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Making a difference through assurance

Transparency report

**PwC LLC
Oman**

*Year ended
30 June 2017*

pwc

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Message from the Regional Assurance Leader

'I am privileged to serve as the Assurance Leader for the Middle East region at the time when our region is transforming. Our stakeholders look to us as auditors to provide assurance. Building trust is at the heart of what we do'



Welcome to the first published transparency report of PricewaterhouseCoopers LLC Oman ('PwC Oman'). I hope this transparency report gives you an insight into our vision, values and commitments in our role as Trust providers.

Assurance is at the heart of who we are and underpins our purpose – To build trust in society and solve important problems.

We believe that our purpose of building trust in society goes hand in hand with being transparent and accountable in how we undertake audits that are of high quality. This transparency report aims to provide a comprehensive overview of how audit quality is managed in Oman and how that translates into the provision of audit reports that can be relied upon by users of financial statements.

We embrace our values of acting with integrity, making a difference, care, working together and reimagining the possible everyday and on every audit engagement to assist our clients solve their most important problems.

We work hard to reinforce all dimensions of audit quality, including:

- Our methodology; and
- The innovative use of technology as an integrated part of our methodology.

A comprehensive audit methodology, enabled by cutting edge technology, needs to be delivered by the right team. We recruit and develop our assurance professionals to be collaborative, sceptical and brave enough to deal with problems when they arise.

The delivery of statutory audits is a matter of the highest public interest. This is the first year in which we implemented the extended audit reports on all public interest entities. We took this challenge extremely seriously and it was overseen by the highest levels of leadership and management within PwC ME and Oman.

I invite all stakeholders to be part of the conversation in this changing world. Through this report and continued dialogue we all can have a meaningful conversations on how quality audits can be enhanced and better transparency achieved.

Mohamed ElBorno
Middle East Head of Assurance

Foreword from the Oman Senior Partner and Oman Assurance Leader



We are delighted to issue the 2017 transparency report for PwC Oman in which we will strive to engage with our stakeholders and provide insight into how, as independent auditors using a risk based audit approach, we advance and build trust in society and help our clients solve their most important problems.

This Transparency Report is for the year ended 30 June 2017 and is published in accordance with Article 40 (1) and 45 (5) (e) of the Directive on Statutory Audit 2006/43/EC issued by The European Parliament and The Council of the European Union.

High audit quality continues to be our top priority. We are engaged with the regulators in our capacity as external auditors of public interest entities in Oman. Our commitment to audit quality can better increase trust if we make it transparent and so we hope that many of our stakeholders will read this report. Another critical part of our approach to transparency can be seen in the extended audit reports that we issue on local listed companies.

This is the first year in which we implemented the extended audit reports on all public interest entities. We believe that all stakeholders in reading these audit reports will have an insight into the audit process, the significant areas identified and what procedures we performed on those significant areas to come up with the audit opinion. These set out the details of our audit scope and approach, the risk areas identified and how our audit responded.

We also took an extra step of appointing senior partners as independent reviewers who were specifically selected for this purpose.

We welcome our clients and all stakeholders to read this report and the publicly available extended audit reports that we have issued to advance the conversation of how we can best work together and improve audit quality and transparency.



Omar Al-Sharif
Oman Senior Partner

Kashif Kalam
Oman Assurance Leader

1. Legal structure and ownership

PricewaterhouseCoopers LLC (**'PwC Oman'**) is a **limited liability** company owned by two partners. PwC Oman is registered and exists under the laws of the Sultanate of Oman and it operates out of Hatat House A Suites 204-210, Wadi Adai, P.O. Box 3075, Post Code 112-Ruwi, Muscat, Sultanate Oman.

PwC Oman is a member firm of PricewaterhouseCoopers International Limited and part of the Middle East Region. PwC in the Middle East has more than 4,200 people in 12 countries across the region – Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates.



2. The PricewaterhouseCoopers network

PwC is a global network of separate firms, operating locally in countries around the world. PwC firms are members of PricewaterhouseCoopers International Limited and have the right to use the PricewaterhouseCoopers name. As members of the PwC network, PwC firms share knowledge, skills and resources. This membership facilitates PwC firms to work together to provide high-quality services on a global scale to international and local clients, while retaining the advantages of being local businesses – Including being knowledgeable about local laws, regulations, standards and practices.

Being a member of the PwC network means firms also agree to abide by certain common policies and maintain the standards of the PwC network. Each firm engages in quality control and compliance monitoring activities, covering the provision of services, ethics and business conduct, and the compliance with specific, strict standards for independence monitoring and protection.

