



**A.F. FERGUSON & CO.**  
(A member firm of PricewaterhouseCoopers Network)

**Transparency Report 2019**

**Introduction**

This Transparency Report is published in accordance with article 13 of the Regulation (EU) No. 537/2014 on statutory audits.

The Transparency Report is in respect of the financial year ended June 30, 2019.

The Transparency Report was approved by the Territory Senior Partner of A.F. Ferguson & Co., and signed on its behalf by M. Imtiaz Aslam, Partner on October 30, 2019.

At PwC, our purpose is to build trust in society and solve important problems. We are a network of firms in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, advisory and tax services.

**Legal structure and ownership of the Firm (Article 13 (2) (a))**

A.F. Ferguson & Co., is a partnership formed under the laws of Pakistan. It is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. It has offices in Karachi, Lahore and Islamabad. It is wholly owned by the partners of the firm. It had 40 partners in the following lines of service at June 30, 2019:

Line of Service	No. of partners
Assurance and Business Advisory Services	23
Tax and Legal Services	11
Global Risk Management Services/Technology	6

**Network Arrangements (Article 13 (2) (b))**

*PwC Network*

PwC is the brand under which the member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. Together, these firms form the PwC network. 'PwC' is often used to refer either to individual firms within the PwC network or to several or all of them collectively.

In many parts of the world, accounting firms are required by law to be locally owned and independent. Although regulatory attitudes on this issue are changing, PwC member firms do not and cannot currently operate as a corporate multinational. The PwC network is not a global partnership, a single firm, or a multinational corporation.

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For these reasons, the PwC network consists of firms which are separate legal entities.

*PricewaterhouseCoopers International Limited*

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

The PwC network is not one international partnership and PwC member firms are not otherwise legal partners with each other. Many of the member firms have legally registered names which contain "PricewaterhouseCoopers", however there is no ownership by PwCIL. A member firm cannot act as agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm, and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control 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 and regions of the network, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy.
- **Global Leadership Team** is appointed by and reports to the Network Leadership Team and the Chairman of the PwC network. Its members are responsible for leading teams drawn from network firms to coordinate activities across all areas of our business.

The Territory Senior Partner of A.F. Ferguson & Co. maintains our relationships with the Network Leadership Team.

A. F. Ferguson & Co.'s policies are based on the common standards and policies of PwC, which are supplemented to address local professional standards and regulatory requirements.

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Members of the PwC network, acting as statutory auditors in the countries of the European Union/European Economic Area are attached as annexure I.

The total revenue of the above mentioned member firms from the statutory audit of annual and consolidated financial statements is approximately Euros 3.1 billion. This represents the total revenue from each firm's most recent financial year converted at the exchange rate prevailing at that financial year end date.

### **Governance structure of the Firm (Article 13 (2) (c))**

Every three years, the Council of Partners (all active Partners) elects a Territory Senior Partner. The Territory Senior Partner forms a National Board. Other committees are formed for the proper functioning of the Firm. As of June 30, 2019, the National Board comprised of seven members and was chaired by Territory Senior Partner. The Council of Partners acts as the Oversight Board of the Firm.

### **Internal quality control system (Article 13 (2) (d))**

#### *Quality Management for Service Excellence*

Delivering service of the highest quality is core to our purpose and our assurance strategy, the focus of which is to strengthen trust and transparency in our clients, in the capital markets and wider society.

To help A. F. Ferguson & Co. put this strategy into effect, the PwC network has established a framework for quality management which integrates quality management into business processes and the firm-wide risk management process. The framework introduces an overall quality objective for the Assurance practice focused on having the people and processes to deliver services in an effective and efficient manner that meets the expectations of our clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and our quality management system (QMS) must be designed and operated so that these objectives are achieved with reasonable assurance. The achievement of these objectives is supported by a quality management process established by our Assurance leadership, business process owners, and partners and staff. This quality management process includes:

- Identifying risks to achieving the quality objectives
- Designing and implementing responses to the assessed quality risks
- Monitoring the design and operating effectiveness of the policies and procedures through the use of process-integrated monitoring activities such as real-time assurance as well as appropriate Assurance quality indicators
- Continuously improving the quality management system when areas for improvement are identified by performing root cause analyses and implementing remedial actions and
- Establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration, and career progression decisions.

#### **Real Time Assurance**

We have developed a Real Time Quality Assurance ("RTA") program to provide our firm with a process and tool for monitoring and supporting quality leveraging current technology opportunities.



