



**Grant Thornton**

An instinct for growth™

# Transparency report

Grant Thornton (Cyprus) Limited

April 2019



# Contents

A focus on quality	3
Legal structure and ownership	4
Governance and management	5
About Grant Thornton International Ltd (GTIL)	7
Driving quality	12
Risk management	22
People and Culture	27
Corporate Social Responsibility (CSR)	32
Financial information	34
Public Interest Entities (PIEs)	35

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# A focus on quality

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## Welcome to the Grant Thornton (Cyprus) Limited transparency report for 2018.

In our profession, reputation and quality lie at the heart of our business. Certainly at Grant Thornton we constantly remind ourselves that quality, across every service line, is fundamental to our business.

This report is an opportunity for us to share the work we do to underpin our commitment to quality and to ensure that a career in audit at Grant Thornton remains an attractive destination for our current and future workforce. It is a chance for us to communicate to our regulators, our clients and other stakeholders what we are doing to put quality at the heart of everything we do and to improve upon our current position in the areas identified by this report.

Audit and assurance have always been and continue to be an important part of our business. Delivering the highest quality work is a key benchmark by which we measure our success in this area. We continue to focus on enhancing audit quality and independence, particularly in light of continuing changes in the audit profession.

As one of the steps on this journey, Grant Thornton International Ltd (GTIL) has recently formed a Grant Thornton global audit quality steering committee made up of leaders from various member firms representing all service lines.

This is just one of the many initiatives the network has planned to invest in quality, invest in our people and invest in our clients.

Apart from audit, tax, advisory and outsourcing services, we have formed new departments, enabling us to serve our clients on a multi-disciplinary basis. Experts of Distributed Ledger Technologies (Blockchain), Cybersecurity, Funds and Regulatory Compliance and enhanced Reorganisation and Insolvency are now available to undertake relevant projects.

I am passionate about everything that we do at Grant Thornton. As a member of a network with more than 50,000 people in over 135 countries, we work hard to promote transparency, execute high quality audits, manage risks and uphold our independence. If there is anything in this report that you would like to know more about, please get in touch.

I look forward to hearing from you.

**Stavros Ioannou**  
CEO, Grant Thornton (Cyprus) Ltd

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# Legal structure and ownership

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## Legal structure

Grant Thornton (Cyprus) Limited is incorporated in Cyprus as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113, with a registration number 267530. Our professional activities are conducted through the company.

## Ownership

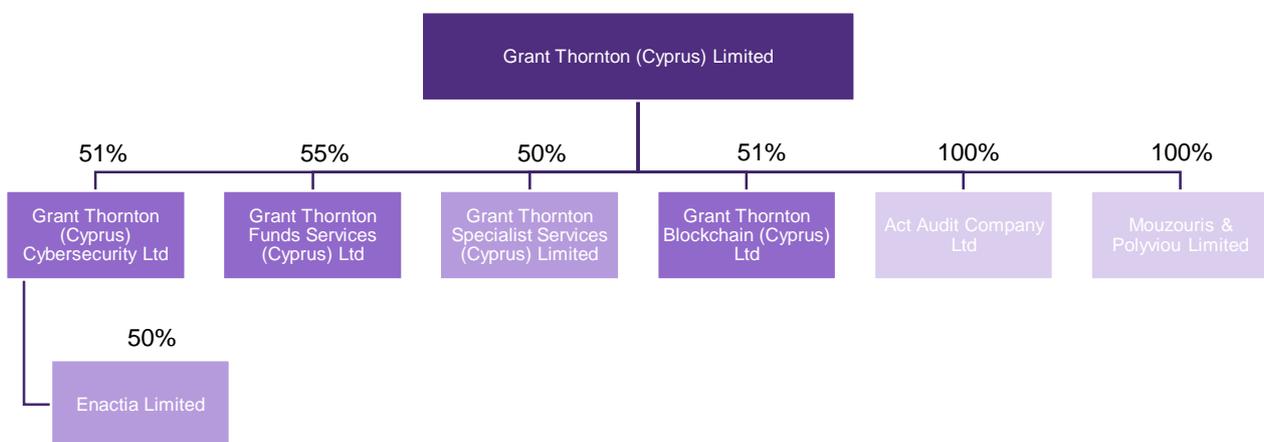
The firm is entirely owned by its members (normally referred to as partners). A list of the members is available for inspection at the registered office: 41-49 Agiou Nicolaou, Nimeli Court, Block C, 2408 Engomi, Cyprus

## Our business

Grant Thornton is a leading financial and business advisory firm focused on working with dynamic organisations. We are structured to be aligned with the markets we serve, large and complex, dynamic mid-market and public services, and enabling us to offer our clients a great depth of expertise delivered in a distinctive and personal way. Our principal services are audit, tax and advisory services. A full list of our services can be found on our website.

During the year 31 December 2018 the average number of employees was 140 (2017:130) and they operated from the offices in Nicosia and Limassol. Our website has a current list of our office addresses.

## Group structure



- Active subsidiaries
- Active JV affiliate
- Dormant subsidiaries

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# Governance and management

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We are committed to a strong culture of excellence and ethics. Our partners set the tone in the business and inspire our people to commit to the highest standards of behaviour and performance. We continually evaluate developments in corporate governance and benchmark our performance against them.

## Members of the board during the year ended 31 December 2018

- Stavros Ioannou, CEO
- Augoustinos Papatomas\*
- Stelios Loizides
- George Poulos
- George Karavis
- Stephen Michaelides
- Achilleas Achilleos\*
- Nicos Mouzouris
- Polys Polyviou
- Froso Yiangoulli
- Antonis Loyides\*\*
- Melpo Konnari

\*departed on 28 February 2018

\*\*departed on 30 November 2018

The company's rights and obligations, our governance framework, and the key responsibilities for the management of our business are set out in the company's Memorandum and Articles of Association. All the members vote to confirm the appointment of the CEO, which gives the CEO the authority to exercise strong and effective leadership of the business. The CEO along with the members of the board are empowered to run the firm as an executive function.

### Management of our business

Management of the firm is the responsibility of the members of the board, headed by the CEO and includes, amongst other duties:

- ensuring that the firm operates within the company's governance framework formulating the firm's strategy and policies
- the profitable management of the firm
- the appointment, appraisal and (where necessary) the removal of partners and staff, and determining their remuneration.

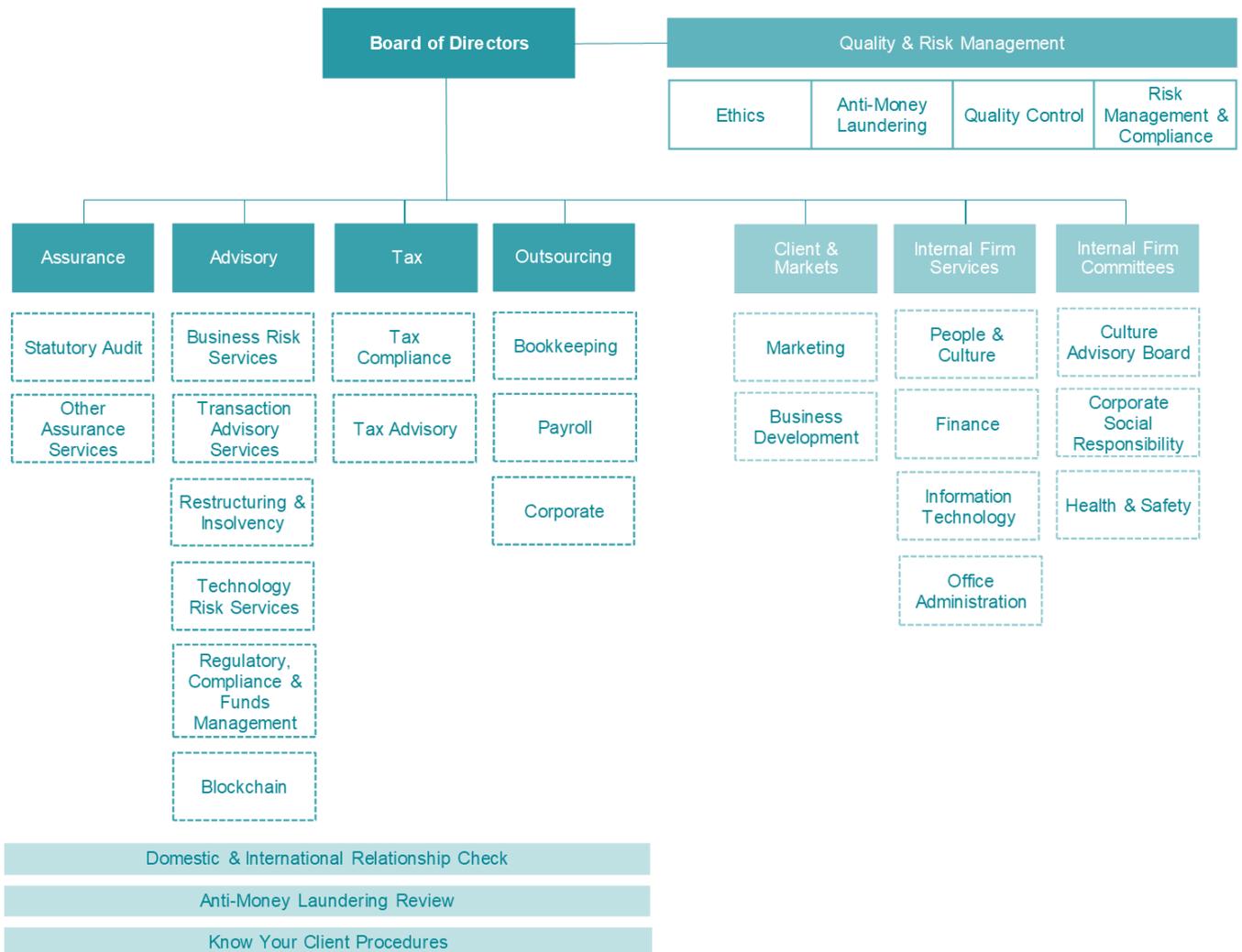
### In the profession

We are committed to investing the time of our senior people in professional leadership positions. This ensures that our clients have access to excellent technical support and awareness of emerging issues, and that their interests are properly represented as public policy develops. Our partners and senior management are actively involved in various committees regarding the profession. Specifically, we have representatives on various committees of ICPAC, our regulatory body:

- Stephen Michaelides, International Business and Foreign Investments Committee
- Antonis Loyides, Accounting Standards (IFRS) committee\*
- Froso Yiangoulli, Auditing Standards committee
- Dimitrios Chioureas, Events committee

