

2018 Transparency Report

Aspire with assurance

October 2018

Assurance & Advisory



This Transparency Report is prepared in accordance with the requirements of Section 332 of the Corporations Act 2001 (Corporations Act). The Transparency Reporting Year is from 1 July 2017 to 30 June 2018.

Deloitte Australia refers to the Australian partnership of Deloitte Touche Tohmatsu.

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Leadership message

At Deloitte¹, we are committed to the consistent execution of high-quality audits, professional excellence and serving our clients, investors and capital markets.

Commitment to quality

Quality means a total commitment to making sound judgments. It means ensuring that all the right steps are taken consistently in the course of the audit. But, at Deloitte, quality means even more. It is a never-ending quest to do today's work better and to deliver more in every single engagement. We see audit as an opportunity to create ever firmer foundations on which decisions can be based and future actions taken.

Audit environment

We understand that our environment is continually changing, resulting in increasing complexity, technical disruption and higher community and regulatory expectations. We respond to these changes, by raising the standards of audit quality through innovation and transformation.

Our clients are also facing these same challenges. In addition to the assurance over financial reporting and regulatory requirements, we seek to provide a view on key risks to the execution of their business strategies, providing genuine value for stakeholders.

Global, regional and local excellence

As a member firm of the Deloitte global network, we benefit from global investments in innovation and quality, and access to global resources. These global resources, along with local, multidisciplinary expertise, assists us to provide high-quality audits to our clients.

As described in this report, from September 2018 Australia, China, Japan, New Zealand and Southeast Asia have come together to create Deloitte Asia Pacific. This move allows for greater investment and more seamless client service for our clients in Australia, across the Asia Pacific region and around the world.

This report provides you with an insight to our Firm and sets out our practices and processes, demonstrating our commitment to and investment in audit quality.

Richard Deutsch

CEO
Deloitte Australia

Tom Imbesi

Chairman
Deloitte Australia

Jamie Gatt

Managing Partner
Assurance & Advisory

¹ Throughout this report, the terms 'Deloitte, we, us, and our' refer to one or more of one or more of Deloitte Touche Tohmatsu Limited, its network of member firms, and their related entities. For more information about the Deloitte network, please see p.2.



Deloitte network

Deloitte Australia: legal structure and ownership

Deloitte Australia is connected to the Deloitte network through the Australian partnership of Deloitte Touche Tohmatsu, a member firm of Deloitte Touche Tohmatsu Limited. Deloitte Touche Tohmatsu is referred to throughout this report as Deloitte Australia or the Firm, providing professional services using the Deloitte name within Australia, Papua New Guinea and Timor Leste.

Deloitte Asia Pacific: from 1 September 2018

Deloitte Australia, along with Deloitte member firms in China, Japan, New Zealand and Southeast Asia, have made the decision to form Deloitte Asia Pacific, effective 1 September 2018. On 1 September 2018, Deloitte Asia Pacific became the member firm of Deloitte Touche Tohmatsu Limited. Deloitte Asia Pacific brings together over 44,500 professionals to provide multidisciplinary services to our clients.

As this change was effective after the end of the 2018 Transparency Reporting Year, the description of the legal, ownership and governance structures contained in this report relate to Deloitte Australia, as were relevant to the year ended 30 June 2018.

Network description The Deloitte network

The Deloitte network is a globally connected network of member firms and their affiliates operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.

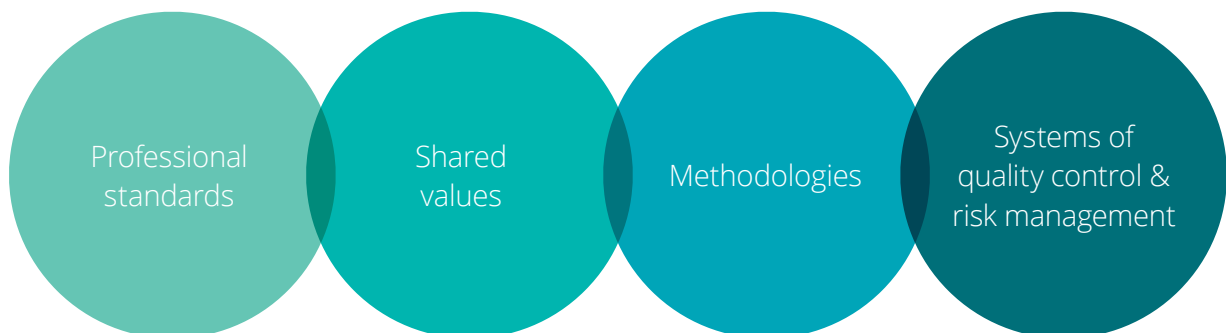
Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee. DTTL serves a coordinating role for its member firms and their affiliates by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct and service across

the Deloitte network. DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm's affiliated entities.

The Deloitte Global Board is the highest governing body of DTTL. Our Chief Strategy Officer, John Meacock, is Vice-Chairman of the Deloitte Global Board. DTTL's highest management body is the Deloitte Global Executive Committee, which is led by the global Chief Executive Officer (CEO). Our CEO during the Transparency Reporting Year and CEO of Deloitte Asia Pacific, Cindy Hook, is a member of the Deloitte Global Executive Committee.

For more information about the Deloitte network, please see: <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/about-deloitte.html>.





Deloitte Australia: governance – leadership in action

The leadership and management of Deloitte Australia is underpinned by strong governance structures.

The Board of Partners

Deloitte Australia's 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 Deloitte has an appropriate structure for corporate governance and has specific oversight of quality and risk.

The Board comprises the elected CEO and between seven and ten elected partners. Our governance structure includes specific terms around the length of service for Board members. Our current Chairman is Tom Imbesi and the separation between the roles of Chairman and the CEO provides a strong measure of accountability.

Chief Executive Officer

Our CEO 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 approved by an ordinary resolution of partners, the maximum overall period 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 Strategy Officer, the Chief HR Officer (CHRO), the Managing Partner Markets, the Managing Partner Clients Industries & Markets, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Asia Services Leader, and the six business managing partners for Assurance & Advisory, Consulting, Deloitte Private, Financial Advisory, Risk Advisory 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:

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

Assurance & Advisory leadership

Our CEO, Richard Deutsch, was Managing Partner A&A during the Transparency Reporting Year. The Managing Partner A&A and the A&A Executive develop and implement the strategy for the Assurance & Advisory practice, including related policies and procedures. In all of their activities, Deloitte Australia senior leaders are responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. The Deloitte Australia strategy is developed in alignment with the overall strategic direction established for the Deloitte network.

