

# Transparency Report 2008

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Grant Thornton International



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**David McDonnell**  
Chief executive officer  
Grant Thornton International

# Foreword

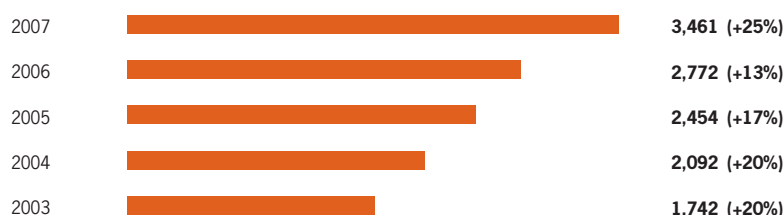
## Growth

The member firms of Grant Thornton International Ltd (“Grant Thornton International”) had an outstanding year in 2007 with combined global revenue of US\$3.5 billion, a 25% increase on 2006. This makes Grant Thornton International the fastest growing of all the major global accounting organisations with a significantly higher growth rate than any of our major competitors. We have set ourselves some challenging financial objectives over the next few years and it continues to be our intention that these will be achieved through a combination of strategic acquisitions and strong organic growth.

## Strategy and transparency

Our global strategy encourages and supports the growth and success of member firms within Grant Thornton International. Clients of member firms expect seamless service and consistent capability regardless of where they access Grant Thornton member firms around the world. In addition, the demand for more choice in accounting, audit and advisory service providers is presenting growth opportunities for member firms within Grant Thornton International, both within the public interest entity market and the dynamic privately held companies market.

Total member firm fee income (US\$ million)



2007	3,461 (+25%)
2006	2,772 (+13%)
2005	2,454 (+17%)
2004	2,092 (+20%)
2003	1,742 (+20%)

Grant Thornton International and its member firms continue to invest in people and methodologies. People are the driving force and lifeblood of the organisation and we aim to be recognised as the leader in the global accounting profession through the continued development of forthright and likeable people in our member firms who provide exceptional client service with consistently high quality. We are achieving this through the medium of an increasingly cohesive global organisation in which the member firms implement the global strategy. As a result we compete vigorously with the big 4 and other organisations.

### Some 2007 growth highlights

- Grant Thornton member firms in both the UK and Ireland merged with their local RSM Robson Rhodes firms, improving both firms' positions in the market. The firms' revenues increased to US\$749,804,000 and US\$54,854,000 respectively.
- The US member firm was the fastest growing accountancy firm in the US with organic growth of 16%, increasing its revenue to US\$1.1bn.
- Grant Thornton member firms in emerging markets also showed high organic growth in 2007. Brazil increased by 65% to US\$32,694,000.
- The Hong Kong member firm grew by 90% to US\$45,681,000, a combination of organic growth as well as the addition of six partners and 80 employees from Moores Rowland.

Grant Thornton member firms will be known for not only delivering high quality, personalised service to their clients but also for speaking boldly and objectively about important matters of public interest.

Leadership is often mistakenly equated with size. Leadership is not about size. This transparency report demonstrates our leadership role in the global accounting profession. This is the fourth year we have produced such a report and this year we have aligned it to the transparency requirements of the EU 8th Directive. While Grant Thornton International is an umbrella organisation that does not deliver services directly to clients, we have compiled this report within the spirit of the Directive and are pleased to make it available to all, including clients and potential clients of member firms, regulators, audit oversight bodies and other interested parties.

This transparency report is also a demonstration of our willingness to speak out on issues that matter both to the clients of Grant Thornton member firms and to the wider public. It discloses information about financial performance, risk management and quality control systems. It outlines the requirements for membership of this organisation and the governance structure we have in place to support our objective to deliver what the member firms need to grow and succeed. Finally, we believe this commitment to openness helps to demonstrate to clients, regulators and the wider public that we are an organisation in which they can continue to have trust and confidence.



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**David McDonnell**  
Chief executive officer  
Grant Thornton International



# Legal structure and ownership

Grant Thornton International Ltd (“Grant Thornton International”) is a not-for-profit, non-practising, international umbrella membership entity organised as a private company limited by guarantee not having a share capital incorporated in England and Wales. Grant Thornton International is one of the world’s leading organisations of independently owned and managed accounting and consulting firms.

Services are delivered independently by the member and correspondent firms within Grant Thornton International. These firms provide assurance, tax and specialist advisory services to privately held businesses, public interest entities and public sector entities.

The primary purpose of Grant Thornton International is to facilitate the provision of a high quality international capability for the member firms so that, in their principal markets, they can satisfy the needs of their current and potential clients. Grant Thornton International has no partners or employees; each of its personnel is seconded from a member firm. The costs associated with the secondment are reimbursed by Grant Thornton International to the member firm. Grant Thornton International does not deliver services in its own name or otherwise. Grant Thornton International and the member firms are not a worldwide partnership.

## Key points

- At the end of September 2007 there were 93 member firms with over 490 offices
- Total member firm revenues for the 12 months ended 30 September 2007 were US\$3.5bn (2006 – US\$2.8bn)
- Member firm personnel totalled 27,861 (24,557 in 2006) of which 2,448 were partners (compared to 2,220 in 2006)
- Grant Thornton member firms served as primary auditors for approximately 1,500 publicly listed companies in 2007

Each member and correspondent firm within Grant Thornton International is a separate national firm. These firms are not members of one international partnership or otherwise legal partners with each other (with the exception of certain limited instances), nor does membership within Grant Thornton International thereby make any firm responsible for the services or activities of any other. Each firm governs itself and handles its administrative matters on a local basis. Although many of the member firms carry the Grant Thornton name, either exclusively or in their national practice names, there is no common ownership among the firms (with the exception of certain limited instances) or by Grant Thornton International.



