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# ***FY17 PwC Cyprus Transparency Report***

1 July 2016 –  
30 June 2017



# Table of contents

<i>Message from the CEO</i>	3
<i>Message from the Head of Assurance &amp; Advisory</i>	4
<i>Legal structure and ownership</i>	5
<i>Leadership and Governance</i>	6
<i>The PricewaterhouseCoopers Network</i>	9
<i>Internal quality control system</i>	11
<i>Partner remuneration policy</i>	29
<i>Appendix 1: Lines of service</i>	31
<i>Appendix 2: Public Interest Entities</i>	32
<i>Appendix 3: EU Entities</i>	33

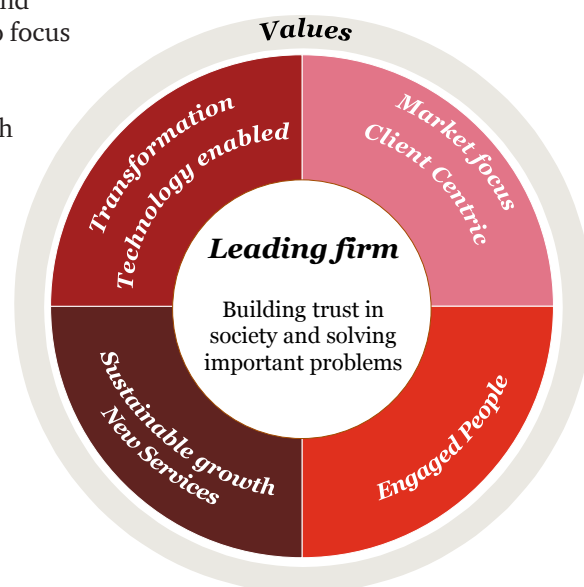
## Who we are

At PwC, our purpose is to build trust in society and solve important problems. It is this focus which informs the services we provide and the decisions we make. We are a network of firms in 158 countries with more than 236,235 people who are committed to delivering quality in assurance, advisory and tax services. We are proud of our leadership position in the Cyprus market; we value our past and we invest in our future to be the distinctive, trusted, authoritative firm, always proactive when professional services are needed.

We believe that our commitment to audit quality and transparency can contribute to increasing trust, and we hope that many of our stakeholders will read this report.

To be recognised as “the leading professional services firm” we focus on the following priorities. To:

- Be technology enabled and transformation
- Deliver exceptional value and quality to our clients and to focus on the market
- Have engaged people
- Invest in sustainable growth



# Message from the CEO



**Evgenios C Evgeniou**  
CEO  
PwC Cyprus

Living and operating in an ever-changing world, we continuously strive to evolve and find new ways to have a positive impact with our clients, our people and society in general. Our transparency report gives us the opportunity to share our purpose, values, strategic objectives and actions as we strive to offer specialised solutions and deliver the highest quality services.

Our services and the decisions we make are driven by our purpose; to build trust in society and solve important problems. Our values underpin all our actions. We strive to offer our clients the value they are looking for, relying not only on our expertise but also on innovative, value-added services that help them address the issues that will prove important tomorrow. We are proud of the results of our efforts both in terms of supporting our community, local businesses and foreign investors, as well as in transforming our business in ways that enable us to deliver the highest quality of services to our clients.

It is important to remain agile and respond to new conditions in an effective way. The only way forward is by continually evolving our strategy, focusing on quality and streamlining procedures, coupled with fully embracing the digital era. We have reorganised our lines of service, we are continuously building new service capabilities that are relevant to the market and use technology to transform, disrupt and make our organisation fit for sustainable growth.

The key drivers of success are our people; the ambassadors of our values and culture. Recognising their integral role in delivering exceptional services to our clients, our organisation continues to invest in their development as well as in innovative methodologies and cutting-edge technology in order to offer flexibility and an exciting work environment.

Recognising the great responsibility we bear as the leading professional services organisation in Cyprus, we continue integrating Corporate Responsibility in the way we manage our business and deliver our services. Our Corporate Responsibility programme utilises our skills, time, resources and relationships to work with others in order to make a difference and create a lasting impact. It focuses on responsible business, diversity and inclusion, community engagement and environmental stewardship.

At PwC Cyprus we are convinced that the road to sustainable growth passes through entrepreneurship. We have joined forces with bodies and institutions that aim to foster an entrepreneurial culture. Our aim is to support young people to develop their ideas that will lead to the creation of an innovation and knowledge-based diversified economy.

Looking at the future, we remain committed to use our expertise and strong connectivity to our international network in order to build trust in society and contribute to solving important problems.

A handwritten signature in blue ink, appearing to read 'Evgenios', written in a cursive style.

Evgenios C Evgeniou  
CEO  
PwC Cyprus

# Message from the Head of Assurance

Financial Year 17 (FY17) (1 July 2016 - 30 June 2017) has proved to be more challenging than we initially thought. We are however determined to continue to focus on quality, efficiency and value adding services to our clients.

The Bank of Cyprus decision after a competitive tender process, to appoint us Group Auditors as of 1 January 2019 and more importantly the excellent feedback received for the quality of our proposal and for our pitch presentation right at the end of FY17, gives us the energy and confidence to look into the future with optimism.

In Assurance the drop in revenues was mainly due to rotating out of a couple of major audit clients and the completion of a significant backlog of audits for prior year periods which were requested from clients during the year. Increased regulation, competition, pricing pressures and economic conditions in key international markets such as Russia and Ukraine, prevented us from achieving our targets and in FY17 our Assurance revenues declined by 2%.

We continue to focus on quality, independence and objectivity in our work, leveraging on our technical and industry expertise which are key to delivering value to our clients and confidence to other stakeholders.

Going forward we are restructuring our audit teams in order to focus on meeting expectations of clients who have different value perceptions regarding their audits. Clients will be serviced by dedicated teams taking into consideration their specific needs, knowledge of their business, industry and technical complexity.

The audit landscape is undergoing a significant reshaping through the recently adopted EU audit reform legislation, which, amongst others, imposes a requirement for mandatory audit firm rotation for Public Interest Entities that will lead to considerable reshuffling in the marketplace, as traditional client relationships will be affected. In turn, the tighter restrictions on the provision of non-audit services and the imposition of fee caps will dictate a new commercial reality on audit firms that will need to redesign their broader business strategy and channel choice targeting

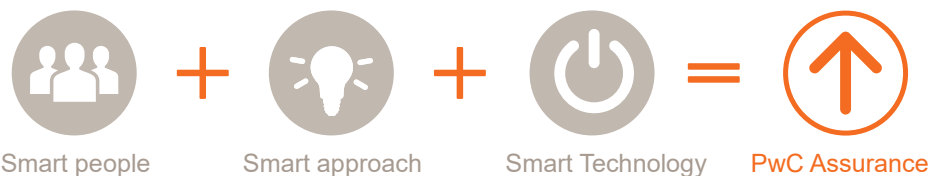
models. The aforesaid developments are only an indicative subset of the new wave of changes impacting the audit profession. We look forward to embracing these changes with the aim to restore public confidence and build trust in the communities we operate.

Additionally due to the rapid movement of technology and the changes our clients are making in their own businesses and operations, it becomes increasingly necessary to change the way we, as auditors, deliver our services. Our focus will inevitably be directed to investing in technology (automation, simplification and streamlining), improving processes/ approach and strengthening the experience of our people.

Our aim is for our comprehensive and technologically enabled audit methodology, to be delivered by the right team of professionals; while maintaining our human values, ethics and professional scepticism. Our investment in our people is demonstrated by the 8700 aggregate Assurance staff training hours in FY17. We are pleased to see that our commitment is also validated by our Global People Survey, whereby 4.1 out of 5 members of staff, 'strongly agree' that "The learning and development I receive from PwC has prepared me for the work I do". We are eager to embrace change, help our clients make decisions with more confidence in a continuously evolving environment and remain committed in having a positive impact on society.



**Liakos M Theodorou**  
Head of Assurance & Advisory



**Audit quality has been and shall continue to remain at the centre of all initiatives. The multiple challenges that our profession is facing represent a unique opportunity to use them as a platform for building trust and confidence back into the system.**

# Legal structure and ownership

## Legal structure and ownership of PwC Cyprus

PricewaterhouseCoopers Limited (PwC Cyprus) is a limited liability private company, under registration number 143594, having its registered office in Cyprus at Julia House, 3 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus. PwC Cyprus has offices in three districts, Nicosia, Limassol and Paphos. PwC Cyprus is wholly owned by professional practitioners working with the firm, commonly referred to as “Partners”, who are in their majority members of the Board of Directors of the company.

As at 30 June 2017, PwC Cyprus is led by a total of 42 Partners and has two Lines of Service:

- Assurance & Advisory (A&A)
- Tax & Legal Services (TLS)

supported by the below Functions:

- Risk & Quality
- Technology & Business Transformation
- People
- Clients & Markets
- Marketing & Communications
- Operations
- Finance

The primary services provided by each of the two lines of service are set out in Appendix 1.

## Subsidiary undertakings

The principal subsidiary undertakings of PwC Cyprus as at 30 June 2017 are:

Subsidiary undertaking	Principal activity
PricewaterhouseCoopers (Marketing & Communications) Limited	Professional services
PricewaterhouseCoopers Associates Limited	Professional services
PricewaterhouseCoopers Professional Training Limited	Professional training programmes
PricewaterhouseCoopers Investment Services (Cyprus) Limited	Professional services
PricewaterhouseCoopers Fund Services Limited	Professional services

These entities are members of PricewaterhouseCoopers International Limited (PwCIL) and therefore, member firms of the PwC Network. A description of the PwC Network can be found on page 9 of this report.

