

Deloitte.

See what we see
The value of a
quality audit

Transparency report 2015



Deloitte
Our purpose
Making an impact
that matters

**Our audit
aspiration**
Becoming the
most trusted provider
of audit services

**Our purpose defines
who we are**

**We serve our
clients with quality
and distinction**

Making a
measurable and
attributable impact

**We inspire
our people to
deliver value**

Mentoring and
developing future
leaders and
colleagues for life

**We contribute
to society**

Building confidence
and trust, upholding
integrity and
supporting the
community

**We are leaders
in the profession**

Challenging ourselves
to deliver innovative
ideas that reflect
unique capabilities

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Leading with integrity

Auditors play a vital role in creating and maintaining investor confidence in the capital markets.

We strive to provide superior service to our clients in all our businesses, including our Assurance Practice. However, the audit is unlike our other Deloitte services in several significant ways:

- The auditor's primary responsibility is to serve as an independent, objective and sceptical evaluator
- The ultimate stakeholders are the investing public and capital markets, rather than the company itself
- We perform our audit services according to guidelines provided by standard-setters, and under the supervision of external regulators.

At Deloitte, we are keenly aware of our obligation to deliver audit services that meet the challenges and complexities of the current environment and that comply with professional and regulatory standards. For the financial reporting system to function as intended, it is vital that auditors execute their roles effectively. We are committed to doing more than simply meeting challenges and conforming to standards. Our desire is to be seen as the standard of excellence for the profession and to be the most trusted provider of audit services.

Trust – fostered through quality, integrity and consistency – has been at the heart of Deloitte for more than 160 years. However, it is more evident today than ever in our policies for risk management, quality, independence and ethics, and how we engage in the regulatory and public policy arenas. We are also taking a more global view to coordinate and connect better across the Deloitte Network, to achieve greater consistency in these areas.

Our leadership appointments show our commitment to excellence. The Board appointed Cindy Hook as our new CEO, effective 1 February 2015. As our previous National Managing Partner Assurance and Advisory, Cindy is keenly aware of the need to prioritise audit quality. Cindy's successor, Richard Deutsch, is a highly respected auditor and professional services leader in Australia. In addition, our Chief Risk Officer is now a member of the National Executive team, increasing governance in relation to audit quality.

Transparency is a key ingredient in developing trust. The 2015 Transparency Report provides information for management, directors, audit committees and investors to help them better understand the governance structures, the people and the systems of quality control that underlie a Deloitte audit.

We invite you to see inside our Firm.



"Trust – fostered through quality, integrity and consistency – has been at the heart of Deloitte for more than 160 years."

Keith Jones
Chairperson

Making an impact

We believe in the value of a quality audit because of the impact it can have on the effective functioning of the capital system. We take this social responsibility seriously and we are focused on delivering high-quality audits to Australian businesses and investors.

Our vision is broader – we want the market to see the value and our clients to feel it. It is our responsibility to see a clients' business objectively and provide the appropriate opinion on the financial statements. We also use design and technology to create new experiences and engage clients in challenging discussions that deliver valuable, actionable insights.

Audit continues to be the cornerstone of Deloitte. Local and global resources are devoted to strengthening Deloitte's position as an audit leader far into the future. This is driven by a focus on both quality and innovation.

Quality

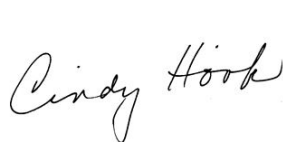
This Transparency Report describes the systems of quality control at Deloitte that support high-quality audits. We continually challenge ourselves to refine and improve our processes to meet the increasing expectations of stakeholders. We have an Audit Quality Plan structured around the Deloitte Audit Quality Framework and we are accountable to our Board and the leadership of the Deloitte Network globally in our execution of the plan. This plan is updated regularly and is an essential part of our strategy.

Innovation

Design, data and digital are core elements of our audit practice. We use design and data analytics to increase our effectiveness. We have a dedicated global audit innovation team helping drive service innovation and influence the future of the profession. This includes exploring current audit delivery mechanisms and how to further leverage technology. Australia is an active participant in Deloitte's global innovation team, and our local audit differentiation team is expanding our creative capabilities by training practitioners in design to change the way audits are delivered and experienced.

Our ability to deliver high-quality audits, meet regulatory and market expectations, and fulfil our social responsibility starts with a deep understanding of a client's business, deep knowledge of the technical standards and good communication with the client's board, audit committee and management. Deloitte is focused on supporting audit committees, and encourages clients to place high importance on the quality of financial reporting and the audit process.

We are passionate about what we do at Deloitte, and our culture of professional excellence and innovation will help us meet the challenges ahead. We want this report to provide you with a deeper understanding of our Firm, our values and our unwavering commitment to audit quality. The future of audit is exciting and we want to lead the profession from the front.



Cindy Hook
Chief Executive Officer



Richard Deutsch
National Managing Partner,
Assurance and Advisory

"We are different, we have momentum, and we want to make an impact."

Executive summary

Deloitte is actively shaping the future of auditing and accounting through our involvement in standard-setting, and industry and professional forums; our investment in quality and innovation programs; and our close interaction with and participation in the Deloitte Network's activities.

Deloitte has established a culture of professional excellence over many years, supported by strong leadership and robust systems of quality control. As the world's largest network of accounting firms and second-largest provider of audit services, our significant global scale allows us to provide a superior range of services to our clients.

We take pride in the quality of the audit services we deliver to our clients and respect the trust they place in Deloitte. Sustaining this trust is an individual and collective responsibility at every level within our Assurance Practice.

Deloitte's Audit Quality Framework (see Figure 1) incorporates the key elements of audit quality at Deloitte. It can be separated into three layers:

- Recognising what it means to be a regulated profession
- Executing high-quality audits day-in, day-out for our clients
- Improving through learning, measurement and continuous enhancement.

These layers are discussed in detail in this report.

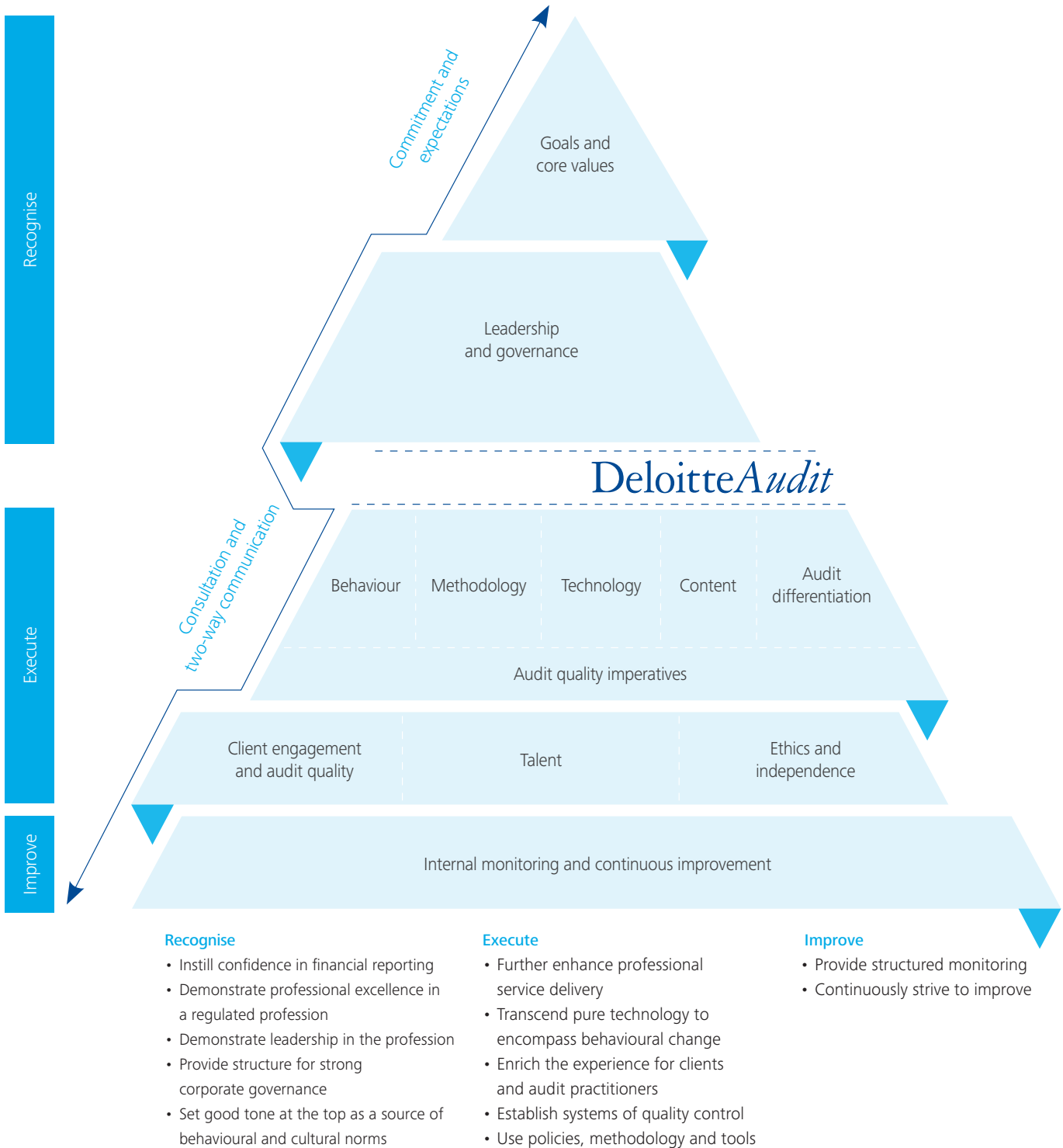
In sections 5 and 6 and the appendices, we also describe our ethics and independence practices and a range of other disclosure requirements as prescribed by Schedule 7A of the Corporations Regulations 2001. This Transparency Report is prepared in accordance with the requirements of Section 332 of the *Corporations Act 2001* (Corporations Act). This legislation was enacted in 2012 to provide additional information about audit firms to enable entities to make more informed choices when selecting an auditor.

This Transparency Report meets the Australian Securities & Investments Commission's (ASIC's) requirements and provides a comprehensive insight into Deloitte's many processes and initiatives that enable us to deliver high-quality audits and provide genuinely different and valuable outcomes for clients, staff, investors and other stakeholders.

We are proud of Deloitte's unwavering and innovative approach to enhancing audit quality and client value and hope you find this is a valuable guide to what we offer.

Figure 1: Deloitte Audit Quality Framework

The diagram depicts Deloitte's Audit Quality Framework, which encapsulates the key elements of audit quality at Deloitte.