### New legal entity

Since its establishment in 1980, Grant Thornton International has conducted its operations as a not-for-profit membership company organised under the laws of the state of Illinois in the United States. Effective in the latter part of 2007, the Illinois corporation sold its principal operating assets to Grant Thornton International Ltd, a private company limited by guarantee incorporated in England and Wales (UK Company). The UK Company's offices in London are where most of the Global Leadership Board meetings take place, where the chief executive officer and many key personnel are located and where global administrative and marketing functions are based. Notably, a majority of the other international accounting organisations are organised under the law of England and Wales.

The Illinois corporation continues in existence as a limited purpose entity whose principal assets are the consideration for the sale of its assets to Grant Thornton International Ltd, and all professional indemnity insurance policies covering the period prior to the effective date of the asset sale.



### Member firms

Member firms within Grant Thornton International offer a range of services to both public and privately held entities, including:

- assurance and accountancy
- tax
- specialist advisory services, including but not limited to
  - business risk services
  - forensic and investigation services
  - recovery and reorganisation services
  - transaction advisory services

Member firms within Grant Thornton International are separate independent firms. Each member firm is an independent legal, financial and administrative entity, commonly organised under the laws of the country where it practices.

Member firms are locally owned (with the exception of certain limited instances), operated and managed and are responsible for their own liabilities.

Member firms are not members of one international partnership or otherwise legal partners with each other (with the exception of certain limited instances). Membership within Grant Thornton International does not thereby make any firm responsible for the services or activities of any other member (or correspondent) firm.

Member firms may consist of more than one legal entity. When reference is made to a member firm in this document, we are referring collectively to:

- primary national legal entities that have signed membership and name use agreements with Grant Thornton International;
- secondary national legal entities permitted by a primary entity and Grant Thornton International to use the Grant Thornton name. In this case, the primary entity accepts full responsibility for the secondary entity; and
- other national legal entities under the control of, under common control with, either a primary or secondary entity. In this case the primary or secondary entity accepts full responsibility for the other entity.

Member firms are solely responsible for any disciplinary measures taken against their individual partners and their personnel. In addition, each member firm is responsible for its own partner nominations, admissions, remuneration, advancement and monitoring.

### **Responsibilities of member firms**

Member firms must agree to periodic quality assurance and other practice reviews by Grant Thornton International.

Member firms' market focus must develop in line with the overall strategic direction of the organisation as defined by Grant Thornton International, including the development of international business.

Member firms' owners, partners and staff are forbidden to hold direct or material indirect interests that would be in violation of the independence policies of the profession and Grant Thornton International.

Member firms are expected to adhere to and show commitment to Grant Thornton International policies, procedures and methodologies. This involves:

- adopting Grant Thornton International methodologies, software and risk management requirements for assignments as appropriate;
- adopting Grant Thornton International quality assurance and ethical policies including those related to independence;
- adopting the Grant Thornton brand name in accordance with the procedures set forth in the name use agreement; and
- implementing branding commitments developed by Grant Thornton International.

### **Correspondent firms**

In certain, mostly smaller, countries Grant Thornton International enters into exclusive or, very rarely, non-exclusive relationships with firms referred to as 'correspondent firms' to perform certain services on behalf of member firms' clients. Correspondent firms have none of the rights and privileges or responsibilities of member firms and therefore are not member firms within Grant Thornton International.

Unlike member firms, correspondent firms do not have access to audit software developed by Grant Thornton International. They are not permitted to use the Grant Thornton name. They are, however, subject to periodic practice reviews that monitor their conformity to applicable professional standards when delivering services. Like member firms, correspondent firms are not members of one international partnership or otherwise legal partners with each other or with Grant Thornton International or any member firm within Grant Thornton International. Nor does status as a correspondent firm thereby make that firm responsible for the services or activities of any other correspondent or member firm. Each correspondent firm governs itself and handles its administrative matters on a local basis, and is locally owned (with the exception of limited instances), operated and managed and is responsible for its own liabilities.

# Governance and management

The current governance and management structure of Grant Thornton International is designed to enhance global quality, cohesiveness and consistency.

## Board of Governors

The Board of Governors is comprised of a chairman, the chief executive officer (CEO) and 18 additional members, the majority of whom are active senior partners from member firms around the world. It is the highest decision making body within Grant Thornton International. The Board appoints the CEO, sets Grant Thornton International priorities and budget and approves any recommended changes to the organisation's constitutional arrangements based on the recommendation of the CEO. The Board is also responsible for approving the criteria to be met by potential new member firms, as well as the expulsion of member firms. Members of the Board of Governors, with the exception of the CEO, receive no payment from Grant Thornton International but expenses incurred as a result of their membership of the Board are reimbursed by the global organisation.

The Board of Governors meets twice a year. In 2007 the Board met in Toronto in June and in London in December.

## Board of Governors

- Ed Nusbaum, US (chairman)
- Terry Back, UK
- Carol Banford, US
- Peter Bodin, Sweden
- Leonard Brehm, South Africa
- Jean-Luc Carpentier, France
- Stephen Chipman, China
- Michael Cleary, UK
- Gernot Hebestreit, Germany
- Chikahiko Honda, Japan
- David McDonnell  
(CEO, Grant Thornton International)
- Gerard Mulder, The Netherlands
- Phil Noble, Canada
- Richard Payette, Canada
- Hector Perez, Mexico
- Robert Quant, Australia
- Paul Raleigh, Ireland
- Jay Ramesh, Botswana
- Mauro Terepins, Brazil
- Desmond Yuen, Hong Kong

### Chief executive officer

The current chief executive officer is David McDonnell. He is responsible for the leadership and management of the umbrella organisation of Grant Thornton International. The role of the CEO includes the development and recommendation of strategic priorities and of policies and procedures for ratification by the Board of Governors (the Board), together with their subsequent implementation.

The CEO is regularly briefed by the relevant Global Leadership Board members (see below) on recommended modifications to the policies and procedures governing international work, including audit and risk management.

The CEO has responsibility for appointing the Global Leadership Board (subject to the concurrence of the Board of Governors) to assist him in the day to day management of the organisation. The CEO also has the authority to appoint new member and correspondent firms in accordance with the criteria agreed by the Board of Governors.

