

# Our focus on audit quality

**Middle East 2023 Audit Quality Report**



# To our stakeholders

We are delighted to bring you PwC Middle East's 2023 Audit Quality Report, which provides insights and information about how we bring together our culture, people, values and processes to meet our audit quality objectives. Throughout this report, the terms "PwC ME", "we", "firm" and "our" refer to the PricewaterhouseCoopers Middle East network. Quality is central to our firm-wide strategy, and remains the top priority for our audit practice. Our purpose is to build trust in society and solve important problems through our global network (the 'network'), which spans 151 countries with more than 364,000 people, including more than 10,000 in the Middle East.

PwC Middle East is established in 12 countries across the region representing the PwC Middle East Network ("ME Network"). The PwC Middle East Network has more than 10,000 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.


Each year, the expectations of our stakeholders grow, and the demand for information and insights from auditors increases. This is reflected in an unprecedented level of standard setting and the growing pace of regulations - including that related to the use of technology and data in corporate reporting and auditing - which show no sign of slowing down.

Through our role in serving our clients, we help further the public interest by building trust in what matters to the capital markets. Our ability to build trust is our key differentiator as our region is going through a transformation across various countries. Transparency and quality are fundamental to delivering this trust. PwC Middle East's Assurance practice invests heavily in innovation and new technology to meet the rapidly changing needs of our clients, amid the region's accelerating digital transformation. We are empowering our audit teams with advanced, innovative tools, support and guidance. We have continued to thrive in providing digitally upskilled audits that put quality first, by embracing cutting-edge technology that has now become part of how we work, in order to bring greater insights and value to our clients through innovation.

Now is the time to build trust and sustained outcomes in areas of critical importance to business, capital markets and society. Today, we truly believe in the capabilities of our upcoming generation to drive this agenda forward in the Middle East, combining human-led, tech-powered solutions to solve, collectively, for the future.

In a complex and changing environment, subject to intense stakeholder scrutiny, robust assurance is important. We will continue our growth journey and recognise that we have an important role to play and we are well placed to support our clients and help increase trust through our ongoing commitment to audit quality.





We also include a brief overview of our refreshed global strategy, **The New Equation**, and what it means for the quality of our audits.

In addition, you will read about our commitment to:

### Quality management process

The leadership team is responsible for appropriate quality management, which includes the design and operation of an effective System of Quality Management (SoQM), that meets the objectives of ISQM 1, and is responsive to specific risks to delivering quality audit engagements using the PwC network's Quality Management System of Excellence (QMSE) framework.

### Our culture and values

The quality of our audits depends on our people's integrity and conduct. We expect our Partners to set an example of how our culture and values inform everything we do and are fundamental to driving quality throughout; from winning new work and building trust with our clients to recruiting and developing our people.

### Our diverse, inclusive work environment

Our work in the Middle East over four decades has created a practice that embraces diversity and inclusion as an essential part of its purpose, culture, and values. To this end, our systems, programmes and processes are designed to ensure that all our people have the same opportunities to develop their full potential.

### Learning and development

Throughout their career, our Audit staff benefit from development opportunities and support in gaining professional credentials that reinforce our ability to deliver high-quality audits. A key component of the learning experience at PwC Middle East is continuous digital upskilling to enable our people to deliver audits in an increasingly tech-driven region.

## Our audit approach

Driven by a quality-first, purpose-always mindset, our people deliver an audit that focuses on simplification, standardisation, specialisation and automation.

## Outstanding environmental, social and governance (ESG) reporting

Regionally and globally, companies and investors are increasingly focused on ESG. Our role in the financial ecosystem is expanding to provide quality reporting in line with the latest accounting, auditing and regulatory standards.

**Audit quality is our top priority. We are proud of our work and the important role we play in the Middle East's financial reporting ecosystem. We will continue to drive audit quality to contribute to the success of our clients and stakeholders.**

## Monitoring

Our monitoring includes an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our System of Quality Management are designed appropriately and operating effectively to provide reasonable assurance that our audit and non-audit assurance and related services engagements are performed in compliance with laws, regulations and professional standards.



