

Transparency report 2017

Grant Thornton Malta
April 2018





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Introduction

This transparency report has been prepared in accordance with the requirements of section 18 of the Accountancy Profession Act, Cap. 281. The requirements of section 18 resulted from the amendments made to the Act in 2008 to transpose the requirements of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

This transparency report is a public statement to clients, audit committees, regulators and the wider public of our commitment to provide quality assurance services to our local and international clients.

Our clients and stakeholders rightly expect us to have people, policies, procedures and technology in place that result in actions that are in the public interest, which includes delivering a high quality audit and an exemplary and consistent level of service, irrespective of where our clients operate.

This report 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.

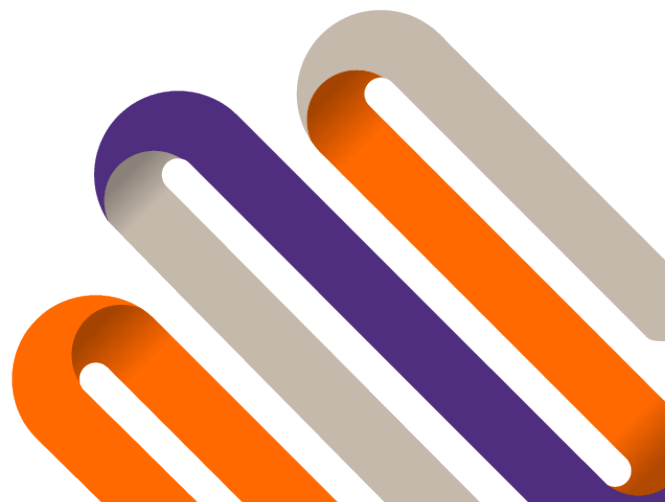
This transparency report describes policies and procedures which were effective as at 31 December 2017.

On behalf of the firm's governing body



Mark Bugeja
Managing Partner and Compliance Principal

27 April 2018



Legal structure and ownership

Grant Thornton is a civil partnership constituted under the laws of Malta. The partnership is registered as an audit firm with the Accountancy Board in terms of the Accountancy Profession Act, Cap. 281.

During the year ended 31 December 2017, the civil partnership was wholly owned by its five partners. Four of the partners hold an audit practicing certificate. All partners are directly involved in the provision of the firm's services and hold all the voting rights in the partnership.

The core services provided by Grant Thornton include audit and assurance, local and international tax, company registration, company secretarial, business advisory, accounting, outsourcing and back office services.

The firm practiced from one office situated at Tower Business Centre, Suite 3, Tower Street, Swatar BKR 4013.



Grant Thornton International

Grant Thornton Malta is a member firm of Grant Thornton International Ltd (Grant Thornton International).

Grant Thornton International Ltd is a not-for-profit, non-practising, international umbrella membership entity. It is organised as a private company limited by guarantee, not having a share capital, incorporated in England and Wales and does not provide services to clients. Services are delivered independently by the Grant Thornton firms.

Grant Thornton International is an organisation of independently owned and managed accounting and consulting firms. Each member firm within Grant Thornton International is a separate national firm. These firms are not members of one international partnership or otherwise legal partners with each other, nor does membership within Grant Thornton International thereby make any firm responsible for the services or activities of any other. Each firm governs itself and handles its administrative matters on a local basis. Most of the member firms carry the Grant Thornton name, either exclusively or in their national practice names, facilitated by a name use agreement.

At 31 December 2017 Grant Thornton had more than 50,000 people in its member firms represented in over 135 countries. Global revenues amounted to US\$ 5 billion.



