



**Transparency Report 2018**



## Transparency Report 2018 HLB Cyprus Limited

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More information about HLB Cyprus Limited can be found on our website at [www.hlb.com.cy](http://www.hlb.com.cy)

## Chief Executive Officer's letter

As part of our continuing focus on transparency, I am pleased to present the fifth edition of our annual Transparency Report. This Transparency Report outlines the fundamentals of our firm and the values under which we work. This report represents a public declaration of our commitment to provide high quality audit and assurance services as expected by our clients and by the public.

This report refers to the financial year ended on 31 December 2018. It embraces the transparency objectives of the European Union's 8th Company Law Directive and of Regulation (EU)537/2014 of the European Parliament and of the Council of 16 April 2014 (EU 537/2014), which require Cyprus statutory auditors of public interest entities (PIEs) to publish annual transparency reports and complies with the directive and Cyprus laws.

In times where the audit profession is subject to increasing scrutiny by regulators, market operators and by the public, it is of huge importance that as a firm we take every opportunity to disclose the values and professional principles that underlie our firm but also the profession in general. During the past year, rising regulatory debates around the world on a range of issues affecting listed companies, the investing public and the audit profession have emerged. All of these debates underline the importance of our work for the benefit of investors and well-functioning capital markets. HLB Cyprus Limited continues and wishes to contribute to these and other debates affecting our profession and our stakeholders. At HLB Cyprus Limited, we are of the opinion that the audit profession plays a vital role in promoting the transparency that reinforces confidence and stability in the world's capital markets and drives economic growth.

On 2 June 2017, the new Cyprus Auditors Law of 2017 was enacted which harmonises the Cyprus legislation with the Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 and Regulation EU 537/2014. We have worked and will continue working to support the successful implementation of the legislation by Cyprus and to help serve the needs of investors and companies, strengthen the capital markets and enhance confidence in financial reporting.

In this transparency report, you can learn about our quality control system, our professional values, the key features of our audit approach, our review and consultation process and our process for audit quality reviews. The combination of business insight, technical knowledge and commitment to excellence drive high quality. We invest a lot of time and resources in supporting technical training, personal and professional development. We always want to share our values and vision with everyone in the firm.



At HLB Cyprus Limited we welcome this opportunity to engage with all of our stakeholders around the important topics referred to in the transparency report. I trust that you will find the insights presented in this report of interest to you. We would be grateful if we received your feedback as this is essential for us so that we can make further improvements it in the future.



**Costas Afxentiou  
Chief Executive Officer  
HLB Cyprus Limited**



## **1. Legal structure, ownership and governance**

HLB Cyprus Limited (“the firm” or “we” or “us”), Chartered Accountants, was originally established as a partnership in 1997 and since then, the Firm has experienced significant growth. As from 1 January 2007, the Firm has been incorporated and is owned by 4 shareholders, with Mr. Costas Afxentiou being the controlling shareholder. Today it is ranked among the largest accounting and advisory organisations in Cyprus. HLB Cyprus Limited is a member Firm of HLB International, a worldwide organisation of accounting firms and business advisers. Formed in 1969, HLBI assists clients to do business in 153 countries, represented by 27.485 partners and staff in 745 offices.

The Firm is governed by the Board of Directors which currently consists of four Members and is headed by the Chief Executive Officer. The Board of Directors includes four Chartered Accountants (UK qualified). With over 56 staff working from our offices in Nicosia and Limassol, the Firm provides premium quality professional services to a wide range of businesses ranging from the small owner-managed business to large multinational groups and listed companies in the Stock Exchange. We serve clients from all over the world.

The Firm's specialised departments provide the following services: audit & assurance, financial advisory, business consulting, taxation, corporate recovery and insolvency. Members of the Board and staff possess considerable expertise and sound technical knowledge in their fields. This, together with the leading-edge technology applied by the Firm, enables us to provide value added service.



## 2. Network

HLB Cyprus Limited is a principal member Firm of HLB International ('HLBI'), a worldwide organisation of accounting firms and business advisers.