The RTA program is designed to be a preventive monitoring program that further supports engagement teams get the 'right work' completed during the audit. It enables us to cover both a wide range of engagements and Assurance quality indicators through our internal monitoring processes with standardization and automation saving time and resources.

#### Assurance Quality Indicators

We have identified a set of Assurance Quality Indicators (AQIs) that support our Assurance leadership team in the early identification of potential risks to quality. This quality risk analysis is an essential part of our QMSE, and the AQIs, in addition to other performance measures, provide a tool which assists us in monitoring the effectiveness of our QMS.

#### Root cause analysis

We perform analyses to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. One of our primary objectives when conducting such analyses is to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at audits both with and without deficiencies – whether identified through our own internal inspection process or through external inspections – to help identify possible distinctions and learning opportunities.

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

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

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

#### Recognition and Accountability Framework

Our Recognition and Accountability Framework ("RAF") reinforces quality in everything our people do in delivering on our strategy, with a focus on the provision of services to our clients, how we work with our people and driving a high quality culture. It holds Partners, including non-Partner Engagement Leaders accountable for quality outcomes. Our RAF considers and addresses the following key elements:

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- Quality outcomes: We provide transparent quality outcomes to measure the achievement of the quality objectives. Our quality outcomes take into account meeting professional standards and the PwC Network and our firm's standards and policies
- Behaviours: We have set expectations of the right behaviours that support the right attitude to quality, the right tone from the top and a strong engagement with the quality objective.
- Interventions/ recognition: We have put in place interventions and recognition that promotes and reinforces positive behaviours and drives a culture of quality.
- Consequences/ reward: We have implemented financial and non-financial consequences and rewards that are commensurate to outcome and behaviour and sufficient to incentivize the right behaviours to achieve the quality objectives.

#### *Quality control standards*

Compliance with International Standards on Auditing ("ISA") requires A. F. Ferguson & Co., to have a system of quality control over its auditing practice. These controls are embedded as a part of A. F. Ferguson & Co.'s day-to-day activities. The quality control system is in compliance with International Standards on Quality Control (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, A. F. Ferguson & Co.'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. Leadership Responsibilities for Quality within the Firm**

A.F. Ferguson & Co.'s leadership is committed to audit quality and has established a firm culture embracing high standards in independence and professional ethics. This culture is embedded throughout the detailed policies endorsed by leadership, including ethical, human resources and engagement performance discussed below. It is also demonstrated by the dedication of resources to quality. There are partners responsible for risk management and quality control relative to A. F. Ferguson & Co.'s client service operations who report directly to the Territory Senior Partner.

Firm leadership regularly conveys its expectations about audit quality to our partners and other professionals. This includes recognizing what we do well, emphasizing where we can improve, and providing examples of where we held our high standards. These messages reinforce that audit quality is our top priority and make clear that the Firm supports partners in standing firm in the name of quality. Quality messages are regularly communicated to partners and other professionals through face-to-face meetings, e-mail communications, learning and development programs, and individual goal setting and performance evaluation.

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Annually we conduct a Partner and staff survey, the Global People Survey, which also identifies areas which could contribute to audit quality. This is derived from PwC's global staff survey, the questions are applicable across all lines of service and the results feed into our global reporting on people engagement. The learning and identified actions from our Global People Survey results are then embedded into a detailed plan for leadership review and focusing on corrective actions throughout the year, which are aligned with our PwC People Priorities (Vision 2020) and PwC Professional Framework (our staff development and leadership attributes). This creates an environment of continuous improvement through our everyday activities which also aligns with our values.

## 2. *Ethical requirements*

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

- a. **Integrity** – to be straightforward and honest in all professional and business relationships.
- b. **Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- c. **Professional Competence and Due Care** – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practise, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- d. **Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.
- e. **Professional Behaviour** – to comply with relevant laws and regulations and avoid any action that discredits the profession.

In addition, our Network Standards applicable to all Network firms cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/fair-competition, anti-corruption, information protection, firm's and partner's taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC Network and leadership in A. F. Ferguson & Co. monitors compliance with these obligations.

In addition to the PwC Values (Act with Integrity, Make a difference, Care, Work together, Reimagine the possible) and PwC Purpose, A.F. Ferguson & Co. has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals- behaviours that will enable us to build public trust. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal- to do the right thing.

