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# *Transparency Report*

*A conversation on  
transparency,  
quality, and value*

*PwC Indonesia*

*September 2017*



**pwc**

*Kantor Akuntan Publik  
Tanudiredja, Wibisana, Rintis & Rekan*

# Our Report at a Glance

## Investing in Our People



## PwC Indonesia #1

*Ideal employer within  
professional services network*

\*Based on survey conducted by Universum to the business  
students from Indonesia's top Universities

**88 hours**

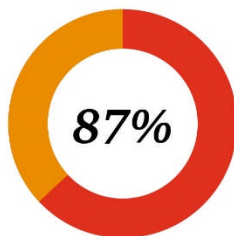
*Average training  
hours per staff*



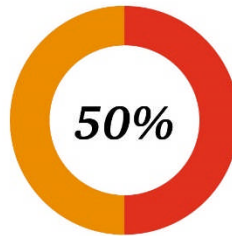
**110,000 hours**

*Total hours of training for  
Assurance staff in 2016*

*Investing  
in training*



*of graduate  
applicants accept  
their offer to work  
with PwC*



*of the new recruits  
are from the  
internship channel*

*270 new  
recruits in  
2016*



**7,000**

*hours in 2016 spent  
on Corporate  
Responsibility*



*Providing  
Assurance to  
President's  
Cup I & II*

*Commitment  
to Corporate  
Responsibility*

# Our Report at a Glance

## Client Focused and Quality



**565**

*Client's responses received in 2016*

*Areas with favourable responses:*  
Technical expertise  
Quality of deliverables  
Committed and responsive team

**1,397 hours**

*Average staff hours spent  
on client's work in 2016*



**1,5 million hours**

*Total hours spent on  
client's work in 2016*

*No significant findings from reviewed performed in FY16 by US Public  
Company Accounting Oversight Board (PCAOB) Inspection and Financial  
Development Centre/Pusat Pembinaan Profesi Keuangan (P2PK) Inspection*

**BF**  
Brand Finance

The **number one**  
**Professional Services**  
brand, and one of the  
world's **top ten most**  
**powerful brands** in the  
Brand Finance Index  
2017.

PwC ranked in the  
**top three** of  
Diversity Inc's top  
companies for  
**diversity**.

**DiversityInc**

**PwC firms  
provided  
services to:**

**422**

Fortune Global  
500 companies



## External Recognition

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# Introduction



## **Why do we need to talk about transparency, quality and value?**

We would like to welcome you to PwC Indonesia's first transparency report for our Assurance practice. In this report, we share what we're doing and how we plan to build on the trust and confidence our clients already have in our assurance services. Quality is at the core of everything we do at PwC and we are proud of our achievements in this area; in particular our most recent positive internal and external quality reviews.



Our assurance practice is evolving as we respond to multiple changes in the market; we are experiencing a turbulent global financial environment, increasing scrutiny from local and overseas regulators and increased transparency from auditors following the introduction of the International Auditing and Assurance Standards Board's long form audit opinion. Rules and regulations will only become more stringent, technology will continue to move forward, and stakeholders will look for more informative financial reporting.

With these increasing demands and expectations, PwC Indonesia is actively participating in conversations with relevant accounting bodies and regulators both locally here in Indonesia and in South East Asia. Our goal is to reinvigorate the audit process and create more value for our key stakeholders. We have invested heavily in technology (Aura and Halo platforms), and will continue to do so, to support our Assurance practice as we not only look to improve the effectiveness and efficiency of our audits but to provide companies and audit committees with greater value and insight.

We are proud of the work our people have done, both for you and for the local community here in Indonesia, and we look forward to PwC's continued relationship with you.

***Irhoan Tanudiredja***

Managing Partner

***Eddy Rintis***

Assurance Leader



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# *Our Firm and its structure*



*"PwC" refers to the network of member firms of PricewaterhouseCoopers International Limited. KAP Tanudiredja, Wibisana, Rintis & Rekan is a firm in Indonesia and member firm of PwC's global network.*

*Throughout this report, the terms "PwC Indonesia", "The Firm," "we," and "our Firm" refers to KAP Tanudiredja, Wibisana, Rintis & Rekan.*

*In PricewaterhouseCoopers (PwC), our purpose is to build trust in society and solve important problems. It is founded in our heritage of creating trust in the capital markets, and providing advice to help public, private and not-for-profit organisations be successful. Our aim is that while describing our work today, our purpose will also guide our decision-making and investment strategy for tomorrow, ensuring our ongoing relevance and leadership in the marketplace.*



### 1. PwC Network

With offices in 157 countries and more than 223,000 people, the PwC global network is among the leading professional services networks in the world (Figure 1). Each of the member firms of PricewaterhouseCoopers International Limited is a separate legal entity and together they form the PwC Network. We help organisations and individuals create the value they're looking for, by delivering quality in assurance, tax, advisory and consulting services.

The PwC global network is structured as a network of member firms, operating locally in countries around the world. It is this network that provides PwC member firms with the flexibility to share knowledge, skills and resources with speed and consistency – to the ultimate benefit of our clients.

In most parts of the world, the right to practice accountancy is granted only to nationally based firms employing qualified professionals. Consequently, PwC member firms are locally owned and managed in each country, but form an international team, thereby enabling a deep understanding of local markets and simultaneously providing global insight.

**Figure 1: PwC Network**

### Working in

**743**  
locations in

**157**  
countries

**223,000**  
people



## 2. Operations in Indonesia

For more than 45 years, PwC Indonesia has played an integral role in the Indonesian success story of economic growth and social development. Drawing on the knowledge and skills of over 1,900 professional staffs (including over 50 partners and advisors), we help our clients succeed through both buoyant and challenging economic environments.

Today, the industry-focused services offered by PwC are adding value in virtually every industry and profession across the country. PwC continues to work with large multinationals, public sector entities, government entities and Indonesian companies, providing solutions to complex business issues.

Our multidisciplinary approach allows us to provide services beyond the audit and taxation lines we are well known for. Our close interaction and relationships with both economic and state bodies also allow us to keep up with the fast-evolving business environment. We take pride in delivering value-added services by helping our clients improve transparency, governance accountability, and financial performance and return.

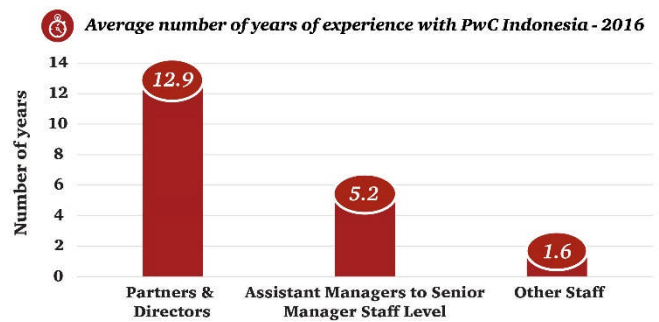
On a collaborative basis, PwC Indonesia works closely with the PwC Asia Pacific America countries (“APA”). Collectively, the PwC APA comprises 21 territories and a strength of around 37,000 people, over 1,700 of whom are partners, enabling us to better share, collaborate and make strategic investments with our regional colleagues, while improving our competitive ability to service global clients.

## 3. Assurance Practice

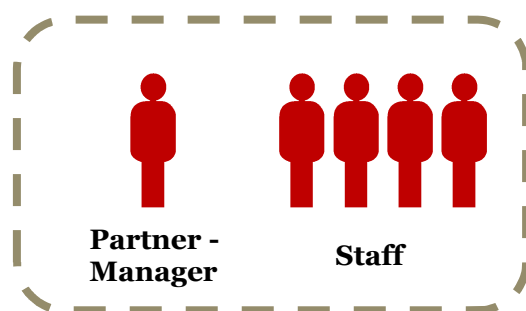
PwC’s Assurance practice comprises nearly 1,000 professional staff which includes 27 partners and advisors. The Assurance practice is aligned by industry groups and supported by technical and operational teams. Refer to Figure 4 for our Assurance structure.