Deloitte Australia Assurance & Advisory leaders participate in external and Deloitte network groups that set and monitor quality standards, and from which a number of audit quality initiatives emanate.



External & DTTL contribution

Richard Deutsch

CEO (from 1 September 2018)
Accounting & Auditing Standing Committee
DTTL Global Audit & Assurance Leadership Team

Jamie Gatt

Managing Partner A&A (from 1 September 2018)
DTTL Global Audit Quality Board

Caithlin McCabe

Audit Quality & Regulatory Partner
Australian Auditing & Accounting
Public Policy Committee
DTTL Global Audit Technical Advisory Board
DTTL Regulatory Leadership Advisory Board

Gareth Bird

Partner A&A Quality & Risk
Australian Auditing & Assurance Standards Board

Jody Burton,

Chief Risk Officer
DTTL Global Risk Executive

Anna Crawford

Partner Accounting Technical
DTTL Global IFRS Leadership Team

Alison White

Partner Accounting Technical
Australian Accounting Standards Board
(from January 2018)

Marisa Orbea

Independence Partner
DTTL Global Independence Leadership Team

John Leotta

Audit Partner
International Accounting Standards Board's
Consultative Group for Rate Regulation

A&A Quality & Risk and Accounting Technical functions

The A&A Quality & Risk and Accounting Technical functions was led by Jamie Gatt during the Transparency Reporting Year. Jamie was the Assurance Risk Leader and National Professional Practice Director (NPPD). As the Assurance Practice's Risk Leader he had operational responsibility for the system of quality control and oversaw the A&A Quality & Risk team and the Accounting Technical team. As the NPPD he was responsible for all decisions relating to the interpretation of accounting and auditing matters. He was also a member of the A&A Executive.

The A&A Quality & 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 on audit technical and risk matters.

The A&A 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 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. The network helps the A&A Quality & Risk team reinforce key messages, raising awareness of quality and risk matters and helping us be more agile in responding to new developments.



Our purpose and commitment: audit quality

At Deloitte Australia, our purpose is to make an impact that matters for clients, our people and our communities. For Assurance & Advisory, this means a focus on delivering independent high quality audits and dedication to continuously pursuing opportunities to support the role of our auditors in the capital markets. This requires us to continuously build cutting-edge capabilities to support the delivery of high quality audits and make leading contributions to shaping the future of the audit profession.





What Deloitte Assurance & Advisory brings to capital markets

Audit & Assurance transformation

Being a relevant profession of the future and a sustainable practice that evolves with the pace of change in technology and society is critical. Driving this goal is the Deloitte Audit & Assurance Transformation initiative, which is currently being developed and deployed across the Deloitte network, including Deloitte Australia.

Audit & Assurance Transformation is an important shift across the network in the way Deloitte professionals work and includes:

Deloitte Way: standardisation of audit processes supported by global technology suite

Real-time audit quality monitoring

Enhanced talent model which includes learning, rewards and recognition, centers of excellence, and delivery centers

Agile deployment of tools and technologies to respond to changing environments



Deloitte Global leadership

The Deloitte Global Audit & Assurance Leadership Team is led by Panos Kakoullis, Global Managing Director Audit & Assurance. Global Audit & Assurance responsibilities include:

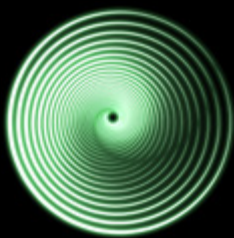
- Developing and driving Audit & Assurance strategy
- Setting audit methodology standards and approving audit policy and methodology changes with the objective of enhancing audit quality across the Deloitte network
- Driving key audit quality initiatives and policies across the Deloitte network

Audit innovation²

Innovation is an expectation in today's fast-changing business environment, and this expectation holds true for the audit profession as well. Today's complex business environment and landscape requires that the audit be dynamic, multi-dimensional, and insightful. There is a demand for real-time, relevant information, and clients expect audits to evolve as they innovate their businesses and processes. While traditional procedures still have a place in auditing, Deloitte Australia auditors are enhancing procedures by making more use of technology-based analytics, Artificial Intelligence (AI) as well as cognitive

& cloud-based technologies. This is due in part to the increased automation and effectiveness such data analytics and other tools may provide, but also the need for Deloitte Australia to stay in front of technological advances used by the entities that we audit.

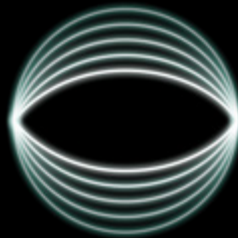
Innovation is an integral part of the entire audit delivery process, which is supported through Deloitte's three leading platforms: **Cognia**, **Illumia**, and **Magnia**.



COGNIA

How we equip our people

Portal providing a full suite of tools



ILLUMIA

How we analyse data

Approach to audit analytics



MAGNIA

How we deliver our audits

Approach to audit delivery

²For more information about Deloitte audit innovation, please refer to [Global Impact Report](#).



Audit engagement acceptance and continuance

Global initiatives are underway to foster a standard approach to audit engagement acceptance across the Deloitte network, resulting in consistent decisions and consideration of risk.

Deloitte Australia has detailed policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk. These policies and procedures are designed with the objective that Deloitte Australia only accepts or continues engagements where it:

- Is able to perform the engagement and has the capabilities, including time and resources, to do so
- Can comply with all relevant ethical requirements and professional standards, including independence and conflicts of interest assessments and considerations
- Considered the integrity of the potential client's management and those charged with governance.

We perform a continuance assessment, to determine if Deloitte Australia should continue providing services, both annually and any time an entity changes significantly (for example, a change in ownership).

Engagement team selection and expertise

The selection of the engagement team is key to developing and executing a high quality audit. Every audit is led by an engagement partner, who is responsible for ensuring that the professionals assigned to an engagement have the required competencies, experience and meet independence requirements.

For higher risk engagements, additional measures are put in place, such as assigning a more experienced Engagement Quality Control Reviewer (EQCR), assigning a Special Review Partner in addition to the EQCR for much greater than normal risk engagements, and additional required consultations with specialists or a national panel of experienced partners.

Focus on professional skepticism

We believe that creating the right culture and focusing on the right mindset and practices is key to achieving high-quality audits. Demonstrating professional skepticism is fundamental to achieving this and delivering on stakeholder expectations. We continually emphasise the importance of our role as evaluators and this is reflected in many aspects of our methodology, processes, procedures and training.

Engagement supervision and review

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

The following table summarises Deloitte Australia's policies in relation to engagement reviews.



