

# PwC Laos transparency report

December 2018



# Message from the Managing Director (MD)



Sira  
Intarakumthornchai

Growing regulatory scrutiny is at the top of CEO's minds this year, according to our latest global survey.

We're aware of the continuous effort by local regulators and clients to keep up and adapt to the unprecedented changes in financial reporting, by setting more rules that impact the business. Complicating matters, changes to financial reporting standards are on the horizon. The Ministry of Finance recently issued a notice instating International Financial Reporting Standards for Publicly Interest Entities and Lao Financial Reporting Standards (LFRS), which have stricter requirements for data collection and presentation. Companies have a transition window to prepare, but this will take some work.

Public mistrust of corporate players is also driving reporting changes. New regulations are designed to detect and prevent misbehaviour and to build good governance.

We're on board with these changes. We know that aligning with reporting standards builds trust with stakeholders – and stakeholder trust is key to success in business. We've aligned our firm with the changes, and our Assurance services help businesses align with them as well. We know this will help them to reduce uncertainty and ensure they have trustworthy information, which is key to quality decision-making.

This is why we're having this conversation. We want to be open with you about the way we do our audit, how we train our people, and how we apply professional scepticism and make sound judgements. We want to share with you how we use technology to boost effectiveness and efficiency, and how it allows us to respond to your needs better.

I hope this report gives you insight into our systems and processes, which are designed to ensure the quality of services we provide you. They demonstrate our commitment to our purpose: *to build trust in society and solve important problems.*

## Our purpose

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services.

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# Our network and PwC Laos

“We provide industry-focused assurance, tax and advisory services to create value for our clients.”



# Our network and PwC Laos

## 1.1 The PwC network

PwC is the brand under which the member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. As network members, PwC firms are able to share knowledge, skills and resources to provide services that are tailored to their clients' situations and objectives.

The PwC network allows us to leverage the vast knowledge of member firms around the globe to provide greater value to our clients.

This membership helps 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.

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.

At PwC, our purpose is to build trust in society and solve important problems. We provide industry-focused assurance, tax and advisory

services to create value for our clients.

More than 223,000 people in 157 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice. We believe that sound governance and transparency form the bedrock of leadership. We're committed to serving with integrity and good sense.

## 1.2 PwC Laos and our Assurance practice

PwC Laos has established itself as the leading provider of assurance, advisory and tax and legal services in the country. Our clients include listed companies in Laos, multinationals, and government institutions. Some 100 people work at PwC Laos.

PricewaterhouseCoopers (Lao) Sole Company Limited (PwC Laos) was established in Lao PDR in April 1996.

PwC Laos is registered with the Ministry of Finance and is a certified member of the Lao Chamber of Professional Accountants and Auditors.

PwC's Assurance practice works with organisations to improve their corporate reporting and help them comply with regulatory

requirements and contractual agreements.

Our audit approach is based on our extensive industry knowledge. It's tailored to suit the size and nature of our clients' organisations. Our deep understanding of regulations and legislation means we can help clients with complex reporting issues.

Some operations are supported by PwC Thailand.

### *Leadership and governance structure*

Our leadership structure helps us to maintain our commitment to quality in every facet of our business. See Figure 1 on the following page for the structure.

Our Risk & Quality practice agendas are incorporated in the firm and Assurance business strategies, and are part of all leadership meetings.

The governance and leadership bodies and roles within PwC Laos:

- Managing Director
- Country audit partner

PwC Laos practice is also being monitored by PwC Thailand's Management Board through the Assurance Management Team.

# Our network and PwC Laos

## Oversight Board

The Oversight Board covers Mekong Region firms and comprises four partners elected by a special majority of firm partners. To maintain the independence of the Oversight Board, the MD is not allowed to vote but can attend meetings as an observer.

The Oversight Board is responsible for the firm’s governance and oversight, and for giving input to support and monitor firm strategies.

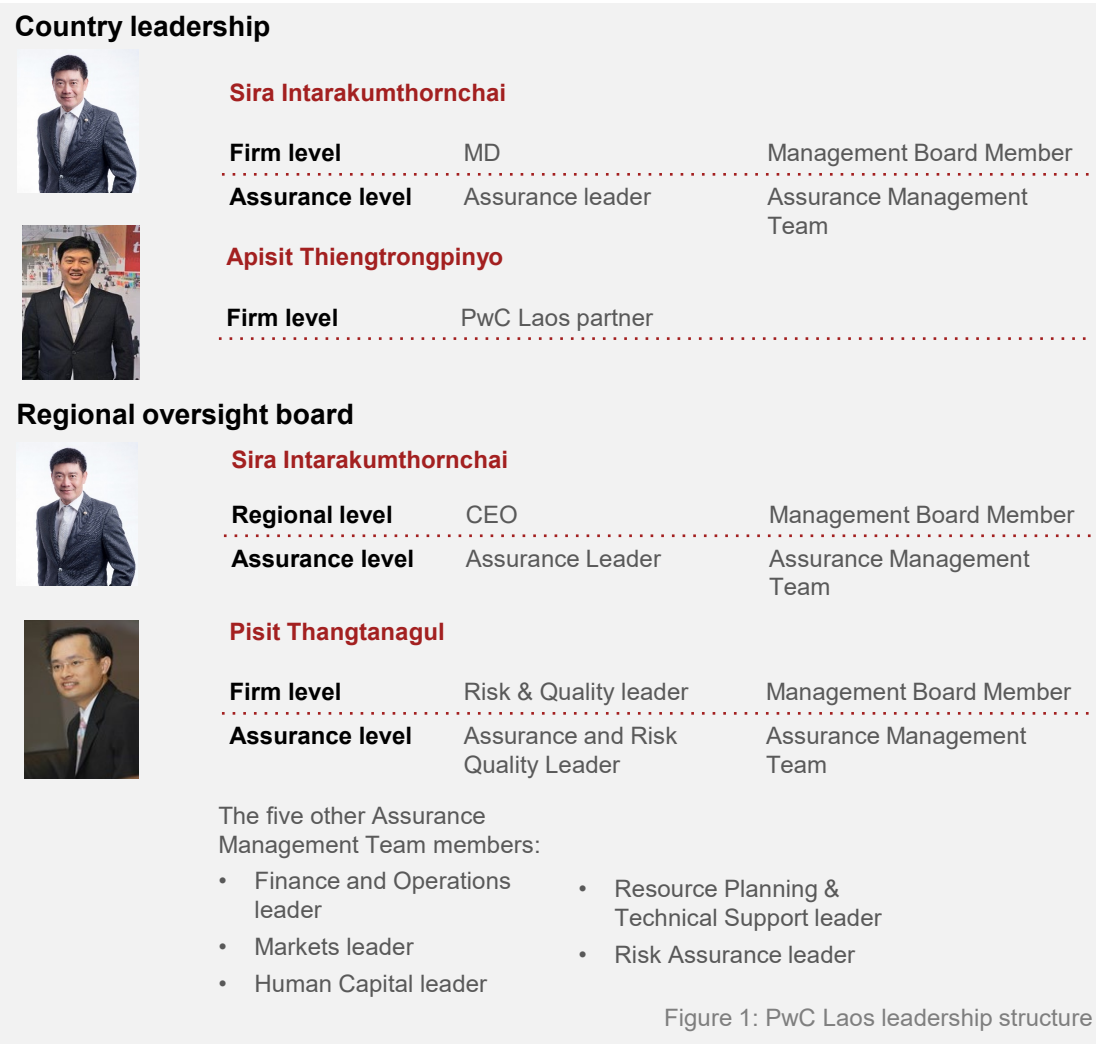
## Managing Director (MD)

Sira Intarakumthornchai is the firm’s MD . His role is to lead the partners and their teams, and to manage the firm, including setting its short- and long-term strategic direction. In his role as MD, he’s responsible for making partner equity decisions.