Formed in 1969, HLB International is a world-wide network of independent professional accounting firms and business advisers. The network comprises member firms in 153 countries who, collectively, have 27,485 staff in 745 offices. Member firms provide clients with a comprehensive and personal service relating to auditing, taxation, accounting and business and financial management advice.

Based on the HLBI Global Annual Review 2018, the Network's total revenue reached US\$ 2.73bn, representing a 15% increase from 2017. Audit and assurance revenue was US\$ 1.055m, Accounting revenue US\$ 279.8m, Tax revenue US\$722.3m, Advisory revenue \$481.8m and revenue from Other services US\$187.1m.

HLB member firms have extensive experience with all sizes of clients and types of assignments, ranging from large publicly listed and public sector clients through to owner-managed, director-controlled companies. Member firms are well established practices of high local standing, often ranking in the top 12 in their locality, such that high quality personal services can be provided in the principal business centres world-wide. HLB members have built strong reputations in their local markets and project a clear and common international identity, combining local expertise with a powerful international capability, making HLB members, truly "Global in Reach, Local in Touch".

Close contact is maintained between members through international referral engagements, regular meetings, bulletins and news flashes from the central office and through use of a global intranet, providing a wide range of data and including on-line training and seminars via the HLB Academy.

HLBI focuses on quality and personal service. HLB's perspective is strengthened by an international corporate identity, projecting a consistent and distinctive image worldwide, necessary for attracting multi-national business.

HLB International's unique Global Care approach, embraced by all HLB member firms, provides with bespoke, high quality, value for money services across the world. This is achieved in a seamless manner, with close communication throughout the assignments.

The Global Care approach supports member firm clients wanting to expand outside their own territory as well as those already operating internationally. It means that multi-national clients receive a timely and closely coordinated quality service at member firm partner level, regardless of size or location

HLB International is committed to the highest quality and to raising the standards of the international practice of auditing in the interest of users of the profession's services. As such, HLB International is a proud member of the Forum of Firms.

The Forum of Firms is an association of 27 international networks of accounting firms performing audits of financial statements used across borders. Members voluntarily agree to meet quality requirements such as:

- Maintain appropriate quality control standards in accordance with International Standards on Quality Control issued by the IAASB in addition to relevant national quality control standards and conduct regular globally coordinated internal quality assurance reviews.
- Have policies and methodologies for the conduct of transnational audits based on ISAs.
- Have policies and methodologies which conform to the IESBA Code of Ethics for Professional Accountants and national codes of ethics.

### **3. Quality control**

The firm's quality management policies are designed to ensure that assignments are conducted in a competent and objective manner consistent with the exercise of due professional care.

The firm is committed to providing quality services to its clients. Achievement of quality requires the active involvement of all employees in the firm. The commitment needs to be communicated to all levels of the firm, understood, implemented and maintained.

The firm's professional personnel are those people who have:

- qualified as a member of the Institute of Certified Public Accountants of Cyprus or who have reached a similar level of academic or professional achievement (e.g. are members of overseas widely recognised Accounting Institutes or who have qualified overseas as Chartered or Certified Accountants); or
- commenced or have completed a relevant university undergraduate course and are intending to become members of the Institute of Certified Public Accountants of Cyprus.

Achievement of quality is based on principles of prevention and improvement and observance of applicable legislation and ethical codes of practice.

All members of the firm are required to:

- Perform work that complies with Professional Standards and regulatory and legal requirements; and
- Issue reports that are appropriate in the circumstances.

The firm recognises and rewards high quality work. The firm's attitude to quality control is incorporated in the firm's internal documentation and training materials, and in Directors and Staff appraisal procedures to support and reinforce the firm's view on the importance of quality and how it is to be achieved.

#### **3.1 Effectiveness of the quality control**

The internal quality control systems of our Firm are robust, operate effectively and allow us to readily identify any areas of potential improvement or refinement.

More specifically, our high-quality audit process includes:

- timely partner and manager involvement
- timely access to the right knowledge
- specialists, accredited individuals and relevant industry expertise
- critical assessment of audit evidence
- exercise of professional judgment and professional skepticism
- ongoing mentoring, supervision, and review
- appropriately supported and documented conclusions
- robust challenge and review, including EQC review.