Our Assurance staff mix includes recent graduates through to experienced partners. Figure 2 shows the average number of years of experience of our staff. On average, our staff operates on a ratio of 4 professional staff to every partner-manager (Figure 3). This ensures each working teams are closely reviewed and supervised.

**Figure 2: Average number of years of experience**



**Figure 3: Staff/ Partner-Manager ratio**



## 4. Assurance leadership structure

The Firm’s leadership is committed to quality and has dedicated resources to establishing high standards in quality, independence, integrity, objectivity and professional ethics. Quality has been embedded throughout the Firm and the detailed policies have been endorsed by the leadership team, including ethical, human resources and engagement performance.

Our leadership structure aims to help us maintain our commitment to quality in every aspects of our business (Figure 4).

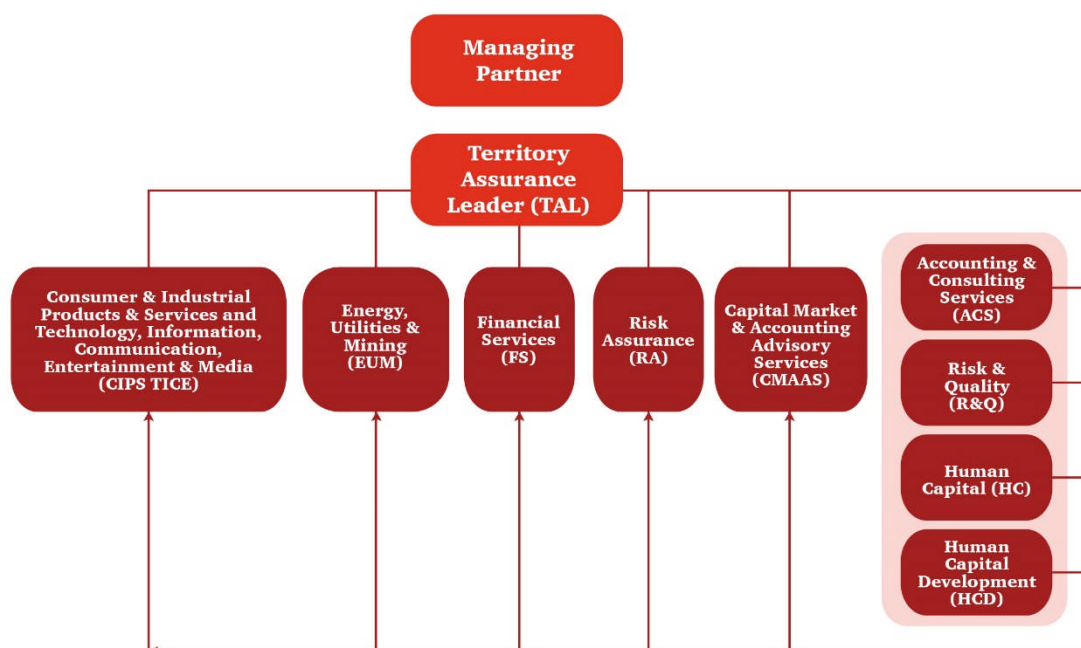
The governance and leadership bodies and roles within PwC Indonesia are:

- the Governance Board (“Oversight Board”)
- the Managing Partner (“MP”)
- the Assurance Leader (“TAL”), and
- the Firm’s Assurance partners

Each body and role has quality of service embedded into its responsibilities.



**Figure 4: PwC Indonesia Assurance structure**



#### 4.1 The Governance Board

The Governance Board currently comprises five partners elected by a special majority of the Firm's partners with a member being elected as the Chairperson of the Governance Board. To maintain independence of the Governance Board, the MP is not eligible to be a member but can attend meetings at the discretion of the Governance Board.

The Governance Board meets regularly and is responsible for the Firm's governance and oversight, as well as for sharing its input to support and monitor the Firm's strategies and business plans.

#### 4.2 The MP and Assurance Leader

Irhoan Tanudiredja is the firm's MP. His role is to:

- provide leadership for the partners and their teams,
- to manage the Firm, including setting the short and long-term strategic directions,
- making decisions on partner issues and affairs in his role as a MP,
- appointing the Firm's Assurance Leader and other management positions to assist with the management of the Firm.
- advises on the Firm's organisational structure and on what are the partners' duties and responsibilities.

Eddy Rintis is the firm's Assurance Leader. His role is to:

- set out Assurance targets/goals and strategy;
- lead and oversee Assurance practice;
- client and partner allocations; including multiple partner roles;
- assess Assurance partner's performance and development;
- work closely with Risk & Quality groups and others to ensure that risks are appropriately managed.

#### 4.3 Partners

The partners' governance role includes:

- electing the MP and members of the Governance Board,
- approving candidates for admission as partners,
- any recommendation or proposal that a partner be required to withdraw from the Firm, and
- any amendments to the Firm's partnership agreement.

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# *Our approach and governance*



## Governance of our Assurance practice

As an Assurance practice that operates within a regulatory environment in Indonesia, we have governance processes and policies in place to ensure we adhere to the relevant regulations both in Indonesia and when supporting clients from territories outside of Indonesia.

Prior to any engagement being accepted, PwC Indonesia has to complete a comprehensive client and acceptance process. In addition, we as a firm and the individuals within our firm adhere to our ethical standards over:

- Code of conduct
- Independence
- Insider trading

Each of these areas and our policies over these are explained in more detail below.

## Acceptance and Continuance

Before we begin work for any new client, we must go through a process to make sure that our engagement will not compromise our ability to serve all our clients independently. This process is based on the PwC global 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 working team and risk management specialists on 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.

## Ethical and business conduct

The reputation and success of PwC Indonesia depends on the professionalism and integrity of every partner and employee. All PwC Indonesia partners and staff are expected to uphold and comply with the standards developed by the PwC network and PwC Indonesia.

Globally, we have the PwC Ethics and Business Conduct (E&BC), grounded in our values. This global E&BC acts as an umbrella code for all PwC member firms.

Upon joining, new staff members receive copies of the Code of Conduct and must attend a briefing session. All staff and partners are expected to abide by the values expressed in the code during the course of their PwC careers.

This code specifies that we must use our integrity, good judgment, and conscience when making a decision or faced with ethical dilemmas. The E&BC guides how we work and answer questions to help us through difficult ethical situations.

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

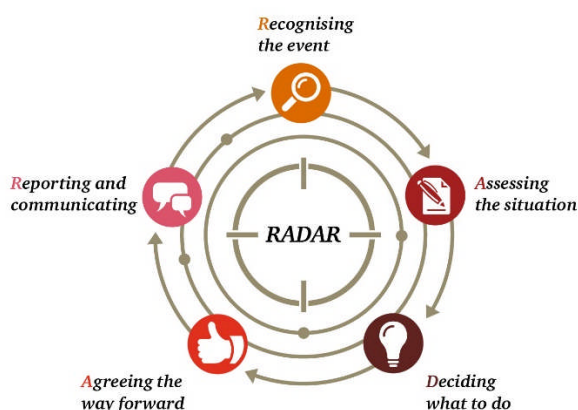
There are also upward reporting mechanisms to address any complaints and allegations raised by PwC Indonesia employees concerning inappropriate behaviour or failure to comply with professional, regulatory, and legal requirements as set out in the PwC Global Code of Conduct guidelines as well as PwC Indonesia's policies and guidelines. These complaints and allegations, if any, are addressed by the Ethics and Business Conduct Committee.