**Hani Ashkar**  
Middle East Senior  
Partner,  
PwC Middle East

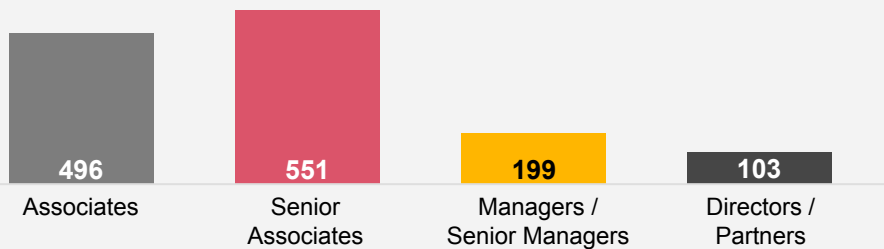


**Mohamed ElBorno**  
Assurance Leader,  
PwC Middle East

# 2023 year in review

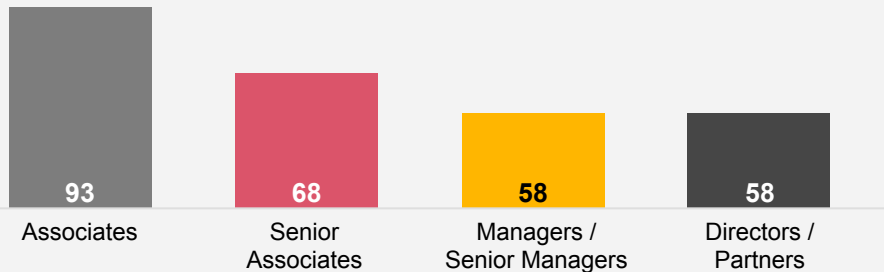
## PwC Middle East Audit practice size

Approximate number of auditors per grade in 2022-23\*



## Learning and development

Average training hours completed per audit professional in 2022-23\*



\* Data as at 30 June 2023



# 2023 year in review



## Learning and development

100%

Mandatory technical training completion rate for audit staff

## Digital innovation lab

349

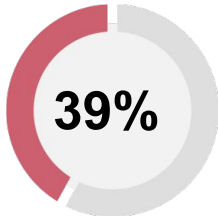
Total number of Assurance digital solutions

800+

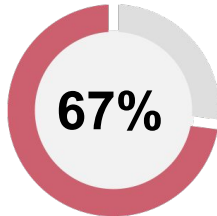
Total number of xLoS digital solutions



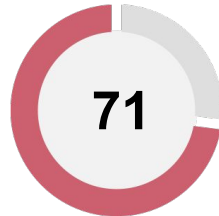
**Inclusion & Diversity** (Audit Practice Data as at 30 June 2023)



Women



Arabic speakers



Nationalities



# The New Equation: putting our strategy into action to drive audit quality

Our commitment to audit quality is framed by our global strategy **The New Equation**, PwC's response to fundamental changes in the world, including technological disruption, climate change and macroeconomic environment. The New Equation focuses on two interconnected needs that clients will face: to **build trust**, which has never been more important, nor more difficult, and to **deliver sustained outcomes** in an environment where competition and the risk of disruption are more intense than ever, and societal expectations have never been greater.

Our global strategy embodies our commitment to operate as a multidisciplinary firm. Our multidisciplinary model is the foundation from which we build, and draw upon, the deep technical knowledge and industry experience, diverse backgrounds and perspectives, and distinct skills of professionals across the firm to further our commitment to quality and benefit our people and stakeholders.

We invest heavily in innovation and new technology to support our services across the firm, to meet the rapidly changing needs of our clients, amid the region's accelerating digital transformation. This investment includes a programme to deliver a next generation audit ecosystem - human-led, tech-powered and data-driven. It will enable us to make continuous improvements to audit quality by further standardising, simplifying, centralising and automating our audit work, transforming the experience for our clients and our people.

The New Equation is more relevant than ever in our Middle East region. Our ability to build trust and deliver sustained outcomes for our clients is our key differentiator as our region is going through a transformation across various countries. Our clients want to digitise, decarbonise, localise, privatise and modernise and our community of solvers are right there, collaborating with them to realise these ambitions. We bring them human-led and tech-powered solutions, guided by our firm values, to make us the leading professional services firm in our region.

# The quality management process

To deliver services in an effective and efficient manner that meets the expectations of our clients and other stakeholders, the PwC network has established the Quality Management for Service Excellence (QMSE) framework which integrates quality management into business processes and the firm-wide risk management process. This framework introduces an overall quality objective for the Assurance practice that is supported by a series of underlying quality management objectives. PwC Middle East has a comprehensive System of Quality Management (SoQM) in place which is designed and operated so that overall quality objectives including ISQM 1 are achieved with reasonable assurance.

The achievement of these objectives is supported by a quality management process (QMP) established by our firm and Assurance leadership, business process owners, partners and staff.