## Other PwC Network member firms in Cyprus

S. A. Evangelou & Co LLC is a member firm of PricewaterhouseCoopers International Limited (PwCIL) and part of the PwC’s Tax and Legal Services Network providing Legal Services in Cyprus. It is a limited liability private company having its registered office at 3 Themistocles Dervis Str, Julia House Annex, 1st Floor CY-1066 Nicosia, Cyprus and it is registered in Cyprus as a Lawyers’ Limited Company under registration number 23348.

S.A. Evangelou & Co LLC and its wholly owned subsidiary undertaking, namely PricewaterhouseCoopers Corporate Secretarial Services Limited, are wholly owned by Spyros Evangelou who is also the Head of Practice.

# Leadership and Governance

**The governance structure of PwC Cyprus is made up of three main bodies: the Board of Directors, the Management Board and the Oversight Board.**

## **Board of Directors**

The Board of Directors is chaired by the CEO and is responsible for undertaking certain statutory duties of the firm. The Board of Directors has met eight times during the financial year ended 30 June 2017. The members of the Board of Directors during this financial year are the following:

Anastasios Procopiou	Loizos Markides
Andreas Constantinides	Marios Andreou
Andreas Yiasemides	Nicos Chimarides
Androulla Pitta	Nicos Theodoulou
Anna Loizou	Panicos Kaouris
Antonis Christodoulides	Pantelis Evangelou
Antonis Hadjiloucas	Petros Maroudias
Aram Tavitian	Petros Petrakis
Chris Odysseos	Philippos Soseilos
Christos Charalambides	Stavros Kattamis
Christos Themistocleous	Stelios Constantinou
Cleo Papadopoulou	Stelios Violaris
Constantinos Constantinou	Tasos Nolas
Constantinos Kapsalis	Theodoros Parperis
Constantinos Taliotis	Varnavas Nicolaou
Chrysilios Pelekanos	Vasilis Hadjivassiliou
Eftychios Eftychiou	Vassilios Vrachimis
Elias Theodorou	Yiangos Kaponides
Evgenios Evgeniou	
George Kazamias	
George Lambrou	
George Loizou	

## Management Board

The CEO who is elected by the firm's Partners for a five year term, appoints the firm's Management Board. The Management Board is responsible for assisting the CEO in the formulation, implementation and communication of strategic priorities and business plans, compliance with all PwC Network obligations and the design, maintenance and operation of an effective quality control system.

The Management Board meets at least once a month and the agenda of its meetings includes matters for consideration raised through the CEO, by any Management Board member or PwC Cyprus Partner.

The members of the Management Board who were appointed on 1 October 2016 and served during the financial year ended 30 June 2017 are the following:



First row from left:  
Liakos Theodorou  
Evgenios Evgeniou – Chairman  
Theo Parperis

Second row from left:  
Philippos Soseilos  
Marios Andreou

The members of the Management Board that have served for the remaining period of FY17 (1 June 2016 to 30 September 2016) can be found on our FY16 Transparency Report, available on our website: [www.pwc.com.cy](http://www.pwc.com.cy).

The Management Board takes responsibility for the establishment of a system of internal quality control and for reviewing and evaluating its effectiveness. The day-to-day responsibility for the implementation of this system, the ongoing monitoring of the identified risks and the

effectiveness of controls applied to reduce the risks to an acceptable level, rests with senior management in the individual Lines of Service and Functions.

The Management Board evaluates the effectiveness of the firm's system of internal quality control through reports of periodic reviews of performance and quality, which are carried out internally as well as independently by the PwC Network and the firm's regulator in Cyprus.

## Oversight Board

The Oversight Board, which is independent of the Management Board, is elected by the firm's Partners. The Oversight Board in this financial year was made up of five members all of whom are Partners, with a three-year term of office that has ended on 30 June 2017. As of 1 July 2017, the Oversight Board will be made up of four members who will be elected by the firm's Partners with a two-year term of office.

The members of the Oversight Board who have served during the financial year ended 30 June 2017 are the following:



**From left:**

Andreas T Constantinides (Chairman), Constantinos Constantinou, George Lambrou, Chrysilios Pelekanos and Androulla Pittas.

The Oversight Board is responsible for overseeing the activities of the Management Board on matters that it considers to be of concern regarding the well-being of the firm and the shareholders/Partners as a whole. These matters include national, legal, regulatory and fiscal requirements, implementation of global policies and the arrangements for effective governance and communication between Partners and senior management. The Oversight Board is also responsible to check that the policies in regards to Partners' remuneration are being properly and fairly applied.

The Oversight Board generally meets on a monthly basis but may hold additional meetings if the necessity arises. It has met nineteen times during the financial year and has issued two reports on its activities to the Partners. The main activities of the Oversight Board during FY17 were as follows:

- design and implementation of the process for the election of the firm's CEO for the 5-year period from 01 January 2017 to 31 December 2021.

- review of the FY16-FY18 business plans and budgets received from the CEO and other Members of the Management Board. Further to appropriate examination, the Oversight Board approved the process that was followed in preparing the business plan and was satisfied with the resources, processes and monitoring procedures in place for their implementation.

In addition, the Oversight Board has among others:

- received monthly feedback from the CEO on the financial performance, business developments and risk management issues affecting the firm.
- proposed the performance ratings of the members of the Management Board to the CEO, determined the performance rating of the CEO and ensured that the firm's policies and procedures concerning the determination of the Partners' performance rating for FY16 were performed properly.
- considered major office space leasing agreements and compliance thereto and noted its agreement with the proposals of the Management Board.

- assessed the effectiveness, independence and reappointment of the firm's external statutory auditor.



# The PricewaterhouseCoopers Network

## PwC Network

PwC is a global network of separate firms, operating locally in countries around the world.

PwC firms are members of PricewaterhouseCoopers International Limited and have the right to use the

PricewaterhouseCoopers name. As members of the PwC Network, PwC firms share knowledge, skills and resources. This membership facilitates PwC firms to work together to provide high-quality services on a global scale

to international and local clients, while retaining the advantages of being local businesses – including being knowledgeable about local laws, regulations, standards and practices.

Being a member of the PwC Network means firms also agree to abide by certain common policies and maintain the standards of the PwC Network. Each firm engages in quality control and compliance monitoring activities, covering the provision of services, ethics and business conduct, and the compliance with specific, strict standards for independence monitoring and protection.

PricewaterhouseCoopers International Limited PricewaterhouseCoopers International Limited (PwCIL) is a UK private company limited by guarantee. PwCIL acts as a coordinating entity for PwC firms and does not practise accountancy or provide services to clients. PwCIL works to develop and implement policies and initiatives to create a common and coordinated approach for PwC firms in key areas such as strategy, brand, and risk and quality. PwC firms use the PwC name and draw on the resources and methodologies of the PwC Network. In return, PwC firms are required to comply with common policies and the standards of the PwC network.

A PwC firm of PwCIL cannot act as agent of PwCIL or any other PwC firm, and it is only liable for its own acts or omissions and not those of PwCIL or any other PwC firm. PwCIL has no right or ability to control any member firm's exercise of professional judgement. The governance bodies of PwCIL are:

- Global Board, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of Network Standards. The Board does not have an external role. Board members are elected by Partners from all PwC firms around the world every four years.
- Network Leadership Team,

which is responsible for setting the overall strategy for the PwC Network and the standards to which the PwC firms agree to adhere.

- Strategy Council, which is made up of the leaders of the largest PwC firms of the network, agrees the strategic direction of the Network and facilitates alignment for the execution of strategy.
- Network Executive Team is appointed by and reports to the Network Leadership Team. Its members are responsible for leading teams drawn from Network firms to coordinate activities across all areas of our business.

The Cyprus member firms:

- operate their own Partner and members of staff remuneration arrangements, which are independent and separate from other member firms of PwCIL.
- have no profit-sharing arrangements with other member firms of PwCIL.



## Size of the network

For the year ended 30 June 2017, PwCIL member firms generated aggregate revenues of US\$37.7 billion worldwide (2016: US\$35.9 billion). Further financial and other information about the PwC Network, is available in the PwC Global Annual Review, that can be found on [www.pwc.com/annualreview](http://www.pwc.com/annualreview).

The total turnover achieved by statutory auditors and audit firms from EU or EEA Member States, that are members of the PwC Network resulting, to the best extent calculable, from the statutory audit of annual and consolidated financial statements, for the year ended 30 June 2017, is approximately €3 billion. This represents the turnover from each entity's most recent financial year converted into Euro (€) at the exchange rate prevailing at that financial year end date. A list of PwC Network audit firms and sole practitioner statutory auditors in the EU/EEA Member States, as at 30 June 2017, can be found in Appendix 3.

