

Transparency report | 2017



Crowe Horwath Sydney

For year ended 30 June 2017

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The Crowe Horwath Transparency report for 2017 provides a road map of our commitment to service and audit quality. With a continuing focus on technology, our people and enhanced quality control and risk management systems, our commitment to audit quality is paramount.



Message from the Chief Executive Officer

I am pleased to share with you Crowe Horwath's Transparency report for the year ended June 30 2017.

This report represents our unwavering commitment to audit quality and reinforces our goal to deliver an effective and efficient audit experience for our clients and stakeholders. As Australasia's leading provider of integrated financial advisory and accounting services, we pride ourselves on good corporate governance and transparency across the business.

The audit landscape is continuously evolving, and as a result, our focus over the past year has remained on driving greater efficiency through the audit process, while ensuring we are value-adding and maintaining quality of service at all times.

A key focus in 2017 has been the successful transition of our Audit services into our Family Office offering - a fully integrated advisory model for individuals and businesses which we offer to our clients across Australia and New Zealand. Audit forms a vital component of this model, and we are continuously striving to strengthen our national offering in line with our key service sectors.

As part of our ongoing strategy, in early 2017 we appointed David Munday as our Managing Partner for Audit & Assurance across Australasia. David carries more than 20 years' experience in the Audit industry and will be a key driver of the above initiatives, some of which are outlined in this report.

As always, client satisfaction is at the core of everything we do, and our priority is to consistently deliver a high quality of service to them. As such, we are continuously investing in new innovative tools to further expand our Audit capabilities across the business, supported by high performing teams and enhanced quality control procedures.

It is with this sentiment, that I am pleased to present this report as a part of our ongoing commitment to audit quality and client service.



Spiro Paule
Chief Executive Officer
Crowe Horwath Australasia
Part of Findex



Premier



Boutique



Digital



A brand for every stage of your financial journey



Message from the Managing Partner, Audit and Assurance

While acknowledging that the phrase “audit quality” is hard to define, our role as auditors in the protection of shareholders, owners, investors, and all stakeholders who rely on accurate and timely reporting of financial statement information is clear.

In my newly appointed role as Managing Partner of Crowe Horwath’s Audit & Assurance practice across Australasia, I am proud of the work we have done to further embed audit quality as a non-negotiable in our culture, in our execution of audit related engagements and in our service delivery to each and every one of our clients.

Over the past year, we have continued to invest in our approach to further adapt and refine the innovative and value added solutions we bring to our stakeholders. In doing this, we have maintained our unwavering focus on maintaining audit quality. We continue to invest heavily in our training programs, understanding that the foundation to an effective audit is the knowledge, insight and professional skepticism applied by our people.

Paramount to an effective team are its leaders, and the tone demonstrated from the top. Our risk management, client acceptance and continuance practices and ongoing monitoring of audit quality has provided an effective framework from which we learn and demonstrate continuous improvement. The results and feedback from regulatory and peer reviews, as well as our strong connection and involvement with the Crowe Horwath International network are testimony to our efforts in this area.

We have continued to challenge the structure of our teams, including those that bring technical support to the execution of our audit engagements. We have invested heavily in our digital offerings, recognising the power of harnessing big data, and the greater level of comfort it can bring to audit outcomes when utilized correctly.

The integration of the Audit & Assurance service line into our broader Family Office during 2017 has enabled us to further explore the benefits that our holistic service offering can bring to our clients. We continue to develop and strive for improvements arising from our efficiency and quality projects around the identification of “One Best Way”, and we are excited about the prospect of understanding the leverage we can gain from technology, and the impact it will have on the quality of our service delivery.

As we look to the future we recognize, as always, that continuous evolution is a journey, not a destination. While our profession continues to evolve and transform, one thing will remain constant – our focus on our clients, and our focus on audit quality. We look forward to the changes that the future will bring, staying true to our strategy, our vision to Revolutionise Wealth and Empower Ambition, and our commitment to audit quality as a key foundation for our role in financial reporting.

This Transparency Report demonstrates our commitment to building a strong foundation on which we can grow, develop and respond to the importance of audit quality. It is on this foundation that we move forward, challenging ourselves to live by our actions and key behaviors in this regard.

