inclusion

At PwC, we're committed to creating a culture of belonging. We are focused on ensuring our ways of working embrace diversity and fostering an inclusive environment in which our people are comfortable bringing their whole selves to work and feel that they belong and can reach their full potential. As demonstrated through our core values of Care and Work Together, we strive to more deeply understand and empathise with different backgrounds, perspectives and experiences. We know that when people from different backgrounds and with different points of view work together, we create the most value for our clients, our people, and society.



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### Recruitment

PwC Indonesia aims to recruit, train, develop and retain the best and the brightest staff who share in the firm's strong sense of responsibility for delivering high-quality services. Our hiring standards include a structured interview process with behaviour-based questions built from The PwC Professional framework, assessment of academic records, and background checks. Across the firm in the FY21, we recruited 487 people, whilst for Assurance we recruited 301 people.



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### Team selection, experience and supervision

Our audit engagements are staffed based on expertise, capabilities and years of experience. Engagement leaders determine the extent of direction, supervision and review of junior staff.



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### Real-time feedback

Our team members obtain feedback on their overall performance, including factors related to audit quality, such as technical knowledge, auditing skills and professional scepticism. Audit quality is an important factor in performance evaluation and career progression decisions for both our partners and staff. Feedback on performance and progression is collected via our Snapshot tool, a simple, mobile-enabled technology. We also use our Upward Feedback tool and Workday to allow staff to provide real-time feedback on an upwards and peer basis. Ongoing feedback conversations help our people grow and learn faster, adapt to new and complex environments, and bring the best to our clients and firm.



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### Career progression

We use The PwC Professional, our global career progression framework, which sets out clear expectations at all staff levels across five key dimensions. The framework underpins all elements of career development and helps our people develop into well-rounded professionals and leaders with the capabilities and confidence to produce high-quality work, deliver an efficient and effective experience for our clients, execute our strategy, and support our brand. Our annual performance cycle is supported by continuous feedback conversations and regular check-ins with the individual's Team Leader to discuss their development, progression and performance.



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### Retention

Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand and the development experience we provide make our staff highly sought after in the external market. Our voluntary turnover rate fluctuates based on many factors, including the overall market demand for talent.



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### Global People Survey

Each PwC member firm participates in an annual Global People Survey, administered across the network to all of our partners and staff. PwC Indonesia is responsible for analysing and communicating results locally, along with clearly defined actions to address feedback.

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## Professional Development

We are committed to putting the right people in the right place at the right time. Throughout our people's careers, they are presented with career development opportunities, classroom, virtual classroom and on-demand learning, and on-the-job real time coaching/development. Our flexible training portfolio facilitates personalized learning with access to a variety of educational materials including webcasts, podcasts, articles, videos, and courses.

Achieving a professional credential supports our firm's commitment to quality through consistent examination and certification standard. Our goal is to provide our staff with a more individualized path to promotion and support them in prioritizing and managing their time more effectively when preparing professional exams. Providing our people with the ability to meet their professional and personal commitments is a critical component of our people experience and retention strategy.

This formal learning is delivered using a blend of delivery approaches, which include remote access, classroom learning, and on-the-job support. The curriculum supports our primary training objective of audit quality, while providing practitioners with the opportunity to strengthen their technical and professional skills, including professional judgement while applying a sceptical mindset.

