

# Making a difference through assurance

Transparency report for the fiscal year ended  
30 June 2019

PricewaterhouseCoopers Public Accountants, Saudi Arabia



# Contents

	<b>Page no.</b>
<b>Message Foreword from the KSA Assurance Leader</b>	<b>1</b>
1. Legal structure and ownership	<b>2</b>
2. The PricewaterhouseCoopers Network	<b>3</b>
3. Leadership and Governance	<b>4</b>
4. Internal quality control system	<b>5</b>
5. Independence policies and practices	<b>11</b>
6. External inspections	<b>13</b>
7. ESAS audit clients	<b>14</b>
8. Learning and Development	<b>15</b>
9. Saudisation	<b>16</b>
10. Regulatory investigations, claims and litigations	<b>17</b>
11. Remuneration of partners	<b>18</b>
12. Financial information	<b>19</b>
<b>Appendix 1</b>	<b>20</b>
<b>Appendix 2</b>	<b>24</b>
<b>Appendix 3</b>	<b>25</b>
<b>Appendix 4</b>	<b>26</b>

# Message Foreword from the KSA Assurance Leader



We are delighted to issue the 2019 Transparency Report for PricewaterhouseCoopers Public Accountants (PwC KSA) through which we strive to engage with our stakeholders and provide insight into how we, as independent auditors using a risk based audit approach, advance and build trust in society and help our clients solve their most important problems.

This is the first Transparency Report which is published in accordance with the requirements set forth in Article 13 of the 'Rules for Registering Auditors of Entities Subject to the Authority's Supervision' issued by the Capital Market Authority ('CMA', the 'Authority') of the Kingdom of Saudi Arabia for our fiscal year ended 30 June 2019. The Report aims to provide a comprehensive overview of how our audit quality is managed in the Kingdom of Saudi Arabia and how that translates into the provision of audit reports that can be relied upon by users of financial statements.

Our commitment to delivering high-quality assurance services is at the heart of what we do. Audit quality continues to be fundamental to our business and delivering audits of the highest quality is core to our purpose. This commitment to quality is focused to strengthen trust and transparency in our clients, the capital markets and wider society.

The world today is changing at an unprecedented pace, brought about by a whole set of intertwined, large scale trends, including shifts in global economic power, rapid urbanisation and natural resource consumption patterns. In particular the rate of change and overall disruption in the fields of technology and digitisation is exponential. These changes bring with them a set of new challenges and opportunities for private industry, governments and policy makers. Recent years have witnessed a significant transition for both the corporate sector and the audit practice in the Kingdom due to the convergence of the Saudi accounting and auditing standards with International Financial Reporting Standards and International Standards on Auditing, respectively.

These factors have required us, as auditors, to invest heavily in the up-skilling of our audit teams to ensure that we remain effective, efficient and relevant, while fulfilling our responsibilities towards the various stakeholders. We believe it is the powerful combination of the best people, empowered by market leading technologies, that enables us to deliver quality and value at a whole new level. We are re-imagining business processes through technology enablement and leveraging advanced data analytics and process improvement to deliver quality audits. Our focus on quality drives our decision-making, and our actions with clients, colleagues, and other stakeholders.

We remain committed to our role as assurance providers – helping people make decisions with more confidence in a rapidly changing world.



**Omar M. Al-Sagga**  
KSA Assurance Leader

# 1. Legal structure and ownership

PricewaterhouseCoopers Public Accountants (PwC KSA) is a professional partnership company registered under the laws of the Kingdom of Saudi Arabia holding Professional License No. 323/11/25, with its principal place of business at Kingdom Tower, 24th Level, P.O.Box 8282, Riyadh 11482, Kingdom of Saudi Arabia (KSA).

PwC KSA is a member firm of PricewaterhouseCoopers International Limited. It is also part of the Middle East region, which includes other member firms in the GCC, Levant and North Africa.

Throughout this report, the terms 'PwC KSA', 'we', 'firm', 'us' and 'our' refer to PricewaterhouseCoopers Public Accountants, License number 25.

## **PricewaterhouseCoopers Public Accountants Ownership**

PwC KSA is owned by:

### **Owners**

**PricewaterhouseCoopers, Bermuda Partnership**

**Omar M. Al Sagga**

**Mohammed Al-Obaidi**

**Ali A. AlOtaibi**

**Mufaddal Ali**

**Sahar M. Hashem**

**Khalid A. Mahdar**

**Yaseen A. Abu Alkheer**

**Bader I. Benmohareb**

**Ali H. Al Basri**

All the Saudi partners are certified public accountants (CPAs) registered with Saudi Organisation for Certified Public Accountants (SOCPA) and none of them are members of board of directors of any Entity Subject to the CMA's Supervision (ESAS), or in the committees of any of the ESAS, except for Mufaddal Ali who was an audit committee member for United International Transportation Co. (a non-audit client) as at 30 June 2019.

