



**2022 Transparency Report**

Deloitte Touche Tohmatsu

October 2022





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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 2021 to 30 June 2022.

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



# Transparency at a glance

## Workforce composition



## Revenue



**A&A engagement score**

**76%**

with **85%** of A&A respondents saying they were proud to work at Deloitte

**Top reasons for staying with Deloitte:**

- Flexibility
- Career growth opportunities
- Relationships with teams
- Meaningful work

**Recent policy changes of significance:**

- Deloitte Experience
- Making Work Work for Families
- DeloitteFlex
- A&A Recharge Leave

**Audit quality survey**

**91%**

of audit respondents believed that communication from leadership consistently reflects **audit quality** as a **key priority**

**Ethics survey**

- 97%** of A&A respondents understand their responsibility to report unethical conduct
- 97%** of A&A respondents feel encouraged to consult when faced with an ethical dilemma
- 97%** of A&A respondents feel Deloitte is an ethical place to work

**Our key audit quality priorities are:**

- 1 Creating capacity
- 2 Workforce planning
- 3 Reward and recognition
- 4 Internal controls
- 5 Enhancing capability
- 6 System of quality control

**Total audit engagement hours were accounted for by:**

- 24%** PPDM<sup>2</sup>
- 8%** specialists

**54** FTEs<sup>3</sup> in A&A Quality & Risk and Accounting Technical teams

**61** average learning hours completed in financial reporting, audit, and ethics by PPDM<sup>2</sup>

**We have retained all ASX 200 audit clients** that have conducted an audit tender process since 2016

**In the last 18 months, Deloitte was appointed to 6 of the 10 companies** in the ASX 200 which announced a change in auditors

<sup>1</sup> Includes revenue derived from audits of financial statements. Other related assurance services are classified as non-audit services.  
<sup>2</sup> Audit partners, principals, directors, senior managers, and managers.  
<sup>3</sup> Full-time equivalents, excludes Independence Australia and Ethics team members.

# Leadership message

The nature of audit continues to evolve, as does our approach to audit quality. This continues to be our number one priority. And as independent auditors, our role in protecting the public interest and enhancing the integrity of the capital markets is of equal importance and consequence to us<sup>4</sup>. We recognise that in a changing world, our ambition to be leaders in audit quality requires us to continue fostering a culture of continuous improvement.

It's been another eventful period locally and globally with multiple COVID-19 outbreaks and lockdowns, skill shortages, devastating floods, the war in Ukraine, and the re-emergence of inflation. Against this backdrop, our Deloitte purpose – to make an impact that matters for our clients, our people, and society – is as important as ever.

We continue to take a holistic approach to our audit quality priorities – investing in our technology, our processes, and our people – to drive sustained improvements in audit quality. We continue to take deliberate action to foster our quality culture and ensure audit quality keeps pace with evolving economic, commercial, and regulatory conditions.

### The role of the auditor is evolving rapidly

In our 2019 submission to the Parliamentary Joint Committee on Corporations and Financial Services – Regulation of Auditing in Australia (PJC) we stated that societal and business model shifts would challenge the role and scope of audit and that there was an increasing need for specialist skills to deliver quality audits. In recent months this view has advanced following the establishment of the International Sustainability Standards Board (ISSB), their issuance of draft standards and widespread Australian support for those standards. The implementation of regulated, standard driven sustainability reporting represents a fundamental shift in how entities present their role in society to their stakeholders, and we expect audit will play an important role providing confidence in the integrity

of that reporting. We have been investing in building the breadth of capability to deliver quality to all our stakeholders and as the role and remit of audit continues to evolve, we strongly believe the strength and breadth of Deloitte's capability allows us to deliver against these emerging expectations.

We welcome opportunities to continue shaping the future of audit in Australia, as we did through our engagement with the PJC. We continue to support its findings and believe the recommendations, particularly for public interest entities to establish and maintain a robust internal controls framework, will enhance audit quality, transparency, and trust in reporting and corporate governance in Australia. In a rapidly changing reporting environment and changing expectations of stakeholders, we believe it is critical that the reporting ecosystem continues to evolve to meet such expectations and maintain confidence in financial reporting.

### Investing in people, process, and technology to drive transformation

This year, one of our key focus areas has been transforming our audits with continuing investment in digital technology, innovation, and data analytics, as well as expanding our use of Deloitte's audit delivery platforms, Omnia and Levvia. It's helping us provide more valuable insights, deliver a differentiated audit experience, and enable a higher quality audit that drives value for all our stakeholders. We've also accelerated process simplification through our adoption of The Deloitte Way, a globally consistent way of executing audits.

While technology brings opportunity, we know it won't drive success on its own and have made great strides in enhancing our systems, processes, and culture. We've streamlined partner focus by realigning client portfolios, roles, and responsibilities, expanded the frequency and coverage of real-time reviews, and recruited and invested to grow our audit quality and risk team.

Amid a skills shortage arising from pandemic-driven furloughs and international border restrictions, our people agenda has been critical this year. Our focus has been on attracting, developing, and retaining talent, and recognising the importance of creating an environment where our people can bring their best selves to work. By fostering a workplace that embraces flexibility, diversity and inclusion, internal career mobility, social responsibility, learning, and coaching, we've strengthened our culture and empowered our team members to perform at their very best.

### Strengthening our systems of quality control

Globally, regulators and standard setters are focused on driving further improvements in firms' systems of quality control. As part of our global audit quality strategy and a commitment to go beyond existing professional standards, Deloitte Australia is progressing well on the effective implementation of International Standard on Quality Management 1 (ISQM 1).

Continuous improvement is everything to audit quality, and audit quality is everything to the audit profession and our audit business.