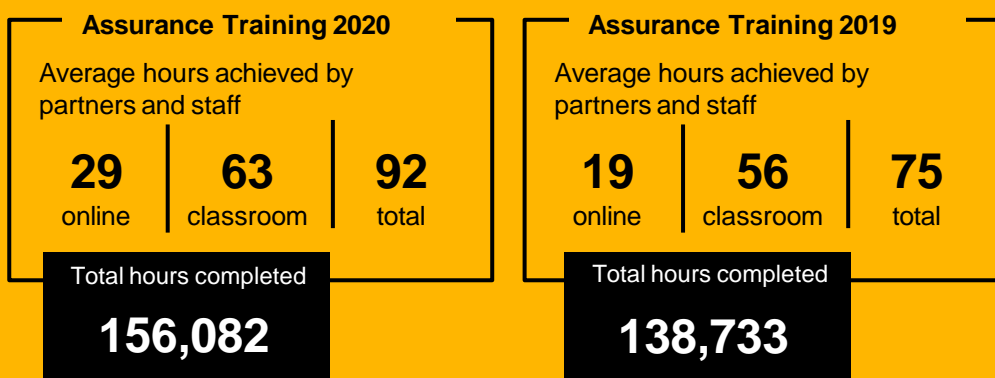
The design of the curriculum allows us to select, based on local needs, when we will deliver the training. Our Learning & Education leader considers what additional training is appropriate to address any additional specific local needs, by considering input from practise team and other relevant functionality team (e.g. Quality Team, Accounting & Consultation Service (ACS), Business Technology, Risk Management, Industry Experts).

## Continuing education

We, and other PwC member firms, are committed to delivering quality assurance services around the world. To maximise consistency in the Network the formal curriculum, developed at the Network level, provides access to training materials covering the PwC audit approach and tools-this includes updates on auditing standards and their implications, as well as areas of audit risk and areas of focus for quality improvement.



## Our training investment in people



## Mandatory training attendance

**100%**

of partners and staff have completed all mandatory training and workshops

# Our audit approach



Our Assurance practice uses a range of cutting-edge methods, processes, technologies, and approaches to ensure continuous improvement in the performance and quality of our audit engagements.

## Our audit approach

The quality and effectiveness of audit is critical to all of our stakeholders. We therefore invest heavily in the effectiveness of our audits, in the skills of our people, in our underlying methodology, the technology we use, and in making the right amount of time and resources available. We pay close attention to 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. Details of these indicators and processes can be found in the Monitoring of Assurance quality section. Additionally, we consider what our various stakeholders require from us, what they tell us we need to improve and the findings of regulatory inspections on the quality of our work. Details of

the most recent regulatory findings can be found in the Leadership and Quality Management Process section.

### People

Data and technology can help reveal insights, but it takes an inquisitive person with well-rounded business knowledge to understand what those insights mean. We recruit professionals with these capabilities-people who can deliver the highest quality outcomes in terms of client service and compliance.

### Technology

As technological change accelerates, our clients want to trust their information with organisations that don't merely keep up but lead the way. We've made a global commitment to offer leading audit technology, and we've invested heavily in tools to match our approach. The result is greater quality and insight to our clients.

## Tools and technologies to support our audit

As a member of the PwC network, we have access to and uses PwC Audit, a common audit methodology and process. This methodology is based on the International Standards on Auditing (ISAs), with additional PwC policy and guidance provided where appropriate. PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. Our common audit methodology provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.

### Our technology

**Aura**, our global audit documentation platform is used across the PwC network. Aura helps drive how we build and execute our audit plans by supporting teams in applying our methodology effectively, by creating transparent linkage between risks, required procedures, controls and the work performed to address those risks, as well as providing comprehensive guidance and project management capabilities. Targeted audit plans specify risk levels, controls reliance and substantive testing. Real time dashboards show teams audit progress and the impact of scoping decisions more quickly.

**Connect** is our collaborative platform that allows clients to quickly and securely share audit documents and deliverables. Connect also eases the burden of tracking the status of deliverables and resolving issues by automatically flagging and tracking outstanding items and issues identified through the audit for more immediate attention and resolution. Clients are also able to see audit adjustments, control deficiencies, and statutory audit progress for all locations- in real time.

**Connect Audit Manager** streamlines, standardised 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 which facilitates greater transparency, compliance and quality for complex multi-location audits.

**Halo**, our data auditing tools, test large volumes of data, analysing whole populations to improve risk assessment, analysis and testing. For example, Halo for Journals enables the identification of relevant journals based on defined criteria making it easier for engagement teams to explore and visualise the data to identify client journal entries to analyse and start the testing process.

