



**Grant Thornton**

An instinct for growth™

# Transparency report 2016

Grant Thornton Cyprus



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# Forward

The 2016 Grant Thornton (Cyprus) Ltd transparency report is a public statement of our commitment to providing high quality professional services to organisations.

Transparency is a key element underpinning the confidence of the world's capital markets in the audit process, and Grant Thornton will continue to play its part in creating a more accountable and robust accounting profession.

Our clients rightly expect us to have policies and procedures in place that mean the quality and level of service they receive is not only exemplary but consistent, irrespective of where they operate.

This report, which complies with the requirements of the 'Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009' which came into force on 8 April 2011, explains how the firm is run, how we ensure that we perform audits of the highest quality and describes the expertise, breadth and depth of our firm and of Grant Thornton International Ltd (GTIL).

The report describes policies and procedures which are effective as at 31st of March, 2017.



A handwritten signature in black ink, appearing to read 'S. Ioannou', written in a cursive style.

**Stavros Ioannou**  
Managing Partner  
Grant Thornton Cyprus

# Governance and management

## Leadership

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

- Stavros Ioannou, Managing Partner and CEO
- Augoustinos Papatomas, Assurance Partner and IBC Director
- Stelios Loizides, Assurance Partner
- George Poulos, Assurance Partner
- George Karavis, Tax Partner
- Stephen Michaelides, Outsourcing Partner
- Achilleas Achilleos, Assurance Partner
- Nicos Mouzouris, Assurance Partner
- Polys Polyviou, Assurance Partner
- Antonis Loyides, IFRS and Training Partner
- Froso Yiangoulli, Assurance Partner
- Melpo Konnari, Advisory Partner.

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.

The board has formed a number of committees to ultimately ensure high quality of service is delivered to all clients:

- business development committee
- technical & audit tools committee
- assurance committee
- internal quality control review committee
- human resources committee.

## 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:

- George Karavis: VAT committee
- Stephen Michaelides: International Business and Foreign Investments Committee
- Antonis Loyides: Accounting Standards (IFRS) committee
- Froso Yiangoulli: Auditing Standards committee
- Dimitrios Chioureas: Public Relations committee.

# Independence

Member firms adopt global policies and procedures that are designed to safeguard independence on assurance engagements and identify circumstances that could pose a conflict of interest. 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. Member firms are also required to adhere to their local regulatory requirements where more restrictive.

GTIL monitors compliance with these policies. Member firms are required to identify a partner with responsibility for overseeing independence matters, including providing training and obtaining annual confirmations of compliance with independence policies.

The increase in regulations and standards and the growing volume of services provided to international clients by Grant Thornton has made compliance with independence requirements a priority. A global independence team (led by the global head – risk management and independence) assists member firms with understanding these requirements.

The global independence team's responsibilities include providing:

- member firms with policy, guidance and training relating to independence matters
- guidance to member firms on interpreting, applying and complying with global policy or specific auditor independence rules
- oversight, compliance monitoring and support of the global independence system
- an international relationship checking process which is designed to provide reasonable assurance that non-audit services are not provided to a member firm audit client or its affiliate without appropriate consultation with the audit partner of the client. Also, where applicable, further consultation with the client's own audit committee
- member firms with appropriate independence consultation when dealing with complex international regulatory and independence matters.

A new automated global relationship checking tool will be rolled out to all member firms during 2017. The tool will facilitate the preparation, communication and clearing the workflow for international relationship check requests. It will provide a more robust platform and include regular processes for assessing potential threats to independence or conflicts of interest identified during client acceptance.

