

Global transparency report 2019

A growth and transformation agenda

May 2019



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A growth and transformation agenda



Welcome to the 2019 Grant Thornton global transparency report.

Sustainable, technological, political and regulatory disruption are driving radical reinvention of business models across all sectors. Professional services is no exception.

When I became CEO at the beginning of last year, we set out on a journey to build a 'next generation' professional services network that will keep pace with that change. For our business to be sustainable over the long-term, we must ensure that quality is at the heart of everything we do at Grant Thornton. Harnessing disruption and being future fit will enable that and allow us to continue strengthening trust in our services and adding value for our clients.

After 30 years in the profession, I'm a passionate believer that sustainable businesses should be driven by leadership and culture and it's encouraging to see that industry regulators are increasingly focused on these two core qualities.

In this context, we welcome the IAASB's proposed International Standard on Quality Management and recognise the profound implications it could have for the industry.

Business as usual is no longer an option. While we continue to embrace change and focus on the future, we must never lose sight of what sits at the core of what we do – a relentless focus on quality and building confidence in the efficient and effective operation of markets.

This is the lens through which we assess every new opportunity. It is how we will empower our people and continue to build confidence among businesses, investors and society.

Our 2019 Transparency Report highlights the progress we have made and the work we are doing to evolve our processes, so they reflect and anticipate public interest, as well as the changing markets in which we operate. If you have any questions about the contents of this report, please get in touch.

A handwritten signature in black ink, appearing to read 'Peter Bodin'. The signature is stylized and fluid, with a large initial 'P' and 'B'.

Peter Bodin
CEO, Grant Thornton International Ltd.

Common abbreviations used in this report

Board of Governors	the Board
Chief executive officer	CEO
Enterprise risk management committee	ERMC
Global audit quality steering committee	GAQSC
Global leadership team	GLT
Global relationship system	GRS
Grant Thornton Assessment and Review	GTAR
Grant Thornton International Ltd	GTIL
International Accounting Standards Board	IASB
International Auditing and Assurance Standards Board	IAASB
International Ethics Standards Board for Accountants	IESBA
International Federation of Accountants	IFAC
International Financial Reporting Standards	IFRS
International Forum of Independent Audit Regulators	IFIAR
International Standards on Auditing	ISA
International Standards on Quality Control	ISQC
Organisation for Economic Co-operation and Development	OECD
The Grant Thornton network of member firms	'The network' or 'Grant Thornton'

Governance and management

Grant Thornton International Ltd (GTIL) is a private company limited by guarantee, incorporated in England and Wales. It is a non-practicing international umbrella entity that does not provide services to clients.

Grant Thornton member firms around the world deliver services to clients. References to 'Grant Thornton' in this report are to the brand under which the Grant Thornton member firms provide assurance, tax, advisory, outsourcing and other services to their clients, and encompasses or refers to one or more member firms, as the context requires.

As of 1 January 2019, Grant Thornton has 135+ member firms. Each member firm is a separate legal entity. Membership of the global network does not make any firm responsible for the services or activities of other member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts and omissions. Member firms carry the Grant Thornton name, either exclusively or as part of their national practice names.

Governance

Board of Governors

The Board of Governors (the Board) is the principal and overriding authority in GTIL. The Board exercises governance over GTIL and comprises the Chair of the Board (the Chair); the chief executive officer of GTIL (CEO); managing partners from the largest Grant Thornton member firms; managing partners elected or appointed from other Grant Thornton member firms that are not amongst the largest; and independent directors. The Board aims for a balance of diversity and representation from different geographical areas, including emerging markets.

The Board's responsibilities include:

- approving global strategic direction and policies
- overseeing the implementation of the global strategy
- overseeing membership matters (including approving new member firms, suspending the rights of a member firm, or expelling a member firm)
- appointing and setting the remuneration of the Chair of the Board

- appointing, evaluating performance and setting the remuneration of the CEO
- approving the GTIL budget and member firm fees
- overseeing the financial health of GTIL
- overseeing global enterprise risk management
- overseeing general governance matters, such as the composition and performance of the Board.

Chair of the Board

The Chair is a proactive role with a focus on ensuring that the Board functions as a coordinated group in support of the CEO to deliver on the global strategy. Scott Barnes was appointed Chair as of 1 January 2015 for a term of three years. In December 2017, the Board reappointed Scott for an additional term of two years. The role of the Chair is pivotal to creating the conditions necessary for a highly effective Board focused on the Grant Thornton network's global strategic development.

The Board of Governors as of 1 January 2019

- Scott Barnes, Chair
- Peter Bodin, CEO
- Vishesh Chandiok, India
- David Dunkley, United Kingdom
- Maria Victoria C. España, Philippines
- Hisham Farouk, United Arab Emirates
- Gagik Gyulbudaghyan, Armenia
- Xu Hua, China
- Emilio Imbriglio, Canada (observer)
- Anna Johnson, Sweden
- Vassilis Kazas, Greece
- Daniel Kurkdjian, France
- Kevin Ladner, Canada
- Mike McGuire, United States
- Joachim Riese, Germany
- Victor Sekese, South Africa
- Judith Sprieser, independent member
- Shigeyoshi Yamada, Japan

Independent Board members

Independent Board members bring a valuable external business perspective to the deliberations of the Board, add to the network's profile and increase Board transparency.