Quality control effectiveness statement

The systems of quality control that support the Deloitte Assurance Practice¹ are designed to provide reasonable assurance that:

- (a) Assurance engagements comply with Australian Auditing and Assurance Standards, relevant ethical requirements, and applicable legal and regulatory requirements
- (b) Reports issued are appropriate in the circumstances.

Our monitoring programs provide evidence of our compliance with the application of Deloitte policies and methodologies, as well as pinpointing areas for improvement where consistent application is not achieved.

Our most recent Practice Review Program concluded in September 2014. It enables us to conclude that, overall, our systems of quality control are operating effectively.



Cindy Hook
Chief Executive Officer



Richard Deutsch
National Managing Partner,
Assurance and Advisory

¹The Assurance Practice comprises the audit practitioners, partners and staff of the Australian partnership of Deloitte Touche Tohmatsu (herein referred to as 'Deloitte' or 'the Firm')

1. About Deloitte

The Deloitte Network is the world's largest network of accounting firms and the second-largest provider of audit services. Our scale enables us to develop best-practice systems of quality control to support our audit teams in consistently delivering high-quality audits, both domestically and globally.

Deloitte provides audit, tax, consulting and financial advisory services to public and private clients in many industries. We focus on cultivating world-class capabilities and pursuing innovation to give clients the insights they need to address their most complex business challenges.

Globally, the Deloitte Network's revenue was US\$34.2 billion for the year ended 31 May 2014 (2013: US\$32.4 billion). It employs approximately 220,000 professionals worldwide across a globally connected network of member firms operating in more than 150 countries.

The Deloitte Network had Audit Practice revenue and Enterprise Risk Services revenue of US\$10.1 billion and US\$3.2 billion for the year ended 31 May 2014 (2013: Audit and Enterprise Risk Services revenue of US\$13.1 billion).

In Australia, Deloitte recorded revenue of A\$1.3 billion for the year ended 31 May 2015 (2014: A\$1.2 billion). It employs about 6,500 people in 17 offices.

The Corporations Act prescribes the Transparency Reporting Year as a period of 12 months starting on 1 July. This differs from our financial year, which commences on 1 June. For this Transparency Reporting Year to 30 June 2015, our revenue from audits of financial statements was A\$236 million (2014: A\$225 million).

Figure 2: Deloitte audit and other revenue in Australia for the year ended 30 June 2015

	For the 12 months ended 30 June 2015 (A\$m)	For the 12 months ended 30 June 2014 (A\$m)
Audits of financial statements ²	236	225
Non-audit services to audit clients	105	91
Non-audit services to non-audit clients	1,014	858
Total	1,355	1,174

²Includes revenue derived from audits of financial statements. Other related assurance services are classified as non-audit services.

2. Recognising – what it means to be a regulated profession

We respect the trust placed in Deloitte by our clients, investors, regulators and the community. Sustaining this trust by providing high-quality audits is an individual and collective responsibility at every level within our Assurance Practice. We recognise that this starts with the tone set by our Firm's leadership.

Responding to regulatory trends

Regulators around the world are raising the bar and looking for greater consistency and quality in the delivery of audit services. This includes increasing coordination through the International Forum of Independent Audit Regulators (IFIAR), under which regulators share knowledge, collaborate and promote consistency in the way audit quality is monitored and assessed.

Deloitte recognises the important role ASIC plays in Australia and through its membership of IFIAR in promoting high-quality external audits of financial reports.

Deloitte Touche Tohmatsu Limited (DTTL) – the UK private company (limited by guarantee) that all Deloitte member firms are members of – is actively engaged with IFIAR on initiatives to enhance audit quality. In Australia, we have an open and ongoing dialogue with ASIC which recognises that our obligations are not limited to inspection periods. These interactions are built on mutual respect, being open-minded and constructively seeking opportunities for improvement. They occur at various levels, both privately and through professional forums.

We recognise that in an environment of increasing regulation, we need to respond quickly and effectively by introducing new capabilities and approaches in response to new rules, standards and expectations. We have an Audit Quality Plan that is updated regularly to remain current and responsive, and is framed around our Recognise, Execute and Improve framework. Senior audit partners are also active participants of DTTL quality forums, and variously members of the Global Audit Leadership Team, the Global Audit Quality Board, the Global Audit Technical Advisory Board, the Global IFRS Leadership Team and the Global Audit Learning Council.

Our leaders are held accountable to DTTL to deliver on our shared priority of audit quality. This is achieved through DTTL monitoring the implementation of our Audit Quality Plan and the Practice Review program, described in Chapter 4.

Day to day we challenge ourselves to deliver high-quality audits and reinvent both how this is achieved and the experience that our clients receive. We are also proud that our Firm is actively involved in shaping the future of accounting and auditing through the involvement of our partners with international and Australian standards-setting bodies and professional associations.

External contribution

The following partners contribute to the accounting and auditing landscape:

Anna Crawford, Partner Accounting Technical, is a member of the Australian Accounting Standards Board.

Caithlin McCabe, Audit Quality and Regulatory Partner, is a member of the Australian Auditing and Assurance Standards Board and is the Chair of the Australian Auditing and Accounting Public Policy Committee.

John Leotta, Partner, is a member of the International Accounting Standards Board's consultative group for rate regulation.

Marisa Orbea, Independence and Conflicts Partner, is a member of the International Ethical Standards Board for Accountants.

Richard Deutsch, National Managing Partner, Assurance and Advisory, is a member of the Accounting and Auditing Standing Committee.

Establishing the right tone

Our culture is driven by our Chief Executive Officer (CEO) and fully endorsed by our Board of Partners and National Executive. The Firm's cultural goals are captured in seven 'Signals' that enable us to deliver on our promise of professional excellence.

We focus on professional excellence as the foundation for achieving consistently high audit quality. In fact, our former National Managing Partner Assurance and Advisory (A&A), Cindy Hook, was recently appointed as our CEO. Our recently appointed National Managing

Partner A&A, Richard Deutsch, leads the audit quality agenda and is accountable for creating and supporting a business model and culture that allows practitioners to conduct high-quality audits. In addition, our Chief Risk Officer is now a member of the National Executive team, increasing governance in relation to audit quality.

Senior leadership regularly convey the importance of audit quality through various communication channels, such as partner meetings and webcasts, and audit quality is built into A&A's strategy.

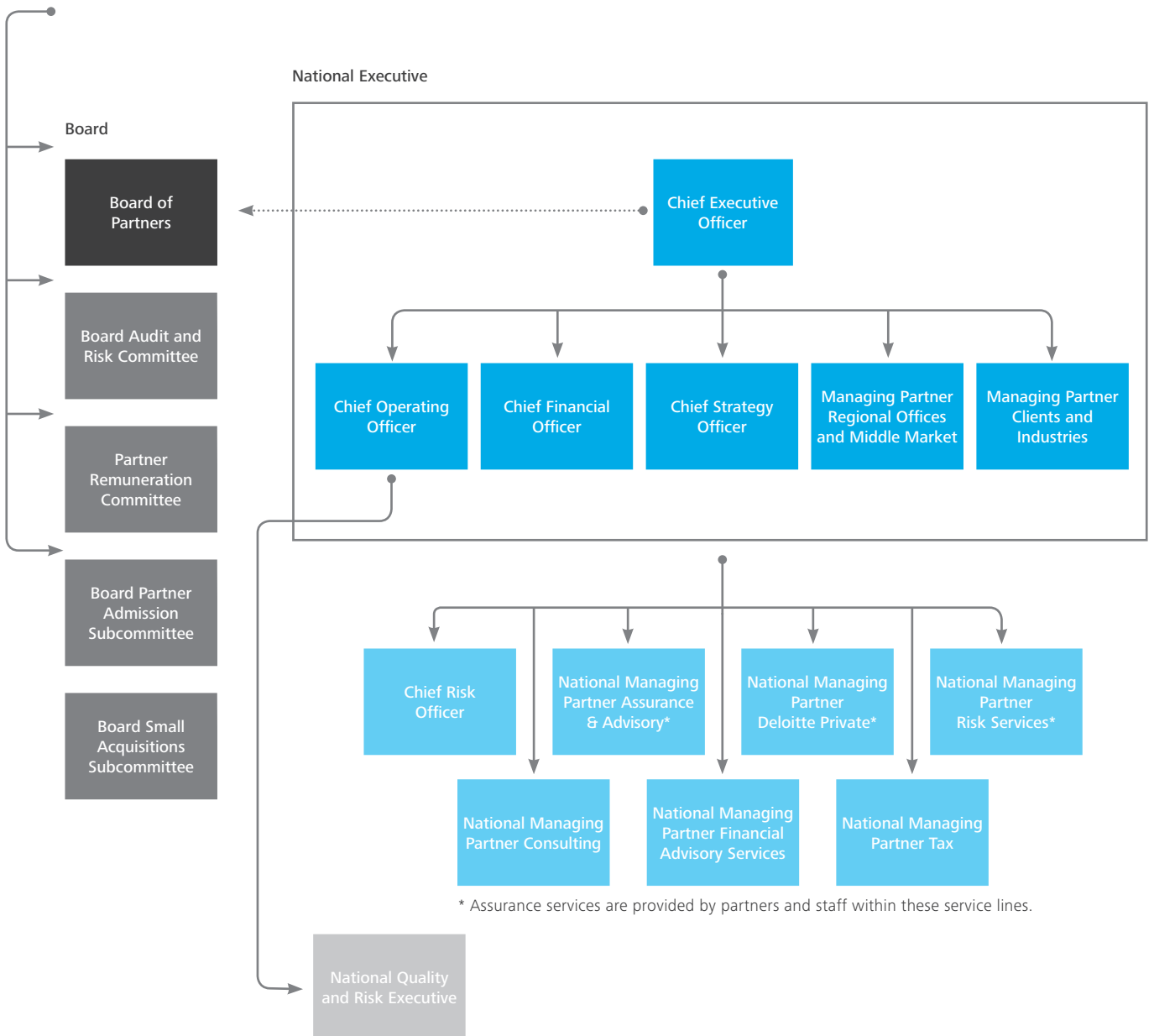
Figure 3: Deloitte's seven Signals

Signal	How our Signals support audit quality
Recruit and retain the best	We seek to attract the best talent in the market with the right skills and experience so we can serve our clients well and deliver high-quality solutions and output
Empower and trust	We empower our people to take personal responsibility for delivering high quality work to clients
Play to win – think globally	We encourage our people to approach every client engagement with the right team drawn from the capabilities of the entire Australian firm and, where needed, the DTTL Network, to support the highest quality output
Talk straight	Through a culture of talking straight, our people are encouraged to voice their ideas and challenge each other. Constructive, two-way communication is viewed as a way to achieve the right quality outcome for our teams and clients
Aim to be famous	We encourage our people to become market leaders by developing specialist skills, gaining recognition and building extensive networks they can draw on to enhance quality and insight in their work
Continuously grow and improve	Through an ongoing commitment to learning and development, our people have the necessary skills to consistently deliver high-quality outcomes
Have fun and celebrate	We believe that when our people enjoy what they do and are recognised for their accomplishments, they are inspired to deliver to the highest standards.