Governance and management

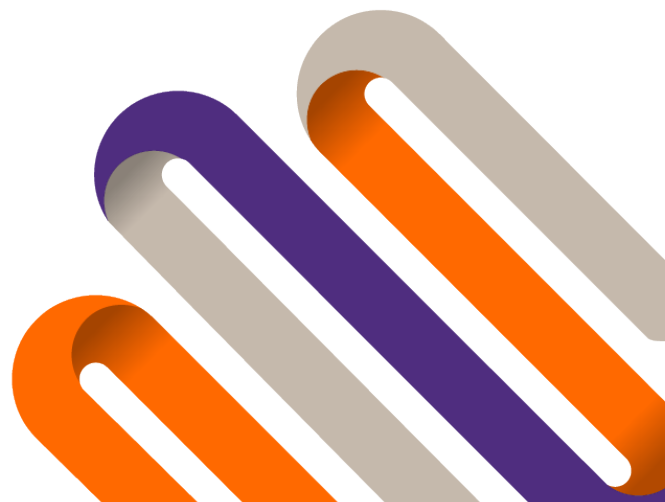
The firm's governing body is made up of the partners who are also the firm's principals in terms of the Accountancy Profession Act, Cap 281. The Board of Partners meets periodically and is the ultimate decision-making body concerning matters such as strategy, financial management and human resources.

The Board of Partners is also responsible to ensure that the firm's vision and values are aligned with the global vision and values set by Grant Thornton International.

The governing body was composed of:

- Mark Bugeja, Managing Partner and Partner - Assurance Services
- Austin Demajo, Partner - Taxation Services
- Wayne Pisani, Partner - Tax and Regulatory
- Joseph Pullicino, Partner – IT, Business Risk and Outsourcing Services
- George Vella, Partner - Advisory Services

The Partners are supported by a team of Directors comprising Margaret Bonello-Cole and Sharon Causon (Assurance Services), Oriana Abela (Advisory Services) and Chris Farrugia (IT).



Quality control systems

Grant Thornton Malta's internal quality control system is set out in the Assurance Quality Control Manual (AQCМ). The AQCМ explains the policies and procedures relating to:

Ethical requirements

The firm's policies are designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements. They cover the requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and the national requirements emanating from Directive no. 2 issued by the Accountancy Board.

Acceptance and continuance of client relationships and engagements

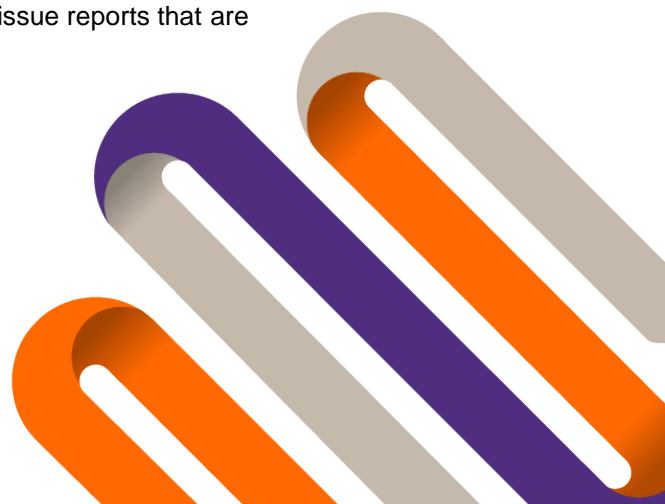
The procedures for acceptance and continuance of clients and engagements provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where it:

- has considered the integrity of the client and does not have information that would lead it to conclude that the client lacks integrity;
- is competent to perform the engagement and has the capabilities, time and resources to do so; and
- can comply with ethical requirements.

Human resources, assignment of engagement teams and engagement performance

The policies and procedures ensure that:

- the firm has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements, and to enable the firm or engagement partners to issue reports that are appropriate in the circumstances;
- the identity and role of the engagement partner are communicated to key members of client management and those charged with governance; the engagement partner has the appropriate capabilities, competence, authority and time to perform the role; and the responsibilities of the engagement partner are clearly defined and communicated to that partner;
- the firm is provided with reasonable assurance that engagements are performed in accordance with professional standards and regulatory and legal requirements, and that the firm or the engagement partner issue reports that are appropriate in the circumstances.