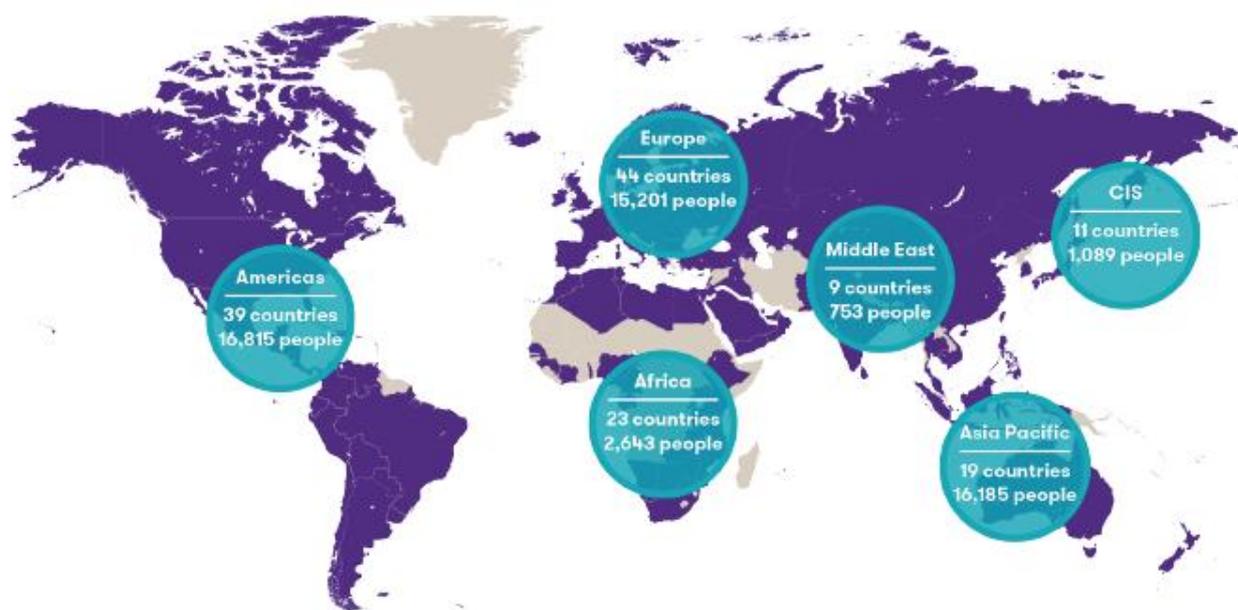
\*departed on 30 November 2018

The below organisation chart presents Grant Thornton (Cyprus) Limited structure



\* Within the Ethics function, lies ultimate responsibility for client Acceptance / Re-Acceptance, Domestic Checks and International Relationship Checks

# About Grant Thornton International Ltd (GTIL)



Our distinctive client experience sets us apart



USD5.45bn  
(2018 revenue)



53,000+  
people



700+  
offices



140+  
countries

Grant Thornton (Cyprus) Limited is the Cyprus member firm of GTIL. GTIL is a private company limited by guarantee, incorporated in England and Wales. It is an umbrella organisation that does not provide services to clients. Services are delivered by member firms around the world using common methodologies ensuring the clients of all member firms have a consistent experience and standard.

## About GTIL

As of 30 September 2018, GTIL had more than 140 member firms and more than 53,000 people. Each member firm is a separate legal entity. Membership of the global network does not make any firm responsible for the services or activities of other member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts and omissions. Member firms carry the Grant Thornton name, either exclusively or as part of their national practice names.

The total turnover from audit firms that are members of the GTIL networks in European Union (EU) or European Economic Area (EEA) member states from the statutory audit of annual and consolidated financial statements, calculated to the best extent possible, is approximately USD 545 million. This represents the turnover consolidated into the GTIL financial statements from each entity.

A full list of Grant Thornton member audit firms in EU/EEA member states, and the countries in which they are registered or have their principal place of business, is listed below.

### Member firm admissions

Prospective member firms must meet a number of criteria in order to be considered for membership, which include:

- the prospective firm's reputation for quality and its adherence to high standards
- adoption of global policies, procedures and methodologies, including methods and quality control systems for providing services to clients, engagement protocols, and ethical and independence policies
- maintenance of a system of quality control that meets or exceeds International Standard on Quality Control (ISQC) agreement to the periodic evaluation of the system of quality control by the global quality monitoring teams.

## Governance and leadership

The key governance and leadership bodies of GTIL are the Global Board of Governors and the Global Leadership Team. Their roles and responsibilities are set out, in summary, below.

### Global Board of Governors

The Board of Governors (the Board) is the principal and overriding authority in GTIL. The Board is a group selected from Grant Thornton member firms worldwide and exercises governance on their behalf. The Board comprises the Chief Executive Officer (CEO) of GTIL, CEOs from the largest Grant Thornton member firms, CEOs elected from Grant Thornton member firms outside of the largest firms and independent nonexecutive directors. The Board aims for a reasonable balance of representation from different geographical areas, including emerging markets. The Board's responsibilities include:

- approving global strategic direction and policies
- overseeing the implementation of the global strategy
- overseeing membership matters (including approving new member firms, suspending the rights of, or expelling a member firm)
- appointing and setting the remuneration of the Chair of the Board
- appointing, evaluating performance and setting the remuneration of the CEO
- approving the GTIL budget and member firm fees
- overseeing the financial health of GTIL
- overseeing global enterprise risk management
- overseeing general governance matters, such as the composition and performance of the Board.

### Chair of the Board

The Chair of the Board (the Chair) is a proactive role with a focus on ensuring that the Board functions as a co-ordinated group in support of the CEO on global strategy. Scott Barnes was appointed Chair as of 1 January 2015 for a term of three years. In December 2017, the Board reappointed Scott for an additional term of two years. The role of the Chair is pivotal to creating the conditions necessary for a highly effective Board, focused on our strategic global development.

### Independent Board members

Independent Board members bring a valuable external business perspective to the deliberations of the Board, add to the network's profile and increase Board transparency. Independent Board members support the network's recognition of its public interest responsibilities and its attitude towards quality, risk management and governance, as well as the network's effectiveness in executing its strategic goals and market positioning. GTIL has processes in place to ensure that the appointment of independent Board members and their ongoing services are compliant with relevant independence rules.

### Chief executive officer (CEO)

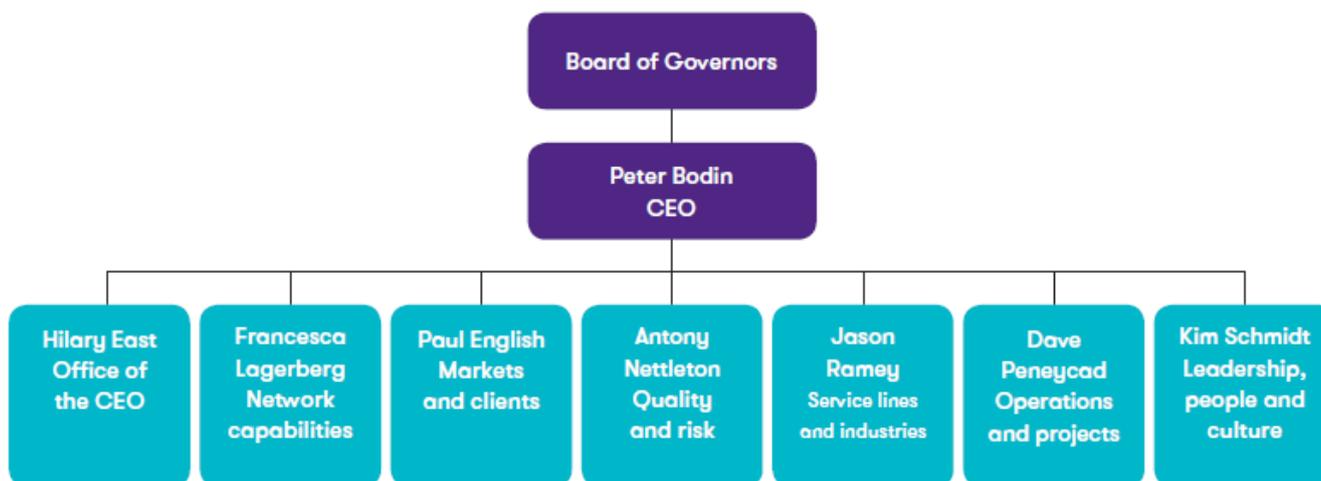
The CEO is appointed by the Board for an initial term of up to five years renewable once for a further period of up to three years. Ed Nusbaum's role as CEO came to an end as of 31 December 2017. In 2017, the Board appointed Peter Bodin, formerly the CEO of the Swedish member firm, to be the GTIL CEO for a term of five years, as of 1 January 2018.

The CEO is responsible for the leadership of GTIL. The role of the CEO includes the development and recommendation of global strategic priorities for ratification by the Board, together with overseeing execution of these priorities. The CEO has responsibility for appointing the global leadership team (GLT), subject to the concurrence of the Board. The GLT assists the CEO in the execution of the global strategy. The CEO works closely with the GLT in maintaining global policies and procedures, including those governing international work for the assurance, tax and advisory service lines.

### The Global Leadership Team

The Global Leadership Team (GLT) drives the execution of the global strategy and is chaired by the CEO. It is a fulltime management group dedicated to leading the global organisation in the successful execution of the strategy. In addition to the service line and global development areas they lead, GLT members also have functional and regional responsibilities.

A critical role of the GLT is to work with member firms in driving the execution of the GTIL global strategy. Implementation of the strategy builds on strategic frameworks, prioritised investments and growth strategies that are appropriate for the chosen markets.



Our [Growing Together 2020](#) global strategy focuses on:

- our people
- our clients
- our markets and communities
- our organisation.

It sets out how Grant Thornton will achieve its vision and identifies the actions Grant Thornton will take. The implementation of the strategy builds on strategic frameworks, prioritised investments and growth strategies that are appropriate for our chosen markets.

We care about the work we do for clients, the impact we have in society and the way we treat people. And, as dedicated professionals, our work and influence build trust and integrity in the markets we work in. We help create the commercial and social environments that enable long-term success and growth for businesses and where people flourish. We do this because we are committed to shaping a vibrant economy.

### Audit quality

GTIL views excellence as essential to the network’s brand, with a particular focus on audit quality. To that end, global resources are provided to assist member firms in maintaining audit quality, including:

- an audit methodology, with supporting software, that is used globally
- policies and procedures contained in audit manuals that are benchmarked against international auditing, quality control, independence and ethics standards
- protocols that enable member firms to consult with the global auditing standards team and, if necessary, with audit specialists in other member firms
- protocols that enable member firms to consult with GTIL’s International Financial Reporting Standards helpdesk
- a comprehensive intranet service that includes up-to date information for member firms on auditing, financial reporting, ethics and independence standards and guidance on applying them effectively.

### Audit quality monitoring

A key component of the global strategy is to promote the delivery of consistent, high quality client service worldwide. To support this objective, a dedicated quality monitoring programme is in place to support the assurance practices of the member firms. This global monitoring programme uses the Sentinel software application and focuses on the six elements of ISQC1. Under this programme, member firms are provided with feedback on the design, implementation and operation of their assurance practice quality control systems.

### Grant Thornton Audit Review

Each member firm is obligated to submit to an inspection of its quality control system, referred to as the Grant Thornton Audit Review, at least once every three years. The Grant Thornton Audit Review process is designed to monitor member firm compliance with professional standards and global audit policies and procedures.

The Grant Thornton Audit Review is conducted by independent and suitably qualified partners and managers from other member firms under the overall direction of the Global Audit Quality Control Leader.

Grant Thornton Audit Review inspection teams review the conduct of audit work performed by each member firm. The inspection process includes an evaluation of policies and procedures of the member firm applicable to its assurance practice, benchmarking those policies and procedures against relevant policies and procedures of the international organisation. The inspection team reviews financial statements, audit reports and engagement work papers and files. The inspection team also interviews partners and people on various matters.