Governance structure

The leadership and management of the Firm are underpinned by strong governance structures, including a quality and risk function that provides oversight of the Assurance Practice.

Figure 4: Deloitte Australia organisation chart



The Board of Partners

Our Board of Partners (the Board) is responsible for protecting the interests and reputation of the Firm and its partners, and for overseeing management and operations at a strategic level. The Board ensures the Firm has an appropriate structure for corporate governance and has specific oversight of quality and risk. The Board comprises the elected CEO and at least seven, but not more than 10, elected partners.

Board members are elected by the equity partners of the Firm for terms of three years. Unless voted by a special resolution of partners, the maximum period prescribed for a Board member is nine years. The Board elects a board member other than the CEO to act as Chairperson, who serves for a four-year term (or any shorter period determined by the Board). Unless voted by a special resolution of partners, the maximum period prescribed for the Chairperson is nine years. The separation of the roles of Chairperson and CEO provides a strong measure of accountability. Our current Chairperson is Keith Jones.

The Board has established four committees to help it fulfil its responsibilities. The committees are comprised entirely of Board members and each has an allocated chairperson responsible for reporting the committee's activities to the full Board. The committees and their objectives are set out in Figure 5.

The Chief Executive Officer

Our CEO, Cindy Hook, has full executive authority for managing the Firm. The CEO is nominated by a Board-appointed committee of between four and eight equity partners, and elected by the partners for a four-year term. Unless decided otherwise by an ordinary resolution of partners, the maximum period prescribed for the CEO is eight years.

The National Executive

The CEO appoints the National Executive, which manages the Firm's day-to-day activities. The National Executive comprises the CEO, the Chief Operating Officer (COO), the Chief Financial Officer, the Chief Strategy Officer, the Managing Partner – Regional Offices and Middle Market, the Managing Partner – Clients and Industries, the Chief Risk Officer (CRO) and the six service-line managing partners for Assurance and Advisory, Consulting, Deloitte Private, Financial Advisory Services, Risk Advisory Services and Tax.

The overall responsibility for developing, implementing and monitoring quality policies and procedures and risk-related matters rests with the CEO. Day-to-day responsibility is delegated as follows:

- Chief Risk Officer – Enterprise risk framework; ethics and privacy; independence and conflicts; business resilience; compliance, including regulatory compliance; engagement risk, client and engagement acceptance; quality control; confidentiality and security; and complaints handling
- Chief Operating Officer – people and performance; legal and professional indemnity insurance.

Figure 5: Deloitte Board committees

Committee	Objective
Board Audit and Risk Committee	Assists the Board with financial reporting responsibilities, risk management and regulatory compliance
Partner Remuneration Committee	Addresses matters relating to partner remuneration
Board Partner Admission Subcommittee	Assists the Board with responsibilities relating to the admission of lateral hire partners
Board Small Acquisitions Subcommittee	Assists the Board in overseeing the acquisition or disposal of partnership property below a certain threshold.



"The quality and risk functions contribute to Deloitte's prosperity and the execution of strategy in a commercial and sustainable manner, while protecting and keeping the firm and its people safe."

Andrew Griffiths, Chief Risk Officer

National Quality and Risk Executive

The National Quality and Risk Executive supports the business in providing professional services to clients. It oversees and advises on national risk management functions, and the service line quality and risk functions.

The National Quality and Risk Executive comprises the COO, the CRO, the General Counsel, the Professional Services Risk Partner, and the National Quality and Risk and Independence and Conflicts Partner.

Assurance Practice

Leadership

The National Managing Partner A&A, Richard Deutsch, and the A&A Executive are responsible for delivering on the Assurance Practice's business objectives and are accountable for its compliance with quality standards. The National Managing Partner A&A appoints members of the A&A Executive after consultation with the CEO. The A&A Executive meets monthly, and audit quality is regularly on the agenda.

Mr Deutsch also represents Australia on DTTL's Global Audit Leadership Team (see Appendix 1 for information about the role of the Global Audit Leadership Team).

National Auditing and Accounting Technical and Risk functions

The National Managing Partner A&A, in consultation with the CRO, appoints an experienced, skilled and respected leader as the National Professional Practice Director (NPPD). Greg Coultas is our NPPD and is a member of the Firm's Board and the Global Audit Quality Board. He is also Chair of the Firm's Board Audit and Risk Committee. He is responsible for all decisions relating to the interpretation of accounting and auditing matters.

In addition, the Assurance Practice's Risk Leader, Jamie Gatt, has operational responsibility for the systems of quality control. Jamie oversees the A&A Quality and Risk Team and the National Accounting Technical Team. Jamie is also a member of the A&A Executive.

The A&A Quality and Risk Team is responsible for implementing the quality agenda, establishing function-specific policies and procedures, audit technical training, monitoring and risk mitigation, and supporting engagement teams on a day-to-day basis.

The National Accounting Technical Team is responsible for providing accounting technical support, including training, to the Assurance Practice and clients. It specialises in accounting standards and interpretations, including Australian International Financial Reporting Standards (A-IFRS) and United States (US) Generally Accepted Accounting Principles, and the financial reporting requirements of the Corporations Act.

Audit Quality Network

We have an Audit Quality Network of partners and staff within geographic or market segments of our Assurance Practice, known as Clusters. The network is responsible for tailoring the national Audit Quality Plan to make it relevant within these Clusters, helping to create a sense of ownership and increase accountability for achieving quality outcomes. As a catalyst for change, the Audit Quality Network also identifies issues and develops solutions that can be shared by all Clusters.

3. Executing – delivering high-quality audits

Our commitment to audit quality encompasses the entire range of organisational motivations and behaviour, from the mindset and mission of the auditor to the specific capabilities, tools, methods and standards we apply in conducting audits and managing our Assurance Practice. Our focus on design also allows us to provide a genuinely different audit experience to clients.

Communication with management, audit committees and boards

We recognise that effective communication between audit teams, client management teams, audit committees and boards is critical to excellence in financial reporting.

Our communication covers the scope of audits, any threats to independence or objectivity as well as our risk assessment, significant findings and judgements. Our reports are structured so they communicate clear and concise messages, and allow the reader to quickly understand key findings. Many of our reports include infographics to highlight insights. We use digital technology to provide some clients with interactive reports that allow their boards and management to drill deeper into areas of relevance or interest.

Case study: Insurer

Our interactive report to the Board Audit Committee and management of an insurer was designed to be easy to read and understand, and brought relevant insight based on the results of the audit. The concept of an interactive and visual report on the audit was new and the feedback from the client was overwhelmingly positive. This was largely a result of simplifying complex issues using visuals, and layering the data to enable individual board members to quickly understand areas of risk and where we had exercised our professional judgement. The report was delivered in an easy-to-navigate iPad- and tablet-friendly format, which added to the positive experience.

We believe audit committees play an important role in enhancing audit quality and supporting a high level of transparency and integrity in financial reporting by:

- Challenging whether the company has appropriately skilled personnel responsible for financial reporting and a culture that values quality and transparency
- Having the requisite skill mix and thorough understanding of the business model to be able to critically evaluate information, anticipate and manage risks, and engage in frank and open dialogue with the auditor
- Challenging the appropriateness of the accounting judgements exercised by management in preparing the financial statements and making disclosures in financial reports
- Understanding the cause of observations and findings from the auditor and ensuring management responds appropriately
- Setting audit fees that support the delivery of a quality audit
- Considering the independence and effectiveness of the external audit process.

During the prior Transparency Reporting Year, ASIC released Information Sheet 183 *Directors and financial reporting* and Information Sheet 196 *Audit quality: The role of directors and audit committees*. These were designed to support directors in discharging their duties and further encourage discussion about the role of the various stakeholders in the financial reporting chain.

Client acceptance and continuance

We build quality in from the beginning of our client engagements. It is all about accepting the right clients, understanding their risks and formulating an appropriate audit response to address them.

Client acceptance and continuance considerations are key steps in driving audit quality. In this process, we focus on confirming that we have the capacity and capability to act, that we can comply with relevant ethical and independence requirements, and that we have considered the integrity of the client.

Deloitte has rigorous policies, procedures and approval processes in place for accepting prospective clients and engagements, and assessing engagement risk. This includes a documented evaluation of the client’s risk profile and information regarding the client and its management. The client and engagement risk is classified as normal, greater than normal, or much greater than normal.

On international engagements, engagement acceptance and continuance procedures are performed at the member-firm level. The Firm does not assume that a client or engagement is acceptable merely because it is referred from another member firm.

Our Firm’s engagement risk assessment procedures provide a basis for tailoring the audit approach to address engagement-specific risks. For higher-risk engagements, additional risk management safeguards are applied, such as assigning a more experienced partner as the Engagement Quality Control Reviewer (EQCR), assigning a Special Review Partner in addition to the EQCR, involving experts or instigating a review by a national panel of experienced audit partners.

Our engagement risk assessment begins at the client acceptance process. We perform an annual continuance assessment to determine if the Firm should continue providing services. In addition, any time an entity changes significantly (for example, a change in ownership) the Firm considers whether to continue the relationship.

Figure 6: Client and engagement acceptance and continuance considerations

Risk	Consideration
Client risk	Management characteristics and integrity Organisational and management structure The nature of the business The business environment Financial results Business relationships and related parties Prior knowledge and experience of client.
Service risk	The nature of the engagement Team competence to handle the technical aspects of the specific engagement The availability of a competent team.
Engagement risk	Specific engagement risk.
Independence	Financial and other relationships Non-audit services Other threats: self-interest, self-review, advocacy, familiarity or intimidation.



Engagement team selection and expertise

The selection of the engagement team is key to developing and executing a high-quality audit. Every audit engagement is led by a partner, and our engagement partners are fully responsible for the services they provide. The identity and role of the engagement partner is communicated to key individuals of the client's management team and those charged with governance of the client's organisation.

The partner's involvement is required from the outset of any client relationship and engagement. Partners assigned to audit an entity's financial statements must have the necessary competence and industry expertise to lead the engagement. In addition, where the professional services we provide are subject to external regulation, they are led by partners who are individually authorised by the appropriate regulatory body. The engagement partner is responsible for ensuring that the professionals assigned to an engagement have the required competencies.

Considerations for engagement team selection include:

- The size and complexity of the entity's business
- The applicable financial reporting framework used in preparing the financial statements
- Applicable independence considerations
- Any possible conflicts of interest
- The qualifications and experience of professional staff, including industry credentials
- The availability of staff to commit time to the engagement.