Independent Board members support the network's public interest responsibilities and its attitude towards quality, risk management and governance, as well as the network's effectiveness in executing its strategic goals. GTIL has processes in place to ensure that the appointment of independent Board members and their ongoing services are compliant with relevant independence rules.

Standing committees

There are seven standing committees with authority and powers for certain matters as delegated to them by the Board.

Governance committee (GC) ensures efficient and effective operation and oversight of GTIL's leadership structures and performance.

Strategy committee (SC) advises on the development, alignment and execution of the global strategy.

Budget and audit committee (BAC) oversees the GTIL budget and audit processes to ensure the successful execution of the global strategy and adherence to the fiduciary responsibilities of GTIL.

Member firm matters committee (MFMC) considers and determines resolution of recommendations made by the global leadership team (GLT) relating to member firm matters. Considerations include member firm terminations, complaint handling and proposed changes to the rules and agreements that materially affect member firms.

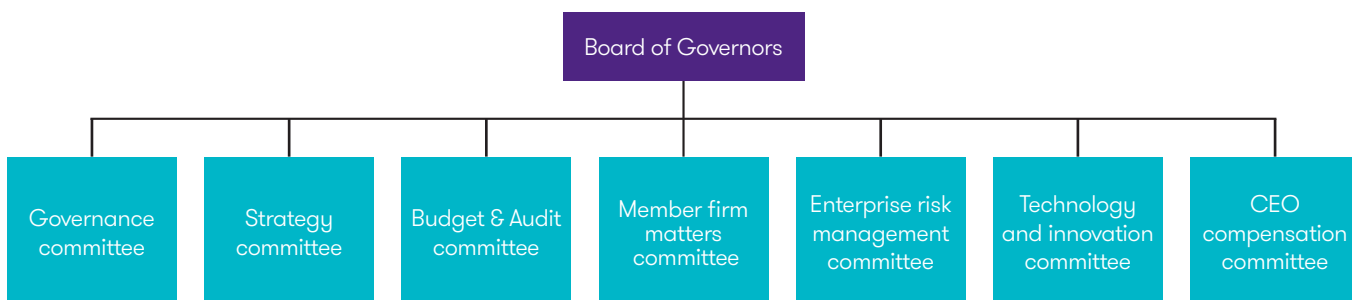
Enterprise risk management committee (ERMC) has oversight responsibility for ensuring an appropriate enterprise risk management framework is maintained for GTIL and its member firms.

Technology and innovation committee (TIC) governs and oversees Grant Thornton's global technology and innovation strategy and ensures that global technology and innovation projects are aligned with Grant Thornton's commercial objectives.

CEO compensation committee (CEOCC) executes the Board's responsibilities relating to the annual performance evaluation and related compensation of the CEO, the adoption of policies that govern the CEO's compensation and performance, and the oversight of plans for CEO development.

The use of standing committees allows a more efficient and effective discharge of the Board's responsibilities and involves others in the activities of the Board. Each standing committee is chaired by a Board member and its membership includes, but is not limited to, Board members.

Board of Governors structure



Chief Executive Officer

The CEO is appointed by the Board for an initial term of up to five years, renewable once for a further period of up to three years. In 2017, the Board appointed Peter Bodin, formerly the CEO of the Swedish member firm, to be the GTIL CEO for a term of five years, as of 1 January 2018.

The CEO is responsible for the leadership of GTIL. The role of the CEO includes the development and recommendation of global strategic priorities for ratification by the Board, together with overseeing execution of these priorities. The CEO has responsibility for appointing the global leadership team (GLT), subject to the concurrence of the Board. The GLT assists the CEO in the execution of the global strategy. The CEO works closely with the GLT in maintaining global policies and procedures, including those governing international work for the assurance, tax and advisory service lines.

Management

Global leadership team (GLT)

The GLT develops and drives the execution of the global strategy and is chaired by the CEO. It is a full-time management group dedicated to leading the network in the successful execution of the strategy. Between them, GLT members have global development, service lines, functional and regional responsibilities. The diagram below depicts these responsibilities as of 1 January 2019.

A critical role of the GLT is to work with member firms in driving the execution of the global strategy. Our ambition is to help build strategic sustainable growth for Grant Thornton member firms and their clients globally, with a focus on quality.

Our Growing Together 2020 global strategy focuses on our:



People



Clients



Markets and communities



Organisation

It sets out how Grant Thornton will achieve its vision and identifies the actions Grant Thornton will take. The implementation of the strategy builds on strategic frameworks, prioritised investments and growth strategies that are appropriate for our chosen markets.