The MD is elected by the regional firm’s partners for a term of four years. Sira has been MD since 1 July 2016.

The MD is ultimately responsible for the firm’s risk management, quality, and independence matters. He develops processes and structures to ensure strategies are reviewed thoroughly, associated risks are identified, and appropriate internal controls are implemented to manage the risks.

Sira’s other responsibilities include appointing the Regional Management Board and other management positions, and advising on the firm’s organisational structure and on partners’ duties and responsibilities.



# Our network and PwC Laos

PwC Laos is fully supported by PwC Thailand for the following regional functions.

*Management Board*

Our Management Board is responsible for setting broad business objectives and ensuring compliance with PwC policies.

*Regional Partners*

Our partners’ governance duties, which are exercised through a partner vote:

- electing and removing the MD and members of the Oversight Board
- approving or rejecting partner candidates
- providing recommendations or proposals to remove partners from the firm, and
- proposing amendments to the firm’s partnership agreement.

*Quality Committee at country level*

We set up our Quality Committee to oversee quality control. It consists of functional area lead partner and Assurance senior

managers and managers. The Committee meets regularly to 1) monitor quality control system operations, 2) initiate remedial actions to address exceptions and deficiencies in audit quality, 3) report on significant audit quality matters, and 4) provide recommendations on quality enhancement initiatives to the Assurance Leader and Risk & Quality Leader.

The leaders and managers of the following functions provide support to the Committee:

- Risk & Quality
- Human Resources
- Learning & Development
- Resources Planning

**Our global Assurance resources**

We have

**223,000**

people committed to delivering quality assurance, advisory and tax services.

**Staff numbers globally and in Laos**

	Globally	Laos
Partners	10,830	1
Client services staff	177,182	78
Practice support staff	35,456	18
<b>Total</b>	<b>223,468</b>	<b>97</b>



Figure 2: Number of staff as at 31 December 2018



# Our network and PwC Laos

## Risk & Quality

The Risk & Quality (R&Q) team from PwC Thailand supports the firm’s leadership with managing risk and quality matters, and assists engagement teams with compliance, independence, and quality matters.

The team advises on managing risks to maintain consistent quality and comply with professional standards, laws, regulations, and policies, while achieving business objectives.

R&Q provides risk management services and internal legal, independence, and quality counsel at both firm-wide and line-of-service levels.

The PwC Thailand R&Q team comprises one part-time partner, twelve full-time dedicated directors, senior managers, managers, and supervisors. Five full-time administrators support the team. The R&Q leader reports directly to the CEO, the Management Board, and the lines of service leadership team.

PwC Laos had two dedicated R&Q Champions who works closely with PwC Thailand R&Q team to provide local support.

R&Q is on the agenda of all leadership meetings.

## Methodology & Technology

The PwC Thailand Methodology & Technology (M&T) team fully supports PwC Laos with methodology and audit technology implementation. The fulltime team is led by the Implementation Partner and supported by five Methodology and three Technology team members. The Methodology team provides updates on new developments in auditing, consults on methodology related issues, and supports practice staff’s observance of PwC’s audit methodology.

- The Technology team acts as help-desk support for our auditing software.
- The M&T Team’s aim is to continuously improve overall audit quality, simplify processes wherever possible, and maintain trust. The team endeavours to successfully meet and surpass the minimum audit quality standards set by the PwC network and local requirements. Methodology & Technology’s main responsibilities include:
- implementing audit methodology and technology
  - launching training materials based on PwC’s global materials for methodology content, and customising them to local needs in respect of local practical issues and real cases
  - communicating new and updated policies, procedures, and methodologies and keeping ours up to date
  - addressing methodology and technology issues, and
  - doing engagement reviews to identify and improve audit quality and efficiency.

## Accounting Consulting Services

To manage the complexity of financial reporting standards, it’s important that our clients receive clear and consistent advice. PwC Laos is supported by the PwC Thailand Accounting Consulting Services (ACS) team for guidance on accounting treatments of complex issues, training on accounting standards, and reviews of financial statement’s compliance with financial reporting standards.

The ACS team comprises one partner, two directors, two senior managers, and two managers.

# Our network and PwC Laos

## *Auditor Reporting Group*

The Auditor Reporting Group from PwC Thailand consults on new auditor report requirements and reviews the key audit matters (KAM) that have recently become required in our audit opinions on listed entities in Lao Securities eXchange (LSX) to ensure they comply with International Standards on Auditing and PwC audit methodology.

Auditor Reporting Group partners, directors, and senior managers work closely with audit engagement teams to help them with modified assurance reports.



# 2

## PwC Audit

“Our audit methodology provides the framework to enable PwC member firms to consistently comply, in all respects, with applicable professional standards, regulations, and legal requirements.”

# PwC Audit

## 2.1 PwC Audit

As a member of the PwC network, PwC Laos 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 relevant to each individual audit engagement.

Our audit methodology provides the framework to enable us to consistently comply, in all respects, with applicable professional standards, regulations, and legal requirements.

The PwC Audit Guide explains PwC’s methodology. The Guide and our technology-based audit support tools, templates and content support engagement teams in conducting assurance and related services

engagements.

### Aura

Aura is the technology platform that powers PwC audits and supports our Assurance practices. It integrates a broad range of capabilities, including built-in tools, to promote audit quality, consistency, and ease of documentation.

Aura 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. This supports our teams in applying our methodology effectively by creating a transparent connection between identified risks and the work to address those risks, and comprehensive project management capabilities.



# PwC Audit

## 2.1 PwC Audit

### Technology focus


We continue to invest in audit technology that builds quality into the audit and enhances our ability to provide insights to our clients. Our technologies are implemented globally, ensuring consistency across the PwC network.

New technology tools enhance audit quality and efficiency through automation, connectivity and mobility. Figure 3 provides an overview of some of our main audit technology tools.


### Supervision and review throughout the audit

The engagement leader and audit manager supervise the audit, review the work done, coach the team and maintain audit quality. Our Aura software helps team members track their progress to make sure all work is completed and reviewed, and all matters have been addressed. This enhances the audit experience for our teams and our clients.

PwC audit technology



**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.



**Halo** is a suite of data auditing tools that allow us to identify and assess risks and determine where to focus audit efforts. These support acquisition of client data, data transformation and automated data testing and analysis. The analytical and visualisation capabilities allow analysis of patterns and trends to detect unusual and high-risk transactions and obtain invaluable insight for teams and clients. We currently have four Halo products, our most mature being Halo for Journals. It allows our teams to gather all journal entries and use the built-in functionality to apply engagement-specific criteria designed to focus testing on higher risk entries.