## ***RADAR: A framework for deciding the right thing to do***

We are purpose led and values driven, and our purpose and values are our guiding principles in deciding the right thing to do. Addressing and resolving ethical dilemmas is complex, and the Code cannot address all questions or situations. The Code is one of many tools we have as professionals to guide our behaviour.

This RADAR decision making framework is here to help you think and to build your skills in analysing ethical dilemmas, and, in doing so, make good decisions (Figure 5). In deciding on a course of action, the steps and questions can help guide your approach. They do not need to be followed in any particular order, and the following graphic is not meant to be a decision tree. Rather, this is meant to help frame your thinking, which could happen within a few minutes to a few days. And remember, nothing can replace individual judgment and the application of the values when deciding what to do in the moment.

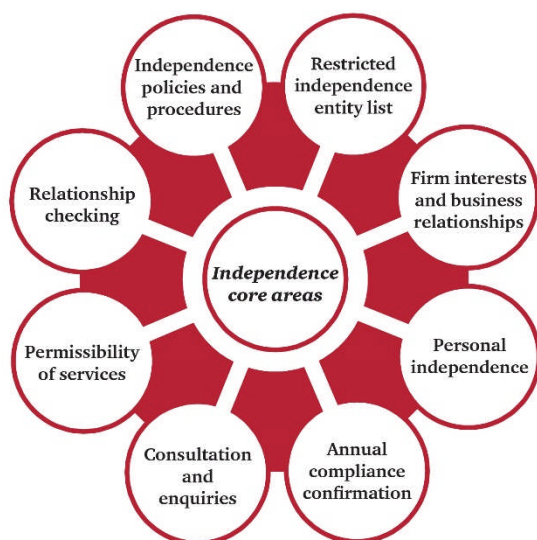
**Figure 5: RADAR framework**



### Independence policies, processes and systems

PwC Indonesia adopts the PwC Global policies and related rules for our independence and compliance practice, complemented when necessary, by more restrictive local professional and regulatory rules. Independence policies and guidance are reviewed and revised when needed. The Firm's independence policy covers, among others, the core areas as outlined in Figure 6.

**Figure 6: PwC Independence core areas**



As a member of the PwC network, we have access to a number of global systems that assist our people and us in complying and in monitoring compliance with regulatory, professional, and PwC independence requirements related to financial interests and business and service relationships with clients (Figure 7).

The Independence team ensures the implementation of the independence rules and

monitor the compliance. They are knowledgeable about independence matters and compliance with independence rules and regulation.

### The roles and responsibilities of the Independence team

The roles and responsibilities of the Independence team are:

1. Implementing PwC Global's independence policy (including US SEC independence rules) and procedures, system, and controls.
2. Ongoing training and promotion of the independence policies to practice partners and staff.
3. Monitoring compliance with independence policies.
4. Embedding appropriate "tone at the top" and culture relating to independence.
5. Consulting on independence issues with client service teams.
6. Enforcing disciplinary policies and processes for non-compliance with independence policies and procedures.
7. Putting in place compliance activities and remedial actions.

### Insider trading

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

The Firm has a clear and stringent policy which prohibits PwC personnel, and others associated with PwC, to become involved in, or associated with, the use of inside information in the buying or selling of securities. The Firm's insider trading policy applies regardless of the circumstances surrounding how the person becomes aware of the insider information and regardless of whether the insider information actually influenced the person's decision to buy or sell a security.

This policy is regularly communicated with our partners and staff across the Firm. Severe sanctions will be imposed for any violation or non-compliance with the policy.

### Disciplinary policy for independence

Our independence policies and processes require that we report and address any violations that occur. A partner or staff member could face financial sanctions or other disciplinary actions if they are in violation.



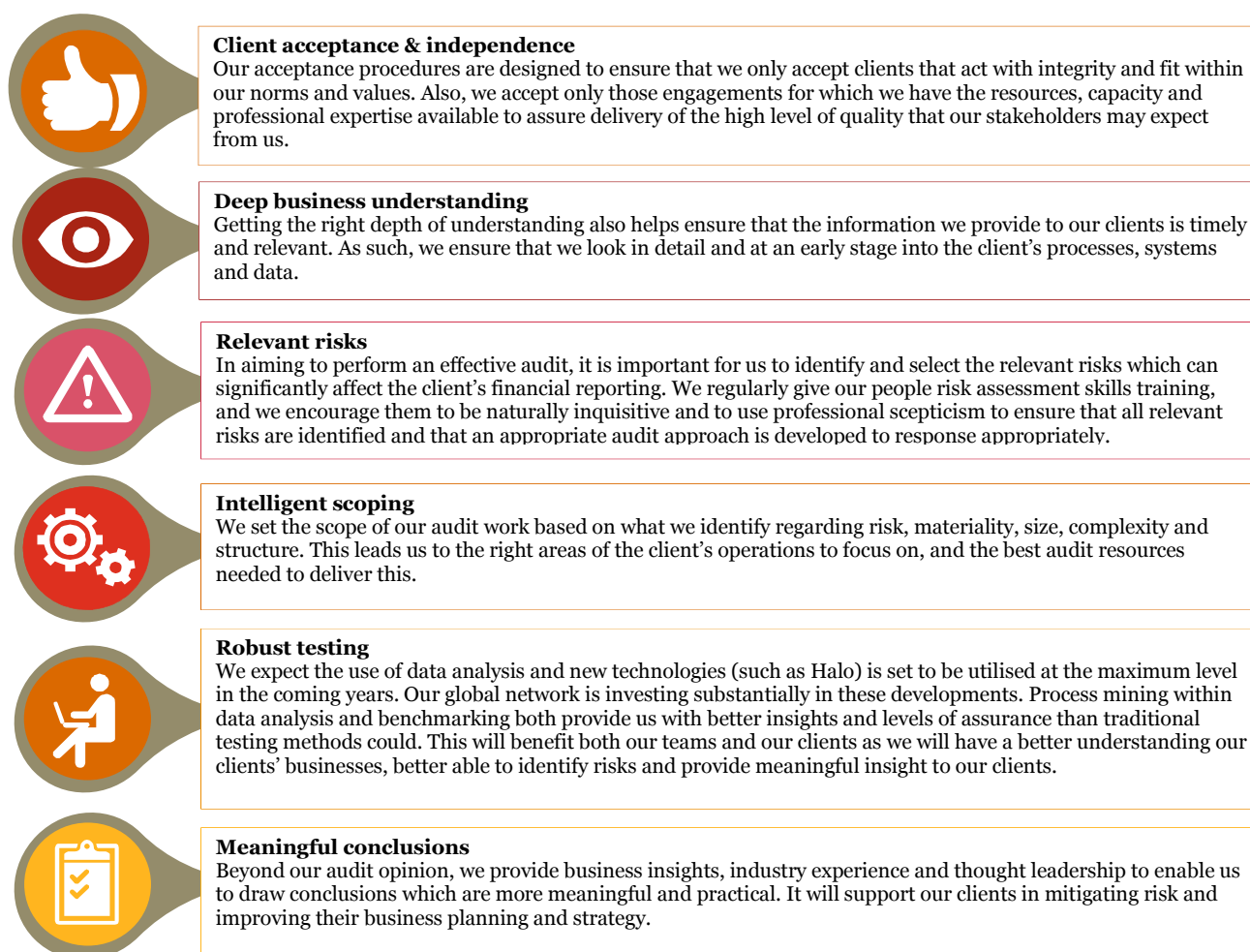
**Figure 7: PwC Global Independence Policy (GIP)**



### Our Assurance framework

The overall PwC audit framework provides a holistic approach to make sure we conduct quality audits. It applies clear principles to audit work with the appropriate amount of supporting detail. Our six-step audit process ensures an audit that is robust, insightful, and relevant (Figure 8).