Refer to Appendix 2 for the core assurance organisation structure.

## 2. The PricewaterhouseCoopers Network

### 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.

PwC is a network of firms in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, tax and advisory services.

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

For these reasons, the PwC network consists of firms which 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 among individual 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. 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.

# 3. Leadership and Governance

The KSA Country Assurance Leader has ultimate responsibility for the firm's audit quality in the Kingdom. The KSA Country Assurance Leader is in turn accountable to the regional assurance leader who provides support across a range of areas including quality, technology, training and development, technical matters and specialised staffing support as required.

The KSA Country Assurance Leader is supported by various teams dealing with operational and other practice related matters as follows:

- **Market** team is responsible for monitoring key changes in the market, identifying the growth opportunities and focusing on areas related to clients' satisfaction.
- **Assurance leads** are responsible for monitoring the operational and other practice related matters in relation to their respective business units.
- **Industry** team is responsible to cater to the growing needs of developing industry specific talent in each core line and sub-lines of industries and in providing industry updates relevant to each line of industries.

In addition to the above, the following teams assist the KSA Country Assurance Leader principally towards audit quality and related matters:

- **Quality and risk management** team, among others, is responsible for ensuring adherence to Firm's risk and quality policies.
- **Learning and education team** is responsible to ensure that our people are equipped with the required knowledge and skills to perform quality audits.
- **Regulatory matters team** ensures that all requirements from regulators are adhered and complied with.
- **SOCPA Committee** ensures that all updates and pronouncements issued by SOCPA are properly interpreted and guidance provided to the assurance staff where required.
- **Audit transformation and methodology** team is responsible for providing necessary guidance to the audit teams on matters related to audit transformation and methodology.
- **Culture and Values** team is responsible for implementing the various initiatives to demonstrate PwC KSA's commitment towards its people in enhancing their experience with PwC KSA.

# 4. Internal quality control system

## Introduction

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.

The PwC network has established a framework for quality management which integrates quality management into business processes and the firm-wide risk management process. The framework introduces an overall quality objective focused on having the people and processes to deliver services in an effective and efficient manner.

This overall quality objective is supported by a series of underlying quality management objectives, and our quality management system (QMS) is 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 leadership, business process owners, and partners and staff. 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 quality management system 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.

Our quality control systems for the Assurance practice are based on International Standards on Quality Control 1 (ISQC 1): 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services engagements' issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC).

In addition, compliance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, requires us to have internal quality control systems over its auditing practice. These policies and procedures that form our internal quality control systems have been documented, and are embedded as part of our day-to-day activities. There is a monitoring regime in place to enable us to review the extent to which these policies and procedures are operating effectively and to respond to issues that arise. Further information on this monitoring regime is set out below.

Although this Transparency Report is focused on our Assurance practice for the year ended 30 June 2019, and especially on our audit work, many of our systems, policies and procedures operate firm-wide across all parts of our business.

The PwC KSA leadership team acknowledges that the internal quality control system as detailed below have been properly developed and implemented effectively.

## Explanation of our systems of internal control including internal quality control standards

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

1. Leadership responsibilities for quality within the firm.
2. Relevant ethical requirements.
3. Acceptance and continuance of client relationships and specific engagements.
4. Human resources.
5. Engagement performance.
6. Monitoring.

In parts 1 to 6 below, we set out how our internal control and internal quality control systems incorporate each of the above elements. We also cover the review of the firm's internal control systems and our statement on the effectiveness of the firm's internal quality control systems for our Assurance practice.

The PwC network monitors PwC KSA's compliance with PwC's Network Risk Management Standards. Updates and changes to the firm's internal quality control systems, as well as points needing reinforcement, are communicated to partners and staff via mandatory training and other technical communications.

Details of the firm's policies and procedures, which form part of the internal quality control systems, are available to partners and staff via web-based technical and other repositories.

# 4. Internal quality control system (cont'd)

## 1. Leadership responsibilities for quality within the firm

### Organisational structure

The PwC KSA leadership is committed to audit quality and has established a culture embracing high standards in independence and professional ethics. These responsibilities are embedded throughout the detailed policies endorsed by leadership, including ethical, human resources and engagement performance discussed below. They are also demonstrated by the dedication of resources to quality. There are resources responsible for risk management and quality control across lines of service including a partner and a risk management team at an Assurance level.

