



**Transparency report for**

**Grant Thornton (Gibraltar) Limited**

**For the year ended 30 September 2018**



## Contents

1. Legal structure and ownership
2. Our international organisation
3. Governance
4. Internal quality control system
5. Monitoring of quality control
6. Public interest entities
7. Independence
8. Continuing professional education
9. Director remuneration
10. Financial information



# Transparency Report for the year ended 30 September 2018

## Introduction

Following the enactment of the Financial Services (Auditors) Act 2009 (the Act) audit firms that carry out statutory audits of public interest entities are required to possess a website and publish on it within three months of the end of each financial year an annual transparency report that sets out certain minimum information about the firm, systems of quality control, independence procedures and practices.

This report contains information in respect of these requirements for Grant Thornton (Gibraltar) Limited.

Approved by the Board on 29<sup>th</sup> November 2018



Grant Thornton (Gibraltar) Limited

## 1. Legal structure and ownership

Grant Thornton (Gibraltar) Limited (the firm) is a limited company incorporated in Gibraltar on 14 September 2004 with registered number 92786. Prior to incorporation the business in Gibraltar traded as a sole practitioner and partnership. The share capital of the Firm consists of two classes of shares. Redeemable preference shares are issued as participating shares and may participate in the profits of the Firm by way of dividend distribution. Participating shares are held by Kudu Holdings Limited. Ordinary shares may not participate in the profits of the Firm but hold voting rights. Ordinary shares may only be held by individuals who are directors of the Firm.



## 2. Our international organisation

Grant Thornton (Gibraltar) Limited is the Gibraltar member firm of Grant Thornton International Limited (GTIL).

Grant Thornton International 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, thus ensuring the clients of all member firms have a consistent experience and standard.

The latest figures available from GTIL are for 30 September 2017. At 30 September 2017, GTIL had independent member firms in 135 countries with aggregate revenues of US\$5.0 billion (2016: US\$4.8 billion), and a headcount of nearly 50,000 people (2016: 47,350).

## 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
- maintaining a system of quality control that meets or exceeds International Standard on Quality Control (ISQC) 1 and agreement to periodic evaluation of the system of quality control by the global monitoring teams.

## Funding of Grant Thornton International

Grant Thornton International is funded by annual contributions from the member firms. The approved budget determines the aggregate annual contribution which is then allocated to member firms in proportion to the member firm's turnover for the 12 months ended 30 September. The Board of Governors agrees the final budget and the level of member firm contributions required to meet the budget.

## Governance and leadership

The key governance and leadership bodies of GTIL are the Global Board of Governors and the Global Leadership Team. A summary of their roles and responsibilities is set out 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 non-executive directors. The Board aims for a reasonable balance of representation from different geographical areas, including emerging markets. The Board's responsibilities include:

- providing input into the strategic development of GTIL and approving the global strategic direction and policies of GTIL as established by the CEO
- 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 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.

## Global Board of Governors (continued)

The Board members as at 30 September 2018 are:

- **Scott Barnes**, Chair, Board Member
- **Peter Bodin**, CEO, Grant Thornton International Ltd
- **Mike McGuire**, US
- **Sacha Romanovitch**, UK
- **Xu Hua**, China
- **Kevin Ladner**, Canada LLP
- **Daniel Kurkdjian**, France
- **Greg Keith**, Australia
- **Anna Johnson**, Sweden
- **Joachim Riese**, Germany
- **Vishesh Chandiok**, India
- **Vassilis Kazas**, Greece
- **Marivic España**, Philippines
- **Hisham Farouk**, UAE
- **Arnaldo Hasenclever**, Argentina
- **Gagik Gyulbudaghyan**, Armenia
- **Judith Sprieser**, Independent Board Member

## 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.

The current Chair is Scott Barnes. The role of the Chair is pivotal to creating the conditions necessary for a highly effective Board, focused on our strategic global development.



## Global Leadership team

The Global Leadership Team (GLT) drives the execution of the global strategy and is chaired by the CEO. It is a full-time 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.

