

Audit Transparency Report 2016

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Introduction

As part of our continuing focus on transparency, the report aims to help our stakeholders, such as our clients, audit committees, regulators and the general public to understand our organisation. They expect us to have people, processes and technology in place that result in quality service regardless of where we operate.

We are dedicated to deliver quality and professional services to our clients so as to enable them to run their businesses more effectively and efficiently. Our aim is to earn the confidence, respect and trust of our clients, other stakeholders and the community.

Our growth and success springs from customer trust and the setup of highly motivated and skilled team within an internationally oriented environment.

Finally we will continue to focus on quality and build on our reputation for client service.

Legal structure and ownership

PEK Limited has been incorporated under the Companies Law, Cap. 113. as a limited liability company on the 6th of May 2004. The Company does not belong to any international network. It was formed by a group of highly qualified professionals whose complementary skills and long experience enables them to deliver quality service to local and international clients in the areas of Auditing, Taxation and Business Consulting.

During its short existence, this organisation has rapidly expanded its portfolio of international and local companies. This is a result of high quality services we offer and the trust our customers place in us. They are the best promoters of our organisation and thus our biggest source of new clients.

PEK Ltd is owned by two equal shareholders Mr. Andreas Efthyvoulou and Mr. Kyriacos Koutsoftas. Both of them have skills and knowledge on all subjects relating to their profession and ensure the best of quality and service.

Leadership and governance

PEK LTD has an effective structure for the leadership and management of the firm which includes all the procedures and policies that are followed by the firm.

Board of directors

Both directors have successfully completed their studies in the U.K. and have been working for many years in order to gain valuable experience in the fields of servicing local and international companies.

Mr. Andreas Efthyvoulou

He is a member of the Association of Chartered Certified Accountants in England and a member of the Institute of Certified Public Accountants of Cyprus.

Mr. Kyriacos Koutsoftas

He is a member of the Association of Chartered Certified Accountants in England and a member of the Institute of Certified Public Accountants of Cyprus.

The main departments of the firm are the audit, tax and consultancy. As from 1st January 2014 the firm also provides accounting and fiduciary services.

In each department there is a manager in place to coordinate, monitor and supervise all the works carried out throughout the firm processes that should be followed.

There is a specific career path through the firm which is as follows:

- Director
- Senior Manager
- Manager
- Assistant Manager
- Supervisor
- Supervising senior
- Senior II
- Senior I
- Staff accountant III
- Staff accountant II
- Staff accountant I

Quality procedures, Ethics and Objectivity

Our policy on quality control

The firm is committed to follow the requirements of ISQC 1 and of promoting a culture of quality throughout this organisation. We confirm that our commitment is:

- to ensure quality in all assignments that we perform;
- to ensure commercial considerations never override the quality of performance;
- to ensure sufficient resources are devoted to the development, documentation and support of the firm's quality control policies and procedures; and
- to ensure all audit work is controlled and signed off only by the Directors.

Important Issues

Persons eligible to sign off audit reports

Only the following persons are eligible to sign off audit reports issued by the firm.

Name	Professional body	Position	Date eligible from
Andreas Efthyvoulou	ICPAC, ACCA	Director	1 Jan. 1997
Kyriacos Koutsoftas	ICPAC, ACCA	Director	1 Jan. 1997

Principal in charge of compliance

The Principal in charge of compliance within the firm is Mr. Andreas Efthyvoulou.

Mr. Efthyvoulou has been chosen to fulfil this role because:

- He is familiar with all aspects of the audit regulations.
- He is familiar with the requirements of the ISAs.
- He has commitment to ensure that the practice complies with the above.
- He has the authority to ensure that all principals and staff comply with the firm's procedures.

Ethics principal

The Ethics Principal within the firm is Mr. Kyriacos Koutsoftas

Mr. Koutsoftas has been chosen to fulfil this role because:

- He is familiar with the IFAC code.
- He was actively involved with the development of the firm's quality procedures.

Continuity Provider/Alternate

The firm's continuity provider/alternate is Auditpro Services Ltd.

In the event that they have to act, they will be eligible to sign off audit reports assuming that they still have eligibility by way of their own firm to act in such a capacity.

Insurance Cover

Our Company has a Professional indemnity insurance cover in accordance with ICPAC's regulations.

Our policy and procedure on leadership responsibility

Policy

The firm's Directors have the ultimate responsibility for audit quality at all times. They can delegate operational responsibility for this, to a suitably qualified principal of the firm at their discretion.

Procedure

On 15 June 2005 the Directors agreed to assume responsibility for audit quality within the firm. They gave operational responsibility for this function to Mr. Andreas Efthyvoulou who will report to the Management Board, as required and at least once on an annual basis. Mr. Andreas Efthyvoulou is now the Director in Charge of Compliance for this firm.

Our policies and procedures on ethics and independence

Policy on IFAC code

We always ensure that we follow the requirements of the APB/IFAC ethical codes as well as the specific ethical rules of our professional bodies ICPAC and ACCA.