Audit Engagement Leaders take primary responsibility for the delivery of the firm's audit opinion. Audit quality is a major component of the Audit Engagement Leaders planning, assessment and execution process. Engagement Leaders are held accountable for their performance. In this respect, the firm has adopted a Recognition and Accountability Framework which applies to all Engagement Leaders (Partners and Directors), the Assurance Line of Service leadership and overall firm leadership.

The purpose of this framework is to facilitate a common approach among PwC firms. It considers and addresses amongst others interventions and recognition that promote and reinforce positive behaviours and drive a culture of quality. There are financial and non-financial consequences and rewards that are commensurate to outcome and behaviour and sufficient to incentivise the right behaviours to achieve the quality objectives.

### Culture and tone at the top

Our purpose and values are the foundation of our success. We exist 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. The PwC culture thrives and is supported by a framework of internal and external expectations and requirements.

## 2. Relevant ethical requirements

At PwC KSA, we adhere to the fundamental principles of the Saudi Code of Professional Conduct and Ethics. We also adhere to the fundamental principles of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, which are:

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

- c. **Professional Competence and Due Care** – To maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- d. **Confidentiality** – To respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.
- e. **Professional Behaviour** – To comply with relevant laws and regulations and avoid any action that discredits the profession.

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, including compliance with the Saudi Code of Professional Conduct and Ethics, 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 at the Firm 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, we have adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected from 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 joining, all staff and partners 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 KSA 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 at [www.pwc.com/ethics](http://www.pwc.com/ethics).



# 4. Internal quality control system (cont'd)

## 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 IESBA Code of Ethics for Professional Accountants, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary. PwC KSA supplements the PwC Network Independence Policy as required by local laws and regulations with the independence provisions of the Code of Ethics and Professional Conduct of SOCPA. The firm has specific policies and practices relating to independence, which are explained in more detail in section 5.

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

### 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 KSA 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.

## 4. Human resources

### Our people

Our people strategy is to be a world class developer of talent. PwC KSA 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. Candidates are considered according to multiple criteria. Our recruitment process follows the PwC Professional framework, enabling us to select the best talent, based not only on technical skills but also on behaviours and ways of working. The PwC Professional is our global leadership development framework, which provides a single set of expectations across our lines of service, geographies, and roles. It provides transparency on the skills our staff need to stay relevant and deliver quality to our clients.

The framework includes assurance quality dimensions to guide our staff in building critical skills and behaviours related to delivering audit quality, such as professional scepticism, review and supervision, auditing skills, issues management and technical knowledge. We believe that investing in a broad range of skills, experiences and backgrounds puts us in a stronger position to understand and meet the needs of our clients. This year we have continued to recruit a more diverse range of talent, in particular to encourage more talented Saudi men and women.

### Retention

Retaining our professionals is important to us and we are dedicated to listening to our people and enhancing their experience. Providing our people with an ability to meet their professional and personal obligations is also an important component of our retention strategy. We periodically measure the pride, advocacy, commitment and overall satisfaction of our people through our Global People Survey.

### Learning and development

A great deal of attention is devoted to ensuring that our people maintain their high level of professional expertise. The PwC Professional framework, supports all staff members to identify areas of strength and new areas of learning required. Detail on our training programmes, our commitment to the learning and development of our people, and how the role of 'career coach' stimulates this development, is available within Section 8 of this report.

# 4. Internal quality control system (cont'd)

## 5. Engagement performance

The quality and effectiveness of an 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 audit methodology, the technology we use, and in making the right amount of time and resources available.

### PwC Audit

As a member of the PwC Network, PwC KSA has 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 country specific guidance provided where appropriate. PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements, including ISA as endorsed in the Kingdom of Saudi Arabia, 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.

The PwC Audit Guide (Guide) explains PwC's methodology. The Guide along with PwC's technology-based audit support tools, templates and content support engagement teams in conducting assurance and related services engagements.

### Audit technology

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.

### 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 strong 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.

### 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, 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 responsible to ensure that the audit is performed and documented as required and the conclusions reached are appropriate, by being timely and sufficiently involved throughout the audit. This includes making key judgments, initiating consultation requests on difficult or contentious matters as deemed appropriate and being satisfied that all risks have been appropriately assessed and responded to.

The team manager supports the engagement leader by promoting quality and continuous improvement during the performance of the audit, adhering to documentation requirements by being involved throughout the audit and coaching the team members as necessary. This includes identifying the risks and being satisfied that they have been addressed appropriately.

Engagement Leaders and Team Managers cultivate a mind-set in which engagement teams are challenged to think, analyse, question and be rigorous in their approach.

### Engagement quality control review

We appoint a Quality Review Partner (QRP) to conduct engagement quality control reviews of the audits of listed clients and clients identified as higher risk or higher profile.