Review policies

Working paper review

Performed by more senior members of the engagement team, including an overriding review by the engagement partner, to consider whether:

- The work has been completed appropriately
- Any significant matters have been raised for further consideration
- 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

Engagement quality control review

Performed by a partner (public interest entities and high risk entities), or partner, principal or director (other entities, based on risk), to consider whether:

- 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
- Appropriate consultations have taken place and the resulting conclusions have been appropriately documented
- The engagement team has made an appropriate evaluation of independence
- The opinion is appropriate after reviewing the financial statements
- Appropriate matters have been considered for reporting to those charged with governance

Special review

Performed by an experienced partner for entities assessed as much greater than normal risk, to provide substantive challenge to the key elements of the engagement.

Key audit matters (KAMs)

Enhanced auditor's reports for listed entities are reviewed by a partner, to consider the determination of KAMs and how they are reported in the auditor's report.

Panel review

Performed by a partner for all engagements where we are considering a modified opinion, material uncertainty related to going concern, or a restatement. A panel review considers the appropriateness of the proposed audit opinion and the wording of the modification or material uncertainty related to going concern.



Consultation

While each partner is empowered to make appropriate decisions for their engagements, we encourage our engagement teams to consult whenever they need additional information, perspectives or specialised knowledge on accounting, auditing, legal, regulatory, or other issues.

The management, visibility and consistency of these consultations is enhanced by our query management portal which facilitates the consultation process with specialists, including the A&A Accounting Technical, and A&A Quality & Risk teams.

In addition to formal consultations, we have a crowd support platform where staff can ask and answer questions about auditing, which helps to build a culture of sharing solutions and better practice.

Learning and development initiatives

Central to the Audit & Assurance Transformation initiative are various enhancements to the Deloitte talent model:

- A single, global Audit Learning Curriculum for auditors (supplemented based on local requirements as needed)
- Specific learning opportunities for traditional auditors (e.g. on big data) and specialists (e.g. audit skills). Mixed composition of traditional auditors and specialists on engagement teams provides complementary skillsets, but also the need for different learning offerings
- Enhanced project management, which is viewed as a key capability for the auditor of the future, and as such, is being integrated into talent strategies (e.g. recruitment and learning).

The objective of the Deloitte Australia professional development program is to help partners and other professionals maintain and enhance their professional competence and ensure consistency of audit execution. To supplement on-the-job development, Deloitte Australia provides formal continuing professional development programs in relevant subject areas consistent with the Deloitte Global Audit Curriculum.

Deloitte Australia establishes minimum levels of continuing professional development to be undertaken by partners and other professionals within a specific period of time. These levels include a minimum 20 hours of structured learning per year and 120 hours of structured learning in every three-year period (i.e., an average of 40 hours per year). To achieve these levels of development, Deloitte Australia offers structured, formal learning programs, such as internal or external courses, seminars, or e-learning covering all areas of the competency model (e.g., shared competencies, function-specific technical competencies, and competencies in areas of specialisation).

Partner remuneration

Execution of high quality audits is expected from all professionals and is embedded across the Deloitte network. Audit quality is built into performance standards at every level, against which professionals' overall evaluations are measured.

In accordance with global policies, Deloitte Australia's partners are evaluated on an annual basis, and depending on the outcome of the evaluation, the remuneration of partners may increase or decrease. Specifically, partner evaluations

against individual partner plans take the following factors into account:

- Achieving performance and living our culture, personally and in teams
- 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. Partners receive a 'partner quality dashboard' as part of their performance management, which includes granular feedback relating to audit quality.

Partner remuneration is approved by the CEO and the Board of Partners to validate that our processes have been followed, contributions are properly recognised and our values have been maintained.



The role of directors in achieving high quality financial reporting

In an environment of increasing scrutiny, we recognise that directors are primarily responsible for the quality of financial reporting and play an important role in supporting the audit process. Directors can meet these responsibilities by:

- Challenging whether the company has systems, processes and controls, as well as 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 policies and judgements exercised by management in preparing the financial statements and making disclosures in financial reports
- Maintaining an open dialogue with the auditor on matters affecting the financial report, the audit and audit quality
- 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.