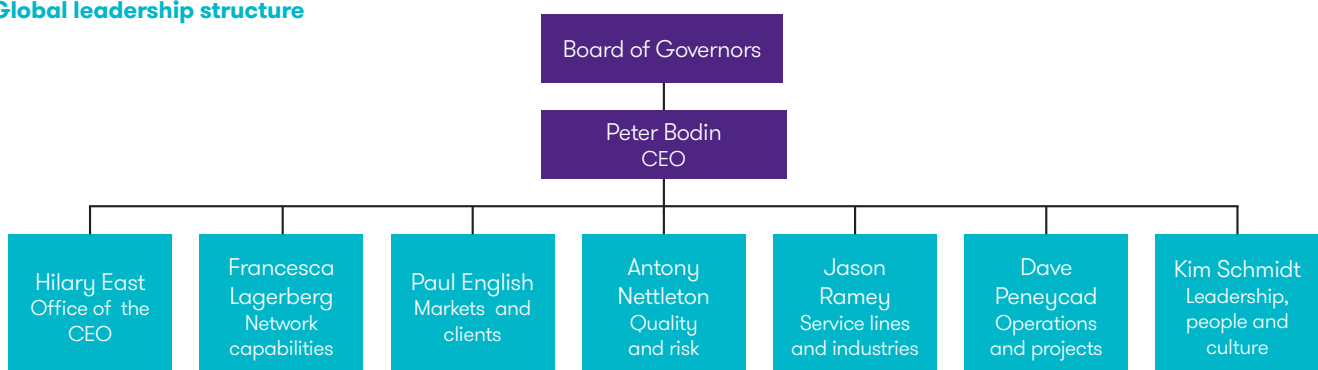
We care about the work we do for clients, the impact we have in society and the way we treat people. And, as dedicated professionals, our work and influence build trust and integrity in the markets we work in. We help create the commercial and social environments that enable long-term success and growth for businesses and where people flourish.

Risk management

Risk management is an enterprise-wide activity overseen by the Enterprise risk management committee (ERMC). The ERMC is made up of several Board members and is chaired by GTIL's independent board member. The ERMC reports on its activities to the Board.

Enterprise risk management at Grant Thornton focuses on processes to identify, monitor and manage key risks in a prioritised manner including a strong emphasis on continuous procedures to monitor quality and improvements to the quality of service delivery.

Global leadership structure



Risk management and independence

The GLT monitors professional risks with operational support from the global risk management function under the direction of the global head of risk management and independence.

Global risk management includes:

- managing the GTIL risk register including operational support to the GLT, the ERMC and the Board on the assessment and prioritisation of key risks facing the organisation
- reporting to the ERMC and Board about key risks and risk management activities
- developing, communicating and maintaining global policies and procedures designed to:
 - maintain independence and objectivity of member firms and professionals
 - establish standards for client acceptance and client continuance activities of member firms.
- developing training programmes covering the above
- developing and maintaining technology solutions to facilitate the effective and efficient execution of the procedures referenced above
- monitoring the effectiveness of the design and operation of member firms' systems of quality control over providing high-quality services
- reporting to the ERMC on member firm progress in executing action plans developed in response to quality inspection programme findings.

The global service lines have primary responsibility for the development, communication and maintenance of global policies and procedures regarding the delivery of professional services.

Cybersecurity

One of the most significant risks facing the profession is the risk of a cybersecurity breach. In 2017, we implemented an ongoing global cybersecurity programme to mitigate the network's exposure to cybersecurity threats through an integrated legal, risk, IT and compliance approach. The 2017 plan introduced minimum cybersecurity standards to which all member firms are required to adhere. Today, the cybersecurity programme includes global compliance monitoring, external threat intelligence and incident response requirements necessary to continuously protect the network and deliver on the commitments required by the Board and senior leaders.

Member firm admissions and other business combinations

Prospective member firms must meet certain criteria for membership. The criteria for membership include:

- the prospective firm's reputation for quality and its adherence to high standards
- completion of a thorough client review process. The objective is to ensure that any potential independence and conflict issues are identified and resolved in accordance with applicable professional standards before admittance to the network
- commitment to adopting GTIL policies (including those focused on cybersecurity), procedures and methodologies.
- maintenance of a system of quality control that meets or exceeds the International Auditing and Assurance Standards Board's (IAASB) International Standards on Quality Control¹ (ISQC1)
- agreement to the periodic evaluation of their system of quality control by our global quality monitoring teams.

Admission as a member firm is dependent on the outcome of a due diligence process performed to determine whether the prospective firm meets the criteria for membership. All member firms are subject to obligations set out in the Grant Thornton member firm agreements and global policies.



In addition to prospective member firms, other business combinations, such as member firms pursuing transactions such as mergers, acquisitions, joint ventures, lateral hires or other arrangements for sharing of interests, are subject to the above criteria.

Independence policies, guidance and training

Member firms adopt GTIL's global policies and procedures that are designed to safeguard independence and identify circumstances that could cause a potential independence impairment or a conflict of interest.

Our global independence policies and procedures are based on the independence standards of the International Federation of Accountants (IFAC) promulgated in the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (Code), with supplements to govern compliance with our own global independence policies and processes. If local regulatory requirements are more restrictive, member firms are required to adhere to these.

GTIL monitors compliance with these policies. Member firms are required to identify a partner with responsibility for overseeing independence matters, including providing training and obtaining annual confirmations of compliance with independence policies.

The increase in regulations and standards and the growing volume of services provided to international clients by Grant Thornton member firms continue to make compliance with independence requirements a priority. A global independence team (led by the global head of risk management and independence) assists member firms with understanding these requirements.