### Global Leadership Board

The Global Leadership Board is comprised of the CEO, who acts as chairman, together with seven other members.

The Global Leadership Board members include the global heads of the four practice areas: privately held business services, tax, assurance and specialist advisory services (SAS). The global practice heads support the leadership within member firms in enhancing their ability to service their clients in a consistent way throughout the global marketplace.

The Global Leadership Board met regularly during 2007, either in person or by video conference.

#### Global Leadership Board

- David McDonnell, UK, chief executive officer (chairman)
- Mike Starr, US, chief operating officer
- Alex MacBeath, Canada, global leader – privately held business services
- Ken Sharp, US, global leader – assurance services
- Scott Barnes, UK, global leader – specialist advisory services
- Ian Evans, UK, global leader – tax services
- Gabriel Azedo, Hong Kong, global leader – member firm network
- Jon Geldart, UK, global director – marketing communications

# Authorisation procedures for member firms

Member firms must meet strict criteria before they are considered for membership within Grant Thornton International.

## Criteria for membership

In addition to considering the reputation of a prospective firm and its adherence to the highest professional standards, Grant Thornton International has developed a set of strict criteria that must be met by prospective entities before they can be considered for membership within the organisation.

Before being accepted as a member within Grant Thornton International, a firm is subject to strategic and other quality assurance reviews by Grant Thornton International to determine whether the criteria below are met. Admission as a member is dependent on the successful outcome of these reviews and the execution of the Grant Thornton International member firm agreement and name use agreement. Member firms must abide by all current Grant Thornton International policies and standards across all disciplines.

- member firms must have sufficient resources (where appropriate with help from other member firms) to meet the core service requirements that Grant Thornton International expects a firm to perform as a condition of membership. These core service requirements may vary at times among the member firms.
- member firms must be able to communicate effectively in English.
- member firms must be able to afford the cost of membership within Grant Thornton International financially and in terms of the time commitment.
- member firms' primary market focus must be in line with that defined by Grant Thornton International including, at its essence, the development and servicing of international business.
- member firms must provide one or more of the following services: assurance, accounting, tax or specialist advisory services.
- every member firm must have a system of quality control that provides both Grant Thornton International and other member firms with reasonable assurance that:
  - its personnel have an appropriate level of competence and experience to comply with applicable professional standards;
  - its engagements are performed in accordance with applicable professional standards;
  - its leadership demonstrates and supports quality and promotes a culture of high-quality performance;
  - its reports related to services performed are appropriate to the circumstances; and
  - it complies with local ethical standards as well as the International Federation of Accountants' Code of Ethics.

All member firms are subject to the same global monitoring policies, procedures and practices. Member firms that do not meet expectations are subject to remedial actions by Grant Thornton International. These actions can include additional training, concurring reviews from outside the member firm, additional monitoring of referral work or temporary prohibition of receiving referred work, the imposition of a financial charge, suspension and, for those firms that continue not to perform up to expectations, expulsion. The Global Leadership Board is responsible for agreeing remedial action plans. The imposition of a financial charge and expulsion of a member firm require approval from the Board of Governors. The member firms have exclusive power to take the actions they deem appropriate respecting their individual partners and employees.

#### **Specialist advisory services authorisation**

An authorisation process for specialist advisory services is in place to support the development of high quality services on a global basis across the organisation. This authorisation process sets out a number of requirements relating to risk management and quality control that supports the delivery of these services by member firms including requirements that authorised firms:

- have written risk management procedures that comply with requirements set by Grant Thornton International;
- regularly review compliance with those procedures;
- provide appropriate training to personnel involved in specialist advisory services.

Member firms that seek authorisation for the first time are subjected to an initial review and support visit to assist them in meeting the authorisation requirements and assess their ability to deliver services. All authorised firms are then subject to a periodic review, at least once every three years, to review compliance with authorisation requirements. Action plans are developed and monitored as part of this review process.

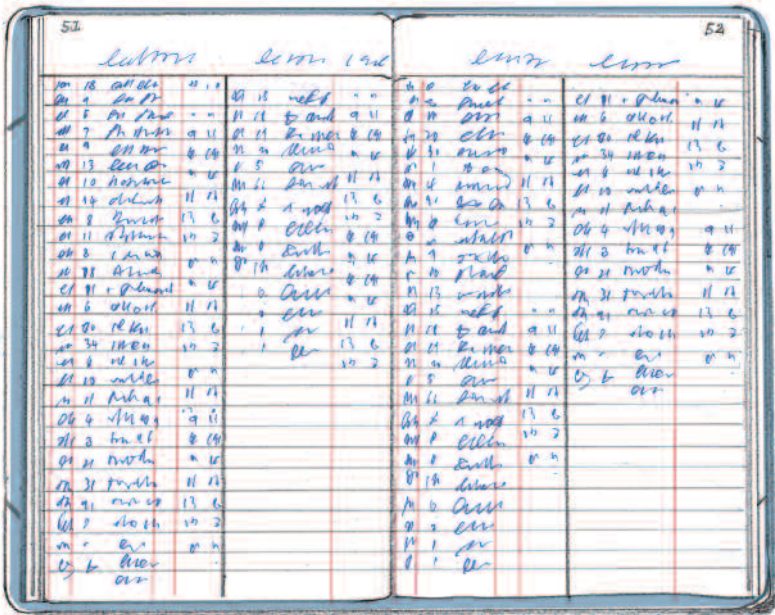


# Common methodologies

### Assurance services

The global leader – assurance services, directs a central team that focuses on providing member firms with insights into the latest international accounting and auditing standards, a global audit methodology that is compliant with international auditing standards and related software tools for planning, performing and documenting the audits of both publicly and privately held businesses. He also oversees processes to provide reasonable assurance that training programmes related to the methodology and tools are rigorous and consistent. He chairs the assurance advisory committee (AAC), the members of which include the heads of assurance for all the major member firms. The AAC members are responsible for providing input to the assurance strategy and implementation of the strategy in their respective member firms.