Nevertheless, we guard against complacency and continually seek to improve all aspects of our business, always aiming to be the undisputed leader of the profession. Any matters identified through the various reviews we go through are actioned promptly and changes implemented as appropriate. The quality management system we have adopted meets fully the requirements of the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB).

### **3.1.1 Quality Monitoring from HLBI**

Quality is at the heart of the HLB service offering. In order to guarantee the continued success of our brand, consistent audit quality throughout the HLBI network is of paramount importance. It is also a prerequisite of our HLBI continued membership of the Forum of Firms.

As a Forum of Firms member network, HLB must carry out all audit engagements in accordance with International Standards on Auditing (ISA). ISAs are the professional standards that guide the way in which we perform a financial audit. In addition to this, Forum of Firms' membership requires HLBI member firms to respect the International Standard on Quality Control (ISQC1). This standard dictates the firm's quality control procedures and therefore acts as an overarching guide to the way they conduct all audit engagements.

In order to guarantee compliance with the above-mentioned standards, HLBI believes in a multi-tier approach which encompasses quality assurance monitoring of current and prospective member firms, annual technical conferences as well as training sessions (both face to face and e-learning) for all staff levels as well as engagement partners. The HLB International Assurance Committee, support staff and a team of quality assurance reviewers and regional audit champions ensure the approach is not solely led from the HLBI head office in London. Direct engagement in the regions guarantees the HLBI message is heard and adopted by all member firms worldwide. Blending quality control with learning initiatives is essential for a better understanding of deficiencies and the ensuing timely implementation of corrective action.

During 2018, HLBI has carried out quality assurance reviews of prospective and current HLB firms on all continents and has run dedicated training sessions in the Balkans, French and English speaking Africa, the Caribbean and Latin America. Similar outreach is planned for 2019 and will be tailored according to the specific needs of the HLBI members.

## **3.2 Introducing and maintaining professional values**

Our firm's professional reputation is based on the maintenance of high ethical standards that include professional integrity, independence in all work undertaken, and the strictest confidential treatment of all information disclosed to the firm. This means that the firm is able to bring independence and objectivity to the relationship and provide constructive advice.

Professional members of the Institute of Certified Public Accountants of Cyprus are obliged to maintain a high standard of professional conduct. The firm's professional personnel should observe this obligation and should avoid any conduct that might be regarded as discreditable. The firm's professional personnel should be governed in the conduct of their professional relationships with others by the ethical pronouncements. The Directors and team members also acknowledge their responsibility to act in the public interest.



The IFAC Code does not purport to cover all aspects of ethical conduct and professional practice. This is because ethics and professionalism are a matter of attitude, not purely a matter of compliance with written rules of conduct. Members are expected to comply with the spirit as well as the letter of the IFAC Code.

The Firm's policies and procedures emphasise the fundamental principles, which are reinforced in particular by

- (a) The leadership of the firm,
- (b) Education and training,
- (c) Monitoring, and
- (d) A process for dealing with non-compliance.

The firm has an Ethics Director and recognises the expertise and authority of the Ethics Director in all Ethical matters. The Ethics Director has responsibility for:

- Maintenance of ethics policies;
- Identifying required policy changes as they relate to ethics;
- Providing guidance and consultation on ethics-related matters to Directors/Director and staff (for example, independence, conflicts of interest)
- Maintenance of a schedule of all clients that are listed and significant public interest entities (for independence purposes), and keeping the Quality Assurance Manager of HLB International informed of all changes to this list on a timely basis.
- Monitoring compliance with firm's policy and procedures on all ethical matters;
- Reporting instances of non-compliance with the firm's policy to the Managing Director; and
- Coordinating training for all ethics related matters.

### **3.3 Conducting audits**

#### **Audit methodology**

The key features our audit approach that help accomplish our objective of providing high quality service are:

- An emphasis on firms' directors setting a tone at the top to recognize that quality is essential in performing engagements.
- An emphasis on obtaining a thorough understanding of the client's business, the industry in which the client operates and the internal control environment. This helps us to identify potential areas of risk associated with the particular entity that have an

impact on the audit, to communicate more effectively with management, and to develop client service objectives that enhance the benefits that the client will receive from our audit.