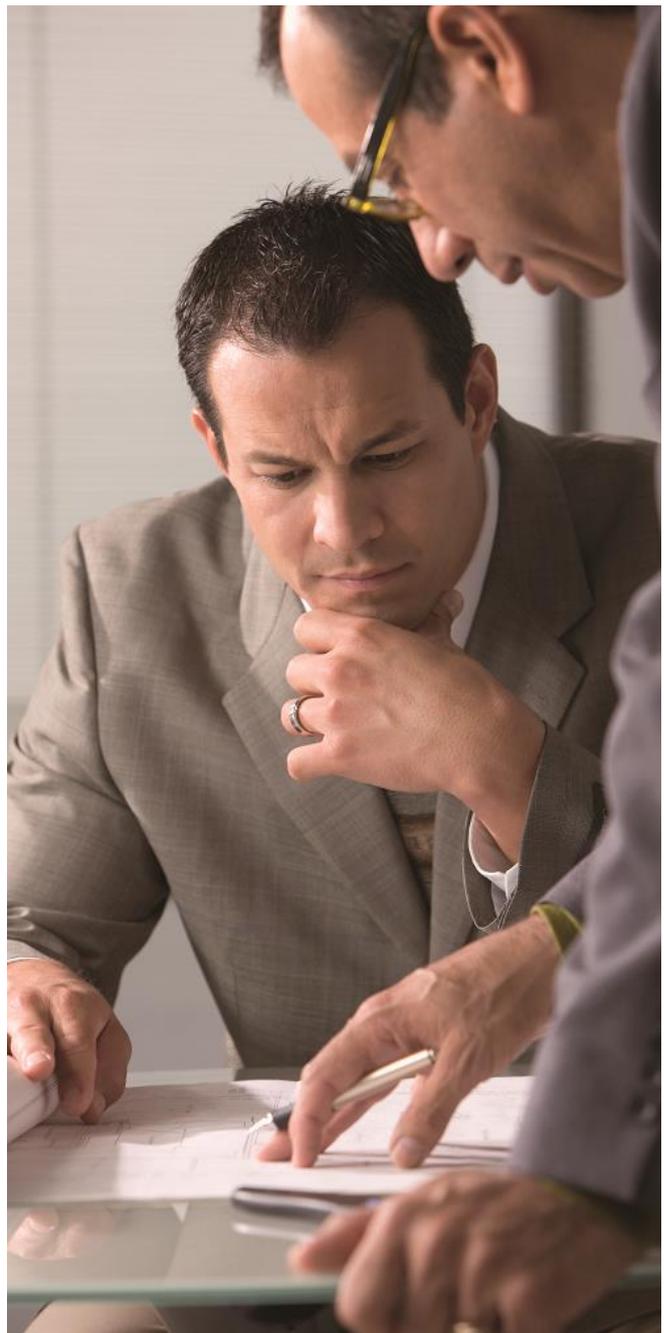
The Grant Thornton Audit Review inspection team members assess whether a firm’s system of quality control is designed, implemented and operated to provide the member firm with reasonable assurance that the member firm and its personnel comply with professional standards and applicable legal and regulatory requirements, and the reports issued by the member firm are appropriate in the circumstances. These include leadership responsibilities for quality, ethics and independence, client acceptance and continuance, human resources, engagement performance and monitoring.

The inspection team, as part of evaluating engagement performance, also reviews a sample of assurance engagements. On conclusion of each Grant Thornton Audit Review, the global organisation issues a report based on the inspection findings. The report on a firm's quality control system will report one of the following:

- suitably designed and operating effectively (an unqualified report)
- suitable designed and operating effectively except for one or more significant deficiencies (an except for report)
- having material weaknesses in the design or operation of the quality control system (an adverse report).

When the Grant Thornton Audit Review identifies a deficiency, the member firm is expected to address the deficiency and document their action plan to address the findings within a reasonable period of time and submit appropriate documentation. When follow-up actions are required by member firms to address findings identified during the Grant Thornton Audit Review, a further visit or remote assessment is made to review progress in implementing these actions.

There are equivalent review processes for other network services.



## EU Audit Directive

**Total revenues attributable to EU/EEA member firms is USD598m (approximately 28% of total global assurance revenues of USD2.1 billion).**

The table below shows the statutory auditors and audit firms which are members of the Grant Thornton network in the EU or EEA member states and the countries in which they are registered or have their principal place of business, as at 30 September 2018.

Country	Legal entity
<b>Austria</b>	Grant Thornton Unitreu GmbH Wirtschafts- und Steuerberatungsgesellschaft
<b>Belgium</b>	Grant Thornton Bedrijfsrevisoren
<b>Bulgaria</b>	Grant Thornton OOD
<b>Croatia</b>	Grant Thornton revizija d.o.o.
<b>Cyprus</b>	Grant Thornton (Cyprus) Ltd
<b>Czech Republic</b>	Grant Thornton Audit s.r.o.
<b>Denmark</b>	Grant Thornton Statsautoriseret Revisionspartnerselskab
<b>Estonia</b>	Grant Thornton Baltic Oü
<b>Finland</b>	Advico Finland Oy
<b>Finland</b>	Idman Vilen Grant Thornton Oy
<b>Finland</b>	Revico Grant Thornton Oy
<b>France</b>	AEG Finances
<b>France</b>	Carib Audit & Consell
<b>France</b>	Grant Thornton
<b>France</b>	IGEC
<b>France</b>	Tuillet Audit
<b>France</b>	Cabinet Didier Kling & Associates
<b>Germany</b>	Warth & Klein Grant Thornton AG
<b>Germany</b>	ATS Allgemeine Treuhand GmbH
<b>Germany</b>	Warth & Klein Grant Thornton GmbH & Co. KG
<b>Germany</b>	Sozietät Prof. Dr. Dr. h. c. W. Klein u.a Düsseldorf
<b>Germany</b>	WPG Wohnungswirtschaftliche Prüfungs- und Treuhand GmbH
<b>Germany</b>	Warth & Klein Grant Thornton Revisionsunion GmbH
<b>Greece</b>	Grant Thornton SA
<b>Hungary</b>	IB Grant Thornton Audit Kft.

Country	Legal entity
<b>Iceland</b>	Grant Thornton Endurskoðon Ehf
<b>Ireland</b>	Grant Thornton
<b>Ireland</b>	Grant Thornton (NI) LLP
<b>Italy</b>	Ria Grant Thornton S.p.A.
<b>Latvia</b>	Grant Thornton Baltic SIA
<b>Liechtenstein</b>	ReviTrust Grant Thornton AG, Schaan
<b>Lithuania</b>	Grant Thornton Baltic UAB
<b>Lithuania</b>	Grant Thornton Baltic UAB Kauno filialas
<b>Lithuania</b>	Grant Thornton Baltic UAB Klaipėdos filialas
<b>Luxembourg</b>	Compliance & Control S.A.
<b>Malta</b>	Grant Thornton Malta
<b>Netherlands</b>	Grant Thornton Accountants en Adviseurs B.V.
<b>Norway</b>	Grant Thornton Revisjon AS
<b>Norway</b>	Grant Thornton Økonomiservi ce AS
<b>Poland</b>	Grant Thornton Frackowiak Sp. z.o.o. sp.k.
<b>Poland</b>	Grant Thornton Polska Sp. z.o.o. Sp.k.
<b>Portugal</b>	Grant Thornton Audit SRL
<b>Romania</b>	Grant Thornton Audit SRL
<b>Slovakia</b>	Grant Thornton Audit, s.r.o.
<b>Slovenia</b>	Grant Thornton Audit d.o.o.
<b>Spain</b>	Grant Thornton, S.L.P.
<b>Spain</b>	Grant Thornton Andalusia, S.L.P.
<b>Spain</b>	Cruces Y Asociados Auditores, S.L.P.
<b>Sweden</b>	Grant Thornton Sweden AB
<b>UK</b>	Grant Thornton UK LLP

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# Driving quality

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As is evident throughout this report, quality is the bedrock of the firm, quality in our work, quality in our practices and quality in our people. Critical to our success in achieving and maintaining quality are our structures which underpin our objectives as we continue to grow and develop as a firm.

## Delivering audit quality

### Audit leadership

We understand that everyone can have a different definition of value and this is no different when receiving audit services. To ensure Grant Thornton delivers the value that is most critical to stakeholders, we begin our work by building highly qualified teams. Audit teams comprise of dedicated audit professionals who understand clients' businesses as well as their sectors. Together, these teams not only deliver a high quality audit to stakeholders, they also take the opportunity to provide additional value by providing insights and observations about important and relevant topics - insights which may lead to new ways of thinking, performance improvement or efficiencies.

The firm's audit partners lead from the front and are responsible for driving audit quality. However, it is the day-to-day activities and experiences which bring our quality culture to life and our audit partner group work to embed key practices, disseminate key messages and demonstrate the standards and behaviours we expect in our people.

### Global audit methodology and technology

GTIL assists all Grant Thornton member firms in delivering consistent, robust, rigorous and high quality audits. This is achieved through the provision of a global audit methodology and software, protocols to facilitate consultation with audit specialists in other member firms, a comprehensive intranet service with up to date information on relevant professional standards, a worldwide restricted entity list, an International Financial Reporting Standards (IFRS) help desk and topical alerts. GTIL does not provide any services to clients itself.

In 2017, GTIL released a revised global audit methodology referred to as LEAP (Leading Effective Audit Practice), delivered through a new service delivery platform developed in partnership with Microsoft. Between 2017 – 2020, a series of global learning programmes are being run across each member firm to drive adoption and engagement of this change.

Among other benefits, the revised methodology:

- provides a clear linkage to auditing standards using International Standards on Auditing (ISA) based terms;
- applies an account based approach to address the risk of material misstatement; and
- allows the tailoring of audit risk and response to each client.

Our new audit platform tool:

- offers flexibility and scalability to perform audits of all types and sizes;
- puts global and local methodology guidance at auditors' fingertips;
- allows for rapid responses to regulatory changes;
- enables auditors to perform high-quality audits more efficiently; and
- gives auditors the ability to provide clients with better insights into their business and operations.

The tool user interface was designed based on extensive feedback gathered from auditors throughout the design and development process.

The global learning programmes developed to support these changes include ISA proficiency series, methodology proficiency services, tool proficiency series and Audit 360 simulation.

The ISA proficiency series includes various online modules focused primarily on the professional standards themselves. It is methodology agnostic as it is the foundation for all the other learning.

## Implementation of the new audit tool is expected to take place during 2019 for Grant Thornton (Cyprus) Limited.

Grant Thornton Cyprus has commenced an intensive audit training plan for all audit staff, covering all these essential training elements in preparation for roll out of the methodology and tool later in 2019.

## Audit quality

Underpinning our commitment to continuously improve audit quality is a robust system of quality control. Grant Thornton International has developed policies of quality control which apply to all member firms. These policies are based on the requirements set out in International Standard on Quality Control 1 (ISQC1) for firms and the Code of Ethics for Professional Accountants issued by IESBA. These policies and procedures are set out in the firms Ethics and Quality Control Manual. The policies and procedures have been tailored to ensure they also comply our local standards issued by Chartered Accountants Ireland and IAASA.