# PwC Audit

## 2.2 Commitment to quality

Our commitment to quality starts from the top. Our partners must include audit quality objectives in their annual plans and set KPIs to measure achievement.

### *Recognition and Accountability Framework*

We follow the PwC Recognition and Accountability Framework, which includes KPIs and sanctions that impact partners' performance evaluations and remuneration. It also rewards positive quality.

The Framework applies to partners, associate partners, signing directors and key management roles. It supports our leadership in their responsibility to help meet our quality standards.

Failure to meet quality objectives can result in performance income cuts and other consequences, up to the revoking of signing rights.

Our Assurance leadership team updates, approves, and communicates the Framework annually.

### *Risk & Quality KPIs*

Staff are responsible for R&Q KPIs depending on their grade. They must follow guidelines and face punitive actions for non-compliance.

### *Quality awareness*

Quality awareness channels:

- Face-to-face sessions with partners and managers through quarterly update sessions and town-hall meetings.
- Learning and development programmes, such as Assurance core curriculums, training programmes provided to partners, methodology workshops, and annual R&Q training.
- Webcasts and eLearning courses.
- Periodic alerts, emails, and communication from our leaders.

### *Global audit quality enhancement initiatives*

Over the last two years, the PwC network has initiated a quality enhancement process involving four strategic quality initiatives (Figure 4). The overall objective is to support member firm activities and drive continuous improvement of Assurance quality across the network.

Strategic quality initiatives:

1. Root cause analysis
2. Real time assurance
3. Audit quality indicators
4. Accountability framework

# PwC Audit

## 2.2 Commitment to quality

Global audit quality enhancement initiatives (continued)



# PwC Audit

## 2.2 Commitment to quality

These initiatives work together to create a powerful framework for identifying areas where quality issues may arise, establishing a standard process to understand and document underlying root causes of quality issues, formulating responsive quality improvement plans, and setting the right incentives to achieve a high-quality and appropriately measured response to deficient quality issues.

Our top priorities for improving quality:

- 1. Developing audit quality indicators
- 2. Involving quality review partners (QRP) on higher risk engagements, and
- 3. Always seeking help, always consulting.

## 2.3 Compliance with ISQC 1

PwC network firms’ quality control systems follow International Standard on Quality Control 1 (ISQC 1) ‘Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements’ issued by the International Federation of Accountants (IFAC).

Our leadership works to ensure that our quality control environment, policies, system, and processes covered in this report comply with ISQC 1 and all applicable regulations. Our compliance with the quality standards is regularly evaluated through reviews and inspection programmes, both within the firm and under regulator inspection programmes.

### Quality control elements of ISQC 1

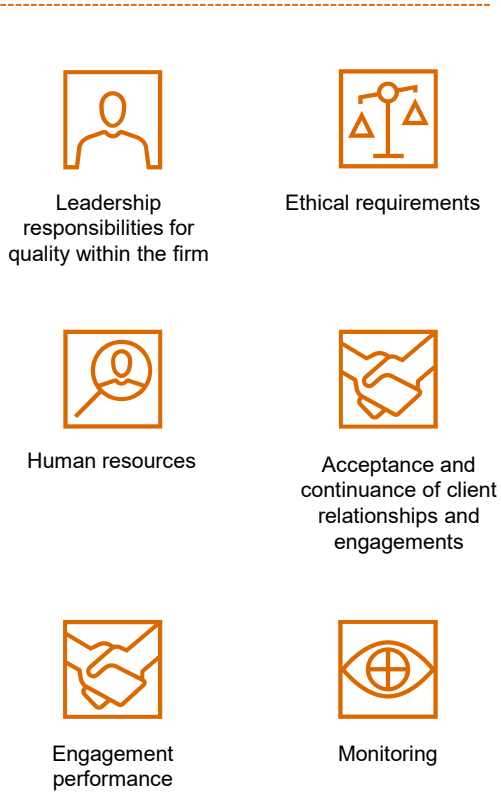


Figure 5: ISQC 1 components

# PwC Audit

## 2.4 Audit quality indicators

Our audit quality indicators (AQIs) in Figure 6 are part of our four strategic quality initiatives. We use them to monitor and measure quality at both the firm and individual levels.

They help partners understand their responsibilities, and their performance in each area is reported on a quarterly or annual basis.

The AQIs and a quality risk analysis are regularly reported to Assurance leadership and our Quality Committee.

Quality risk analysis is an essential part of establishing an effective quality management system, and AQIs provide a tool for monitoring of the effectiveness of the QMS. Appropriate AQIs and a meaningful analysis can provide valuable insights into the audit quality factors.

With growing demand for increased transparency and quality information on a network basis, both from regulators and the general public, AQIs assist in communicating our views on quality to stakeholders: audit committees, capital markets, and the general public.

We encourage positive behaviours in accordance with these indicators, and they give us early notice of where to look for potential issues.

2018 Highlighted results	
Direction and Supervision – Partner, manager and QRP hours	
Years of experience	Ave. 4–5
Staff turnover rate	20.63%
Management to staff ratio	1 to 6.6
Internal and external inspection results	
Total and average assurance staff training hours	2,200 total hours 35 avg. hours per person
Availability	
New hire recruitment	17
Staff utilisation rate	45.51%
Skills	
Training course completion rate	100%
Continuing Professional Education (CPE) hours	20hrs per staff/year
Number of non-attendance at training course	-
Motivation	
People Engagement Index rating	87% in FY18 (+5% from FY17)
Risk analysis before engagement acceptance	<1% non-compliance

Figure 6: Audit quality indicators and highlighted results

# PwC Audit

## 2.5 Review and consultation

### *Quality review partners*

Quality review partners (QRP) support higher risk work, such as engagements with listed entities, high-profile clients, and clients preparing for initial public offering. The Assurance Leader appoints QRPs with the agreement of the Assurance Risk Management partner.

QRPs must have sufficient technical knowledge, industry expertise, time, and authority. They must be able to objectively evaluate the engagement team’s significant judgements and conclusions.

First-time QRPs are required to complete mandatory QRP training before taking on the role.

QRP involvement in engagements is monitored through our monitoring programme and regularly reported to overseeing partners.

QRPs have access to real-time and hot-file review findings, which allows them to monitor audit quality and follow up on issues with audit teams.

### *Always seeking help, always consulting*

Reviewing work and consulting with appropriately qualified people before engagement delivery improves the quality of service and reduces risks. Consultation is one of PwC’s fundamental strengths.

We take great effort to create a consulting culture where our people are encouraged to talk to others whenever they’re in doubt.

Consultation not only means getting advice from other team members, but also seeking advice from experts within the firm or the PwC network to improve client service or resolve difficult or contentious matters.

We’ve developed internal databases that allow our teams to get the consultation they need. They also allow our internal technical experts to respond to and monitor the progress of enquiries they receive.

### *Technical panel support*

Engagements involving complex issues may require the support of a technical panel of experienced client-facing partners, technical experts, and in some cases, specialists in audit or industry areas.

