



COSTAS TSIELEPIS & CO
AUDIT | TAX | ADVISORY

20 **TRANSPARENCY**
17 **REPORT**

Date of Issue: 31 March 2018



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SECTION 1: INTRODUCTION

This report is prepared pursuant to the transparency objectives of the European Union's 8th Company Law Directive, as well as Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, and Regulation EU 537/2014, which require Cyprus statutory auditors of Public Interest Entities to publish transparency reports on an annual basis.

On 2 June 2017 the new Cyprus Auditors Law of 2017 was enacted, which harmonizes Cyprus legislation with the relevant EU directives and regulations relating to the audit profession.

Our audit firm is committed to adhering to all the above requirements, which promote the profession's move to greater transparency with regard to the audit process. To this effect, our audit firm presents its transparency report for the year 2017, its seventh consecutive annual transparency report.

SECTION 2: LEGAL STRUCTURE, OWNERSHIP AND GOVERNANCE

Legal Structure and Ownership

Costas Tsielepis & Co Ltd is a private limited liability company incorporated in Cyprus with the registered office at 205, 28th October Str., Louloupis Court, 1st Floor, 3035 Limassol, Cyprus. The Company's offices are situated at its registered office.

The firm is owned by C. Tsielepis & Associates, a partnership registered in Cyprus. The partnership currently comprises of 4 partners, all directors of the Company.

The company adopts 31 December as its financial year. Costas Tsielepis & Co Ltd does not operate under any audit firm network.

Governance Structure

The members of the Board of Directors as at 31 December 2017 were the following:

- George Tsielepis (Managing Director)
- Alexis Tsielepis (Head of Taxation)
- Nicolas Papapanayiotou (Taxation)
- Antonis Christodoulides (Audit and Assurance)
- Costas Constantinou (Audit & Assurance)

The Managing Director of the Company is also the Quality Control Compliance Officer and Ethics Principal of the Company. The Head of Taxation is also the firm's AML Compliance officer.

The Board meets on a quarterly basis to review operating and financial performance, risk management and compliance policies, human resource matters relating to recruitment, training, appraisals and remuneration, as well as business development.

The policy within the firm is that only 2 Directors are authorized to sign audit and other assurance opinions. All managers and employees within the audit department operate under their responsibility and report directly to them.



The management of Costas Tsielepis & Co includes the following:

- Ioanna Nicolaou – Audit Manager
- Frosso Chrysanthou – Assistant Audit Manager

Costas Tsielepis & Co Ltd currently employs 26 persons offering audit, tax and advisory services. The table below analysis the number of employees per level as of today:

	Number
Directors	5
Managers	1
Assistant Managers	1
Professional Staff	16
Administrative Staff	3

SECTION 3: INTERNAL QUALITY CONTROL SYSTEM

We at Costas Tsielepis & Co Ltd appreciate that Quality is a core element in conducting business and delivering results to client and we are committed to promoting a culture of quality throughout this organization. To this effect our work is designed and performed within such a framework that ensures adherence to the proper professional standards and applicable legal and regulatory requirements.

To assist with attaining and sustaining quality throughout our firm we have established and maintain a system of quality control that sets out policies and practices that meet the requirements of the International Standards on Quality Control.

A brief description is given below of the key elements of the Quality Control System implemented at our firm:

- **Documentation of the Quality Control System:** We have purchased and tailored a third party quality control manual which we have subsequently issued and communicated to the staff and keep it up to date.
- **Lead from the top:** Our firm’s leadership and the example it sets (‘tone at the top’) significantly influences the internal culture of the firm. We confirm that we adopt policies and put in place procedures which help promote an internal culture based on the recognition that quality is essential to performing engagements. In that respect, our firm has designated one of the directors as head of quality control compliance, who has assumed the ultimate responsibility for the firm’s system of quality control and seeks to promote the importance of audit quality in all the actions connected with the firm’s audit work. In doing so, he allocates sufficient time and resources to the development and documentation of the firm’s quality control policies and procedures, authorizes all changes to our audit procedures and addresses any issues relating to audit quality.
- **Ethical requirements:** Our firm pays particular attention in obtaining reasonable assurances that its management and personnel comply with the relevant ethical requirements. For more details refer to Section 6 of this report.
- **Acceptance and Continuance:** At Costas Tsielepis & Co Ltd we only accept or continue an assignment if it is concluded that the client does not lack integrity, that we possess the relevant



competencies and resources to perform the services required and that our firm can comply with the Ethical Standards. In determining the above, the reporting engagement partner undertakes appropriate assessments and completes the firm's client acceptance/continuance standard documentation before making the decision to accept/continue an engagement.