In addition to our own quality control procedures which comprise robust and frequent peer review of audit files and client financial statements, and as a member of the forum of firms, we are required to abide by a system of quality control. The Global GTIL Audit Review (GTAR) programme reviews the conduct of audit work performed by each member firm. GTAR is a systematic check of the quality of member firms' audit procedures, carried out at least once every three years by independent and suitably qualified partners and managers from other member firms under the overall direction of GTIL. Grant Thornton Cyprus consistently achieves some of the highest ratings in the global network.

Grant Thornton Cyprus is currently regulated by the Cyprus Public Audit Oversight Board (CyPAOB) for its firm wide control procedures and the audit inspection of PIE's and also from the Institute of Certified Public Accountants of Cyprus (ICPAC) for non-PIE audits performed. CyPAOB and ICPAC conduct practice reviews on a three yearly cycle.

Details of external reviews are given in 'measuring audit quality', see page 15.



## Firm wide audit methodology:

- proprietary audit software used throughout international network; and
- complies with international audit standards.

## Audit client services review:

- independent review; and
- benchmark our delivery with our promises.

## Internal/National file review programmes:

- across all disciplines and Cyprus offices.
- Global (International) review programme:
- independent peer review of GTIL firms; and
- regular rotational review programmes.

## Peer review process:

- all working papers reviewed by more senior staff than originator; and
- review partner process.

## Investment in technical excellence:

- continued investment in training; and
- dedicated technical department.

## International support

A full-time global IFRS team is responsible for promoting high quality consistent application of IFRS throughout the global network. An IFRS interpretations group and a financial instruments working group (made up of member firms' IFRS experts), provide advice, guidance and support to the team.

The IFRS team promotes consistency across all member firms by:

- offering face-to-face training programmes and e-learning resources
- operating an IFRS help desk service
- providing an IFRS checklist and an IFRS Interim Reports checklist publishing extensive technical interpretive guidance, newsletters and other tools and resources, internally and externally, free of charge.

These materials, along with IFRS developments, are communicated via a network of designated IFRS champions in member firms. For firms with significant IFRS work, the GTAR inspection team will include team members who are experienced in IFRS accounting. Any issues concerning IFRS are brought to the attention of the GTIL IFRS team for review to determine if training or additional guidance is necessary.

The team uses a collaborative group for sharing IFRS resources and ideas through Grant Thornton's global internal social networking platform, Yammer. Yammer is proving a powerful tool for connecting member firm IFRS people and regularly facilitates the exchange and sharing of IFRS and other knowledge.

Grant Thornton also actively contributes to the development of IFRS. For example, the network submits global comment letters to proposals for new and amended standards, and participates in relevant events such as round-table expert discussions.

At the time of writing, Grant Thornton is represented on the IFRS Advisory Council, the International Accounting Standards Board's Transition Resource Group for Revenue Recognition, the IFRS Transition Resource Group for Impairment of Financial Instruments, the IFRS Transition Resource Group for Insurance Contracts and the IFRS for SMEs Implementation Group.

### Engagement acceptance and continuance

Each audit engagement is categorised by reference to its risk, complexity and any specialised experience requirements. This categorisation is used to drive appropriate quality control procedures and where necessary, involvement of the firm's industry specialists.

Our centralised client take on team ensure for all new potential clients and any new assignments the firm's rigorous acceptance and continuance processes are adhered to and documented.

All new assignment require approval before the appointment is accepted. This approval is by the appropriate engagement partner and in certain cases by the Head of Risk. Where specific high-risk indicators are identified Key Assurance Assignment (KAA) approval is required from GTIL.

A similar process for continuance of engagements is required on an annual basis. If there are any significant changes in circumstances or other risk indicators are present, approval by a partner outside of the audit team, the Head of Assurance and/or GTIL may again be required.

### Supervision, consultation and review

We have a strong culture of consultation, supervision and support, which is embedded throughout the audit methodology. Involvement of the firm's experts and where necessary the Head of Assurance, provide appropriate levels of quality control as well as support for all audit personnel. This mixture of experience and technical ability, within a culture where we are able to challenge each other, ensures quality is driven throughout the audit process. Audit clients of public interest entities or entities whose securities are publicly traded are subject to an engagement quality control review (as required by ISQC1) by partners who are approved by the Head of Quality.

Appropriate professional expertise is being dedicated to support audit and non-audit teams within the Assurance practice to meet professional standards, regulatory and legal requirements. Consultation requests should be documented in the assigned working papers, which is the responsibility of the assurance engagement partner.

### People

No system, team or service ever reaches the highest standards without the right people. At Grant Thornton, we believe in recruiting the right people in order to deliver the highest quality audit.

One indicator of audit quality, emanating from our people, is the culture of our firm, including whether our people are encouraged to perform high quality audits. We encourage this by being provided with the time, resources and training and development which they need to make this inevitable. Our reputation is built on the quality of our work and we ensure that we have the highest levels of expertise within each audit team. Substantial partner and manager involvement is required throughout the audit process, including:

- coaching and mentoring
- encouraging consultation
- giving feedback
- providing on-the-job learning.

Grant Thornton endeavours to create a culture of openness and involvement; where people are encouraged to contribute their views. These are areas we continue to focus on as we foster a coaching, learning and collaborative environment. Technical excellence, audit quality, critical thinking and ethical behaviours are also reinforced to everyone involved in audit during their induction and throughout subsequent learning programmes.

In addition to developing their broad business insight, all of our people are required to maintain their technical competence and comply with relevant regulatory and professional development requirements. This is reviewed by managers annually, in conjunction with an individual's personal development plan. Within the assurance service line, there are annual technical updates, as well as courses on financial reporting, company law, ethics and auditing matters and sector-specific training. We continually review the skills and competence of all our people and ensure they meet the needs of their clients.

We support people's development not only through structured learning programmes, but also through a variety of tools including feedback, mentoring, on the job coaching and a wide range of secondment opportunities both internally and externally.

**We aim to create an environment where our people are passionate about what they do, feel able to challenge the status quo, perform to their best ability and have the opportunities and support to continually develop their knowledge and skills.**

## Measuring audit quality

We are on a journey of continuous improvement, understanding that the only way to do this is through rigorous monitoring and measurement, and from this, the development and implementation of improvement plans. As a result, the firm benefits from a variety of internal and external monitoring reviews to assess the quality of our audits.

These reviews are an opportunity to identify best practice, spot issues and shape our continuous improvement plans. We use root cause analysis (RCA) to help us better understand why deficiencies may have occurred and develop appropriate responses.

We also recognise that audit quality is impacted by many different factors and can be difficult to define and measure. Therefore, understanding what audit quality means to the profession and our stakeholders is key if we are to better focus on ways to continually improve it.

## We measure the quality of our audits through:

- Internal monitoring
- External monitoring

### Internal monitoring

Our internal monitoring programme is carried out on a continuous basis to ensure any quality issues are monitored and addressed in a timely manner and our aim for continuous improvement is achievable. Our reviews assess the quality of the audit work in our audit department across both our offices. The reviews are risk focused and review teams are selected from outside the engagement partner under review. Reviews cover all office locations of the firm.

We run a continuous cycle of internal audit quality reviews to ensure that the audits we deliver are of a consistently high quality and to shape our continuous improvement plans.

Our internal quality control system, which comprise of robust and frequent peer review of audit files and client financial statements, is aligned with:

- International Standard on Quality Control 1 - ISQC 1, in respect of quality control for firms that perform audits and reviews of historical financial information, and other assurance and related services engagements.
- International Standard on Auditing (ISA) 220: Quality Control for Audits of Historical Financial Information; and
- International Federation of Accountants (IFAC): Code of Ethics for Professional Accountants.

These include:

### Internal Audit Review process

Key features of our Internal Audit Review process are:

- each Engagement Partner is reviewed at least every three years
- Engagement Partner with files reviewed falling below expected standards are reviewed again within 12 months
- all new Engagement Partners are reviewed within a year of appointment
- engagements for review are selected with a bias towards more complex or higher risk assignments

- reviews are undertaken by experienced auditors, using standard methodology developed by GTIL and under the direction of the Audit Quality Monitoring Team to ensure integrity and consistency of the process
- the setting of file grades is moderated by the Head of Quality to ensure consistency between reviewers and with the approach of external reviewers
- the Head of Assurance develops and implements a targeted action plan to address the findings of the review
- on an annual basis the Internal Audit Review findings are summarised and reported to the Board of Directors
- issues arising from the Internal Audit Review are communicated to the assurance practice through training events and other technical update channels

Our audit quality reviews are carried out internally each year to assess the quality of the audit work. The reviews are risk focused and review teams are selected from outside the business sector under review.

The results of our Internal Audit Review are disclosed to both GTIL and the firm's external audit regulatory bodies, who scrutinise the review process and results during their review and ensure our processes are sufficiently robust.

Serious consideration is given by management to any recommendations made as a result of internal reviews and action is taken to implement appropriate changes.

### Engagement Quality Control Review

A Quality Control Review Partner is appointed on engagements with:

- Listed entities
- Other high risk clients where deemed necessary by the Head of Assurance & Quality partner

The appointed Quality Control Review Partners are experienced Partners who are independent of the core engagement team. They are appointed in this role based on their expertise.

The Quality Control Review Partners are involved throughout the audit process so that their input is timely. The Quality Control Review Partner is responsible for reviewing key aspects of the audit, including independence, significant risks and their responses, judgments made, uncorrected misstatements, documentation of work done in the areas reviewed, the financial statements, communication with those charged with governance and the appropriateness of the audit report to be issued. The Quality Control Review Partner will seek to challenge the audit team in the judgments made and work prepared.

### Differences of opinion

Grant Thornton Cyprus has policies in place regarding difference of opinion. In the case that a difference of opinion arises between the Engagement Leader and the Ethics Quality Control reviewer on a technical or ethical issue, or between any individuals concerning an ethical issue, the authority to take the ultimate decision has been assigned to specific individuals based on their expertise. In the case that the assigned individual for the relevant consultation area is one of the parties to the difference of opinion the firm's managing partner has the authority to resolve the difference of opinion.

Where there is a difference of opinion that affects a report, conclusions reached are required to be documented and implemented and the report to be dated after the matter has been resolved.

### Engagement documentation

The engagement team following the completion of an engagement is required to assemble the audit file, which comprises of both the electronic and hard copy paper file and archive these files within 60 days from the date that the audit report was issued.

Engagement files are retained as a minimum for the period specified by the law.

### Global audit quality monitoring

In addition to our own quality control procedures, we are required to abide by a system of quality control. The [Global GTIL Audit Review \(GTAR\)](#) programme reviews the conduct of audit work performed by each member firm. GTAR is a systematic check of the quality of member firms' audit procedures, carried out at least once every three years by independent and suitably qualified partners and managers from other member firms under the overall direction of GTIL. The review process is designed to monitor member firms' compliance with professional standards and GTILs audit quality control policies and procedures.

A dedicated team in GTIL is responsible for managing our global audit quality-monitoring programme, referred to as the Grant Thornton Assurance Review (GTAR). The GTAR process evaluates each member firm's local quality monitoring system, as well as each firms' compliance with professional standards, global audit policies and procedures and other risk-based criteria.

Member firms are typically reviewed once every three years. Independent and suitably qualified partners and managers from other member firms, under the overall direction of the global audit quality control leader, also conduct inspections.



GTIL's global monitoring helps to reinforce the requirement that member firms have an effective process for ensuring that the right people are using the right tools to apply the audit methodology in the right ways.