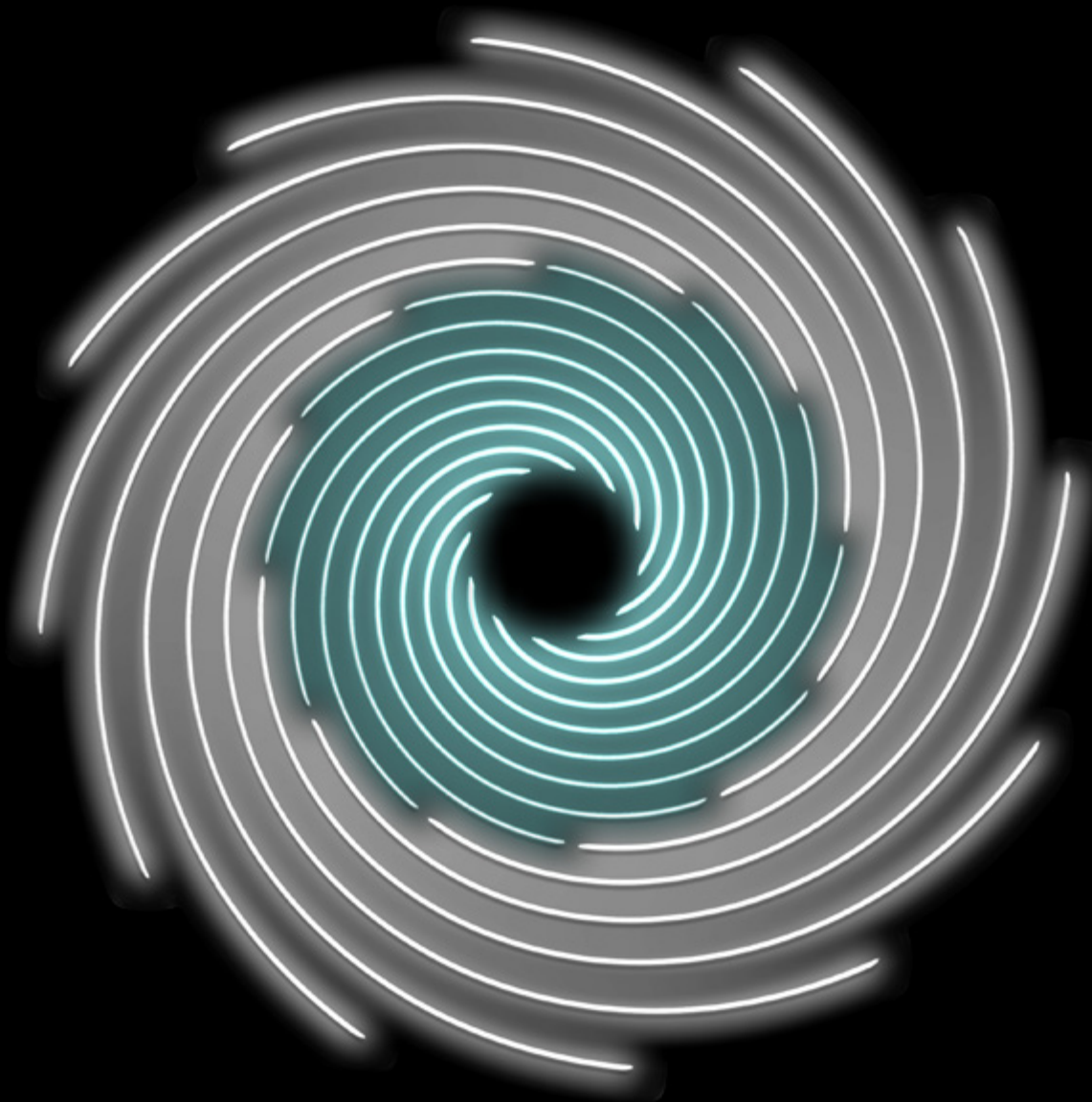


The high quality audits we deliver

The experience of a high quality audit will provide the audit committees, investors, and other stakeholders of the companies with (but not limited to):

- An audit report that is appropriate to the circumstances
- Innovation in how we do the audit
- More insights about their company than they had at the outset of the process.

Deloitte is proud of its role in supporting the capital markets, protecting investors and the public trust.





External and internal audit quality monitoring

Audit Quality Monitoring & Measurement

A continued focus on audit quality is of key importance to the Deloitte brand. It is critical that a Deloitte audit is consistently executed and of high quality, wherever in the world it is performed.

The objectives of the Global Audit Quality Monitoring & Measurement (AQMM) program are to:

- Transform the way audit quality is monitored and measured and audit deficiencies are resolved; and
- Enhance the internal system of quality control which all Deloitte network firms follow.

The AQMM program is focused on driving:

- Continuous, consistent, and robust monitoring of completed and in-flight engagements
- Fundamental understanding of deficiencies and timely execution of corrective actions by all member firms consistently
- Greater transparency and consistency in reporting key measures of audit quality.

Deloitte Australia maintains policies and procedures to promote an internal culture based on the recognition that quality is the number one priority. Deloitte Australia focuses on professional excellence as the foundation for achieving audit quality on a consistent basis.

Our risk-sensing activities include regular reviews by A&A Quality and Risk for audit engagements with an elevated risk, to ensure appropriate mitigating strategies are implemented. In addition, an annual portfolio risk review is performed.

Multidisciplinary model

Audit is the foundation of the Deloitte brand. In addition to Assurance & Advisory, Deloitte Touche Tohmatsu has Consulting, Deloitte Private, Financial Advisory, Risk Advisory, and Tax practices. The diversity of six different businesses under one umbrella (multidisciplinary model) is one of the key differentiators of high-quality audits.

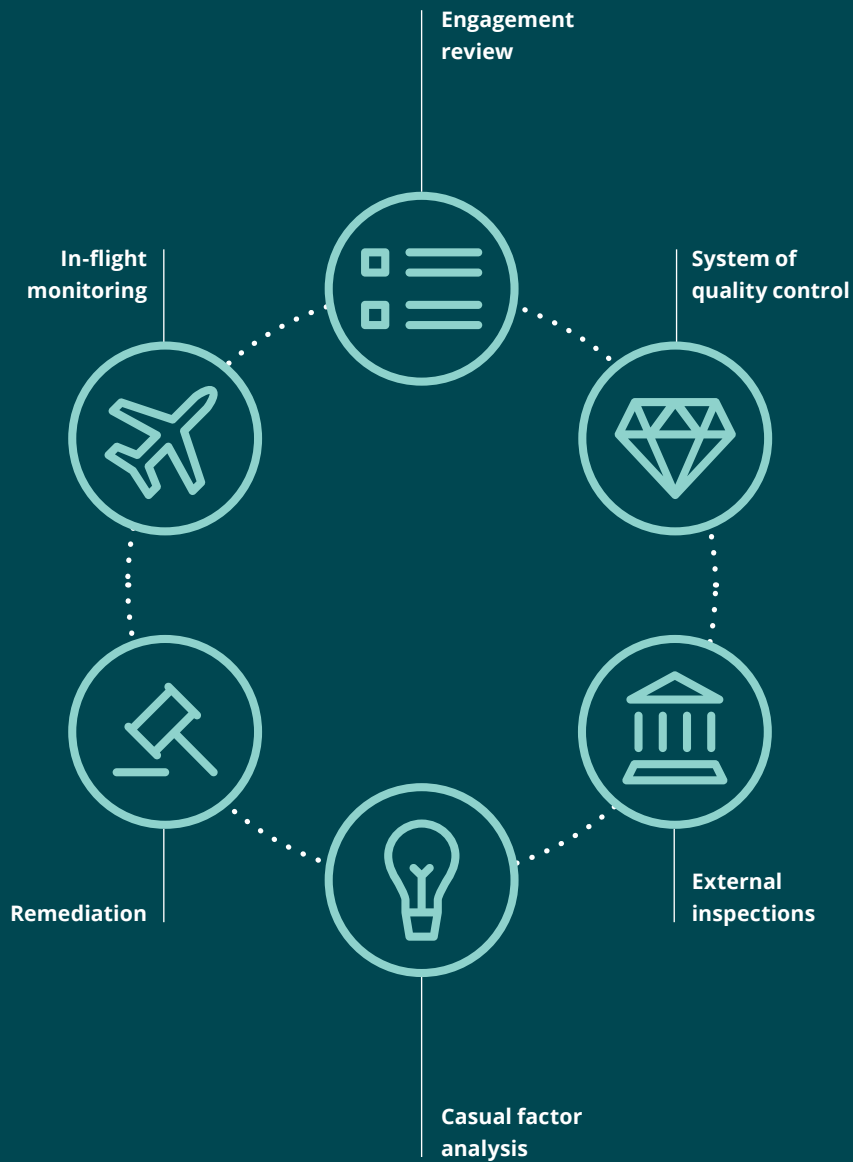
Among the benefits of the multidisciplinary model for audit:

- It is possible to develop industry insights through multiple lenses, which enhances auditors' understanding of business risks relevant to conducting audits
- The audit practice has immediate access to specialised resources and expertise in other business lines. It promotes audit quality because auditors can tap the expertise of advisory professionals who are skilled in subjects that often are not native to auditors
- A diverse organisation helps attract and retain premier talent
- Intellectual capital is available within the network to innovate audit processes and technologies.