The Grant Thornton International global audit methodology (known as Horizon) is a key element of the global assurance practice. During 2007, Horizon has been enhanced and new audit software has been developed for roll-out in 2008-2009. Over 40 member firms in the first implementation phase will be required to use the updated methodology and software tools for all December 2008 year end audits, with member firms in the second phase required to implement for all December 2009 year end audits.



In January 2007, Grant Thornton International issued the latest version of its audit manual to member firms to support the global audit methodology. This manual includes policies and procedures pertaining to accounting and auditing matters that are to be followed by all member firm partners and staff. In their provision of assurance services, member firms must also follow the policies and procedures set forth in the ethics and quality control manual.

### **Tax services**

The global leader – tax services directs a central team, the responsibilities of which include quality of service provided by member firms and training in international tax matters. He chairs the tax advisory committee (TAC), the members of which include the heads of tax of the major firms providing tax services. The TAC members are responsible for providing input to the tax services strategy, policies and procedures.

The global leader – tax services is assisted by an executive director – tax operations. In addition, in February 2007, an executive director – tax training and quality was appointed who is responsible for the design and delivery of a programme of international tax training and the introduction of a global tax services manual. The two executive directors share responsibility for the design and running of a periodic review programme of tax services by member firms.

A global tax manual has been produced and will be introduced to member firms in mid-2008. This manual includes standards for the provision of tax services within and between member firms.

### **Specialist advisory services (SAS)**

The global leader – specialist advisory services chairs an advisory group, the SAS committee, which is comprised of SAS service line representatives from the larger member firms. The committee members are responsible for providing input to the SAS strategy, policies and procedures. The executive director – SAS risk management sits on the SAS committee and is responsible for the design and delivery of appropriate risk management and quality control measures for SAS authorisation of member firms. Detailed technical quality control of services within individual service lines is the responsibility of the global head for that service line in conjunction with the executive director – SAS risk management, including authorisation of member firms to provide certain services.

A list of the key risks for specialist advisory services is provided to all authorised member firms so that they can benchmark their policies and procedures. In addition, a specialist advisory services manual (the SAS manual) is made available to authorised member firms as a resource for documenting their approach to risk management. The SAS manual covers general risk management procedures for all specialist advisory services and also includes specific service line risk management procedures and guidance on conducting assignments. Member firms can edit this manual to reflect the local requirements of their own jurisdiction. The SAS manual is updated on an annual basis and interim policies, if required, are issued in SAS alerts which are then incorporated in the next update to the SAS manual.

# Quality control systems

One of the pillars of the global strategy is to support member firms in their delivery of consistently high quality client service worldwide. Quality control of assurance services is overseen by a worldwide director – quality control. Under his direction, member firms are provided with guidance on the design and implementation of their own quality control systems to support their compliance with all applicable international and local standards. He has specific responsibility for the global Grant Thornton Audit Review programme (GTAR) (see below).

## **National internal reviews**

Member firms are expected to have established their own systems of quality control, in accordance with International Standard on Quality Control (ISQC) 1 “Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements”, that provide Grant Thornton International, other member firms and the member firm itself with reasonable assurance that its personnel comply with applicable professional standards and Grant Thornton International policies and procedures.

All member firms, no matter their size, are required to have an effective internal inspection programme in place. Grant Thornton International has developed a template for internal quality control review inspection. This template includes guidelines, work programmes, forms and a draft report, all of which have been benchmarked to ISQC 1 and made available to member firms.

In addition to periodic quality reviews by Grant Thornton International under the GTAR programme (see below), some member firms also submit their audits for external inspection as part of their obligations to local regulators.

## **Grant Thornton International Audit Review**

The Grant Thornton International Audit Review (GTAR) programme is part of the overall quality assurance monitoring procedures of Grant Thornton International, and under this programme every member firm that provides assurance services, whether to publicly or privately held businesses, is subject to review at least once every three years. The GTAR programme reviews the conduct of audit work performed by each member firm. Assessments evaluate policies and procedures of the member firm applicable to its assurance practice, benchmark those policies and procedures against relevant policies and procedures of the international organisation, review financial statements and audit reports that have been issued, review engagement files, and interview partners and staff on various matters.

The principal objective of the GTAR programme is to monitor a member firm's compliance with those expectations and tools that help promote quality throughout the Grant Thornton International organisation. Personnel conducting the GTAR programme are required to:

- evaluate whether audits by member firms are performed in accordance with professional standards and Grant Thornton International audit methodology (which incorporates International Standards on Auditing);
- assess the attitude toward quality that is exhibited by the member firm's leadership and how that attitude affects the development of a culture of high quality performance. This is commonly referred to as the "tone at the top";
- determine that, on their face, audit reports issued by member firms appear appropriate to the circumstances for the engagements reviewed;
- review compliance by member firms with applicable ethical and independence standards;
- review the member firm's compliance with ISQC 1 and the related Grant Thornton International policies and procedures.

The worldwide director – quality control oversees the GTAR programme. There are two main aspects of the GTAR programme: GTAR inspections and action plan reviews. During 2007, Grant Thornton International carried out 49 GTAR inspections and 30 action plan reviews.

### **Frequency of GTAR inspections**

Every member firm that provides assurance services is subject to an inspection at least once every three years. Firms that are registered with the US Public Company Accounting Oversight Board (PCAOB) are subject to a GTAR inspection every two years, until such time as the firm undergoes a review by the PCAOB, or an equivalent review by a local regulator. For those firms where the overall results of the GTAR inspections are not satisfactory, the firm is expected to address the deficiency within a reasonable period of time and submit appropriate documentation to Grant Thornton International. An accelerated GTAR assessment would be performed after the next "audit season" in order to give the member firm the opportunity to demonstrate improved results.