Our audit partners also collaborate in cross-service line industry groups, which are led by senior partners with deep industry knowledge and expertise. These groups share their understanding of market developments, risk assessments and emerging trends. They bring this knowledge to bear on audit engagements to perform their role more effectively and share this knowledge with their engagement team.

The Assurance Practice also draws on resources from a joint venture entity between the Deloitte US member firm and the Deloitte India member firm. This entity is a source of reliable, high-quality people and provides additional resources during peak periods. These people are embedded in, and an integral part of, the audit engagement team. As part of the Deloitte Network, staff members within the joint venture are required to comply with DTTL policies and procedures. For this Transparency Reporting Year, 4% of the total audit hours (2014: 5%) were performed by staff from this entity.

Case study: Deloitte hosts Social Innovation Forum

The notion of social innovation typically involves people working together towards a sustainable society with a view to meeting existing and future needs. They work to create new value in social relationships and find novel solutions that create value for society as a whole. Deloitte hosted a specially designed forum to explore how auditors can be leaders in social innovation. Held in Sydney, the forum drew attendees from many disparate worlds who were encouraged to think through and build on each other's perspectives on how Deloitte, as an audit service provider, can make a positive impact on businesses and society.

Executing with the right behaviours and a focus on professional scepticism

We believe that creating the right culture and focusing on the right mindset and practices is key to achieving high-quality audits. We continue to reinforce the importance of demonstrating the right behaviours through our “10 Ways” program. This program is designed to bring out the best in our client engagement teams and benefit clients by enabling practitioners to apply our audit methodology effectively to improve audit quality, achieve marketplace excellence and develop talent.

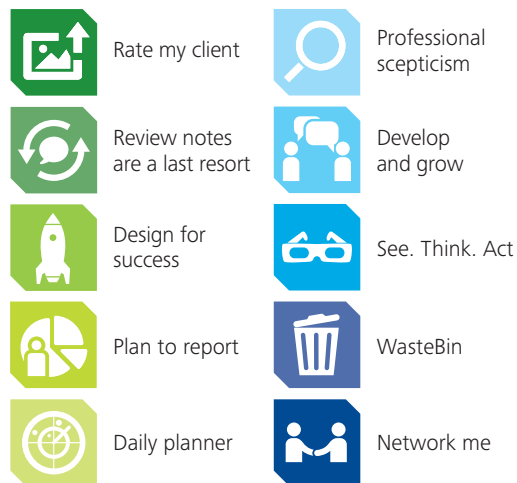
Our Audit Quality pillar is further enhanced by the Audit Imperatives, which we believe are vital to a quality audit and for us to deliver on external stakeholder expectations. The Audit Imperatives are a list of core actions requiring audit team focus, such as exercising professional scepticism, becoming experts in risk assessment and integrating engagement teams.

We continually emphasise the importance of our role as evaluators. This is reflected in many aspects of our methods, procedures and training. We also create audit working environments that take a 'design' approach to issue identification and problem solving, as well as helping our practitioners to gain skills similar to those held by ratings agencies and research analysts. When reporting to those charged with governance, we include discussions on areas of significant professional judgement to make it clear how we have exercised scepticism in reaching our conclusions.

Given the increasingly complex nature of our clients’ businesses, engagement teams often also involve specialists from across the Firm with expertise in areas such as economics, valuation, tax, actuarial services, analytics and information technology. This informs how we exercise our judgement and brings the best of Deloitte to the audit.

Figure 7: 10 Ways

The 10 Ways drive our teams to recognise the value in what they observe and call that information out to you. It is how Deloitte brings to life the audit process.



Audit Imperative #2: Focus on the importance of internal controls

We have recently increased our focus and training on internal controls assessment as part of audit planning and execution. We recognise that developing a deep understanding of the entity, including its internal control environment, is an essential part of high-quality auditing particularly for larger and more complex entities.

Case study: Global property investment, development and contracting company

We developed an end-to-end understanding of financial and relevant operational controls to better inform our risk assessment procedures, and we tested the design, implementation and operating effectiveness of relevant controls as part of our audit approach. Through our controls work we also provided the client management with valuable insights on their controls, such as examples of where introducing preventive controls would enhance the control environment and reduce dependency on detective controls. Our expertise was recognised by management. Our approach also enabled us to perform work during the year to alleviate some of the time pressures at year end.

Audit methodology and tools

Our risk-based audit methodology requires us to develop an understanding of the client's business and risks, and apply this to the design and execution of our audits.

Our audit technology platform, known as the Engagement Management System (EMS), enables comprehensive planning, performance, documentation and review of our work in accordance with auditing standards and applicable professional, regulatory and legal obligations. EMS includes the Audit Approach Manual and acts as a gateway to guides, practice aids and thought leadership developed globally and locally to enhance quality and consistency across all audits.

The Audit Approach Manual complies with International Standards on Auditing. In Australia, Deloitte supplements the global methodology with material to reflect local obligations, including the Corporations Act, professional and ethical standards, and differences between Australian and international audit standards.

Engagement teams are further supported by a wealth of other resources delivered via the global intranet to assist teams in delivering professional excellence. This includes our policies, industry information, templates, tools, practice aids and answers to frequently asked questions.

The A&A Quality and Risk Team issue a monthly newsletter to maintain focus on audit quality and inform or remind partners and staff about topical issues in accounting and auditing. In addition, technical alerts are issued to audit practitioners to clarify or communicate aspects of the Audit Approach Manual and developments in financial reporting, or to convey findings from monitoring processes. Further, mandatory technical training is delivered to the Assurance Practice twice a year.

Evolving the audit

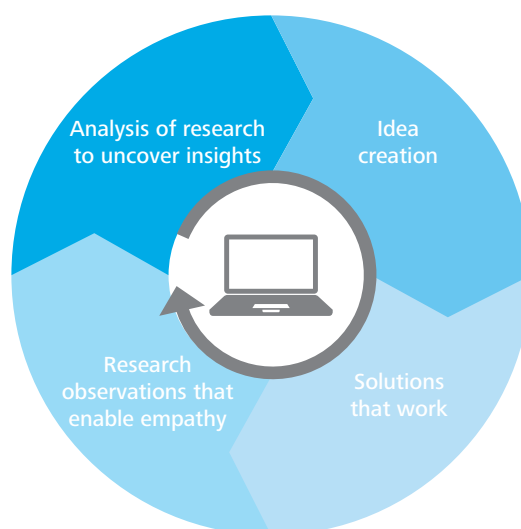
Deloitte recognises that businesses, and the environment in which they operate, are constantly evolving. This means we must also evolve our audit to meet changing needs and the challenges that an increasingly data- and technology-driven world creates.

We do this through our audit differentiation program, which focuses on building and leveraging market-leading tools and process innovations to obtain a deep understanding of the businesses we audit and the financial risks they face.

Design, data and digital

Many clients are looking for better ideas, meaningful insights and sustainable solutions. By employing design techniques, we seek to improve the effectiveness of our audits by completing analysis to gain insights, create ideas and develop solutions. A key part of the process is to enhance our empathy for the client. This approach results in a deeper understanding of our clients' activities and higher-quality outcomes, while providing a unique audit experience for our clients and our people.

Figure 8: Thinking outside the computer.
In design thinking, we work through a process of:



Our investment in market-leading data analytics has allowed us to apply more sophisticated and comprehensive audit techniques on selected audit engagements to dive deeper into risk assessment and audit testing. We also focus on lifting the base capabilities of our auditors so they can operate effectively in increasingly data-centric business environments. We introduced ExcelAnalytics in July 2015, which provides every auditor with analytic capability at their fingertips to help them be more efficient and better analyse data.

Our audit output can be presented in a visual and interactive manner using digital tools. This enables us to share our understanding of risks or analysis with our clients and make the experience for practitioners and clients more engaging and valuable.

Our practitioners also have access to specialists and diagnostic tools in areas such as finance function operations, information technology risk, valuations, tax and treasury for deeper risk identification earlier in the audit process. This helps our teams focus on what really matters to design audit responses that align with risk areas and generate a richer understanding of the client's business.

Figure 9: Design – Two sides, one coin

There are attributes innate to thinking like a designer ... and then there are processes embodied in working like a designer. Deloitte is striving to embed both.

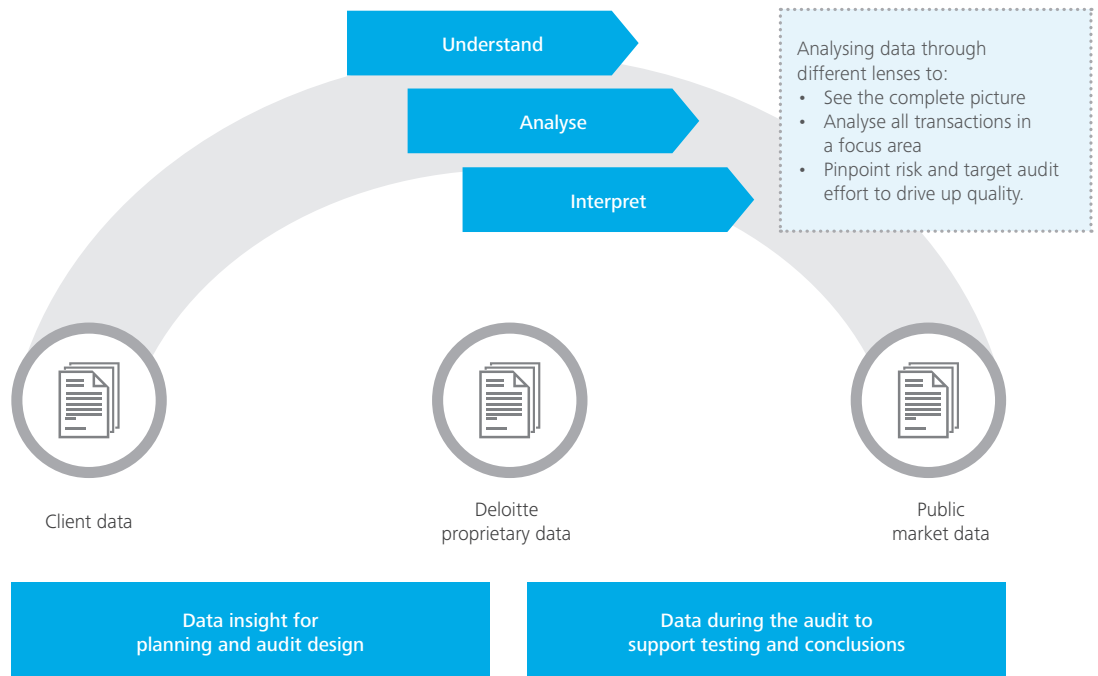




"Our commitment to quality and nurturing a culture of innovation remains relentless."