Engaging with our stakeholders is important to us. I would like to thank each of you for your ongoing support, and encourage you to reach out to us if you have any questions on the content of our Transparency Report for 2017.



David Munday
Managing Partner
Audit and Assurance, Australasia

Crowe Horwath Australasia

Crowe Horwath Australasia is the largest provider of accounting, audit, tax, business and financial advice to individuals and small and medium enterprises. From a comprehensive network of over 110 offices and 3,000 expert advisers and professionals located in regional, rural and metropolitan areas across Australia and New Zealand, we combine local knowledge with world-class technology to help our clients on their financial journey.

With affiliations to our global network, Crowe Horwath International is ranked amongst the top 10 global accounting networks, and is known for delivering quality accounting and advisory services in more than 129 countries.

Crowe Horwath Australasia is an integral part of a broader group of financial services brands, namely Findex. Since the inception of Findex in 1987, our vision has been to empower the ambitions of our clients by revolutionising the delivery of a full range of high quality financial services for them and their business. We're here to guide them through their entire financial journey.

Our integrated service offering



Our approach to financial solutions

Through our Family Office approach, we work collaboratively across different financial service lines to determine the gaps in our clients strategy, and establish viable solutions.

Designed to consider all of our client's goals and requirements, we work efficiently and effectively to bring advantageous solutions, whatever stage of our client's financial life cycle.



A key relationship manager



Holistic suite of financial services

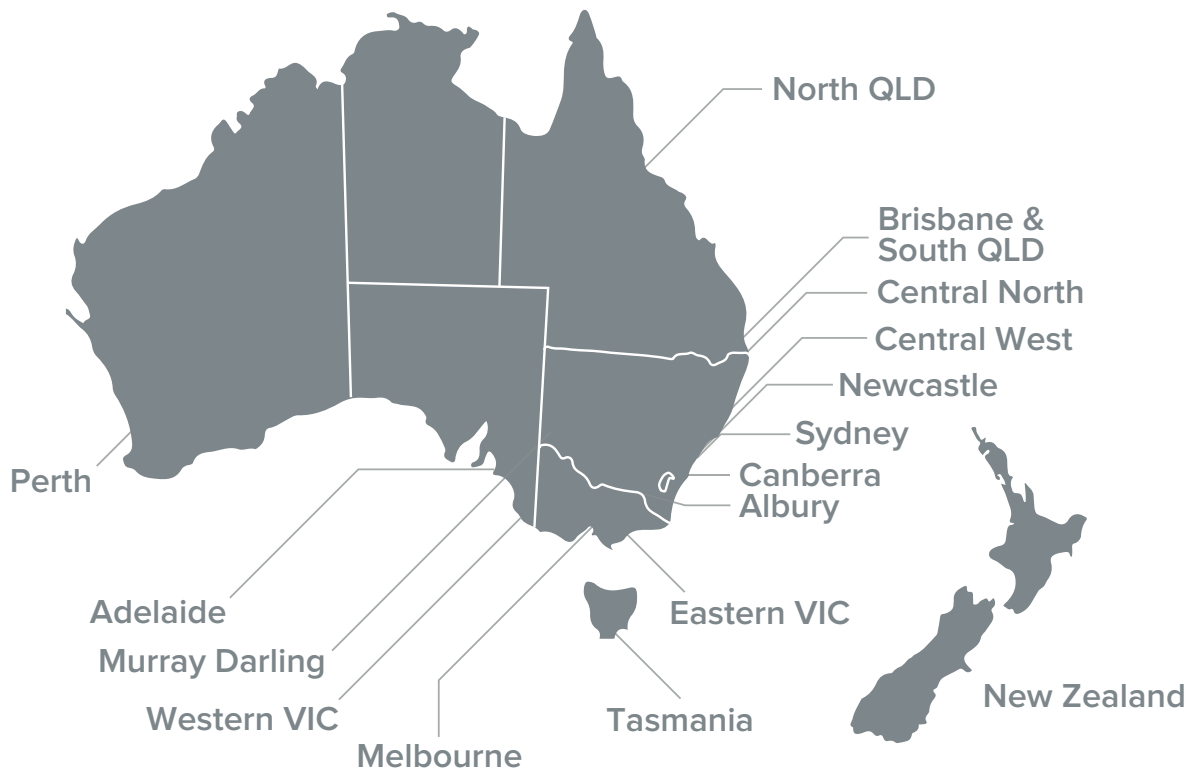


A complete view of your finances



Covers all stages of a client's financial journey

Office locations



Queensland

- Brisbane
- Burdekin
- Cairns
- Charters Towers
- Chincilla
- Dalby
- Gold Coast
- Goondiwindi
- Hughenden
- Innisfail
- Kirwan
- Robina
- Southport
- Toowoomba
- Townsville