QRPs are experienced individuals, usually partners, who are independent of the core engagement team; they receive training when appointed as a QRP and an annual refresher thereafter.

QRPs are appointed to an engagement based on their experience and expertise. The QRP is responsible for reviewing key aspects of the audit and will challenge the audit team in the judgements they have made and work done. QRPs are involved throughout the audit process so that their input is timely.

### Differences of opinion

Protocols exist to resolve the situations where a difference of opinion arises between the engagement leader and either the QRP, another Assurance partner or central functions such as technical and risk management.

### Engagement documentation

At the end of an engagement, teams are required to assemble the audit file, which comprises of the electronic and hard copy paper file and then archive these files in accordance with the professional standards.

In the case of the electronic audit file, the act of archiving prevents any further amendments being made to the file.

The hard copy paper file is similarly archived and retained in a secure access controlled filing system either within the office or off-site, used to manage the archive.

Unless required for legal, regulatory or internal review purposes, electronic and hard copy paper files are only accessible by members of the engagement team or by specific individuals for risk management, quality review and compliance purposes until they are destroyed. All engagement files are destroyed after periods specified by law or professional standards.

# 4. Internal quality control system (cont'd)

## 6. Monitoring

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 PwC KSA. This includes effective monitoring processes aimed at evaluating whether the policies and procedures which constitute our QMS 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.

Our firm's 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 ISQC 1, 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.

Our firm's monitoring procedures include an ongoing assessment of the design and effectiveness of our QMS, as well as a review of completed engagements (Engagement Compliance Reviews – ECR). The results of these procedures form the basis for the continuous improvement of our QMS.

ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals 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 engagement related policies and procedures. Each engagement leader is reviewed at least once every five years, unless a more frequent review is required based on the risk profile of that engagement leader's client portfolio.

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 utilise a range of GAQR approved checklists and tools when conducting their review procedures. The last ECR in KSA was held in July 2019 which achieved compliant results. The last QMS review in KSA was also conducted in July 2019 and the results were satisfactory.

The results of the quality reviews 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 issues on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or the assurance leadership personnel may be subject to additional mentoring, training or further sanctions in accordance with Recognition and Accountability framework.

Partners and employees are informed about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of their 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 member firms. This enables our partners to consider these findings in planning and performing their audit work.

### Real Time Assurance

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

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 quality management systems, and the AQIs, in addition to other performance measures, provide a tool which assists us in monitoring the effectiveness of our QMS.

### Root cause analysis

We perform analyses to identify potential factors contributing to audit quality so that we can take actions to continuously improve. One of our primary objectives when conducting such analyses is to identify how we can provide the best possible environment for our engagement teams to deliver a quality audit. We look at audits both with and without deficiencies—whether identified through our own internal inspections process or through external inspections—to help identify possible distinctions and learning opportunities.

Our 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 practice. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

# 4. Internal quality control system (cont'd)

## **Recognition and Accountability Framework**

Our Recognition and Accountability Framework ('RAF') reinforces quality in everything our people do in delivering on our strategy, with a focus on the provision of services to our clients, how we work with our people and driving a high quality culture. It holds Engagement Leaders, accountable for quality outcomes. Our RAF considers and addresses the following key elements:

- Quality outcomes: Our quality outcomes take into account meeting professional standards and the PwC Network and our firm's standards and policies;
- Behaviours: We have set expectations of the right behaviours that support the right attitude to quality, the right tone from the top and a strong engagement with the quality objective;
- Interventions/recognition: We have put in place interventions and recognition that promotes and reinforces positive behaviours and drives a culture of quality; and
- Consequences/reward: We have implemented financial and non-financial consequences and rewards that are commensurate to outcome and behaviour and sufficient to incentivise the right behaviours to achieve the quality objectives.

# 5. Independence policies and practices

Independence is overseen by the 'Partner Responsible for Independence' ('PRI') with appropriate seniority and standing at a regional level. The PRI is responsible for implementation of the PwC Global Independence Policy and other local independence requirements applicable in KSA including managing the related independence processes and providing support to the business. The PRI is supported by a team of independence specialists and reports directly to the Managing Partner of the Middle East region.

## 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 assurance clients; and
- Business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business

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 KSA 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.

PwC KSA supplements the PwC Network Independence Policy with the independence provisions of the local regulations, Code of Ethics and Professional Conduct of SOCPA and the independence requirements of the United States Securities and Exchange Commission (SEC) and those of the Public Company Accounting Oversight Board (PCAOB) of the United States for SEC restricted entities.

The PwC KSA leadership team affirm that the independence policies have been properly prepared and implemented effectively.