Engagement partners and leaders consult a technical panel when issues of major importance affecting a client or the firm arise or a difference of opinion cannot be resolved. Panel decisions are binding upon engagement leaders.

We stress setting up technical panel consultations in an early enough stage in the audit process to effectively address risks to our clients or the firm.



# PwC Audit

## 2.5 Review and consultation

### Accounting Consulting Services

Engagement teams work closely with Accounting Consulting Services (ACS) on significant accounting issues to arrive at a solution that is acceptable under the accounting framework. If opinions are unresolved, a technical panel discussion is organised.

PwC Laos has full access to specialists from PwC Thailand and our network ACS team for cross border engagements and multinational clients.

### PwC Network Standards

Our PwC Network Standards apply to all network firms and cover integrity, objectivity and ethics matters, namely ethics and business conduct, independence, anti-money laundering, anti-trust/anti-competition, anti-corruption, information protection, firm and partner taxes, sanctions, internal audit, and insider trading.

Because of the wide variety of situations that our professionals may face, our Standards provide guidance for a broad range of circumstances, but all with a common goal – to do the right thing.

Our partner and staff must uphold and comply with these standards, and their compliance is monitored by PwC Thailand.

We take compliance with these standards seriously and embrace not just the letter but the spirit of the requirements. All partners and staff have regular mandatory Ethics & Business Conduct training, which includes post-course assessments as necessary.

They must also submit annual compliance confirmations as part of our system to support understanding of the ethical requirements under which we operate.

PwC Laos' reputation and success depend on the professionalism and integrity of every partner and employee.

## 2.6 Integrity, objectivity and ethical requirements

### Ethics and business conduct

Our purpose and values are the foundation of our success. Our purpose is to build trust in society and solve important problems, and our values help us deliver on that purpose. The Code underpins our ability to behave in a manner consistent with our values.

The Code of Conduct and related ethics requirements that are part of our Standards clearly lay out and describe the behaviours expected of us that enable us to retain the trust of our stakeholders and the public.

Upon joining PwC Laos, new staff members must attend a briefing session and are reminded of ethical behaviours periodically throughout the year. All staff and partners are expected to abide by the values of the code during the course of their PwC careers.

We have a database designed to raise awareness of the importance of ethical conduct that is readily accessible to staff. It helps us avoid situations that could have a negative impact on our clients, people, and reputation.

# PwC Audit

## 2.6 Integrity, objectivity and ethical requirements

### *Speak Up programme*

Our Speak Up programme is an upward reporting mechanism for addressing employee complaints and allegations about inappropriate behaviour and noncompliance with professional, regulatory, and legal requirements set out under our PwC Global Code of Conduct and PwC Laos policies and guidelines.

We protect those who raise concerns from retaliation, and complaints and allegations are kept confidential and discussed with others only as needed or advisable under the circumstances.

Incidents are addressed by the Ethics Officer, and if unresolved, are addressed by the Ethics and Business Conduct Committee.

### **PwC Code of Conduct expectations**

#### *Speak up*

Speaking up when something doesn't seem right demonstrates our integrity and that we have the courage to do the right thing.

#### *Build trust in how we do business*

Whatever our professional background is, we behave with integrity and adhere to, and are guided by, the applicable professional standards.

#### *Build trust with each other*

Trust begins with each of us treating each other with care, courtesy, dignity, fairness, and respect. We encourage collaboration across territories and around the PwC network. Trust is key to this collaboration, as it helps us to more effectively work with our colleagues and serve clients.

#### *Build trust in our communities*

We further our contribution to society by using our professional expertise, skills, and experience to help solve important problems, including those related to ethics, integrity, and trust – issues central to fostering a sustainable and inclusive global economy.

#### *Build trust in how we use information*

We respect the privacy and confidentiality of information of our clients, our people, and others with whom we do business.

Figure 7: PwC Code of Conduct expectations

# PwC Audit

## 2.7 Independence and risk management

*Independence policies, processes, and systems*

As auditors of financial statements and providers of professional services, PwC Laos partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. Compliance with these principles is fundamental to serving capital markets and our clients, and underpins our service to our assurance clients.

PwC Laos follows PwC network policies and rules for independence and compliance, complemented by more restrictive local professional and regulatory rules when necessary.

Our independence policy covers the core areas in Figure 8.

Independence policies and guidance are reviewed and revised regularly and when needed.

governs independence requirements for rotation of key audit partners. It is supplemented by local policy requirements that are more stringent.

As a member of the PwC network, we have access to global systems that assist us with compliance and compliance monitoring with regulatory, professional, and PwC independence requirements related to financial interests and business and service relationships with clients.

PwC Laos also has systems for local use that support our independence and client acceptance processes, such as our relationship-checking database and our Anti-Money Laundering Client Due Diligence System.

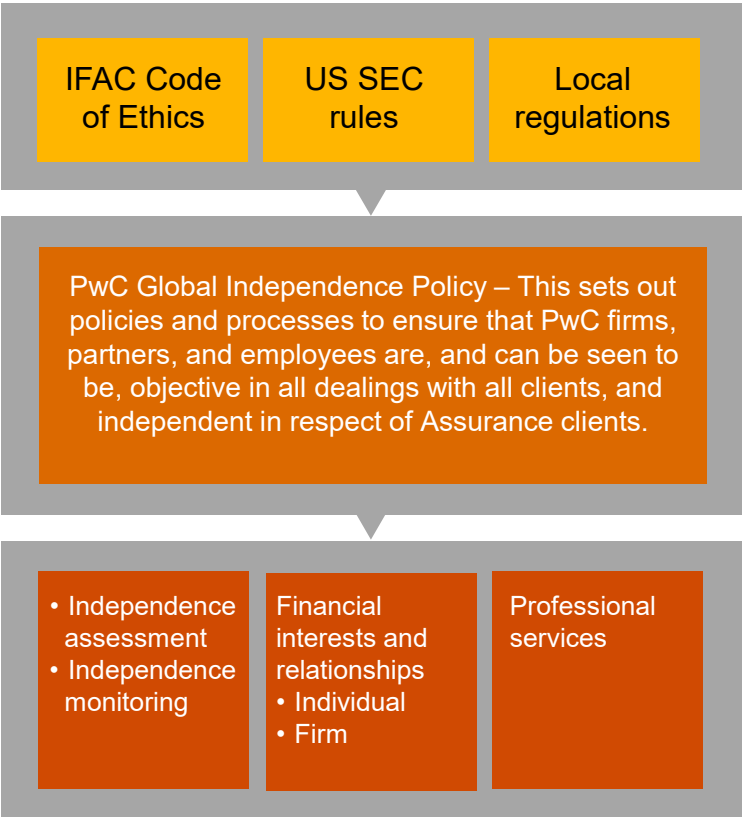


Figure 8: PwC Global Independence Policy and related rules and regulations

# PwC Audit

## 2.7 Independence and risk management

### Independence training and confirmation

PwC provides all partners and staff with annual and on-going training in independence matters. Training typically focusses on milestone training relevant to a change in position or role, changes in policy or external regulation, and, as relevant, providing services. Partners and staff receive computer-based training on our independence policy and related topics. Assurance practice managers and partners receive face-to-face training from our independence specialists at least annually.

