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PwC Vietnam Transparency Report 2016

*PricewaterhouseCoopers
(Vietnam) Ltd.*

Financial year ended

30 June 2016

Introduction

Introduction

Report overview

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

The Transparency Report is in respect of the financial year ended 30 June 2016.

The Transparency Report was approved and signed by Richard Peters as Assurance Partner of PricewaterhouseCoopers (Vietnam) Ltd. ('PwC Vietnam') on 27 September 2016.

Legal structure and ownership

PwC Vietnam is a one member company limited. It is wholly owned by PwC Indochina Holdings Inc. which was established in 1992 in British Virgin Islands.

Network arrangements

Network arrangements

PwC Network

PwC Network

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

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

PricewaterhouseCoopers International Limited

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

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

- **Global Board**, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of Network Standards. The Board does not have an external role. Board members are elected by partners from all PwC firms around the world every four years.
- **Network Leadership Team**, which is responsible for setting the overall strategy for the PwC network and the standards to which the PwC firms agree to adhere.
- **Strategy Council**, which is made up of the leaders of the largest PwC firms of the network, agrees the strategic direction of the Network and facilitates alignment for the execution of strategy.
- **Network Executive Team** is appointed by and reports to the Network Leadership Team. Its members are responsible for leading teams drawn from Network firms to coordinate activities across all areas of our business.

Governance structure of the firm

Governance structure of the firm

PwC Vietnam is structured along Business Units within Lines of Service. Client Engagement Leaders report to their Business Unit Leaders who in turn report to the Line of Service Leaders. The Line of Service Leaders are led by the Territory Senior Partner (TSP).

Internal quality control system

Internal quality control system

The following is a summary of the system of quality control that PwC Vietnam has adopted over its accounting and auditing practice.

Introduction

Firms of the PwC¹ network are members of, or otherwise connected to PricewaterhouseCoopers International Limited (“PwCIL”), an English private company limited by guarantee. Each member firm is a separate legal entity. All member firms are obliged to abide by certain common audit and quality control standards and policies approved by PwCIL and to conduct risk and quality reviews. PwC Vietnam's policies are based on these common standards and policies, which are supplemented to address local professional standards and regulatory requirements.

Quality control standards

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

1. Leadership Responsibilities for Quality within the Firm
2. Ethical Requirements
3. Acceptance and Continuance of Client Relationships and Specific Engagements
4. Human Resources
5. Engagement Performance
6. Monitoring

¹ "PwC" refers to the network of member firms of PricewaterhouseCoopers International Limited and/or one or more of its member firms, each of which is a separate legal entity.

Internal quality control system

1. Leadership responsibilities for quality within the firm

PwC Vietnam's leadership is committed to audit quality and has established a firm culture embracing high standards in independence and professional ethics. This leadership is embedded throughout the detailed policies endorsed by leadership, including ethical, human resources and engagement performance discussed below. It is also demonstrated by the tone at the top. There is a partner responsible for risk management and quality control relative to PwC Vietnam's client service operations, and audit quality. The partner in turn is supported by a team dedicated to quality.

2. Ethical requirements

Integrity and objectivity: The reputation and success of PwC Vietnam depend on the professionalism and integrity of each and every partner and employee. All PwC Vietnam partners and staff are expected to uphold and comply with the standards developed by the PwC global network and PwC Vietnam. PwC Vietnam monitors compliance with these obligations by its partners and dedicated team.

Upon hiring or admittance, all staff and partners of PwC Vietnam are provided with a copy of the PwC Global Code of Conduct. They are expected to live by the values expressed in the code in the course of their professional careers.

Independence: PwC Vietnam has adopted the PwC Global policies and related rules regarding independence and compliance, complemented when necessary by more restrictive local professional and regulatory rules. PwC Vietnam strictly monitors compliance with regulatory, professional, and PwC independence requirements related to financial interests in and business and service relationships with clients.