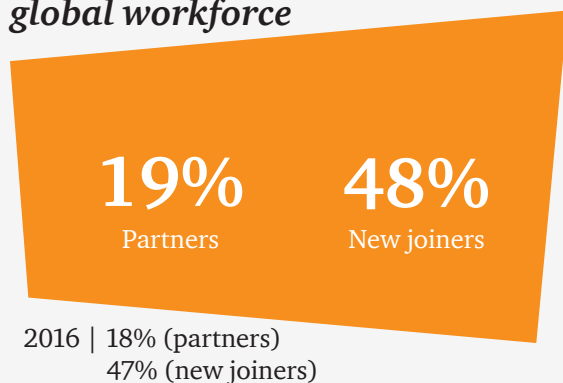
### Revenues



### PwC People



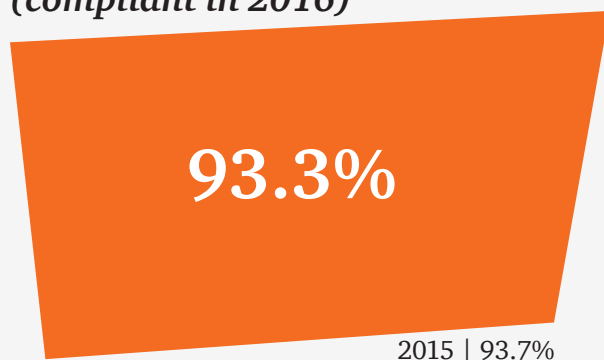
### Female representation in PwC's global workforce



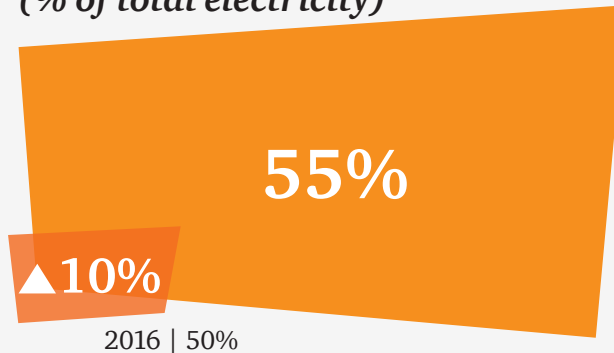
### PwC Clients



### Audit inspections (compliant in 2016)



### Renewable energy (% of total electricity)





## Internal quality control system

The overriding objective of the quality control system is to assess that:

- a quality management system is appropriately designed, operating effectively and complies with applicable network standards and policies
- engagements selected for review were performed in compliance with applicable professional standards and PwC audit requirements, and
- significant risks are identified and managed appropriately

PwC Network member firms' quality control system for the Assurance practice is based on the International Standard on Quality Control 1 (ISQC1): "Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements", issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC).

ISQC1 requires the firm to establish and maintain a system of quality control to provide it with reasonable assurance that:

- the firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and
- the reports issued by the firm/ engagement leaders are appropriate in the circumstances.

### Elements of our internal quality control system

Our internal control system is based on the six elements of quality control set out in ISQC1, which are:

- leadership responsibilities for quality within the firm;
- relevant ethical requirements
- acceptance and continuance of client relationships and specific engagements;
- human resources;
- engagement performance;
- monitoring.



**Leadership responsibilities for quality within the firm**



**Relevant ethical requirements**



**Acceptance and continuance of client relationships and specific engagements**



**Human resources**



**Engagements performance**



**Monitoring**

The implementation of our system of internal quality control is divided into two phases. The first phase includes the documentation of the policies and procedures in place in relation to the six elements outlined above and the controls that the firm has implemented to ensure that these policies and procedures are being applied. The second phase follows with testing of the controls in place to assess their adequacy and provide the Management Board with reasonable assurance that they operate effectively.

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## 1. Leadership responsibilities for quality within the firm

The overall responsibility for the firm's internal quality control system, lies with the firm's Management Board. The day-to-day responsibility for the implementation of this system and for monitoring risks and the effectiveness of controls is delegated to the Heads of the Lines of Service and Functions as appropriate.

The firm's leadership is committed in delivering high-quality service and upholding the values of integrity, independence, professional ethics and professional competence which are embedded within the audit process.

The firm's leadership has appointed a number of Partners and Directors in roles dedicated in establishing high standards of quality. The following, who are supported by appropriate additional resources, deal with the management of risk and quality within Assurance

- Anna Loizou: Accounting Consulting Services Partner
- Demetris Psaltis: Anti-Money Laundering Compliance Officer
- Eliana Iacovides Kourris: Office of General Counsel
- George Kazamias: Assurance & Advisory Risk & Quality Partner, Audit Methodology Partner
- Petros Petrakis: Head of Risk & Quality
- Philippos Soseilos: Head of People
- Sophie Solomonidou: Assurance Learning & Education
- Stavros Kattamis: Head of Finance
- Tasos Nolas: Partner Responsible for Independence
- Christos Themistocleous: Ethics & Business Conduct Leader

Risks to audit quality are identified through the Audit Quality Risk Assessment which forms part of the firm's Enterprise Risk Management (ERM) Plan, that also takes into consideration, the results of firm, PwC Network and regulatory compliance reviews; the regulatory environment and current developments; and the prevailing economic and market conditions.

Once risks have been identified, the probability and impact of such events happening in the future are determined; actions to address those risks are identified as well as opportunities.

Audit Engagement Leaders take primary responsibility for the delivery of the firm's audit opinion. Audit quality is a major component of the Partner planning, assessment and execution process. Partners are held accountable for their performance. In this respect, the firm has adopted a quality accountability framework which applies to all Engagement Leaders (Partners and Directors) and Service Line leadership right up to the CEO. The purpose of this framework is to facilitate a common approach among PwC firms in responding to poor quality in providing professional services and more specifically:

- failures to meet professional standards, comply with external regulations or PwC standards and policies.
- behaviours that jeopardise the quality of the firm's audit opinion.



### **PwC Global People Survey Results**

We are pleased to observe that in our 2017 Global People Survey, 76% of our Assurance practice have indicated they either agree or strongly agree with the statement *'The leaders I work with make a point of being transparent with information'*.

In addition, 84% of our Assurance practice agree or strongly agree with the statement *'The leaders I work for act with integrity'* and 85% with the statement *'The people I work for support and demonstrated high standards of ethical conduct'*.

These results indicate a strong positive tone at the top aiming to embed a strong culture of quality and excellence in the DNA of each and every member of our staff.

## Culture and tone at the top

Our values define who we are, what we stand for, and how we behave. While we come from different backgrounds and cultures, our values are what we have in common. They guide how we work with our clients and each other, inform the type of work we do, and hold us accountable to do our best. They govern our actions and determine our success.

Our values help us work towards our Purpose of building trust in society and solving important problems.

The trust that our clients, communities and our people place in PwC, and our high standards of ethical behaviour, are fundamental to everything we do. Our core set of shared values state that when working with our clients and colleagues we:

- *act with integrity*
- *make a difference*
- *care*
- *work together*
- *reimagine the possible*

## Our values



*Act with integrity*



*Make a difference*



*We care*



*We work together*



*Reimagine the possible*

## 2. Ethical requirements

At PwC, we adhere to the fundamental principles of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, which are:

- Integrity – to be straightforward and honest in all professional and business relationships.
- Objectivity – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- Professional Competence and Due Care – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practise, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.
- Professional Behaviour – to comply with relevant laws and regulations and avoid any action that discredits the profession.



In addition, our Network Standards applicable to all Network firms cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/anti-competition, anti-corruption, information protection, firm's and Partner's taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All Partners and staff undertake regular mandatory training and assessments, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC Network and leadership of the firm monitors compliance with these obligations.

PwC Cyprus has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our Partners and other professionals; behaviours that will enable us to earn the trust that we seek. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal- to do the right thing.

Our values underpin our Code of Conduct which is our frame of reference for the decisions we make every day. It's how we do business. The PwC culture thrives supported by a framework of internal and external expectations and requirements.

These help guide our behaviours and build trust:

- in how we do business
- with each other
- in our communities
- in how we use information

Upon hiring or admittance, all staff and partners of PwC Cyprus are provided with a copy of the PwC Global Code of Conduct. They are expected to live by the values expressed in the code in the course of their professional careers.

The firm has an Ethics and Business Conduct Leader, dedicated in:

- setting an appropriate 'tone at the top' through leadership communications
- making available avenues for reporting concerns without fear of retaliation and facilitating proper investigations
- training all Partners and staff on the Code of Conduct and supplemental local policies
- supporting the annual Ethics



and Business Conduct Network Standard compliance process

- encouraging all of us 'to do the right thing' and act with integrity
- keeping apprised of emerging issues and leading external business practices in ethics and helping leadership assess and manage exposures within their area(s) of responsibility
- developing strategies in response to trends and working to improve behaviours

### **Confidentiality and Information Security**

and resolve the issue that has been raised. Our firm has procedures in place to protect individuals raising an issue against retaliation which also enables anonymous reporting. We are committed to deal responsibly and professionally with any genuine concerns raised about possible malpractice Partners and staff have a responsibility to report and express concerns in good faith, honestly and respectfully. In addition, clients or other third parties are informed via our contractual agreements that they may also report any such concern to our Ethics & Business Conduct Leader.

Confidentiality and information protection are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the firm to legal proceedings, and it may also adversely impact our reputation.

Our firm's Information Security and Data Protection Partner is responsible for providing oversight, policy and strategic direction on confidentiality and data privacy matters. PwC Cyprus' information security policies and procedures aim at ensuring that:

- information is protected from internal and external threats;
- confidentiality, availability and integrity of information is maintained;
- statutory regulatory and contractual obligations are met; and
- access to confidential information is granted only for justified business needs.