Procedure on IFAC code

All members of staff and Directors should complete annually an independence form confirming their independence and compliance with the firm's policies and procedures

Policy on independence threats

In cases where the firm's independence is threatened (other than those cases where we are specifically not allowed to act), then an independent review will be carried out by Mr. Kyriacos Koutsoftas in order to safeguard our position. If this is not possible, another safeguard will be put in place or the firm will resign as auditors. Any such safeguard will be agreed by the Ethics Director.

Procedure on independence threats

All independence threats identified must be included in the independence register and details of all public interest clients will be recorded on the register of public interest clients.

All potential independence threats must be notified promptly to the Audit Engagement Director by all audit personnel.

It is the responsibility of the Audit Engagement Director to notify any breaches or potential problem areas to the Ethics Director.

Policy on non-audit services

The firm will only provide an audit client with non-audit services provided that the principles contained within the IFAC Code are not breached.

Procedure on non-audit services

All Directors, other than the Audit Engagement Director who intends to carry out work for an audit client must notify the Audit Engagement Director before any such work starts so that they can assess the overall impact of ethical requirements on the Audit Engagement.

Policy in the case where the principal has a long association with a client

The firm will utilise appropriate safeguards to ensure that any familiarity threat arising from long association with a client by either a Director or key staff member is reduced to an acceptably low level.

Procedures in the case where the principal has a long association with a client

The following processes apply where the Audit Engagement Principal has a long association with an audit client and in any case when dealing with a listed plc where the association is of 7 years duration.

1. The audit engagement principal will discuss the position with the Principal in charge of Compliance and determine the appropriate action from the steps described in step 2 below. This will be documented and approved before any work is undertaken on the audit.
2. The following actions could be taken:
 - a. The Audit Engagement Principal should stand down and the audit be taken over by another Director in the practice;
 - b. Where there are no additional risk factors and the Principal in charge of Compliance is in agreement:
 - i. The client will be informed of the risks resulting from the long association;
 - ii. The Audit Engagement Principal will remain in place; and
 - iii. Where any contentious issues arise during the course of the audit the Audit Engagement Principal will request that a hot review is undertaken.
 - c. Where there are additional risks but it is not appropriate to assign the audit to a different principal this should be documented on the file, agreed with the principal in charge of compliance and the following actions will be taken:
 - i. The client will be notified of the risks resulting from the long association; and

- ii. The file will be subjected to an independent hot review by a qualified individual not associated with the audit;
3. The details of all audits where there is a long association will be recorded on the independence register and a sample will be included in the cold reviews undertaken as part of the annual compliance review.

Our policy and procedure on acceptance and continuance of client relationships and specific engagements

Policy

The firm will only accept or continue an assignment provided we have established that the client concerned does not lack integrity, that we are competent to perform the services required and that we can comply with ethical standards and the IFAC code.

If the firm obtains information that would have caused it to reject an engagement if that information had been made available earlier, then the firm must:

- consider the professional and legal responsibilities that apply to the circumstances, including any reporting which might be necessary to those who made the appointment or to any regulatory authority; and
- consider the possibility of withdrawing from the engagement or from both the engagement and the client relationship.

Procedure

The Audit Engagement Director completes the firm's client acceptance/reappointment documentation before the start of every assignment. The relevant section of the firm's standard audit procedures must be completed during the planning stage of the assignment.

The Audit Engagement Director considers immediately any information which arises in respect of an assignment which could have had an impact on the decision to accept the appointment initially.

Our policy and procedure on human resources

Policy

The firm only employs audit staff who has the relevant integrity and competencies and meet the high standards expected by the firm.

Procedure

The firm has a comprehensive recruitment procedure and always obtain references for new staff. The firm conducts an annual assessment of all staff employed on audits. This is carried out by completion of questionnaires and skill assessments. The firm considers training as part of the skills assessment review and the appointment process and decide on appropriate training programmes based on this.

Our policy and procedure on assignment of audit team

Policy

The firm's policy is to ensure an Engagement Director is assigned to each job and his name and role is communicated to the client. The Engagement Director must have the necessary skills and competence and time to undertake the role.

The firm's policy is to ensure appropriately competent individuals are assigned to each job so that each job can be performed to the necessary high standard.

Procedure

An appropriate budget is prepared for each job. Staffs are assigned individual job descriptions and these are updated on a regular basis.

The identity and role of the Engagement Director is communicated to the client firstly via the engagement letter and secondly by way of a face to face meeting with the client before the assignment commences.

Our policies and procedures in respect of engagement performance

Policy on engagement procedures

The firm's policy is to ensure that all engagements are performed in accordance with professional standards and regulatory and legal requirements and all reports issued are appropriate in the circumstances.

Procedure on engagement procedures

The firm's procedure is to use the PEK LTD audit manual for all limited company audits. Disclosure checklists are used to demonstrate that the financial statements comply with IFRSs.

Policy on contentious issues

Where difficult or contentious issues arise, the firm is committed to ensuring that appropriate consultation is undertaken and the nature, scope, extent and results of the work are documented.