SA

- Berri
- Dulwich
- Loxton

WA

- Perth

ACT

- Canberra

NSW

- Armidale
- Albury
- Ballina
- Bathurst
- Baulkham Hills
- Broken Hill
- Casino
- Coffs Harbour
- Dubbo
- Forbes
- Glen Innes
- Grafton
- Invervell
- Lismore
- Lithgow
- Kyogle
- Murwillumbah
- Orange
- Sydney
- Tweed Heads
- Walcha
- Warialda
- Warren
- Wellington
- West Wyalong
- Yamba

VIC

- Apollo Bay
- Ararat
- Bairnsdale
- Ballarat
- Bendigo
- Camperdown
- Colac
- Daylesford
- Geelong
- Hamilton
- Lorne
- Melbourne
- Mildura
- Ocean Grove
- Ouyen
- Pakenham
- Robinvale
- Sale
- Stawell
- Torquay
- Traralgon
- Warnambool
- Warragul
- Werribee
- Yarra Junction

Tasmania

- Burnie
- Deloraine
- Devonport
- George Town
- Glenorchy
- Hobart
- Launceston
- Rosny Park
- Scottsdale
- Smithton
- St Helens

New Zealand

- Alexandra
- Auckland
- Christchurch
- Dunedin
- Gore
- Hamilton
- Hastings
- Invercargill
- Marlborough
- Milton
- Napier
- Nelson
- Oamaru
- Queenstown
- Richmond
- Tauranga
- Te Anau
- Te Awamutu
- Waipukurau
- Wanaka
- Wellington
- Winton

Structure and ownership

Legal structure

Crowe Horwath (or “the Firm”) in this report refers to the Australian operations of Crowe Horwath Australasia and constituent Australian audit partnerships of Crowe Horwath Australasia Pty Ltd, through which statutory audits are conducted.

Each audit partnership consists of a number of individual partners and Crowe Horwath (Aust) Pty Ltd; the latter housing the operations of Crowe Horwath and being the employer of all audit partners and staff.

The Crowe Horwath Sydney (ABN 97 895 683 573) audit partnership is required to prepare and lodge specific information with the Australian Securities and Investments Commission (ASIC) in the form of a Transparency Report for the year ended 30 June 2017.

Crowe Horwath (Aust) Pty Ltd is a wholly owned subsidiary of Crowe Horwath Australasia Pty Ltd.

Crowe Horwath Australasia Pty Ltd is owned and controlled by Findex Group Ltd.

Governance and management

Findex is governed by the Board. The Board has ultimate responsibility for the Group’s internal quality control and risk management systems.

Further information about the Board can be found at <http://www.findex.com.au/board/>

The responsibility for managing the day-to-day operations of the Group is held within the management team. This includes responsibility for developing, implementing and monitoring quality control and risk-related matters. The management team comprises Senior Management and regional Executive Managing Partners.

Further information about the management team can be found at <https://www.crowehorwath.com.au/about-us/>

The Board provides oversight, support, resources and supervision to the CEO and management team. This is done whilst maintaining a high level of transparency, ethical standards and corporate governance and ensuring that all obligations to, and interests of, all stakeholders and shareholders are known and met accordingly.

The Board, through the Risk Management and Compliance Committee, reviews the design and operations of the internal quality control and risk management systems. The Board is satisfied that the Group’s systems of internal control operated effectively, as designed, during the year under review.

Our global connections

Crowe Horwath International is one of the world's top 10 leading professional services networks. With operations in 129 countries across 764 offices, we have a vast global footprint that allows us to consistently deliver high quality audits, both domestically and globally.

Our member firms are leaders in their market—known for providing impeccable service, exhibiting the highest quality standards of operation and delivery and are serving as valued corporate citizens in their business communities.