The global independence team's responsibilities include providing:

- member firms with policy, guidance and training relating to independence matters
- guidance to member firms on interpreting, applying and complying with global policies or specific auditor independence rules
- oversight, compliance monitoring and support of the automated global independence system to monitor compliance with financial interest restrictions
- an international relationship checking process which is designed to provide reasonable assurance that services are not provided to a member firm client or its related entities without appropriate consultation with the engagement teams and other parties as warranted
- member firms with appropriate independence consultation when dealing with complex international regulatory and independence matters.

Global quality

Grant Thornton continues to invest in people, technology and monitoring to help ensure member firms provide consistently high-quality services worldwide.

Global Quality Framework

The Global Quality Framework is an overarching standard which applies to Grant Thornton member firms. It sets common quality standards across assurance, tax and advisory services.

The framework is a permanent reference point setting the expectations of member firms to deliver services to agreed quality standards. It sets out the global 'tone from the top'. Quality is about making our organisation perform for all our stakeholders – from improving services, systems and processes, to meeting applicable professional standards.

At Grant Thornton, we want to make sure we deliver the right service, to a high standard in a way that makes our clients recommend our firm and improves public trust in our profession.

Member firms are required to meet certain standards on:



Leadership



Ethical requirements



Client acceptance and continuance



People



Engagement performance



Monitoring



Assurance quality

Grant Thornton views quality as an essential element of the assurance service line. Member firms are focused on delivering high-quality engagements with exceptional client service in an ever-changing environment.

The global network has established policies and procedures, service delivery systems, controls and risk management systems to provide the necessary framework to meet professional standards. Member firms are provided with support and resources to help maintain quality, including:

- an audit methodology, with supporting state-of-the-art software
- policies and procedures contained in audit manuals that are benchmarked against international auditing, quality control, independence and ethics standards
- protocols that enable member firms to consult with the global auditing standards team and, if necessary, with audit specialists in other member firms
- protocols that enable member firms to consult with an International Financial Reporting Standards (IFRS) help desk
- a comprehensive intranet service that includes up-to-date information for member firms on auditing, financial reporting, ethics and independence standards, and guidance on applying them effectively.

Global audit methodology and technology

Grant Thornton are in the process of implementing a revised audit methodology and suite of tools referred to as Leading Effective Audit Practice (LEAP). The LEAP methodology is adapted by each member firm for local jurisdictional and regulatory requirements. Having a global methodology enables Grant Thornton to provide high-quality audits and apply a consistent approach to multinational organisations.

The LEAP methodology is clearly linked with the International Standards on Auditing (ISA) and starts with a top down risk assessment to enable a well-focused and effective audit. The risk assessment starts with obtaining an understanding of the entity and its environment, including internal control. This understanding enables the auditor to undertake an appropriate top down risk assessment focused at the account level and design a relevant response to the identified risk. Each response is tailored for the specific risks of each client.

The LEAP tool:

- includes specific guidance to assist auditors with the application of the audit methodology
- offers flexibility and scalability to perform audits of all types and sizes
- allows for rapid responses to regulatory changes
- enables auditors to perform high-quality audits more efficiently
- gives auditors the ability to provide clients with better insights into their business and operations.

The tool user interface was designed based on extensive feedback gathered from auditors throughout the design and development process. The global learning programmes developed to support auditors' understanding of LEAP include the ISA proficiency series, methodology proficiency series, tool proficiency series and Audit 360: A simulation.

The ISA proficiency series, which is a prerequisite to other learning, includes various online modules focused primarily on the professional standards. It is methodology agnostic.

Throughout the implementation process, member firms will continue using the Horizon and Voyager suite of tools until they are onboarded to LEAP.

Client acceptance and continuance

Achieving professional excellence means accepting and retaining clients that share Grant Thornton's values of quality and integrity. Grant Thornton's global client acceptance and continuance procedures are designed to ensure member firms accept the right clients.

Member firms are required to comply with global policies and procedures relating to client acceptance and continuance. Member firms that want to accept certain large or high-risk clients must seek approval from a global Key Assurance Assignment (KAA) committee, which considers whether these engagements represent an acceptable risk to the global network.

This committee is chaired by the global head of quality and consists of partners from nine member firms. The committee members represent a geographically diverse set of member firms. The committee reviews assurance acceptance and continuance submissions from member firms that meet one or more risk criteria.

These criteria cover a variety of potential key risks, including the size of the potential assurance client, the amount of fees expected to be generated from the assignment, potential reputational issues and the member firm's recent experience with listed entities or with a particular industry. During 2018 the committee reviewed the following:

233

engagements
submitted
for review

179

approved
with no
conditions

44

approved
with
conditions

10

withdrawn
or rejected

This committee may impose conditions on member firms prior to accepting a new client, such as the appointment of an engagement quality control reviewer from another member firm.

International Financial Reporting Standards (IFRS) support

A full-time global IFRS team is responsible for promoting high-quality consistent application of IFRS throughout the network. An IFRS interpretations group, a financial instrument working group and an insurance working group (made up of IFRS experts from member firms), provide advice, guidance and support to the team. The team promotes consistency across all member firms by:

- offering face-to-face training programmes and e-learning resources
- operating an IFRS help desk service
- providing an IFRS checklist and an IFRS interim reports checklist
- publishing extensive technical, interpretive guidance, newsletters and other tools and resources, internally and externally.