## Our quality management process includes:

identifying risks to achieving the quality objectives

1

designing and implementing responses to the assessed quality risks

2

monitoring the design and operating effectiveness of policies and procedures through the use of process-integrated monitoring activities, such as real-time assurance as well as appropriate Assurance Quality Indicators (AQIs)

3

continuously improving the system of quality management when areas of improvement are identified by performing root cause analyses and implementing remedial actions and

4

establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration, and career progression decisions

5

## Overall quality objective

*To have the necessary capabilities in our organisation and to deploy our people to consistently use our methodologies, processes and technology to deliver services in an effective and efficient manner to fulfil the expectations of our clients and other stakeholders.*



# Our culture and values

**Our purpose is to build trust in society and solve important problems.**

We are a purpose-led and values-driven organisation, and the role the firm plays has always been underpinned by the need for trust and our ability to deliver quality services, valuable insights, and meaningful solutions. Delivering services 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. Our culture, values and our people's behaviour form the foundation of our system of quality management and permeates how we operate, including guiding our leadership actions, and how we build trust in what matters - how we do business, with our clients, with each other, and with society at large.

**We expect our professionals to exhibit the core values underlying our purpose, as these values define the expectations we have with each other and our clients:**



## Tone at the top

We look at tone at the top broadly, considering areas such as how we win new work, accept new clients, develop and share thought leadership, recruit and develop our people, and create an inclusive and respectful work environment.

The leaders of our firm recognise that our brand and professional reputation are built on delivering quality. As a result, topics such as quality, ethical behaviour and accountability are an ongoing focus of our leadership communications, which are used to reinforce our commitment to our purpose and values and the importance of audit quality to the success of our firm. Key messages are communicated to our people by our Middle East Senior Partner and our leadership team and are reinforced by engagement partners. These communications focus on what we do well and actions we can take to make enhancements. We track whether our people believe that our leaders' messaging conveys the importance of quality to the success of our firm. Based on this tracking, we are confident our people understand our quality objectives.

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

- comply with auditing standards;
- exercise professional scepticism;
- use our experience to identify and resolve issues in a timely manner; and
- apply a deep, broad understanding of our clients’ businesses and the financial environment in which they operate in identifying and responding to risks relevant to our audit.

## Our audit quality principles and practices mean that we:

- ask tough questions;
- apply an objective and sceptical mindset;
- embrace the supervision and review process to improve continuously;
- keep up-to-date with professional standards;
- remain alert for issues that require deeper analysis;
- have timely, meaningful exchanges with audit committees and management;
- plan work and resolve issues in a timely, thorough way;
- act with professionalism;
- recognise our role in the capital and financial markets; and
- adhere to regulatory laws.





## Aim to predict: Assurance Quality Indicators

We have identified a set of Assurance Quality Indicators (AQIs) that support our Assurance leadership team in the early identification of potential risks to quality, using metrics to aim to predict or detect quality issues. This quality risk analysis is an essential part of our SoQM, and the AQIs, in addition to other performance measures, also provide a key tool in the ongoing monitoring and continuous improvement of our SoQM.

The AQIs are used by the leadership to measure the achievement of quality objectives quarterly, in areas including independence, engagement performance, people-related matters, quality matters, direction, supervision and review. This is monitored through appropriate periodic reporting by the relevant functional teams to the leadership. Trends in areas with indicators of quality within these measures are considered quarterly and actions implemented, as appropriate. Quality outcomes within these quality indicators are used to determine appropriate actions.

# Ethics, Independence and Objectivity

## Ethics

At PwC, we adhere to the fundamental principles of ethics set out in the Code of Ethics of International Ethics Standards Board for Professional Accountants (IESBA Code or “the Code”) and other applicable local ethics codes, which are: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our network standards applicable to all network firms cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/ fair-competition, anti-corruption, information protection, firm’s and partner’s taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the policies developed by the PwC network and the firm’s leadership 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 of our partners and other professionals behaviours that will enable us to build public trust. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal-to do the right thing.

Upon hiring or admittance, all staff and partners 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 at our firm 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 conduct inconsistent with the Code.

**The PwC Code of Conduct and the ethics helpline (**Global Ethics Helpline**) are available online for all internal and external stakeholders at <https://www.pwc.com/ethics>.**

# Ethics, Independence and objectivity

## Objectivity and Independence

As auditors of financial statements and providers of other types of professional services, PwC firms, their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance clients, independence underpins these requirements. Compliance with these principles is fundamental to serving the capital markets and our clients. The PwC Global Independence Policy, which is based on the Code, including International Independence Standards, contains minimum standards with which PwC firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary. The PwC Global Independence Policy is supplemented by local laws and regulations where they are more restrictive. The PwC Global Independence Policy also captures SEC and EU independence rules where they are more restrictive than the network's policy.