The GLT members as at 30 September 2018 are:

- **Peter Bodin**, CEO, GTIL
- **Antony Nettleton**, Global Leader, Quality and risk management
- **Francesca Lagerberg**, Global Leader, Network development
- **Jason Ramey**, Global Leader, Service lines and industries
- **Dave Peneycad**, Global Leader, Operations and projects
- **Kim Schmidt**, Global Leader, Leadership, people and culture
- **Paul English**, Markets and Clients

More information can be found at [www.grantthornton.global](http://www.grantthornton.global).

## Chief executive officer

The Chief Executive Officer (CEO) is responsible for the leadership of GTIL and 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. Peter Bodin replaced Ed Nusbaum as CEO from 1 January 2018. Peter Bodin was previously the CEO of Grant Thornton Sweden, the Swedish member firm within Grant Thornton International, a position he held for more than 15 years.

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 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 to maintain global policies and procedures, including those governing international work for the assurance, tax and advisory service lines.

## 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 that 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.

## Grant Thornton member audit firms – European Union (EU)/European Economic Area (EEA) member states

The table below shows the statutory auditors and audit firms that are member firms of the Grant Thornton International Limited network in either 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	Member firm
Austria	Grant Thornton Austria GmbH
Belgium	Grant Thornton Bedrijfsrevisoren - Réviseurs d'Entreprises
Bulgaria	Grant Thornton OOD
Croatia	Grant Thornton revizija d.o.o.
Republic of Cyprus	Grant Thornton (Cyprus) Ltd
Czech Republic	Grant Thornton Audit s.r.o.
Denmark	Grant Thornton Statsautoriseret Revisionspartnerselskab
Estonia	Grant Thornton Baltic OÜ
Finland	Advico Grant Thornton Oy, Idman Vilen Grant Thornton Oy, Revico Grant Thornton Oy
France	Grant Thornton & Associés, AEG Finances, Carib Audit, Grant Thornton, IGEC, Tuillet Audit
Germany	Warth & Klein Grant Thornton AG, ATS Allgemeine Treuhand GmbH, Warth & Klein Grant Thornton GmbH & Co. KG, Sozietät Prof. Dr. Dr. h. c. W. Klein u.a, WPG Wohnungswirtschaftliche Prüfungs- und Treuhand GmbH, Warth & Klein Grant Thornton Revisionsunion GmbH
Gibraltar	Grant Thornton (Gibraltar) Ltd.
Greece	Grant Thornton SA
Hungary	IB Grant Thornton Audit Kft.
Iceland	Grant Thornton Endurskoðon Ehf
Ireland	Grant Thornton, Grant Thornton Business Advisory Services Ltd., Grant Thornton (NI) LLP
Italy	Ria Grant Thornton S.p.A
Latvia	Grant Thornton Baltic SIA
Liechtenstein	Grant Thornton AG, ReviTrust Grant Thornton AG
Lithuania	Grant Thornton Lithuania
Luxembourg	Compliance & Control S.A., Team Audit
Malta	Grant Thornton
Netherlands	Grant Thornton Accountants En Adviseurs B.V., Incompanion B.V.
Norway	Grant Thornton Revisjon AS
Poland	Grant Thornton Frąckowiak Sp. z o.o Sp.k., Grant Thornton Polska Sp. Z.o.o. Sp.k.
Portugal	Grant Thornton & Associados, SROC, Lda.
Romania	Grant Thornton Audit SRL
Slovak Republic	Grant Thornton Audit, s.r.o.
Slovenia	Grant Thornton Audit d.o.o., Grant Thornton Advisory d.o.o.
Spain	Cruces Y Asociados Auditores, S.L.P., Grant Thornton Andalucía, S.L.P., Grant Thornton, S.L.P.
Sweden	Grant Thornton Sweden AB
United Kingdom	Grant Thornton UK LLP



### 3. Governance

The board of directors of Grant Thornton (Gibraltar) Limited provides strategic and operational leadership to the firm and meets on a frequent basis. The board retains overall responsibility for the functioning of the audit service line as well as the other services provided by the firm. The board is also responsible for the monitoring of risk within the firm.