We communicate these materials and updates on IFRS developments to the network of designated IFRS champions in member firms. The IFRS team carefully considers whether training or additional guidance is necessary in response to new IFRS developments and IFRS issues or concerns raised by the member firms.

The team share IFRS resources and ideas through Yammer, one of Grant Thornton's global internal social networking platforms and collaboration groups. Yammer is a powerful two-way communication platform connecting member firm IFRS people and facilitating the timely sharing of IFRS and other knowledge.

Grant Thornton also actively contributes to the development of IFRS. For example, GTIL submit global comment letters on International Accounting Standards Board (IASB) proposals for new and amended standards, we respond to IASB outreach requests on a wide variety of evolving accounting topics, and our professionals participate in relevant events such as round-table expert discussions.

At the time of writing, Grant Thornton is represented on the IFRS Advisory Council, the IASB's Transition Resource Group for Revenue Recognition and the IFRS for SMEs Implementation Group.

Global assurance steering committee

We have established an Assurance Strategy Group of assurance leaders to set and progress the global assurance strategy. Membership includes heads of audit from Australia, Canada, France, India, Japan, the UK and the US.

We also have three overarching steering committees designed to increase involvement of member firms in decision making, resourcing and the delivery of global assurance initiatives. These committees cover the following:

- **Global Assurance Quality Steering Committee (GAQSC):** Chaired by the national managing partner for audit risk management of Grant Thornton US. Membership includes the member firms in Australia, Brazil, Canada, China, Greece and Japan
- **Assurance Technology and Innovation:** Chaired by a senior partner from Grant Thornton Germany
- **Methodology and Learning:** Chaired by a senior partner from Grant Thornton Canada LLP.

The GAQSC provides oversight and direction on key projects, initiatives and global policy to further maintain and enhance audit quality across the network. Key projects of the committee during the year include:

Audit Quality Indicators (AQIs)

Agreement on a single methodology for AQIs. These are designed to give insights into a firm's internal control systems and the performance and quality of individual audit engagements. They can also be used to enhance dialogue and understanding about audit quality, which can in turn lead to higher quality audits. Six of these are based at an engagement level and four at a firm-wide level. The AQIs track progress such as partner involvement, timing of audit work and staff turnover.

An AQI is a quantitative measure of one aspect of an audit engagement designed to give insights into the performance of an audit and its quality. No one measure can determine whether an audit is of high-quality, but where AQIs are used collectively and consistently, they can enhance dialogue and understanding about audit quality, which can in turn lead to higher quality audits.

Grant Thornton's assurance strategy is built around audit quality. As we use quality to further differentiate Grant Thornton in the market, we can leverage AQIs to help steer client and audit committee appointment decisions from fees to quality. It therefore becomes a basis to provide information about our audit quality and to keep dialogue focused on this aspect of our service. AQIs are also used internally within a firm to track the progress of audits or flag-up potentially poor quality audits.

Quality Monitoring Tool

Overseeing development of a new tool to replace existing tools and allow for an updated and consistent approach. This new tool is an integrated tool for quality monitoring, root cause analysis and tracking of partner performance.

Audit Quality Recognition (AQR) Framework

Guidance to member firms on implementing a framework for linking the compensation of audit partners to quality and ethics for positively recognising and rewarding audit quality through applying positive quality indicators and negative quality indicators. It allows for documentation to satisfy regulatory expectations.

Grant Thornton's AQR Framework is a methodology used to assess the quality-related performance aspects of an audit partner. It is designed to ensure reward is materially linked to the quality of work. This framework is designed to:

- be fair and consistent to all audit partners
- be simple to understand and administer
- recognise both excellent quality behaviour and results, as well as the acceptance of increased personal risk
- designed to effectively incentivise positive change upon the identification of indicators of poor quality
- be documented so it is observable by others
- recognise positive results, not just an approach to penalise failure
- give weighting to different types of results, depending on their importance
- allow quality to form one important part of an overall assessment for partners, recognising that performance in areas such as commercial matters or people management are also important and can be separately factored into compensation.

Quality monitoring

Grant Thornton member firms are required to abide by a system of quality control that encompasses, at a minimum, the following standards issued by the standard-setting boards of the International Federation of Accountants (IFAC), including:

- International Standard on Quality Control 1 (ISQC1)
- International Standard on Auditing 220: Quality Control for Audits of Historical Financial Information
- IESBA Code of Ethics for Professional Accountants.

Each member firm's system of quality control is designed to provide global and national management with reasonable assurance that audit engagements are conducted in accordance with applicable professional standards and global policies and procedures.

Member firms must have an effective internal inspection programme in place that meets the requirements of ISQC1. To facilitate the adoption of such practices, member firms are provided with templates that include guidelines, work programmes, forms and examples of reports that have all been benchmarked to ISQC1.

The Grant Thornton Assessment and Review (GTAR) is a key part of the GTIL global quality framework. It has been the primary mechanism for reviewing member firm quality for many years and has been effective in identifying deficiencies in member firm processes and supporting member firms to improve standards of quality and risk management. Each member firm is obligated to submit to a review of its quality control system at least once every three years.