3. Acceptance and Continuance of Client Relationships and Specific Engagements

PwC Vietnam has implemented a process to identify acceptable clients 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 engagement team, business management and risk management specialists of whether the risks related to an existing client or a potential client are manageable, and whether or not PwC should be associated with the particular client and its management.

4. Human resources

PwC Vietnam's partners and staff regularly receive a thorough orientation to the culture, values and core attributes of PwC – Quality, Trust, Teamwork, Excellence and Leadership. PwC Vietnam aims to recruit only high quality staff that can operate as accounting and other experts in support of audits and who share in PwC Vietnam's strong sense of responsibility for auditing. Candidates are considered according to multiple criteria, including their academic achievement.

Internal quality control system

4. Human resources (continued)

Professional development: Training and development is an ongoing process. Training starts when a person is hired and continues throughout his or her career. PwC Vietnam's people participate in a variety of local and regional and international formal training courses and they will also be trained through on the job coaching and supervision.

Supervision and direction: Each engagement partner is responsible, in consultation with others as appropriate, for staffing engagements with partners and staff who have the professional competence and experience required in the circumstances. Further, each engagement partner is ultimately responsible for determining the extent of direction, supervision and review of the work of more junior staff to whom work is delegated.

5. Engagement performance

Consistent global methodology: PwC Vietnam uses a consistent audit methodology and process for audit engagements. The methodology is enhanced as necessary to respond to the changing environment. All audit engagement partners and staff receive ongoing training in this methodology.

Comprehensive policies and procedures: To complement the Global policies and procedures, PwC Vietnam has comprehensive policies and procedures governing local accounting and auditing practice that are constantly updated to reflect new professional developments and operating environment, and to address emerging issues, as well as the needs and concerns of the practice. These policies cover not only professional and regulatory standards, but also reflect the guidance that PwC provides to its professionals about how best to implement them. They are available in electronic files and databases, are regularly updated or supplemented for all current developments and are accessible remotely at any time.

Risk and Quality (R&Q): Consultation is a key element to quality control. PwC Vietnam has formal protocols setting out the circumstances under which consultation is mandatory. PwC Vietnam has access to all the technical resources to track new developments in accounting and auditing and provide updates to the appropriate professional staff. PwC Vietnam's consultative culture means that our engagement teams will regularly consult with experts and others beyond those that are formally required.

Internal quality control system

6. Monitoring

PwC Vietnam is responsible for monitoring the effectiveness of its quality control systems which includes carrying out, or arranging to be carried out on its behalf, independent reviews both at the management level of the Assurance practice's systems and procedures (known as Quality Management Review – QMR) and at the individual engagement level (known as Engagement Compliance Reviews - ECR) collectively referred to as the "Quality Review" process. The independent QMR and ECR are undertaken so that the firm and significant engagements are reviewed every year on a rotation basis. All assurance partners must have at least one of their engagements reviewed. The Quality Review process also involves periodic testing of the effectiveness of PwC Vietnam's quality controls in functional areas such as hiring, training, advancement and independence.

Quality monitoring is an integral part of the PwC Vietnam's continuous improvement program. PwC Vietnam constantly evaluates inputs from formal programs such as this and a variety of informal sources in an ongoing effort to improve policies, procedures and the consistency of the quality of work. Instances of failure to meet performance standards are treated seriously and the partner responsible is counselled to improve performance and appropriate steps are taken to fully encourage improvement including, where appropriate, the imposition of financial penalties.

The Partners of PwC Vietnam believe that the quality control environment described above complies with all applicable regulations and provides a reasonable basis for believing that statutory audits carried out by PwC Vietnam consistently meet the required quality standards.

External inspections

External inspections

PwC Vietnam is eligible to undertake the required statutory audit work by its registration with the Ministry of Finance, the regulatory body to supervise the profession of accountancy in Vietnam. In addition, from time to time, the Vietnam Association of Certified Public Accountants (“VACPA”), as nominated by the Ministry of Finance, undertakes an inspection of the quality of PwC Vietnam’s work as statutory auditors.