Our more than 35,000 people, a network of business experts, all share a commitment to delivering technical and client service excellence.

For calendar year ending 31 December 2016, Crowe Horwath International's global revenue was US\$3.7 billion. In 2016, audit represented 45% of the total fee income.

9% growth in local currency leads to global revenues of



Growth: Annual Fee Volume (in Millions of US Dollars)



Revenue breakdown among core services:



Legal and constitutional structure

Crowe Horwath International is an international network of accounting and advisory firms that may be licensed to use the “Crowe,” “Crowe Horwath” or “Horwath” brand in connection with the provision of accounting, auditing, tax, advisory and other professional services to their clients.

Crowe Horwath International is commercially organised under the laws of Switzerland as a verein (Association) and is a non-practicing entity, and does not provide professional services in its own right. Crowe Horwath International is wholly owned by its member firms. Crowe Horwath International operates through a wholly owned subsidiary incorporated under the laws of the State of New York in the United States of America where it is headquartered.

Crowe Horwath International is considered a “network” as defined under the Code of Ethics of the International Federation of Accountants (IFAC) and by virtue of its membership of the Forum of Firms.

Leadership, governance and management

The board of directors is responsible for the governance of Crowe Horwath International. The board of directors is charged with overseeing the activities of the network, including setting strategy and policy. With the exception of the chief executive officer, the board of directors is made up of individuals representing member firms in Crowe Horwath International.

The management committee operates according to the responsibilities and authority that is delegated to it by the board and oversees the daily management of the network’s operations. It consists of the chief executive officer, chief operating officer, the network’s regional executives and the network’s international accounting & audit director.

Membership standards

The following represents the minimum criteria for membership to which we benchmark potential new firms and evaluate existing firms:



Professional registration and recognition

- Firm is registered with a recognised regulator and / or professional body.
- Partners/directors who hold recognised qualifications and registrations lead the firm.
- Firm personnel have up-to-date knowledge of national and international professional standards.



Commitment to growth

- Track record of progress within its local market, showing a commitment to invest to grow and outperform the market average.



Market influence

- A member firm of Crowe Horwath International should be ranked within the top ten professional services firms in its respective market.



Financial Strength

- Firm is capable of assuming the financial responsibilities of membership and is properly capitalised.



Commitment to a common brand

- Adopts the Crowe Horwath brand and builds awareness of global brand in the firm's market or jurisdiction.



Participation in Crowe Horwath International events

- Participates in Crowe Horwath International Annual Meeting, regional meetings and professional committee meetings and appropriate technical training and development seminars.



Cross border business

- Promotes the generation of cross border engagements.
 - Proficient in the servicing of cross border engagements.
 - Provides all clients introduced by other network firms with impeccable service.
-



Leadership and succession plan

- Creates programs to mentor staff, and offers learning programs.
 - Firm has a management succession plan in effect.
-



Civic operation

- Active community involvement, such as civic, philanthropic and professional.
-



Commitment to Crowe Horwath International

- Fully committed to Crowe Horwath International's goals and it's strategic plan.
 - Firm's strategic plan aligned to Crowe Horwath International's strategy.
 - Invests in training, quality and compliance, staff development and brand recognition.
-



Compliance with Crowe Horwath International regulations and standards

- Ensures compliance with the network's policies, procedures and standards.
 - Obtains and maintains a policy of professional indemnity insurance.
-



Delivering professional services

- Quality control system complies with international standards as applied in the member's jurisdiction as well as relevant national standards.
- Member firms providing assurance services comply with IFAC's International Standard on Quality Control ("ISQC 1"), or its national equivalent.
- Periodic monitoring of the quality control system and a commitment to continuous improvement.

Internal quality control system

Outlined in this section are the key elements of Crowe Horwath Australasia's internal quality control system for audit quality.

Leadership

Audit quality is integral to the work we do, and supports our objective of delivering a high quality and seamless service to our clients.

The Board sets the 'tone at the top' and the communication of messages relating to audit quality emanates from the Board.

It is the responsibility of the Managing Partner of Audit to ensure that the Firm's quality control practices are adhered to.

All partners are responsible for promoting a culture that recognises audit quality.