**Complaints and/or Allegations policy**

The PwC Code of Conduct encourages Partners and staff to speak up when dealing with behaviour or facing a situation that doesn't seem right. Our firm has a policy pursuant to which any Partner or staff can report inappropriate business conduct or unethical behaviour. Reporting is made to the Ethics & Business Conduct Leader or any member of a designated team; who will investigate

## Our policies and procedures include:

- encryption of all the firm's workstations and removable media
- secure and managed apps for data accessed by mobile devices
- software restricting the use of unencrypted removable media
- access to engagement files-both electronic and hard copy paper files- which is restricted to those with a 'need to know' and is regularly reviewed
- clear-desk policy, both in our offices and at client sites
- securing hard copy files when they are not in use
- remote access to our network via a secure virtual private network, or equivalent technology
- policies on the transmission of data by email outside the organisation
- restricted access to operational areas of PwC Cyprus and our buildings.

The firm's policies and procedures are supported by ongoing compliance monitoring. An incident response procedure is also in place.



## *Anti-bribery*

The PwC Code of Conduct makes it clear that it is unacceptable for our people to solicit, accept, offer, promise, or pay bribes. Policies, procedures and training with respect to anti-bribery are in place.

## *Independence*

As auditors of financial statements and providers of other types of professional services, PwC firms and their Partners and 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.

The PwC Global Independence Policy, which is based on the IESBA Code of Ethics for Professional Accountants, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

PwC Cyprus has a designated Partner (known as the Partner Responsible for Independence) with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The Partner Responsible for Independence is supported by a team of independence specialists; and reports directly to the Head of Risk & Quality who is a member of the leadership team.

## Independence Policies and Practices

The PwC Global Independence Policy covers, among others, the following areas:

- personal and firm independence, including guidance on the holding of financial interests and other financial arrangements e.g. bank accounts and loans by Partners, staff, the firm and its pension schemes;
- non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services (SOPS), which provide practical guidance on the application of the policy in respect of non-audit services to assurance clients; and
- business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business.

In addition, there is a Network Risk Management Policy governing the independence requirements related to the rotation of key audit Partners.

These policies and processes are designed to help PwC comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Policies and supporting guidance are reviewed and revised when changes arise such as updates to laws and regulations or in response to operational matters.

PwC Cyprus supplements the PwC Network Independence Policy as required by local business and regulatory environment.

## Independence-related tools

As a member of the PwC Network, the firm has access to a number of tools which support PwC firms and their staff in executing and complying with our independence policies and procedures. These include:

- the Central Entity Service (CES), which contains information about corporate entities including public interest (EU and other) audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the firm before entering into a new non-audit engagement or business relationship. This system drives the “Independence List” and also feeds the Independence Checkpoint;
- “Independence Checkpoint” which facilitates the pre-clearance of publicly traded securities by all Partners, Directors and practice Managers before acquisitions and records their subsequent purchases and disposals. Specifically for PwC Partners, the PwC Network’s independence policy states that Partners and their immediate family members must not have a direct or material indirect financial interest in an audit client, or any of its related entities, of any PwC firm. Where a PwC firm wins a new audit client, this system automatically informs those holding securities in that client of the requirement to sell the security where required;
- Authorisation for Services (AFS) which is a global system that facilitates communication between a non-audit services
- Engagement Leader and the audit Engagement Leader, documenting the potential independence threats of the service and proposed safeguards, and acts as a record of the audit Partner’s conclusion on the acceptability of the service; and
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory).

PwC Cyprus also has a number of Cyprus-specific systems which include:

- a rotation-tracking process that monitors compliance with the firm’s audit rotation policies for Engagement Leaders and other Key Audit Partners involved in an audit;
- a database that records all approved business relationships entered into by PwC Cyprus. These relationships are reviewed periodically during the year to ensure their ongoing permissibility.

## Engagement Leader, Quality Review Partner and Key Audit Partner rotation policy

We adhere to the rotation requirements of Key Audit Partners as per the Independence rules published by IESBA, and the EU Audit Regulation as it applies to particular audited entities.

Key Audit Partners, as defined by the Auditor’s Law of 2017 (which transposes the EU Audit Regulation into local law), include the statutory auditor designated by the firm as being primarily responsible for carrying out the statutory audit of EU Public Interest Entities, including at the level of the group, the statutory auditor who signs the audit report and, in the case of a group audit, the statutory auditor designated at the level of material subsidiaries. Under the Independence rules published by IESBA, the Key Audit Partner also includes the Quality Review Partner.

In respect of an audit of a Public Interest Entities and a High Profile Client, the Key Audit Partner tenure is set as maximum to seven years, with a two-year cooling-off period. For EU Public Interest Entity the Key Audit Partner tenure is the same as for Public Interest Entities/High Profile Clients however the cooling off period is three years.

For all clients that are neither Public Interest Entities nor High Profile Clients, the length of service for an audit Engagement Leader and Quality Review Partner is set to ten years with



a two-year cooling-off period, except where extension is granted by the Assurance Risk & Quality Partner. The extension is granted mostly based on the entity's risk profile.

## **Independence training and confirmations**

PwC Cyprus provides all Partners and staff with annual or ongoing training on independence matters. Training typically focuses on milestone training relevant to a change in position or role, changes in policy or external regulation and, as relevant, provision of services. In addition, Partners and staff receive computer-based training on the firm's independence policy and related topics. Attendance to training courses and completion of computer based training courses is usually mandatory and strictly monitored.

All Partners and practice staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with all aspects of the firm's independence policy, including their own personal independence. In addition, all Partners confirm that all non-audit services and business relationships for which they are responsible, comply with policy and that the required processes have been followed in accepting these engagements and relationships. These annual confirmations are supplemented by periodic and ad-hoc engagement level independence confirmations for all audit clients.

These confirmations act as a reminder of the firm's independence policies and procedures and assist in identifying any potential breaches of independence that may have occurred in order to take appropriate measures to resolve them.



## **Confirmation of internal review of independence procedures and practices**

PwC Cyprus is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, we perform:

- compliance testing of independence controls and processes;
- personal independence compliance testing of a random selection of Partners, Directors, Senior Managers and Managers to monitor compliance with independence policies; and
- an annual assessment of the firm's adherence with the PwC Network's independence standard.

In addition, policies and guidance are reviewed and revised to reflect updates to laws and regulations, when PwC 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. Based on the reviews outlined above, we confirm that we have conducted an internal review of our independence practices during FY17.

The firm has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that 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.

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### 3. Acceptance and continuance of client relationships and specific engagements

*The reputation and success of our firm depends on the professionalism and integrity not only of each and every Partner and member of staff but also of our client relationships. Therefore, robust acceptance and continuance procedures have been established to help protect the firm and its reputation.*



#### Considerations in accepting and continuing an audit client relationship

Our principles for determining whether to accept a new client or continue serving an existing client are fundamental to delivering quality which we believe goes hand-in-hand with our purpose to build trust in society. We have established policies and procedures for the acceptance of client relationships and audit engagements that consider whether we are competent to perform the engagement and have the necessary capabilities including time and resources, can comply with relevant ethical requirements, including independence, and have appropriately considered the integrity of the client. We reassess these considerations in determining whether we should continue with the client engagement and have in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary.

#### Client and Engagement Acceptance and Continuance Client acceptance

Our firm focuses on the quality of prospective clients and has established consistent policies and rigorous vetting procedures for accepting clients across all of our Lines of Service that are in line with the Prevention and Suppression of Money Laundering Activities Laws of 2007 to 2013.

In assessing acceptance of a prospective client, the following are taken into consideration:

- the identity, business reputation, integrity and ethics of the client's principal owners, key management and those charged with its governance;
- information concerning the attitude of the client's principal owners, key management and those charged with its governance towards matters that might affect the provision of a prospective service (for example, aggressive interpretation of accounting standards and the internal control environment in the context of assurance engagements);
- the nature of the client's operations, including its business practices;
- imposed limitations in the scope of work which may raise questions about the integrity of the client;
- indications that the client might be involved in money laundering or other criminal actions;
- the public profile of the prospective client and the underlying reasons for that profile;
- a sense of the operating and control environments of entities involved;
- financial condition and the prospective client's ability to pay our fees;
- whether heightened risks of fraud exist (for example, opportunities, incentives, or pressures);
- independence and potential conflicts of interest; and
- any current or previous relationships with other PwC firms.

## Audit engagement acceptance

PwC Cyprus has implemented a process to identify acceptable clients based on the PwC Network's proprietary decision support systems for audit client acceptance and retention (called Acceptance and Continuance (A&C)). A&C facilitates a determination by the engagement team, business management and risk management specialists of whether the risks related to an existing client or a potential client are manageable, and whether or not PwC should be associated with the particular client and its management. More specifically, this system enables:

- Engagement Teams:
  - to document their consideration of matters required by professional standards related to acceptance and continuance;
  - to identify and document issues or risk factors and their resolution, for example through consultation, by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
  - to facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement;
- Member firms (including member firm leadership and management):
  - to facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements;
  - to provide an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio; and
  - to understand the methodology, basis and minimum considerations all other member firms in the Network have applied in assessing audit acceptance and continuance.

## Client and engagement continuance

Existing engagements are re-assessed on an annual basis and engagement retention panel meetings are held where necessary. The panels are comprised of the appropriate people with the stature and independence of mind to decide on the retention of certain engagements, in accordance with our client and engagement continuance policy. A re-assessment is also made where significant changes/events that may alter our initial decision of accepting this engagement have occurred during the course of the engagement.