Consultation, differences of opinion, complaints and allegations

The policies and procedures provide the firm with reasonable assurance that:

- appropriate consultation takes place on difficult or contentious matters;
- sufficient resources are available to enable appropriate consultation to take place;
- the nature and scope of such consultations are documented; and
- conclusions resulting from consultations are documented and implemented.

The AQCM also includes policies and procedures for dealing with and resolving differences of opinion within the engagement team, with those consulted and, where applicable, between the engagement partner and the engagement quality control reviewer.

The policies and procedures also ensure that the firm deals appropriately with:

- complaints and allegations that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements; and
- allegations of non-compliance with the firm's system of quality control.

Engagement quality control review

An engagement quality control review that provides an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report is required for engagements meeting certain criteria.

Monitoring

The firm undertakes an ongoing consideration and evaluation of its system of quality control, including a periodic inspection of a selection of completed engagements. This process, which covers firm wide processes as well as review of engagements, is called the Internal Quality Control Review (IQCR). The IQCR is intended to ensure that the firm's quality control system is relevant, adequate, operating effectively and complied with in practice, and is performed on an annual basis.

The firm's AQCM also covers the requirements of International Standard on Quality Control (ISQC) 1.

Grant Thornton International quality control procedures

In addition to our own quality control procedures, as a member firm of Grant Thornton International we are required to abide by a system of quality control that encompasses, at a minimum, the following standards issued by the International Federation of Accountants (IFAC) (as supplemented by additional Grant Thornton International quality assurance policies):

- International Standard on Quality Control 1: Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements



- International Standard on Auditing 220: Quality Control for Audits of Historical Financial Information
- IESBA Code of Ethics.

Supporting robust audit delivery

Grant Thornton International views quality as paramount. As auditors, member firms exist and grow only on the bedrock of their reputation for high quality audits.

Grant Thornton International provides resources that assist member firms in delivering high quality audits. These resources include:

- the Grant Thornton global audit methodology (known as Horizon™) with supporting state of the art software
- policies and procedures contained in industry oriented audit programmes and manuals that are benchmarked against International Standards on Auditing, International Standards on Quality Control, and the IESBA Code of Ethics
- protocols that enable member firms to consult with the Grant Thornton International auditing standards team and, if necessary, with audit specialists in other member firms
- protocols that enable member firms to consult with the Grant Thornton International Financial Reporting Standards (IFRS) helpdesk
- a comprehensive intranet service that includes up to date information for member firms on relevant professional standards, a worldwide restricted entity list, an International Financial Reporting Standards help desk, topical alerts, financial statement templates and examples.

Grant Thornton International develops and delivers worldwide training with a focus on audit risk assessment (including fraud) and response. Grant Thornton International's audit approach facilitates the audit team's judgement as to how the recent economic situation impacts the specific audit situation such that a tailored risk identification and response can be achieved.

Grant Thornton International Audit Review

Every member firm is obliged to submit to an inspection of its audit practice by Grant Thornton International, referred to as the Grant Thornton International Audit Review (GTAR).

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



External monitoring

The firm's audit practice is subject to periodic quality control visits by the Quality Assurance Unit (QAU). The QAU reports to the Quality Assurance Oversight Committee (QAOC) which, in terms of the Accountancy Profession Act, is the policy-making body and regulator of the quality assurance function in the accountancy and auditing profession in Malta. The last review of Grant Thornton by QAU took place in November 2015.



Independence practices

The IESBA Code of Ethics and the national requirements emanating from Directive no. 2 issued by the Accountancy Board, together with the policies and procedures set out in the firm's AQCM contain several safeguards to ensure the firm's independence.