All partner and practice staff must complete an annual compliance confirmation, whereby they confirm their compliance with all aspects of the firm's independence policy, including their own personal independence. 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 engagements and continuing relationships. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations.

### Partner responsible for independence

We have a designated partner responsible for independence (PRI) at regional level with appropriate seniority and standing to perform the roles and responsibilities set out in Figure 9.

The PRI reports directly to Management Board and is supported by a dedicated team of independence specialists within Risk & Quality practice. They are fully knowledgeable about independence matters and compliance with independence rules and regulations.

PRI roles and responsibilities
1. Implementing the PwC Global Independence Policy and US SEC independence rules and their procedures, systems, and controls.
2. Ongoing training and promotion of independence policies to partners and staff.
3. Monitoring compliance with independence policies.
4. Embedding an appropriate 'tone at the top' and culture of independence.
5. Consulting on independence issues with client services teams.
6. Enforcing disciplinary policies and processes for noncompliance with independence policies and procedures.
7. Setting compliance activities and remedial actions.

Figure 9: PRI roles and responsibilities

# PwC Audit

## 2.7 Independence and risk management

### *Independence monitoring*

As part of our independence monitoring process, we have in place:

- compliance testing of independence controls and processes
- personnel independence compliance testing of a random selection of partners and managers, and
- an annual assessment of the firm’s adherence with the PwC Network’s independence standards.

### *Violations and disciplinary actions*

Our independence policies and processes require that we report and address all breaches. Partners and staff can be subject to financial sanctions or other disciplinary actions if they are in breach.

Addressing possible violations can involve discussion with the client’s audit committee regarding the nature of the breach, and evaluations of the impact of the breach on the firm’s independence and the need for safeguards to maintain objectivity.

### *Investigation*

Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. Investigation of a breach serves to identify the need for improvement of our systems and processes and for additional guidance and training.

## 2.8 Acceptance and continuance process

### *Client and engagement acceptance and continuance processes*

Our principles for determining whether to accept a new client or continue serving a client are fundamental to delivering quality. We believe this goes hand-in-hand with our purpose to build trust in society.

Our policies and procedures for acceptance of client relationships and audit engagements cover whether we

- are competent to perform the engagement
- 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 to determine whether to continue with the client engagement and have policies and procedures for withdrawing from an engagement or a client relationship when necessary.

These processes are based on the PwC network’s proprietary Acceptance and Continuance (A&C) decision support systems for audit clients. A&C supports engagement teams and business management and risk management specialists in determining whether the risks related to a client or potential client are manageable, and whether PwC should be associated with the client and its management.



# PwC Audit

## 2.8 Acceptance and continuance process

### Insider trading

Insider trading violates legal and regulatory requirements, damages our brand and reputation, and may involve professional and criminal penalties.

Our insider trading policy prohibits PwC personnel and others associated with PwC from becoming involved in trading insider information, or associating with those do. The policy's disciplinary process applies regardless of the circumstances of how a person becomes aware of the insider trading, or whether insider information actually influenced the person's decision to buy or sell a security.

This policy is regularly communicated to our partners and staff across the firm. Severe sanctions are imposed for any violation or noncompliance.





## Our people

“We recognise that our people are our greatest asset, and that they are our competitive advantage.”

# Our people

## 3.1 The PwC Professional – PwC’s leadership framework

We recognise that our people are our greatest asset, and that they are our competitive advantage. To support them in their career journey, we follow the PwC Professional, which is our global framework to help accelerate and enrich our people’s development and set our brand apart.

The PwC Professional framework is designed to help us achieve the skills and capabilities to be consistently outstanding.

To really stand out and stay competitive in a constantly changing world, we need to offer more than technical competence. Crucial attributes we want our people to demonstrate are leadership, an awareness of the business environment at local and global levels, and the ability to develop business relationships. We need to be a leader who inspires others and who can lead clients, teams, and others through change.

To support our business strategy, we use this one simple global leadership framework to recruit, develop, and assess our people. It is the benchmark for our annual performance reviews, and it is the foundation for our training and coaching initiatives.

## 3.2 Getting the right people

We’re always on the lookout for the right people, and we look to our PwC Professional framework to provide guidance in our selection criteria. We look forward to developing our new hires’ technical and soft

skills from day one.

Our graduate recruitment process starts with our recruitment roadshow where we talk to top-tier university students about PwC careers.

Our selection process includes a skills assessment, group exercises, and a panel interview.

In evaluating the candidates’ interactions, qualified assessors evaluate competency-based assessment results against the core competencies of PwC Professional framework.



Figure 10: PwC Assurance recruitment process overview

# Our people

## 3.3 Learning and development

When people join PwC, their first month involves extensive technical training. We want them to start learning the different aspects of our clients' activities and understand their businesses to identify where our audits can add insight and value. To ensure they perform perfectly and learn correctly, they work under close the supervision of senior and engagement managers.

We need for them to do audits of the highest quality and transparency. The critical work of an auditor underpins investor confidence, makes our clients more competitive, and supports the market economy.

At PwC, our staff go beyond the obvious and develop real insights into a client's markets, technology, people, management, and finances. We know that curiosity is key, as is the flexibility, agility, and intelligence to take on new challenges.

The Resource Planning team manages work allocation for each client based on the experience, knowledge and skill of team members, from engagement partners, engagement managers (manager to director level) to staff. The number of team members is based on the size and working hours of each engagement. This ensures that we have the right resources with sufficient skills and experience on each team.

To maximise consistency across the PwC network, our learning and development curriculum provides courses covering the PwC audit approach, tools, updates on auditing standards and their implications, audit risk areas, and engagement quality.



# Our people

## 3.3 Learning and development

Learning is delivered using blended channels involving remote access and classroom courses. From day one, we provide continuous professional and personal development opportunities designed to be stimulating, challenging, and fun.

This learning system supports our focus on audit quality and provides our practitioners the opportunity to sharpen their professional judgement, scepticism, and technical and professional skills.

PwC fosters a culture of lifelong learning and development based on the 70:20:10 model: 70% experience involving on-the-job training, 20% exposure and exchange involving coaching, and 10% education and training (Figure 12). This approach helps our people stay up-to-date, informed, and highly skilled throughout their career with us.

The 70:20:10 model enables realistic and meaningful progress as our people:

- gain extensive on-the-job learning experience
- embrace coaching as constructive feedback is given and received allowing personal growth and inspiration for others' development, and
- continue strengthening both their technical and soft skills.

We want our people to develop and learn from every opportunity, stay open-minded, be intellectually curious, and maintain a positive attitude toward any challenge they face. We want them to be able to demonstrate and maintain their professionalism in every interaction with each other and with clients. These expectations are reflected in the staff

development plan and evaluation process.

We provide extensive training courses that help our people perform their roles and achieve expectations. We encourage coaching and mentoring and foster a coaching culture. We embed tips and tools in our in-house and external courses that our people can select from to expand their experience.



Figure 11: 70:20:10 learning and development framework



# Our people

## 3.3 Learning and development

### Professional training

We design training programmes that are world class, innovative, and forward thinking. Our curriculum comprises mandatory, core, and elective modules.