Global monitoring helps to reinforce the requirement that member firms have an effective process for ensuring that the right people are using the right tools to apply the methodology in the right ways. In 2018, the GTAR process was extended to include tax and advisory engagements in addition to assurance.

A dedicated team is responsible for managing this programme. GTARs are coordinated by a member of the GTIL global quality team and includes a team of independent and suitably qualified partners and experienced managers from member firms under the overall direction of the global head of quality. The global quality team, in collaboration with member firm partners, also carry out reviews to evaluate the quality and suitability of firms interested in joining the network.

Summary of global quality monitoring results

30 Grant Thornton Assessment and Review (GTARs) during 2018

75 reviewers participated (senior managers and partners)

219 engagements were reviewed

When a GTAR is completed, GTIL issues a report based on the review findings. A member firm's quality control system is evaluated as satisfactory (pass) or adverse (fail). Firms which have a satisfactory report may still require improvements in their quality control system and these reports may include matters to address. The results of GTARs in the last three years are as follows:



When the GTAR identifies a deficiency, the member firm must address the deficiency within a reasonable period by developing an action plan to address the findings and submitting appropriate documentation. In some instances, further visits to the member firm or remote assessments take place to follow up on the firm's progress toward implementing the required actions. The global quality monitoring team closely monitors the progress of the member firms in addressing the deficiencies noted during the review.

Where the global quality monitoring identifies matters, member firms are given the opportunity to improve quality and are provided with support from the network.

However, if member firms do not improve quality, GTIL will take remedial action where necessary. For example, a number of member firms have been expelled from the global network in recent years due to poor quality.

The GTAR programme aims to protect the brand and reputation of the Grant Thornton network and the member firms, helps to maintain high standards in the network and provides safeguards for referral work through the promotion of common high standards, as well as to protect investor interests. Through a global intranet site, designated member firm representatives have access to GTAR reports, which offer an overall review opinion and include a description of any significant deficiencies or material weaknesses in a specific firm's quality control systems.

Engagement with regulators

Grant Thornton maintains an open and constructive relationship with regulators. We contribute regularly to the public debate on major industry issues and participate in changes affecting our business.

As a large global professional services network, Grant Thornton meets several times annually with the International Forum of Independent Audit Regulators (IFIAR) to report on progress in developing and maintaining audit quality. IFIAR comprises independent audit regulators from 55 jurisdictions representing Africa, North America, South America, Asia, Oceania and Europe. Its mission is to serve the public interest, including investors, by enhancing audit oversight globally.

In 2015, IFIAR challenged the large global audit networks to reduce the percentage of public interest entity audits that have inspection findings by at least 25% over a four-year period (2015-2019) using the 2015 survey results as a baseline.

Based on the latest results available, Grant Thornton has made good progress towards this target:

	Files inspected	Files with finding	% with finding
Baseline 2015	80	41	51%
1st year 2016	54	21	39%
2nd year 2017	56	19	34%

A finding from an inspection of the audit does not necessarily indicate that the financial statements are misstated; therefore, the frequency of findings addressed in this report is not indicative of the frequency of financial statement misstatements.



Tax quality

At Grant Thornton, tax is a key part of our network and our teams offer a range of services, whatever the size of clients' businesses or the challenges they are facing. Our firms work with clients to develop a strategy that helps them both understand and manage their tax liability in a transparent and ethical way.

Member firms have tax specialists whose expertise cover the whole range of tax services and by working with other firms in the Grant Thornton network, they can offer detailed, cross border solutions. Our firms have the capability and expertise to advise large multinationals, privately held businesses, public interest entities and individuals on a range of tax matters.

Across the globe, companies' tax affairs are facing increasing scrutiny from regulators, communities and clients. At the same time, bodies such as the Organisation for Economic Co-operation and Development (OECD) are working on rules to change the way international business structures operate. GTIL provided comment on the discussion drafts issued by the OECD and the European Commission on future tax legislation.

GTIL professionals across the global organisation are working with governmental and non-governmental organisations, clients and industry groups to create better regulatory and economic environments in which to do business. Our experts, notably in transfer pricing, have taken part in tax policy committees and are engaging with global organisations such as the OECD to help shape the future tax landscape. We create global content and media touch points using both our International Business Report survey (IBR) for statistics to comment on and in response to key announcements from bodies such as the European Commission and G20.

Tax Strategy Committee (TSC)

The TSC is the most senior global committee for growth and tax services and meets at least three times a year. It is modelled on the Strategy Committee of the Board of Governors and is comprised of representatives from the largest and most mature firms offering tax services.

The core objectives for the TSC are:

- develop, approve and own the tax strategic objectives
- approve global and regional service line objectives and review progress
- support the time commitment required of service line steering committees and their regional working groups
- provide oversight, steer, input and guidance (as required) into the successful completion of tax strategic projects
- provide regular communications to the global community.

Tax Advisory Committees (TACs)

The TACs are regional collaboration steering committees that are comprised of the largest and most influential tax firms in the respective region. Currently Grant Thornton has TACs in Asia Pacific, Africa, Europe and the Americas. Each TAC meets in person twice a year with regular calls between meetings. The primary objective of each TAC is to:

- facilitate regional collaboration
- give the largest tax practices more influence over the tax strategy in their region
- enhance identification and pursuit of growth opportunities in their region
- encourage cross utilisation of resources and capabilities across the region
- determine regional training needs.