**Figure 8: PwC Global audit approach**



## Supporting tools and technology

We recognise the impact of data and technology is enormous. Needs are changing fast and we are responding. We continue to invest in smart-audit technology that builds quality into the audit and enhances our ability to provide insights to our clients. Our technology is built and implemented

globally ensuring consistency across the PwC Network.

Our unique technologies and tools which enhance audit quality and efficiency through automation, connectivity and mobility, which are under continual review and enhancement to improve audit quality and efficiency (Figure 9).

**Figure 9: Available audit tools**

<b>Aura</b>	<p><i>Aura is our global audit software used across the network and across all audit engagements.</i></p> <p>This brings consistency in our audit approach across audit teams and firms within PwC network.</p>
<b>AuraNow</b>	<p><i>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.</i></p>
<b>Aura Online</b>	<p><i>Aura Online is a web-based tool that provides the ability to view active and archived engagements without having to install the Aura client or having local replicas of engagement files.</i></p> <p>This makes it easier for us to work together, leading to a more proactive and responsive service so any issues raised during the audit can then be resolved promptly.</p>
<b>Smart Guidance - Effective Learning at the Right Time</b>	<p><i>Smart Guidance supplements the PwC audit guide with short, targeted, and engaging videos on areas that our people find helpful - providing simple and concise reminders and reinforcing key messages in each area.</i></p> <p>This helps our people spend less time looking for guidance and more time delivering a high quality service to our clients.</p>
<b>Connect</b>	<p><i>Connect is our collaborative workflow tool, providing fast, efficient and secure information sharing at every stage of the audit. It monitors the status of requests and information between our clients and the engagement team on a real time basis. Connect provides visibility for both our clients and us to be able check progress on the go, anytime, anywhere.</i></p>
<b>Halo</b>	<p><i>Halo is our new data auditing suite of tools allowing us to identify and assess risks and determine where to focus audit efforts. The analytical and visualisation capabilities allow us to analyse patterns and trends, identifying unusual and high-risk transactions, and providing invaluable insight to both ourselves and our clients. Halo comprises of three key components – acquisition of client data, transformation of data and applications for automated testing and analysis of data, for example, Halo for Journals allows engagement teams to gather all journal entries and utilise built-in functionality to apply engagement-specific criteria designed to focus testing on higher risk entries.</i></p>

### **Always seeking help, always consulting**

Consultation is a key element of quality control. Although the Firm has policies setting out the circumstances under which consultation is mandatory, our consultative culture means that our engagement teams often consult with each other on an informal basis as well as with experts and regularly in situations where consultation is not formally required. While we apply the proper confidentiality rules, we consider this culture of openness and willingness to consult, share and discuss issues can only be of benefit and enhance the quality of what we do and how we do it.

Consultation not only means asking advice from another member of the team but also means, when appropriate, seeking advice from various experts within the Firm (or other PwC member firms) to improve client service or to resolve a difficult or contentious matter. Examples where consultation occurs includes our Accounting Consulting Services team for technical accounting matters and the involvement of a quality review partner on all higher risk engagements.

### **Accounting Consulting Services**

With the complexity of financial reporting standards, it is important that our clients receive clear and consistent advice. Our Accounting Consultation Services (“ACS”) group provides support and guidance both internally and externally on the accounting treatment of complex issues, training on accounting standards, and reviewing financial statements for compliance

with financial reporting standards. ACS works in topic teams: financial instruments, business combinations, and revenues/liabilities and others.

With connections to the Global ACS team, we are able to call for support from specialists from the network. Engagement teams work closely with ACS on significant accounting issues to arrive at a conclusion that is acceptable under the financial reporting framework. If there are differing views, a technical panel discussion is organised.

### **Involvement of a Quality Review Partner (QRP) on higher risk engagements**

For higher risk engagements (including audit engagements of listed entities, higher profile clients, and clients contemplated for an initial public offering), the engagement team will be supported by a QRP.

QRPs are required to have sufficient stature, technical knowledge, appropriate experience and industry expertise, time, and authority, to make an objective evaluation of the engagement team’s significant judgments and conclusions reached in the engagement. QRPs are required to complete mandatory QRP training before taking on the role.

The Quality Team monitors the involvement of QRPs in an engagement on monthly basis and reports to all Assurance partners.

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# *People management and development*





## PwC Professionals – The network's leadership framework

We recognise that our people are our greatest asset and that they give us a competitive advantage. PwC Professional is our network's leadership framework, which helps accelerate and enrich our people's development and sets our brand apart.

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.

Our PwC Professional global leadership framework ("PwC Professional Framework") articulates the skills and capabilities we expect from all our people in order to deliver an outstanding experience to our clients (Figure 10). Our recruitment process is closely aligned to this framework, enabling us to select the best talent, based not only on their technical skills but also on their behaviours and ways of working. The same framework is used for the purpose of developing and assessing our people. It is the foundation for our training and coaching initiatives, as well as benchmark for our annual performance.

**Figure 10: PwC Professional framework**

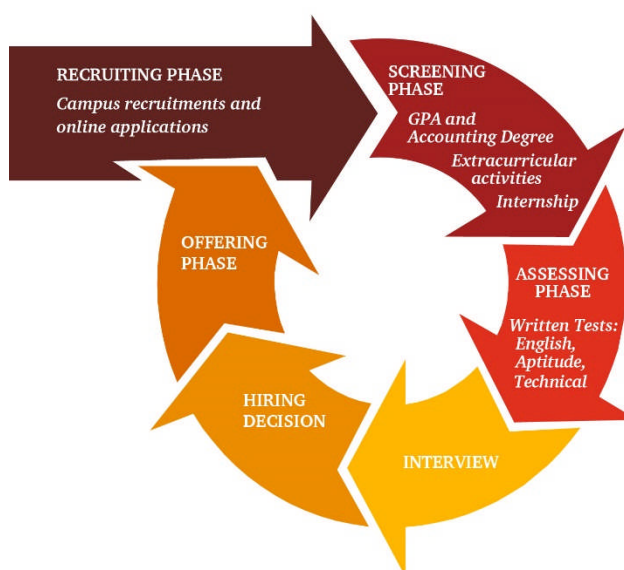


## Getting the right people for our team

We are always on the lookout for the right people to join our Assurance team, and we look to our PwC Professional framework to provide guidance in our selection criteria. As a firm, we look forward to developing Assurance team skills from day one.

Our graduate recruitment process starts with our recruitment roadshow where we talk to students about a PwC career at the top-tier universities in Indonesia (Figure 11). Each year approximately 5,000 candidates apply, undertake written tests, and a panel interview process. In the end, we invite around 300 successful candidates to become a part of PwC, and of those invited, nearly 90% accept.

**Figure 11: PwC Assurance recruitment process overview**



## Talent management

Our business plans and strategy define our talent management strategy. The Firm invests in creating an environment that values excellence, teamwork, and leadership for a stimulating and meaningful working experience for our people. Our aim is to maintain a leading position in professional services, so we need to ensure that:

- We foster the development of people who have career aspirations aligned with our business direction and goals (Talent Identification).
- We can readily fill key roles with competent internal candidates to meet the Firm's evolving needs (Talent Pipelines).
- We are aware of our own internal bench strength and development needs to be ready for future contingencies (Talent Development).