### **Action plan reviews**

During the GTAR inspection process, recommendations are made to improve a firm's overall system of quality control. In the year following the GTAR inspection a member of the Grant Thornton International quality control team visits the member firm to review its implementation of these recommendations. These visits are referred to as action plan reviews. In some cases, the worldwide director – quality control may decide that an action plan review is not necessary.

### Remedial actions

One of the principal aims of Grant Thornton International is the setting and maintenance of standards for continued membership within the organisation. As stated in other Grant Thornton International policies and procedures these include, among others, compliance with all professional, statutory and regulatory mandates governing the performance of audit and other attest engagements. Grant Thornton International has established policies for remediating violations and deficiencies identified in a GTAR inspection. This policy includes flexible and graduated actions, in addition to expulsion, as remedial responses to violations or deficiencies identified in a GTAR inspection. The type of remedial action recommended will depend on the nature and severity of the violation or deficiency. The violations, deficiencies or criticisms that surface in a GTAR inspection are categorised as severe, moderate or sporadic. A number of factors influence the categorisation including, but not limited to, the size of a member firm, its risk profile and quality control systems, all of which will be considered in determining which remedial approach and actions are appropriate. The remedial measures and actions will be tailored to the specific situation.

### Membership of the Forum of Firms

From January 2008, Grant Thornton International was recognised as one of the first full members of the Forum of Firms, an association of international networks of accounting firms performing audits of financial statements that are or may be used across national borders. As a member, Grant Thornton International is required to continue its globally co-ordinated GTAR programme and commitment to the use of International Standards on Auditing (ISAs) and meet other quality and ethical criteria as required by the Forum of Firms.

### PCAOB registrations

As of 31 December 2007, 41 member firms within Grant Thornton International were registered with the PCAOB.

### Tax services

Each member firm providing tax services is subject to a review of the policies and procedures that it applies in the delivery of such services. The executive director – tax training and quality is responsible for the design and maintenance of the periodic review programme, the Grant Thornton Tax Review (GTTR). The executive director – tax operations is responsible for running the programme so that every member firm is reviewed over a four-year cycle. In carrying out a GTTR the extent to which a member firm carries out its own quality assurance review will determine the scope of the review undertaken by the Grant Thornton International team.

The main finding from the GTTR programme undertaken during 2006 and 2007 was that, notwithstanding that every tax jurisdiction is different, there are practices that are common to all jurisdictions and a demand existed in member firms for guidance on areas where standardisation can be adopted. This has led to the production of a global tax manual which contains both mandatory procedures and practical guidance.

The manual will be introduced to member firms in mid-2008. The manual will formalise, as a mandatory requirement, the need for each member firm to comply with legislative, regulatory, ethical and professional requirements applicable to the delivery of tax services in its territory.

### Participation in the review by the OECD Forum on Tax Administration (FTA) on the role of tax intermediaries

In its meeting in Seoul in September 2006, the FTA began a review of the role of tax intermediaries. The review took place during 2007 and resulted in a declaration in Cape Town in January 2008. Grant Thornton International, represented by the global leader – tax services, was one of six global accounting organisations that the revenue bodies in the FTA consulted during its review. Amongst other things the review advocated means by which an enhanced relationship can be established between revenue bodies, business taxpayers and tax intermediaries and, also, recognised the constructive role that tax intermediaries can play in this process.

### Specialist advisory services

Authorised member firms are encouraged to implement an internal quality assurance review programme to review compliance with risk management procedures. Grant Thornton International has designed a work programme for such internal quality reviews that sets out the minimum requirements and gives guidance, including who should carry out the review (for example, an independent but experienced partner) and how often (for example, the work of each partner should be reviewed at least once every three years).

# Risk management

## **Risk management advisory committee**

Managing and mitigating risk across the global organisation is an integral part of implementing the global strategy. The executive director – risk and regulatory matters leads these efforts, which entail i) identifying the risks inherent in the global strategy and then developing policies and procedures that help address those risks and ii) integrating risk management into each of the global practice areas, internal global functions (such as marketing and information technology), as well as working with member firms to assist and support their implementation of the global risk management policies and procedures.

The risk management advisory committee, chaired by the executive director – risk and regulatory matters, is comprised of several member firm managing partners and risk management leaders, together with representatives from each service line, the worldwide director – quality control and the Grant Thornton International chief legal officer. This committee makes recommendations regarding risk management policies and procedures to the Global Leadership Board. These policies and procedures set standards and guidance for how each member firm should approach risk management. Defining a common risk management threshold and language across the member firms is important because there are different interpretations and understandings of risk management from country to country.

For examples of publicly listed audit clients of member firms within Grant Thornton International please refer to the online transparency report 2008 at [www.gti.org](http://www.gti.org).

Establishing such a common framework also supports member firms' efforts on global assignments. Areas covered by the global risk management policies and procedures include independence, member firm client acceptance and client re-acceptance. Acceptance and re-acceptance of member firm assurance clients is considered a cornerstone of the enterprise-wide risk management approach. Given this importance, certain member firm assurance engagements that meet one or more defined criteria are submitted to a global review team for approval. Overall, there is a continuous focus on enhancing the risk management framework including, for example, the development of proprietary software that will centralise the client acceptance/re-acceptance global review and approval process.

## **Client acceptance advisory committee**

The executive director – risk and regulatory matters chairs a global client acceptance advisory committee. The associate general counsel assists with the coordination of the activities of this committee. The committee meets weekly to review submissions from member firms for acceptance and re-acceptance of assurance engagements meeting certain risk criteria including, but not limited to, the size of the engagement, the size of the client/prospective client and the extent to which Grant Thornton member firms are engaged in the audit of group companies. The client acceptance advisory committee is comprised of the executive director – risk and regulatory matters, the worldwide director – quality control and partners, nominated by their managing partners, selected from a geographically dispersed set of member firms.





# Independence practices

There are multiple layers of control designed to monitor compliance with the independence policies, applicable rules and the IFAC Code of Ethics. At the international level, policy requires member firms to identify a partner with responsibility for independence matters, provision of training and obtaining annual confirmations of independence from all professional personnel. Member firms are also required to maintain a listing of companies considered “restricted” as a result of an audit relationship either with the company or a related company. Those restricted companies that have publicly traded securities are required to be posted no less than monthly to a global restricted list through a system maintained by Grant Thornton International.