## Independence-related tools

As a member of the PwC Network, PwC KSA 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 public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the member firm before entering into a new non-audit engagement or business relationship;
- '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;
- Authorisation for Services ('AFS') which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documenting the potential independence threats created by the service and proposed safeguards, and acts as a record of the audit partner's conclusion on the permissibility, or otherwise, of the service; and
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations where the breach has cross-border implications.

PwC KSA also tracks rotation requirements as applicable under the Network independence policy and with reference to local rules, as applicable, for the engagement leaders and other key audit partners involved in audits. A database records approved business relationships entered into by PwC KSA.

## Independence training and confirmations

PwC KSA provides all partners and practice 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, provision of services. Partners and staff receive training on the firm's independence policy and related topics. All partners and practice 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.

# 5. Independence policies and practices (cont'd)

## **Independence monitoring and disciplinary policy**

The leadership 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, the Middle East regional independence team perform:

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

The results of the PwC KSA monitoring and testing are reported to the regional management. There are 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 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 investigations of any identified breaches of independence policies also serve to identify the need for improvements in systems and processes and for additional guidance and training.

## 6. External inspections

PwC KSA is accredited to perform statutory audits and is eligible to undertake statutory audits for listed entities by virtue of its registration with the relevant authorities in the Kingdom of Saudi Arabia. Further, audit firms are regulated by SOCPA. There were no SOCPA inspections during the last financial year.

## 7. ESAS audit clients

During the period covered by this Transparency Report, PwC KSA had some 93,402 working hours spent on ESAS audit clients. The total hours spent by the licensed partners on these ESAS audit clients represent 2.4% of the total hours. The PwC KSA's list of the ESAS audit clients and the respective registered CPA who carried on the audit for such clients during the year ended 30 June 2019 is included in Appendix 1.



# 8. Learning and Development

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.

This formal learning is delivered to all staff members 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. We consider what additional training is appropriate – formal and/or informal – to address any additional specific local needs.

Our formal training program, which is designed considering the needs at each grade, during the year ended 30 June 2019, comprised of training modules related to the following:

- Audit methodology and auditing standards related training for all staff. Classroom and remote access training sessions are designed to address the needs of staff at different grades
- Technical IFRS training for junior staff
- Technical IFRS training for managers and above
- Engagement management skills including review and coaching for experienced staff
- Audit Quality Program, for managers and above, focusing on (i) changes in PwC audit methodology; (ii) quality reminders; (iii) practical considerations related to implementation of new IFRSs; and (iv) changes in audit software
- Independence and Risk and Quality training for all staff including partners

Average time spent on training by professionals involved in audits of ESAS during the year ended 30 June 2019 was as follows:

	<b>Grade</b>	<b>Average time spent by each professional (hours)</b>
1	Partners and directors	45
2	Managers	50
3	Senior associates	70
4	Associates	125

# 9. Saudisation

We are focused on talent management, investment in youth and Saudisation. Our goal is to develop Saudi nationals and to prepare them to be leaders of tomorrow. Our plan is designed to ensure that Saudis are certified, trained and coached so they can contribute to both our firm and the wider business community. This is achieved through continued focus on recruitment, training and development of Saudi nationals.

We are proud of our investment in Saudi nationals, in line with Saudi Arabia's Vision 2030. We remain focused on both the quantitative and qualitative aspects of Saudisation.

We provide recruitment opportunities to Saudi nationals through our various programs that include, our:

- Internship program – aimed at undergraduate students in their final year of university;
- Graduate recruitment program – aimed at fresh graduates;
- Experienced hire program – that attracts Saudis with professional experience; and
- Strategic secondments.

We have a proven commitment to Saudisation across our offices in Saudi Arabia. As of 30 June 2019, of our 700+ partners and staff across the country, about 43% were Saudi nationals.

We encourage all staff to achieve appropriate professional qualifications and we have procedures in place to facilitate individual career development. We strongly support Saudi nationals, male and females, in obtaining professional qualifications, as part of their professional and career development.

Our Saudi nationals benefit from structured training and development throughout their careers and are given the opportunities to progress and become leaders and partners in our firm.

# 10. Regulatory investigations, claims and litigations

Due to the nature of our business, it is inevitable that from time to time, we will become involved in legal proceedings. It is not possible to comment on court cases for claims for damages, because claims do not in themselves reflect the merits of a case and professional client confidentiality does not permit us to discuss what is not a matter of public record. In common with all major accounting firms, PwC KSA receives, from time to time, claims alleging that loss has been caused to the claimant for various reasons. While at any time there may be legal actions pending, there have been no material adverse court decision against PwC KSA, nor are there any legal proceedings which would impair our ability to provide our services.