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Upon hiring or admittance, all staff and partners of A. F. Ferguson & Co. are provided with the PwC Global Code of Conduct. They are expected to live by the values expressed in the Code in the course of their professional careers and have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing behaviours inconsistent with the Code. Each firm in the PwC Network provides a mechanism to report issues. There is also a confidential global reporting option on [pwc.com/ codeofconduct](http://pwc.com/codeofconduct). A.F.Ferguson & Co. has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

The PwC Code of Conduct is available on-line for all internal and external stakeholders @ [pwc.com/ ethics](http://pwc.com/ethics).

#### *Independence*

As auditors of financial statements and providers of other types of professional services, PwC member firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance clients, independence underpins these requirements. Compliance with these principles is fundamental to serving the capital markets and our clients.

The PwC Global Independence Policy, which is based on the IESBA International 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.

A.F. Ferguson & Co. has a designated partner (known as the 'Partner Responsible for Independence' or 'PRI') with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a small team of independence specialists. The PRI reports directly to the Territory Senior Partner. A detailed introduction to our "Independence policies and practices" is given in a separate paragraph.

### **3. Acceptance and Continuance of Client Relationships and Specific Engagements**

#### *Considerations in accepting and continuing an audit client relationship*

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

#### *Client and Engagement Acceptance and Continuance*

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

- **Engagement teams:**
  - to document their consideration of matters required by professional standards related to acceptance and continuance;
  - to identify and document issues or risk factors and their resolution, for example through consultation, by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
  - to facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement.
- **Member firms (including member firm leadership and risk management):**
  - to facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements;
  - to provide an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio; and
  - to understand the methodology, basis and minimum considerations all other member firms in the Network have applied in assessing audit acceptance and continuance.

#### **4. Human resources**

A. F. Ferguson & Co.'s partners and staff are regularly educated on the PwC strategy, values and foundational behaviours needed to drive a high performance mindset. A. F. Ferguson & Co., aims to recruit only high quality staff that can operate as accounting and other experts in support of audits and who can share in A. F. Ferguson & Co.'s strong sense of responsibility for auditing. Candidates are considered according to multiple criteria, including their academic achievement and technical capabilities.

**Professional development:** Training and development is an ongoing process. Training starts when a person is hired and continues throughout his/her career. A. F. Ferguson & Co.'s people participate in a variety of local, regional and international formal training courses and they are also 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. Further, see paragraph "Continuing education" below.

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## 5. *Engagement performance*

### *PwC Audit*

As a member of the PwC Network, A. F. Ferguson & Co. has access to and uses PwC Audit, a common audit methodology and process. This methodology is based on the International Standards on Auditing (ISAs), with additional PwC policy and guidance provided where appropriate. PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. Our common audit methodology provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements. This is supplemented with our local regulatory requirements arising from the Companies Act, 2017 and Securities and Exchange Commission of Pakistan directives.

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

### *Developed technology*

We continue to invest in audit technology that builds quality into the audit and enhances our ability to provide insights to our clients. Our technology is built and implemented globally ensuring consistency across the PwC Network.

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

- The Connect Suite is our collaborative platform where we share data, document requests and audit status. It provides fast, efficient and secure information sharing with our clients and multi-location audit teams at every stage of the audit:
  - Connect monitors the status of requests and information between our clients and the engagement team in real time. Audit and client teams know where things stand at all times through a consolidated dashboard showing all sites, digitisation of engagement matters, and automated key performance indicators.
  - Connect Audit Manager streamlines, standardises and automates group and component teams coordination for multi-location and statutory/regulatory audits. It provides a single digital platform to see all outbound and inbound work and digitises the entire coordination process so there's greater transparency, compliance and quality for complex multi-location audits.
- Count facilitates the end-to-end process for inventory counts, allowing our engagement teams to create and manage count procedures, counters to record results directly onto their mobile device or tablet and engagement teams to export final results into Aura. Engagement teams with multiple locations can standardise instructions and manage results through a single portal.

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- PwC's Confirmation System makes it easy for clients to return requested information securely. Automated, flexible technology means it works for virtually all confirmation types – from accounts receivable to derivatives to loans to inventory. We continue to invest in audit technology that builds quality into the audit and enhances our ability to provide insights to our clients. Our technology is built and implemented globally ensuring consistency across the PwC Network.

A. F. Ferguson & Co., 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.

To complement the Global policies and procedures, A. F. Ferguson & Co., 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 A. F. Ferguson & Co., 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.