People and culture

Our people demonstrate high standards of technical competency and commitment to the Firm's values and professional standards. In order to ensure that these standards are met, the Firm maintains a comprehensive performance appraisal system and provides all audit partners and staff with comprehensive learning and development opportunities, including:

- a structured audit training programme which is designed to provide all audit engagement team members in the Australasia region with both technical and soft-skills training appropriate to their level of experience
- local office-based or web-based courses focusing on topical subjects or specific areas of expertise
- an Audit Alert process to ensure that staff are kept informed of technical and regulatory developments
- access to a library of local and international technical reference materials on accounting and audit matters
- participation at Crowe Horwath International conferences and events.

Graduate recruits are expected to study for professional qualifications with either the Chartered Accountants Australia and New Zealand (CAANZ) or CPA Australia. Successful completion of professional exams is taken into account in making decisions about promotion and remuneration.

All audit partners and staff are expected to complete at least 120 hours of relevant continuing professional education over a three-year cycle, with a minimum of 20 hours in each year.

Senior audit staff attend approved external courses if their training and development needs are not addressed in-house.

Client acceptance and continuance

Our client acceptance and continuance process is instrumental in ensuring that we only take on engagements where we have the competence and capacity to deliver the standard of work which our clients and profession expect, and where we can comply with our ethical and independence obligations.

Our client acceptance process includes a risk assessment process, which considers the client's risk profile, the nature of its operations, its ownership structure, the background of its directors and key management, and independence-related matters, including financial interests and any non-audit services provided.

Higher risk engagements

Certain engagements may be considered to have an increased level of risk, either because they are Public Interest Entities, or because specific non-standard risks are identified during the acceptance process. Examples of such risks may include complex transactions, or material operations within emerging markets.

Audit approach

As a member of Crowe Horwath International, we apply Crowe Horwath International's Audit Methodology. This provides us with a consistent, high-quality approach across the global network. It ensures compliance with International Standards on Auditing (ISAs), and with other relevant professional and ethical requirements.

Supplementary material is developed and maintained by our local Audit Technical Team, to ensure that Australian-specific legal and regulatory requirements are addressed.

Audit Technical Team

During the year under review, Our Audit Technical Team was responsible for implementing initiatives relating to audit quality, learning and development, and technical support. This included:

- providing accounting and auditing support on certain high risk audit engagements
- staffing an electronic technical queries hotline
- preparing thought leadership material in response to technical developments within the profession
- engaging with the professional bodies and standard setters
- managing and participating in certain monitoring activities
- developing and maintaining our audit methodology and audit software to ensure our risk-based audit approach remains current and relevant.

The Audit Technical Team comprises of experienced professionals who are able to support our audit engagement teams by offering specialised knowledge and advice on accounting, auditing, ethical and other regulatory matters.

Our audit methodology adopts a risk-based approach, which relies on developing an in-depth understanding of the entity under audit, its risks, and the system of internal control in place to manage those risks. This allows us to develop a tailored response to each issue identified, and to ensure that all material risks of misstatement are appropriately mitigated.

Our audit approach supports the application of professional judgement and an appropriate level of scepticism on each engagement, and our audit software includes compulsory schedules dedicated to ethical and independence requirements to ensure that these areas are considered on every audit engagement.

Our policies include detailed requirements in respect of the timely review of audit work performed. The nature, timing and extent of review depend on the level of audit risk and complexity associated with the client that is under review, and the experience of the engagement team member.

Engagement quality control review

Engagements that are graded as higher risk are subject to an independent Engagement Quality Control Review (EQCR). The requirement to perform an EQCR and the review policies themselves extend beyond the minimum requirements of the law and professional regulation, and are a key element of our system of internal quality control.

Reviewers are involved throughout the entire audit process and their role is not limited to a review immediately prior to completion of the engagement. All reviews are performed by audit partners who themselves perform audits of higher risk engagements, and we do not permit reviewers to delegate the performance of this responsibility to any other audit partner or member of staff.

Consultation and collaboration

All audit partners and other team members are encouraged to consult with peers and subject matter experts on complex or contentious issues throughout audit engagements.

Specialists within the Firm and from Crowe Horwath International are available to provide specialist skills in areas such as information technology, valuations and taxation.

The Firm requires mandatory consultation outside of the audit engagement team when certain modified audit opinions are to be issued.