Negative quality events have the potential to impact the Deloitte brand as a whole. As such, each non-audit Deloitte business has a shared and vested interest in supporting audit quality initiatives.



Audit Quality Monitoring & Measurement





In-flight monitoring

Continuous audit quality monitoring by Deloitte Australia drives a faster response to audit issues on 'in-flight' engagements, driving identification, timely solutions, and real time corrective actions achieved by:

- Deployment and monitoring of a series of core Diagnostics, enabling engagement partners and teams, as well as Deloitte Australia audit quality leaders to continuously monitor audit quality and take immediate action
- A program of subject matter specific 'health checks' to assist Deloitte Australia audit quality leaders in assessing progress and identifying potential issues on in-flight engagements
- An integrated approach to monitoring and measuring execution of the audit methodology enhancements.



Engagement reviews

Key components of engagement reviews (internal practice reviews) include:

- Risk-based engagement selection and consideration of all major industries served by Deloitte Australia
- Mandatory moderation panel to drive consistency in findings and engagement ratings
- External partners and deputies who oversee practice reviews to increase global consistency
- Identifying appropriate resources (from within Deloitte Australia as well as from other Deloitte geographies) with the right experience and industry expertise, including establishing central review teams.

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 48% of our audit partners were subject to review in the 2018 practice review.

The most recent practice review was completed in September 2018.



System of quality control (SQC)

SQC includes numerous elements such as documenting key areas of the SQC processes and controls and performing procedures for testing the operating effectiveness of the SQC, including execution of a comprehensive SQC review program.

Used in conjunction with other metrics, Audit Quality Indicators (AQIs) further assist Deloitte Australia in developing and monitoring audit quality action plans and reporting on the progress in its audit quality journey. AQIs are integrated with ongoing AQMM activities.

In addition, proper timing and sequencing of audit activities, including timely reviews of work performed and the resolution of matters identified, are closely associated with high quality audits. Audit Quality Milestones (AQMs) are intended to drive consistency of engagement teams in project management, timing of when work is done, and necessary focus on engagement staffing, including sufficiency and expertise of assigned resources. AQMs are applicable to audits of public interest entities, and engagement teams are monitored and measured on their compliance with AQM requirements.



Causal factor analysis and remediation

Focusing on continuous improvement is essential to driving improvements in audit quality. Understanding why audit deficiencies occur is essential to the design of effective actions to remediate findings. Further, actions are taken when audit deficiencies in the performance of an audit engagement are identified.

An Audit Quality Plan is prepared by Deloitte Australia and provides for effective implementation and monitoring of key audit quality priorities.



Client Service Assessment and Complaints

Providing our clients with feedback mechanisms is part of our commitment to professional excellence.

Client Service Assessment Program

Deloitte Australia 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, 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 Australia 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 system of quality control, should be taken to address specific problems.



External inspections

In addition to Deloitte Australia's own monitoring of audit quality, we are subject to external reviews by regulators. We recognise the important role of regulators and we share a common goal of achieving high-quality financial reporting.

Australian Securities & Investment Commission (ASIC)

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.

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 2015-16 audit inspection program issued on 29 June 2017).

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.

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 our 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.charteredaccountantsanz.com).



Foreign Regulators

As we audit entities that are publicly accountable in foreign jurisdictions, a number of foreign regulators are also authorised to inspect Deloitte as outlined below.

Regulator	Date and comment
Public Company Accounting Oversight Board, United States (PCAOB)	Last inspection was in November 2011. The PCAOB publishes a report on its website in relation to each firm inspected (see www.pcaobus.org).
Financial Reporting Council (FRC), United Kingdom	No inspection to date. The FRC previously advised Deloitte that it will not be separately inspecting Deloitte as it will rely on ASIC's inspection program.
Canadian Public Accountability Board (CPAB)	No inspection to date. CPAB publishes an annual report on its website in relation to its audit inspection findings (see www.cpab-ccrc.ca).
Financial Markets Authority, New Zealand	No inspection to date. Their approach to overseas auditors that are already regulated in their home country is to place some reliance on the home regulator.

Statement on the effectiveness of the functioning of the internal quality control system

We confirm that we are satisfied that our internal quality controls and systems are robust, operate effectively, and allow us to readily identify any areas of potential enhancement. We continually seek to refine all aspects of our business and we use the findings of the practice review, other internal reviews and external regulatory reviews to enhance our system of quality control.