## Withdrawal from an engagement

Policies and procedures, in accordance with legal and professional obligations, are in place for circumstances in which we determine that we should or are required to withdraw from an engagement. Appropriate consultations both within the firm and with those charged with governance of our clients are being held. Circumstances where we become aware of information after accepting an engagement which, had we been aware of that information earlier, would have led us to decline it, are also included in these policies and procedures.



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## 4. Human resources

*Our People are our biggest asset.*

*Our vision is to create an innovative, differentiated organisation that attracts diverse, talented people and inspires them to achieve their potential as leaders who build trust in society and solve important problems.*



### Recruitment

We are committed to attracting and retaining the best and brightest graduates and professionals, who share our strong sense of responsibility for delivering high-quality services.

In FY17, we put great emphasis on creating unique career opportunities and a work environment that offers significant personal and professional growth. It has been very rewarding to see these efforts and the culture we are building attracting high calibre university students.

In FY17, we received more than 1200 applications for employment and recruited over 110 professionals across the organisation, including 70 university graduates who embarked in our 2016 ACA and ACCA professional accounting training schemes. We also made 70 offers to university students for our 2017 ACA and ACCA professional accounting training schemes.

Moreover, we continued investing in our summer internship programmes, increasingly seeking for diversity in the background of graduates, for example from a technology background. To achieve this, we carried out more than 20 strategic employer branding activities attracting an audience of over 500 high calibre graduates and professionals.

More specifically, our recruitment processes are key drivers in attracting and recruiting graduates with potential, as well as qualified and experienced professionals with technical expertise, management skills, leadership attributes and personal integrity. In order to attract these candidates, our people professionals carried out a

series of activities, specifically aimed at recruiting high caliber graduates and professionals, such as:

- dinner in London for Cypriot professionals working in the UK
- on-campus presentations at top UK universities
- on-campus presentations to University of Cyprus (UCY) students and teaching UCY accounting classes.
- recruitment of top Russian and Ukrainian graduates in close cooperation with the respective PwC firms
- participation in career fairs at local universities and colleges
- participation in local high school career fairs

At the interview stage, assessment of candidates is done against the PwC Professional, our leadership development framework that defines what it means to be a professional at PwC and helps us develop our people into authentic and inclusive leaders. In this way we ensure that we recruit people who match the skills and behaviours we are looking for.

### Managing Performance

We go out of our way to give our people the respect and recognition they deserve. We offer stimulating work, invest in continuous professional development, ongoing coaching and constructive feedback, as well as maintain fair and transparent performance evaluation and promotion processes. Meritocracy is at the heart of our performance management system, and our aim has been to continuously build a culture, where people progress and are rewarded based on their contribution and impact.

Real-time feedback is provided regularly throughout the year, which then forms an element of our annual appraisal process. Agreed objectives and against grade-related skills and capabilities are aligned to the PwC Professional, our leadership development framework that defines what it means to be a professional at PwC and helps us develop our people into authentic and inclusive leaders.

Moreover, any promotion in the firm is based on an individual's performance, their skills and the business case. With a focus on developing our people to become the next generation leaders, we demonstrated our commitment to continue investing for the future and offer tremendous career opportunities, even under difficult market conditions through a number of promotions. We made 116 promotions as of 1 July 2016, 21 promotions as of 1 January 2017 and an additional 134 promotions as of 1 July 2017.

## Remuneration

In determining remuneration for our staff, we carefully balance several elements including: the economic climate and the external market; recognition of people's hard work, including the quality of the work they deliver; the performance of the firm; and investment for the future.

For FY17, in recognition of our people's contribution and hard work, we paid a One Firm Bonus as well as a Performance Bonus, on the basis of the economic climate, the organisation's performance and people's individual performance.

## Promoting talent

Our goal is to build the iconic professional services organisation by delivering distinctive client service through the quality of our people. Our talent strategy is designed to help our people reach their full potential by providing opportunities for them to continuously develop their leadership skills, grow their careers and deliver consistently extraordinary results for clients.

In FY17, we ran Reflect Development Centres for our Senior Associate 2 population, Career Development Centres for our Managers, Senior Managers and Directors, designed around the PwC Professional attributes, the Orion Executive Coaching Programme for Senior Managers and Directors in collaboration with PwC's Executive Coaching Centre of Excellence, and a series of individual Career Development Conversations with all newly promoted Managers up.

In addition, 4 of our Senior Managers participated in the MyWay Global Key Talent Programme and 20 of our Senior Associates participated in the Altitude Global Key Talent Programme, both of which aim to develop future leaders



through high-impact developmental interventions, personal coaching and networking with colleagues from numerous PwC territories.

## Engaging our People

In our 2017 Global People Survey we achieved a very high people engagement score (74%), with the vast majority of our people feeling proud to be working in PwC (82%) and that the people they work with demonstrate high standards of ethical conduct (85%).

## Diversity

Diversity means different things to different people and organisations. At PwC, driving diversity means bringing together the perspectives of individuals from all backgrounds, life experiences, preferences and abilities to create better outcomes for our clients, our people, and our communities.

In FY17 our population included 20 different nationalities, 56% of our people being female and 48% of our people being under the age of 30 years old.

As we continue our efforts to drive enhanced awareness and translate it into concrete and comprehensive actions, we are delighted to report that we are making good progress. This year we achieved a high inclusion score, with 78% of our people saying that they believe PwC is an inclusive work environment, where individual differences are valued and respected.

Having this in mind, we continue to work towards making PwC an even more inclusive workplace for all our people. Some of our key actions of our diversity journey are outlined below.

- **Diversity Week:** In FY17 we celebrated our Diversity Week for the third year with the theme 'Valuing difference, driving inclusion'. Our Diversity Week is about creating widespread awareness of diversity as a PwC priority, demonstrating leadership commitment to diversity, and having our people embrace inclusion and difference.

- **Christmas Diversity Video- Christmas Traditions from around the world:**

In December 17, we created a video showcasing Christmas traditions from around the world. More specifically, we had colleagues from different nationalities sharing on camera their traditions and embracing our differences and similarities.

- **International Day of People with Disabilities:**

In December 2017, to locally embrace the diversity in its various forms and especially the 'Disability' factor, we invited the 'Pancyprian Organisation of the Blind' to run a Christmas Bazaar at our premises, selling arts & crafts made by their members. Colleagues had the opportunity to visit the bazaar and to also explore assistive technologies for the blind.

- **PwC + HeforShe:**

We continued to actively support the HeforShe solidarity campaign for gender equality initiated by UN Women, by having 22% of our people pledging and making their commitment to engage men as agents of change for the achievement of gender equality and women's rights and encouraging men to take action against inequalities faced by women.

Moreover, in celebration of the International Women's day and its theme "Be Bold for Change", we offered to all our Colleagues a HeforShe magnet, making a strong statement towards gender equality and personal accountability.

## Continuous Professional Development

Our firm is committed to providing its Partners and people with the relevant opportunities to continuously develop as professionals, reaching the maximum of their potential at every role they are assigned within the Firm.

Over and above our Performance Management and Upward & Peer Feedback processes, our people's professional development is guided through a combination of on-the-job training, coaching and formal training programmes. Formal training programmes ensure that our people meet their Continuous Professional Development (CPD) requirements.

For this reason, we continued to follow the "Approved Employer – Professional Development stream" awarded by the Association of Chartered Certified Accountants (ACCA) and the Institute of Certified Public Accountants of Cyprus (ICPAC).

More specifically, our training curriculum includes internal and external training courses, seminars and e-learns, which are industry-specific, role-specific and cover both technical and business skills. In addition, we continuously review our training programme for compliance with PwC Network standards.

More specifically, the firm continuously invests in strengthening the technical knowledge and business skills of our people through:

- PwC global technical training courses, where our people attend technical programmes, such as the Advisory University, International Corporate Tax planning, International Tax Structures.
- local PwC business skills training courses in all areas of the PwC Professional and including Relationships, Coaching, Leading and Inspiring teams.
- local PwC technical training courses, in areas such as Assurance methodology, IFRS updates, Quality and Risk Management.

- local training seminars organised by other bodies in Cyprus, such as The Institute of Certified Public Accountant of Cyprus (ICPAC) and The Cyprus Employers and Industrialists Federation (OEB).

More specifically, within Assurance the mandatory technical curriculum comprises foundation and update training. Foundation programmes build auditors' technical capabilities. Annual update training addresses new external requirements, internal policy or methodology changes and the remediation of observations raised through internal quality reviews and external inspections. In all of the above programmes we have adopted a blended learning approach, which includes virtual training and elearns.

We give particular emphasis on Quality and Risk Management and all Partners and staff must complete annual risk and quality update training spanning matters relating to compliance, independence and ethics.

Our practices to maintain capabilities and technical competence also include monitoring the completion of mandatory training and implementation of remedial actions when needed, equipping our tutors with effective instructor skills and continuous assessment of the effectiveness of our programmes through a number of evaluation techniques.

In addition to the formal training programmes, the firm encourages each professional to take ownership for their own continuous professional development, by looking into opportunities for secondment to the PwC Network and also by undertaking development opportunities aligned to their role and grade.

PwC's Academy also ensures that our trainee accountants, under both the Institute of Chartered Accountants in England and Wales (ICAEW) and the Association of Chartered Certified Accountants (ACCA) schemes, are provided with the highest quality education and support. Our trainees' professional examination results in FY17 were outstanding, with pass rates

well above the international averages.