- An account balance focus that enables us to identify promptly significant accounts and high-risk areas. This is done by encouraging consideration of business and environmental aspects of the client in deciding “what could go wrong” and by focusing attention on the client’s estimation / judgment processes separately from the routine and non-routine data processes.
- The integration into our approach of the impact of information systems in recognition of their use in most businesses today.
- A risk assessment process that is central to the audit approach and provides the basis for planning the minimum effort necessary to hold audit risk in each area to an acceptably low level. This process enables us to plan our efforts to be responsive to the likelihood of errors of audit importance, and to select audit procedures that directly relate to the client’s particular situation.
- The recognition of the importance of engagement economics and staff utilisation by providing for judgement and flexibility in performing work at the planning stage. At the same time, however, the approach recognises that the audit effort in respect of the period between the planning stage and the year-end should be commensurate with the level of risk.

### **Assignment to engagements**

The personnel needs of the practice are planned on an overall basis by adopting the following approach:

Identifying the staffing requirements of specific engagements.

- Preparing time budgets or time estimates for engagements to determine personnel requirements and to schedule work. For recurring engagements, budgets/ estimates assist in determining the length of time the staff member should be assigned in the current year.
- Considering projected time availability of individuals assigned.
- Considering situations where possible independence problems and conflicts of interest may exist, such as assignment of personnel to engagements for clients who are former employees or relatives.

The following factors are considered in assigning personnel to particular engagements:

- Engagement size and complexity;
- Staffing and timing requirements for the specific engagement;
- Evaluations of the qualification of personnel as to experience, training, position, background and special expertise;
- Evaluations of the extent of planned supervision and the involvement of supervisory personnel;
- Continuity and periodic rotation of personnel and the use of other personnel with different experience and backgrounds; and
- Opportunities for on-the-job-training.

## **3.4 Review and consultation**

### **Review of audit work**

To ensure engagements are always performed according to firm policies, procedures are in place to demonstrate that:

- The engagements are performed professionally and competently;
- Staff working on engagements have the appropriate skills;
- Standards and legislation are applied appropriately;

- Key decisions in engagements are documented;
- Areas of judgment are documented sufficiently and appropriately; and
- Conclusions are soundly based.

Evidence in relation to these aspects of an engagement allows the firm to demonstrate it has not been negligent in performing engagements. This approach is also useful if an error or omission has occurred. Documenting the work when it takes place makes it easier to go back at a later date to review and identify where the error or omission occurred. Procedures can then be improved to reduce the likelihood of the same thing happening again.

All personnel will be subject to an appropriate level of supervision. Engagement supervision includes the following:

- Tracking the progress of the engagement.
- Considering the capabilities and competence of individual members of the engagement team, whether they have sufficient time to carry out their work, whether they understand their instructions and whether the work is being carried out in accordance with the planned approach to the engagement.
- Addressing significant issues arising during the engagement, considering their significance and modifying the planned approach appropriately.
- Identifying matters for consultation or consideration by more experienced engagement team members during the engagement.”

Supervision encompasses overseeing both the performance of others on particular engagements and the overall approach adopted by HLB Cyprus Limited in respect of planning, time budgets, work programs, field work, review, and the final product. The firm has procedures that ensure that engagements are properly assigned, planned, executed, supervised and reviewed, and that the reports provided comply with relevant legislation, financial reporting standards, auditing standards where relevant, standards for quality, and the terms of each engagement.

- For all engagements, thought and effort must be directed to all three distinct phases: (1) planning, (2) assignment tasks/field work, and (3) final review and completion.
- Adequate evidence of review and approval must be evident.
- The audit process must identify matters which are not completed to an acceptable level.

Work performed will be subject to an appropriate process of review, to assist in ensuring that:

- The work has been performed in accordance with Professional Standards and regulatory and legal requirements;
- Significant matters have been raised for further consideration;
- Appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
- If there is a need to revise the nature, timing and extent of work performed, this is done;
- The work performed supports the conclusions reached and is appropriately documented;
- The evidence obtained is sufficient and appropriate to support the report; and
- The objectives of the engagement procedures have been achieved.