Philip Hardy, A&A Chief Operating Officer and Audit Partner

Figure 10: Using data analytics



Case study: ASX-listed contracting company

Data analytics was used to pinpoint high-risk contracts by analysing all contracts with reference to predefined risk criteria. These criteria were developed through consultation with the client as well as by applying our own independent risk profiles to the contract portfolio. Deloitte's objective audit assessment was also valuable for allowing management to compare their internal contract risk register to an external source and understand any differences. This approach has allowed us to more accurately identify the risky contracts and tailor our audit procedures.

Supervision, review and consultation

Our audit approach requires that audit engagements are adequately planned, supervised and managed so that the work performed provides reasonable assurance it complies with our policies and professional standards. The overall supervision of each audit engagement is the responsibility of the engagement partner.

Supervision and review

Figure 11 summarises the Firm's policies and procedures in relation to engagement reviews. A number of the reviews, including Panel or Special Reviews and the Professional Standards Review, and our policy to have an EQCR on all Corporations Act engagements, illustrate how our systems of quality control go beyond legal and professional requirements.

The EQCR is not part of the engagement team and is not portrayed in fact or appearance as a member of the engagement team. The EQCR is required to complete their review before the auditor's report is issued and their review must be documented.

The Special Review Partner is also independent of the engagement and is assigned to provide an additional level of competence and objectivity to engagements that have been assessed as having a much greater risk than normal. Normally, this partner has specialised industry or technical skills applicable to the engagement.

For audits of listed entities, the EQCR must be appointed by the Assurance Practice's Risk Leader in conjunction with the NPPD. In the case of non-listed engagements that have a greater than normal or much greater than normal risk, the EQCR must be selected from a list approved by the NPPD. In addition, for engagements with a much greater than normal risk, the EQCR is selected and the Special Review Partner appointed following consultation with the NPPD and Chief Risk Officer.

Consultation

While each partner is empowered to make appropriate decisions for their engagements, we strive to maintain a strong consultative culture wherein our partners consult frequently and early with peers, subject matter experts and technical specialists from across the Firm – and internationally within the Deloitte Network.

This approach enhances our capacity to answer complex questions. We encourage our engagement teams to consult whenever they need additional information, perspectives or specialised knowledge on accounting, auditing, legal, regulatory or other issues.

Our consultation policy is designed to provide reasonable assurance that agreement is reached between the partner or staff member seeking consultation and the partner or staff member consulted, and that the conclusions of the consultation are documented, understood and implemented.

Technical expertise – accounting

The National Accounting Technical Team is a dedicated group of accounting specialists that provides support to engagement teams on financial reporting matters under a formal and documented consultation process. As an IFRS Centre of Excellence, the team has access to global expertise and is at the forefront of accounting developments. It also benefits from Anna Crawford's membership on the Australian Accounting Standards Board and the Deloitte Global IFRS Leadership Team.

Figure 11: Deloitte’s review policies and procedures for audit engagements

Type of review	Required on	Performed by	Review objective
Working paper reviews			
Detailed review	All engagements	A more experienced member of the engagement team	To consider whether: <ul style="list-style-type: none"> The work has been completed appropriately Any significant matters have been raised for further consideration
Primary review	All engagements	Manager, director, principal or partner	<ul style="list-style-type: none"> Appropriate consultations have taken place and the resulting conclusions have been appropriately documented There is a need to revise the nature, timing and extent of planned audit procedures
Overriding review	All engagements	Partner	<ul style="list-style-type: none"> The evidence is sufficient to support our report The objectives of the engagement procedures have been met.
Engagement quality control reviews			
Engagement quality control review	Listed and high-risk entities	Partner	To consider whether: <ul style="list-style-type: none"> The conclusions reached on significant judgements made by the engagement team are appropriate The audit documentation selected for review in relation to significant judgements supports the conclusions reached
Engagement quality control review	Other entities	Partner, principal or director	<ul style="list-style-type: none"> Appropriate consultations have taken place and the resulting conclusions have been appropriately documented The engagement team has made an appropriate evaluation of independence The report is appropriate after reviewing the financial statements Appropriate matters have been considered for reporting to those charged with governance.
Specialist reviews			
Professional standards review	Selection of engagements	Director	To confirm that all required quality-control procedures have been completed
Accounting technical pre-issuance review	Disclosing entities	Accounting technical director, principal or partner	To assess financial statements for compliance with the financial reporting framework
Special review	Entities with much greater than normal risk	Partner	To challenge the key elements of the engagement and monitor performance in accordance with the Firm’s policy
Panel review	All engagements where we are considering a modified opinion or emphasis of matter	Partner	To consider the appropriateness of the type of audit opinion to be issued and the wording of the modification or emphasis of matter.



“We are leaders at integrating capability. In the audit context, this is enhancing the quality of our audits by bringing deep expertise to complex issues and enhancing the value of conversations with our clients.”

Jason Thorne, A&A Clients and Industries Leader and Audit Partner

Technical expertise – auditing

The A&A Quality and Risk Team focuses on audit quality and risk management, including providing first-line support to our engagement partners and teams. Throughout its engagement with practitioners and regular communications, the A&A Quality and Risk Team champions the importance of audit quality. It also benefits from Greg Couttas, our NPPD, being a member of the Global Audit Quality Board and Caithlin McCabe, the Audit Quality and Regulatory Partner, being a member of the Australian Auditing Standards Board and the Deloitte Global Audit Technical Advisory Board.

Delivering value by partnering with Deloitte Access Economics

Deloitte Access Economics has given Deloitte auditors ready access to unrivalled economic expertise to deepen our understanding of industries and business. Our audit practitioners receive weekly economic updates and have access to a library of economic and demographic data, reports and Deloitte Access Economics subject matter experts. This capability allows for better quality and more consistent analysis on audits; for example, when reviewing assumptions used in valuation models.

Differences of opinion

An audit requires professionals to exercise judgement, which can result in differences of opinion. When these arise, either among members of the engagement team or between members of the engagement team and consultants, we use resolution policies and procedures. These include escalation procedures to resolve differences and requirements for documenting outcomes.

Engagement documentation and security

Maintaining client confidentiality is of the utmost importance to Deloitte. The Deloitte Policy Manual includes specific requirements in relation to client confidentiality, privacy, insider trading and information security. Assurance Practice professionals were required to complete training in July 2014 to remind them of their obligations under the Deloitte Policy Manual in relation to these matters. In addition, access to individual client EMS files is restricted to engagement team members.

Case Study: Market-leading professional services company

We integrated Deloitte Access Economics into our team and leveraged its expertise to support economic assumptions in the impairment model as well as apply professional scepticism to challenge management’s assumptions and perform the necessary sensitivities. This not only enhanced the quality of our evidence but enabled a valuable conversation with the Board on economic trends in the markets in which the company operated from a local and global perspective.



"The Firm focuses on professional excellence as the foundation for achieving high audit quality on a consistent basis."

Margaret Dreyer, A&A People Partner

Firm policy requires audit files to be archived in accordance with relevant requirements, and archiving is closely monitored. Non-compliance with the archiving policy affects partner performance and our Practice Office Review Program rating. All work papers supporting our audit reports are retained for seven years from the date of our report, as required by the Corporations Act.

Talent development

As a professional services business, we recognise that our success depends on developing talented and motivated practitioners who can deliver world-class audit services. Our comprehensive talent programs start at the time of recruitment and continue throughout an individual's career with Deloitte.

Recruitment

Our selection process is designed to recruit highly talented, well-rounded individuals with strong academic and technical capabilities who demonstrate exceptional analytical skills and innovative thinking.

Performance culture

An important part of our capacity to deliver high-quality audits is our focus on recognising and rewarding exceptional performance. Partners and staff are regularly assessed against a range of criteria designed to measure performance, with quality and compliance with independence policies being key considerations.

In addition, staff members receive regular on-the-job feedback through our engagement performance review process. This process requires individuals to establish personal objectives at the start of each engagement and to demonstrate specific competencies with reference to a competency model. This model incorporates technical skills, client service and leadership effectiveness, among other elements. The engagement rating contributes to their overall rating in mid-year and annual performance reviews.

Failure to meet quality requirements can affect an individual's overall performance rating, remuneration and eligibility for promotion. Depending on the severity of any non-compliance with Firm policies, disciplinary action – including termination of employment or removal from the partnership – may also be taken. For partners, disciplinary action may also include financial penalties.

All promotions to manager, director and principal level require the submission of a detailed business case and the delivery of high-quality work. Compliance with Firm policies and professional standards are considered in final promotion decisions.

We are confident that these actions, led by our partners, create an environment where achieving high quality is valued, invested in and rewarded, and that our performance management and reward systems for partners and staff promote the characteristics essential to quality auditing.

Professional development

To 'continuously grow and improve' is one of our seven Signals and a core part of our Firm's culture. We want our people to enjoy rewarding and challenging careers, and we maintain a highly competent workforce that is able to deliver outstanding service and quality to our clients. This is achieved by having a detailed understanding of the skills and capabilities individuals require at particular points in their career, and an innovative and structured approach to learning and development.

Our continuing professional development programs focus on targeted learning of both technical and non-technical topics. The curricula have been designed around a competency framework and are intended to:

- Provide partners and staff with the right skills, at the right time, to provide both quality outcomes for clients and rewarding career experiences for our people
- Keep partners and staff at the forefront of new developments in the accounting, auditing and regulatory environment
- Embed the Firm's quality and risk imperative in the Deloitte culture and its leadership.

Assurance partners are required to complete ongoing compulsory learning modules to maintain their Deloitte accreditation to sign audit opinions. In the case of non-compliance, the Firm does not hesitate to suspend the signing rights of an engagement partner or EQCR. Partners who sign audit opinions for other jurisdictions (such as the US) undertake additional mandatory training.

Over and above this comprehensive mandatory audit learning and development syllabus for our partners and staff, we provide technical updates, industry-specific training, e-learning modules and webinars to give partners and staff access to relevant training on demand. For example, during the Transparency Reporting Year we ran webinars on simplified reporting, auditing valuation of complex financial instruments and fraud. We require our assurance professionals to obtain a minimum of 20 hours of comprehensive mandatory audit learning and development per annum and 120 hours in every three-year period.

Partner remuneration

Partner remuneration is based on achieving individual partner plans, which are aligned to firm-wide and business-unit objectives. A strong contribution is expected from all partners in the following areas:

- Achieving performance and living our culture, personally and in teams, as articulated in the Signals
- Serving our clients with distinction
- Recruiting, motivating, inspiring and developing our people
- Developing personal networks that are shared with colleagues
- Supporting and contributing to firm-wide initiatives
- Demonstrating a strong commitment to quality, risk management and the stewardship of our reputation.