PricewaterhouseCoopers International Limited

PricewaterhouseCoopers International Limited (PwCIL) is a UK private company limited by guarantee. PwCIL acts as a coordinating entity for PwC firms and does not practise accountancy or provide services to clients. PwCIL works to develop and implement policies and initiatives to create a common and coordinated approach for PwC firms in key areas such as strategy, brand, and risk and quality. PwC firms use the PwC name and draw on the resources and methodologies of the PwC network. In return, PwC firms are required to comply with common policies and the standards of the PwC network.

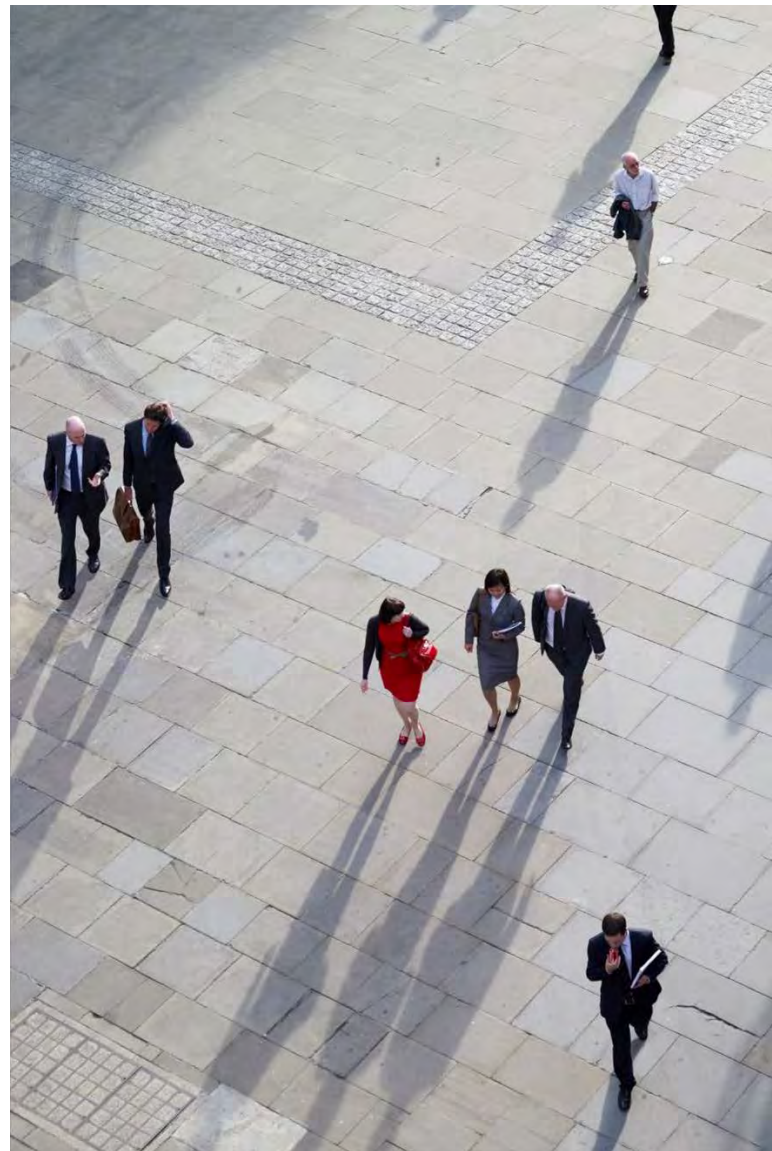
A PwC firm of PwCIL cannot act as agent of PwCIL or any other PwC firm, and it is only liable for its own acts or omissions and not those of PwCIL or any other PwC firm. PwCIL **has no right or ability to control any member firm's** exercise of professional judgement. The governance bodies of PwCIL are:

- **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 of the network, agrees the

strategic direction of the Network and facilitates alignment for the execution of strategy.

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

The Territory Senior Partner of PwC Middle East is a member of the Strategy Council and maintains our relationships with the Network Leadership Team.



3. Governance structure

Middle East Leadership Team

The Middle East Leadership Team ('MELT') is responsible for the management and performance of the PwC ME region and the determination and execution of the strategy, business plan and formal direction of all ME member firms.

The MELT is chaired by the Territory Senior Partner in the Middle East .

The MELT approves standards and policies relating to business values and ethics, quality assurance, compliance and risk management consistent with those set out under the PwCIL Regulations to be promoted within PwC member firms and oversees the implementation of such standards and policies to ensure global risk management and compliance.

Middle East Regional Board

The ME Board represents the interests of all PwC ME member firms and has collective responsibility to oversee their direction and control, strategy and governance, and to engage closely with the Leadership Team in shaping their future to achieve their vision, values and principles. The Board provides constructive oversight of the activities of the ME Managing Partners and Leadership Team.