Consultation is a key element to quality control. A. F. Ferguson & Co., has formal protocols setting out the circumstances under which consultation is mandatory. A. F. Ferguson & Co., is supported by a Technical Department that tracks new developments in accounting and auditing, and provides updates to the appropriate professional staff. A. F. Ferguson & Co.'s consultative culture means that our engagement teams regularly consult with experts and others beyond those that are formally required.

## **6. *Monitoring of Assurance Quality***

We recognize that quality in the Assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element to our Assurance strategy.

Responsibility for appropriate quality management lies with the leadership of A. F. Ferguson & Co ("our firm"). This includes effective monitoring processes aimed at evaluating whether the policies and procedures which constitute our Quality Management System are designed appropriately and operating effectively to provide reasonable assurance that our audit and non-audit assurance engagements are performed in compliance with laws, regulations and professional standards.

Our firm's monitoring program is based on the PwC Network's Global Assurance Quality Review (GAQR) Program. This program, which is based on professional standards relating to quality control including ISQC1, contains policies, procedures, tools and guidance which are used by PwC Network firms. The GAQR program is coordinated by a central team which consists of a GAQR Leader with a group of International Team Leaders (ITL) who are senior partners seconded to the GAQR central team by PwC member firms. Provision of oversight by the ITLs and their continuous involvement and support enable consistent and effective performance of reviews across the PwC network.

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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 (Engagement Compliance Reviews - ECR). The results of these procedures form the basis for the continuous improvement of our quality management system.

ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals 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 applicable engagement-related policies and procedures. Each signer is reviewed at least once every five years, unless a more frequent review is required.

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 the quality reviews are reported to our firm's leadership who are responsible for analyzing the findings and implementing remedial actions as necessary. In situations where adverse quality issues on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or our firm's Assurance leadership personnel may be subject to additional mentoring, training or where appropriate, the imposition of financial penalties in accordance with our firm's Accountability Framework.

Partners and employees of our firm are informed about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of their engagements. In addition, the GAQR Leader informs engagement partners of our firm, who are responsible for group audits involving cross-border work, about relevant quality review findings in other PwC member firms which enables our partners to consider these findings in planning and performing their audit work.

The partners of A. F. Ferguson & Co. believe that the quality control environment described above complies with all applicable regulations and provides a reasonable basis for believing that audits carried out by A. F. Ferguson & Co. consistently meet the required quality standards.

#### **External inspections (Article 13 (2) (e))**

A. F. Ferguson & Co., is eligible to undertake statutory audit as prescribed under the relevant regulations by virtue of its registration with the Institute of Chartered Accountants of Pakistan (ICAP). ICAP undertakes an inspection of the quality of A. F. Ferguson & Co.'s work in all offices as statutory auditors after every two years. In October 2019, ICAP issued a satisfactory rating for the Firm's System of Quality Control and Engagement Reviews conducted. The Quality Control Review (QCR) rating is valid till October 2, 2021 after which a fresh review will be conducted.

#### **Relevant audit clients (Article 13 (2) (f))**

During the period covered by this Transparency Report, A. F. Ferguson & Co. has signed an audit report for Oil and Gas Development Company Limited (OGDCL) that has transferrable securities listed on a regulated market in United Kingdom.

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**Independence policies and practices (Article 13 (2) (g))**

The PwC Global Independence Policy covers, among others, the following areas:

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

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

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

A.F. Ferguson & Co. supplements the PwC Network Independence Policy as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Public Sector Companies (Corporate Governance) Rules, 2013, Listing Regulations of Pakistan Stock Exchange and the requirements of the Companies Act, 2017 of Pakistan, where they are more restrictive than the Network's Policy.

*Independence-related tools*

As a member of the PwC Network, A. F. Ferguson & Co. has access to a number of systems and tools which support PwC member firms and their personnel in executing and complying with our independence policies and procedures. These include:

- The Central Entity Service ('CES'), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the member firm before entering into a new non-audit engagement or business relationship. This system drives the 'Independence List' and also feeds Independence Checkpoint;
- 'Independence Checkpoint' which facilitates the pre-clearance of publicly traded securities by all partners and practice managers before acquisition and records their subsequent purchases and disposals. Where a PwC member firm wins a new audit client, this system automatically informs those holding securities in that client of the requirement to sell the security where required;

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- Authorization 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 created by the service and proposed safeguards, and acts as a record of the audit partner's conclusion on the permissibility of the service; and
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory). It can also be used for intra-territory reporting (e.g. in a single territory situation) in the absence of a local equivalent alternative system or procedure.