Our partner performance management and remuneration process creates a strong link between audit quality and partner remuneration.

Assurance partners are prohibited from earning or receiving compensation, bonuses and other direct financial incentives for selling products or services to their audit clients.

Deloitte's partner appointment process is thorough and robust. It is based on a detailed business case that incorporates compliance with the Firm's quality and risk management practices as a key consideration. All business cases for partnership include feedback from the Service Line Risk Leader, are endorsed by the National Service Line Leader and are approved by the National Executive.

Both partner remuneration and partner appointments are approved by the CEO and the Board of Partners to validate that Firm processes have been followed, contributions are properly recognised and the Firm's values have been maintained.

4. Improving – learning, measuring and refining

In a changing environment, agility and an ability to deal with complexity is becoming increasingly important. Our programs include real-time coaching and formal monitoring as a framework for continuous learning and improvement.

Coaching

Our Audit Quality Coaching Program for selected engagements is used to embed the Firm's Audit Quality Imperatives and the focus areas set out in our Audit Quality Plan. Rather than a formal 'after the fact' review, coaches work with the engagement teams to reinforce our methodology, challenge teams and provide timely advice that can be acted on immediately during the engagement.

Delivering value by focusing on impairment

Impairment of assets is a continued focus of ASIC through its financial reporting surveillance and audit inspection programs. We established a taskforce in March 2014 to increase the capability of our audit practitioners and respond to auditor and client challenges in this complex area.

The taskforce, led by an audit partner and corporate finance valuations director, met with ASIC to better understand ASIC's expectations and concerns. Better education, coaching and use of experts as part of the engagement team has improved the depth of analysis, communication of the technical requirements to management and boards, and information provided to the market.

Case study: ASX-listed industrial products company

In planning the year-end audit, we identified impairment risk relating, in part, to external factors outside the control of the company that could impact in future periods. We engaged with management to consider how to disclose the sensitivities to these external factors and other areas of uncertainty in the financial statements to communicate the effect of adverse changes. After robust discussions, we were able to influence management and the Board to consider the benefits of extensive disclosures in the annual report. Having open and frank discussions about the benefit of transparent disclosure early in the year played a part in the decision by management and the Board to provide enhanced disclosure around the company's assessment for impairment. The management team received favourable remarks from the analyst community regarding the additional disclosures.





“We are raising the bar on what we expect of our partners and practitioners to be recognised as delivering value to the market and instilling trust.”

Jamie Gatt, Audit Risk Leader

Monitoring of quality-control policies and procedures

Our systems of quality control are designed to help deliver high-quality audits and comply with the requirements of ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* (ASQC 1).

Our monitoring initiatives complement our policies, procedures and tools we have in place to drive audit quality, enabling us to continually improve as we work.

Our annual DTTL Practice Review Program is a key component of the Firm’s overall systems of quality control. This inspection and monitoring mechanism provides evidence of compliance with, and consistency in, the application of Deloitte Network policies and methodologies.

The Practice Review Program assures the Firm’s leadership that our systems of quality control comply with ASQC 1 and are operating effectively. The findings and recommendations resulting from the practice reviews are presented to the Firm’s CEO and form the basis for future improvement initiatives.

Each year, the Firm also communicates the results of the Practice Review Program, and ongoing consideration and evaluation of its systems of quality control, to its partners and other appropriate individuals within the Firm. When responding to an adverse finding from the reviews or any regulatory inspection, we seek to understand the root cause so we can develop a response that will make similar findings less likely in the future.

We have enhanced our Practice Review Program to split the timing of reviews into two periods, rather than annually, so we can respond more quickly as a Firm to any improvement opportunities identified.

Client Service Assessment Program

Deloitte is committed to providing excellent client service. An essential part of delivering, sustaining and improving our service is obtaining regular and structured feedback from our clients.

At the end of a selection of engagements, Deloitte partners who are independent of the engagement and/or client relationship conduct structured face-to-face interviews with key contacts at the client organisation. The engagement team is given specific feedback from these interviews and takes action to continuously improve service delivery.

Complaints policy

To allow the Firm to retain its strong reputation, we have a publicly available Complaints Handling Policy. This provides guidance on the manner in which Deloitte receives and manages complaints made against the Firm, its partners and its employees. The policy is supported by a procedures manual to help staff resolve complaints in an efficient, effective and professional manner.

Our process includes appointing a Complaints Officer and designating communication channels to manage complaints. Complaints are documented and analysed by the Complaints Officer to determine if any action, including changes to the systems of quality control, should be taken to address specific problems.

Practice Review Program: key features

- DTTL appoints an External Partner to oversee the Practice Review to increase global consistency
- The program is led by the Firm's Practice Review Director
- The Practice Review plan, process and results are reviewed and concurred on by a partner from another DTTL Network firm
- Every audit partner is reviewed at least once every three years. In addition, partner candidates are reviewed prior to promotion to partner. Engagement files of 36% of our Assurance Practice partners were subject to review in fiscal year 2015 (35% in fiscal 2014)
- IFIAR and ASIC focus areas are emphasised and supplemented with country-specific focus areas
- Engagement selections are risk-based and all major industries served by the Firm or practice office are considered
- Reviewers are chosen from international pools or from other practice offices or Clusters within the Firm. Reviewers are assigned based on skill level, industry knowledge and experience
- The Firm communicates any deficiencies that were noted and recommendations for remedial action as a result of the review to the relevant partner or staff member
- If partners are rated below a certain level, an additional number of their engagements will be reviewed and they will be automatically listed for individual review the following year
- Findings are incorporated into partner performance assessments, and poor performing partners may be sanctioned depending on the severity of the findings
- A mid-year assessment monitors the impact of the prior year's action plan on addressing Practice Review findings so that adjustments can be made where actions have not resulted in clear improvement to engagements and/or our systems of quality control
- A causal factor analysis is performed to identify the root cause of the Practice Review findings and these insights help shape responses included in our Audit Quality Plan
- DTTL leadership monitors the Firm's commitment to audit quality.

5. Ethics, privacy and independence

Deloitte professionals are expected to act with integrity and to maintain their independence in accordance with the Firm's independence framework. Our channels for discussing issues of ethics and independence are well established and regularly used.

Ethics and privacy

Our expectations of partners and staff are documented in our *Code of Ethical Conduct* (the Code), which captures how our vision, values and conduct work together. The Code reminds our people that certain skills are fundamental to ethical decision making, and that each of us is personally responsible for our decisions and actions. The values and principles set out in our Signals and the Code define Deloitte.

Deloitte has an Ethics Officer who promotes the importance of ethical behaviour and who is supported by Ethics Advocacy Officers in each office. The Ethics Officer is an experienced partner who has direct access to the CEO and the Board and formally reports to both on an annual basis.

The Firm reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes and measurement systems, including the provision of ethics training, an annual ethics survey to gauge understanding and an ethics helpline. All partners and staff are required to confirm each year that they have read the Code, complied with the Code and reported any unethical behaviour.

We see 'doing the right thing' as fundamental, not just to the public interest and the interest of our clients but also to the reputation of our Firm, partners and people.

The Ethics Officer, David Lombe, is also Deloitte's Privacy Officer. The Privacy Officer is supported by a Privacy Team, which comprises members of the National Quality and Risk Team and Legal teams, as well as the Chief Information Security Officer. The Privacy Team promotes privacy awareness throughout the Firm through training, incident handling and social media. Respecting our clients' privacy remains integral to the way we work.

Deloitte's Ethical Principles

- Honesty and integrity – we act with honesty and integrity
- Professional behaviour – we operate within the letter and the spirit of applicable laws
- Competence – we bring appropriate skills and capabilities to every client assignment
- Objectivity – we are objective in forming our professional opinions and any advice
- Confidentiality – we respect the confidentiality of information
- Fair business practices – we are committed to fair business practices
- Responsibility to society – we recognise and respect the impact we have on the world around us
- Respect and fair treatment – we treat all of our colleagues with respect, courtesy and fairness
- Accountability and decision making – we lead by example, using our shared values as our foundation.

Independence

Deloitte's commitment to independence and objectivity is the essence of our brand and the foundation on which we have built our reputation for integrity and quality.

We assess our independence for each client and on each engagement. Our commitment to independence is demonstrated by the tone set by our leaders, and is reinforced by carefully and consistently implementing and monitoring comprehensive independence policies and procedures.

Our Independence and Conflicts Partner, Marisa Orbea, is supported by experienced and dedicated independence specialists who are responsible for communicating independence policies and procedures, providing consultation support, implementing and monitoring independence quality controls, designing and conducting independence training, and monitoring compliance with independence requirements.

Independence policies

To establish clear guidance for partners and staff, Deloitte's independence policies include the auditor independence requirements of the Corporations Act, APES 110 *Code of Ethics for Professional Accountants* and, where applicable, the independence rules of the US Public Company Accounting Oversight Board, and US Securities and Exchange Commission.

In some areas, Deloitte's independence policies impose more stringent restrictions than those required by regulation and professional standards. This includes our restriction on all partners and their immediate family members from having shares in any listed companies that are audit clients of the Deloitte Network.

Deloitte's independence policies apply to all partners and employees, regardless of role or level. The policies also apply to the immediate family members of those individuals and, in certain instances, to other close relatives. The policies include restrictions on the financial, employment or business relationships that can be entered into with audit clients, as well as guidance on the non-audit services and fee arrangements that, if provided to audit clients, may impair independence. The policies require partners and staff to notify the Independence team promptly if they become aware of any independence breaches.

The independence policies and related guidance are available to all of our partners and employees on Deloitte's intranet.

Deloitte reports annually to DTTL that it has carried out appropriate procedures to conclude that the member firm and its professionals have complied with the independence policies.



Restricted entity list and monitoring of financial interests

Deloitte maintains a restricted entity list of client companies from which our professionals and their immediate family members may not acquire investments or other financial products, due to local or global audit relationships. The list includes Deloitte Network audit clients that are listed companies, registered schemes or retail superannuation funds, and other organisations such as financial institutions that offer financial products to the general public. Professionals are required to search the restricted entity list before acquiring a financial interest or other financial product.

To support compliance with the financial and investment restrictions placed on our professionals, we use an automated independence monitoring system to track personal financial holdings. All Deloitte partners and management-level client service professionals are required to record and update their investments and those of their immediate family members in their individual accounts in the monitoring system.

To allow for the timely resolution of any potential independence issues, the monitoring system is linked to the restricted entity list, so the system can automatically email users when a potential exception may need to be addressed due to a change in restriction. System-generated notifications related to investments in restricted entities are monitored and followed up by the Independence Group.