Country Governance

The Oman Senior Partner and the line of service leaders of Assurance, Advisory and Tax of Oman are aligned to the relevant Middle East region line of service heads in terms of reporting.

The Oman Senior Partner and the Assurance Leader have **ultimate responsibility for their firm's audit quality and they** in turn are accountable to the Territory Senior Partner and Regional Assurance Leader who have overall responsibility for audit quality on a region-wide basis. The Oman Assurance Leader is appointed by the Regional Assurance Leader, in consultation with the MELT.



4. Internal quality control system

We are committed to delivering the highest quality professional services, and audit quality remains of paramount importance to the firm and our continued success in the marketplace

Quality comes from more than the systems and processes that are embedded in the way we work to achieve compliance with standards and regulation, important though these are. Ultimately, it depends on the **culture of the firm, which is based on the ‘tone at the top’, and our ability to recruit, train and motivate intelligent professionals who take personal responsibility to deliver high-quality work.**

Introduction

As part of the PwC Network, all member firms are obliged to abide by certain common risk and quality policies approved by PwCIL and to conduct risk and quality reviews. The PwC global network audit and quality control standards are set out in various policies. **PwC Oman’s policies are based on these common policies,** which are supplemented, when necessary, to address local professional standards and regulatory requirements.

The way we do business

PwC member firms conduct their businesses within the framework of applicable professional standards, laws, regulations and internal policies. These are supplemented by a Code of Conduct for their partners and staff. PwC people have an obligation to know, understand and comply with the guidelines contained in the Code of Conduct as well as the values – Act with integrity, Make a difference, Care, Work together and Reimagine the possible – On which the guidelines are based.

Sustainable culture

To promote continuing business success, PwC member firms nurture a culture that supports and encourages all PwC people to do the right thing, especially when they have to make tough decisions. PwC people have ready access to a wide array of support networks within their respective member firms – Both formal and informal – And technical panels to help them reach appropriate solutions. There is also a culture of cooperation between member firms, and consultation supports this culture.

Quality policies and processes

Each PwC member firm has policies that are based on PwC global standards. Member firms also have access to a number of common methodologies and supporting materials for many services; these methodologies and materials are designed to assist member firm partners and staff. The Oman Assurance Leader is responsible for selecting partners and staff for a particular engagement with the appropriate professional competence and experience.



Quality control standards

Compliance with International Standards on Auditing (ISA) requires PwC Oman to have a system of quality control over its auditing practice. These controls are embedded as part of **PwC Oman's day-to-day activities**. The quality control system is in compliance with International Standards on Quality Control 1 (ISQC1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, issued by the International Federation of Accountants (IFAC). The IFAC standards and requirements **and, therefore, PwC Oman's quality control system,** encompass the following six elements of quality control:

1. Leadership Responsibilities for Quality within the Firm
2. 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.

1. Leadership responsibilities for quality within the firm

PwC ME and Oman's 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 partners responsible for risk management and quality control across lines of service and at an Assurance level, including the risk management team in Oman.

2. Ethical requirements

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

- 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/anti-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 regular mandatory training and assessments, 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 Oman monitors compliance with these obligations.

PwC Oman 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 earn the trust that we seek. 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 Oman are provided with a copy of 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.

Independence

As auditors of financial statements and providers of other types of professional services, PwC 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 firm has specific policies, procedures and practices relating to independence, which are explained in more detail in section 5 '**Independence procedures and practices**'.

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

Engagement teams

- To document their consideration of matters required by professional standards related to acceptance and continuance;
- To identify and document issues or risk factors and their resolution, for example through consultation, by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
- To facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement.

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.

4. Human resources

Our global PwC values and behaviors have been communicated across the global PwC Network during the year. They define the shared aspirations and expectations

we have for working with our clients and each other. The common values and behaviours guide how we behave, make decisions, treat each other and serve our clients to: act with integrity, make a difference, care, work together and reimagine the possible. PwC Oman partners and staff regularly receive a thorough orientation to the culture, values and core attributes of PwC.

PwC Oman 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, including their academic achievement.

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.

Learning and education

PwC Oman and the other PwC firms in the Network are committed to delivering quality audits around the world. To maximise consistency in the Network, a formal curriculum developed at the Network level provides access to courses covering the PwC audit approach and tools, updates on auditing standards and their implications, and areas of audit risk and engagement quality.

This formal learning is delivered using blended learning, which includes remote access and classroom learning. This learning supports our focus on audit quality and provides our practitioners with the opportunity to sharpen their professional judgement, scepticism, technical and professional skills.