A.F. Ferguson & Co. has Pakistan-specific systems /database to:

- monitor compliance with the Firm's audit rotation policies for partners involved in an audit;
- record all approved directorships and similar positions held by partners and staff; and
- record all approved joint business relationships entered into by A. F. Ferguson & Co. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.

#### *Independence training and confirmations*

A.F. Ferguson & Co. provides all partners and practice staff with annual or on-going training in independence matters. Training typically focuses on milestone training relevant to a change in position or role, changes in policy or external regulation and, as relevant, provision of services. Partners and staff receive computer-based training on A. F. Ferguson & Co.'s independence policies and related topics. Additionally, face-to-face training is delivered to members of the practice on an as-needed basis by A. F. Ferguson & Co.'s independence specialists and risk and quality teams.

All partners and practice staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the member firm's independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations required for audit and advisory engagement teams.

#### *Independence monitoring and disciplinary policy*

A.F. Ferguson & Co. is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, we perform:

- Compliance testing of independence controls and processes;

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- Personal independence compliance testing of a random selection of, at a minimum, partners and managers as a means of monitoring compliance with independence policies; and
- An annual assessment of the member firm's adherence with the PwC Network's independence risk management standard.

The results of A. F. Ferguson & Co.'s monitoring and testing are reported to the firm's management on a regular basis with a summary reported to them on an annual basis.

A.F. Ferguson & Co. has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

This would include, an evaluation of the impact of the breach on the independence of the member firm, the need to discuss the same with the client's audit committee and the need for safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in A.F. Ferguson & Co.'s systems and processes and for additional guidance and training.

#### **Continuing education (Article 13 (2) (h))**

We and other PwC member firms are committed to delivering quality assurance services around the world. To maximise consistency in the Network the formal curriculum, developed at the Network level, provides access to training materials covering: the PwC audit approach and tools – this includes updates on auditing standards and their implications, as well as areas of audit risk and areas of focus for quality improvement.

This formal learning is delivered using a blend of delivery approaches, which include remote access, classroom learning, and on-the-job support. The curriculum supports our primary training objective of audit quality, while providing practitioners with the opportunity to strengthen their technical and professional skills, including professional judgement while applying a skeptical mindset.

The design of the curriculum allows us to select, based on local needs, when we will deliver the training. Our Learning & Education leader then considers what additional training is appropriate – formal and/ or informal – to address any additional specific local needs.

The modular content along with innovative learning approaches have led to formal recognition from the broader learning community. In both 2017 and 2018, PwC's Learning and Education won a Brandon Hall Group silver award for excellence in the "Best Strategy for a Corporate Learning University" © 2017, 2018 Brandon Hall Group, Inc.

*ADW*



A.F. Ferguson & Co., 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 and local 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.

A.F. Ferguson & Co.'s internal training curriculum provides a broad range of technical solutions as well as business and personal skills programs. There are also specialized training programs 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.

Attendance at required training courses is monitored and is an important component of an individual's performance assessment. In addition, many courses are followed by learning assessments. These assessments help extend the learning experience by testing knowledge gained during the course, and providing participants with a better understanding of where they could improve.

A.F. Ferguson & Co. also monitors compliance with Continuing Professional Development requirements, including the completion of mandatory training programs, so that A. F. Ferguson & Co.'s services are delivered by individuals who have the right experience and — where required — are qualified under relevant legislative and other applicable requirements.

#### **Remuneration (Article 13 (2) (i))**

Partners are remunerated solely out of the profits of A. F. Ferguson & Co. Audit partners are not permitted to be incentivized, evaluated or remunerated for the selling of non-audit services to their audit clients.

The final allocation and distribution of profit to individual Partner is made, in accordance with the Partnership Deed applicable, once the annual financial statements have been finalized. The Council of Partners approved the process and oversees its application.

Each Partner's remuneration comprises of various elements agreed upon by the Partnership for that year.

#### **Rotation Policy (Article 13 (2) (j))**

A.F. Ferguson & Co. follows the policy concerning the rotation of key audit partners and staff as prescribed in the Companies Act, 2017, Listing Regulations of Pakistan Stock Exchange and the requirements of PwC network, which requires the companies in the financial sector to change their external auditors every five years and all listed companies to rotate the engagement partner after every five years. For non-listed High Profile clients (HPC) / Public Interest Entities (PIE), the maximum period of involvement for the engagement partner is 7 years. For all other entities other than listed, PIE and HPC, maximum period of engagement partner involvement is 10 years. There is no rotation requirement for Very Small Entity (VSE) clients.