### **Consultation requirements**

Consultation refers to the assistance personnel should request from others because of the nature of a professional situation, or because the requisite knowledge and/or experience for a particular area is greater than their own.

All professional personnel should seek guidance and assistance when they encounter a situation that is beyond their level of knowledge and/or experience. Additional consultation may be required when individuals do not have the necessary expertise in a specialist area, in a situation previously not encountered, and in situations that give rise to ethical problems.

Consultation should occur initially within the engagement team and then, with the engagement Director's approval, with other senior members of the firm. If consultation outside the firm is required the persons or firms consulted must be appropriately qualified and independent of the client that is the subject of the consultation.

Assistance of other HLBI member firms may be sought for professional assignments in other geographical locations. Assistance may also be requested from other network firms where particular expertise is required. Where there is no HLB firm in a particular location, or it is not appropriate to consult a network firm, assistance from firms outside the network may be obtained.

## **Engagement quality reviews**

In accordance with the Firm's Quality Control Procedures Manual, for every audit file the Firm performs an assessment based on audit risk, type of client, size of fee, public interest and regulatory requirements and, if necessary, considers the need for a review by an Engagement Quality Control Reviewer. Such review is always completed before any report is issued. For this purpose, appropriate documents are included in the Firm's Quality Control Procedures manual, as well as the relevant forms in the HLBI Audit Manual. Engagement Quality Control Reviewers are experienced professionals with significant subject-matter knowledge, independent of the engagement team and able to provide a further objective evaluation of significant accounting, auditing and reporting matters. In no circumstances may the responsibility of the Engagement Quality Control Reviewer be delegated to another individual. The Engagement Quality Control Review is an activity that generally spans the entire engagement cycle and is not limited to a review of the financial statements at the time of issuance of our report. Policies and procedures for the performance and documentation of Engagement Quality Control Reviews, which were strengthened this past year to place more emphasis on this important quality feature, provide specific guidelines on the nature, timing and extent of the procedures to be performed.

## **Audit engagement team disagreement-resolution process**

Where differences of opinion occur:

- with a client;
- with an engagement quality control reviewer; or
- between engagement team members

Those differences should be identified, resolved, and the process and outcome recorded in writing before the engagement report is issued.

Differences of opinion should be recorded in writing and referred to the appropriate person, as follows:

- Differences of opinion with clients - to the engagement quality control reviewer, or if an engagement quality control reviewer has not been appointed, to another Directors in the firm with appropriate experience.
- Differences of opinion between the engagement team and the engagement quality control reviewer – to another Director with appropriate experience.
- Differences of opinion between engagement team members – to the engagement Director, or the engagement quality control reviewer or if an engagement quality control reviewer has not been appointed, to another Director in the firm with appropriate experience.

If the differences cannot be resolved through the above procedures, an appropriate external person is to be consulted. The selection of an appropriate person is a matter of judgement. Suitable external consultants include:

- A Director in another HLB International firm;
- A Director in another firm outside the network;
- The Professional Standards team of the Institute of Certified Public Accountants of Cyprus; or
- Other external consultants that provide training to the firm.

### **Confidentiality, Safe Custody, Integrity, Accessibility and Retrievability of Engagement Documentation**

The firm maintains client files that are identifiable both as to client and matter. They are organised and indexed in a manner that allows working papers, correspondence and documents to be readily accessed. They must be kept in a manner that retains client confidentiality and also maintains the integrity of the information in the files.

## **3.5 Internal and external accountability**

### **Audit director rotation**

The firm requires the lead engagement Director, Engagement Quality Control Review Director (if appointed) to be rotated from the audit of listed entities after seven years. These individuals shall not participate in the engagement until a further period of not less than three years has elapsed.