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. Recognising that career progression is a key consideration in our peoples' careers, there was greater emphasis to enable transfer to new or different career paths within the Firm or external secondments to our PwC network member firms in the recent years. For our more experienced staff, we offer global mobility opportunities with short and long-term assignments and with the option to participate in a variety of on and off-the-job learning and development experiences. We encourage our staff to discover their full potential by seeking opportunities to grow and to explore new ideas. Secondments include inbound and outbound assignments from and to the cities as outlined in Figure 12.

We have a holistic view of our people. We aim to support career growth beyond a person's current position at PwC Indonesia, while we map talent and develop skills to meet the Firm's performance goals.

**Figure 12: Mobility mapping (2014-2016)**



\* Indonesian staff working abroad between 2014 – 2016

\*\* Non-Indonesian staff who have worked in Indonesia during 2014 – 2016

## Diversity and Inclusion

The need for diverse talent has never been more critical to the success of our business; as we look to the future and our plans to grow our business. We need to work with different types of people, bringing different skills, experiences and perspectives and leveraging these assets will demand a highly inclusive working environment. Creating these conditions requires the efforts of all, particularly our partners, and this is one of our points of focus as well.

Talking about creating diversity and inclusion (D&I) at PwC, on FY16 we have three priorities; “Female in Leadership”, “More Diverse, Higher Synergy”, and “Flexibility” (Figure 13).

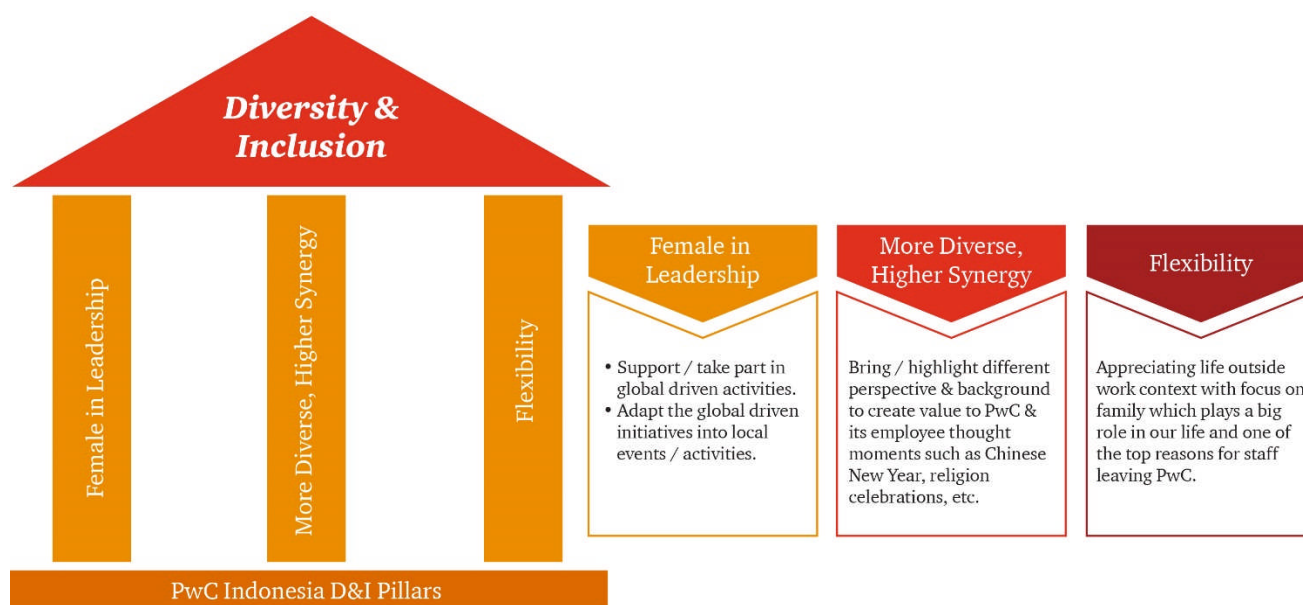
In short-term, D&I prioritise on conducting D&I program as a campaign for D&I aspects, while increasing people’s awareness about D&I aspects which results will be reflected in the Global People Survey. In long-term, D&I aims on

increasing the ratio of female in senior management position, diversity in educational background and profile of PwC people, and increasing the ability to work flexibly.

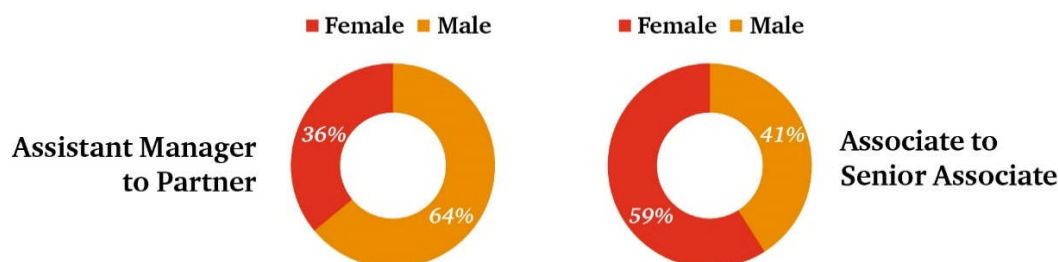
We are striving for an inclusive culture in which everyone, irrespective of gender and cultural background, can feel comfortable and valued (Figure 14). Diversity is important to us because we believe strongly that the quality of what we do is enhanced when issues are addressed by people from differing perspectives, that it better attunes us to the outside world, and that it is critical to our recruitment and retention of talent.

Diverse talent has been more critical to the success of our business; as we look to the future and our plans to grow our business we will need to work with different types of people, bringing different skills, experiences and perspectives and leveraging these assets will demand a highly inclusive working environment.

**Figure 13: Diversity and inclusion priorities**



**Figure 14: Gender mix by grade**



## Learning and Development

Our PwC Professional Framework underpins a training curriculum which provides a wealth of opportunities for our people to build professional skills and knowledge to support the delivery of high quality assurance services to our clients.

PwC fosters a culture of lifelong learning and development based on a model of 70% on-the-job training (Experience), 20% coaching (Exposure & exchange), and 10% formal training (Education), as shown in Figure 15. Training is continuously evolving and tailored to each grade, role and experience of each individual. This approach helps our people keep up-to-date, informed, and highly-skilled throughout their career with us.

We want our people to develop and learn from every opportunity, stay open-minded, and be intellectually curious to maintain positive attitudes towards 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 encourage coaching and mentoring to foster a coaching culture. We embed tips and tools in our in-house and external courses, which people can choose from to expand on their experience with PwC. Our training programmes are outlined in Figure 16.