Our Learning & Development leader considers what additional training is appropriate – formal and/or informal – to address specific local needs, such as auditing, accounting, industry, business skills, and language programmes.

Our learning framework is not only designed for technical capabilities, but also other crucial professional attributes. For this, we follow the PwC Professional framework attributes: whole leadership, business acumen, global acumen, relationships, and technical capabilities. We focus more on technical competence for our beginning level staff, and more on the other attributes for senior staff and above.

### Accreditation and licensing

*Certified Public Accountant (CPA) and Lao Chamber of Professional Accountants and Auditors (LCPAA)*

We support our young professionals in advancing their accountancy or auditing careers. We're committed to providing the best opportunity for our people to prepare for their tests. We provide CPA and LCPAA test preparation leave.

Training hours by quarter 2018

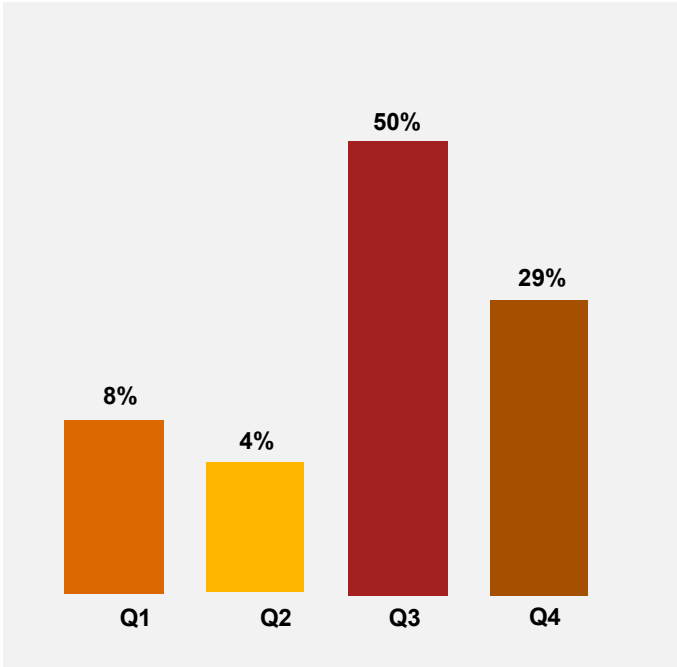


Figure 12: Training hours

# Our people

## 3.4 Talent management

The firm invests in creating a work environment that values acting with integrity, working together, making a difference, and reimagining the possible to provide a stimulating and meaningful working experience for our people.

Our aim is to maintain a leading position in professional services, so we've established the following tenants for managing talent at PwC Laos:

- Talent identification – We foster the development of people who have career aspirations aligned with our business direction and goals.
- Talent pipelines – We can readily fill key roles with competent internal candidates to meet our firm's evolving needs.
- Talent development – We understand our own bench strength and development needs to be ready for future contingencies.

We support our people's career growth beyond their current positions and map talent and develop skills to meet the firm's performance goals.

## 3.5 Performance evaluation

Our annual performance evaluation is conducted for staff at all levels. We've set clear and useful key performance indicators for staff at each levels that are in line with the five attributes of our PwC Professional framework.

Compliance with all risk and quality measurements are a mandatory for

staff at all levels. The measurements assess whether our people are high quality professionals who are growing and delivering quality work under the clear and transparent metrics at their level.

Annual performance evaluation results are directly linked to rewards and remuneration, and to career advancement opportunities.

## 3.6 Global People Survey

People are at the heart of our services and we believe we can only achieve quality work if our people are engaged and happy to be with the firm. To make sure we're responding to our people's needs correctly, we conduct our annual Global People Survey (GPS) across the entire network.

The survey provides a way for staff to contribute their opinions about current and future policies and programmes, and the work environment at PwC. In 2017, 96% of our people took the survey, and our partner and HR team have set an action plan to address the results.

In the survey, we include our People Engagement Index which gauges how our people feel about working at PwC. For this we ask whether they:

- are satisfied with PwC
- are proud to work at PwC
- would recommend PwC to others, and
- plan to be working here for the next 12 months.

# Our people

## 3.6 Global People Survey

### Staff well-being

For our 2018 fiscal year, we hired seventeen new staff to fulfil our workload requirements. We also focussed on retention and work–life balance.

We held many activities to address the well-being of our people, such as:

- **Team building** to strengthen relationships across all levels and lines of service.
- **Outings and events** in which our people get involved from the planning stage so that we have great input and ideas for successful events that all our people enjoy.

Responses to our 2018 Global People Survey increased our People Engagement Index score by 5% from 2017.

We are committed to our people’s well-being and set long-term plans for improving our work environment and providing our staff opportunities to grow and achieve their goals.

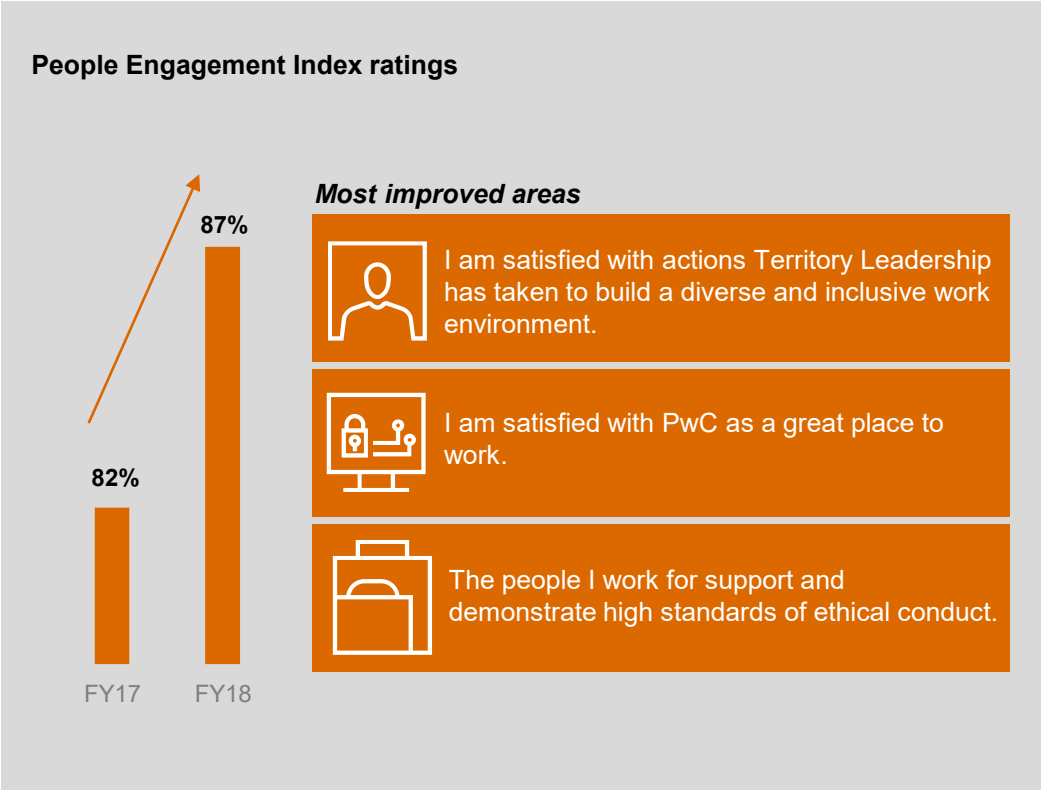


Figure 13: Global People Survey result highlights

# 4

## Quality monitoring processes

“We recognise that delivering quality services is key to maintaining customer, investor, and stakeholder confidence in our work. So quality is always a key element of our Assurance strategy.”