During the fiscal year ended 30 June 2019, there has been no new litigation, penalty or claims filed against the firm or its registered partners.

# 11. Remuneration of partners

Partner remuneration comprises three components:

- Role level – Reflecting the Partner's sustained contribution and responsibilities.
- Performance rating – Reflecting how a Partner and their team(s) has performed.
- Firm profitability – Reflecting overall profitability of the firm.

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

Audit partners are not permitted to be, nor are they incentivised to be, evaluated or remunerated for the selling of non-audit services to their audit clients.

Quality failings identified either through regulatory reviews or internal quality reviews impact the performance assessment and therefore remuneration of audit engagement leaders through an accountability framework.

According to the firm's incorporation contract, the firm's annual net revenues will be distributed, after deduction of general expenses and costs, to the partners according to the percentage of the share owned by each partner. Taking into consideration the three components discussed above, the partners may issue collective written decisions that the profits and losses be divided on another basis.

## 12. Financial information

The total revenue including audit services of PwC KSA for the year ended 30 June 2019 is Saudi Riyals 616.58 million.

The PwC KSA firm revenue for ESAS is detailed as follows:

		Saudi Riyals million
<b>Total revenues from audit engagements for ESAS</b>		43.6
<b>Total revenue from non-audit services for ESAS</b>		
	Total revenues from other services for ESAS that are audited by PwC KSA	7.6
	Total revenues from other services for ESAS that are not audited by PwC KSA	28.0

# Appendix 1

PwC KSA's list of ESAS audit clients and the respective registered CPA who carried on the audit for such clients during the year ended 30 June 2019.

<b>ESAS</b>	<b>Registered CPA who carried on the audit</b>
AlBilad Investment Company	Ali A. AlOtaibi
Saudia Dairy and Foodstuff Co.	Mufaddal Ali
Al Rajhi Banking and Investment Corporation	Omar M. Al Sagga
Al Sagr Cooperative Insurance Co.	Mufaddal Ali
Alinma Bank	Mufaddal Ali
Allianz Saudi Fransi Cooperative Insurance Co.	Bader I. Benmohareb
Almarai Co.	Omar M. Al Sagga
Al Rajhi Company for Cooperative Insurance	Bader I. Benmohareb
Astra Industrial Group	Mufaddal Ali
AXA Cooperative Insurance Co.	Bader I. Benmohareb
Al Khair Capital Saudi Arabia Company	Bader I. Benmohareb
Bank Albilad	Ali A. AlOtaibi
Merrill Lynch Kingdom of Saudi Arabia	Bader I. Benmohareb
Saudi Fransi Capital	Bader I. Benmohareb
Banque Saudi Fransi	Bader I. Benmohareb
Basic Chemical Industries Co.	Ali A. AlOtaibi
BNP Paribas Saudi Arabia	Bader I. Benmohareb
Electrical Industries Co.	Ali H. Al Basri
FALCOM Financial Services	Ali H. Al Basri
Goldman Sachs Saudi Arabia Company	Ali H. Al Basri
Itqan Capital Company	Mufaddal Ali

# Appendix 1 (cont'd)

ESAS	Registered CPA who carried on the audit
Jarir Marketing Co.	Omar M. Al Sagga
J.P. Morgan Saudi	Bader I. Benmohareb
Kingdom Holding Company	Omar M. Al Sagga
Methanol Chemicals Co.	Ali A. AlOtaibi
Middle East Company for Manufacturing and Producing Paper	Ali A. AlOtaibi
Muscat Capital LLC	Yaseen A. Abu AlKheer
Riyad Bank	Bader I. Benmohareb
SABB Takaful Co.	Muffadal Ali
SAMBA Capital & Investment Management Company	Bader I. Benmohareb
Samba Financial Group	Bader I. Benmohareb
Saudi Arabian Mining Co.	Omar M. Al Sagga
Sadara Chemical Company	Bader I. Benmohareb
Saudi Venture Capital Investment Company	Ali H. Al Basri
Shuaa Capital Saudi Arabia Company	Ali H. Al Basri
The Company for Cooperative Insurance (Tawuniya)	Omar M. Al Sagga
Thob Al Aseel Co.	Mufaddal Ali
Adeem Real Estate Income Generating Fund	Ali A. AlOtaibi
Albilad Fund of REITs Fund	Ali A. AlOtaibi
GCC Ithmar Fund	Ali A. AlOtaibi
Saudi Pure Equity Fund	Ali A. AlOtaibi
GCC Banks and Financial Institutions Equity Fund (AMWAL Fund)	Ali A. AlOtaibi
Kuwaiti Equity Fund (ALSEEF)	Ali A. AlOtaibi