- **Human Resources:** Our recruitment programme is designed to ensure that based on the firm's current and anticipated needs for servicing clients, we recruit appropriate personnel possessing the right mix of skills and experience as well as the right personal attributes. In order to achieve this, our procedures comprise the following:
 - advertising for new staff in newspapers
 - requesting the assistance of Recruitment Firms in finding suitable candidates
 - filtering and careful examination of CV's received from prospective recruits
 - transparent interviews and call back processes
 - obtaining of references where deemed necessary
 - assigning the responsibility for employment decisions to the relevant director

In addition we assure at all times that our firm assigns on each engagement, managers and staff with relevant competencies and integrity. In that respect we conduct an annual appraisal of all people employed in our firm through a formal appraisal and objective-setting process and a personal interview. Training needs are identified during that process and actions decided with staff on how to address effectively those training needs.

- **Engagement performance:** Our firm has established procedures to enable audit engagements to be performed to the standards expected. This involves the use of standardized audit documents in the form of checklists and audit programmes that cover the planning stage, field audit work and completion stage of the audit. Audit managers closely monitor the progress of the audit from planning to completion and address critical issues with audit staff and respond accordingly with the design of relevant audit tests. Audit managers perform reviews on all sections of the audit file and this is also followed by the Director's review on critical areas of the audit. In addition in the cases of audits of public interest entities and other high risk audit engagements, an engagement quality assurance review is carried out either by a director/manager independent of the relevant audit, or by an external audit firm.
- **Monitoring and continuous improvement of the Quality Control System:** Our firm is committed to providing and maintaining a high standard of audit work by conducting regular reviews of our Quality Control System and by carrying out annual reviews of a selection of completed engagements. The procedures we have implemented at Costas Tsielepis & Co Ltd to satisfy ourselves that the Quality Control System is appropriate and effective include the following:
 - Frequent review of new developments in professional standards and regulatory and legal requirements in order to ensure that these are reflected in our policies and procedures where appropriate
 - Obtaining written declarations of compliance on independence and confidentiality from all employees and directors
 - Reviewing and updating CPD and training records

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- Review of acceptance and continuance decisions on selected engagements paying particular attention to high risk engagements
 - Performing annual 'cold file' reviews on randomly selected engagements
 - Performing 'hot file' reviews on all public interest entities and on other high-risk engagements
 - Ensuring all updates to our Quality Control System are communicated to staff in a timely manner
 - Applying audit partner rotation for publicly listed entities and other high risk audit engagements

Based on the monitoring procedures described above Quality Control Compliance Officer determines any corrective action to be taken and improvements to be made to the existing system.

Assessment of the effectiveness of the functioning of the Internal Quality Control System

In the previous year (2016), an assessment of the effectiveness of the firm's internal quality control system was carried out, both internally by the firm's Compliance Officer, as well as externally by (i) the Association of Chartered Certified Accountants (ACCA) on behalf of the Institute of Certified Public Accountants of Cyprus (ICPAC) and (ii) by the Cyprus Public Audit Oversight Board (CyPAOB). Various areas of our quality control system were identified where there was scope for improvement. In early 2017, the Board of Directors which is collectively responsible for all actions on Quality Control, undertook a root-cause analysis of the various issues identified with the aim of introducing measures to address these. Most of these measures were successfully implemented during 2017. As a result, our firm has made significant progress during 2017 in areas of our quality control system previously identified as having scope for improvement.

One of our firm's primary objectives for 2018 is the further improvement of our internal quality control systems in line with recommendations of the reviewers. In particular, our firm will seek to address the last significant issues remaining.

SECTION 4: EXTERNAL QUALITY ASSURANCE REVIEW

Our firm was subject to a follow-up visit by the Cyprus Public Audit Oversight Board (CyPAOB), in order to assess the various new policies and procedures relating to quality control introduced by the firm during 2017 as a result of the external quality control review carried out in 2016.

For more information on the results of this follow-up visit, please refer to the above paragraph "Assessment of the Effectiveness of the functioning of the Internal Quality Control System".

SECTION 5: PUBLIC INTEREST ENTITIES

Public Interest Entities as defined in the 8th Directive include listed companies, credit institutions and insurance companies whose registered office is in Cyprus.