# Quality monitoring processes

We recognise that delivering quality services is key to maintaining customer, investor and stakeholder confidence in our work. Quality is always a key element of our Assurance strategy.

Our Assurance leadership is responsible for managing quality and setting effective monitoring processes. This includes evaluating whether our Quality Management System policies and procedures are designed appropriately and operating effectively to give reasonable assurance that our audit engagements are performed in compliance with laws, regulations and professional standards.

## 4.1 Our monitoring programme

Quality monitoring provides our firm leadership insight into the overall quality of our Assurance practice. Failure to meet performance standards is treated seriously under the firm’s Recognition and Accountability Framework (Section 2.2).

Our firm’s monitoring procedures include an ongoing assessment of the design and effectiveness of our quality management system, and review of completed engagements. The results of these procedures are used to continuously improve our quality management system. See Figure 15 on the next page for a summary of our monitoring programme.

### Global Assurance Quality Review

Our GAQR programme is based on professional quality control standards including International Standard on Quality Control 1 (ISQC 1). It contains policies, procedures, tools and guidance for all PwC network firms.

objective, independent, and risk based.

All quality 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 use a range of GAQR-approved checklists.

At the PwC network level, GAQR is coordinated by a central team consisting of a GAQR leader and International Team Leaders (ITL) who are senior partners seconded to the GAQR central team by PwC member firms. The ITLs’ oversight and continuous involvement and support enables consistent and effective review performance across the PwC network.

At the practice level, Independent Quality Management Reviews (QMRs) are done at least every three years with updates during intervening periods. QMRs test the effectiveness of the firm’s quality control system in functional areas under ISQC 1. Our latest QMR, in 2018, found our Assurance practice continues to be well managed and that leadership sets an appropriate tone at the top about risk and quality. Only one suggestion was given, which was about enhancing the robustness of our Real Time Assurance Programme, which we’ve taken on board.

At the engagement level, Engagement Compliance Reviews (ECRs) are done on significant higher risk engagements and engagements with higher profile clients. ECRs are periodic risk-focussed reviews of completed engagements covering staff who are authorised to sign audit and non-audit assurance reports. The reviews assess whether engagements are performed in compliance with PwC Audit guidance, applicable professional standards, and other engagement related policies and procedures. All Assurance partners must have at least one of their engagements reviewed every five years.

# Quality monitoring processes

## Internal Review Programme

The key objectives of our Real Time Assurance (RTA) Programme is to:

- evaluate real-time quality improvement on selected engagements
- assist engagement teams with enhancing audit quality, including documentation
- assist engagement teams with compliance with PwC Audit methodology, accounting and auditing standards, our risk management policies, and
- appraise individual quality performance.

Reviews involve an internal reviewer assessment of the quality of a selected engagement using an Engagement Compliance Review checklist

questionnaire with some local additions. Engagements are selected on risk-based criteria approved by the Assurance leader. These reviews are done on a hot or real-time basis so that teams can remediate findings in a timely manner.

All Assurance partners must have at least one engagement reviewed under this programme annually.

The review results contribute to evaluations under the Accountability Framework and partners, directors, and managers’ R&Q indicators.

Reviews	Practice unit review	Engagement review
Global/network review programme	<ul style="list-style-type: none"> <li>• Network Standards (annual)</li> <li>• Quality management review (every three years with an annual update in intervening years)</li> </ul>	Engagement compliance review (Review frequency is specified using a risk-based approach)
Territory quality review programme	ISQC 1 evaluation (annual)	<ul style="list-style-type: none"> <li>• R&amp;Q KPIs (quarterly and annual)</li> <li>• Real Time Assurance Programme (annual)</li> </ul>

Figure 14: PwC quality monitoring programme



# Quality monitoring processes

## 4.2 Our commitment to continuous improvement

### *Response to review results and findings*

Quality review results are reported to our firm leadership, who are responsible for analysing the findings and implementing remedial actions as necessary.

If adverse quality issues on engagements are identified, the responsible partner and/or Assurance leadership personnel may be given mentoring, training, and/or financial sanctions in accordance with our Recognition and Accountability Framework (Section 2.2).

Partners and staff are informed of review results and conclusions, and are required to take action to remediate quality performance issues.

### *Root cause analysis*

For all audit quality issues identified from internal or external inspections, we do root cause analyses to identify solutions and improvements so that we continuously improve our work.

A primary objective is to identify the best possible environment for our engagement teams to deliver a quality audit. We use analysis results to identify learning opportunities we can use in our training and communications.

Root cause analyses of individual audits are done by a review team that is independent from the engagement team. The team assesses technical knowledge, supervision and review, professional scepticism, engagement resources, and training, among others.

The independent review team evaluates engagement information, holds interviews, and reviews audit working papers to understand the factors that may contribute to audit quality issues. Data from audits with and without deficiencies is compared to identify factors that correlate with audit quality levels.

This data includes the hours incurred on the audit, key engagement team members' proximity to the client, number of years key engagement team members have been on the engagement, number of other audits that engagement partners are involved in, whether the engagement was subject to a pre-issuance review, and the timing of the audit work.

Our goal is to understand how high quality audits differ from those with deficiencies and use this knowledge to continuously improve all of our audits. We evaluate the results 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.

### *Quality improvement plan*

Based on root cause analysis results, we develop a Quality Improvement Plan that addresses the root causes. The International Team Leader (ITL) provides input on the Plan. It's reviewed and approved by Assurance Leaders.

The Quality Improvement Plan is implemented and regularly monitored by the Quality Committee and the ITL, who report progress to the Network Quality Review Leader.



## Corporate responsibility

“To build trust, we connect with all of our stakeholders. And we address important problems beyond the borders of our business.”

# Corporate responsibility

Our purpose is to build trust in society and solve important problems. This guides our approach to corporate responsibility. To build trust, we connect with all of our stakeholders. And we address important problems beyond the borders of our business. We want to be part of the solution and be a force of change for societal and environmental issues. We work alongside many of our stakeholders in this endeavour, and leverage our acumen to do so.

## Our people

We want our people to be fulfilled at work and in their personal lives. We've arranged many activities for this purpose, including monthly parties, a New Year Party, an outing in Ayutthaya, Thailand, and a Movie Party.



# Corporate responsibility

## Schools and communities

In our ‘Recipe for Success’ project, we donated electronics and sport equipment to Ban Hom School, located in a remote area of Laos PDR.



## Donations to Attapeu flood victims

We provided donations to support victims of the August 2018 flood in Attapeu Province.