**Figure 15: PwC 70-20-10 framework**

## People Development



**70%**  
*Experience*

Developmental tasks and challenges in current job



**20%**  
*Exposure & Exchange*

Coaching, mentoring, feedback, role models

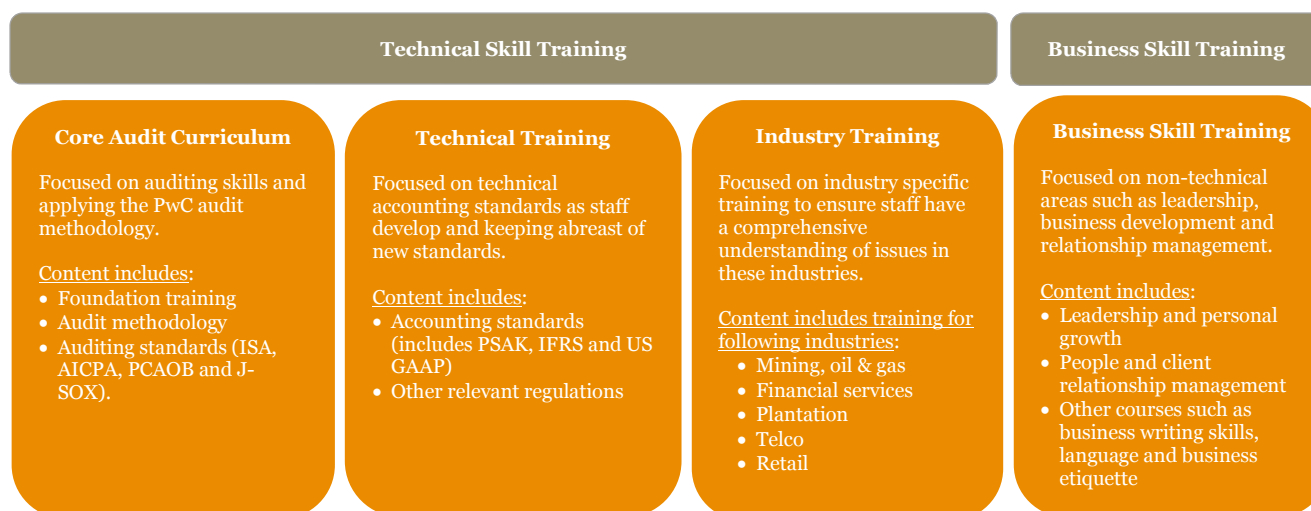


**10%**  
*Education*

Structured training courses, reading, studying, etc



**Figure 16: Our training programme**



The Assurance team provides a training curriculum for all partners and staff focused on the development of technical excellence. The curriculum comprises mandatory and elective modules. Mandatory learning modules are actively enforced, and failure to complete a mandatory course will result in remediation as needed to comply with Assurance standards and our Firm's policies.

In 2016, approximately 110,000 training hours were provided to our Assurance staff. Whilst there is a minimum requirement of 40 hours of professional education each year, on average our Assurance staff received 88 hours per person.

We want our staff to be able to perform an audit with the highest quality and transparency – the critical work of an auditor underpins investor confidence, makes our clients more competitive, and supports the market economy.

We also actively encourages Assurance practices to gain appropriate relevant professional qualifications. We believe that by doing so we not only provide better service to our clients by providing high calibre and well qualified professionals, but we also provide our staff members with qualifications which will serve them well in their future careers with us.

The professional qualifications offered includes Certified Public Accountant (CPA) Indonesia, Overseas CPA or CA for overseas graduates, Certified Information Systems Auditor (CISA) and Certified Internal Auditor (CIA) for Risk Assurance staff.

As of March 2017, certification obtained by our PwC Indonesia staff includes:

- CPA Indonesia certification: 133 staff;
- CISA certification: 16 staff; and
- CIA and CEH certifications: 6 staff.

### Performance evaluation and promotion

We continue to invest in equipping our Assurance partners and staff with the coaching and management skills needed to give honest feedback, to continually improve performance and maintain their high level of professional expertise.

The appraisal process covers both technical competence and quality. We expect feedback to be provided regularly throughout the year by all staff and partners. Feedback is 360 degrees with individuals encouraged to provide upward and downward feedback. This feedback forms a key element of our annual appraisal process with strengths and new areas of learning required identified and discussed.

Based on this assessment, individuals are assigned a performance rating that is benchmarked across the Firm and which influences their salary, bonus and progression within the Firm. Our higher performers have the opportunity both to progress more quickly and to receive higher reward through pay progression and bonuses. In the case of promotion to director or admission to the partnership, the process is particularly thorough and involves assessors from the partners from across Line of Service and observers from Human Capital.

## Compensation and benefits

Our compensation and benefit strategy is to ensure that we provide total rewards that are competitive and fair/pay for performance and position to our people especially in the relevant industry we operate in. For bonus incentives, we consider the combination of individual performance: quality of the work; the performance ratings and the group performance (both the firm-wide level and Assurance level) to ensure collaborative and cohesiveness in business, firm and people aspect are balanced. Other than basic salary and medical facilities/allowance, several benefits are applied in accordance to the needs of different levels, such as provision for vehicles, recreational allowances for managers; overtime, out of town allowances for below manager level. There are also annual leave and other paid leave that is granted above what has been mandated by regulation/labour law.

## Partner remuneration

Under the Firm's policy, Assurance partners must not receive incentives or remuneration for selling non-audit services to their audit clients.

The distribution of profits to partners is determined by the MP. The Governance Board approves the process and oversees its application.

Each partner's remuneration reflects their performance as an auditor and how well they performed against key performance indicators, individually tailored to their role and responsibilities. The Recognition and Accountability Framework, which includes key performance indicators and sanctions, is also part of the partners' performance evaluations and remuneration.

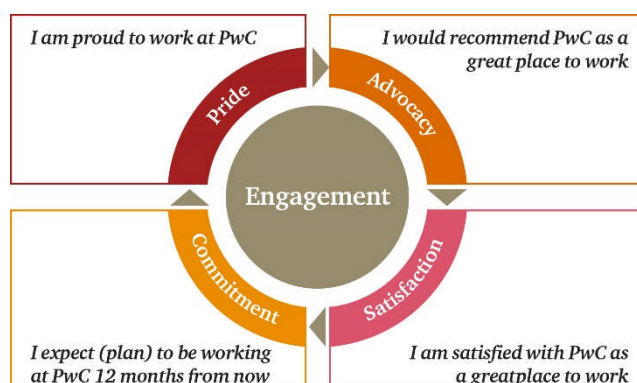
## Global people survey

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. The annual Global People Survey (GPS) is conducted across the entire network. The GPS lets staff share their perceptions on four key aspects that influence current and future policies, programmes and the work environment at PwC. The four aspects are whether or not our people:

- 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

We call this our People Engagement Index (Figure 17).

**Figure 17: People Engagement Index**

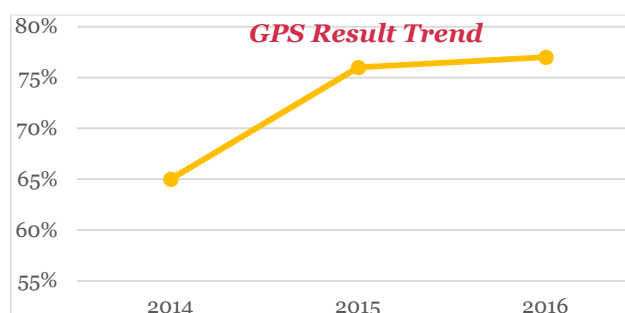


In 2016, Assurance practice achieved an 89% response rate for this survey. A high response rate is very important to ensure the feedback received is valid and represents the majority of our people.

The survey results and action plans are discussed with Assurance leaders, Human Capital LoS Partner and Human Capital LoS Manager to ensure concerns are appropriately addressed and a commitment from the Assurance leaders are gained. The action plan is then communicated in person at staff meetings.

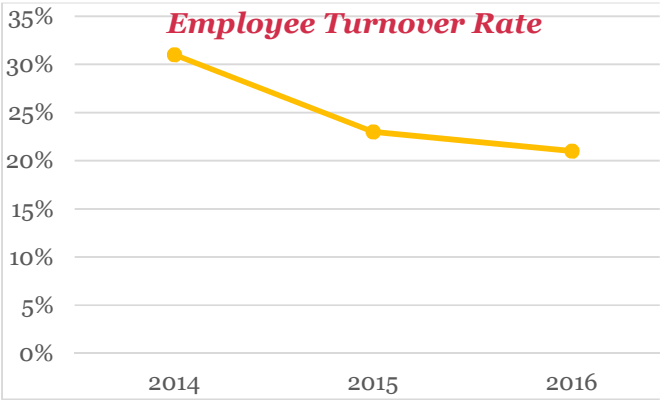
Based on the GPS results, we have recorded improvements in our People Engagement Index (PEI) over the last three years (Figure 18). Our PEI in 2016 is 77%.