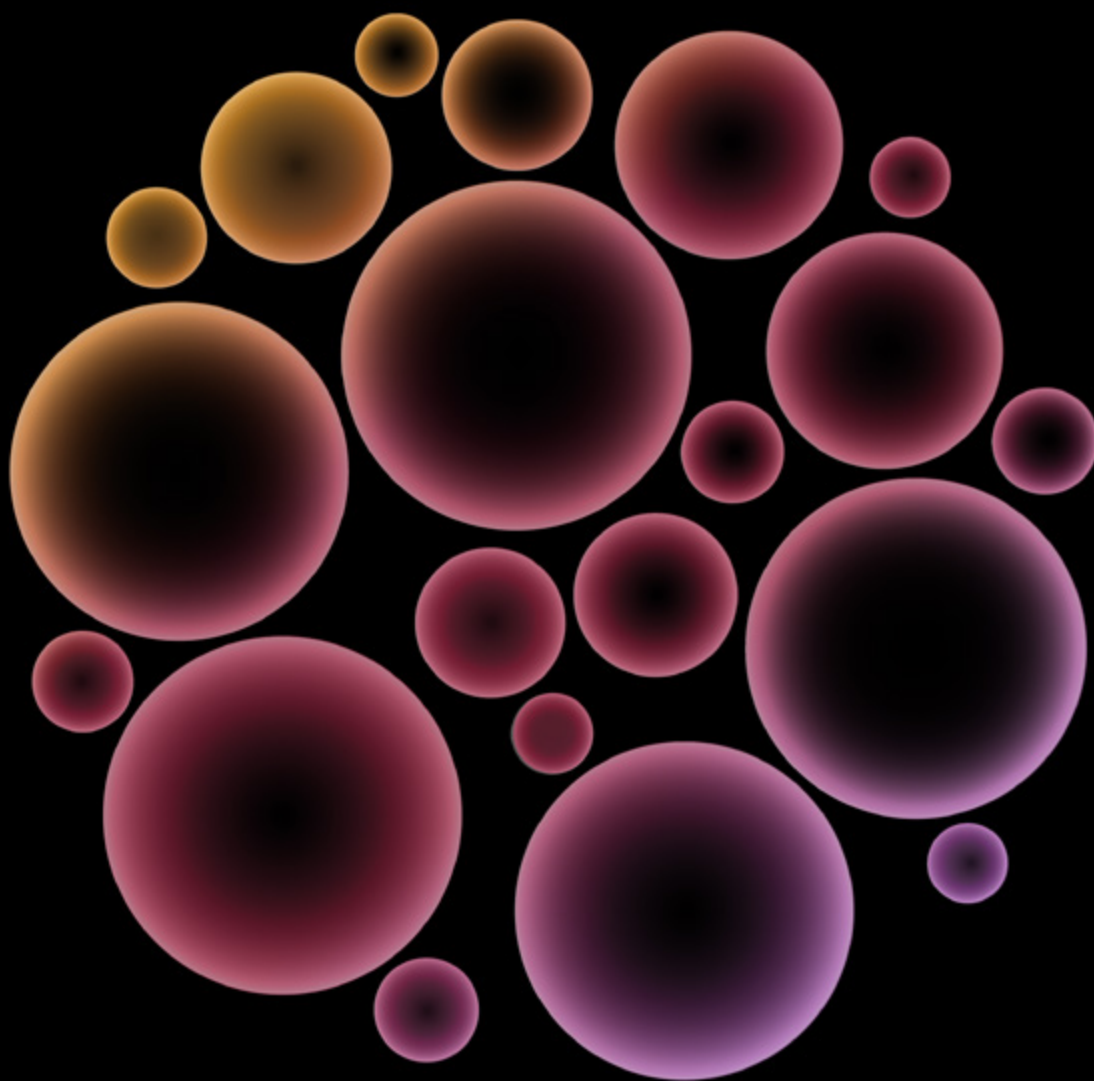


The organisational capabilities we build

Deloitte's culture and the design of our learning programs place our people at the forefront. Deloitte professionals are technically proficient with a high level of ethics, integrity, professional skepticism, and objectivity, and are continuously enhancing all elements.

In addition, operational discipline, effective management of our business, and the development of a singular approach to doing audits provide the foundation for our commitment to bring consistency to our audits.

We are driving a sustainable assurance and advisory business that compensates its people fairly and funds ongoing investment in our business.





Independence, ethics, and additional disclosures

Deloitte Global Independence



Sets **independence policies and procedures** based upon the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and, where applicable, the independence standards of other jurisdictions such as the US Securities and Exchange Commission and the Public Company Accounting Oversight Board. Performs full reviews of independence quality controls on a three-year cycle; annual focused reviews for the off-cycle years; and in-depth follow-up reviews as needed.



Delivers **global systems** to provide professionals with entity information to support compliance with personal and professional independence requirements, including financial interests and scope of service approvals.



Performs **on-going monitoring** activities of firms—enabling continuous enhancements to global policies, quality controls, tools, and practice support activities.



Supports **independence awareness** across the Deloitte network through active engagement with independence and business leadership groups, periodic communications and alerts, and development of guidance, learning and instructions.



Deloitte Australia Independence

Deloitte Australia has policies and procedures designed to address compliance with applicable professional standards that relate to independence, including the auditor independence requirements of the Corporations Act. These policies and procedures are based on the Deloitte Global Independence policy, and are supplemented, as appropriate, to reflect additional Australian requirements that may be more restrictive than Deloitte Global policies.

Deloitte Australia leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate tone at the top and instilling its importance into the professional values and culture of Deloitte Australia. Strategies and procedures to communicate the importance of independence to partners, other professionals and support staff have been adopted, emphasising each individual's responsibility to understand and meet the independence requirements.

The key elements of the system of quality control that Deloitte Australia implemented in accordance with global policies include the following:

- Engagement acceptance and monitoring
- Monitoring of rotation requirements
- Business relationship assessments and monitoring
- Use of independence business process tools, including the Deloitte Entity Search and Compliance (DESC) system, the Global Independence Monitoring System (GIMS), annual independence confirmations, automated audit engagement specific independence confirmations, and consultation procedures, to monitor compliance with independence requirements
- Procedures to identify and analyse non-compliance with independence requirements and apply related disciplinary measures and actions
- Independence-related learning and communications, including the launch of a firm-wide Independence Week
- Assignment of responsibility for independence systems and controls
- An internal review of independence compliance, including testing the accuracy and completeness of independence confirmations and the financial information within GIMS, is conducted annually. During 2017, 38% of partners were selected for independence compliance testing.



DESC

Deloitte Entity Search and Compliance

Global, searchable database containing specific entity information relevant in determining personal and professional independence restrictions. DESC includes all Deloitte network clients and their affiliates that are listed companies and other public interest entities.



GIMS

Global Independence Monitoring System

Application that contains financial relationship data with relevant independence compliance indicators. All Deloitte Australia partners and management-level client service professions are required to record and update their investments and those of their immediate family members in their individual accounts in GIMS. Partners are additionally supported in maintaining their GIMS accounts through automated data feeds from brokers and a central GIMS team available to pre-clear and record trades.



Rotation of key audit partners and professionals

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.

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, three or five years, depending on their role.

Deloitte maintains a database that tracks the number of years of audit partner involvement to facilitate succession planning and monitor compliance with rotation requirements.

Ethics

Deloitte Australia maintains policies and procedures that are designed to provide reasonable assurance that its professionals comply with relevant ethical requirements.

The ethical requirements for audit and related assurance services provided by Deloitte Australia are in accordance with APES 110 Code of Ethics for Professional Accountants issued by the Accounting

Professional & Ethical Standards Board. Deloitte Australia also complies with Deloitte Global policies and procedures, which align with the requirements and guidance set out in the Code of Ethics for Professional Accountants (the Code) issued by the International Ethics Standards Board for Accountants, a standard-setting body of the International Federation of Accountants (IFAC).

Deloitte Australia has appointed an Ethics Officer who is an experienced partner with direct access to the CEO and the Board. In addition, Deloitte Australia has developed and implemented its own code of conduct, which incorporates the Deloitte Global Principles of Business Conduct and describes critical professional behavior that reflects local customs, regulations, and legal requirements.

Deloitte Australia provides communication channels through which partners, other professionals and support staff can consult on and report ethical issues and situations. Deloitte Australia reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems. In addition, Deloitte Australia requires all partners, other professionals and support staff to confirm annually that they read and comprehend the code of conduct, and understand that it is their responsibility to comply with it.