We support our people in maintaining independence by providing systems and processes that:

- ❖ track the entities for which independence is required;
- ❖ support independence assessments for prospective audit engagements;
- ❖ enable assessments and approvals for providing permissible non-audit services;
- ❖ automate the recording of many security transactions;
- ❖ facilitate the assessment and monitoring of joint business relationships;
- ❖ facilitate the evaluation, pre-approval, and monitoring of securities and other financial arrangements held by partners, employees, and others to whom independence rules apply;
- ❖ support independence-related consultations.

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 firms comply with relevant professional and regulatory standards of independence including those applicable to the provision of non-assurance services and other business relationships.



# Ethics, Independence and objectivity

We provide all partners and practice staff with annual and on-going training in independence and other risk management matters.

All partners and practice staff are required to complete annual mandatory training and annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the PwC 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 confirmations are supplemented by engagement level independence confirmations for audit clients.



# Ethics, Independence and objectivity

The leadership of PwC in the Middle East is responsible for monitoring the effectiveness of its systems of quality management in managing compliance with independence requirements. In addition to the confirmations, the Middle East independence team perform:

Compliance testing of independence controls and processes;

Personal independence compliance testing of a random selection of, at a minimum, partners and practice managers as a means of monitoring compliance with the personal independence policies; and

An annual assessment of the Middle East Network's adherence with the PwC network standard relating to independence.

The results of monitoring and testing are reported to the Middle East leadership team on a regular basis with a summary reported to them on an annual basis.

The Middle East Network has an Accountability framework and supporting disciplinary policies and mechanisms are in place that promote compliance with independence policies and processes. These require any breaches of independence requirements to be reported and addressed.

This would include discussion with the client's audit committee regarding the nature of a breach, an evaluation of the impact of the breach on the independence of the PwC firm and the engagement team and the need for actions or safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in the firm's independence systems and processes and for additional guidance and training.



# Considerations in undertaking an audit

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

We reassess these considerations in determining whether we should continue with the client engagement and have in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary. The policies and processes we have in place emphasise risk and quality considerations such that financial and operational priorities do not lead to inappropriate judgements about whether to accept or continue a client relationship.

## Client and Engagement Acceptance and Continuance

The firm 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.

### PwC firms (including PwC 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 PwC firms in the network have applied in assessing audit acceptance and continuance.



## Reinforce: 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 Partners, including non-Partner Engagement Leaders, accountable for quality behaviours and quality outcomes beyond compliance. Our RAF considers and addresses the following key elements:

**Quality outcomes:** We provide transparent quality outcomes to measure the achievement of the quality objectives. 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.

**Consequences/reward:** We have implemented financial and non-financial consequences and rewards that are commensurate to outcome and behavior and sufficient to incentivise the right behaviours to achieve the quality objectives.





# Our people experience

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

With these goals in mind, we hire Audit candidates who have:

1

**Diverse backgrounds and appropriate skills**

2

**Courage and integrity**

3

**Intellectual curiosity and a questioning mindset**

**Inclusion and Diversity:** At PwC, we're committed to creating a culture of belonging. We are focused on ensuring our ways of working embrace diversity and fostering an inclusive environment in which our people are comfortable bringing their whole selves to work and feel that they belong and can reach their full potential. As demonstrated through our core values of Care and Work Together, we strive to more deeply understand and empathise with different backgrounds, perspective and experiences.





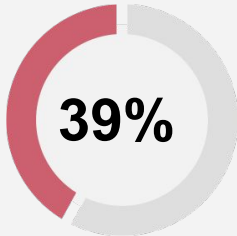
# Our people experience

Our hiring standards include a structured interview process with behavioural-based questions built from The **PwC Professional** framework, assessment of academic records and background checks for our 'manager through partner' grade recruits. 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.

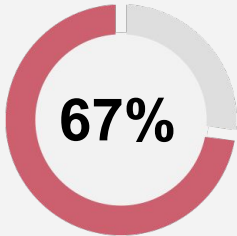
We know that when people from different backgrounds and different points of view work together, we create the most value for our clients, our people and society.

This year we have continued to recruit a more diverse range of talent, in particular to encourage more talented women, and Arabic speakers.

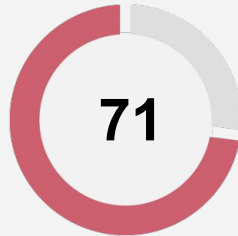
## Inclusion & Diversity



Women



Arabic speakers



Nationalities



# Our people experience



## Wellbeing

The health, wellbeing and safety of our people continue to be a top priority. We recognise that further progress in enabling a healthy lifestyle for our people requires sustained focus on achieving a systemic change in how we work. Building a culture of wellbeing goes straight to PwC's Purpose of establishing trust, in this case with our people and clients and solving important problems: illness, burnout and other issues that arise from not prioritising wellbeing.

