

# Transparency Report | 2018



Crowe Horwath Sydney

For the year ended 30 June 2018

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*The Crowe Horwath Transparency report for 2018 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 very pleased to share with you Crowe Horwath Australasia's Transparency report for the year ended 30 June 2018.

As one of Australasia's largest and most diversified financial services firms, I welcome the opportunity to highlight our business's commitment to audit quality.

The industry is constantly evolving and we are seeing substantial shifts in business practices as data analytics and artificial intelligence continue to drive technological change. Harnessing and analysing big data are proving to be critical capabilities for the ever-changing role of the auditor and with this also comes great opportunity to remediate risks and predict business improvement opportunities.

As a firm, a key focus in the 2018 financial year has been to ensure the significant investment in our digital and data tools and capabilities across the entire business over the last two years translates to further improvement to our existing robust audit processes. We see this as the core mechanism to enable further efficiencies in delivering the highest quality outcomes for our clients.

Our audit quality control procedures are underpinned by the diversified skills of our experienced team to which we are continuously introducing new talent and skill sets to enhance its application to client needs. Our Family Office model in taking a holistic approach to a client's needs has continued to grow from strength to strength over the past 12 months. We have successfully embedded our Audit services into this fully integrated advisory offering which we offer to individuals and businesses across Australia and New Zealand.

We strive to remain a strong relationship-driven organisation with the best interests of our clients at the core of everything we do. I am very pleased to be leading the company into a new, innovative phase as the leading provider of a fully integrated service offering. I trust this report demonstrates our commitment to audit quality and client service.



**Spiro Paule**  
Chief Executive Officer  
Crowe Horwath Australasia  
Part of Findex



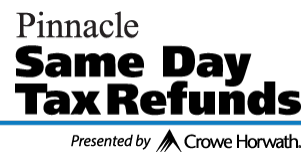
Premier



Boutique



Digital



A brand for every stage of your financial journey



## Message from the Managing Partner, Audit and Assurance

The start of another financial year is always a good time for reflection. In thinking back on our journey over the last twelve months, and looking at the road ahead, two words come to mind – challenge and opportunity. These are interesting times to be an auditor.

The world we live in continues to move, and we are required to adapt, invest, and be prepared to go with it. Change is a given. Not too long ago phrases such as data analytics, automation, artificial intelligence, robotics and blockchain would have been something to read about in a science fiction magazine – now they are synonymous with audit. With those changes in technology comes a new view on the requirements of our people, our structures, our methodology, our client relationships and just about everything that influences the way we conduct our audits.

The role of auditors is also changing. Taking big data, analysing and assessing it, and delivering key risk and value observations becomes critical. These insights will be like those never provided before – combining both quantitative financial and non-financial data with qualitative information also.

But with the changes, and the challenges often associated with them, comes opportunity. A chance to introduce new skill sets to our organisation, to enhance our focus on risk based audit, and to add greater value to our client relationships as well as the investors and other stakeholders that we represent.

As a firm, we are excited about where we are at on this journey. We continue to invest in our people and processes, supported by strong digital capability and data analytics. We continue to refine our methodology and our approach to ensure that audit quality remains the constant among the change. We are also embracing the challenge in the audit profession to stay relevant and trusted.

Our Family Office strategy continues to deliver more positive, wholistic services to our clients and combined with enhancements to our risk management and governance processes, our platform for delivering quality audits remains strong. We have continued our transition to a truly national service delivery approach, ensuring consistent training and technical content is delivered to our people, as well as better sharing of skills and resources across our locations.

Our strong connection to the Crowe international network remains, and has fostered effective sharing of global information, best practice ideas for audit execution and process and methodology related insight. Our results from external quality reviews have been positive, enabling us to continue to improve our business.

While the profession continues to balance its role in these changing times, we continue to move forward. Over the next 12 months we will be actively pursuing additional technological solutions for improved audit execution, introducing team members with different capabilities and credentials, and delivering more effective outcomes. Audit quality will continue to be one of the key pillars of our strategic direction- and acknowledging our role to the market and the profession, and we look forward to the journey ahead.

As always, 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 2018.



**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 most 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 Global is ranked amongst the top eight global accounting networks, and is known for delivering quality accounting and advisory services in more than 130 countries.

Crowe Horwath Australasia is an integral part of a broader group of financial services brands, namely its parent company 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



- Australian Capital Territory**
  - Canberra
- New South Wales**
  - Albury
  - Armidale
  - Ballina
  - Bathurst
  - Baulkham Hills
  - Broken Hill
  - Dubbo
  - Casino
  - Coffs Harbour
  - Forbes
  - Glen Innes
  - Grafton
  - Inverell
  - Kyogle
  - Lismore
  - Lithgow
  - Murwillumbah
  - Orange
  - Sydney
  - Tweed Heads
  - Walcha
  - Warialda
  - Warren
  - Wellington
  - West Wyalong
  - Yamba
- New Zealand**
  - Alexandra
  - Auckland
  - Christchurch
  - Cromwell
  - Dunedin
  - Gore
  - Hamilton
  - Hastings
  - Invercargill
  - Lower Hutt
  - Marlborough
  - Milton
  - Napier
  - Nelson
  - Oamaru
  - Queenstown
  - Richmond
  - Tauranga
  - Te Anau
  - Te Awamutu
  - Waipukurau
  - Wanaka
  - Wellington
  - Winton
  - Wyndham
- Queensland**
  - Brisbane
  - Burdekin
  - Cairns
  - Charters Towers
  - Chinchilla
  - Dalby
  - Gold Coast
  - Goondiwindi
  - Hughenden
  - Innisfail
  - Toowoomba
  - Townsville
- South Australia**
  - Berri
  - Loxton
- Tasmania**
  - Burnie
  - Devonport
  - George Town
  - Glenorchy
  - Hobart
  - Launceston
  - Rosny
  - Scottsdale
  - Smithton
  - St Helens
- Victoria**
  - Apollo Bay
  - Bairnsdale
  - Ballarat
  - Camperdown
  - Colac
  - Daylesford
  - Geelong
  - Hamilton
  - Hopetoun
  - Lorne
  - Melbourne
  - Mildura
  - Ocean Grove
  - Ouyen
  - Pakenham
  - Robinvale
  - Sale
  - Stawell
  - Torquay
  - Traralgon
  - Warragul
  - Warrnambool
  - Werribee
- Western Australia**
  - Perth