Tax quality policies

As part of our continuing drive to support firms to develop high-quality services and sustainable tax specialty practices, we have introduced tax policies covering authorisation, client acceptance and consultation. These policies give transparency on member firm capability and seek to manage risk more effectively when working cross-border or for international clients.



Authorisation

Member firms require approval from GTIL to perform specific types of tax services. Firms need to apply to GTIL in order to achieve authorisation. Firms are assessed for authorisation to provide general tax services and a certain number of restricted tax services. For each service, firms are categorised according to their level of experience, capability and ability to support other firms and international assignments on a regional and global basis.

Tax client acceptance and consultation policy

All firms, whether or not they are authorised, are subject to the Tax Client Acceptance and Consultation policy, which requires firms undertaking work categorised as higher risk to consult with GTIL prior to undertaking work.

Member firms must be knowledgeable and diligent about risks that may threaten or impair the firm's or another firm's brand and reputation. Once identified, these risks require appropriate and timely consultation with GTIL, prior to client acceptance. Grant Thornton member firms do not accept assignments where there is an unacceptable risk of reputational damage or where the engagement does not correlate with our strategic direction. However, if a member firm does not possess all the skills required to undertake an assignment, it can involve another member firm in the network to service a client.

Training and development

GTIL's primary objective is to support the development of our tax people so they can achieve their personal best and through them, as an organisation, we can deliver our global strategy. There are two main areas of focus in our tax learning and development strategy:

- develop foundational level international e-learning and virtual learning technologies to enhance technical knowledge in international tax areas
- design and deliver regional tax learning academies, to develop technically strong business advisors who also have the skills to be able to talk to clients and win cross-border assignments.

The continuing development of the technical skills of our people is a fundamental part of our global tax strategy. Regional tax learning academies are an opportunity for our people to develop their technical skills, participate in sessions around our client and people experiences and also to meet their colleagues from other member firms in their region. In 2018, global learning academies and masterclasses took place in Asia Pacific, Europe, South America and Africa. Guest internal and external experts were invited to talk about current and future issues that will directly impact our global tax practice. Also, in 2018, our global heads of tax came together to promote greater cross-border collaboration and strengthen global capability.

Advisory quality

Member firms offer a comprehensive range of advisory services to help our clients achieve their goals.

Advisory steering committee (ASC)

The ASC is the most senior global committee for advisory services and meets at least twice a year. It is modelled on the Strategy Committee of the Board of Governors and is comprised of representatives from the six largest advisory firms.

The core objectives for the ASC are:

- develop, approve and own the advisory strategic objectives
- approve global and regional service line objectives and review progress
- support the time commitment required of service line steering committees and their regional working groups
- provide oversight, steer, input and guidance (as required) into the successful completion of advisory strategic projects
- provide regular communications to the global community.

Advisory quality policies

As part of our continuing drive to support firms to develop high-quality services and sustainable advisory practices, we have introduced advisory policies covering authorisation, client acceptance and consultation. These policies give transparency on member firm capability and seek to manage risk more effectively when working cross-border or for international clients.

Authorisation

Member firms require approval from GTIL to perform specific types of advisory services. Firms need to apply to GTIL in order to achieve authorisation. Firms are assessed for authorisation to provide general advisory services and a certain number of restricted advisory services. For each service, firms are categorised according to their level of experience, capability and ability to support other firms and international assignments on a regional and global basis.

Advisory client acceptance and consultation policy

All firms, whether or not they are authorised, are subject to the Advisory Client Acceptance and Consultation policy, which requires firms undertaking work categorised as higher risk to consult with GTIL prior to undertaking work.

Member firms must be knowledgeable and diligent about risks that may threaten or impair the firm's or another firm's brand and reputation. Once identified, these risks require appropriate and timely consultation with GTIL, prior to client acceptance. Grant Thornton member firms do not accept assignments where there is an unacceptable risk of reputational damage or where the engagement does not correlate with our strategic direction. However, if a member firm does not possess all the skills required to undertake an assignment, it can involve another member firm in the network to service a client.

Training and development

The continuing development of our people's technical skills is at the core of the advisory global strategy. Our objectives for advisory learning and development are to help build a global advisory community where our people feel empowered and supported to deliver a great client experience. We complement and enhance the learning and development activities of our member firms by:

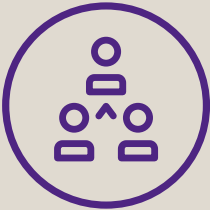
- facilitating the design and delivery of training to support global methodologies
- helping to improve the technical and critical skills required for the winning and execution of international assignments
- supporting our member firms in developing and growing their capabilities in globally strategic service lines.

Our learning programme includes regional training academies. The syllabus for the academies varies depending on the learning needs of the region but consists of a variety of workshops. The workshops are led by subject matter experts, most from within the network but we also involve external experts.



Global financial information

The combined global revenue for Grant Thornton member firms for year-end 30 September 2018 was USD5.45bn. This is growth for the network of 9.4%, the highest rate of growth in six years.