Our wellbeing strategy is supported by "Wellbeing Heroes" who implement the strategy through encouraging new ways of working, incorporating wellbeing activities and role modeling positive, healthy behaviours and habits.

We further developed a pool of PwC Mental Health First Aid-ers who are equipped with the skills to identify and assist someone who is experiencing a mental health challenge. Just as with physical first aid, in all situations the goal is to provide support until appropriate professional help arrives.

Various wellbeing initiatives are in place and we continue to encourage our people to adopt:

Flexibility framework 'The New Normal': In response to feedback from our workspace, we have refreshed our flexibility framework. The FlexMenu on the Flexibility Framework assists our people to work in a way that works for individuals, the firm and our clients.

Team / project charter: A document that aims to identify and prioritise the personal interests, responsibilities and commitments of each team member, while collectively establishing everyone's preferred working norms.

Other various initiatives implemented including: financial wellbeing workshops, 'wellbeing sessions at your desk' and 'wellbeing talks'.

# Our people experience



## Retention:

Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand, and the development experience we provide make our people highly sought after in the external market. Our voluntary turnover rate fluctuates based on several factors, including the overall market demand for talent. Various retention initiatives were implemented during the year including: revised performance and reward initiatives, blackout days, flexible working model, team charter and Project Health Check 'a tool designed to gauge and enhance team culture and morale throughout a project's execution'.

## Global People Survey:

We participate in an annual Global People Survey, administered across the PwC network, which measures the pride, advocacy, commitment, and overall satisfaction of our people (a measurement we call our People Engagement Index (PEI)). Many internal and external factors have the potential to impact our PEI; market demand for our talent and our total rewards and benefit programmes are two factors that impact the commitment and overall satisfaction of our people. Our PEI has a substantial influence on how we define and adjust our people initiatives. Our PEI in FY23 for Middle East Assurance was 83%, with responses received from 94% of the practice. We believe this result reflects our continued commitment to the wellbeing of our people and our unwavering focus on our purpose and values.



# Learning and development

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

Achieving a professional credential supports our commitment to quality through consistent examination and certification standards. We provide Audit staff with an individualised path to promotion and support them in prioritising and managing their time more effectively when preparing for professional exams. This is a critical component of our people's experience and central to our retention strategy.

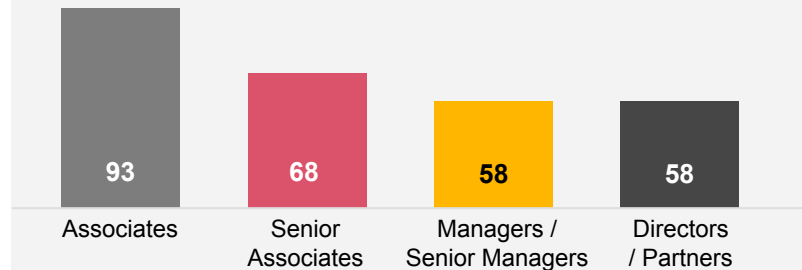
## The PwC Professional framework

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

The PwC Professional framework assesses skills and competencies, which are expressed as observable behaviours across five dimensions: Relationships, Business acumen, Technical and digital, Global and inclusive, and Whole leadership.

It also includes specific quality dimensions to guide our audit professionals in building critical skills and behaviours related to delivering audit quality, such as professional scepticism, review and supervision, auditing skills, issues management, and accounting and technical knowledge.

## Average training hours completed per audit professional in 2022-23\*



**Mandatory training completion rate**

# Learning and development

We leverage learning tools and platforms to provide our people with development opportunities, relevant to them and in a way that best works for them, empowering them to take ownership of their own learning and development journey.

Our training programme to develop and maintain capabilities and technical competence include:

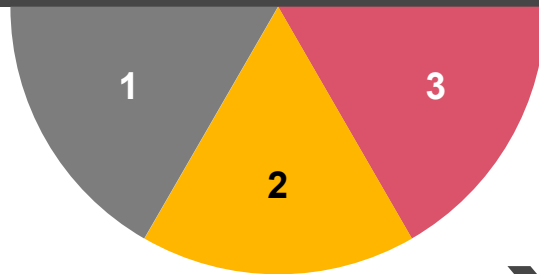
- An annual risk and quality update training for all partners and staff spanning matters relating to compliance, independence and ethics;
- The provision of a mandatory technical training programme that comprises both foundation and update of accounting and audit methodology as well as specific training for auditors of US PCAOB or AICPA and specialised industry clients;
- The consideration of training needs on an ongoing basis. We release guidance and/or training material as appropriate throughout the year. This allows us to respond to emerging performance gaps promptly when they are identified. This includes but not limited to IFRS hot topics and alerts on risk management and methodology considerations; and
- Equipping our tutors with effective instructor skills and having processes in place to measure the effectiveness of our training.