GTAR will assess if member firms:

- comply with professional auditing standards;
- implement the global audit methodology and in turn, the ISAs as a minimum;
- issue audit reports that are appropriate in the circumstances;
- comply with international ethical and quality control policies;
- comply with quality assurance standards during the audit;
- produce audit documentation compliant with professional standards;
- have designed and implemented an effective system of quality control;
- identify root causes for significant findings;
- have implemented the requirements of previous action plans; and
- comply with global risk management policies and procedures.

When a GTAR is completed, the global network issues a report based on the inspection findings. A member firm's quality control system is evaluated as:

- suitably designed and operating effectively (an unqualified report)
- suitably designed and operating effectively except for one or more significant deficiencies
- having material weaknesses in the design or operation of the quality control system (an adverse report).

When the GTAR identifies a deficiency, the member firm must address the deficiency within a reasonable period by developing an action plan to address the findings and submit appropriate documentation. In some instances, further visits to the member firm or remote assessments happen to follow-up on the firm's progress toward implementing the required actions.

The most recent GTAR review for Grant Thornton Cyprus was conducted in October 2018. The results of GTAR are evaluated and communicated to improve quality. Management takes measures to resolve audit quality matters noted from GTAR. Their inspection did not identify any audit performance issues that, in the inspection team's view, resulted in the firm failing to obtain sufficient appropriate audit evidence to support an audit opinion in any of the four audit engagements reviewed or to fulfil the objectives of its role in other engagements.

#### Root cause analysis

Grant Thornton's global root cause analysis methodology ensures member firms understand the factors that are driving the quality of their audits.

This methodology has three steps and involves the identification of:

- a category
- an indicator
- a root cause(s).

A category describes the broad context surrounding a finding. Teams should determine these because the underlying root causes may not be directly apparent or obvious.

A decision tree helps teams to identify a range of 'indicators,' which explain the circumstance that led to a finding and further helps the team to identify a root cause. The methodology will filter to provide a series of suggested primary root causes once the 'categories' and 'indications' have been selected.

Regular reviews of findings and root causes from the GTAR programme allow Grant Thornton's global assurance leaders to consider and make timely changes to our methodology, learning programmes, audit tool, or global policies and procedures.



### Transparency through our network

The GTAR programme is a key component of Grant Thornton's global system of monitoring quality control. It provides important information to member firms relying on the quality work of other member firms within our network.

Via our global intranet, designated member firm representatives have access to summarised GTAR reports, which offer an overall inspection opinion and include a description of any significant deficiencies or material weaknesses in a specific firm's quality control systems.

### External monitoring results

Every external inspection review is a valuable and beneficiary experience for us. These exercises are valuable in enabling us to benchmark to current practice, highlighting areas of particular strength and provide constructive discussion on areas we could develop our practices. Our firm's policies and procedures have been updated to incorporate the findings arising from the most recent external reviews.

Further to the Internal and Global reviews, Grant Thornton Cyprus is currently regulated by the Cyprus Public Audit Oversight Board (CyPAOB) for its firm wide control procedures and the audit inspection of PIE's and also from the Institute of Certified Public Accountants of Cyprus (ICPAC) for non-PIE audits performed. CyPAOB and ICPAC conduct practice reviews on a three yearly cycle.

Our office is also subject to periodical reviews by the Association of Chartered Certified Accountants (ACCA) and the Institute of Chartered Accountants in England and Wales (ICAEW).

The last external quality assurance review of Grant Thornton took place in February 2015, by ICPAC. The overall outcome of the visit was assessed as satisfactory, since the majority of the audit files inspected was considered to be generally satisfactory.

The latest completed inspection of the firm by the Cyprus Public Audit Oversight Board took place in 2018. On the basis of the results of this inspection, the firm continues to be registered to conduct statutory audit work in Cyprus. Areas for improvement identified as part of the regulatory inspection have been taken into consideration and formed part of an action plan, the implementation of which is monitored by the firm's Management Board.

## Statement on the firm's internal quality control systems

The Management has ultimate responsibility for the firm's quality management systems and the establishment of appropriate internal control systems.

The internal quality control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, or in the case of financial controls, to eliminate the risk of material misstatement of our financial statements.

The firm has carried out a review of the effectiveness of the internal quality control systems during the year and has taken into account:

- the findings from regulatory inspections;
- reports from GTIL on the firm's quality control systems; and
- the findings of the firm's internal audit reviews on the operation of quality management systems and the management of risk across the firm.

The internal quality control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, or in the case of financial controls, the risk of material misstatement of our financial statements.

Accordingly, they provide only reasonable and not absolute assurance against such failure or material misstatement. The review has not identified any failings or weaknesses that it considers to be significant, and therefore no further action is necessary.

**Management considers that the firm's internal quality control systems are operating at an acceptable effective level. At the same time, findings identified by the reviews are seriously considered and any necessary steps are taken to address them.**



## Tax service quality

Tax is an important consideration for most businesses, and is a core growth area for Grant Thornton. The environment for tax planning is becoming increasingly political and high profile.

Grant Thornton recognises that this changing environment means our clients need trusted advisers who can explain and clarify the often complex legislation and planning for tax.

Through 2017 and 2018 GTIL focused on strengthening the review process and the learning agenda so our people have the skills and expertise to provide the best advice. Our international client list continued to grow last year. To ensure our clients continue to receive a consistent service of the highest quality our member firms have worked closely together with increased cross-border collaboration and global investment in technology.

### Tax learning

Our tax practice is only as strong as its people. Strong technical knowledge combined with the ability to deliver work of the highest quality, whilst managing risk is essential to the safeguarding of our business. All member firms must demonstrate their commitment to continuing the professional development of their people and their tax specialist service line areas, to enable them to seize opportunities to become the leading providers of services in their markets.

GTIL has continued to focus on its four key tax service lines and has delivered academies in Asia Pacific, Europe, South America and Africa to support:

- direct international tax
- indirect international tax
- transfer pricing
- global mobility services.

Additionally, courses have been offered via the academies to enhance professional skills, including quality and risk management, as well as focusing on technical tax training. In 2016 GTIL launched the first Tax Leadership Academy bringing together all our heads of tax from around the world to promote greater cross-border collaboration and build even stronger regional capability. In 2017, the focus remained on high quality technical training both face-to-face and through e-learning and virtual platforms.

### Quality and risk

Quality is at the heart of our tax strategy. During 2017, GTIL integrated its approach to quality and risk of the network's audit and advisory services. In 2018, all member firm tax reviews will be integrated with the audit and advisory approach. As a pre-requisite, all member firms will be required to have implemented an internal quality control review programme covering their tax practice. The purpose of this is to share best practice and to take a more holistic view of our risk management.

### Quality framework

In October 2017, GTIL launched a quality framework which, for the first time, brought together a guiding principles framework for all service lines, including tax, advisory and audit. This quality framework specifies the standards that member firms are required to uphold across all their operations.

### Reviewing member firms

The tax and advisory risk questionnaire (TARQ) acts as a self-help tool for member firms to ensure they meet the global standards required for quality and risk management, people development and leadership.

All member firms are reviewed regularly for quality. The 2017 TARQ was issued in November and member firms were contacted in 2018 to discuss their review. This guides our formal face-to-face review process of member firms.

**During 2018, a tax review was contacted as part of the GTAR review, the results of which were satisfactory.**



## Advisory service quality

Our advisory services help clients create, transform and protect value. As well as helping clients to finance growth and optimize operations, we advise clients on how to manage risk and regulation. We take these same principles on managing risk and regulation and apply them to our own operations.

Advisory services differ from assurance services provided by Grant Thornton as they are not generally regulated or provided according to templates fixed by regulators or legislators. GTIL's quality processes are designed to allow member firms the flexibility to meet local market requirements and to ensure that, wherever possible, common working practices are observed internationally.

As our cross-border and international client list expands, so too does the need to ensure that the client experience does not differ from one territory to another. This requires greater standardisation of working practices, as well as training in joint working between member firms.

Quality is intrinsic to the value that we bring to clients, and there is no single solution or control that by itself will ensure that quality standards are maintained. We have a multi-faceted approach to quality control which encompasses:

- risk management
- mandating standard methodologies for service lines
- the provision of service line and industry support groups and managers
- service line technical training
- a member firm review programme
- improved connectivity between firms.

A core part of Grant Thornton International Ltd approach is to ensure that member firms and front-line staff undertaking client work are connected to other parts of the network that are best able to support them. In October 2017, Grant Thornton International Ltd launched a quality framework which, for the first time, brought together a guiding principles framework for all service lines, including tax, advisory and audit. This quality framework specifies the standards that member firms are required to uphold across all their operations.

### Authorisation

Before a member firm can offer advisory services, it is required to apply for authorisation for each service it intends to provide.

The application process includes the submission of evidence of relevant experience, a commitment to learning, and the adoption of GTIL's advisory risk management and quality control processes.

The authorisation process was significantly strengthened in 2017 to allow it to provide greater transparency between member firms as to the advisory resources and capabilities available in each country.

### Assignment acceptance and consultation

All member firms must have processes in place to ensure that clients and assignments are reviewed before acceptance. GTIL service line support managers help member firms find access to the best skills and experience across the network for specific categories of work. These include all clients who are located or headquartered in another country; those requiring specialist skills or experience; and those assignments with the potential to affect Grant Thornton's brand internationally.

### Review

Authorised member firms are subject to periodic review to assess their compliance with risk management and quality control processes. Member firms are selected for review according to the perceived level of risk. The results of reviews are communicated to firms with timelines for any corrective actions or development points identified.

The methodology for reviewing member firms' advisory practices was revised in 2017 to ensure that it addresses the requirements of the new quality framework and that the respective responsibilities of individual member firms and GTIL are understood.

**During 2018, an advisory review was contacted as part of the GTAR review, the results of which were satisfactory.**

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# Risk management

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The firm has established business unit risk working groups to specifically address the risk issues impacting each function in the firm. Areas covered by risk management policies and procedures include independence, client acceptance, client re-acceptance and Anti-Money Laundering (AML) procedures.

Acceptance and re-acceptance of assurance clients is considered a cornerstone of the enterprise wide risk management approach. Given this importance, certain member firm assurance engagements that meet one or more defined criteria are submitted to a global review team for approval.

Overall, there is a continuous focus on enhancing the risk management framework, for example, the development of proprietary software that will centralise the client acceptance/re-acceptance global review and approval process.

## Ethics and independence

Our global independence policies and procedures are based on the International Ethics Standards Board's Code of Ethics for Professional Accountants with supplements to govern compliance with our global independence and international relationship checking processes.

The company's policies and procedures have been designed in order to ensure independence of the company and its members while rendering services.

All personnel are under obligation to examine, every time they undertake the conduct of an audit, whether their independence is threatened in any possible way. In particular, the members of the staff shall examine whether their relations (financial, professional, personal) with every client or an associate or an entity might lead a knowledgeable, objective and prudent third party to arrive at the conclusion that the independence of a partner or that of the Company is threatened. In such a case, they are under obligation to inform Grant Thornton for this relation and to refuse to conduct the audit.

The particular company policies that serve the above objectives of independence are analytically described in "Assurance Quality Control Manual" that are annually reviewed and revised by the Ethics Leader and Head of quality control. Froso Yiangoulli has the responsibility for overseeing independence matters, including providing training and obtaining annual confirmations of compliance with independence policies. GTIL monitors compliance with these policies.