**Figure 18: Our PEI trend from GPS (2014-2016)**



Aligned with our GPS results, we have recorded an improvement in our turnover rate over the last three years. Our turnover rate in 2016 was 21% which was 2% lower compared to 2015 and 10% lower than 2014 (Figure 19).

**Figure 19: Employee Turnover Rate (2014-2016)**



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# *Monitoring and assessing quality*



*Quality work means having the best people on the job. We want those individuals who can apply technical skills to practical problems and who can cultivate meaningful relationship with clients.*

### **Quality comes from our leadership**

Quality starts from the top with a strong commitment from our leadership. This tone is set by the MP, Assurance Leader and the Assurance Leadership Team (ALT). PwC operates within a Recognition and Accountability Framework, which outlines the key benchmarks for quality performance, is applied to partners and key management roles. In using this Framework, our leadership is actively responsible in helping us meet our quality standards.

#### **Assurance Leadership Team (“ALT”)**

The ALT of PwC Indonesia consists of our Assurance partners who take a Functional Area Leadership role. The ALT oversees how the Firm monitors audit quality. Specifically, the ALT meets regularly to:

- monitor the operation of our quality control system,
- initiate remedial action to address exceptions and of any deficiencies in audit quality,
- report any significant audit quality matters and provide recommendations on quality enhancement initiatives to the Assurance Leader and the Risk & Quality Leader.

The functional leaders and managers of the key areas within the Assurance practice to support the ALT to carry out its are:

- Risk & Quality
- Accounting & Consulting Services
- Human Capital
- Human Capital Development

#### **Risk and Quality group**

The Firm’s aim is to continuously improve overall audit quality, simplify the process wherever possible, and maintain trust. We endeavour to successfully meet and surpass the minimum audit quality standards set by PwC Network and local requirements. The Risk and Quality (“R&Q”) group supports the ALT in achieving the Firm’s strategic goals and assists the Assurance teams in their work.

The R&Q group consists of two teams:

- Risk Management & Independence (“RM&I team”) including Office General Counsel
- Quality Team.

Both teams report directly to the TAL and the MP. Team compositions are:

- RM&I team: 13 team members, led by an R&Q Leader; and
- Quality Team: 5 team members, led by a Quality Leader.

The main responsibilities of the R&Q group include:

- enhancing the quality of PwC’s work in accordance with the PwC’s Global standards;
- developing, implementing and monitoring compliance to risk management policies, audit methodology and technology;
- developing and conducting training using shared concepts, local practical issues, and real-life examples;
- communicating new and updated policies, procedures, and methodologies to the practice and keeping them up to date;
- addressing methodology and technology issues, and carrying out engagement reviews to identify and improve audit quality and efficiency; and
- providing support and consultation to engagement team relating to auditing, compliant with relevant laws and regulations, risk management and independence issues.

#### **Compliance with ISQC1**

The Indonesian Auditing Standards requires PwC Indonesia to have a quality control system over its Assurance practice. These controls are part of PwC Indonesia’s day-to-day activities. Our quality control system complies with the Quality Control Standards issued by the Indonesian Institute of Certified Public Accountants and International Standards on Quality Control 1 (ISQC1), 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) (Figure 20).



Our leadership believes that the quality control environment, policies, system, and processes described in this document comply with applicable regulations. Our compliance with the quality standards is regularly evaluated through various reviews and inspection programmes both internally within the Firm and externally under the global review programme by relevant regulators. No significant issues have been noted in the past 3 years. The results of these reviews and inspections ensures our audits consistently meet the required quality standards.

**Figure 20: ISQC1 components**



### **Our commitment to quality**

We require all of our partners to include audit quality objectives as part of their personal plan. In addition, depending on their grade, staff members are responsible for some key risk and quality indicators. There is a set of guidelines including punitive actions for any non-compliance.

The calls for quality start with our leadership and flow through our partners and staff in various channels:

- Face-to-face sessions with partners and managers (i.e. Annual Technical Updates, Assurance Management Conference, Town-hall meetings)
- Learning and development programs (i.e. Assurance core curriculums, Partner-Manager programmes, Methodology workshops, Annual Risk & Quality trainings)
- Webcasts, e-learning
- Periodic alerts, emails, messages from leadership

Quality is further supported through:

1. Monitoring audit quality indicators.
2. Involving Quality Review Partners (QRP) on higher risk engagements. (Refer to page 15 for more information)
3. Always seeking help, always consulting. (Refer to page 15 for more information)

### **Our monitoring programmes**

The PwC Network has established a review programme for all PwC Assurance practices known as the Global Assurance Quality Review (GAQR). This includes a Quality Management Review (QMR), which tests whether our quality management systems are appropriately designed, operating effectively and comply with PwC Network standards, and an Engagement Compliance Review (ECR) programme to assess whether engagements are performed in accordance with relevant standards. A member firm report is prepared annually by the international team leader assigned to PwC Indonesia by the Global Assurance Risk & Quality Leader. The report includes the results of both the QMR and ECR for that year.

PwC Indonesia is responsible for monitoring the effectiveness of its quality control system which includes arranging for the QMR and ECR referred to above. In addition, PwC Indonesia's Quality Team performs Post Completion Reviews on engagement partners who have not been subject to either an ECR or an external review in the current year.

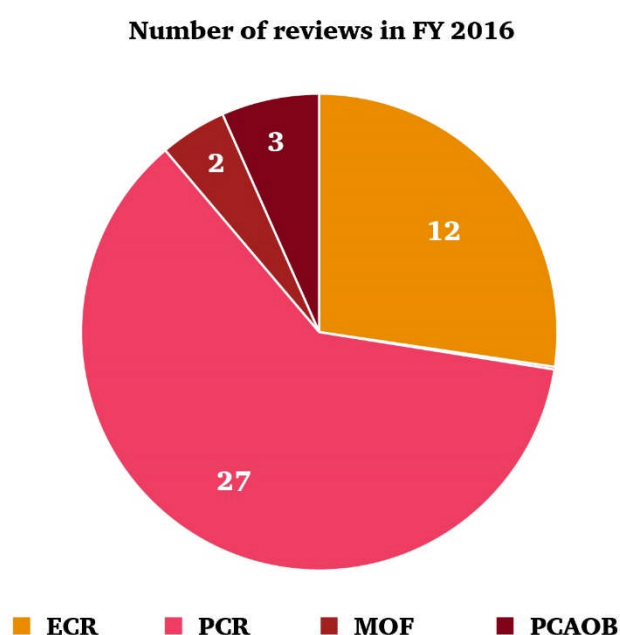
Lastly, the firm is subject to external reviews for local and overseas regulators. In 2016, the assurance practice was subject to reviews performed by the Ministry of Finance (MOF) and the PCAOB.

An overview of our monitoring programme is outlined in Figure 21. Refer to Figure 22 for total internal and external reviews performed in 2016. Additional information on internal and external reviews is provided below.

Quality monitoring is an integral part of our continuous improvement as it provides input to the Firm's leadership on the overall quality of our Assurance practice. Failure to meet performance standards is treated seriously under the Firm's Recognition and Accountability Framework.