# ‘Tomorrow, Today’: Digital upskilling of our people to serve an increasingly tech-driven region

To prepare our workforce to respond to future demands in the audit profession, we are making significant investments in digital upskilling programmes. These include:



1

**Digital upskilling initiatives** that are designed to equip Audit staff with a widening range of digital capabilities from novice-level to advanced practitioner.

2

**Digital for all** provide our people with individualised learning tools to expand the use of digital solutions on audits and empower them with a mindset of continual improvement and innovation.

3

**Data Booster, Digital Accelerator, Digital Innovation for Leaders** and **Digital Skills Catalogue** are the core of our digital upskilling initiative. The programmes build skills in data wrangling, automation, data visualisation and driving insights.

We focus on building a growth mindset culture and at the same time, we commit to leaving nobody behind - as long as they choose not to be left behind. Being committed to lifelong learning is foundational to our transformation in a digital and data driven world.

# Our Audit Approach

Performing audits in accordance with professional standards is an important way that we fulfill our purpose to build trust in society and solve important problems. We conduct our audits following applicable auditing standards in order to obtain reasonable assurance regarding whether the financial statements are presented fairly, in all material respects. An audit involves examining the underlying audit evidence, including information and reports provided by the company, on a test basis. In some circumstances, we also rely on - and for many companies, test and opine on - a company's internal control over financial reporting, which due to inherent limitations may or may not prevent or detect misstatements.

The quality and effectiveness of audit is critical to all of our stakeholders. We therefore invest heavily in the effectiveness of our audits, in the skills of our people, in our underlying audit methodology, the technology we use, and in making the right amount of time and resources available.

## Our audit teams

We are committed to put the right people with right skill sets at right place at the right time. In assigning our audit team members, we leverage our talent sourcing platform, which provides visibility into their experiences and interests. Our audit teams are composed of individuals who bring the right blend of technical capabilities and industry knowledge to deliver quality and value to our clients. In a complex, increasingly digitized business environment, this often means considering the convergence of industries, and our agile approach to assigning audit team members allows us to leverage our broad bench of audit professionals across industries to meet our clients' audit needs.



# Our Audit Approach

## Our audit technology

Our approach to technology involves the simplification, standardisation and automation of processes. The development of purposeful and precise technology allows us to drive a seamless end-to-end audit experience.

Being part of the PwC network, we have access to and use the 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. Our common audit methodology provides the framework to enable PwC firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.

We are continuously developing our approach to audit delivery to maximise the experience for our people and ensure high quality work for our clients in an efficient and sustainable way. Our Smart Delivery approach is changing the way we plan, resource and deliver our engagements. Aligned with our firm's new global strategy, The New Equation, we are combining world-class teams with market-leading technology, enabled by smart, yet simple, business processes. Together, these measures represent a significant transformation of our audit business and support our focus on continuing to enhance audit quality.

We continue to change the way we deliver our services so our people give our clients an even better experience, further enhance the quality of what we do and add economic capacity to invest in the future. We use delivery centres to streamline, standardise, automate, and centralise portions of the audit.



# Our Audit Approach

## PwC's digital audit experience: tools, talent and assets

### Aura

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

### Digital collaboration tools

The PwC network's digital document sharing tools allow clients to quickly and securely share audit documents and deliverables. This eases the burden of tracking deliverable status and resolves issues by automatically flagging and tracking outstanding items and issues identified through the audit for more immediate attention and resolution. Clients are also able to see audit adjustments, control deficiencies, and statutory audit progress for all locations - in real time.

### Our Next Generation Audit (NGA)

As part of our commitment to building trust and delivering sustained outcomes, the PwC network is investing in a multi-year effort to deliver a new global audit platform to power our next generation audit, ultimately replacing our legacy technologies such as Aura and digital collaboration tools. By exploring and investing in new technologies and redefining underlying audit processes, we will further standardise, simplify, centralise and automate our audit work. This investment will accelerate ongoing innovation and enable us to respond to changing stakeholders' needs while taking advantage of emerging technologies, providing a transformed audit experience focusing on continuous quality enhancement. Our vision for NGA is to provide efficient, robust and independent assurance and audit insights across financial and non-financial information, helping to build trust in what matters to our stakeholders. As we gain momentum around the next generation audit programme, we will continue to release new capabilities on an ongoing basis to enhance quality and the overall audit experience.