Independence training

All partners and professional employees are required to complete training in the Firm's independence policies when they join Deloitte. They are also provided with personal independence summaries and a brief introduction to other independence systems and policies.

Ongoing training incorporates updates to the independence policies and case studies. The Independence Group and the DTTL Global Independence Group issue regular policy updates and independence alerts to promptly communicate changes in the global regulatory landscape and new policies or interpretations to all of our people.

Independence confirmations and internal monitoring

All our people, including administrative employees, are required to submit an annual written confirmation that they have read, understood and complied with Deloitte's independence policies. The Independence Group carefully monitors the confirmation process, and any potential issues that may be disclosed in the confirmations are evaluated and resolved.

In addition, all professionals who are assigned to provide services as part of a financial statement audit engagement are required to confirm their independence of the audit client.

Deloitte has implemented an ongoing program to test the accuracy and completeness of the independence confirmations and the financial information in the automated independence monitoring system. This involves periodically selecting a sample of professionals and reviewing their personal financial information and that of their immediate families to test compliance with the independence policies.

During calendar year 2014, 34% of partners (2013: 26%) were selected for independence compliance testing.

Disciplinary process

Deloitte's leaders take a zero-tolerance approach to non-compliance with the Firm's independence policies. Our partners and employees are subject to disciplinary action if they violate these guidelines. Depending upon the severity of the violation, sanctions may include written warnings, financial penalties and potentially termination of employment or removal from the partnership.



"We are committed to high professional and ethical standards, auditor independence and our responsibility to act in the public interest."

Marisa Orbea, Independence and Conflicts Partner

Scope of services for audit clients

Deloitte engagement acceptance policies require the partner leading a potential engagement to supervise a process designed to identify entities from which we must maintain independence. This includes determining whether Deloitte has an audit relationship with the potential client or any of its affiliates and, if so, determining whether the services can be provided without impairing auditor independence.

Our policies require us to obtain and document approval from the lead client service partner prior to accepting any new engagements, even if that partner is located in a Deloitte Network firm in another country.

Each year, the Independence Group reviews a sample of engagements to test compliance with policies.

Business relationships and alliances

Business relationships and alliances with third parties can impair auditor independence. The Firm has policies and training programs to educate our people about these arrangements. In addition, all proposed marketplace business relationships require evaluation and approval by the Independence Group and are then maintained and monitored in a central database of approved relationships.

Deloitte has processes and procedures for engaging independent contractors, including centralised management of contractors through a single third-party service provider. This allows for potential independence issues to be identified and assessed before entering into arrangements.

Review of independence practices and monitoring

The Firm performs an annual internal review of independence quality controls, which is overseen by an individual nominated by DTTL. An external review of our independence quality controls is undertaken at least every three years and the results are communicated to the CEO. The most recent review was an external review undertaken during March 2015.

Audit partner rotation

Rotation of engagement partners, EQCRs and other key audit partners helps to provide a fresh perspective and to reduce familiarity and self-interest threats to independence. Deloitte's partner rotation policy and procedures comply with the requirements of the Corporations Act, APES 110 *Code of Ethics for Professional Accountants* and Australian Prudential Regulation Authority (APRA) Prudential Standards.

Our rotation policies require that the engagement partner and the EQCR for the audits of listed entities and APRA-regulated entities are rotated after five consecutive years of service. For other key audit partners involved in the audits of listed entities and other public interest entities, the rotation requirement is seven years. Following rotation, these audit partners are not permitted to be involved in the audit engagement for a period of two years.

Deloitte maintains a database that tracks the number of years of audit partner involvement to facilitate succession planning and monitor compliance with rotation requirements. Reassignment or rotation of an audit partner is planned well in advance and coordinated with the client to allow a smooth transition.

6. External monitoring

Given the important role of auditors in the financial markets, our profession and Deloitte are subject to external oversight by ASIC and relevant overseas regulators. We see this oversight as an opportunity to gain independent feedback on our Assurance Practice to complement our internal Practice Review program.

Australian Securities & Investments Commission

ASIC has responsibility for oversight of auditors in Australia, including Deloitte. ASIC monitors compliance with the requirements of the Corporations Act as it relates to auditor independence and audit quality. ASIC introduced a continuous inspection process for the largest firms in 2014. Deloitte has been subject to ongoing engagement file reviews throughout the Transparency Reporting Year. Matters raised by ASIC are regularly communicated to audit professionals through training or other communications so that we can respond more quickly.

ASIC reports inspection findings in a private report to each individual firm. Periodically, ASIC publicly reports on its audit inspection program, summarising the scope and overall findings of inspections (see www.asic.gov.au for the report on the 2012–13 program).

Matters raised by ASIC both in our private report and the public report are analysed to determine root causes and develop strategies to rectify problems and improve processes. Where we deem it necessary, we remediate our audit engagement file for ASIC observations.

Public Company Accounting Oversight Board (US)

Deloitte is registered with the Public Company Accounting Oversight Board (PCAOB) in the US as we play a substantial role in the audits of a number of issuers in the US.

The Sarbanes-Oxley Act of 2002 authorises the PCAOB to inspect registered firms to assess compliance with certain laws, rules and professional standards in connection with the firm's audit work for clients defined as issuers according to the Sarbanes-Oxley Act.

The PCAOB conducted its last inspection of Deloitte in November 2011. The PCAOB publishes a report on its website in relation to each firm inspected (see www.pcaobus.org).

Canadian Public Accountability Board (Canada)

Deloitte is registered with the Canadian Public Accountability Board (CPAB), as we audit a number of Canadian reporting issuers. These are companies that are listed on the Canadian exchanges and must file financial statements with one or more provincial securities commissions.

CPAB oversees auditors of Canadian reporting issuers. Under Canadian Securities Administrators Rule 52–108, accounting firms that audit reporting issuers must participate in CPAB's oversight program. CPAB has not inspected Deloitte to date.

Financial Reporting Council (UK)

Deloitte is registered with the United Kingdom's (UK) Financial Reporting Council (FRC) because we audit companies that are considering listing on UK-regulated markets and previously audited companies with securities traded on UK-regulated markets. The FRC is the UK's independent regulator responsible for promoting high-quality corporate governance and reporting.

In January 2011, the European Commission granted Australia equivalent status. This means that the systems of regulation of auditors of public interest entities in Australia have been judged as equivalent to those required within the European Union by the Statutory Audit Directive. The FRC previously advised Deloitte that it will not be separately inspecting Deloitte as it will rely on ASIC's inspection program.

Financial Markets Authority (New Zealand)

Deloitte registered with the Financial Markets Authority in New Zealand (FMA) on 28 January 2015 as we audit a number of entities that are deemed to be publicly accountable in New Zealand. The FMA is responsible for monitoring overseas audit firms' compliance with the requirements. Their approach to overseas auditors that are already regulated in their home country is to place some reliance on the home regulator.



“Deloitte and ASIC share a common goal of achieving high-quality financial reporting in Australia. We are committed to continuing our open and constructive relationship with ASIC.”

Caithlin McCabe, Audit Quality and Regulatory Partner

Chartered Accountants Australia and New Zealand (CAANZ)

CAANZ has a Quality Review Program to monitor whether its members have quality-control policies and procedures in place to comply with professional standards and legal requirements.

The most recent review of Deloitte involved using an online quantitative audit quality survey to assess partner and staff perceptions of the Firm’s commitment to audit quality. The survey was conducted in the year to 30 June 2012.

Each year, CAANZ summarises its overall findings in a public report on its Quality Review Program (see www.charteredaccountants.com.au).

Figure 12: Australian and international regulators with oversight of Deloitte

Regulator	Inspection	Firm reporting
ASIC	Inspected seven times between 2005 and 2013. From 2014 we are subject to inspection on an ongoing basis	Private reporting
PCAOB	Inspected twice since 2005. The last inspection was in November 2011	Public report Inspection reports are available at www.pcaobus.org
CPAB	Not inspected to date	Not applicable
CPAB	Relies on ASIC inspection program	Not applicable
FRC	Anticipated to rely on ASIC inspection program	Not applicable

Appendix 1 – Deloitte Network and legal structure

'Deloitte' is the brand under which more than 220,000 dedicated professionals in independent firms in more than 150 countries collaborate to provide audit, consulting, financial advisory, risk management and tax services to selected clients. Although each firm is independent, Deloitte's global leadership, governance and oversight structures enhance the ability of member firms to deliver high-quality services within their local markets, including Australia.

The independent firms are a network of firms (Deloitte Network) and each is a member firm of Deloitte Touche Tohmatsu Limited (DTTL), a UK private company limited by guarantee. Each member firm provides services in a particular geographic area and is subject to the laws and professional regulations of the particular country or countries in which it operates. In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu.

DTTL does not itself provide services to clients, or direct, manage, control or own any interest in any member firm. Further, member firms are not subsidiaries or branch offices of DTTL. DTTL and each DTTL member firm are separate and distinct legal entities, which cannot obligate each other. DTTL and each DTTL member firm are liable only for their own acts or omissions and not those of each other. Each DTTL member firm is structured differently in accordance with national laws, regulations, customary practice and other factors, and may secure the provision of professional services in its territory through subsidiaries, affiliates and/or other entities.

Each member firm has voluntarily become a member of the Deloitte Network with a primary purpose to coordinate their approach to client service, professional standards, shared values, methodologies, and systems of quality control and risk management. DTTL has adopted certain policies and protocols in each of these areas in an effort to establish a consistently high level of quality, professional conduct and service in all member firms. This structure confers significant strengths, combining robust standards and methodologies with a deep understanding of local markets and a sense of responsibility and initiative among professionals who have a direct stake in the integrity and growth of their respective practices.

There are governance and management structures at both the DTTL and member-firm levels. At the DTTL level, the DTTL Board of Directors has adopted certain resolutions, policies and protocols regarding the governance of DTTL, professional standards and methodologies, and systems of quality control and risk management in an effort to establish a consistently high level of quality, professional conduct and service in all member firms. Member firms are responsible for applying these policies as well as for setting their own policies and exercising professional judgement to allow compliance with applicable professional standards and local laws and regulations.

The DTTL Board is the highest governing body of DTTL. Our CSO, John Meacock, is a member of the DTTL Board. DTTL's highest management body is the DTTL Global Executive Committee, which is led by the global CEO. Our CEO, Cindy Hook, is a member of the DTTL Global Executive Committee.

The Global Audit Leadership Team comprises the audit leaders of the 10 largest member firms and is responsible for approving global audit strategy and overseeing implementation plans. Richard Deutsch, our National Managing Partner, A&A, represents Australia on the Global Audit Leadership Team. Greg Couttas, a senior audit partner and our NPPD, represents Australia on the Global Audit Quality Board. Caithlin McCabe, our Audit Quality and Regulatory Partner, is a member of the Global Audit Technical Advisory Board. Anna Crawford, an accounting technical partner, is a member of the Deloitte Global IFRS Leadership Team and Tara Hill, an audit partner, is a member of the Global Audit Learning Council.