Privacy and confidentiality

Maintaining privacy and 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. In addition, access to individual client Magnia files is restricted to engagement team members.

Deloitte Australia maintains and regularly updates a privacy policy that sets out how we handle the personal information that we collect, both from our clients and from our staff. We have a Privacy Officer, supported by a dedicated privacy team, who work together to handle any privacy inquiries or complaints and promote privacy awareness.



Deloitte Global Ethics and Integrity Imperative

Deloitte is committed to conducting business with honesty, distinctive quality, and high standards of professional behaviour.

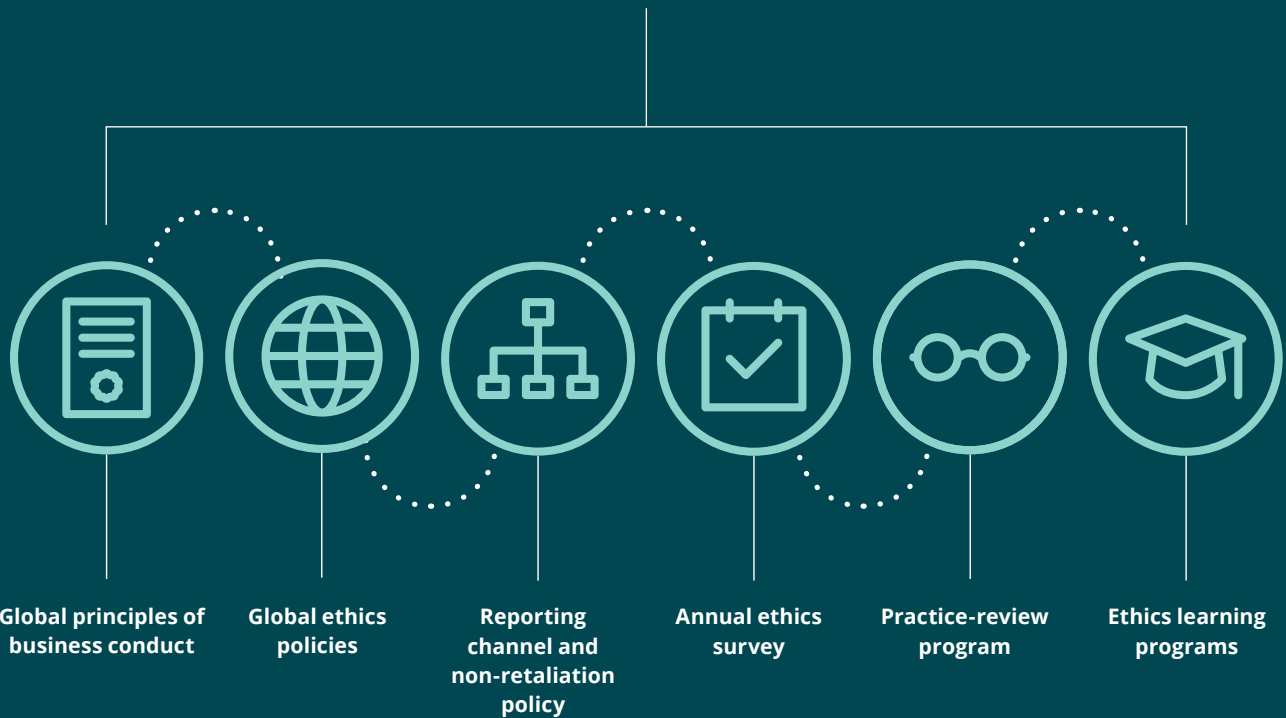
Deloitte's Global Principles of Business Conduct ('Global Code')

outlines Deloitte's ethical commitments as a network and expectations for Deloitte's approximately 264,000 people, giving a strong, principled foundation. The Deloitte Integrity Imperative amplifies the Global Code across the network by

empowering leaders to set a strong tone from the top; encouraging people to speak up when they witness anything that runs counter to the Global Code; and helping Deloitte act quickly and appropriately in the face of misconduct.

The Deloitte Global Ethics team and member firm ethics officers work closely with senior Deloitte leaders to build and enhance the foundations of the network's ethics program, which is comprised of the following elements:

Elements of the Deloitte ethics program





Shaping the future of the audit profession

Management teams, audit committees, investors, regulators, and standard setters all play critical roles in shaping the environment in which audits are performed. We engage with these parties, both formally and informally, to share, offer and debate ideas with the objective of ensuring the relevance of audit and assurance to the capital markets.





Appendix A: Financial information

The breakdown of the Deloitte Australia's revenue for the 12 months ended 30 June 2018 (A\$m):

Revenue	2018	2017
Audits of financial statements ³	278	261
Non-audit services to audit clients	117	122
Non-audit services to non-audit clients	1,635	1,388
Total	2,030	1,771

³Includes revenue derived from audits of financial statements. Other related assurance services are classified as non-audit services.



Appendix B: Deloitte audit clients

Deloitte Australia completed statutory audits⁴ of the following entities during the year ended 30 June 2018.

Listed companies and registered schemes

A.P. Eagers Limited	Clearview Wealth Limited
Accent Group Limited	Concentrated Leaders Fund Limited
Accent Resources NL	Convenience Retail REIT (Stapled Security)
AGL Energy Limited	Cordish Dixon Private Equity Fund I
Altona Mining Limited	Cordish Dixon Private Equity Fund II
Andromeda Metals Limited	Cordish Dixon Private Equity Fund III
Angas Securities Limited	Crusader Resources Limited
APA Group	CSR Limited
APN Property Group Limited	Domino's Pizza Enterprises Limited
APN Regional Property Fund	Duxton Broadacre Farms Limited
Apollo Consolidated Limited	Elanor Investors Group (Stapled Security)
Apollo Minerals Limited	Elanor Retail Property Fund (Stapled Security)
APT Pipelines Limited	Electro Optic Systems Holdings Limited
Ariadne Australia Limited	Elixinol Global Limited
Asian Masters Fund Limited	Elmo Software Limited
Audinate Group Limited	Embelton Limited
Audio Pixels Holdings Limited	Emeco Holdings Limited
Aurora Absolute Return Fund	EML Payments Limited
Aurora Dividend Income Trust	Emperor Energy Limited
Aurora Global Income Trust	Energy Metals Limited
Aurora Property Buy-Write Income Trust	EQT Holdings Limited
Austal Limited	Eservglobal Limited
Australian Finance Group Ltd	Evans & Partners Global Disruption Fund
Australian Masters Yield Fund No. 3 Limited	FAR Ltd
Australian Masters Yield Fund No. 4 Limited	Fitzroy River Corporation Ltd
Australian Masters Yield Fund No. 5 Limited	Folkestone Limited
Australian Vintage Ltd	Freedom Foods Group Limited
Auswide Bank Ltd	Gale Pacific Limited
Autosports Group Limited	Godfreys Group Limited
Baby Bunting Group Limited	Golden Rim Resources Ltd
Bass Oil Limited	GR Engineering Services Ltd
Big River Industries Ltd	Greenland Minerals Limited
Bingo Industries Limited	Havilah Resources Limited
Bionomics Ltd	Healthscope Limited
Black Rock Mining Limited	HGL Limited
Blackmores Limited	Homeloans Limited
Bluechip Limited	HUB24 Limited
Boart Longyear Limited	IDP Education Limited
Boyuan Holdings Limited	IDT Australia Limited
BSA Limited	Imdex Ltd
BTC Health Ltd	Incitec Pivot Limited
Byron Energy Limited	Industria REIT (Stapled Security)
Capral Limited	Infomedia Ltd
Cash Converters International Limited	Invitrocue Limited
Centrepoint Alliance Limited	IPH Limited
CIMIC Group Limited	IRESS Limited
Clarius Group Limited	iSentia Group Limited