# Appendix 1 (cont'd)

ESAS	Registered CPA who carried on the audit
GCC Real-Estate Equity Fund (AQAAR)	Ali A. AlOtaibi
Al-Murabih SAR Murabaha Fund	Ali A. AlOtaibi
Albilad Hospitality Fund in Holy Makkah	Ali A. AlOtaibi
Canary AlKuzamah Compound Real Estate Fund	Ali A. AlOtaibi
The Second Commercial Complex Fund	Ali A. AlOtaibi
AlBilad Investment Fund 2	Ali A. AlOtaibi
Ithmar Sharia Compliant Saudi Equity Fund (ITHMAR)	Ali A. AlOtaibi
AlInma Jeddah Economic City Real Estate Fund	Mufaddal Ali
Alinma Makkah Real Estate Fund	Mufaddal Ali
FALCOM IPO Fund	Omar M. Al Sagga
FALCOM Murabaha Financing Fund	Omar M. Al Sagga
FALCOM Petrochemical	Omar M. Al Sagga
FALCOM Private Equity Fund I	Omar M. Al Sagga
FALCOM Saudi EQUITY ETF	Omar M. Al Sagga
FALCOM SAUDI EQUITY FUND	Omar M. Al Sagga
International Trade Finance Fund (SUNBULLAH USD)	Bader I. Benmohareb
Al Razeen SAR Liquidity Fund	Bader I. Benmohareb
Al Razeen USD Liquidity Fund	Bader I. Benmohareb
SAMBA Capital Americas Equity Fund	Bader I. Benmohareb
SAMBA Capital Asian Equity Fund	Bader I. Benmohareb
SAMBA Capital Europe Equity Fund	Bader I. Benmohareb
Al Musahem Saudi Equity Fund	Bader I. Benmohareb
Al Musahem GCC Fund	Bader I. Benmohareb
Al Raed Saudi Equity Fund	Bader I. Benmohareb
Al Raed GCC Fund	Bader I. Benmohareb
Al-Fareed Saudi Equity Fund	Bader I. Benmohareb
Al Ataa Saudi Equity Fund	Bader I. Benmohareb
SAMBA Real Estate Fund	Bader I. Benmohareb