Further, DTTL requires and monitors the implementation of high-priority programs, such as the implementation of Deloitte Audit, the Audit Quality Imperatives and the Audit Quality Plan. This is in addition to the Practice Review Program described in Chapter 4.

Appendix 2 – Deloitte audit clients

Listed companies and listed registered schemes

Deloitte completed statutory audits³ of the following listed entities during the year ended 30 June 2015

AAT Corporation Limited	Australian Masters Corporate Bond Fund No. 5 Limited
Aberdeen Leaders Limited	Australian Masters Yield Fund No. 1 Limited
Adelaide Resources Limited	Australian Masters Yield Fund No. 2 Limited
AGL Energy Limited	Australian Masters Yield Fund No. 3 Limited
Agricultural Land Trust	Australian Masters Yield Fund No. 4 Limited
Agua Resources Limited	Australian Renewable Fuels Limited
Allegiance Coal Limited	Australian Vintage Limited
Altona Mining Limited	Bass Strait Oil Company Limited
Ambassador Oil and Gas Limited	Bionomics Limited
Ambition Group Limited	BioTech Capital Limited
Angas Securities Limited	Black Oak Minerals Limited
AP Eagers Limited	Black Rock Mining Limited
APA Group (Australian Pipeline Trust and APT Investment Trust)	Blackmores Limited
APN Property Group Limited	Boart Longyear Limited
APN Regional Property Fund	Brookfield Prime Property Fund
Apollo Consolidated Limited	BSA Limited
APT Pipelines Limited	Byron Energy Limited
Ariadne Australia Limited	Calibre Group Limited
Asian Masters Fund Limited	Capral Limited
Astro Japan Property Group Limited	Carbon Energy Limited
Audio Pixels Holdings Limited	Cash Converters International Limited
Aurora Absolute Return Fund	Central Iron Ore Limited*
Aurora Dividend Income Trust	Centrepont Alliance Limited
Aurora Global Income Trust	CIMIC Group Limited
Aurora Property Buy-Write Income Trust	Circadian Technologies Limited
	Clarius Group Limited

Listed companies and listed registered schemes

Deloitte completed statutory audits³ of the following listed entities during the year ended 30 June 2015

Clearview Wealth Limited	Fitzroy River Corporation Limited
Cleveland Mining Company Limited	Fleetwood Corporation Limited
Coal of Africa Limited	Folkestone Limited
Coalspur Mines Limited	Freedom Foods Group Limited
Creat Resources Holdings Limited*	Funtastic Limited
Crowd Mobile Limited	Gale Pacific Limited
Crusader Resources Limited	Generation Healthcare REIT
CSR Limited	Gippsland Limited
Dick Smith Holdings Limited	GLG Corp Limited
Digital CC Limited	Global Masters Fund*
Domino's Pizza Enterprises Limited	Global Resource Masters Fund Limited
Downer EDI Limited	Godfreys Group Limited
Drillsearch Energy Limited	Golden Rim Resources Limited
Drummond Gold Limited	GPS Alliance Holdings Limited
Dynasty Resources Limited	GR Engineering Services Limited
eChoice Limited	Greenland Minerals and Energy Limited
Ecosave Holdings Limited	Gullewa Limited
Elanor Investors Group (Stapled security)	Havilah Resources Limited
Electro Optic Systems Holdings Limited	Healthscope Limited
Elemental Minerals Limited	HGL Limited
Embelton Limited	Hillgrove Resources Limited
Emerchants Limited	IDT Australia Limited
Energy Metals Limited	Ikwezi Mining Limited
Enhanced Systems Technologies Limited	IM Medical Limited
Equity Trustees Limited	Imdex Limited
Eservglobal Limited	Incitec Pivot Limited
ETFS Metal Securities Australia Limited	Industria REIT
FAR Ltd	IPH Limited

Listed companies and listed registered schemes

Deloitte completed statutory audits³ of the following listed entities during the year ended 30 June 2015

IRESS Limited	Neometals Limited
Iron Ore Holdings Limited	New Hope Corporation Limited
iSentia Group Limited	Northern Star Resources Limited
iShares MSCI Australia 200 ETF	NRW Holdings Limited
iShares S&P/ASX 20 ETF	Odyssey Energy Limited
iShares S&P/ASX Dividend Opportunities ETF	Oil Basins Limited
iShares S&P/ASX Small Ordinaries ETF	Oil Search Limited
iShares UBS Composite Bond ETF	OreCorp Limited
iShares UBS Government Inflation ETF	Panorama Synergy Limited
iShares UBS Treasury ETF	Paringa Resources Limited
JB Hi-Fi Limited	Pental Limited
Leyshon Resources Limited	Petro Matad Limited*
Macquarie Radio Network Limited	Phillips River Mining Limited
Matrix Composites & Engineering Limited	Phoenix Copper Limited
Medical Developments International Limited	Pioneer Resources Limited
Merchant House International Limited	PMP Limited
MHM Metals Limited	Primary Health Care Limited
Millinium's Alternatives Fund	Primary Opinion Limited
Minera Gold Limited	Programmed Maintenance Services Limited
Mineral Deposits Limited	Prospect Resources Limited
MMA Offshore Limited	QRxPharma Limited
Molopo Energy Limited	RCG Corporation Limited
Moly Mines Limited	RCR Tomlinson Limited
Mortgage Choice Limited	Reckon Limited
Multiplex European Property Fund	Regional Express Holdings Limited
Multiplex SITES Trust	Resource Generation Limited
NAOS Emerging Opportunities Company Limited	Retail Food Group Limited
Navitas Limited	RMA Energy Limited

Listed companies and listed registered schemes

Deloitte completed statutory audits³ of the following listed entities during the year ended 30 June 2015

Rubicon Group Limited	Swick Mining Services Limited
Saunders International Limited	Tag Pacific Limited
SDI Limited	Tanga resources limited
Seafarms Group Limited	Tap Oil Limited
Servcorp Limited	Tasmania Mines Limited
Seymour Whyte Limited	Tassal Group Limited
Shriro Holdings Limited ⁴	The PAS Group Limited
Shopping Centres Australasia Property Group	Transaction Solutions International Limited
Sigma Pharmaceuticals Limited	Treasury Group Limited
Simonds Group Limited	Troy Resources Limited
SIMS Metal Management Limited	Unity Mining Limited
SIV Asset Management Limited	US Masters Residential Property Fund
Southern Hemisphere Mining Limited	US Select Private Opportunities Fund
Sovereign Metals Limited	US Select Private Opportunities Fund II
Spark Infrastructure Group (Stapled Securities)	UXC Limited
Specialty Fashion Group Limited	VGP Corporation Limited
Sphere Minerals Limited	Viento Group Limited
Stellar Resources Limited	Vision Eye Institute Limited
Stone Resources Australia Limited	Vocus Communications Limited
Stonewall Resources Limited	WCP Resources Limited
Strike Energy Limited	Webster Limited
STW Communications Group Limited	Woolworths Limited
Sundance Resources Limited	Zambezi Resources Limited

Authorised deposit-taking institutions (ADIs)

Deloitte completed statutory audits³ of the following ADIs during the year ended 30 June 2015

Arab Bank Australia Limited	Cuscal Limited
Auswide Bank Ltd	Defence Bank Limited
Bank of Sydney Limited	Members Equity Bank Pty Limited
Collie Miners Credit Union Limited	Police Credit Union Limited

Insurers

Deloitte completed statutory audits³ of the following general insurance and life insurance entities⁵ regulated by APRA during the year ended 30 June 2015

Allied World Assurance Company Limited	General Reinsurance Life Australia Limited
Ansvar Insurance Limited	Hollard Holdings Australia Pty Limited
Atradius Credit Insurance N.V.	MetLife General Insurance Limited
Australian Scholarships Group Friendly Society Limited	MetLife Insurance Limited
AXIS Specialty Europe Limited	Optus Insurance Services Pty Limited
ClearView Life Assurance Limited	Pacific International Insurance Limited
Compagnie Francaise D'Assurance Pour Le Commerce Exterieur – Australian Branch	Poseidon Insurance Company Pty Limited
General Reinsurance Australia Limited	RGA Reinsurance Company of Australia Limited
	Sovereign Insurance Australia Pty Limited

³ Audit means an audit conducted for the purposes of the Act and includes a half-year review of a financial report.

⁴ Listed on the ASX after the date of the audit report.

⁵ Includes the following bodies regulated by APRA: A general insurer, authorised non-operating holding company (NOHC) or subsidiary of a general insurer or authorised NOHC, within the meaning of the *Insurance Act 1973* and a life company that is registered under section 21 of the *Life Insurance Act 1995* or a registered NOHC within the meaning of the Act.

*Listed in foreign jurisdiction

Glossary

Term	Description
AGA	Assurance and Advisory
A-IFRS	Australian International Financial Reporting Standards
Assurance Practice	The Assurance Practice referred to in this report comprises the audit practitioners, partners and staff of Deloitte
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities & Investments Commission
ASQC 1	<i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information and Other Assurance Engagements</i> , issued by the Auditing and Assurance Standards Board
Board of Partners	Board of Partners of Deloitte
CAANZ	Chartered Accountants Australia and New Zealand
CEO	Chief Executive Officer
Cluster	A grouping within the Assurance Practice based on geographical and/or market segment
COO	Chief Operating Officer
Corporations Act	<i>Corporations Act 2001</i>
CPAB	Canadian Public Accountability Board
CRO	Chief Risk Officer
Deloitte	The Australian partnership of Deloitte Touche Tohmatsu which is a member firm of DTTL
Deloitte Network	Individual independent member firms of the DTTL Network of member firms
DTTL	Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee
EMS	Engagement Management System
EQCR	Engagement Quality Control Reviewer
FMA	Financial Markets Authority in New Zealand
FRC	Financial Reporting Council
Firm	Refer to 'Deloitte'
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
NPPD	National Professional Practice Director
PCAOB	Public Company Accounting Oversight Board
The Board	Refer to 'Board of Partners'
The Code	Ethical Code of Conduct
Transparency Reporting Year	The period 1 July to 30 June
UK	United Kingdom
US	United States of America

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In the value of insight and judgement
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Lively, tailored experiences
Redefined value for stakeholders across entities and time



Understanding through active listening and challenge
Meaningful stories by applying data and technology
Valuable insights that enable action by stakeholders

Deepen business and industry knowledge

Enrich relationships and create thinking skills

Reshape technical, analytical and data skills



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