Procedure on contentious issues

Consultation will either be internal with another Director or in high risk areas with external consultants. A written agreement exists for all external engagements. Irrespective of whether or not the consultation is internal or external, a record of consultation must be completed. All consultations must take place within 10 days of the matter being notified as arising.

Policy on differences of opinion

In situations where differences of opinion arise, either within the engagement team, with those consulted or between Engagement Director and Engagement Quality Control Reviewer, all conclusions reached must be documented and implemented and the report must not be issued until the matter is resolved.

Procedure on differences of opinion

Contentious issues and disputes will be documented by using the record of consultation

Policy on conduct of engagement quality control reviews

Criteria have been set for the conduct of all engagement quality control reviews (EQCR). These criteria are based on audit risk, type of client, size of fee, public interest and regulatory requirements.

Procedure on conduct of engagement quality control reviews

For every audit the firm performs, the Audit Engagement Director carries out an assessment against the specific criteria set by the firm and if necessary reports the need for a review by an EQCR reviewer. This need is then considered by Mr. Andreas Efthyvoulou and the appointment is subsequently made. The review is always completed before any report is issued (hot review).

Policy on nature, timing and extent of review

Each assignment undertaken must have agreed in advance the nature, timing and extent of the review. Set criteria must be followed in respect of the eligibility of the reviewer particularly regarding their qualifications and objections. Adequate documentation must be produced regarding the review to demonstrate that the review has been carried out in a proper and timely fashion and to show that any unresolved matters have been dealt with.

Procedure on nature, timing and extent of review

The EQCR is not selected by the Engagement Director. The selection is made at the planning stage of the audit (or as soon after this as a need becomes apparent). The reviewer considers their own independence and experience to deal with the issues arising after reviewing the audit plan. The review is fully documented using the firm's standard approach and any unresolved matters are cleared.

Our policy and procedure on monitoring

Policy on monitoring

The firm's policy is that our system of quality control procedures will be subject to a robust review on an annual basis. This review will be conducted by Mr. Andreas Efthyvoulou or external consultants and will include a sample of file reviews. All deficiencies arising from this review and any associated file reviews will be acted upon and any corrective action to the system made.

The firm's policy is to take disciplinary action against members and staff who persistently fail to comply with the standards expected by the firm.

Procedure on monitoring

An annual compliance review is carried out by the firm using a set methodology. As part of this review, a series of file reviews are planned and undertaken. Deficiencies arising from these reviews and from the audit compliance review are followed up to ensure they are addressed. Changes in the firm's procedures are made accordingly.

An annual summary of the main points arising from the EQCR is provided to all Audit Engagement Principals and any other persons involved in signing off audit reports at least once a year. If action is required by individual principals this is followed up to ensure it has been performed.

Our policies and procedures on documentation

Policy on documentation

All audit files should be completed on a timely basis. It is the policy of this firm to ensure that all audit work is complete and is documented before the audit report is signed off. All audit files and supporting documentation must be retained for the minimum amount of time required by the law.

Policy on custody of documentation

All engagement documentation must be subject to controls over its custody and accessibility and confidentiality and retrievability.

Procedure on custody of documentation

The firm's ethical guidelines require all personnel to maintain confidentiality of all information at any point in time unless there is a legal or professional reason not to. The firm has put in place procedures to maintain confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation. This is achieved by using passwords to restrict access to electronic documents, use of safe back up facilities, restrictive access to files and good physical security of the files.

Policy on CPD Training records

The firm has several procedures to be followed by staff in order to be able to identify the need for training and how that need will be satisfied.

Procedure on CPD Training records

The firm will prepare a summary of the training needs of its employees. First of all it will identify the need of each employee and how that need will be satisfied. After that, a training assessment form will be completed by each employee and during the period they will achieved their needs. For example the junior staff will be trained by more experienced staff and by attending seminars to learn more.

Quality checked by ACCA and ICPAC

PEK Ltd firm was visited by the Institute of Certified Public Accountants of Cyprus (ICPAC) during September 2016 . The firm successfully passed the check from ICPAC and also comply with ACCA's Global Practising Regulations (GPRs) and Code of Ethics and Conduct (CEC) as well as with the requirements of the Prevention and suppression of Money Laundering Activities Law of 2007-2013

The firm is also an approved employer by ACCA /ICPAC.

Public interest entities listing

During 2016, the firm undertook statutory audits for the following public interest entities.

- FIBO GROUP HOLDINGS LIMITED (CYSEC)

Financial information

We have extracted the following draft financial information from PEK LTD's draft annual accounts and financial records for the years ended 31 December 2016 and 2015 (final) respectively.

Revenue	2016	2015
	€	€
Statutory Audit	367.609-18%	304.082-16%
Fiduciary services	1.365.156-66%	1.236.325-63%
Accounting services	193.666-9%	257.655-13%
Other non-audit services	138.721-7%	162.873-8%
Total	2.065.152	1.960.935

Directors' remuneration

Both directors have a fixed amount of remuneration as a base of component of remuneration. This amount is equal to each one of them. Also the directors have a 50% shareholding of the entire share capital of PEK LTD, so as a result the profit share is equally split to them.

30 June 2017
Nicosia, Cyprus