**Count**, which facilitates the end-to-end process for inventory counts, allows our engagement teams to create and manage count procedures, counters to record results directly onto their mobile device or tablet and engagement teams to export final results into Aura.

**PwC's Confirmation System**, which facilitates an automated and standardised end-to-end process for all types of external confirmations, allows our engagement teams to create requests and receive external confirmation in a secure environment that helps mitigate the risks associated with receiving confirmation responses electronically.

**Smart Audit Platform** is one of the intelligent solutions, which enable 'end to end' automation of audit activities surrounding financial reporting process and substantive testing. This tool assists to reduce risk of manual error, enhance quality and represent a leap forward in the evolution of audit by using machine learning and artificial intelligent technology.

### Reliability and auditability of audit technologies

Our firm has designed and implemented processes and controls to underpin the reliability of these audit technologies. This includes clarification of the roles and responsibilities of audit technology owners and users. In addition, we have guidance focused on the sufficiency of audit documentation included in the workpapers related to the use of these audit technologies, including consideration of the reliability of the solution, and the documentation needed to assist the reviewer in meeting their supervision and review responsibilities as part of the normal course of the audit.



## Confidentiality and information security

Confidentiality and information security are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the firm to legal proceedings, and it may also adversely impact our reputation. We take the protection of confidential and personal data very seriously.

Our focus on our clients requires a holistic and collaborative approach to reducing security, privacy and confidentiality risks with significant investment in appropriate controls and monitoring to embed an effective three lines of defence model. This model has enabled us to strengthen our information security organisation, align to industry good practice and improve our internal control frameworks.

### Data Privacy

The firm maintains a robust and consistent approach to the management of all personal data, with everyone in our organisation having a role to play in safeguarding personal data. We have continued to implement security controls and policy in relevance with the Government regulation to protect and maintain the safety and confidentiality of personal data within the member firm.

### Information Security

Information security is a high priority for the PwC network. Member firms are accountable to their people, clients, suppliers, and other stakeholders to protect information that is entrusted to them.

The PwC Information Security Policy (ISP) is aligned with ISO/IEC 27001, financial services industry standards, and other reputable frameworks (COBIT, NIST, etc.) as benchmarks for security effectiveness across the network of member firms. The PwC ISP directly supports the firm's strategic direction of cyber readiness to proactively safeguard its assets and client information. The PwC ISP is reviewed, at a minimum, on an annual basis.

PwC Indonesia is required to adhere to the ISP requirements and complete an annual, evidence based assessment to demonstrate compliance. The CISO approved assessment undergoes a detailed and standardised Quality Assessment (QA) process performed by a centralised, objective Network Information Security Compliance team.





## Supporting engagement performance

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### Direction, coaching and supervision

Engagement leaders and senior engagement team members are responsible and accountable for providing high quality coaching throughout the audit, supervising the work completed by junior members of the team and maintain audit quality. Teams utilise Aura Platinum, which has capabilities to effectively monitor the progress of the engagement, to ensure that all work is been completed and reviewed by relevant individuals, including the engagement leader

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### Consultation culture

Consultation is key to ensuring audit quality. The firm has formal protocols on mandatory consultation in the pursuit of quality. Our consultation culture means that our teams regularly consult more than the minimum requirement even when consultation is not formally required. For example, our engagement teams proactively seek advice to improve client service or to resolve a difficult or contentious matter from various experts in areas such as taxation, risk, independence, valuation, actuarial and other specialities as well as individuals within our ACS and Quality Team.

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### ACS and Quality Team

Our ACS and Quality Team comprises of technical accounting, auditing and financial reporting specialists as well as audit quality and methodology specialists. These specialists play a vital role in keeping our policies and guidance in these areas current by tracking new developments in accounting and auditing and providing those updates to professional staff.