Our Learning and Education leader then considers what additional training is appropriate – Formal and/or informal – To address specific local needs in the way of videos, workshops and forums for staff to share their experiences. This training is then supplemented with learning from others, whether by receiving and discussing feedback, or by shadowing, observing and/or working with others in order to support them on the job.

Learning and development is a continuous process which starts with induction activities when a person joins the firm and continues throughout their career and is tailored to the grade, role and experience of each individual. PwC Oman partners and staff participate in a variety of local, regional and international formal training courses and they will also be training through on the job coaching and supervision.

We have a training curriculum that includes talent programmes as well as our technical and business skills training programmes for the member firms in the region.

We support many individuals to complete professional qualifications that are required or relevant to their role. Our industry groups operate specialist training programmes relevant to their sectors.

Core curriculum training programmes are supplemented by additional training sessions within PwC Oman, as and when required.

Our practices to maintain capabilities and technical competence include:

- All partners and staff must complete annual risk and quality update training spanning matters relating to compliance, independence and ethics;
- The mandatory technical training programme comprises both foundation and update training as well as specific training for auditors on specific engagements such as US **PCAOB clients. Foundation programmes build auditors' technical capabilities.** Annual update training addresses new external requirements, internal policy or methodology changes and the remediation of observations raised through internal quality reviews and external inspections;
- We consider training needs on an on-going basis and release guidance and/or training materials as appropriate throughout the year to respond to emerging performance gaps promptly when they are identified;
- We monitor the completion of mandatory training and failure to complete mandatory training by set deadlines results in disciplinary steps being taken;
- We review the training programme for compliance with PwC network standards;
- We have processes in place to equip our tutors with effective instructor skills and to measure the effectiveness of our training; and
- We assess programmes through a number of evaluation techniques.

Supervision and direction

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

In addition, for certain types of work, we specify levels of experience and specific additional training to make sure that the individuals are competent to undertake that type of work. For example, only certain individuals can lead or undertake certain types of work such as capital market transactions and due diligence work.

5. Engagement performance

PwC Audit

As a member of the PwC Network, PwC Oman 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 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.

The PwC Audit 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.

Aura

As a member of the PwC Network, PwC Oman has access to and uses Aura, which is the application that powers PwC's audits and supports its Assurance practices. It provides engagement teams with an application that integrates a broad range of capabilities, including built-in tools to promote audit quality, consistency and ease of documentation.

Aura also integrates with a variety of other tools and applications, creating one work space for client work.

Our audit work is planned, executed and documented using Aura which supports teams in applying our methodology effectively, by creating a transparent linkage between risks identified and the work done to address those risks, as well as providing comprehensive project management capabilities.

Developed 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.

These new tools that enhance audit quality and efficiency through automation, connectivity and mobility include:

- **Aura Now** is an online, multi-engagement dashboard tool that allows teams to monitor progress towards completion and other key information across their portfolio of Aura engagement databases. It visualises the progress of an engagement, which enables our people to prioritise their efforts. It also provides information regarding readiness for file archiving to assist in preparing for and timing of archiving the audit file.
- **Connect** is our collaborative workflow tool, providing fast, efficient and secure information sharing at every stage of the audit. It monitors the status of requests and information between our clients and the engagement team on a real time basis. Connect provides visibility for both our clients and us to be able check progress on the go, anytime, anywhere.
- **Halo** is our new data auditing suite of tools allowing us to identify and assess risks and determine where to focus audit efforts. The analytical and visualisation capabilities allow us to analyse patterns and trends, identifying unusual and high-risk transactions, and providing invaluable insight to both ourselves and our clients. Halo comprises of three key components – acquisition of client data, transformation of data and applications for automated testing and analysis of data. For example, Halo for Journals allows engagement teams to gather all journal entries and utilise built-in functionality to apply engagement-specific criteria designed to focus testing on higher risk entries.

Consultation and support

Consultation is a key element of quality control. PwC Oman follows the PwC Middle East's formal consultation protocols setting out the circumstances under which consultation on accounting, auditing and risk management matters is mandatory.

Our consultative culture also means that our engagement teams regularly consult with each other on an informal basis, as well as with experts and others beyond those that are formally required.

Within Assurance, we use a consultation database (IGLO) that has been specifically designed to aid the enquiry and consultation process. It also makes sure documentation of consultations is in accordance with professional standards.

6. 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 PwC Oman. This includes effective monitoring processes aimed at evaluating whether the policies and procedures which constitute our Quality Management System are designed appropriately and operating effectively to provide reasonable assurance that our audit engagements are performed in compliance with laws, regulations and professional standards.