For all other assurance engagements, if the same Engagement Director has been conducting the audit for more than ten years the firm recognises that this situation creates a familiarity threat to independence. The Engagement Director will document this threat and how it has been reduced to an acceptable level prior to commencing the audit. The firm will consider rotating the Engagement Director or requiring an engagement quality control review where appropriate.



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

The firm acknowledges that client integrity and the ability of the firm to conduct the engagement competently and ethically are essential components of the firm's quality control system.

The firm only tenders for or accept new clients after assessing the acceptability of the client. The factors the firm will take into account include:

- the capability of the firm to complete the engagement competently and in the required timeframe.
- ethical issues, with particular reference to any perceived independence and conflict of interest threats.
- the perceived integrity of the client.

The firm only accepts new clients after making ethical enquiries of the previous accountant or incumbent.

The client acceptance or rejection decision is made by the potential Engagement Director after determining that any threats to the fundamental ethical principles have been eliminated or reduced to an acceptable level.

A decision is made as least annually as to whether or not a client relationship should continue. The firm should not continue with an engagement or provide services to a client in circumstances where it would not have accepted the engagement had the information been available at the time of acceptance. In summary, certain conditions must exist in order to have acceptable client relationships. These include the client's willingness to provide reliable financial statements, a determination to maintain its going concern status, honest management and legal activities, and HLB member firm's independence from the client according to professional standards.

At the beginning of each assurance engagement, and at least annually for other on-going engagements, consideration of the factors required by ISQC 1 is documented.

Where it is not possible to reduce the threats to an acceptable level, the firm declines to enter into the client relationship, or withdraw from an existing client relationship.

If a decision is made to withdraw from an engagement, the firm will only do so after considering professional and legal responsibilities.

### **3.6 Monitoring the Firm's Quality Control Policies & Procedures**

The firm relies on every Director and staff member to informally monitor and enforce quality, ethics and professional and firm standards. This monitoring shall be inherent in every aspect of professional work.

The firm assigns responsibility for the monitoring process to a Director or Committee.



At least annually the Quality Control Director conducts a formal monitoring process. This is discussed with all relevant team members at team meetings, and appropriate follow-up action implemented. The Quality Control Director, in conjunction with all Directors, is responsible for implementing enhancements of the system. This process will include considering the relevance, adequacy and effectiveness of the firm's policies and procedures.

Each practice division within the firm also ensures that the firm's quality control policies and procedures are such that they contribute to the firm's adherence to Professional Standards and regulatory and legal requirements.

Sanctions may be imposed by the Quality Control Director and depend upon the particular circumstances. The firm's response to non-compliance will demonstrate the firm's commitment to its quality control system.

The firm participates in the HLB International Quality Assurance Review Programme, which inspects each member firm at least once every 3 years. Detailed policies and procedures for this programme are included on the HLBI website. Reports received by the firm as a result of the HLBI Quality Assurance Review are considered by the CEO, and referred to the Directors to determine what corrective action, if any, is required to the firm's quality control system, and to implement changes required.

#### **4. External quality assurance review**

HLB Cyprus' audit practice and its registered statutory auditors are subject to inspection by the Cyprus Public Audit Oversight Board (CyPAOB - Regulator) and by the Institute of Certified Public Accountants of Cyprus (ICPAC – Professional body). As part of their inspection mandate, the CyPAOB and ICPAC evaluate the Firm's quality control systems and review selected engagements. The last quality assurance review was performed during 2018 by the CyPAOB covering Public Interest Entities (PIEs) as defined by the law.

The Firm benefits from the CyPAOB and ICPAC review process and meticulously evaluates matters raised during the review in order to identify areas where audit quality can be improved.

Information on the CyPAOB and ICPAC can be found at [www.cypaob.gov.cy](http://www.cypaob.gov.cy) and [www.icpac.org.cy](http://www.icpac.org.cy) respectively.

## 5. Independence practices

The Directors and all staff are independent both in mind and appearance for all assurance clients and engagements.

Independence is a critical component of ethical requirements for all engagements and our staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance clients, independence underpins these requirements. Compliance with these principles is fundamental to serving the capital markets and our clients.