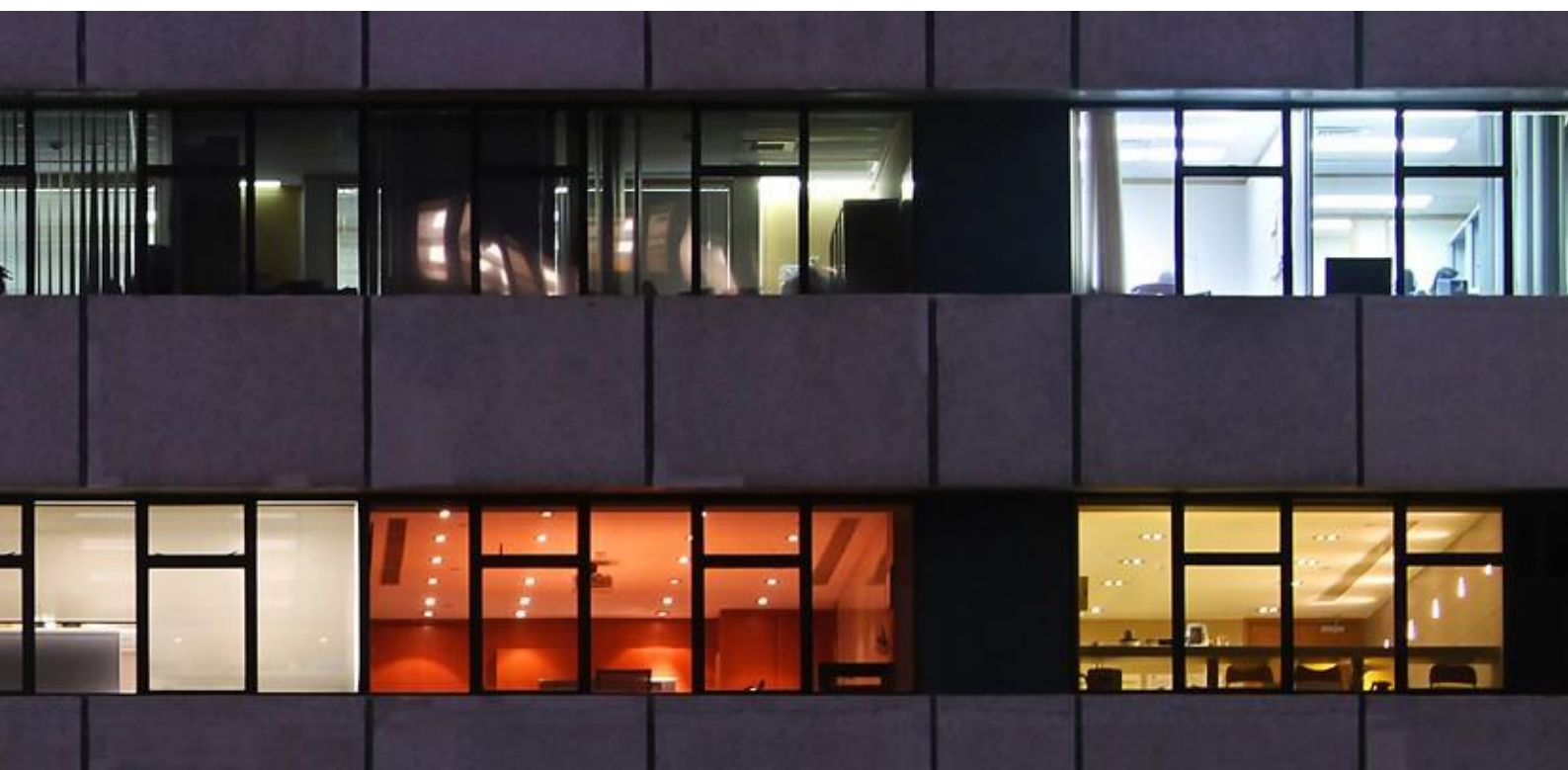
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### Quality Review Partners (QRP)