PwC Oman'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 ISQC1, contains policies, procedures, tools and guidance which are used by PwC Network firms. The GAQR program is coordinated by a central team which consists of a GAQR Leader with a group of International Team Leaders (ITL) who are senior partners seconded to the GAQR central team by PwC member firms. Provision of oversight by the ITLs and their continuous involvement and support enable a consistent and effective performance of reviews across the PwC network.

The monitoring procedures include an ongoing assessment of the design and effectiveness of our quality management system, 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 quality management system.

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 based on the profile of that engagement **leader's client engagements, the profile of the client and other factors** such as new partners for instance.

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 Oman was held in August 2017. PwC Oman and PwC ME leadership 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 sanctions in accordance with PwC ME's 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 engagements. In addition, the GAQR Leader informs engagement partners who are responsible for group audits involving cross-border work about relevant quality review findings in other PwC firms which enables our partners to consider these findings in planning and performing their audit work.



Root cause analysis

We perform analyses to identify potential factors **contributing to our firm's audit quality so that we can take** actions to continuously improve. One of our primary objectives when conducting such analyses is to identify how 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.

For individual audits, a team of reviewers that is independent from the engagement team identifies potential factors contributing to the quality of the audit. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, among others. Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing audit working papers, as appropriate to understand the factors that may have contributed to audit quality (the 'why of the why').

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

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



5. Independence policies and practices

The PwC Network has a number of global systems that assist PwC Oman and its partners and staff to comply with its independence policies and procedures.

PwC Oman is part of the PwC Middle East region. The region has a designated partner (known as the 'Partner Responsible for Independence' or 'PRI') with appropriate seniority and standing, who is also the Chief Risk Officer and is responsible for implementation of the PwC Global Independence Policy and other local independence requirements applicable in Oman including managing the related independence processes and providing support to the business. The partner is supported by a small team of independence specialists. The PRI reports directly to the Managing Partner of the Middle East Region.

Independence policies and practices

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.

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.

The Global Independence Policy embeds the independence requirements of the United States Securities and Exchange Commission, those of the Public Accounting Oversight Board of the United States and of the EU Audit Regulation where they are more restrictive than the Network's policy.

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

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

PwC Oman supplements the PwC Global Independence Policy by local independence requirements applicable to certain audit clients in Oman. These requirements are mainly defined by the Capital Market Authority and the Central Bank of Oman.

Independence-related tools

As a member of the PwC Network, the firm has access to a number of tools which support PwC 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 firm before entering into a new non-audit engagement or business relationship. This system drives the 'Independence List' and also feeds Independence Checkpoint;**
- **'Independence Checkpoint' which facilitates the pre-clearance of publicly traded securities by all partners, directors and practise managers before acquisition and records their subsequent purchases and disposals. Where a PwC firm wins a new audit client, this system automatically informs those holding securities in that client of the requirement to sell the security where required;**
- **Authorisation for Services ('AFS') which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documenting the potential independence threats of the service and proposed safeguards, and acts as a record of the audit partner's conclusion on the acceptability of the service; and**

- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory). It can also be used for intra-territory reporting (e.g. in a single territory situation) in the absence of a local equivalent alternative system or procedure.

PwC Oman also tracks rotation requirements as applicable under the Network independence policy and in Oman for the engagement leaders and other key audit partners involved in audits.

All approved business relationships entered into by PwC Oman are also maintained. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.

Independence training and confirmations

PwC Oman 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 computer-based training on the independence policy relevant to PwC Oman and related topics. Additionally, face-to-face training is delivered to members of the practise on an as-needed basis by Independence specialists and Risk and Quality teams.

All partners and staff are required to complete an annual compliance confirmation, whereby they confirm their **compliance with all aspects of the 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 larger audit clients.