The number of people in the network grew by 6% in 2018

53,000 **135+**
 people across countries

Growth across service lines

Assurance



+4.3%
 (USD2.1bn, 39% of total revenues)

Advisory



+10.4%
 (USD1.92bn, 35% of total revenues)

Tax



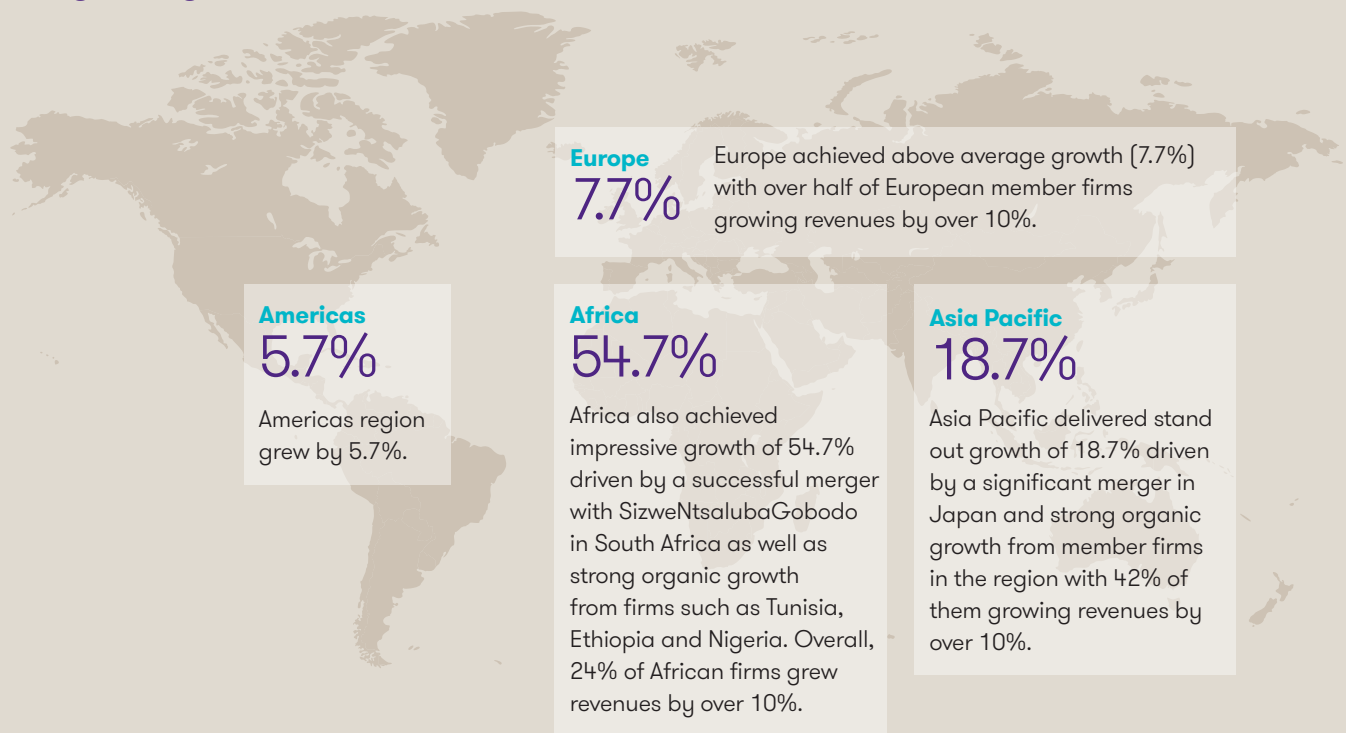
+4.3%
 (USD1.19bn, 22% of total revenues)

Other



USD145m
 (3% of total revenues)

Regional growth



Mergers and acquisitions



20%

of the growth in 2018 has come from mergers and acquisitions – more in both volume and value than in each of the two previous years.

24 deals
10 firms

with the Japanese merger the largest, and Canada LLP being the most active by number.

7
new member firms

In the year to 30 September 2018 Grant Thornton added seven new member firms in Austria, Cameroon, Dutch Caribbean, Lebanon, Malawi, Mongolia, South Africa, as well as the creation of the EU Services Joint Venture.

Revenue 2017 v 2018

Region	2018 Total revenue (USDm)	% of 2018 revenues	2017 Total revenue (USDm)	% growth in USD
Africa	176	3.23%	114	54.72%
Americas	2,494	45.80%	2,360	5.65%
Asia Pacific	947	17.40%	798	18.67%
CIS	34	0.62%	36	-5.48%
Europe	1,752	32.17%	1,627	7.66%
Middle East	43	0.79%	42	1.96%
Total revenue	5,445	100.00%	4,977	9.41%

Service line	2018 Total revenue (USDm)	% of 2018 revenues	2017 Total revenue (USDm)	% growth in USD
Assurance	2,134	39.20%	2,046	4.30%
Tax	1,192	21.89%	1,038	14.79%
Advisory	1,918	35.22%	1,736	10.43%
Other	145	2.66%	156	-7.01%
Total revenue	5,445	100.00%	4,977	9.41%

All percentage growth figures have been rounded up to the nearest decimal



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