As part of the firm's System of Quality Management as required by professional standards, QRPs will be assigned for higher risk audit engagements (which includes the audit of Higher Profile Clients, listed entities, entities contemplating an Initial Public Offering (IPO) or audit engagements which may impose a higher reputational risk) to support the audit engagement teams. These QRPs are partners who have significant and appropriate experience, industry expertise, and the technical knowledge related to their assigned audit engagements. They are involved in key aspects of the audit to make an objective evaluation of the engagement team's significant judgements and conclusions reached. For example, they may advise on matters of firm independence, risks of material financial statement misstatement and a team's responses to those risks, and any specific accounting, auditing, financial reporting and disclosure issues. The QRPs are required to complete mandatory QRP training before taking on the role.

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# Monitoring



## **Monitoring of Assurance quality**

We recognise that quality in the Assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element to our Assurance strategy.

Responsibility for appropriate quality management lies with the Leadership of the Assurance practice - this includes the design and operation of an effective SoQM that is responsive to our specific risks to delivering quality audit engagements, using the network's QMSE framework.

The overall quality objective under the QMSE framework is to have the necessary capabilities in our firm and to deploy our people to consistently use our methodologies, processes and technology in the delivery of Assurance services in an effective and efficient manner to fulfil the valid expectations of our clients and other stakeholders.

Our firm's monitoring procedures include an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our SoQM are designed appropriately and operating effectively to provide reasonable assurance that our audit and non-audit assurance engagements are performed in compliance with laws, regulations and professional standards. This includes the use of Real Time Assurance which is discussed in more detail on page 16 within The Quality Management Process section.

Our monitoring also encompasses a review of completed engagements (Engagement Compliance Reviews - ECR) as well as periodic monitoring of our SoQM by an objective team within our firm. The results of these procedures, together with our ongoing monitoring, form the basis for the continuous improvement of our SoQM.

Our firm's monitoring program is based on a consistent network-wide inspections program for Assurance based on professional standards relating to quality control, including ISQC 1, as well as network policies, procedures, tools and guidance.

ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorised 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. Assurance Partners are reviewed annually through the firm's engagement review program and may also be further reviewed subject to local regulatory requirements.

Reviews are led by experienced Assurance partners, supported by objective teams of partners, directors, senior managers and other specialists. ECR reviewers may be sourced from other member firms if needed to provide appropriate

expertise or objectivity. Review teams receive training to support them in fulfilling their responsibilities, and utilise a range of checklists and tools developed at the network level when conducting their inspection procedures. The network inspection team support review teams with support on consistent application of guidance on classification of engagement findings and engagement assessments across the network.

In addition, the PwC network coordinates an inspection program to review the design and operating effectiveness of our SoQM. The use of a central team to monitor these inspections across the network enables a consistent view and sharing of relevant experience across the PwC network.

The results of all inspections are reported to our firm's leadership who are responsible for analysing the findings and implementing remedial actions as necessary. In situations where adverse quality matters on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or our firm's Assurance leadership personnel may be subject to additional mentoring, training or further sanctions in accordance with our firm's Recognition and Accountability Framework.

Partners and employees of our firm are informed about the inspection results and the actions taken to enable them to draw the necessary conclusions for the performance of their engagements. In addition, engagement partners of our firm are informed by the network inspection program about relevant inspection findings in other PwC member firms, which enables our partners to consider these findings in planning and performing their audit work.

# PwC network

## Global network

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

In many parts of the world, accounting firms are required by law to be locally owned and independent. The PwC network is not a global partnership, a single firm, or a multinational corporation. The PwC network consists of firms which are separate legal entities.

## PricewaterhouseCoopers International Limited

Firms in the PwC network are members in, or have other connections to, PricewaterhouseCoopers International Limited (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, PwCIL coordinates the development and implementation of 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. 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 member firms to coordinate activities across all areas of our business.







[pwc.com/id](https://pwc.com/id)

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