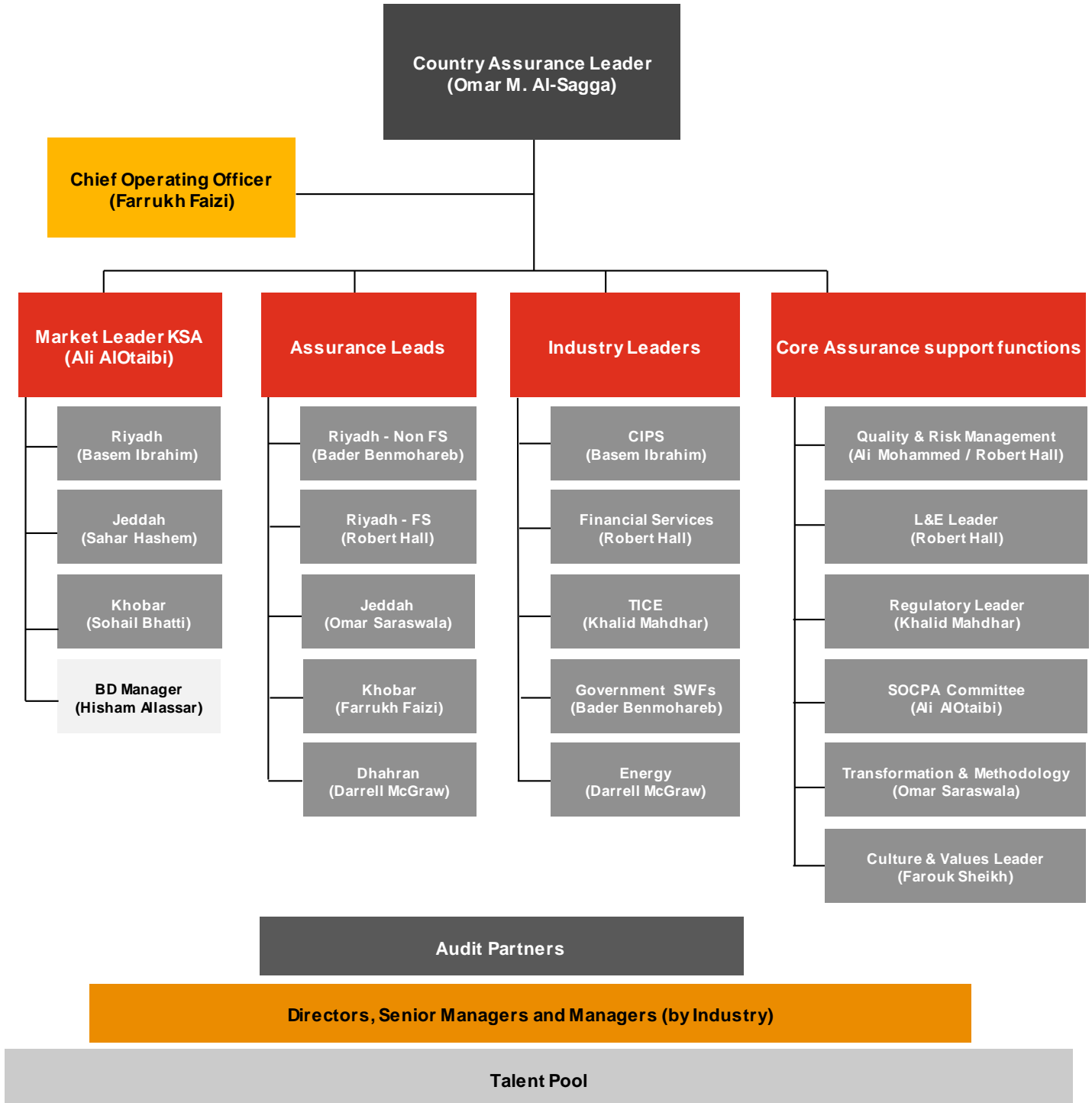


# Appendix 1 (cont'd)

<b>ESAS</b>	<b>Registered CPA who carried on the audit</b>
Izdihar China Equity Fund	Bader I. Benmohareb
SAMBA Capital Global Equity Fund	Bader I. Benmohareb
AL Nafees Global Commodities Equity Fund	Bader I. Benmohareb
Aljood GCC Equity Fund	Bader I. Benmohareb
Al Ataa GCC Equity Fund	Bader I. Benmohareb
International Trade Finance Fund (SUNBULLAH SAR)	Bader I. Benmohareb
Five Capital Fund I	Omar M. Al Sagga
Jeddah Centro Fund 1	Ali H. Al Basri
Dammam Rayhaan Fund 1	Ali H. Al Basri
Shuaa Wadi Al Hada Fund	Ali H. Al Basri
Saudi Hospitality Fund 1	Ali H. Al Basri

# Appendix 2

## Core assurance organisation structure



# Appendix 3

## Riyadh

### Address

PricewaterhouseCoopers Public Accountants  
Kingdom Tower - 24th floor  
King Fahd Highway  
P.O. Box 8282, Riyadh 11414  
Kingdom of Saudi Arabia

Tel: +966 11 211 0400  
Fax: +966 11 211 0401

## Khobar

### Address

PricewaterhouseCoopers Public Accountants  
Al Hugayet Tower - 19th floor  
King Abdul Aziz Street, Al Khobar  
P.O. Box 467, Dhahran 31932  
Kingdom of Saudi Arabia

Tel: +966 13 849 6311  
Fax: +966 13 849 6281

## Jeddah

### Address

PricewaterhouseCoopers Public Accountants  
Jameel Square  
Al Tahliah Street  
P.O. Box: 16415, Jeddah 21464  
Kingdom of Saudi Arabia

Tel: +966 12 610 4400  
Fax: +966 12 610 4411

## Dhahran

### Address

PricewaterhouseCoopers Public Accountants  
Saudi Aramco,  
P.O. Box 1659, Dhahran 31311  
Kingdom of Saudi Arabia

Tel: +966 13 873 6801  
Fax: +966 13 873 3875

# Appendix 4

## Glossary

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AFS	Authorisation for Services
CMA	Capital Market Authority
CES	Central Entity Service
CPAs	Certified public accountants
ECR	Engagement Compliance Reviews
ESAS	Entities Subject to the CMA's Supervision
GAQR	Global Assurance Quality Review
IAASB	International Auditing and Assurance Standard Board
IFAC	International Federation of Accountants
ITL	International Team Leaders
PwC KSA	PricewaterhouseCoopers Public Accountants
QMS	Quality Management System
SOCPA	Saudi Organisation for Certified Public Accountants

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# Thank you

We have prepared this Transparency Report, in accordance with Article 13 of the "Rules for Registering Auditors of Entities Subject to the Authority's Supervision" issued by the CMA, of the Kingdom of Saudi Arabia for our fiscal year ended 30 June 2019.

This Transparency Report has been prepared solely in respect of PwC KSA and does not relate to any other associated member firm or any fellow member firm of PricewaterhouseCoopers International Limited.

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