# Audit quality

Grant Thornton views audit quality as an essential element of our business. The global network has tools, support and controls in place to help ensure member firms consistently deliver high-quality audits. These include:

- **Strategic direction:** an aligned global assurance strategy, 'Leading with quality', focused on delivering efficient high-quality audits
- **Client acceptance and continuance:** established processes and procedures to help ensure members firms only accept high-quality clients
- **Global audit methodology and technology:** an audit methodology to meet international standards as a minimum, and supporting state-of-the-art proprietary software, backed by a commitment to remain industry-leading through ongoing investments
- **IFRS (International Financial Reporting Standards) support:** full-time global IFRS team to provide member firms with training and guidance
- **Global audit quality monitoring:** dedicated global monitoring team to review the audit quality of member firms on a regular basis
- **Global audit training:** globally developed programmes, such as a three-part online ISA proficiency series and face-to-face sessions on IFRS, audit methodology and independence, to ensure member firms have consistent learning.

**One of the pillars of our assurance strategy is to support partners and staff in the delivery of consistent high quality client service. Our rigorous quality control system is designed to ensure that the firm and its personnel comply with relevant professional standards as well as regulatory and legal requirements.**

Our internal quality control system is aligned with the:

- IFAC Code of Ethics for Professional Accountants

- International Standard on Auditing 220: Quality Control for Audits of Historical Financial Information
- ISQC1: International Standard on Quality Control for Firms, which encompasses the following key elements, all of which are elaborated further on: leadership responsibilities for quality ethical requirements people and culture acceptance and continuance of clients and engagements engagement performance monitoring.

## Leadership responsibilities for quality

In accordance with the principles of ISQC1, the Board has appointed the Partner, Augoustinos Papatomas, as Head of Assurance; he has responsibility for audit quality and for setting the assurance strategy.

## Ethical requirements

Partners recognise that their behaviour is key to maintaining a strong ethical environment and culture. Internal controls that support our ethical environment are routinely checked as part of the firm's risk management procedures.

## Acceptance and continuance of clients and engagements

Our firm has acceptance and continuance systems in place in all service areas to ensure that each client assignment is delivered to consistently high standards of professional and technical excellence. Our audit engagements are categorised to drive appropriate risk management procedures. We only engage with clients where we have the necessary capacity, skills and expertise to meet client expectations and which will not prejudice our independence, objectivity or integrity. High profile engagements are pre-approved by senior management, independent of the proposed service team. A similar continuance procedure is required on an annual basis, or if there are any known changes in circumstances. In certain (exceptional) circumstances

consultation is also required with Grant Thornton International Ltd.

## People and Culture – audit team structures

We implement high levels of expertise within audit teams. Engagements are partner led, with substantial manager involvement throughout the audit process. We set high benchmarks for recruiting trainees and throughout their induction and training programmes, the need for ethical behaviour and quality is reinforced. We undertake thorough appraisals and continually carry out mentoring, professional, and personal development courses.

## Supervision, review and consultation

We have a strong culture of consultation, supervision and support, which is embedded throughout the audit methodology. Where appropriate, reviews by a second partner and the Head of Assurance provide additional levels of expertise and quality management.

## Professional indemnity insurance

We are committed to the highest standards of technical excellence and client service, but in order to mitigate any remaining risk, the firm has arranged for appropriate indemnity insurance.

## Engagement quality review

All audit clients whose securities are publicly traded, as well as high profile engagements, are subject to an engagement review by a second partner.

## Monitoring activities

Internal audit inspections are carried out annually to assess the quality of completed audit work across various areas of activity and industry sectors. The reviews are risk focused and review teams are selected from outside of the department under review.

In addition to our internal national reviews, as a member firm of Grant Thornton International Ltd we are obliged to submit to an inspection of the audit practice by Grant Thornton International, referred to as the Grant Thornton International Audit Review (GTAR), at least once every three years.

GTAR inspection review teams 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 files. The inspection team also interviews partners and staff on various matters.

## Global audit quality management

A dedicated team 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 firm's compliance with professional standards, global audit policies and procedures, and other risk-based criteria. On average, each member firm is 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.