⁴Audit means an audit conducted for the purpose of the Corporations Act and includes a half-year review of a financial report.



Listed companies and registered schemes cont.

iShare Treasury ETF	Pental Limited
iShares Core Cash ETF	Pepper Group Limited
iShares Core Composite Bond ETF	Piedmont Lithium Ltd
iShares Core Global Corporate Bond	Pioneer Resources Limited
iShares Core MSCI World All Cap	PMP Limited
iShares Core MSCI World All Cap ETF	Primary Health Care Limited
iShares Edge MSCI Australia Minimum Volatility ETF	QANTM Intellectual Property Limited
iShares Edge MSCI Australia Multifactor ETF	RCR Tomlinson Ltd
iShares Edge MSCI World Minimum Volatility ETF	Reckon Limited
iShares Edge MSCI World Multifactor ETF	Regional Express Holdings Limited
iShares Enhanced Cash ETF	Resource Generation Limited
iShares Global 100 AUD Hedged ETF	Respiri Limited
iShares Global High Yield Bond	RoyalCo Resources Ltd
iShares Government Inflation ETF	Saunders International Limited
iShares J.P. Morgan USD Emerging Markets Bond	Scottish Pacific Group Limited
iShares S&P 500 Hedged ETF	SDI Limited
iShares S&P/ASX 20 ETF	Seafarms Group Limited
iShares S&P/ASX 200 ETF	Servcorp Limited
iShares S&P/ASX Dividend Opportunities ETF	Seven Group Holdings Limited
iShares S&P/ASX Small Ordinaries ETF	Seymour Whyte Limited
JB Hi-Fi Limited	Shopping Centres Australasia Property Group
Kelly Partners Group Holdings Limited	Shriro Holdings Limited
Keybridge Capital Limited	Sigma Healthcare Limited
Kore Potash Limited	Simple Solutions Limited
Longtable Group Limited	Simonds Group Limited
Mareterram Limited	SIMS Metal Management Limited
Matrix Composites & Engineering Ltd	SIV Asset Management Limited
MC Mining Limited	SMS Management & Technology Limited
Medical Developments International Limited	Sovereign Metals Limited
Megaport Limited	Spark Infrastructure Group (Stapled Security)
Mineral Deposits Limited	Specialty Fashion Group Limited
MMA Offshore Limited	Stellar Resources Limited
Moelis Australia Limited	Stone Resources Australia Limited
Mortgage Choice Limited	Stonewall Resources Limited
Multiplex SITES Trust	Strike Energy Limited
Murray River Organics Limited	Sundance Energy Australia Limited
NAOS Absolute Opportunities Company Ltd	Sundance Resources Limited
NAOS Emerging Opportunities Company Limited	Superloop Limited
Navitas Limited	Tag Pacific Limited
Neometals Ltd	Tap Oil Limited
Netwealth Group Limited	Tassal Group Limited
New Energy Solar Limited	The PAS Group Limited
New Hope Corporation Limited	Tigers Realm Coal Limited
Northern Star Resources Ltd	Trimantium GrowthOps Limited
NRW Holdings Limited	US Masters Residential Property Fund
Odyssey Energy Limited	Vocus Group Limited
Onevue Holdings Limited	Webjet Limited
Opthea Limited	Webster Limited
OreCorp Limited	Woolworths Group Limited
P2P Transport Limited	WPP AUNZ Ltd
Pacific Current Group Limited	Yowie Group Ltd
Paringa Resources Limited	Zip Co Limited



Authorised deposit-taking institutions (ADIs)

Arab Bank Australia Limited
 Auswide Bank Ltd
 Bank of Baroda
 Bank of Sydney Ltd
 BNP Paribas
 BNP Paribas Security Services

Cuscal Limited
 Defence Bank Limited
 Mega International Commercial Bank Co., Ltd
 Members Equity Bank Limited
 Police Credit Union Limited
 The Bank of Tokyo-Mitsubishi UFJ, Ltd

General insurance and life insurance entities regulated by APRA⁵

Ansvar Insurance Limited
 AssetInsure Pty Limited
 AssetInsure Holdings Pty Limited
 Atradius Credito Y Caucion S.A. De Seguros Y Reaseguros
 Australian Scholarships Group Friendly Society Limited
 Berkshire Hathaway Speciality Insurance Company
 ClearView Life Assurance Limited
 Compagnie Francaise D'Assurance Pour Le Commerce Exterieur
 General Reinsurance Australia Ltd
 General Reinsurance Life Australia Ltd
 Hollard Holdings Australia Pty Limited

MetLife General Insurance Limited
 MetLife Insurance Limited
 NobleOak Life Limited
 Optus Insurance Services Pty Limited
 Pacific International Insurance Pty Limited
 Pacific Life Re (Australia) Pty Limited
 QInsure Limited
 Rapid Solutions Holdings Pty Ltd
 RGA Reinsurance Company of Australia Limited
 The Hollard Insurance Company Pty Ltd

Contact us



Jamie Gatt
 Managing Partner
 Assurance and Advisory
 +61 2 9322 5396
 jagatt@deloitte.com.au



Gareth Bird
 Partner
 Assurance and Advisory
 Quality & Risk
 +61 2 9322 3434
 gbird@deloitte.com.au



Catherine Flower
 Director
 Assurance and Advisory
 Quality & Risk
 +61 8 8407 7154
 cflower@deloitte.com.au

⁵Includes 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



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