All team members are responsible for the firm's adherence to the ethical principles. If any team members are concerned about any issue in relation to ethical principles, they are empowered to communicate these concerns to the engagement Director, or Ethics Director, as the team member believes is appropriate.

For assurance engagements, the independence requirements are, of course, much stricter. These are outlined in Section 290 of the IFAC Code and, for audits conducted in accordance with company law, the local legislation. Additional independence requirements are outlined in EU Regulation 537/2014 applicable to the audit of Public Interest Entities.

Our firm has developed and documented policies and procedures to ensure all personnel involved with the provision of services are independent of clients. The requirements vary for different types of work. Policies and guidance are reviewed and revised to reflect updates to laws and regulations, when HLB Network policies and guidance change, or when required as a result of the above reviews and of our monitoring and testing program. The results of the firm's monitoring and testing are reported to the firm's leadership on a regular basis. We confirm that we have conducted an internal review of our independence practices during FY18.

The firm has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, which require any significant breaches of independence requirements to be reported and addressed. This would include discussion with the client's audit committee regarding the nature of the breach, an evaluation of the impact of the breach on the independence of the firm and the need for safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. The investigation of any identified breaches of independence policies also serve to identify the need for improvement in the firm's systems and processes and for additional guidance and training.

If the firm is unable to reduce threats to an acceptable level by applying appropriate safeguards, the firm eliminates the activity, interest, or relationship causing the threat, or refuse to accept or continue the engagement (where withdrawal is not prohibited by law or regulation).

## 6. Continuing education of statutory auditors

The firm has been awarded Platinum Approved Employer status by ACCA (the Association of Chartered Certified Accountants). This covers trainees' development, practising certificate development and professional development. The firm is also an ICAEW Authorised Training Employer.

### **Recruitment, professional development and performance management**

Staff is the most important resource for any firm so effective Human Resource management is vital.

- Quality considerations centre on:
- Recruitment
- Performance evaluation
- Capabilities, including time to perform assignments
- Competence
- Career development
- Promotion
- Compensation
- The estimation of personnel needs.

The firm's Human Resources Manual includes policies and procedures in relation to these areas, and the Office Procedures Manual provides information on firm practices that have been designed to increase efficiency and safety in the workplace, and to ensure that the work practices comply with relevant legislation.

The firm's recruitment goals and objectives are designed to ensure that there are sufficient well-trained personnel to provide quality service to clients at all times.

Ideal employees will be thorough, paying attention to detail, technically proficient, well-prepared and organised, proactive and forward thinking. They should also be enthusiastic and encouraging, considerate and polite, good communicators and team players.

Directors accept the ultimate responsibility for the quality of the work performed by the firm. Management and training of personnel is one of the major roles of Directors.

Personnel, including Directors, will be assigned to engagements after considering:

- the requirements of the engagement, and
- the competence and capabilities of personnel.

Adherence to ethical principles is an important component of all human resources procedures, including performance evaluation, promotion and remuneration. Personnel who do not adhere to the firm's ethical principles will be counselled and, where appropriate, may be subject to disciplinary action.

### **Ongoing training for Qualified Auditors**

The ongoing training of Qualified audit staff includes attendance at internal and external seminars. This attendance is centrally monitored by the Human Resources department and CPD records are maintained.

The Firm has initiated a firm-based learning programme in which Audit staff attend all-day internal seminars and staff attendance is required. Presentations are offered by Senior Members of Staff and Managers and cover areas of technical as well as ethical issues such as Auditing Standards, Accounting Standards, Professional Ethics, Know Your Client procedures and due diligence, AML/CFT, Taxation and Corporate matters.

Qualified staff are monitored and supervised by senior management and their professional development is additionally enhanced through their day to day professional experience obtained in the firm.

### **ACA-Trainee/ ACCA-Trainee professional development and education procedure**

Initial onboarding includes an introduction to the firm, its policies and procedures by other staff members. The trainees are assigned to an Audit Manager for the induction. The Trainees are registered in ACA or ACCA programme, upon induction, and the Trainees follow the programme offered by the college or university in which they have registered. Trainees' academic progress is monitored on an ongoing basis and the firm receives reports of their performance. Trainees receive hands-on experience through the daily audit work of the firm. Their performance in this respect is monitored by senior members of staff and work is allocated to them over time according to their experience and competence. Trainee experience is additionally enhanced by attending both internal and external seminars on their respective field.