### 4. Internal quality control system

The firm adheres to the guidance and quality control requirements set out by Grant Thornton International, along with the requirements set out in the IAASB's International Standard on Quality Control 1.

According to ISQC 1, the elements of a quality control system are the following:

- Leadership responsibilities for quality within the firm
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance
- Monitoring

Grant Thornton (Gibraltar) Limited implements the requirements of ISQC 1 as follows:



### Leadership responsibilities for quality within the firm

Our success is driven by a commitment to excellence, delivering the highest quality of service to our clients. The board of directors have overall responsibility for quality within the firm. A director who may also be referred to as a “partner” is assigned to every audit engagement. Our quality and risk framework is embedded throughout the firm. The framework brings a rigorous approach to all service offerings in areas such as client acceptance, quality control and competence. Its primary purpose is to underpin our commitment to quality, integrity and ethical behaviour across the firm.

### Relevant ethical requirements

The firm is subject to ethical and independence standards set by the International Federation of Accountants (IFAC).

However, we recognise that our reputation is built on the individual and collective behaviours of our people. We help our people to understand their ethical responsibilities by providing clear policies and procedures, efficient and intuitive systems, a strong culture of support and consultation and regular training. The firm's procedures and policies are included in our Ethics and Quality Control Manual. All directors and staff sign an annual declaration confirming compliance with the relevant ethical requirements.

We have a strong culture of consultation and support. The firm provides an environment where consultation with the directors on ethical and technical issues is encouraged.

## Acceptance and continuance of client relationships and specific engagements

The firm has specific procedures in place to identify and deal with potential conflicts of interest. Our client assignment and relationship checks ensure that each potential new assignment will not prejudice the firm's independence, and enable potential conflicts of interest to be identified at the earliest opportunity. For audit and similar engagements where independence is a matter of public interest, our procedures are more stringent:

- Before a new audit engagement is accepted, searches and enquiries including, where relevant, an international relationship check, are carried out to identify any existing business, financial or personal relationships that might pose a threat to the independence of the audit.
- At the beginning of an audit, all members of the engagement team are required to confirm in the audit file that they are free of personal interests and relationships that might impact on their own independence or that of the firm.
- After an audit opinion is issued, and before the continuance of an audit appointment is accepted, the audit partner (director) (and where appointed, the review partner) considers whether any circumstances have arisen that question whether the firm should or can accept reappointment.

Before offering a non-audit service to any audit client of the firm, the relevant audit partner's approval must be

obtained. This approval is only given after careful consideration of any possible threats to the firm's independence and, if required, the adequacy of any plan to mitigate such threats.

If potential clients have international operations, an international "relationship check" is performed to identify any relationships of other member firms within Grant Thornton International that may present a conflict of interest and/or a threat to independence. When the prospective client is already an audit client of a member firm within Grant Thornton International, consultation is required with the relevant audit partner to ensure that the proposed non-audit service is permitted and that any threats to independence created by the proposed non-audit service can be adequately safeguarded.

If a potential conflict is identified, appropriate procedures are put in place to protect confidential information and to ensure potential conflicts are, and are seen to be, effectively managed.

Partners, audit directors, and members of their immediate family, are prohibited from having any direct or material indirect financial interest in an audit client or the parent company of any audit client of Grant Thornton (Gibraltar) Limited, or in any publicly traded audit client of a member firm within Grant Thornton International. Full details of the firm's audit clients with publicly-traded securities; and those of other member firms within Grant Thornton International, are maintained on the firm's intranet.

Partners, directors and managers involved in client service are required to record their financial interests (and those of their immediate family members) in the firm's automated tracking system known as the Global Independence System (GIS).