Following the decision no. 940/QD-UBCK dated 7 September 2016 of the Vice Chairman of the State Securities Commission (“SSC”) of Vietnam, an inspection had been carried out in September 2016 covering the period from 1 January 2015 to 31 August 2016. The inspection covers an assessment of the compliance of currently applicable regulations and the design and effectiveness of our quality management system, as well as a review of completed engagements. The overall result of these procedures as reported in the final report issued to the Firm dated 21 September 2016 are that:

- The firm has complied with applicable laws and regulations related to audit firm and practicing auditors.
- The quality control of the Firm is operating effectively as designed during the period covered and compliant with the local requirements; and
- The engagement files reviewed are compliant with the Vietnamese Standards of Auditing.

Public interest audit clients

Public interest audit clients

During the period covered by this Transparency Report, no audit report had been issued by PwC Vietnam relating to the financial statements of which have transferrable securities admitted to trading on a EU regulated market.

Independence procedures and practices

Independence procedures and practices

Organisation

Independence function has been incorporated and monitored on a SEAPEN basis. SEAPEN is a community covering PwC entities in Malaysia, Thailand, Laos, Cambodia and Vietnam. The Independence Team (including a dedicated resource for independence based in Vietnam) reports to Mr Boonlert Kamolchanokkul, SEAPEN Partner responsible for Independence ("PRI"). The Independence Team is responsible for providing appropriate support and processes such that partners and staff across SEAPEN are knowledgeable about independence matters and that they take the actions required of them by the firm's independence policies and supporting guidance. The PRI is supported by a team of independence specialists and collaborates with the regulatory partner, Ms Nguyen Phi Lan on matters relating to local policies and guidance.

Policies and guidance

The PwC Network Independence Policy, which is based on the International Ethics Standards Board for Accountants ('IESBA') Code of Ethics for Professional Accountants, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

The independence requirements of the United States Securities and Exchange Commission and those of the Public Company Accounting Oversight Board of the United States are, in certain instances, more restrictive than the firm's policy. Given the reach of these requirements and their impact on PwC Network Firms, the policy identifies key areas where these requirements are more restrictive.

PwC Vietnam supplements the PwC Network Independence Policy as required by local regulations.

The firm's independence policy covers, among others, the following areas:

- personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts and loans by partners, staff, the firm and its pension schemes;
- non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services ('SOPS'), which provide practical guidance on the application of the policy in respect of non-audit services to assurance clients; and
- business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business.

Independence procedures and practices

Training and confirmations

PwC Vietnam provides all partners and staff with annual or on-going training in independence matters. Training typically focuses on milestone training relevant to a change in position or role, changes in policy or external regulation and, as relevant, provision of services. Partners and staff receive computer-based training on PwC Vietnam's independence policy and related topics. Additionally, face-to-face training is delivered to members of the practice on an as-needed basis by PwC Vietnam's independence specialists and Risk and Quality team.

PwC Vietnam requires all partners and staff, upon joining and at least annually thereafter, to confirm their compliance with all aspects of PwC Vietnam's independence policy, including their own personal independence. In addition all partners and directors confirm that all non-audit services and business relationships for which they are responsible comply with policy and that PwC Vietnam's processes have been followed in accepting these engagements and relationships. These confirmations serve two primary purposes: to identify any threats to independence that may have arisen; and to provide a periodic reminder of PwC Vietnam's independence policies and procedures. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations for PwC Vietnam's SEC restricted and certain other financial services clients.