**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.

For example, through GTAR we assess if member firms:

- comply with professional auditing standards
- implement the global audit methodology (and in turn, the International Standards on Auditing as a minimum)
- issue audit reports that were appropriate in the circumstances
- comply with international ethical and quality control policies
- comply with quality assurance standards during the audit
- produce audit documentation in accordance 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
- comply with global risk management policies and procedures.

The global audit monitoring control team, in collaboration with partners and managers from Grant Thornton member firms, also carry out reviews to evaluate the quality and suitability of firms interested in joining our international network.

#### Scope of annual global quality monitoring process



GTAR inspection team members utilise a proprietary software application, Sentinel, to record and track individual findings and root causes and to communicate these results to member firm management. Member firms can also utilise this tool for their own internal quality reviews.

Member firms must have an effective internal inspection programme in place that meets the requirements of ISQC 1. To facilitate the adoption of such practices among member firms, templates that include guidelines, work programmes, forms and examples of reports, all of which have been benchmarked to ISQC 1, are provided.

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.

### 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 reporting

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

Grant Thornton has been awarded the prestigious 'ICPAC Quality Checked' certificate by the Institute of Certified Public Accountants of Cyprus (ICPAC) following a review carried out by the Association of Chartered Certified Accountants (ACCA).

The ICPAC Quality Checked certification is a quality assurance scheme introduced by ICPAC in July 2006 to help improve standards across the accountancy profession in Cyprus. The aim of the scheme is to help ICPAC member firms enhance the quality and efficiency of the services they provide to their clients by ensuring that the procedures and checks in place are consistent with the demands of the quality programmes and generally accepted best practice within the industry.

The latest review of the firm by ICPAC was in February 2015.

## Engagement with regulators

Member firms are expected to maintain an open and constructive relationship with their national regulators. This is consistent with our global policy of embracing external oversight, along with our support of a balanced public reporting of external inspection programmes. As a major international professional services organisation, Grant Thornton meets at least annually with the International Forum of Independent Audit Regulators (IFIAR) and contributes regularly to the public debate on major industry issues.

# Tax services

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 2016 we focused on strengthening our review process and our 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. Further information is included below as to how we ensure all member firms deliver quality tax services.

## 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 and Latin America 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 will remain on high quality technical training both face-to-face and through e-learning and virtual platforms.

## Grant Thornton tax review

In 2016, we launched the Tax and Advisory Risk Questionnaire (TARQ), a self-assessment questionnaire for all member firms to assess internal quality and risk procedures. The TARQ will be an annual survey and will be supplemented by reviews of member firms. All member firms currently participate in separate tax, assurance and advisory reviews. In 2017, it is envisaged that the three service lines will collaborate more closely and combine resources to deliver robust reviews. These ensure all member firms are meeting the global standards required for quality and risk management, people development and leadership.

# Advisory services

Our advisory services help clients create, transform and protect value. As well as helping clients to finance growth and optimise operations, member firms 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
- a programme of regional training academies
- 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 well connected to other parts of the network that are best able to support them. In 2016, Grant Thornton International Ltd launched the Tax and Advisory Risk Questionnaire (TARQ), which allows firms to benchmark their own risk and quality processes against GTIL's standards.

# Financial information

## Revenues 2016

Service line	2016 total revenue (€)
Assurance	3.496.159
Tax	627.906
Advisory	1.409.514
Outsourcing	959.518
<b>Total revenue</b>	<b>6.493.097</b>

## Partner remuneration

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

## Public interest entities

During 2016, the firm undertook statutory audits for the following public interest entities:

- Royal Highgate Public Company Ltd

# About Grant Thornton

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms.

These firms help dynamic organisations unlock their potential for growth by providing meaningful, forwardlooking advice. Proactive teams, led by approachable partners, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions. More than 47,000 Grant Thornton people across over 130 countries, are focused on making a difference to the clients, colleagues and the communities in which we live and work.

Grant Thornton in Cyprus has more than 140 people and two offices, in Nicosia and Limassol.

**Visit [gtcyprus.com](https://gtcyprus.com) today to find out how we can help you.**



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