The reviews are conducted based on specially configured review plan in line with audit standards, developed by the Ethics Leader and Head of quality control and revised whenever this is necessary.

## Basic principles for independence

According to the requirements of GTIL and with a view to complying with the quality assurance and ethical policy the objectives were formed by the Ethics leader and the Head of quality:

- prepare, update and disclose to all personnel of AQCM (Assurance Quality Control Manual). AQCM is the manual comprising the total of policies and procedures defining the company operation;
- establish policy for undertaking or rejecting clients
- estimate the risk of undertaking/ retaining clients including the AML procedures.
- communicate with GTIL on risk management issues
- monitor and implement the principles, regulations and procedures prescribed by GTIL for Key Assurance Assignments (KAA). The issue pertains to assignments of the company that are to comply with specific criteria.
- establishes the quality management system & quality control procedures.

## Relationship checking

Maintaining objectivity and independence of thought is vital to maintaining our reputation. We have a robust system of independence and conflict checks, which is designed to identify potential conflicts of interest at the earliest possible juncture and deal with them appropriately. Sources of potential conflict will range from providing additional services to existing audit clients and acceptance of new clients, to investments by the firm and staff.

For audit and similar engagements, where independence is a matter of public interest, our procedures are even more stringent. We ensure that partners carry out a check of whether other services have been provided that might impact on our independence before engaging with new audit clients. We also require the engagement team to confirm their independence on each audit file. Furthermore, for all publicly quoted clients, we disclose other services provided to the audit committee at the planning and conclusion stages. In addition to our own independence practices, GTIL requires member firms to adopt policies and procedures to safeguard the independence of all member firms.

These policies and procedures include a requirement for member firms to maintain a listing of companies considered 'restricted' as a result of an audit relationship. Details of these restricted companies are maintained on a global restricted list through a system maintained by GTIL. Professional personnel in member firms have access to this global restricted list via the GTIL intranet.

The global restricted list serves as a point of reference for member firms considering providing non-audit services to public companies. When the prospective client appears on the global restricted list, consultation is required with the audit partner to ensure that any threats to independence created by the proposed non-audit service can be adequately safeguarded and that the proposed non-audit service is permitted. The global restricted list is also reviewed by GTIL on a regular basis.

GTIL has also adopted an automated independence tracking system, the Global Independence System (GIS). Partners and client-facing managers in member firms are required to maintain a portfolio in GIS of those publicly traded securities in which they have a financial interest and update it on a monthly basis.

The GIS monitors these financial interests against the global restricted list and is designed to alert the member firm or the individual professional and a national compliance officer, in the event that a security held also appears on the global restricted list. The GIS provides a mechanism to assist the individual and the national compliance officer in determining whether the security may continue to be held, based upon the facts and circumstances.

The manager of GIS also updates, on a monthly basis, the Global Restricted List (GRL), on which GIS is based, making entries of listed companies and their subsidiaries (public interest companies), that constitute the "audit clients" of the company. This way, the companies in question are presented as "RESTRICTED" throughout all GTIL network.

The implementation of this procedures ensures that no member of Grant Thornton network can hold shares of any company marked as restricted by another member firm.

The aforementioned systems and procedures are followed within the frame of the general plan of Global Independence & Risk Management of GTIL and are aimed at providing further assurance that member firms and executives comply with all applicable independence requirement.

As part of monitoring the effectiveness of its quality control system in managing compliance with independence requirements, we perform the following:

- compliance testing of independence controls and processes

- personal independence compliance testing of a random triennial selection of Partners, Directors, Senior Managers, Managers and Supervisors to monitor compliance with independence policies

The results of the firm's monitoring and testing are reported to the firm's management on an annual basis.

**During 2018, we confirm that, we conducted an internal review of our independence practices.**

#### **Conflict of Interests**

Conflict of interests is defined as a stage at which our company's independence is threatened.

In particular, there might arise conflict of interests when during provision of services to a client the company at the same time has any kind of financial, professional or other relations with another person, entity, product or service that might, as in compliance with the estimation of the company, lead a client or a third party to arrive at the conclusion that objectivity is threatened.

Potential conflict of interests pertaining to the assignment undertaken in Cyprus as well as at the global level are monitored. The aforementioned procedure is standardized and followed by all the member firms of GTIL network.

Conducting reviews for potential conflicts of interest and/or threats to independence (jointly referred to as 'relationship checks') prior to proposing on an engagement are important safeguards against threats to objectivity.

GTIL has instituted a policy that establishes a standardised approach to conducting these checks for potential relationships, where the client or prospective client has international operations.

#### **Identifying conflicts of interest**

The firm uses a search tool to interrogate a suite of databases where potential relationships could be identified. Individuals are asked about relationships where the database search identifies a possible match. In support of this approach, databases have been created to ensure that all relevant relationships are identified.

The International network also maintains an electronic Global Independence System to match the investment holdings of all relevant personnel with restricted entities to avoid personal investments threatening audit independence.

### Potential clients with international operations

If potential clients have international operations, an international relationship check is performed to identify any relationships of other member firms of GTIL that may present a conflict of interest and/or a threat to independence.

The International network maintains databases of restricted entities and other relationships that could create a conflict. These are searched as part of the International relationship checking process.

When the prospective client is already an audit client of a member firm of GTIL, consultation is required with the relevant audit Engagement leader to ensure that the proposed non-audit service is permitted, and that any perceived threats to independence created by the proposed non-audit service can be adequately safeguarded. Where required, the circumstances are communicated to the audit client's audit committee and, in the case of public interest entities (PIEs), are approved by them prior to commencement of work.

### Dealing with conflicts

If a potential conflict is identified, appropriate procedures are put in place to obtain the informed consent of the interested parties, to protect confidential information and to ensure potential conflicts are, and are seen to be, effectively managed. In exceptional circumstances the relevant head of service line and the Ethics Partner must be consulted. To the extent that conflicts cannot be adequately safeguarded or where we believe that an objective, reasonable, informed third party might query our objectivity, we either do not undertake the non-audit service or withdraw from the audit, the decision being made with the full involvement of the client(s) concerned.

### Client take-on process

The firm continues to invest in enhancing its take-on processes. The audit teams undertake client verification for anti-money laundering purposes for all new and existing clients. It also conducts family tree research for international operations and database searches that underpin our relationship checking processes.

### Non-audit services to audit clients

Every member firm of GTIL, prior to provision of any kind of non-audit service to a client is under obligation to ascertain whether another GTIL member firm conducts an audit for the very same client or to a client's related party (parent or subsidiary).

In such a case, it shall contact the GTIL member firm conducting this audit in order to estimate the compliance with independence requirements in the particular case and ensure that the non-audit services required do not threaten the independence of the member firm, conducting the audit.

Should it be considered necessary, the international partner of GTIL in charge of compliance with International Standards on Auditing and Code of Ethics shall participate in the evaluation procedures.

### Client Confidentiality

The relations with the clients are confidential and all the protective measures are taken in order to avoid breach of confidentiality.

During the conduct of an engagement, the audit team might become aware of confidential information about the client, such as future business plans, current operations results, procedures pertaining to pay rolling or personnel issues etc. Particular attention shall be paid to keeping the required confidentiality.

The tool facilitates the preparation, communication and clearing the workflow for international relationship check requests. It provides a more robust platform and include regular processes for assessing potential threats to independence or conflicts of interest identified during client acceptance.

### Acceptance & Continuance of Clients & Engagements

Vital in protecting the firm and its reputation is ensuring we only take on and work with clients who demonstrate a commitment to pursue their business activities in a responsible and capable manner that avoids unnecessarily causing harm to stakeholders. All professional staff ensure for all new potential clients and any new assignments the firm's rigorous acceptance and continuance processes are adhered to and documented.

All new assignments require approval before the appointment is confirmed with a formal contract and before the assignment starts. This approval is by the appropriate lead partner and in cases of identification of potential conflicts approval is required by the Ethics Leader. In certain circumstances consultation with the Managing partner or Grant Thornton International Limited is required.

A key part of the client acceptance and continuance process is ensuring we have the right people involved in assignments. For certain audit assignments we specify levels of experience and completion of specific learning programmes to make sure that the individuals are competent to undertake those audits.

## Global client acceptance/ continuance procedure



### Engagement Letters

Conduct of all kinds of assignments requires prior written expression of acceptance by the client. Grant Thornton uses the so called “engagement letters”. The engagement letters include the description of the assignment that the company is required to undertake each time as well as written statement, issued by client representatives, certifying that they accept all the relative terms and conditions. The content of “sample” Engagement Letters is conducted by the Head of quality in full compliance with International Standards on Auditing and the Institute of Certified Public Accounts in Cyprus and varies depending on the type of engagement involved.

### Engagement Performance

Supervision is vital to engagement planning and is essential to the satisfactory accomplishment of all assignments. Supervision includes directing and reviewing the work of subordinates by the partner-in-charge. The partner-in-charge shall provide assurance that the work performed complied with applicable professional standards, regulatory requirements and Firm policies and procedures. The review of each audit section is conducted as soon as possible after its completion to enhance the effectiveness and efficiency of the review process. Necessary adjustments in procedures can then be evaluated in time to make the appropriate changes in the audit program.

### Rotation of Key Audit Partners

Key Audit Partners responsible for audits are required to rotate off the engagement after specified periods of time that depends on their role and the type of entity. The term, “Key Audit Partner” includes the engagement partner and the individual responsible for the engagement quality control review on the engagement. In the case of a group audit it also includes the statutory auditor of a significant subsidiary. Rotation in respect of listed and certain other public interest entities is initially recorded when individuals are first assigned to a client. This record is maintained on a central database. The firm’s policy concerning the rotation of partners requires that: “Key Audit Partners for public-interest entities” can act for seven years and then must rotate off the engagement for at least two years. For EU PIES the Key Audit Partner tenure is the same, followed by a three-year period within which they may have no involvement in the audit.

### Withdrawal from an engagement

Grant Thornton has in place policies and procedures, in accordance with legal and professional obligations, for circumstances in which we determine that we should or are required to withdraw from an engagement. Appropriate consultations both within the firm and with those charged with governance of our clients are being held. Circumstances where we become aware of information after accepting an engagement which, had we been aware of that information earlier, would have led us to decline it, are also included in these policies and procedures.

### Other ethical considerations

#### Rotation of senior audit team members

Engagement leads and other senior team members responsible for audits are required to rotate off the engagement after specified periods of time, which depends on their role and the type of entity.

Rotation in respect of listed and certain other PIEs is initially recorded when individuals are first assigned to a client. The firm requires the use of the partner rotation tracking spreadsheet in order to track the length of service of senior personnel on assurance engagements. The firm’s policy concerning the rotation of partners and people requires that:

- other (non-key) audit partner may serve on the audit of a PIE or other listed entity should not act for more than seven years in that role unless safeguards are put in place. The normal safeguard is rotation off the engagement but a change of role within the engagement team or an independent review of the individual’s work are other available safeguards.
- other people who serve in a senior position on the audit of a PIE or other listed entity should not act for more than seven years in that role unless safeguards are put in place.

Rotation of the Responsible Individual for other public interest assurance engagements is dependent on the entity type and is a maximum of either 7 or 10 years, based on a risk assessment. In certain circumstances an extension may be granted for audit quality purposes by the firm’s Ethics Partner.