**ຮ່ວມມືລູກຊ່ວຍເຫຼືອຜູ້ປະສົບໄພນ້ຳຖ້ວມແຂວງອັດຕະປື ກັບ PwC ລາວ**

ເນື່ອງຈາກສະຖານະການນ້ຳຖ້ວມໃນ ແຂວງອັດຕະປື ຈາກເຂື່ອນ ເຊບຽນ-ເຊນຳນ້ອຍໄຫຼເຂົ້າຖ້ວມເຮັດໃຫ້ປະຊາຊົນ ສິ່ງພິການໃຫ້ຕ້ອງ ອົບພະຍົບປະຊາຊົນໄປເຂດທີ່ປອດໄພ ແລະ ມີຄວາມຈຳເປັນ ຕ້ອງການຄວາມຊ່ວຍເຫຼືອເລີຍດ້ວຍ. ດັ່ງນັ້ນທາງບໍລິສັດຂອງ ພວກເຮົາຈຶ່ງຊ່ວຍເຫຼືອເປັນສູນກາງຮັບບໍລິຈາກເງິນເພື່ອນຳໄປຊື້ ສຸ່ປະກອນຊ່ວຍເຫຼືອເບື້ອງຕົ້ນ, ອາຫານ ແລະ ນ້ຳດື່ມ. ທາງພວກ ເຮົາຈະນຳເຄື່ອງບໍລິຈາກທັງໝົດໄປບໍລິຈາກຜ່ານໜ່ວຍງົວໄພ 1623 ແລະ ຈະລາຍງານສະຖານະການຜ່ານທາງ Facebook ຂອງ ພວກເຮົາ. ໄລຍະການບໍລິຈາກແມ່ນສາມາດບໍລິຈາກໄດ້ເລື້ອຍໆຈົນ ກວ່າການຊ່ວຍເຫຼືອຢ່າງເປັນທາງການຈະສິ້ນສຸດລົງ.

ສາມາດບໍລິຈາກໂດຍການໂອນເງິນຜ່ານທາງ **ທະນາຄານ JDB**  
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 ນ. ສິລະດາ ໂທ: 020 5555 8810, 021 222 718-9



# Corporate responsibility

## Sharing our skills and expertise

We run projects that leverage our skills and expertise in what we know best, finance and accounting. We hold several workshops for students, communities, local businesses, and regulators, covering:

- significant differences between IFRS and local accounting framework for banking business
- impacts of the new LFRS and their effect on profit tax calculation
- annual Tax Law update
- Internal control workshop



Internal control workshop

PwC Laos transparency report 2018



Internal auditing workshop together with LCPAA and CPA Australia



New LFRS training

December 2018

6

## Our plan for the future

“The audit of the future, which delivers both confidence and insight, is now upon us.”



# Our plan for the future

## Tomorrow's audit

### *The future auditor*

The audit of the future, which delivers both confidence and insight, is now upon us. We cannot and do not underestimate the impact of technology. To get the most out of it, we're focussing on making sure our auditors use technology wisely to enhance efficiency in the way we do our audit in tomorrow's world.

PwC is using technology to improve audit quality and deliver greater insights and better judgements to clients. Making better use of data will allow us to extract and analyse ever-larger data sets. A data-enabled audit will expose new risks and identify untapped opportunities.

We believe this will be our strength when we're managing the new game-changing challenges that auditors will soon face.

### *Machine automation*

There's much discussion about how machine automation of professional services can, for certain tasks, do jobs faster and better than humans. We believe that our assurance professionals working closely with machines will deliver more beneficial results than either could alone.

Our vision is for machine automation that enables our assurance professionals to provide highest quality services to our clients.

We believe in a future where controls are automated and machines have learned real-time monitoring and on-demand reporting so auditors can

make the most sense of the data, select key risks for monitoring, and apply more effective metrics for analysis.

### *Our client's futures and expectations*

We're seeing our clients change the way they work by exploring how cutting-edge technology can improve quality, efficiency, and customer experiences.

Our clients expect more from our auditors, and they'll expect us to know and understand technology changes and trends that affect them and the way we do our audits.

In response to this, we've started our Digital Fitness initiative, where we test our people's understanding of and interest in technology. This helps us direct our effort to areas that help our clients the most.

### *Big data and strategy*

We're focussed on exploring the possibilities of big data. At PwC, we've established and continue to develop analytical tools that mine big data for new insights and opportunities.

We envision our role will evolve from providing assurance on specific audit areas to one where we apply technology and big-data insights to help our clients create strategic plans for business stability and growth.

# Our plan for the future

## Our people and technology

Auditor intuition, formed over years of experience, gives us the ability to provide a matchless customer experience. We’re proud of the work our people do, but we know that maintaining our level of service means continuously learning and understanding technology as it perpetually evolves.

Our auditors must adapt to a future where we no longer manually manage repetitive tasks. While our work won’t be fully replaced by machines, they’re one of our most valuable tools for providing the results our clients expect.

This will require a new range of skills, so we must look for a workforce with wider professional backgrounds. We’ll need machine learning engineers, data scientists, and perhaps even psychologists and behavioural specialists – specialisms that the auditors of yesterday could never have imagined.

We’re revising our career and development paths of our assurance professionals so they have the skill set to be successful auditors of the future. Our focus is on the attributes of next gen auditors in Figure 16.

To meet future demands, we’re making sure our auditors can use technology wisely to enhance efficiency in the way we do our audit in tomorrow’s world.

We’re excited for the challenges ahead, and we’re committed to preparing our people to always be in a position to deliver the best quality assurance services.

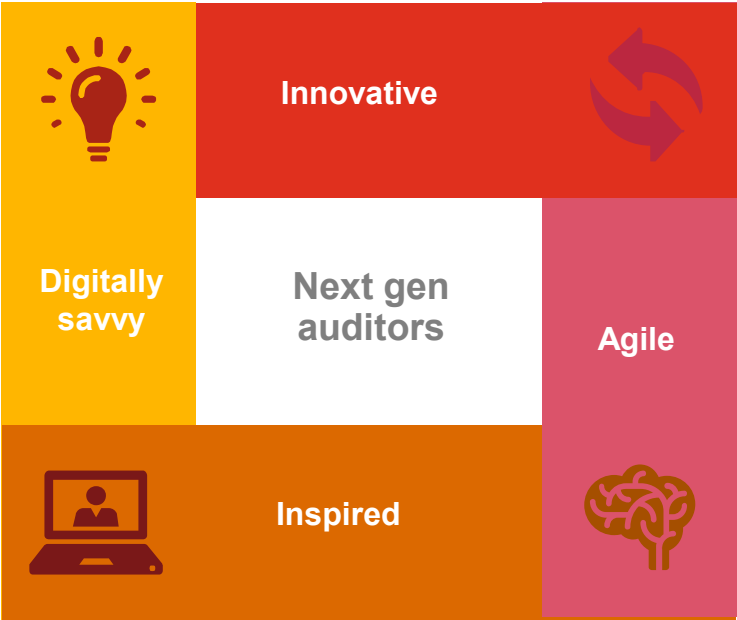


Figure 15: Next gen auditor attributes

# Thank you

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