**Figure 21: PwC Monitoring**

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 (comprehensive every 3 years with an annual update in intervening years)</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement compliance review</li> <li>• (Review frequency is specified using risk-based approach)</li> </ul>
Territory quality review programme	<ul style="list-style-type: none"> <li>• ISQC1 evaluation (annual)</li> </ul>	<ul style="list-style-type: none"> <li>• Territory quality review program (annual)</li> </ul>
Regulatory reviews/inspections	<ul style="list-style-type: none"> <li>• Regulatory inspections (annual or as notified)</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory inspections (annual or as notified)</li> </ul>

**Figure 22: Internal and external reviews performed in FY16**

Internal reviews - Engagement Compliance Reviews (ECR) and Post Completion Review (PCR)

External reviews - Ministry of Finance (MOF) and US Public Company Accounting Oversight Board (PCAOB)

## Global Assurance Quality Review (GAQR)

The GAQR programme is designed to be independent, consultative, and trusted programme that is objective, independent and risk-based.

- At the Firm level, an Independent QMR occurs at least every three years with updates during the intervening period. The QMR tests the effectiveness of the Firm's quality control system in various functional areas under ISQC1. The last QMR at PwC Indonesia in 2016 noted that the Assurance practice continues to be well managed with the leadership setting an appropriate tone at the top about risk and quality.
- At the engagement level reviews, known as Engagement Compliance Reviews ("ECR"), are undertaken on significant higher risk engagements. PwC Global requirements mandate that all Assurance partners are reviewed once every regularly. In our Firm, all Assurance partners are reviewed two or three years. Additionally, the ECR is conducted periodically on engagements determined to be Higher Profile Clients.

## Internal inspections

Our Firm's monitoring procedures include an ongoing assessment of the design and effectiveness of our quality management system, as well as a review of completed engagements - ECR. The results of these procedures form the basis for the continuous improvement of our quality management system.

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

Our Firm's local requirements mandate that all Assurance partners must have at least one engagement reviewed either in the ECR or under the territory review i.e. Post Completion Review (PCR).

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 utilize a range of GAQR-approved checklists and tools when conducting their review procedures.

The results of their reviews:

- will contribute to the evaluation under the Recognition and Accountability Framework and risk and quality indicators of partners, directors, and managers
- are reported to our Firm's leadership who are responsible for analysing the findings through root cause analysis and implementing remedial actions as necessary.

In situations where adverse quality issues on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or our Firm's Assurance leadership personnel may be subject to additional mentoring, training or sanctions in accordance with our Firm's accountability framework.

## External inspections

Over the past seven years, both local and overseas regulators inspected the Firm's Assurance practice.

PwC Indonesia and its partners are authorised by the Ministry of Finance under P2PK (Financial Profession Development Centre/Pusat Pembinaan Profesi Keuangan) to provide audit, assurance and other consultation work. Indonesia Financial Services Authority, oversees and regulates listed companies/financial institutions and auditors for listed companies/financial institutions. P2PK inspects PwC Indonesia on a regular basis with annual reviews of the Firm's quality control system and of selected engagements. There were no significant exceptions identified from the local regulatory inspection in all material aspects.

In addition to the reviews by the local regulator, the US Public Company Accounting Oversight Board (PCAOB) inspected PwC Indonesia in November 2015. Based on their inspection, there were no issues of insufficient audit evidence to support audit opinions. In addition, no significant exceptions were identified in the review of the Firm's quality control system.

## Our commitment to continuous improvement

Over the past three years, we have put further focus and resources into improving audit quality. This has included additional centralised risk and quality initiatives focused on targeted training, remediation, and monitoring activities across the practice. These initiatives have been actively monitored, and appropriate resources have been

applied to improve audit quality at the engagement level. To identify the true cause of findings, if any, we perform a thorough root cause analysis.

The root cause analysis process, which addresses key findings from reviews and inspection programmes, is performed in a structured and holistic way following guidelines and templates provided by the global network. The identified root causes fall under four categories (technical knowledge, review and supervision, professional scepticism, time and resources).

As an outcome of this analysis, the Firm develops a Quality Improvement Plan to address identified issues. The Quality Improvement Plan is reviewed and approved by our Assurance Leaders.

The quality improvement initiatives are developed based on the key aspects as outlined in Figure 23.

**Figure 23: Our quality improvement initiatives**



### Regular monitoring of audit quality

Throughout the year we monitor key indicators across a range of areas (Figure 24), to ensure we are abreast of any potential quality issues. These indicators are measured at a Firm and individual level. The indicators are used to encourage positive behaviours and provide the quality team with insight into potential issues.

**Figure 24: Audit quality indicators**





# *PwC in the Community*



## Our work with the community

### Fulfilling our Purpose

Whilst our mission is to build trust and solve important problems, we achieve this with corporate responsibility (CR) as a societal lens. As a firm this lens helps us to understand stakeholder expectations and societal trends, manage our activities in light of these and invest in positive societal change.

All of our staff are encouraged to be socially responsible as they are granted 2 (two) working days every year to be utilised for community projects around Indonesia. In 2016, our people spent at least 7,000 hours to make a difference in several NGOs and/or communities such as Gerakan Indonesia Mengajar Foundation, Kick Andy Foundation, The Learning Farm and Koperasi Mitra Dhuafa.



### Supporting education

With all the various programs we have, our main program is supporting education. We believe that capacity building to a talent through learning by doing will give a better impact for the future. Two of the initiatives where PwC is building capacity in students are:

- inviting selected college students to participate in the Young Business Advisor program. The program provides the students to work closely with senior PwC people and enable them to bridge the gap between education and the future workforce.
- stimulating college student's interest in finance and assurance by hosting mini-audit experiences providing them a real taste of what the job involves day to day.



### Providing assurance to the President's Cup I & II

President Jokowi highlighted the need to reform Indonesian football to enable Indonesia to compete again on a global scale. PwC was proud to play a part in this important process as the financial auditor of President's Cup I and II (2015 and 2017). Our objective is to build trust and enhance transparency of the flow of funds.

In May 2016 FIFA president, Gianni Infantino, confirmed the world's governing body council had ended Indonesia's ban after observing the actions of the Indonesian government to revive Indonesian football and increase its transparency; one of the noted actions was the successful President Cup.

In addition, PwC was appointed as the auditor for another soccer tournament, Sudirman Cup, initiated by Indonesia National Army (TNI). PwC will continue to support initiatives that in our view are important for the community and enhance the pride and passion of the country.

### General Volunteering

Volunteering is always be at the heart of our people. Several volunteering that we have are with Yayasan Karang Widya (The Learning Farm), Koperasi Mitra Dhuafa, Yayasan Bina Mandiri and some nearby schools.





### Blood Drives

For at least three times in a year, PwC holds a blood drive in PwC office. In 2016, 312 people participated and collected 200 blood bags with 50 liters of blood are collected.

### Environmental stewardship

At PwC, we are committed to environmental stewardship because we see it as critical to the long-term success and sustainability of our business and our clients' businesses. We also view environmental stewardship as critical to

our communities and to those who work within them, including our partners and staff. While we do not manufacture goods, we do a broad variety of initiatives that have wide-ranging impacts. These include: the use of technology (Webex) for meetings to minimise the greenhouse gas (GHG) emissions associated with our travel; minimizing the plastic and paper waste generated in our offices; and the effect we have on our people's daily choices, such as how to get to work. We focus on the areas where we can make the most difference, aiming to improve our performance continuously.



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# Contacts

## Want to know more?



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PwC Indonesia is comprised of KAP Tanudiredja, Wibisana, Rintis & Rekan, PT PricewaterhouseCoopers Indonesia Advisory, PT Prima Wahana Caraka, PT PricewaterhouseCoopers Consulting Indonesia, and Melli Darsa & Co., Advocates & Legal Consultants, each of which is a separate legal entity and all of which together constitute the Indonesian member firm of the PwC global network, which is collectively referred to as PwC Indonesia..

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