Independence monitoring and disciplinary policy

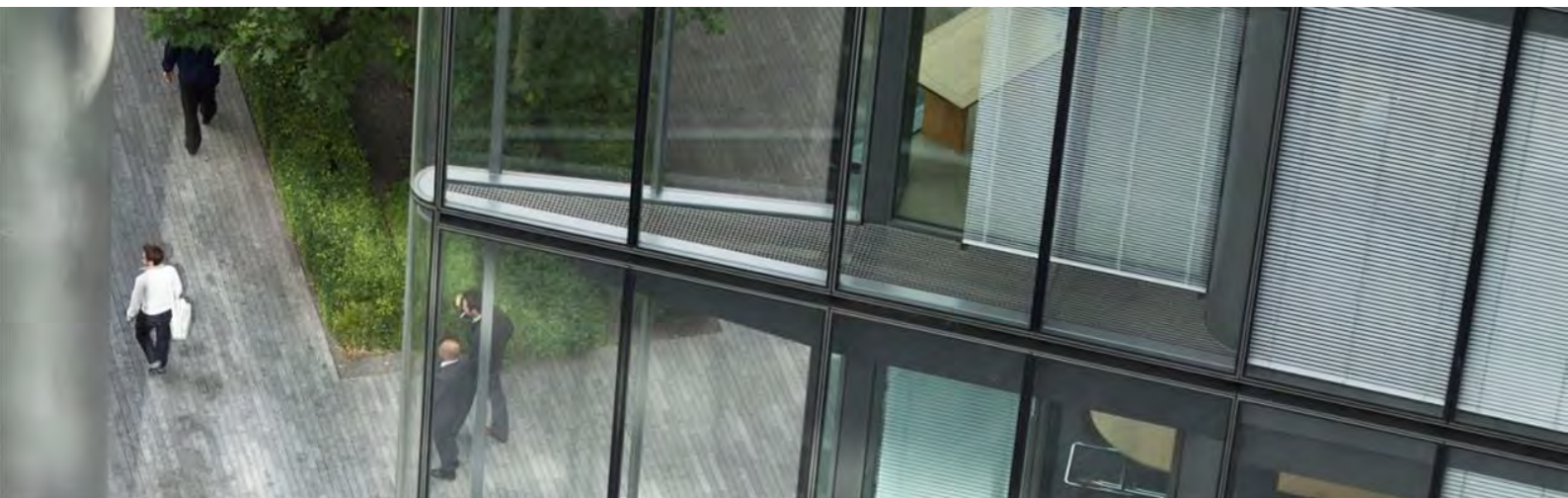
The firm is also responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, the ME region independence team perform:

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

The results of the monitoring and testing are reported to the regional management on a regular basis with a summary reported to them on an annual basis.

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 of the firm and the need for safeguards to maintain objectivity. Any 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.