In addition, 3 of our ICAEW trainees received 4 worldwide awards in their examinations for achieving 1st place in the "Financial Accounting & Reporting" (2 prizes) and "Audit & Assurance" (2 prizes) Professional Level examinations, respectively. The prizes were presented to our trainees in April 2017, during a special award ceremony organised by the ICAEW in London.

Moreover, 13 of our ACCA Trainees achieved 1st Pancyprian place in their examinations of "Financial Reporting", "Audit & Assurance", "Financial Management", "Governance, Risk and Ethics", "Corporate Reporting", "Business Analysis", "Advanced Financial Management", "Advanced Performance Management" and 3 trainees achieved 1st and 2nd place amongst the top 3 Affiliates in Cyprus.

## Investors in People

We continue to be one of the elite top organisations across the world to hold the highly prestigious **Investors in People CHAMPION** and **Investors in People GOLD** accreditation in Human Capital management, which reflect the quality of our people management practices, the strength of our culture and our commitment to continuous improvement.



We are continuously investing in new ways of improving our workplace. This is a long-term commitment, reflecting awareness that our people make their greatest contribution when their quality of life is well-balanced with their professional obligations.



## 5. Engagement performance

We heavily invest in the effectiveness of our audits, in the skills of our people and in our underlying audit methodology, as well as in making the right amount of time and resources available, to ensure compliance with regulatory requirements and PwC's policies and standards. Standard terms of business under which we perform audit and non-audit assurance engagements are agreed in accordance with the legal and professional standard requirements. Engagement performance is further enhanced through regular feedback we seek from our clients paying close attention to things we need to improve. In addition, remedial or improvement actions are taken based on the findings of the routinely internal and external reviews performed on the effectiveness of our risk and quality processes described further below.

### *Methodology and tools*

#### *PwC Audit*

As a member of the PwC Network, PwC Cyprus has access to and uses PwC Audit, a common audit methodology and process. This methodology is based on the International Standards on Auditing (ISAs), with additional PwC policy and guidance provided where appropriate. PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. Our common audit methodology provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements, including the Auditors Law of 2017, L.53(I)/2017. The PwC Audit Guide explains PwC's methodology. The Guide along with PwC's technology-based audit support tools, templates and content support engagement teams in conducting assurance and related services engagements.

#### *Aura*

As a member of the PwC Network, PwC Cyprus has access to and uses Aura, which is the application that powers PwC's audits and supports its Assurance practices. It provides engagement teams with an application that integrates a broad range of capabilities, including built-in tools to promote audit quality, consistency and ease of documentation. Aura also integrates with a variety of other tools and applications, creating one work space for client work. Our audit work is planned, executed and documented using Aura which supports teams in applying our methodology effectively, by creating a transparent linkage between risks identified and the work done to address those risks, as well as providing comprehensive project management capabilities.

#### *Developed technology*

We continue to invest in audit technology that builds quality into the audit and enhances our ability to provide insights to our clients. Our technology is built and implemented globally ensuring consistency across the PwC Network. These new tools that enhance audit quality and efficiency through automation, connectivity and mobility include:

- Aura Now is an online, multi-engagement dashboard tool that allows teams to monitor progress towards completion and other key information across their portfolio of Aura engagement databases. It visualises the progress of an engagement, which enables our people to priorities their efforts. It also provides information regarding readiness for file archiving to assist in preparing for and timing of archiving the audit file.
- Count is an electronic portal that allows our teams to create instructions for our teams to execute and document all aspects of an inventory count observation electronically. It was built by PwC in response to feedback from teams that using a mobile device would improve the quality and execution of inventory counts.

- Connect is our collaborative workflow tool, providing fast, efficient and secure information sharing at every stage of the audit. It monitors the status of requests and information between our clients and the engagement team on a real time basis. Connect provides visibility for both our clients and us to be able check progress on the go, anytime, anywhere.
- PwC's Confirmation System is a web-based application that supports the automated creation and management of third party confirmations. In today's technological climate, clients expect instant communication and this is changing the way we audit. PwC's Confirmation System replaces the paper-based confirmation process with a web-based portal that fully automates the process for virtually any confirmation type, including accounts receivable, derivatives, loans and inventory.

## **Consultation and support**

*Consultation and support given to engagement teams by the firm's experts is an integral part of maintaining quality. PwC's policies set out mandatory consultation requirements when certain conditions apply. In addition, our culture and experience promotes consultation requests on various risk and quality matters that may arise.*



Appropriate professional expertise is being dedicated to support audit and non-audit teams within the Assurance practice to meet professional standards, regulatory and legal requirements. All consultation requests are submitted to a central database from which a dedicated person directs them to the appropriate technical expert. All consultation requests and responses are filed in this database.

Our Accounting Consulting Services team specialises in the application of International Financial Reporting Standards (IFRS) and provides support and guidance both internally to engagement teams and externally in relation to the accounting treatment of specific transactions (i.e. treatment of complex financial instruments, business combinations, lease classifications). One of our Accounting Consulting Services team, Anna Loizou, is also part of the Global PwC Accounting Consulting Services team specialising in financial instruments and business combinations. The Global Accounting Consulting Services team is responsible for global consistent application of IFRS and the development of IFRS training material and publications such as the PwC - Manual of Accounting.

The Audit Methodology team, headed by the Audit Methodology Partner, George Kazamias, deals with and addresses audit issues, supports teams throughout the audit process and assists in delivering consistent and quality audits in accordance with the PwC audit methodology.

The Assurance Risk & Quality team led by the Assurance Risk & Quality Partner George Kazamias, provides consultation on quality and risk management matters and assists engagement teams in complying with PwC Network risk management policies PwC's audit guide, policies, guidance, templates, professional accounting and auditing standards and technical alerts on new developments are located in electronic repositories and are available to all Partners and members of staff. Consultation teams are responsible to update and/or develop additional policies and guidance where necessary, to comply with local legislative and regulatory obligations. Such updates and new developments are communicated to Partners and members of staff via email alerts and during mandatory training courses.



## Supervision and review

Supervision of the audit, review of the completed work and coaching of the team by accredited Engagement Leaders and Managers are key elements in maintaining audit quality. The Engagement Leader, Quality Review Partner and Team Manager document their review of the work done in Aura. Aura includes guidance and audit procedures that need to be performed in order to ensure that engagement teams have appropriately addressed all matters as required by auditing standards. It also enables teams to track the progress of the engagement and follow up pending issues ensuring that all work has been fully completed and appropriately reviewed.

The Engagement Leader is responsible to ensure that the audit is performed and documented as required and the conclusions reached are appropriate, by being timely and sufficiently involved throughout the audit. This includes making key judgments, initiating consultation requests on difficult or contentious matters as deemed appropriate and being satisfied that all risks have been appropriately assessed and responded to.

The Team Manager supports the Engagement Leader by promoting quality and continuous improvement during the performance of the audit, adhering to documentation requirements by being involved throughout the audit and coaching the team members as necessary. This includes identifying the risks and being satisfied that they have been addressed appropriately.

Engagement Leaders and Team Managers cultivate a mindset in which engagement teams are challenged to think, analyse, question and be rigorous in their approach.

They apply and promote professional skepticism, foster an integrated coaching culture and demonstrate a willingness to learn and to coach others. Both are responsible to ensure timely reviews of the audit work, quality of the audit process, results and conclusions, and confirm that the audit work was appropriately carried out and documented in the file and the conclusions reached are consistent with the understanding of the engagement.

The name and role of the audit Engagement Leader is communicated to the client's Board of Directors and those charged with Governance via our contractual agreement.

## Engagement Quality Control Review

A Quality Review Partner is appointed on engagements with:

- High Profile Clients
- Listed entities
- EU Public Interest Entities
- Other high risk clients where deemed necessary by the Assurance Risk & Quality Partner

Quality Review Partners are experienced Partners who are independent of the core engagement team. They are appointed in this role based on their expertise and receive appropriate training on the responsibilities of a Quality Review Partner prior to their appointment.

The Quality Review Partner is responsible for reviewing key aspects of the audit, including independence, significant risks and their responses, judgments made, uncorrected misstatements, documentation of work done in the areas reviewed, the financial statements, communication with those charged with governance and the appropriateness of the audit report to be issued. The Quality Review Partner will seek to challenge the audit team in the judgments made and work prepared. The Quality Review Partners are involved throughout the audit process so that their input is timely.

## Differences of opinion

Policies are in place to resolve situations where a difference of opinion arises between the Engagement Leader and either the Quality Review Partner, a technical expert or another Assurance Partner in relation to their professional views. Technical panels consisting of Partners independent of the engagement are held as appropriate.

## Engagement documentation

Upon completion of an engagement the engagement team is required to assemble the audit file, which comprises of the electronic and hard copy paper file and archive these files within 60 days from the date that the audit report was issued. An automated archiving process exists for the electronic file preventing any further amendments being made to it. The hard-copy paper file is archived using an electronic system for recording purposes, and is retained in a controlled filing cabinet with secure access to which engagement teams have no direct access. View access to the archived files is restricted to the members of the engagement team. Engagement files are retained for a period specified by law.



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## 6. Monitoring

We recognise that quality in the Assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element to our Assurance strategy.