*ADD*

**Financial Information (Article 13 (2) (k))**

During the year ended June 30, 2019, we carried out statutory audit of the financial statements of OGDCL for the year ended June 30, 2018, which has transferrable securities listed on EU/EEA regulated market. Revenue disclosures required by Article 13 item 2(K) are as follows:

- i. Assurance revenues earned from OGDCL represented Pak Rupees 9,059,500 for the year ended June 30, 2019.
- ii. Assurance revenues earned from all other clients represented Pak Rupees - 1,210,212,795 for the year ended June 30, 2019.
- iii. Non-assurance services revenues earned from OGDCL represented Pak Rupees 18,404,835 for the year ended June 30, 2019.
- iv. Non-assurance services revenues earned from all other clients represented Pak Rupees 2,338,072,592 for the year ended June 30, 2019.



M. Imtiaz Aslam  
Partner and Member National Board  
A.F. Ferguson & Co.  
Islamabad



Annexure I  
(1 of 2)

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Members of the PwC network, who act as statutory auditors in the countries of the European Union/European Economic Area are:

Name of Firm	Name of Country
PwC Wirtschaftsprüfung GmbH, Wien	Austria
PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz	Austria
PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt	Austria
PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz	Austria
PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg	Austria
PwC Österreich GmbH, Wien	Austria
PwC Bedrijfsrevisoren bcvba/Reviseurs d'enterprises scrl	Belgium
PwC Audit Services SPRL	Belgium
PricewaterhouseCoopers Audit OOD	Bulgaria
PricewaterhouseCoopers d.o.o	Croatia
PricewaterhouseCoopers Limited	Cyprus
PricewaterhouseCoopers Audit s.r.o	Czech Republic
PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab	Denmark
AS PricewaterhouseCoopers	Estonia
PricewaterhouseCoopers Oy	Finland
PricewaterhouseCoopers Audit	France
PricewaterhouseCoopers Entreprises	France
PricewaterhouseCoopers France	France
PricewaterhouseCoopers Services France	France
PwC Entrepreneurs CAC	France
PwC Entrepreneurs Commissariat aux Comptes	France
PwC Entrepreneurs Audit	France
PwC Entrepreneurs Audit France	France
PwC Entrepreneurs CAC France	France
PwC Entrepreneurs Commissariat aux Comptes France	France
PwC Entrepreneurs France	France
PwC Entrepreneurs Services	France
Expertise et Audit Lafarge	France
M. Philippe Aerts	France
M. Pierre Blanquart	France
M. Jean-François Bourrin	France
M. Jean-Laurent Bracieux	France
M. Didier Brun	France
Mme Elisabeth L'Hermite	France
M. François Miane	France



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## Name of Firm

## Name of Country

M. Yves Moutou	France
M. Claude Palméro	France
M. Pierre Pégaz-Fiornet	France
M. Antoine Priollaud	France
PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft	Germany
Wibera WPG AG	Germany
PricewaterhouseCoopers Auditing Company SA	Greece
PricewaterhouseCoopers Könyvvizsgáló Kft.	Hungary
PricewaterhouseCoopers ehf	Iceland
PricewaterhouseCoopers	Ireland
PricewaterhouseCoopers Spa	Italy
PricewaterhouseCoopers SIA	Latvia
PricewaterhouseCoopers GmbH, Vaduz	Liechtenstein
PricewaterhouseCoopers UAB	Lithuania
PricewaterhouseCoopers, Société coopérative	Luxembourg
PricewaterhouseCoopers	Malta
PricewaterhouseCoopers Accountants N.V.	Netherlands
Coöperatie PricewaterhouseCoopers Nederland U.A.	Netherlands
PricewaterhouseCoopers AS	Norway
PricewaterhouseCoopers Polska sp. z. o.o.	Poland
PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.	Poland
PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp. k.	Poland
PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais do Contas Lda	Portugal
PricewaterhouseCoopers Audit S.R.L.	Romania
PricewaterhouseCoopers Slovensko, s.r.o.	Slovakia (Slovak Republic)
PricewaterhouseCoopers d.o.o.	Slovenia
PricewaterhouseCoopers Auditores, S.L.	Spain
PricewaterhouseCoopers AB	Sweden
Öhrlings PricewaterhouseCoopers AB	Sweden
PricewaterhouseCoopers LLP	UK
James Chalmers	UK
Katharine Finn	UK

ADD -