## **Grant Thornton International independence team**

The global independence team comprises five full time personnel led by the executive director – risk and regulatory matters. The compliance monitoring responsibilities reside with the executive director and the two most experienced members of this team. Personnel are selected for these assignments based upon a combination of previous experience in compliance and independence positions and their capacity for working effectively in a global environment. Members of this team are also expected to be highly proficient in Grant Thornton International policies and international independence regulations. Where necessary, the team consults with national experts within member firms on national independence rules.

## **Ethics and quality control manual**

One of the criteria for membership within Grant Thornton International is that member firms and their personnel must comply with the International Federation of Accountants’ (IFAC) Code of Ethics and the International Standard on Quality Control (ISQC) 1, or local requirements if these are stricter. While the focus of ISQC 1 is on the provision of assurance services, it also addresses certain requirements for member firm governance and oversight that are relevant to all service lines.

During 2007, Grant Thornton International issued a new Ethics and Quality Control Manual to all member firms. The manual includes policies that comply with the latest versions of the IFAC Code of Ethics and ISQC 1 together with Grant Thornton International policy on independence and ethical matters relevant to all member firm personnel.

In 2007, Grant Thornton International became a signatory to the World Economic Forum Partnering Against Corruption Initiative (PACI). This commits the organisation to having a zero tolerance policy towards bribery and to developing and implementing or maintaining a broad-based anti-corruption programme to guide the behaviour of personnel. Within two years of signature, PACI signatory organisations are required to submit a self-assessment to demonstrate progress.

### **Relationship checking**

Professional standards require that member firms and professional personnel from all service lines maintain their objectivity when delivering services to clients. This objectivity can be threatened when two different services are delivered to the same client (such as recovery and reorganisation – specifically insolvency services – and audit, or representing opposing sides of a dispute as litigation support clients). For assurance services and some other service lines, maintaining independence from the client is under applicable professional standards an essential element of objectivity.

Conducting reviews for potential conflicts of interest and/or threats to independence, (jointly referred to as “relationship checks”) prior to proposing on an engagement are important safeguards against these threats to objectivity. Grant Thornton International has instituted a policy that establishes a standardised approach to conducting these checks for potential relationships where the member firm client or prospective client has international operations.

### **Global Independence System**

The growing number of international clients served by member firms, together with the increasing complexity and scope of national and international independence standards, require the adoption and implementation of appropriate policies and systems to provide reasonable assurance that member firms comply with all applicable independence requirements. Accordingly Grant Thornton International has adopted an automated tracking system, the Global Independence System (GIS). This system is Grant Thornton International’s automated solution for assisting member firms and their professionals in the identification and management of potential independence threats arising from direct or indirect financial interests.

The GIS improves the ability of member firm partners and managers to monitor compliance with global independence requirements, and is being introduced in phases. Phase 1, comprising the introduction to all member firms that are registered with the PCAOB has been completed. All other member firms are included in Phase 2, which is scheduled for completion in 2008. This system is designed to assist individual professionals, member firms and Grant Thornton International in complying with the financial interest rules and policies.

Partners and client facing managers in these firms are required to maintain a portfolio in this system of those publicly traded securities in which they have a financial interest. This requirement also extends to financial interests of the member firm and other entities under the control of the member firm. The GIS is also updated weekly with the latest global restricted list and information provided by the participating member firms identifying the partners and managers required to be monitored. The GIS is designed to automatically alert the individual professional and a national compliance officer in the event that a security held becomes restricted and provides a mechanism to assist the individual and the compliance officer in determining whether the security may continue to be held based upon the facts and circumstances.

Compliance reports are also monitored at the global level by a dedicated independence team at Grant Thornton International. Member firm compliance officers are contacted by the Grant Thornton International independence team when compliance reports indicate that such action is necessary.

# Quality people

The recruitment and retention of staff is managed by member firms. Grant Thornton International appointed its first executive director – human resources strategy during 2007 and has subsequently established a framework to support member firms in their HR initiatives. This framework includes the development of a management learning programme (for managers in all member firms), a global talent mobility programme and a global employer branding initiative to help all member firm personnel understand the global brand, culture and business strategy.

To establish closer cross-border working within the HR community, the HR leaders of 10 member firms met for the first time in June 2007 to form the HR advisory committee. Through subsequent collaboration on the above initiatives, they have focused on creating and encouraging consistent HR standards that will enable member firms to hire and then develop high quality people.

## Continuing education

While the majority of technical training takes place within member firms, a major financial investment by Grant Thornton International continued during 2007 to train auditors in all member firms in the global audit methodology. The audit methodology, known as Horizon, is supported by state-of-the-art technology. Significant effort and resource has been committed to make the training programme technically rigorous to support implementation throughout member firms so that the audit needs of both public interest and privately held companies can be met appropriately, regardless of their size or complexity.

Grant Thornton International continued to invest in its international partner development programme, now in its fifth year, which brings together high-calibre individuals from member firms across the global organisation with the aim of creating the next generation of international leaders.

An international tax training programme was designed and course delivery commenced during 2007. Designed by Grant Thornton International to provide tax practitioners from member firms with insight into the principles and practices of cross-border tax assignments, the programme aims to run 20 courses each year, training around 400 tax practitioners by the end of 2008.

Grant Thornton International has a full-time IFRS team that is responsible for promoting high quality, consistent application of IFRS throughout the global organisation. The IFRS team is advised and supported by member firm IFRS experts including an IFRS interpretations group. The IFRS team promotes consistency through an international training programme, operating an IFRS helpdesk service and by publishing extensive technical and interpretive guidance, newsletters and other tools and resources. These materials, along with IFRS developments, are communicated via a network of designated IFRS champions in member firms.