*Quality monitoring is an integral part of our firm's continuous improvement programme as we constantly seek to enhance our policies and procedures and improve the quality of our work. We therefore implement an internal monitoring programme to monitor the adequacy and effectiveness of our internal system of quality control and address any matters needing improvement.*

Responsibility for appropriate quality management lies with the leadership of PwC Cyprus. This includes effective monitoring processes aimed at evaluating whether the policies and procedures which constitute our Quality Management System are designed appropriately and operating effectively to provide reasonable assurance that our audit engagements are performed in compliance with laws, regulations and professional standards.

Our firm's monitoring programme is based on the PwC Network's Global Assurance Quality Review (GAQR) Programme. This programme which is based on professional standards relating to quality control including ISQC1, contains policies, procedures, tools and guidance which are used by PwC Network firms. The GAQR programme is coordinated by a central team which consists of a GAQR Leader with a group of International Team Leaders (ITL) who are senior Partners seconded to the GAQR central team by PwC member firms. Provision of oversight by the ITLs and their continuous involvement and support enable a consistent and effective performance of reviews across the PwC Network.

Our firm's monitoring procedures include an ongoing assessment of the design and effectiveness of our quality management system, as well as a review of completed engagements (Engagement Compliance Reviews – ECR). The results of these procedures form the basis for the continuous improvement of our quality management system.

ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorised to sign audit or non-audit assurance reports. The review assesses whether an engagement was performed in compliance with PwC audit guidance, applicable professional standards and other engagement related policies and procedures. Each Engagement Leader is reviewed at least once every five years, unless a more frequent review is required based on the risk profile of the Engagement Leader's client portfolio. Reviews are led by experienced Assurance Partners, supported by independence teams of Partners, Directors, Senior Managers and other specialists. Review teams receive appropriate training to guide them in fulfilling their responsibilities, and utilise a range of GAQR-approved checklists and tools when conducting their review procedures.

The results of the quality reviews are reported to our firm's leadership who are responsible for analysing the findings and implementing remedial actions as necessary. In situations where adverse quality issues on engagements are identified, based on the nature and circumstances of the issues, the responsible Partner or our firm's Assurance leadership personnel may be subject to additional training or sanctions in accordance with our firm's accountability framework.

Partners and staff of our firm are informed about the review results and the actions taken to enable them to draw the necessary conclusions in relation to the performance of engagements. In addition, the GAQR Leader informs engagement Partners of our firm who are responsible for group audits involving cross-border work about relevant quality review findings in other PwC firms which enables our Partners to consider these findings in planning and performing their audit work.

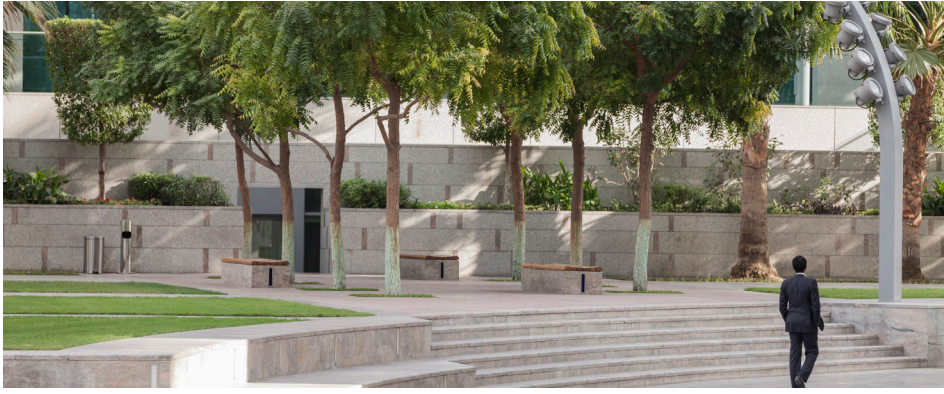
Our firm is also subject to an annual inspection by the Cyprus Public Audit Oversight Board, which is the firm's local regulator. This inspection entails:

- A review of the firm's internal quality control systems to assess the firm's adherence to the requirements of ISQC1.
- A review of selected engagements to assess whether they were performed in accordance with professional standards and applicable legal and regulatory requirements, and that the audit report issued thereon was appropriate in the circumstances.

The latest completed inspection of the firm by the Cyprus Public Audit Oversight Board took place in 2016. On the basis of the results of this inspection, the firm continues to be registered to conduct statutory audit work in Cyprus. Areas for improvement identified as part of the regulatory inspection have been taken into consideration and formed part of an action plan, the implementation of which is monitored by the firm's Management Board.

*Separate action plans are developed to respond to any significant matters arising from each of the above reviews. Specific individuals are responsible for implementing the action plan within agreed time frames. The progress of implementation of the action plan is monitored by the Management Board.*





## ***Root cause analysis:***

We perform analyses to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. One of our primary objectives when conducting such analyses is to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at audits both with and without deficiencies – whether identified through our internal inspections process or through external inspections – to help identify possible distinctions and learning opportunities.

For individual audits, a team of reviewers that is independent from the engagement team identifies potential factors contributing to the quality of the audit. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, among others.

Potential casual factors are identified by evaluating engagement information, performing interviews, and reviewing audit working papers as appropriate, to understand the factors that may have affected audit quality (the “why of the why”).

In addition, the data compiled for audits both with and without deficiencies is compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, whether key engagement team members are in the same geography as the client, the number of years that key engagement team members have been on the engagement, the number of other audits that engagement Partners are involved in, whether the engagement was subject to pre-issuance review, and the timing of when the audit work was performed.

Our goal is to understand how quality audits may differ from those with deficiencies, and to use these learnings to continuously improve all of our audits. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practice. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

### ***Statement on the effectiveness of the firm's internal quality control system***

On the basis of internal monitoring, PwC Network and local regulatory reviews performed, the Management Board is satisfied that the firm's internal quality control system for Assurance is operating effectively. Any matters identified through the various monitoring and review processes are actioned and changes implemented as appropriate.

# Partner remuneration policy

**Partners are remunerated based on the Partner Income Framework (PIF), which is revised every 5 years.**

**The PIF that was in place during FY17 regulates the remuneration of Partners for the five years FY13 - FY17 and comprises of the following three components:**

- **Equity income** – dividend payments reflecting each Partner’s share in the profits of the company. All our Partners are equity Partners. Each year each Partner receives an equal number of additional shares which results in the relative Profit Sharing Ratios (PSR) of newer Partners increasing and consequently the PSR of long serving Partners reducing.
- **Responsibility income** – a monthly salary and quarterly preference dividend reflecting the Partners’ role and responsibilities. The PIF recognises the following bands of responsibility pay:
  - Chief Executive Officer
  - Members of Management Board
  - Members of Oversight Board and
  - All other Partners
- **Performance income** – a preference dividend payment reflecting the assessment of how each partner has performed, using a Partner Performance and Development System (PPDS).

Within the context of the PPDS, each Partner’s performance income is determined by assessing achievements against an individually tailored balanced scorecard of objectives, based on the partner’s role and responsibilities. These objectives include ensuring that we deliver quality services and maintain our independence and integrity.

Quality failings identified either through regulatory reviews or internal quality reviews impact the remuneration of audit Partners, through an accountability framework.

Key Audit Partners, whilst being responsive to client needs are not evaluated or remunerated for the selling of non-audit services to their audit clients.

The PPDS adopts 4 performance ratings and a range of weights that gives the flexibility for fairer allocation of the performance income in accordance to Partner performance and contribution.

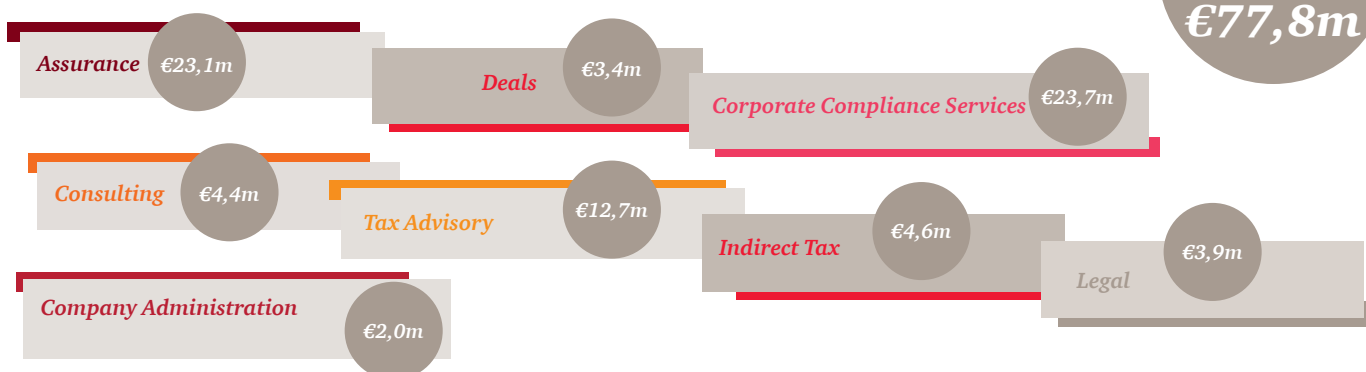
In FY17, the split of the total after tax Partner remuneration under the three components was as follows: 34% equity income, 51% responsibility income and 15% performance income.