# Our Audit Approach

## Supporting engagement performance



### Direction, coaching and supervision

Our engagement leaders and senior engagement team members are responsible and accountable for providing quality coaching throughout the audit and supervising the work completed by junior members of the team, coach the team and maintain audit quality. Engagement teams utilise Aura which has capabilities to effectively monitor the progress of the engagement to determine that all work has been completed and reviewed by appropriate individuals, including the engagement leader.

### Consultation culture

Consultation is key to maintaining high audit quality. We have formal protocols about mandatory consultation, in the pursuit of quality. For example, our engagement teams consult with appropriate groups in areas such as taxation, risk, valuation, actuarial and other specialities.

### Technical teams

Besides these specialists a pool of methodology, technical accounting, auditing, and financial reporting specialists as well as risk and quality play a vital role in keeping our policies and guidance in these areas current by tracking new developments in accounting and auditing and providing those updates to professional staff.

### Quality Review Partners (QRP)

Specific audit engagements are assigned a QRP as part of the firm's system of quality management as required by professional standards. These partners who have the necessary experience and technical knowledge are involved in the most critical aspects of the audit. They consider important matters including firm independence, significant risks and a team's responses to those risks, and specific accounting, auditing and financial reporting and disclosure issues.



# Monitoring of Audit quality

We recognise that the quality of 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.

PwC Middle East's Assurance leadership team and Country leadership teams within PwC ME Network are responsible for quality management, including the design and operation of an effective SoQM that responds to specific risks to deliver quality audit engagements, using PwC's QMSE framework.

Our monitoring includes an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our SoQM are designed appropriately and operating effectively to provide reasonable assurance that our audit and non-audit assurance and related services engagements are performed in compliance with laws, regulations and professional standards (also referred to as our ongoing monitoring). This includes the use of Real Time Assurance.

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

# Monitoring of Audit quality



## Aim to Prevent: Real Time Assurance

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

The RTA programme which is a coaching programme to the teams has been run for a number of years and continued in FY23 for a sample of audit and non-audit assurance engagements. There is good breadth of coverage across all engagement leaders and both audit and non-audit engagement types, targeting the higher risk engagements based on client risk profile. The reviews are performed by experienced managers, senior managers and directors with relevant industry expertise. Issues identified through this programme are communicated to the practice through mandatory training programme webcasts, briefings and additional guidance.



# Monitoring of Audit quality

Our monitoring also encompasses periodic assessment of our SoQM which includes the review of completed engagements (Engagement Quality Reviews - EQR), as well as periodic monitoring of our SoQM by an objective team within our firm. The results of these procedures, together with our ongoing monitoring, form the basis for the continuous improvement of our SoQM. EQRs are performed under a network-wide inspection programme based on professional standards and PwC audit methodology.

EQRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorised to lead audit, non-audit assurance or related engagements. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other applicable engagement-related policies and procedures.

Reviews are led by experienced Assurance partners, supported by objective teams of partners, directors, senior managers and other specialists. EQR reviewers are sourced from other PwC firms, if needed, to provide appropriate expertise or objectivity. Review teams receive training to support them in fulfilling their responsibilities, and utilise a range of checklists and tools developed at the network level when conducting their inspection procedures. The network inspection team supports review teams by monitoring the consistent application of guidance on classification of engagement findings and engagement assessments across the network.



# Monitoring of Audit quality

Additionally, the PwC network undertakes periodic reviews to evaluate certain elements of PwC firms' systems of quality management. The network also looks at our Middle East Assurance and Country leadership teams' own assessment of the effectiveness of their system of quality management and their determination of whether the overall quality objective has been achieved.

The results of all inspections are reported to our leadership who are responsible for analysing the results of the inspections along with the findings identified from all sources of information and implementing remedial actions as necessary. In situations where quality matters on engagements are identified, based on the nature and circumstances of the issues, the engagement leader or our firm's Assurance Leadership personnel may be subject to additional training or sanctions in accordance with PwC Middle East's Recognition and Accountability Framework.

Assurance partners of our firm receive information on the results of the network inspection program, designed for their use in assessing the scope of audit work they determine needs to be performed and their reliance on work performed by PwC firms in connection with their audit of a client's consolidated financial statements.