For firms with significant IFRS work, the GTAR inspection team will include team members who are experienced in IFRS accounting. Any issues concerning IFRS are brought to the attention of the Grant Thornton International IFRS team for review to determine if training or additional guidance is necessary.

#### **Member firm partner remuneration**

Member firm partner remuneration is determined locally by member firms. Member firms are responsible for their own partner nominations, admissions, remuneration, advancement and monitoring. The remuneration for other member firm personnel is also set locally.

#### **Grant Thornton International CEO remuneration**

The Board of Governors is responsible for setting the remuneration of the CEO.



# Financial information

## Total member firm fee income (US\$ million)

Worldwide fee income by region	2007		2006		2005		2004
Americas	1,624	+15%	1,417	+18%	1,206	+23%	977
Asia Pacific	257	+25%	206	+22%	169	+26%	134
Europe, Middle East and Africa	1,580	+38%	1,149	+6%	1,079	+10%	981
	<b>3,461</b>		<b>2,772</b>		<b>2,454</b>		<b>2,092</b>

## Worldwide member firm partners and staff

By region	2007		2006		2005		2004
Americas	11,254	+7%	10,486	+13%	9,261	+8%	8,582
Asia Pacific	4,248	+17%	3,640	+19%	3,070	+10%	2,783
Europe, Middle East and Africa	12,359	+18%	10,451	+7%	9,735	+7%	9,121
<b>Total number of people</b>	<b>27,861</b>		<b>24,577</b>		<b>22,066</b>		<b>20,486</b>
Member firms	93	-1%	94	+2%	92	+1%	91
Member firm offices	490	+2%	479	-1%	484	-4%	504
Member firm partners	2,448	+10%	2,220	+6%	2,094	+3%	2,026
Correspondent firms (income excluded)	15	-21%	19	+6%	18	-14%	21

## Background and methodology

### 1 Fee income

- 1.1 Fee income represents the aggregate fee income of the individual member firms.
- 1.2 Fee income from correspondent firms has been excluded to give a more accurate picture of the real performance of the organisation
- 1.3 All member firms have reported to a single year-end date (30 September) for consistency and comparability.
- 1.4 Member firms reported fee income net of local sales taxes.
- 1.5 Fee income is reported inclusive of rechargeable expenses.

### 2 Service line performance

- 2.1 The service line performance represents the core activities of the member firms of the Grant Thornton International organisation and is defined as follows:
  - assurance and accountancy
  - tax
  - specialist advisory services, including, but not limited to, business risk services, forensic and investigation services, recovery and reorganisation and transaction advisory services

- 2.2 The specialist advisory services of the member firms of the Grant Thornton International organisation include:

- business risk services, advising businesses on the effectiveness of their governance, risk management and internal controls
- corporate finance services, including capital markets, transactions, mergers and acquisitions, and valuation services
- recovery and reorganisation services
- forensic and investigation services, advising or reporting on companies or individuals in support or defence of legal actions
- public sector advisory services, including services to international development finance agencies and services advising on infrastructure projects whose financing relies solely/principally on the cash flows from that project.

- 2.3 The other activities of the member firms of the Grant Thornton International organisation include:

- general business advice and consulting services
- company formation, secretarial and administration and provision of legal advice other than accounting and tax advice.

### 3 Legacy service line performance

- 3.1 Previously, the core activities of the member firms of the Grant Thornton International organisation were described as follows:

- assurance and accountancy
- taxation compliance and consulting
- business advice consulting
- recovery and reorganisation
- forensic and investigation services
- corporate finance.

- 3.2 The other activities of the member firms of the Grant Thornton International organisation were described as:

- company formation, secretarial and administration and provision of legal advice other than accounting and tax advice
- personnel services
- services to international development finance agencies.

- 3.3 Comparative data for legacy service line performance is not readily available for specialist advisory services and other for 2005 and 2004.

Total member firm fee income (US\$ million)

Worldwide fee income by service line	2007		2006		2005		2004
<b>Assurance and accountancy</b>	1,729	+25%	1,385	+11%	1,244	+12%	1,114
<b>Tax</b>	739	+23%	601	+12%	535	+10%	485
<b>Specialist advisory services</b>	809	+33%	607		675		493
<b>Other</b>	184	+3%	179				
	<b>3,461</b>		<b>2,772</b>		<b>2,454</b>		<b>2,092</b>
Specialist advisory services consists of:							
<b>Business risk services</b>	163	+19%	137				
<b>Corporate finance</b>	243	+58%	154				
<b>Recovery and reorganisation</b>	214	+49%	143				
<b>Forensics and investigations</b>	74	-2%	76				
<b>Public sector advisory</b>	115	+19%	97				
	<b>809</b>		<b>607</b>				
Other includes:							
<b>Business advice and consulting services</b>	104	-13%	119				
<b>Legal services</b>	20	-2%	21				

**4 Firms**

4.1 The Grant Thornton International organisation consists of member firms and correspondent firms. The results reported in this financial report are for member firms only, as Grant Thornton International believes this reflects more clearly the breadth and strength of international accounting organisations.

Correspondent firms can appear in the networks of more than one international accounting organisation and therefore there is danger of 'double-counting' if their revenues are included by more than one organisation. They are therefore excluded from the performance tables.

**5 Mergers during the year**

5.1 Some member firms underwent mergers with other firms during the 12 months to the year-end date, with the resultant firm remaining a member firm within Grant Thornton International. In these cases, the fee income for all parties to the mergers has been included for the full 12 months to the year-end date.

**6 Termination of member firm agreements**

6.1 Certain member firms terminated their membership agreements with Grant Thornton International during the 12 months to the year-end date. In these cases no fee income has been included in the aggregated fee income for the year.

**7 Member firm offices**

7.1 An office is defined as a single building or collection of buildings in a close geographic area that is treated as a separate administrative entity.

7.2 Office numbers are reported as at 30 September

**8 Exchange rate**

8.1 Fee income reported by member firms was translated into US dollars using the average inter-bank exchange rate over the 12 months to the year-end date.