### Gifts, Favours and Hospitality

The firm's policy on gifts, favours and hospitality is not to accept any gifts or hospitality from a client of the firm or any other party with whom the firm and its partners and employees have dealings unless the value is clearly insignificant. Partners and employees are not permitted to accept from, or give to, audit clients, suppliers or third parties any gifts, favours or hospitality that might, or might be seen to, prejudice our integrity and objectivity in relation to our audit clients.

Gifts and hospitality with a value of less than €100 will be assumed to be insignificant. If a client or other party attempts to offer a gift or hospitality in excess of this amount the individual must follow the firm's consultation procedures.

### Monitoring

We monitor our people's compliance with ethical and independence requirements through:

- the firm's Annual Declaration process. All of our people are required to confirm that they understand and have complied with the firm's policies relating to independence, confidentiality, market abuse, gifts, favours and hospitality, and whistleblowing
- quality control and quality assurance reviews of assignment files across service lines to check compliance with internal controls and specifically engagement acceptance procedures and independence policies
- enhanced monitoring with regard to client take-on and ethics during the course of the year, specifically around work in progress of assignments, as part of our continuous improvement of monitoring compliance with regulation
- review of the Global Independence System accounts of all new partners, against evidence to support their recorded financial interests.
- encouraging our people to consult with others when faced with a difficult decision or to speak up on areas of concern.

### Complaints and Allegations policy

We have robust procedures in place for dealing with complaints. As documented in the AQCM, Partners and staff are encouraged to speak up when dealing with behaviour or facing a situation that does not seem right. Our firm has a policy pursuant to which any Partner or staff can report inappropriate business conduct or unethical behaviour. Reporting is made to the Ethics Leader; who will investigate and resolve the issue that has been raised. Our firm has procedures in place to protect individuals raising an issue against retaliation which also enables anonymous reporting. We are committed to deal responsibly and professionally with any genuine concerns raised about possible malpractice. Partners and staff have a responsibility to report and express concerns in good faith, honestly and respectfully.

### Anti-Bribery

Grant Thornton's policies as documented in AQCM make it clear that it is unacceptable for our people to solicit, accept, offer, promise, or pay bribes. Policies, procedures with respect to anti-bribery are in place.

### Information protection

Grant Thornton is continually working on its Data Protection and Privacy (GDPR) compliance. The majority of the work was completed in 2018 with some activity still ongoing to this date in accordance to the guidelines issued by the Office of the Cypriot Commissioner for Personal Data Protection as well as the European regulation

### Supplier relationships

Our independence requirements extend to our relationships with suppliers. Checks are carried out before we enter into a supplier contract to establish whether they are an audit client, and if they are, special consideration is given to whether a threat to independence might arise.

Where applicable, the Ethics Leader must be consulted.

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# People and culture

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As a professional services firm providing a full range of audit, tax and advisory services to our clients, it is imperative that quality is at the cornerstone of everything we do. Critical to our success in achieving and maintaining our quality standards, it is important that our people and culture initiatives around recruiting, developing, training and managing our people support this objective.

Our people and culture team are committed to a framework that promotes:

- utilising the best sourcing methods to attract the best candidates and making the hiring experience promote Grant Thornton as the place to work
- the importance of the firm's culture and values from onboarding and throughout the employee's career
- developing and retaining our employees through programmes that stretch and challenge them to be the best leaders within their chosen area of expertise
- a culture of continuous learning and professional development through our performance management process that also recognises and rewards this contribution and
- a focus on achieving technical expertise and excellence.

Hiring the right people for our business is critical and to support this we have a dedicated People & Culture team whose primary objective is to source the best valuable person for the roles within the firm. This process is supported by our recruitment and selection policy which applies across the business.

On their first day with the firm, each new staff members attends a formal onboarding training which covers a range of topics that enable the employee to understand the culture of Grant Thornton. Also focused on engaging our new employees from day one on how to achieve success within the firm.

We provide an environment of continuous learning and give our people the tools and resources to achieve their potential, to enable an environment where champions are inevitable

This is supported by the relevant service line, then providing on the job training and related systems training to each new employee. The training and development of our people is critical to the success of our business and our ability to ensure that quality is high across all our service lines.

Our development philosophy is based not only on formal training, with on-the-job learning and significant levels of day-to-day coaching.

Our competency framework provides a clear path for individual career progression and our learning and development courses/ training plan, ensuring that all our staff have access to the training that will support their progress and advancement in their careers.

To further support our culture of continuous development we hold performance reviews on an annual and interim basis, as well as individual review and feedback sessions taking place at the end of each client assignment.





### Our values

As we make progress towards our 2020 strategy, our vision and values serve as a foundation to creating a consistent people experience across the whole of Grant Thornton. Our CLEARRR values are foundational to the culture we are creating, and our goal is to ensure that all our people, at every level, understand our vision and values.

### Creating an exceptional people experience succeeding in creating an exceptional client experience.

It is our people who differentiate us in an increasingly competitive global marketplace. Our people strategy, therefore, is integral to the achievement of our 2020 ambition. Developing the professional lives of our people is a vital part of our strategy.

We are committed to:

- creating a high-performance culture where people with passion for their work, dedicated and committed to make a difference, know their role and are supported towards fulfilling it
- empowering everyone to achieve their aspirations ensuring high quality learning, continual support for development and the best possible preparation for the future
- creating an environment of success and empowerment, providing our people the tools to make a difference every day, regardless of their role, seniority or years of experience
- cultivating a culture where everyone is encouraged to contribute their passion, enthusiasm and ideas at every stage of their career.

### Growing with our People

Our goal is to shape the Grant Thornton of tomorrow where all people are happy to work here and have fun while contributing to the success of our organization. We do it in support of our CLEARRR values while activating our People Promise that is 'why our people love to work and choose to stay with us' ultimately differentiating our organization from our competitors'.

Our People and Culture team have a fundamental role to play in creating an exceptional people experience for all people, that starts before joining and ends after leaving, enabling everyone to fulfil their ambitions making the greatest contribution in their time with the firm:

Win: Brand, Attract, Select, Recruit

Engage: Orientation to the firm, Buddy system, Working Environment, Culture, Employee Engagement

Grow: Learning & Development, Performance Management, Talent mobility, Continuous feedback, coaching

Keep: Recognition and Reward, Retention, Career progression, Talent Management, Exit Procedures

At Grant Thornton we believe learning and development opportunities allow each of our people to perform at their best every day. And when we are at our best, we are the best at serving our clients

## Continuous Professional Development (CPD)

Grant Thornton Cyprus is committed to establishing learning as a strategic imperative and invests accordingly, providing its people with high quality learning programs that enhance individual and organization potential. Our 'Learning and Development Policy' is integral to our people strategy and to the achievement of our 2020 ambition. Enhancing everyone's ability to contribute today and prepare for the future is the key to our success.

We are a learning organization and continuous improvement is our way of life enabling us to provide quality services to our clients. We encourage each of our people to take charge of their personal development, including the firm's own risk management, ethical and independence requirements, always be alert and seize opportunities for learning.

**We are committed to ensure that our people take part in appropriate programs of continuing personal development to maintain their theoretical knowledge, professional skills and values while we meet CPD requirements being a platinum approved employer awarded by ACCA (Association of Chartered Certified Accountants) and ICPAC (Institute of Certified Public Accountants of Cyprus).**

Our inhouse annual training plan is determined considering but not limited to areas of development of our people defined through on going formal and informal evaluation and feedback (knowledge, skills, competencies, attitudes, behaviors for current and future roles), findings identified through hot and cold financial statement reviews, findings identified during IQCR, GTARs, and other quality reviews, common queries and consultations requested, new market developments, law and government regulations, Grant Thornton International requirements, technological and other new developments. It is revised when this is necessary ensuring the best possible development of our people on job related technical knowledge and capabilities.

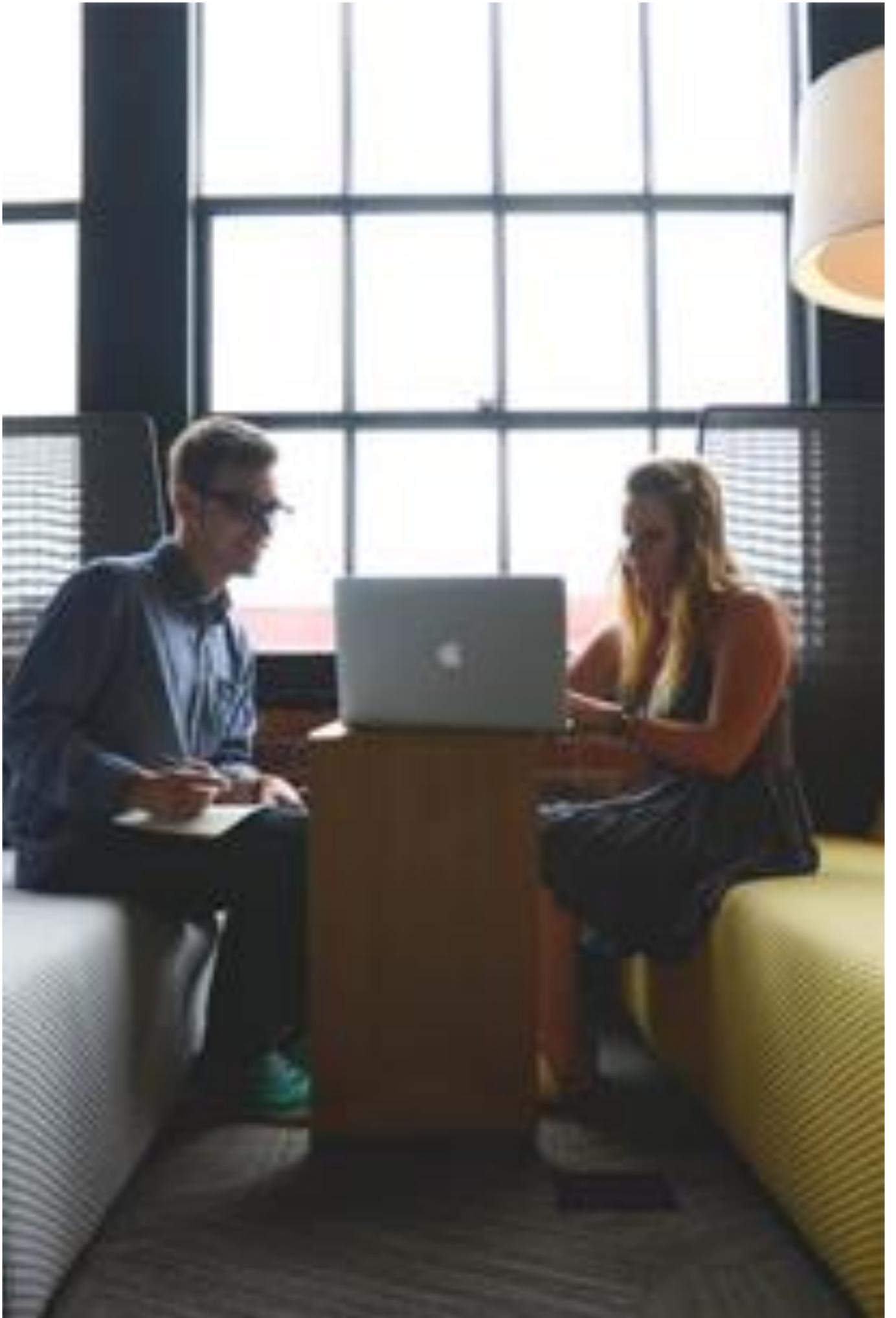
We have set up a list of mandatory inhouse trainings to ensure consistent and ongoing learning and development with emphasis on quality, risk management, ethics, independence, compliance and more.