### **Performance reviews**

All staff, both Trainee and Qualified Auditors, undergo a formal performance review annually and their professional progress and performance for the previous year is assessed, with a discussion of professional goals and additional training which will be needed during the upcoming year.

## 7. Financial information

The financial information presented below for HLB Cyprus Limited refers to the financial year ended on 31 December 2018. Revenue amounts disclosed herein include revenues from both audit and non-audit clients.

Revenue is presented in accordance with Regulation (EU)537/2014 of the European Parliament and of the Council of 16 April 2014 and included for:

- 1.Revenues from the statutory audit of annual and consolidated financial statements of PIEs, and entities belonging to a group of undertakings whose parent undertaking is a PIE
- 2.Revenues from the statutory audit of annual and consolidated financial statements of other entities
- 3.Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm
- 4.Revenues from non-audit services to other entities

Service	Revenue (€)	Percent (%)
Statutory audits and directly related services for PIEs	90.612	3
Other audit services and directly related services for non-PIEs	1.550.664	53
Non-audit services provided to audit clients	1.247.734	42
Non-audit services provided to other entities	61.201	2
<b>Total revenue</b>	<b>2.950.211</b>	<b>100</b>



## **8. Remuneration of the Members of the Board of Directors**

The compensation practices of HLB Cyprus are designed to comply with applicable independence requirements; to emphasise the shared values of quality, integrity, and technical excellence; and to assess the characteristics and skills outlined in our human resources competency model.

For Equity Directors, the system is an earnings allocation process. Typically, each Equity Director is allocated interests (fixed profit share) in HLB Cyprus, under recommended guidelines related to their level, role in the HLB Cyprus entity, responsibilities and overall performance appraisal, which is tied to a goal-setting process. At the end of the financial year, the CEO determines the amount of the firm's annual audited profits to be allocated and distributed to Equity Directors in accordance with their fixed profit share. Equity shareholdings have been subject to changes throughout the years.



## Appendix: Public interest entity audit clients

Under the Cyprus Auditors Law of 2017, Public Interest Entities (PIEs) are defined as follows:

(a) Entities governed by the law of the Republic whose transferable securities are admitted to trading on an organized or regulated market of any Member State within the meaning of Article 2 of the Investment Services and Activities and Regulated Markets Law;

(b) Licensed credit institutions as defined in Article 2 of the Business of Credit Institutions Law;

(c) Insurance and reinsurance undertakings within the meaning of Article 2 of the Insurance and Reinsurance Services and Other Related Issues Law.

In the financial year ended on 31 December 2018, HLB Cyprus Limited performed statutory audits of the following public interest entities:

### Entity name:

- Elma Holdings Public Company Ltd \*
- Δωδώνη Επενδύσεις Χαρτοφυλακίου Δημόσια Εταιρεία Λίμιτεδ \*
- Jupiter Portfolio Investments Public Company Limited \*
- Aiantas Investment Public Limited \*
- Regallia Holdings & Investments Public Ltd \*
- Harvest Capital Management Public Limited \*
- Ισχύς Επενδυτική Δημόσια Λτδ \*
- Lebanon and Gulf bank SAL – Cyprus branch \*\*
- Liberty Life Insurance Public Company Ltd \*

\* Subsequent to the completion of the statutory audit for the year ended 31 December 2017, HLB Cyprus Limited resigned as external statutory auditor.

\*\* Subsequent to the completion of the statutory audit for the year ended 31 December 2018, HLB Cyprus Limited has been replaced as external statutory auditor.



**HLB Cyprus Limited**

**Chartered Accountants**

**Audit & Assurance | Financial & Business Advisory | Taxation | Insolvency**

HLB Cyprus Limited is a Principal member firm of HLB International, a world-wide network of independent accounting firms and business advisers. HLB Cyprus Limited is a private company registered in Cyprus (Reg. No. HE169293)

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