The PPDS process takes place as follows:

- Partner self-assessment and form submission to Primary Reviewing Partner (PRP);
- PRP and Partner hold a meeting;
- PRP and Secondary Reviewing Partner (SRP) collect feedback and undertake initial assessment;
- moderation and finalisation of Partner ratings;
- meetings with individual Partners to brief them of final rating and finalise objectives set for the next financial year; and
- the Oversight Board approves the process and oversees its application

# Financial Information

Our firm's net revenues were **€77,8m**



Services	Revenue
Revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity*	€3.2m
Revenues from the statutory audit of annual and consolidated financial statements of other entities	€18.2m
Revenues from other Assurance services to public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity; and other entities	€1.7m
Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm**	€28.7m
Revenues from non-audit services to other entities	€26.0m

\*If an entity met the definition of an EU PIE (or subsidiary of) as at 30 June 2017, we have included related revenues in this category. No comparative figures are available because the EU Directive requiring this disclosure was not effective for FY16.

\*\*Non-audit services to audit clients are only provided where permitted by PwC Network and PwC Cyprus policies and applicable laws and regulations.

## Provident Funds

The firm maintains a Partners and Directors Provident Fund and a Personnel Provident Fund (the Funds). As at 30 June 2017 the Funds which are defined contribution schemes had a total of **730** members (30 June 2016: 688). In FY17 the two Funds received contributions of **€3,0m** (FY16: €2,0m), had net assets at 31 December 2016 of **€36,3m** (31 December 2015: €34,8m) and net income for the year ended 31 December 2016 **€0,5m** (31 December 2015: €0,9m).

## Operating Costs

Total costs have increased by 3,0% with staff costs recording a 3,1% increase over the prior year. Other operating costs have increased by 2,8%.

## Capital Expenditure

As part of the continuous effort of maintaining the best working facilities and keeping abreast with the latest state of technology, an amount of **€2,5m** (FY16: €2,9m) was expended mostly on leasehold improvements, computer hardware and software and office furniture.

## Total Tax Contribution

State revenues from the firm emanate from payments of direct and indirect taxes as well as social insurance and special contributions. The firm's partners and staff paid **€12,5m** (FY16: €12,9m) in direct taxes, social insurance and special contributions. Further to this, the firm paid **€11,5m** (FY16: €11,8m) in VAT, and **€3,7m** (FY16: €3,7m) in social insurance and special contributions.

## Working Capital

The average number of credit days outstanding for trade debtors for this year was **68** (FY16: 69). We also try to reduce the number of days between the time work is carried out and the time of billing it. The average number of days of work in progress for the year was 6 days (FY16: 7 days).

## Creditors

Creditors are paid promptly with the average number of days between receiving and settling the invoice for FY17 to be 31 days (FY16: 31 days).

## Financing

The firm's financing emanates from partner's capital, retained profits coupled with short term external financing. As in last year, the firm did not utilise any of the bank facilities at the end of FY17 as compared to the available bank facilities of **€12,6m**.

# Appendix 1: Lines of service

## Assurance & Advisory

### Assurance Services

Financial Services  
CIPS & TICE  
Accounting Consulting Services

### Advisory Services

#### Consulting Services

Data Assurance  
Family Business Services  
Forensic Services  
Internal Audit  
Internal Controls Optimisation  
Investment Firms and Funds Licensing  
People and Organisation  
Project Management  
Regulatory Compliance  
Strategy and Operational Effectiveness  
Sustainability Business Services  
Technology Consulting  
Third Party Assurance

#### Deals

Deals & Corporate Finance  
Capital Markets  
Transactions Support

## Tax & Legal Services

### Tax Advisory

Corporate Tax Advisory  
International Tax Structuring  
Private Clients  
Tax Investigations  
Tax Accounting

### Corporate Compliance

Direct Tax Compliance  
Indirect Tax Compliance  
Corporate Compliance Advisory  
Private Wealth Services

### Indirect Tax

### Company Administration

Company Administration Services  
Specific Industries  
Specialty Services

### Legal

## Additional Services

### Immigration and Mobility Services

Cyprus Citizenship for Investors

Global Employee Mobility

Pathfinder Services - Helping you  
find your way

Chinese Businesses Operating from  
Cyprus

# Appendix 2: Public Interest Entities

Below is a list of EU public interest entities as defined in the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2017, L.53(I)/2017, for whom we issued a statutory audit opinion between 1 July 2016 and 30 July 2017. Entities that have issued transferable securities on a regulated market in the EU are marked with an asterisk (\*).

AIG EUROPE LIMITED
AMATHUS PUBLIC LIMITED*
APOLLO INVESTMENT FUND PLC*
AS EXPOBANK
ASTROBANK LIMITED
BANK OF BEIRUT S.A.L.
BARCLAYS BANK PLC
CLARIDGE PUBLIC LIMITED*
CNP CYPRIALIFE LIMITED
CNP ASFALISTIKI LIMITED
COMMERCIAL GENERAL INSURANCE LIMITED
CONSTANTINOU BROS HOTELS PUBLIC COMPANY LIMITED*
CYTRUSTEES INVESTMENT PUBLIC COMPANY LIMITED*
DEEP SEA SUPPLY LIMITED*
EFG BANK (LUXEMBOURG) S.A
ERMES DEPARTMENT STORES PLC*
EUROBANK CYPRUS LIMITED
G.A.P. VASSILOPOULOS PUBLIC LIMITED*
GLOBAL PORTS INVESTMENTS PLC*
GLOBALTRANS INVESTMENT PLC*
GRAMEXO PLC*
HD INSURANCE LIMITED
INSURANCE COMPANY 'THE CENTRAL' LIMITED
INTERAMERICAN PROPERTY & CASUALTY INSURANCE SA
INTERFUND INVESTMENTS PLC*
JOINT-STOCK COMPANY AVTOVAZBANK
K + G COMPLEX PUBLIC COMPANY LIMITED*
LCP HOLDINGS AND INVESTMENTS PUBLIC LIMITED*
LEPTOS CALYPSO HOTELS PUBLIC LIMITED *
MALLOUPPAS & PAPACOSTAS PUBLIC CO LIMITED*
MITSIDES PUBLIC COMPANY LIMITED*
PANDORA INVESTMENTS PUBLIC LIMITED *
PHILOKTIMATI KI PUBLIC LIMITED*
PROMSVYAZBANK PJSC
RCB BANK LIMITED
ROS AGRO PLC*
S.D. STANDARD DRILLING PLC*
SONGA OFFSHORE SE*
TCS GROUP HOLDINGS PLC*
THE CYPRUS CEMENT PUBLIC COMPANY LIMITED*
TRUST INTERNATIONAL INSURANCE COMPANY LIMITED
UNIFAST FINANCE & INVESTMENTS PUBLIC COMPANY LIMITED*
WOOLWORTH (CYPRUS) PROPERTIES PLC*



# Appendix 3: EU Entities

PwC Network firms and sole practitioner statutory auditors in European Union/  
European Economic Area Member States, as at 30 June 2017.

<i>Member State</i>	<i>Audit firm/statutory auditor</i>
Austria	PwC Wirtschaftsprüfung GmbH, Wien
Austria	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz
Austria	PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt
Austria	PricewaterhouseCoopers Vorarlberg Wirtschaftsprüfungs GmbH, Dornbirn
Austria	PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH , Graz
Austria	PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg
Austria	PwC Österreich GmbH, Wien
Belgium	PwC Bedrijfsrevisoren bcvba/Reviseurs d'entreprises scrl
Belgium	PwC Audit Services SPRL
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit s.r.o
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
Finland	PwC Julkistarkastus Oy
France	PricewaterhouseCoopers Audit SAS
France	PricewaterhouseCoopers Entreprises SARL
France	Diagnostic Révision Conseil SAS
France	PricewaterhouseCoopers PME Commissariat aux comptes
France	PricewaterhouseCoopers PME CAC
France	PricewaterhouseCoopers France
France	Ampersand Audit
France	Ampersand Associés
France	FNP Commissaires Associés
France	Fiduciaire d'Expertises Comptables et d'Etudes Economiques – Fidorex
France	Société Fiduciaire d'Expertise Comptable et de Révision – Sofecor
France	M. Philippe Aerts
France	M. Jean-François Bourrin
France	M. Jean-Laurent Bracieux
France	M. Didier Brun
France	M. Didier Cavanie

France	M. Hubert de Rocquigny
France	M. François Miane
France	M. Yves Moutou
France	M. Claude Palméro
France	M. Antoine Priollaud
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Germany	Wibera WPG AG
Germany	PwC FS Tax GmbH Wirtschaftsprüfungsgesellschaft
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Iceland	PricewaterhouseCoopers ehf
Ireland	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers Spa
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Vaduz
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers
Netherlands	PricewaterhouseCoopers Accountants N.V.
Netherlands	Coöperatie PricewaterhouseCoopers Nederland U.A
Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp. z.o.o.
Poland	PricewaterhouseCoopers sp. z.o.o.
Portugal	PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais do Contas Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovak Republic	PricewaterhouseCoopers Slovensko s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB
Sweden	Ohrlings PricewaterhouseCoopers AB
UK	PricewaterhouseCoopers LLP
UK	PricewaterhouseCoopers AS LLP
UK	James Chalmers
UK	Richard Sexton

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# *PwC offices in Cyprus*



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## *Limassol*

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City House,  
6 Karaiskakis Street, CY-3032 Limassol, Cyprus  
P O Box 53034, CY-3300 Limassol, Cyprus  
Tel. +357 - 25555000, Fax +357 - 25555001

## *Paphos*

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58 Grivas Dighenis Avenue , CY-8047 Paphos, Cyprus  
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