Monitoring processes and audit quality

The Group's Risk Management team is responsible for conducting an annual quality process that forms part of the overall monitoring of the Firm's system of audit quality. This is a key component of the Firm's overall drive for continuous improvement in audit quality.

The latest quality review process was conducted during the period ended 30 June 2017. In total, 27 engagement files were selected for inspection across the Australian Firm.

At the conclusion of the review, a report of findings and proposed recommendations was submitted to the Head of Risk Management and the Managing Partner, Audit and Assurance Services.

Crowe Horwath is subject to review by a number of regulatory and professional bodies:

Chartered Accountants Australia and New Zealand (CAANZ)
CPA Australia
Australian Securities and Investments Commission (ASIC)*
Public Company Accounting Oversight Board (PCAOB) **
Crowe Horwath International ***

* ASIC completed the latest round of continuous monitoring of our Firm in 2016.

** Our Sydney audit partnership is registered with the PCAOB. We have not been subject to a review to date.

*** The Crowe Horwath International Accounting & Audit Director leads this review. Our last review from Crowe Horwath International was completed in September 2014; our next review is scheduled for 2018.

Partner remuneration

Partner's remuneration includes the following elements:

- base salary
- short term incentives (STI's).

Partners' base salary is determined in consultation with the executive management team on an annual basis.

STI's are performance-based remuneration, which is calculated based on various financial and non-financial measures. For audit partners, audit quality is one of the benchmarks used in measuring performance.

No significant element of partner or audit staff remuneration is directly related to the provision of non-audit services to audit clients.

Independence practices

All audit partners and staff are expected to maintain the highest standard of ethics and be fully conversant with the requirements of the *Code of Ethics for Professional Accountants*.

In Australia, Crowe Horwath has developed and implemented policies and methodologies that allow us to perform audit services in conformity with:

- The Codes of Ethics and professional standards issued by the Australian Professional and Ethics Standards Board (APESB) and the International Ethics Standards Board for Accountants (IESBA),
- Local regulatory requirements (e.g. Corporations Act 2001), and
- Crowe Horwath International requirements.

Crowe Horwath International provides support to member firms in complying with the Code of Ethics of the IESBA.

Crowe Horwath maintains a comprehensive Risk Management Manual, which is available to all staff electronically. This manual includes policy and guidance on financial interests in audit clients, business relationships, fee arrangements, rotation requirements, and the provision of non-audit services to audit clients.

Our procedures require any member of staff to notify the Firm immediately should any matters touching upon independence or ethical requirements arise.

Each audit partner and member of staff completes an annual Independence declaration. The latest date at which this declaration was collected is October 2016.

Engagement partners are required to follow a process to ensure that Firm's independence is established before a client engagement is accepted or continued. These procedures include the need to perform a conflict check to be carried out by the Firm and within the Crowe Horwath International network, as necessary, before acceptance of any new client relationship.

Compliance with our independence procedures is reviewed internally at various times during the year through the application of a range of procedures.

Financial information

Financial information for the year ended 30 June 2017:

Financial information	Crowe Horwath Sydney \$
Total audit revenue	6.6m
Total revenue from other service lines	26.4m
Total revenue	33m

Audit and assurance clients

The following relevant bodies were audited during the year ended 30 June 2017 by Crowe Horwath Sydney:

Crowe Horwath Sydney clients

- Global Fortune Investment Limited
- Gateway Mining Limited
- Ochre Group Holdings Limited
- N1 Holdings Limited
- Mandalong Resources Limited
- Tomizone Limited
- Agricultural Land Trust
- Axxis Technology Group Limited
- Broad Investments Limited
- OncoSil Medical Limited
- Royal Wolf Limited
- Freedom Insurance Group Limited
- ATC Alloys Limited
- Silver Mines Limited
- Magnum Gas and Power Limited
- Donaco International Limited
- Allegra Orthopaedics Limited
- X-Ref Limited

Crowe Horwath Sydney

Level 15, 1 O'Connell Street
Sydney NSW 2000
(02) 9262 2155

Findex Head Office

Head Office
Level 17, 181 William Street
Melbourne, VIC 3000
03 9292 0101
www.findex.com.au

Tel 1300 856 065

www.crowehorwath.com.au

 @CroweHorwath_AU

 Crowe Horwath Australia

The relationship you can count on