During the financial year 2017, our firm has not been engaged to provide audit services to any credit institutions or insurance companies but has performed statutory audits on the following listed entities:

- 1) Salamis Tours (Holdings) Public Ltd and
- 2) Lordos United Plastics Public Ltd

SECTION 6: INDEPENDENCE PROCEDURES

At Costas Tsielepis & Co Ltd we have in place policies and procedures to ensure adherence to the independence rules set by the IESBA Code of Ethics which has been adopted by ICPAC.

Our firm's policies and procedures aim to ensure that independence is maintained at all times by the directors, managers and other professional staff and that their integrity and objectivity is kept intact when servicing our clients. Such policies and procedures include the following:

1. The firm's Statement of Independence is distributed to all directors, managers and other professional staff.
2. All directors, managers and other professional staff complete annually an independence declaration form confirming their independence and compliance to the firm's policies and procedures set out in the Statement of Independence. These independence declarations are signed at the beginning of each year. Professional staff joining the firm at any time in the year should sign the declaration soon after their employment begins.
3. To facilitate the proper evaluation of independence by all members of the firm, a list of 'restricted public interest entities' is distributed to every one of them.
4. In addition to the Annual Independence Declaration referred to in (2) above, the directors and staff engaged on the audit of a particular public interest entity, must sign before the commencement of an audit an individual independence declaration in respect of that entity.
5. The firm has designated an Ethics Principal to constantly monitor compliance to the independence rules and tackle any potential threats to independence.
6. Rotation of audit engagement leader and manager for all Public Interest Entity audits and other high risk audit clients.
7. External audit firms are appointed as Engagement Quality Control Reviewers for all Public Interest Entity audit engagements.
8. For all Public Interest Entity audit engagements, the firm does not provide any services that are prohibited under the IESBA Code of Ethics or the new Cyprus Auditors Law of 2017, so as to eliminate the self-interest and self-review threats associated with such services.
9. For all non-audit services provided to non-Public Interest Entity audit clients, our firm has policies and procedures to ensure that the threat to independence arising from the provision of such services is evaluated and safeguards are introduced where necessary, so as to ensure that the threat is eliminated or reduced to an acceptable level. If the threat cannot be eliminated or reduced to an acceptable level, the firm will not provide the non-audit service.

Statement of internal review of compliance testing over independence

Our firm has carried out an internal review of compliance testing over independence. The review covered both the degree to which the firm had established policies and procedures in accordance with the IESBA Code of Ethics and the new Cyprus Auditors Law of 2017, as well as the degree of adherence by the firm to these policies and procedures. As part of this review, the findings of all previous monitoring visits by both the ACCA and CyPAOB were taken into consideration.

The review identified areas for improvement, such as the existence of certain audit engagements which posed independence threats due to family relationships.

In response to the above, measures are being introduced during 2018 to further enhance the firm's policies and procedures relating to independence.

SECTION 7: CONTINUOUS PROFESSIONAL DEVELOPMENT

Our firm regards its employees as being the most important asset of its business and their contribution towards achieving the firm's goals and objectives is paramount. We are therefore obliged to ensure that the quality of the work they perform is to the highest standards. We thus recognize the need for continuous employee learning and development and this is secured through the following ways:

- On-the-job training provided by experienced and technically competent managers
- In-house tax, IFRS, audit and quality control seminars
- Formal training seminars provided by external parties (e.g. ICPAC and professional training colleges)
- Circularization of memos prepared internally in respect of changes and developments in financial reporting, audit, quality control and taxation.

SECTION 8: TOTAL REVENUE ANALYSIS

The total revenue for the financial year ended 31 December 2017 of Costas Tsielepis & Co Ltd amounted to €1.998.019 (2016: €1.646.367). This excludes expenses billed to clients and is analyzed into the following service lines:

	<u>2017</u>	<u>2016 comparatives</u>
Statutory audits	€ 1.312.218	€1.004.441
Tax advisory	€ 367.269	€340.791
Consultancy services	€ 277.477	€236.593
Other assurance services	€ 41.055	€64.542

Other assurance services include the preparation of management/unaudited accounts, feasibility studies, cash flow and profit projections for securing government grants and credit facilities as well as business valuations and due diligence reports for acquisition and disposals.



SECTION 9: DIRECTORS' REMUNERATION

The Directors of Costas Tsielepis & Co Ltd are assessed annually. Specific performance measures have been developed to evaluate and consequently reward the directors as a result of these assessments. The performance measures are the contribution or performance of each director in certain areas, the main ones being as follows:

- Tone at the top
- Ethics and Independence
- Acceptance and Continuance of engagements
- Business Development
- Enhancing quality of firm's human resources
- Methodology
- Own Continuous Professional Development
- Results of external quality control reviews and other internal and external reviews