Compulsory yearly training programs are monitored to confirm completion by all assigned members of staff and include programs on Ethics and Independence, Inspection Findings, Anti-Money Laundering (AML), International Standards on Auditing (ISA), International Financial Reporting Standards (IFRS), Tax & Vat, a series of Audit Core training programs (Mastering the First Year, Mastering the Associate Role, Mastering the in-charge role, Audit Senior Development) and a series of soft skills development programs (Professional and Personal Leadership, Managing People and Performance for success, New Managers coaching skills). To support the firm's commitment to staff performing in a more effective and efficient manner and to deliver quality and success in their roles, all new staff joining the firm are invited to attend a training programme on personal effectiveness and managing projects.

Our training plan is satisfied through many training mediums all sponsored by the Company, through in-house programs and 'Learning Nuggets', external open seminars in Cyprus and abroad, on the job training, coaching, mentoring, being part of the 'Buddy system' for new comers, shadowing, continues feedback, technical alerts and circulars, professional memberships, participation in external and internal committees internal meetings.

Being a member firm of Grant Thornton International (GTIL) we have access to great learning opportunities through the Grant Thornton University, forums, conferences, online trainings, workshops, the GTI net. Grant Thornton's global learning goal is to provide world class learning on leadership, business development, client management and technical subjects. And as a member firm, we are fully committed to sponsoring participation of staff members in all learning opportunities provided by our network.

**GTIL Service line technical and client service excellence:** Significant client service-related learning is offered that equips Grant Thornton people with the knowledge and skills to support clients in achieving their operational and strategic goals. Service line learning is also available both within member firms and through global training on an ongoing basis.



### Developing managers and partners

Programs to help managers and partners reach their leadership potential are also available:

- Senior Leadership Program: this 12-month learning program is designed for managing partners and senior leaders who are responsible for developing and implementing strategy
- Advanced Manager Program: this 12-month learning program is designed for selected managers and focuses on expanding their global perspective, deepening their engagement and leadership skills, and building a professional network within the global organisation
- Inspirational leadership: this programme helps create high performance leaders through clear and ambitious goal setting, enhances self-mastery of strengths and the ability to manage emotions, leading to better interpersonal and business outcomes

Equal importance is the opportunities provided through global programs for working abroad on short or long term secondments to other member firms. To date, we have supported numerous global assignments in various locations, including the US, UK and Ireland.

Finally, one of the biggest attractions of a career with Grant Thornton is the opportunity to work on cross-border projects all over the world. Through global assignment, members of our staff have the chance for both professional and personal development to work with colleagues around the world.

### Sponsorships towards both ACA and ACCA professional qualifications

Grant Thornton Cyprus is a platinum approved employer for ACCA and an approved training office for ACA offering training contracts to successful candidates committed towards a professional qualification. The Company fully finances both qualifications. At the same time, gaining high standards of knowledge and ability in the workplace is an everyday effort enabling our trainees to receive practical experience as well. This, will enable each one to apply the knowledge and techniques they learn while studying for their exams and develop the skills, attitudes and behaviours required for becoming successful professionals and qualified accountants.

The Company actively supports members of staff to gain additional academic or professional qualifications and accreditations inspiring each person to achieve their full potential and create value for themselves and others. Examples include but not limited to: Master's degrees, CFA, ADIT, CISA qualifications etc.

People and Culture Department is responsible for the successful and effective organization of all in house training programs and the participation to other external learning initiatives on behalf of members of staff, keeping training records electronically in our HR system including participation records for each program and analytical information about all trainings that each member of staff is attending on a yearly basis. Running evaluations for in house programs is an additional responsibility providing feedback to all trainers, enabling all of us as a team to constantly improve the quality of our training programs.

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# Corporate social responsibility (CSR)

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## Grant Thornton recognizes the value of CSR and the positive contribution it can make to the environment and in the firm's locality.

We believe it makes sense to leverage a skill set prevalent throughout the organisation, education and training, to assist the wider community. This holistic approach, combining Grant Thornton's core values with its approach towards CSR, reinforces what Grant Thornton is striving to achieve as a firm along with our clients' needs at the heart of what we do. Strategy is always about making choices and success in CSR is no different. At Grant Thornton, we are prepared to commit to focused, proactive and integrated social initiatives in line with our core strategic aims as a business.

Our CSR pillars are community, wellbeing, environment and education which allow us to consider the true value of what we can contribute.

### Charitable contributions

Throughout the year, our offices have raised money, contributed time, resources and became actively involved in numerous good causes.

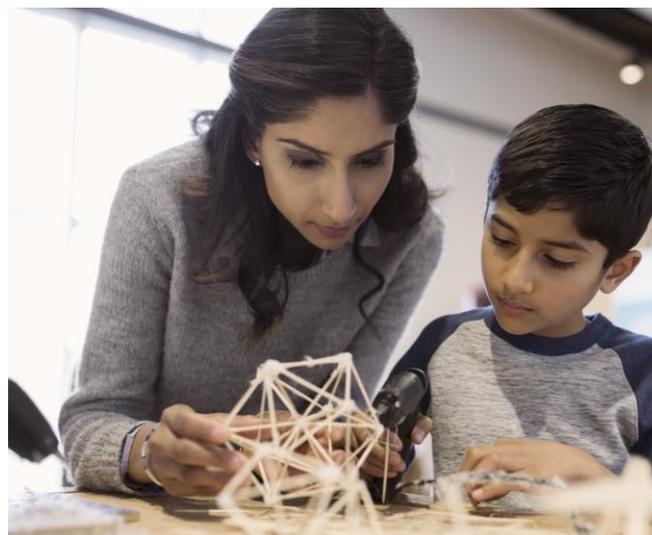
#### Some of the charities involved include:

- Financial donation towards Dr. Yiota Demetriou - The Dancing Queen Foundation
- Volunteering services and financial donation towards "Hope For Children" CRC Policy Center
- Financial donation towards Anticancer Society of Cyprus
- Financial donation towards Radiomarthonios Foundation
- Financial donation towards Karaiskakio
- Financial donation towards Pasykaf
- Financial donation towards Telethon
- Financial donation towards Red Cross
- Financial donation towards Pancyprian volunteerism coordinative council
- Financial donation towards Pancyprian Heart Patients Association
- Financial donation towards the Attica fires victims
- Financial donation towards Foundation of Archbishop Louca
- Financial donation towards Funraising Organisation
- Financial donation towards Larnaka Municipal Wind Orchestra

We also provided financial aid mainly in the form of coupons (supermarket, clothing, electrical appliances) to six underprivileged families and donated time and items to them.

### Growing Together in the community

Every year, Grant Thornton hosts an annual global event called 'Growing Together in the community'. Grant Thornton Cyprus participates in GTIL's global CSR initiative, which takes place in September each year and encourages Grant Thornton people to take part in a community based project. In September 2018, we shared our stories, volunteered our time and made commitments for the coming year. Both offices focused on helping one organisation to make a greater impact. We helped with the renovation process of two buildings that the "Hope For Children" CRC Policy Center uses for its services. "Hope For Children" CRC Policy Center works together with national, regional and an international advocacy institutions to reform child welfare systems on behalf of children who depend on them for protection and care.





### Office recycling

Grant Thornton works to the following environmental policy, to:

- minimise the use of all resources in carrying out our activities
- minimise waste generated by our operations and our work
- reuse and recycle, wherever possible
- maximise recovery and recycling of our waste output, purchase, wherever possible products, especially office consumables and stationery, containing recycled materials
- encourage and promote all staff to behave in an environmentally friendly manner.

Activities carried out by Grant Thornton in pursuit of this policy include:

- recycling of paper, batteries, bottle plastic caps and plastic cups
- printing necessary documents on double-sided paper using greyscale instead of colour
- reusing paper when possible by creating A5 notepads for inhouse use
- providing our people with reusable tumblers in order to minimise plastic cups use
- using recycled paper when possible to print stationery
- replacing ceiling light bulbs with energy – saving led bulbs

# Financial information

The European Communities Regulations requires disclosure of financial information including audit, non-audit, tax advisory services and other services. The following information has been extracted from Grant Thornton's annual accounts and financial records for the period ending 31 December 2018.

## Revenues 2018

The financial information given is based on unaudited figures for current year:

Service line	2018 total revenue €' 000	2017 total revenue €' 000
Assurance	3.123	3.662
Tax	817	751
Advisory	2.555	1.495
Outsourcing	899	886
<b>Total revenue</b>	<b>7.394</b>	<b>6.794</b>

Assurance services revenue includes fees for statutory audit, audit work for group engagements and other assurance work.

Tax services revenue includes fees from providing business and personal tax advice, VAT services, customs duty, international tax, relevant contract tax and revenue audits and investigations.

Advisory and other services revenue includes fees from consulting, advisory, valuation, insolvency, restructuring, transaction support, forensics and investigation services, financial counselling, security programme strategy and planning, security governance and security awareness.

Outsourcing services revenue include fees from assisting international clients in setting up and administering companies within tax efficient structures so as to take full advantage of the beneficial Cyprus tax environment, providing payroll, bookkeeping, accounting and other support services to local companies looking to outsource part or all of their administration/back-office functions and corporate compliance services,

## Responsibility for financial reporting

The financial information is prepared by Grant Thornton's finance department for presentation to the partner group. Their reporting responsibilities include:

- compiling and recording all financial information; and
- preparing reports for review by the partners.

## Going concern

The Board consider the firm to be a going concern as it has appropriate financial resources to meet its operational requirements for the foreseeable future.

Services	2018 revenue €' 000
Revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity*	350
Revenues from statutory audit of annual and consolidated financial statements of other entities	2.773
Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm**	1.349
Revenues from non-audit services to other entities	2.922

\* If an entity met the definition of an EU PIE (or subsidiary of) as at 31 December 2018, we have included related revenues in this category.

\*\* Non-audit services to audit clients are only provided were permitted by GTIL and Grant Thornton Cyprus policies and applicable laws and regulations.

## Partner remuneration

Partners receive a base salary per year. Additionally, partners receive dividends according to their share interest in the company.

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# Public interest entities (PIEs)

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The list of public interest entity audit clients for which Grant Thornton (Cyprus) Limited has signed an audit opinion in the year ended 31 December 2018 is given below.

The definition of a public interest entity for this purpose is that given under Directive 2006/43/EC, as amended by Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, being:

- a. entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC
- b. credit institutions as defined in point 1 of Article 3(1) of Directive 2013/36/EU of the European Parliament and of the Council, other than those referred to in Article 2 of that Directive
- c. insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC
- d. entities designated by Member States as public interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees.

- Royal Highgate Public Company Ltd
- LCP Holdings and Investments Public Ltd

In addition, a list of our audit clients which are traded on unregulated markets including AIM:

1. Livermore Investments Group Limited
2. Reconstruction Capital Plc



**Grant Thornton**

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