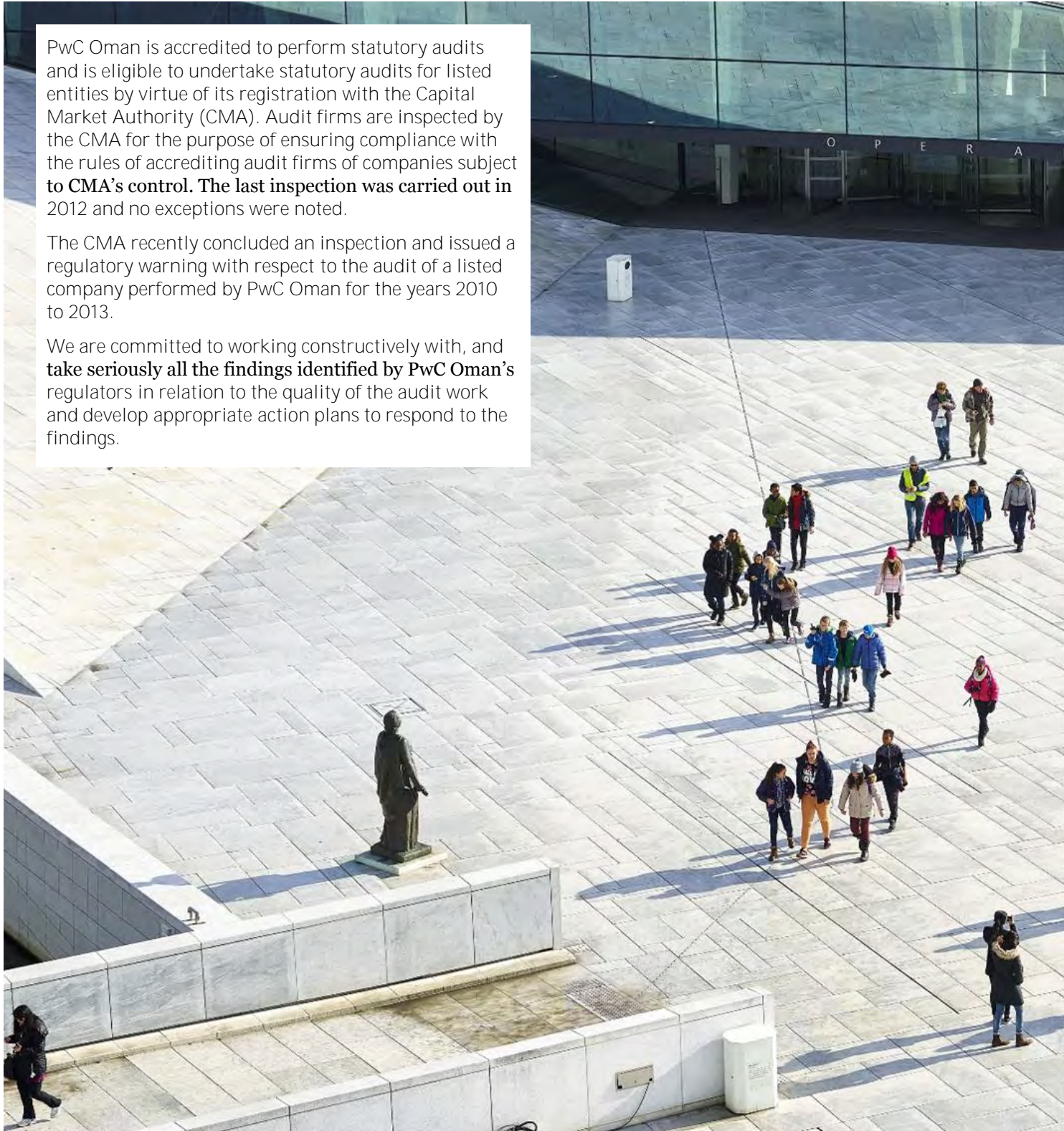


6. External inspections

PwC Oman is accredited to perform statutory audits and is eligible to undertake statutory audits for listed entities by virtue of its registration with the Capital Market Authority (CMA). Audit firms are inspected by the CMA for the purpose of ensuring compliance with the rules of accrediting audit firms of companies subject to CMA's control. **The last inspection was carried out in 2012 and no exceptions were noted.**

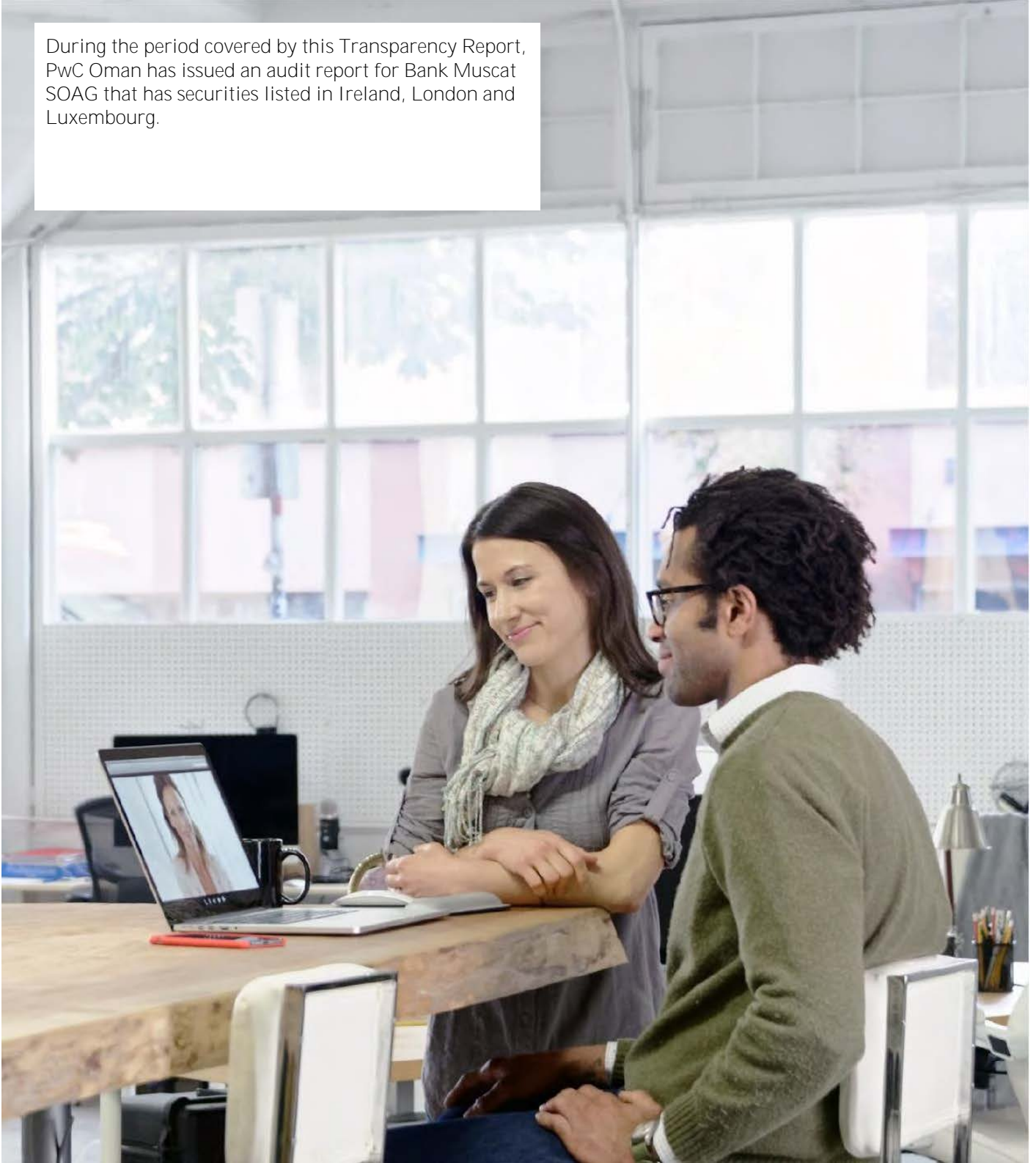
The CMA recently concluded an inspection and issued a regulatory warning with respect to the audit of a listed company performed by PwC Oman for the years 2010 to 2013.