Independence systems

As a member of the PwC network, the firm has access to a number of global systems that assist PwC member firms and their personnel in complying with independence policies and procedures. These systems include:

- The Central Entity Service ("CES"), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the firm before entering into a new non-audit engagement or business relationship. This system also feeds GPS;
- The Independence Checkpoint ("Checkpoint") which facilitates the pre-clearance of publicly traded securities by all partners, directors and practice managers before acquisition and records their subsequent purchases and disposals. Where a member firm wins a new audit client, this system automatically informs those holding securities in this client of the requirement to sell the security where required; and
- Authorisation for Services ("AFS") which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documenting the potential independence threats of the service and proposed safeguards, and acts as a record of the audit partner's conclusion on the acceptability of the service.

Independence procedures and practices

Internal reviews of independence procedures and practices

Our independence procedures and practices are subject to internal review on an ongoing basis. This is achieved through a monitoring and testing programme, which includes the following:

- Quality control reviews of engagements to confirm compliance with risk management processes, including independence;
- Personal independence compliance testing of a random selection of partners and directors;
- Compliance testing of independence controls and processes; and
- Annual assessment of PwC Vietnam's adherence with the PwC network's independence risk management standard.

In addition, policies and guidance are reviewed and revised when changes arise such as updates to laws and regulations, when PwC Network policies and guidance change or as a result of the above reviews and of our monitoring and testing programme.

The results of PwC Vietnam's monitoring and testing are reported to its management on a periodic basis. The investigations of any identified violations of policies also serve to identify the need for improvements in PwC Vietnam's systems and processes and for additional guidance and training.

Disciplinary policy

PwC member firms are required to have disciplinary mechanisms to promote compliance with independence policies and processes and to report and address any violations of independence requirements. A partner or staff member may be subject to a fine or other disciplinary action for a violation of independence policy.

*Continuing
professional
education of partners
and staff eligible for
appointment as
statutory auditors*

Continuing professional education of partners and staff eligible for appointment as statutory auditors

PwC Vietnam maintains up-to-date reference materials which are accessible by all assurance practice partners and staff. These cover audit policy, procedure and methodology, and include a library of international accounting, auditing and ethical standards. To support and keep staff and partners' knowledge up to date, partners and staff receive regular communications on technical and regulatory topics as they arise. Support is available to partners and staff on auditing, accounting and regulatory requirements, including access to subject matter experts in specialist industries.

PwC Vietnam's internal training curriculum provides a broad range of technical solutions as well as business and personal skills programmes. There are also specialised training programmes available for those with clients in specialist industries. Through their participation in the internal objective setting and related performance appraisal processes, engagement leaders assess their on-going personal development needs and identify any necessary development activities, including in relation to quality. Unsatisfactory work results in reduced performance reward.

The PwC Global Code of Conduct sets expectations of behaviour and values. Mandatory ethics and business conduct training covers the Code of Conduct as well as ethical, accounting, auditing and other regulatory matters.

PwC Vietnam also monitors compliance with Continuing Professional Development requirements, including the completion of mandatory training programmes, so that PwC Vietnam's services are delivered by individuals who have the right experience and – where required – are qualified under relevant legislative and other applicable requirements.

Financial information

Financial information

During the years ended 30 June 2016 and 2015, there were no assurance services rendered to clients which have transferable securities admitted to trade on the EU regulated market.

Remuneration

Remuneration

Remuneration

Partners are remunerated solely out of the profits of PwC Vietnam. Audit partners are not permitted to be incentivised, evaluated or remunerated for the selling of non-audit services to their audit clients.

The final allocation and distribution of profit to individual Partners is made by the Territory Senior Partner, once their performance has been assessed and the annual financial statements have been approved.

Each Partner's performance income is determined by assessing achievements against an individually-tailored balanced scorecard of objectives, based on the Partner's role and responsibilities. There is transparency among the Partners over the total income to be allocated.

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At PwC Vietnam, our purpose is to build trust in society and solve important problems. We're a member of the PwC network of firms in 157 countries with more than 208,000 people who are committed to delivering quality in assurance, advisory, tax and legal services. Find out more and tell us what matters to you by visiting us at www.pwc.com/vn.

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