The firm's policies and procedures are designed to ensure that these independence requirements are adhered to. These include:

Leadership commitment to quality

The firm recognises that quality and commitment to ethical standards is essential to its work and the firm's leadership is committed to a quality-oriented internal culture in which we perform work that complies with professional standards and regulatory and legal requirements, and issue reports that are appropriate in the circumstances. The policies and procedures in the AQCM are designed to assist the firm's leadership in developing and maintaining a culture of quality in the firm and ensuring that commercial considerations do not override the firm's commitment to quality in all its engagements. The ultimate responsibility for the firm's ethics and system of quality control rests with the Managing Partner.

Annual confirmations

All personnel are required to confirm that they do not hold any financial interests in any of the firm's clients which are prohibited by the firm's policies and standards. They are also required to confirm that they do not have any relationships, nor entered into any transactions, with the firm's audit clients that are prohibited by the firm's ethical policies. These confirmations are made upon joining the firm and thereafter on an annual basis.

Monitoring

As part of its annual IQCR process the firm inspects for compliance with the firm's independence policies and procedures.

Relationship checking

Maintaining the independence of member firms, audit teams and other professionals is critical to sustaining public confidence in the audit profession. Grant Thornton International is committed to ensuring that its independence policies and procedures are robust and provide clients of member firms, other users of audit reports and the investment community with confidence that Grant Thornton member firms and their professionals are independent and objective.



In addition to our own independence practices, Grant Thornton International requires member firms to adopt policies and procedures that have been designed to safeguard independence on audit engagements. Grant Thornton International independence policies and procedures are based on the IESBA Code of Ethics with supplements to govern compliance with its global independence system. All member firms are required to adhere to their local regulatory requirements if more stringent than the IESBA Code or Grant Thornton International policy.

As the number of Grant Thornton International member firm listed audit clients grows and the number of member firms providing services to those clients increases, the risk of an inadvertent violation of the prohibition of financial interests becomes greater. In order to address the risks associated with prohibited financial interests in listed audit clients, Grant Thornton International uses an automated tracking system designed to mitigate the risk of inadvertent financial interest violations. The Global Independence System (GIS) is an automated solution for the tracking and management of potential independence threats arising from the financial interests of member firms and their professional staff. By providing an electronic method for self-reporting personal financial holdings and automating the identification and clearing of conflicts, the GIS solution improves efficiencies and increases reliability of independence monitoring and reporting globally.

The GIS monitors financial interests against globally restricted audit clients and any related entities. The GIS provides a mechanism to assist in determining, based on the facts and circumstances, whether the security should continue to be held or if the financial interest should be disposed of.

In addition to financial interests, the identification of relationships or services provided to an international member firms client is essential. Accordingly, where the entity has international operations (or has related entities with international operations) member firms must conduct a careful check for any relationships that exist with any Grant Thornton member firm or their affiliates. This check should be conducted where the member firm is proposing to provide either services to a prospective client or new services to existing clients. Existing relationships will not always present a conflict or independence threat but, having identified a relationship, the proposing partner and existing engagement partner can evaluate this risk before proceeding.

Client acceptance procedures

Grant Thornton Malta's client acceptance procedures assess the risks that are associated with new clients and are performed prior to the firm accepting or declining an engagement. The client acceptance procedures are carried out by the engagement partner assigned to the prospective client and are then reviewed by the Managing Partner. If the Managing Partner is the assigned engagement partner, the procedures are reviewed by another assurance partner.

Client continuance procedures are conducted on an annual basis to determine whether the relationship with the client can be maintained or whether it should be discontinued.

The acceptance and continuance of clients meeting certain criteria also requires approval by Grant Thornton International.



Grant Thornton International client acceptance procedures

The executive director - risk and regulatory matters chairs a global client acceptance advisory committee. The client acceptance advisory committee is comprised of the executive director - quality control and partners, nominated by their managing partners, selected from a geographically dispersed set of member firms. The associate general counsel assists with the coordination of the activities of this committee. The committee reviews submissions from member firms for acceptance and reacceptance of assurance engagements meeting certain risk criteria.