We are committed to working constructively with, and **take seriously all the findings identified by PwC Oman's regulators** in relation to the quality of the audit work and develop appropriate action plans to respond to the findings.



7. Public interest audit clients

During the period covered by this Transparency Report, PwC Oman has issued an audit report for Bank Muscat SOAG that has securities listed in Ireland, London and Luxembourg.



8. *Financial information*

Audit revenue in relation to PwC Oman's audit of the annual financial statements of Bank Muscat for the year ended 31 December 2016 was US\$ 0.2 million. Total revenue including audit services of PwC Oman for the year ended 30 June 2017 was US\$ 10.5 million.

Total turnover achieved by statutory auditors and audit firms (i.e. from EU or EEA Member States) that are members of the PwC network resulting, to the best extent calculable, from the statutory audit of annual and consolidated financial statements is approximately Euros 3 billion. This represents the turnover from each entity's most recent financial year converted to Euros at the exchange rate prevailing at that financial year end date.



9. Remuneration of the partners

Each Partner's remuneration comprises three interrelated profit-dependent components:

- Role level – reflecting the Partner's sustained contribution and responsibilities;
- Performance rating – reflecting how a Partner and their team(s) has performed; and
- 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.



Appendices

Appendix

List of EU/EEA network firms and statutory auditors as at 30 June 2017

Member state	Name of firm
Austria	PwC wirtschaftsprüfung GmbH, Wien
Austria	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz
Austria	PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt
Austria	PricewaterhouseCoopers Vorarlberg Wirtschaftsprüfungs GmbH, Dornbirn
Austria	PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz
Austria	PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg
Austria	PwC Österreich GmbH, Wien
Belgium	PwC Bedrijfsrevisoren bevb/Reviseurs d'entreprises scrl
Belgium	PwC Audit Services SPRL
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers Audit d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit s.r.o
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartner selskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
Finland	PwC Julkistarkastus Oy
France	PricewaterhouseCoopers Audit SAS
France	PricewaterhouseCoopers Entreprises SARL
France	Diagnostic Révision Conseil SAS
France	PricewaterhouseCoopers PME Commissariat aux comptes
France	PricewaterhouseCoopers PME CAC

Member state	Name of firm
France	PricewaterhouseCoopers France
France	Ampersand Audit
France	Ampersand Associès
France	FNP Commissaires Associès
France	Fiduciaire d'Expertises Comptables et d'Etudes Economiques – Fidore x
France	Société Fiduciaire d'Expertise Comptable et de Révision – Sofecor
France	M. Philippe Aerts
France	M. Jean – François Bourrin
France	M. Jean – Laurent Bracieux
France	M. Didier Brun
France	M. Didier Cavanie
France	M. Hubert de Rocquigny
France	M. François Miane
France	M. Yves Moutou
France	M. Claude Palméro
France	M. Antoine Priollaud
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Germany	Wibera WPG AG
Germany	PwC FS Tax GmbH Wirtschaftsprüfungsgesellschaft
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Iceland	PricewaterhouseCoopers ehf
Ireland	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers Spa
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Vaduz

Member state	Name of firm
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers
Netherlands	PricewaterhouseCoopers Accountants N.V.
Netherlands	Coöperatie PricewaterhouseCoopers Nederland U.A
Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp. z.o.o.
Poland	PricewaterhouseCoopers sp. z.o.o.
Portugal	PricewaterhouseCoopers and Associados-Sociedade de Revisores Oficiais do Contas Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovak Republic	PricewaterhouseCoopers Slovensko s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB
Sweden	Ohrlings PricewaterhouseCoopers AB
UK	PricewaterhouseCoopers LLP
UK	PricewaterhouseCoopers AS LLP
UK	James Chalmers
UK	Richard Sexton

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