**9 Member firm partners**

9.1 A partner is a proprietor, direct or indirect shareholder, equity or non-equity partner, principal, or any individual who assumes the risks and benefits of member firm ownership, or who is otherwise held out by the member firm to be the equivalent of any of the above.

**10 Member firm personnel numbers**

10.1 Member firm personnel numbers refer to both partners and staff.

10.2 Member firm personnel numbers are reported as at 30 September.

**11 Grant Thornton International**

11.1 Grant Thornton International refers to Grant Thornton International Ltd, which is a not-for-profit, non-practising, international umbrella membership entity organised as a private company limited by guarantee not having a share capital incorporated in England and Wales. Services are delivered independently by the member and correspondent firms within Grant Thornton International.

Top 10 countries by fee income (US\$ million) – 2007

By service line	United States	United Kingdom	Canada	Germany	France
Assurance and accountancy	574,497	227,267	196,222	83,789	95,817
Tax	294,132	192,291	84,258	33,934	10,973
Specialist advisory services	273,628	294,715	77,002	29,411	25,029
Other	–	35,531	28,660	16,859	4,832
	<b>1,142,257</b>	<b>749,804</b>	<b>386,142</b>	<b>163,993</b>	<b>136,651</b>

Specialist advisory services consists of:

Business risk services	114,500	8,201	18,084	1,549	380
Corporate finance	29,580	93,892	14,736	23,342	22,536
Recovery and reorganisation	23,016	131,717	36,177	1,843	1,428
Forensics and investigations	22,245	37,323	7,058	2,544	396
Public sector advisory	84,287	23,582	947	133	289
	<b>273,628</b>	<b>294,715</b>	<b>77,002</b>	<b>29,411</b>	<b>25,029</b>

Top 10 countries by fee income (US\$ million) – 2006

By service line	United States	United Kingdom	Canada	Germany	France
Assurance and accountancy	512,849	137,102	178,621	75,684	76,760
Tax	237,284	133,182	74,843	34,331	8,695
Specialist advisory services	236,873	209,492	36,116	31,725	19,248
Other	–	11,898	61,580	13,918	3,345
	<b>987,006</b>	<b>491,674</b>	<b>351,160</b>	<b>155,658</b>	<b>108,048</b>

Specialist advisory services consists of:

Business risk services	113,754	6,838	3,215	1,033	935
Corporate finance	8,114	64,829	1,837	26,183	16,776
Recovery and reorganisation	25	96,061	26,472	2,126	861
Forensics and investigations	40,219	23,414	4,592	2,068	590
Public sector advisory	74,761	18,350	–	315	86
	<b>236,873</b>	<b>209,492</b>	<b>36,116</b>	<b>31,725</b>	<b>19,248</b>

Sweden	Australia	Netherlands	Ireland	Japan
80,838	22,326	41,635	27,254	31,894
20,603	9,176	14,252	8,459	7,871
3,729	19,239	1,990	16,016	2,236
995	25,048	4,086	3,125	4,642
<b>106,165</b>	<b>75,789</b>	<b>61,963</b>	<b>54,854</b>	<b>46,643</b>

–	813	333	2,118	–
3,729	8,593	1,657	10,401	1,663
–	8,988	–	1,685	573
–	845	–	955	–
–	–	–	857	–
<b>3,729</b>	<b>19,239</b>	<b>1,990</b>	<b>16,016</b>	<b>2,236</b>

Sweden	Australia	Netherlands	Ireland	Japan
62,617	17,348	33,793	17,993	26,873
16,591	14,381	11,414	7,161	7,018
2,913	13,651	923	2,801	3,392
857	23,789	3,370	3,459	2,832
<b>82,978</b>	<b>69,169</b>	<b>49,500</b>	<b>31,414</b>	<b>40,115</b>

–	20	400	–	269
2,913	5,787	523	2,115	2,033
–	7,055	–	686	1,052
–	789	–	–	38
–	–	–	–	–
<b>2,913</b>	<b>13,651</b>	<b>923</b>	<b>2,801</b>	<b>3,392</b>

# Grant Thornton International firms worldwide



## Grant Thornton International firms worldwide

Antilles*	Finland	Kuwait	Russia
Argentina	France	Latvia*	Saudi Arabia
Armenia	Gabon*	Lebanon	Serbia*
Australia	Germany	Liechtenstein*	Singapore
Austria	Ghana*	Luxembourg	Slovak Republic
Bahamas	Gibraltar	Macedonia	Slovenia
Bahrain*	Greece	Malaysia	South Africa
Belgium	Guam	Malta	Spain
Bermuda*	Guatemala	Mauritius	Sri Lanka*
Botswana	Guyana*	Mexico	Sweden
Brazil	Honduras	Morocco	Switzerland
Bulgaria	Hong Kong	Mozambique*	Taiwan
Cambodia*	Hungary	Namibia	Tanzania
Canada	Iceland	Netherlands	Thailand
Cayman Islands	India	New Zealand	Tunisia
Channel Islands	Indonesia	Nicaragua	Turkey
Chile	Iran*	Nigeria*	Turks and Caicos*
China*	Ireland	Norway	Uganda
Colombia	Isle of Man	Oman	Ukraine
Costa Rica	Israel	Pakistan	United Arab Emirates
Croatia	Italy	Panama	United Kingdom
Cyprus	Jamaica	Philippines	United States
Czech Republic	Japan	Poland	Uruguay
Denmark	Jordan	Portugal	Venezuela
Dominican Republic	Kenya	Puerto Rico	Vietnam
Egypt	Korea	Qatar	Yemen
El Salvador	Kosovo*	Romania*	Zambia

This list represents the countries/territories where Grant Thornton International member and correspondent\* firms currently have operations.

If you would like to find out more about how Grant Thornton member firms can assist you, please contact Gabriel Azedo, global leader – member firm network. Alternatively, to find your local member firm, please visit the Grant Thornton International website at [www.gti.org](http://www.gti.org).

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