Continued professional education

All Grant Thornton Malta personnel have a responsibility to participate in continuing professional education (CPE) in order to:

- maintain and improve their technical knowledge and professional skills
- apply new techniques, understand economic developments and meet changing responsibilities and expectations
- ensure they have the technical knowledge and professional skills required to perform their work.

As a minimum, personnel are required to meet the CPE requirements set out in the firm's AQCM. These require personnel to obtain at least 120 hours of CPE over a consecutive three-year period, subject to obtaining at least 25 hours every calendar year.

75 of the 120 hours minimum three-yearly requirement and 20 of the 25 hours minimum annual requirement must be completed in structured CPE. 42 of the 75 structured CPE hours must be obtained in areas qualifying as core competencies, 18 hours in areas qualifying as professional competences and the balance in areas that qualify either as core competencies, or as professional competencies or in other areas that are relevant to the attainment of continuing professional development.

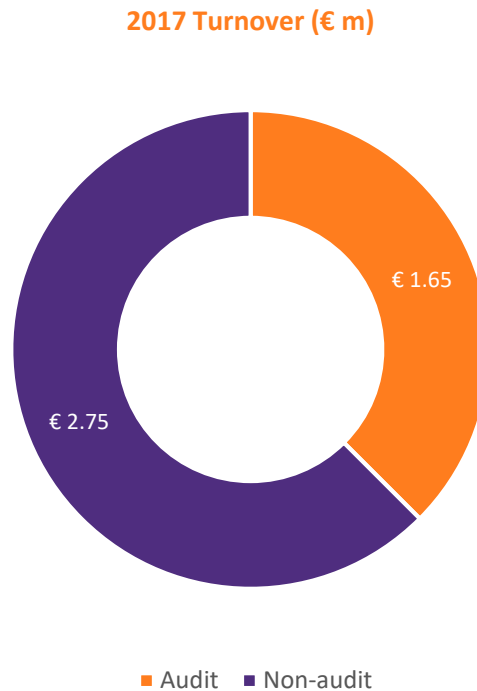
Personnel are required to complete an annual confirmation that CPE requirements have been met. The firm regularly monitors the compliance of personnel with minimum CPE requirements.

While the majority of technical training takes place within member firms, Grant Thornton International makes a significant investment in ongoing training for audit staff in all member firms in the global audit methodology and in IFRS. The audit methodology, known as Horizon™, is supported by state of the art technology. The training programmes is technically rigorous and supports implementation throughout member firms so that the audit needs of both public interest and privately held companies can be met appropriately, regardless of their size or complexity.



Financial information

The turnover of Grant Thornton Malta for the year ended 31 December 2017 amounted to € 4.4 million¹.



Fees from audit services for the year under review amounted to € 1.65 m representing 37.5% of total revenue.

The above include turnover earned from both audit and non-audit clients.

¹ The financial statements of the firm for the year ended 31 December 2017 are still in the process of being finalised and therefore the turnover figures presented may be subject to change

Partner remuneration

The partners do not have any predetermined level of remuneration. They are entitled to their share of the firm's total profits which are allocated according to the partners' respective equity interest.

None of the partners is remunerated on the basis of fees generated by a particular service or group of services, or by a particular client or group of clients.

During the year the partners are entitled to receive monthly drawings which are determined at the beginning of each year.



Public interest entities

The Accountancy Profession Act Cap 281 defines public interest entities as those:

- whose transferable securities are admitted to trading on a regulated market of any EU member state;
- credit institutions;
- insurance undertakings; and
- any other entities as may be prescribed by the Accountancy Board. To date no such other entities have been specified.

The following are the firm's audit clients which meet the above definition:

- Mediterranean Investments Holding p.l.c
- Pefaco International p.l.c.
- Trinity Lane Insurance Company Ltd
- 6PM Holdings plc





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