# 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 2018.

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/#/management/>.

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.

## Our global connections

Crowe Global is one of the world's top eight leading professional services networks. With operations in 130 countries across more than 750 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 network of more than 35,000 business experts all share a commitment to delivering technical and client service excellence.

For the calendar year ending 31 December 2018, Crowe Global's worldwide revenue was US\$3.9 billion. In 2018, audit represented 46% of the total fee income.

### Legal and constitutional structure

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

Crowe Global 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 Global is wholly owned by its member firms. Crowe Global 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 Global is considered a "network" as defined under the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA) 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 Global. 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 Global.

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, the network's international accounting & audit and international tax directors.

## Membership standards

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



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### Professional registration and recognition

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



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### Commitment to growth

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



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### Market influence

- A member firm of Crowe Global should be ranked within the top 10 professional services firms in its respective market.



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### Financial Strength

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



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### Commitment to a common brand and participation in Crowe Global events

- Adopts the Crowe Horwath brand and builds awareness of global brand in the firm's market of jurisdiction.
  - Participates in Crowe Global Annual Meeting, regional meetings and professional committee meetings and appropriate technical training and development seminars.
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### 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.



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### Leadership and succession plan

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



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### Civic operation

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



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### Commitment to Crowe Global

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



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### Compliance with Crowe Global regulations and standards

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



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### Delivering high quality 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 IIFAC'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.
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# 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 and Assurance 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 program 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
- alerts 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 Global 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 Global, we apply Crowe Global's Audit Methodology. This provides us with 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, our Technical Services Team was responsible for implementing initiatives relating to audit quality, learning and development, and technical support. This included:

- providing timely, accurate and practical interpretation of accounting, auditing and professional standards, audit methodology and policies and procedures
- developing an awareness relating to the practical application of accounting, auditing and professional standards amongst partners and staff
- developing tools and resources to assist audit teams to perform their tasks efficiently and effectively
- 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
- liaising with external reviewers and regulators
- developing and maintaining our audit methodology and audit software to ensure our risk-based audit approach remains current and relevant.

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 skepticism 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.

We see the function of engagement quality control reviewers not to simply accept or override conclusions but to challenge judgements of the audit team in areas that are complex, significant or highly judgmental.

## Consultation and collaboration

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

Specialists within the Firm and from Crowe Global are available to provide expert 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 & Compliance 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.

Our quality monitoring program includes:

- Periodical inspections of completed assurance engagements for each audit partner
- Targeted reviews of specific areas of selected completed audit engagements
- Pre-issuance reviews of specific areas of selected assurance engagements before the report is issued
- Follow-up of previous recommendations and agreed actions.

Outcomes of individual monitoring activities must be reported to the Head of Risk Management & Compliance who will decide on the appropriate course of action in accordance with relevant policies.

*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 Global\*\*\*

\*ASIC completed the latest round of continuous monitoring of our Firm in 2018.

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

\*\*\*The Crowe Global Accounting & Audit Director leads this review. Our last review was completed in April 2018.



## Partner Remuneration

The 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.

Each audit partner and member of staff completes an annual Independence declaration.

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 Global network, as necessary, before acceptance of any new client relationship.

During the year, we implemented a new platform to conduct independence checks. The new in-house Findex Independence Checks System involves all staff across the Group. Compliance with our independence procedures is reviewed internally at various times during the year through the application of a range of procedures.

## Independence Practices

Managing conflicts of interest and maintaining our independence is vital to our ability to service our clients. 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 IESBA;
- Local regulatory requirements (e.g. Corporations Act 2001); and
- Crowe Global requirements.

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

Policies and guidance on financial interests in audit clients, business relationships, fee arrangements, rotation requirements, and the provision of non-audit services to audit clients are updated periodically and made available to all staff electronically

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

## Financial Information

Financial information for the year ended 30 June 2018:

Financial information	Crowe Horwath Sydney \$
Total audit revenue	5.6m
Total revenue from other service lines	26.5m
<b>Total revenue</b>	<b>32.1m</b>

## Audit and assurance clients

The following relevant bodies were audited during the year ended 30 June 2018 by Crowe Horwath Sydney:

### Crowe Horwath Sydney clients

- Agricultural Land Trust
- Allegra Orthopaedics Limited
- Alternative Investment Trust
- ATC Alloys Limited
- Axxis Technology Group Limited
- Donaco International Limited
- Gateway Mining Limited
- N1 Holdings Limited
- Ochre Group Holdings Limited
- OncoSil Medical Limited
- Raven Energy Limited
- Silver Mines Limited
- Tomizone 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](http://www.findex.com.au)

**1300 856 065**

**[www.crowehorwath.com.au](http://www.crowehorwath.com.au)**

 @CroweHorwath\_AU  
 Crowe Horwath Australia

**The relationship you can count on**