# Monitoring of assurance quality - selected measures



## Learn: Root cause analysis

We perform analyses to identify potential factors contributing to our audit quality so that we can take actions to continuously improve. Our primary objectives when conducting such analyses is to understand what our findings tell us about our SoQM and to identify how we can provide the best possible environment for our engagement teams to deliver a quality audit. We look at quality findings from various sources including Network inspection of our SoQM, and audits both with and without deficiencies —whether identified through our own internal inspections process or through external inspections —to help identify possible distinctions and learning opportunities.

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

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

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





## Global network

Firms in the PwC network are members in, or have other connections to, PricewaterhouseCoopers International Limited (PwCIL), an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for PwC firms in the PwC network. Focusing on key areas such as strategy, brand, and risk and quality, PwCIL coordinates the development and implementation of policies and initiatives to achieve a common and coordinated approach amongst individual PwC firms where appropriate. PwC firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC network. In addition, PwC firms may draw upon the resources of other PwC firms and/or secure the provision of professional services by other PwC firms and/or other entities. In return, PwC firms are bound to abide by certain common policies and to maintain the standards of the PwC network as put forward by PwCIL.

The PwC network is not one international partnership. A PwC firm cannot act as agent of PwCIL or any other PwC firm, cannot obligate PwCIL or any other PwC firm, and is liable only for its own acts or omissions and not those of PwCIL or any other PwC firm. Similarly, PwCIL cannot act as an agent of any PwC firm, cannot obligate any PwC firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control any PwC 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. The Board is comprised of 19 members. One is appointed as external, independent director, and the other 18 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**, which is appointed by and reports to the Network Leadership Team and the Chairman of the PwC network. Its members are responsible for leading teams drawn from member firms to coordinate activities across all areas of our business.

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



# PwC Middle East Network Governance Structure



As of 30 June 2023, the PwC Middle East governance structure was as follows:

## Middle East Legal Board

The Middle East Legal Board oversees the PwC Middle East Network and delegates certain responsibilities to two key bodies, the Middle East Supervisory Board and the Middle East Leadership Team (MELT).

## Middle East Supervisory Board

The Middle East Supervisory Board has a governance role to provide oversight on behalf of the partners of the PwC Middle East Network. The Supervisory Board is responsible for giving constructive and independent guidance and input to the Legal Board and the MELT on matters which are of concern or interest to the Partners.

## Middle East Leadership Team

The MELT is responsible for the strategic direction of the PwC Middle East Network such as the determination of the strategy and business plan to achieve a common and coordinated approach.

The MELT is chaired by the Middle East Territory Senior Partner and comprises of ME leaders which includes amongst others the line of service leaders of Assurance, Consulting, Deals, Strategy& and Tax & Legal Services as well as various support functional leads.

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.


The Middle East Assurance Leader, who is part of the MELT, is in turn accountable to the Territory Senior Partner and has the overall responsibility for audit quality on a region-wide basis. He is supported by an ME Assurance Leadership team which supports him in establishing and determining the effectiveness of the system of internal control, including those relating to the quality of the assurance services.

Each Country within PwC ME Network has a Country Assurance Leader assume responsibility for audit quality in the Country.

# Our role in action: Environmental, Social, and Governance (ESG)

Our role in the financial reporting ecosystem is not limited to the issuance of audit reports. The Middle East's rapidly evolving social and economic landscape requires the development of new and revised accounting and auditing standards and a wide range of regulatory and policy initiatives. At the same time, the region's tech-driven transformation is dramatically expanding the availability of data and our ability through data processing technologies to capture and report non-financial measures of value. Our commitment to providing the highest quality environmental, social and governance (ESG) reporting reflects this transformation. Investors, regulators and other stakeholders increasingly look beyond traditional financial metrics to determine value by using information about a company's risks and strategies that relate to ESG considerations. As a result, ESG metrics and reporting are fast becoming business imperatives.





**Middle East companies face unprecedented pressure to measure, disclose and improve their performance across an increasingly wide range of ESG areas, which include:**

# E

## Environmental

- Greenhouse gas emissions
- Energy
- Water & waste management
- Raw material sourcing
- Climate change vulnerability



# S

## Social

- Diversity
- Equity and inclusion
- Labour management
- Data privacy and security
- Community relations



# G

## Governance

- Board governance
- Business ethics
- Intellectual property protection



# Thank you



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PwC Middle East

Email



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Audit Clients, Market  
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## About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with nearly 364,000 people who are committed to delivering quality in assurance, deals, tax, legal and advisory-services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

Established in the Middle East for 40 years, PwC has 24 offices across 12 countries in the region with around 10,000+ people ([www.pwc.com/me](http://www.pwc.com/me)).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

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