## Human resources

We recognise that our success depends upon developing a sustainable high performance culture, working together, and drawing on each other's skills, knowledge and expertise to deliver high quality services to our clients. Our human resources management process includes the following:

- Job descriptions for each role,
- An induction process on job-related issues as well as culture and values including review of technical and ethics manuals'
- Formal annual appraisals for all members of staff,
- Annual objective setting and personal development plans; and
- Compliance with continuing professional development requirements

## Engagement performance

Grant Thornton International assists all 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 help desk; and topical alerts.

Our global methodology, which is used by all member firms within Grant Thornton International, provides audit teams with a clear and direct link between identified financial reporting risks, internal controls that address these risks, and audit procedures.

This approach enables audit teams to judge how the current environment impacts upon an entity's financial reporting, how the entity responded; and how to develop an appropriate audit response. The methodology includes integrated quality control processes including, for example, policies and procedures on an engagement quality control review.

The methodology is applied using the state-of-the-art Voyager software, manuals and policies. These are benchmarked against the International Standards on Auditing, International Standards on Quality Control, and the Code of Ethics for Professional Accountants (the IESBA Code).

The key deliverables of our audit are the formal audit report and the Key Issues Memorandum (KIM).

Our audit reports comply with auditing standards and legislation, and are only signed by the engagement leaders after appropriate review of all work done.

The Key Issues Memorandum (KIM) provides clients' governance and management bodies with the main considerations, judgments and results of our audit. The content and format is tailored to a particular client's needs but will include the scope and approach of our audit, an explanation of any ethical or independence matters (together with any safeguards in place), the principal audit judgments and an outline of any control weaknesses identified.



## Monitoring

The quality of the level of the professional work undertaken by the firm is evaluated through the firm's internal quality control review process. Objectivity in the firm's review process is ensured with an arrangement with the Director of audit quality for GTIL member firms in Africa. This individual carries out an annual internal quality control review of Grant Thornton (Gibraltar) Limited.

The firm is also subject to the Grant Thornton International Audit Review (GTAR) programme. The most recent GTAR of the firm was carried out in October 2017. The next GTAR review is expected to take place in 2020.

### 5. Monitoring of quality control

The Gibraltar Financial Services Commission, as the appointed Competent Authority for the purposes of the Act, performed a quality assurance review of Grant Thornton (Gibraltar) Limited in April 2016. The next review is expected in 2019.

As stated above the most recent GTAR of the firm was carried out in October 2017 and the next GTAR is expected to take place in 2020.

### 6. Public interest entities

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

The list of public interest entity audit clients for which Grant Thornton (Gibraltar) Limited has signed an audit opinion during the year ended 30 September 2018 is given below.

1. Haven Insurance Company Limited
2. PTI Insurance Company Limited

### 7. Independence

As stated above the firm adheres to the independence requirements set out in the IFAC Code of Ethics for professional accountants which are the ethical standards that have been adopted by the Gibraltar Society of Accountants (GSA) as being relevant and applicable to Gibraltar audit firms.

Independence practices are subject to a continuous process of internal review as part of the firm's internal quality control review process.

Independence processes operated by the firm are set out in Section 4 above under the heading "Acceptance and continuance of client relationships and specific engagements". All these independence processes were operated by the firm during the past financial year.

## 8. Continuing professional education

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 as part of the annual appraisal process, in conjunction with an individual's personal development plan. All audit staff attend regular technical update courses.

## 9. Directors' remuneration

The firm's directors are paid a fixed salary which is reviewed on an annual basis. The profits of the firm included within distributable reserves are periodically distributed to the holders of the preference share capital by way of dividend.

## 10. Financial information

Turnover by income stream	2018 £ '000s	2017 £ '000s
Statutory audit of annual and consolidated financial statements		
<i>Public interest entities and subsidiaries</i>	146	84
<i>Other</i>	371	357
Revenues from permitted non-audit services to audit clients	36	33
Non-audit services to other clients	245	577
<b>Total</b>	<b>798</b>	<b>1,051</b>





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