This report provides an overview of the practices, processes, and investments that demonstrate our unwavering commitment to audit quality. As we look forward, we are confident our investments will significantly enhance our audit quality.

**Adam Powick**  
Chief Executive Officer  
Deloitte Australia

**Tom Imbesi**  
Chairman  
Deloitte Australia

**Joanne Gorton**  
Managing Partner  
Audit & Assurance

<sup>4</sup> Throughout this report, the terms 'Deloitte', 'we', 'us', and 'our' refer to 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.4 of this document or <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/about-the-network.html>



# Deloitte network

## Deloitte Australia: legal structure and ownership

The Australian partnership of Deloitte Touche Tohmatsu is a member of Deloitte Asia Pacific Limited and part of the Deloitte global network. Deloitte Touche Tohmatsu is referred to throughout this report as Deloitte Australia or the Firm and provides (through the Firm or one of its related entities) professional services using the Deloitte name within Australia, Papua New Guinea, the Solomon Islands, and Timor-Leste.

For the purposes of transparency reporting, this report contains information about Deloitte Australia, which is relevant to the Audit & Assurance business.

## Network description

### The Deloitte network

The Deloitte network (also known as the Deloitte organisation) is a globally connected network of member firms and their respective related entities operating in more than 150 countries and territories across the world. These separate and independent entities operate under a common brand.

## Deloitte Asia Pacific Limited

Deloitte Australia, along with members in China, Japan, South Korea, New Zealand, Southeast Asia, and Taiwan, comprise Deloitte Asia Pacific Limited, the Deloitte Touche Tohmatsu Limited member firm in the Asia Pacific region.

Deloitte Asia Pacific Limited (also known as the Deloitte Asia Pacific member firm, referred to as Deloitte Asia Pacific throughout this report) is a UK private company limited by guarantee incorporated in England and Wales. Deloitte Asia Pacific Limited does not provide professional services to clients and its members, and their related entities are separate and independent legal entities.

The purpose of Deloitte Asia Pacific Limited is to facilitate alignment and collaboration between its members as part of the Deloitte network in the Asia Pacific region.

The Deloitte Asia Pacific Limited Board is the highest governing body of the Deloitte Asia Pacific member firm. Deloitte Australia has three representatives on the Board, including the Chairman of Deloitte Australia's Board of Partners, Tom Imbesi.

## Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee incorporated in England and Wales. DTTL serves a coordinating role for its member firms and their related entities 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 related entities.



'Deloitte' is the brand under which approximately 345,000 dedicated professionals and practitioners in independent firms throughout the world collaborate to provide audit and assurance, consulting, financial advisory, risk advisory, tax, and related services to select clients. These firms are members of DTTL. DTTL, these member firms, and each of their respective related entities form the Deloitte organisation. Each DTTL member firm and/or its related entities provides services in particular geographic areas and is subject to the laws and professional regulations of the particular country or countries in which it operates. Each DTTL member firm is structured in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its respective territories through related entities. Not every DTTL member firm or its related entities provides all services, and certain services may not be available to attest clients under the rules and regulations of public accounting. DTTL, and each DTTL member firm and each of its related entities, are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm, and their respective related entities, are liable only for their own acts and omissions, and not those of each other. The Deloitte organisation is a global network of independent firms and not a partnership or a single firm.

The Deloitte Global Board is the highest governing body of Deloitte Global. The Chairman of Deloitte Australia's Board of Partners, Tom Imbesi, is a member of the Deloitte Global Board, the Chair of the Global Finance & Audit Committee, and a member of the Global Risk & Ethics Committee. Other key Deloitte Global governance bodies are the Deloitte Global Executive, which is led by the Global CEO, and the Deloitte Global Operating Committee, led by the Global Chief Operating Officer (COO). The CEO of Deloitte Asia Pacific Limited is a member of the Deloitte Global Executive.

## Deloitte Australia: governance – leadership in action

Underpinning the leadership and management of Deloitte Australia are strong governance structures that provide accountability across our operations.

### 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 maintains oversight of Deloitte Australia's governance framework, including 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 and representation, including a provision that at least 40% of seats are held by women and at least 40% are held by men. In addition, the separation between the roles of Chairman and CEO provides a strong measure of accountability.

### Chief Executive Officer

Our CEO, Adam Powick, has full executive authority for managing the Firm. A Board-appointed committee of between four and eight equity partners nominate the CEO, who is elected by the partners for a four-year term. Unless an extension is 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; COO; Chief Strategy Officer; Chief Risk Officer (CRO); Managing Partner Clients, Industries & Markets (CI&M); Chief Transformation Officer; National Leader Clients; National Leader Workforce, Talent & Diversity, Equity & Inclusion; and the business managing partners for Audit & Assurance, Consulting, Financial Advisory, Risk Advisory, and Tax & Legal.

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

- CRO – Enterprise risk framework; ethics and conduct; 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; legal; and professional indemnity insurance.
- COO – People and performance.





**Audit & Assurance Leadership**

The responsibility for developing and implementing the strategy for the Audit & Assurance practice – including related policies and procedures – rests with the Managing Partner Audit & Assurance, Joanne Gorton; the Audit Leader, John Leotta; the Assurance Leader, Neil Brown; and the Audit & Assurance Executive. In all their activities, Deloitte Australia’s senior leaders are responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. The Deloitte Australia Audit & Assurance strategy is developed in alignment with the overall strategic direction established for the Deloitte network.

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

**Audit & Assurance Quality & Risk and Accounting Technical**

The Audit & Assurance Quality & Risk team is responsible for implementing the quality agenda, establishing specific policies and procedures, audit and assurance technical training, monitoring and risk mitigation, and supporting engagement teams on audit technical and risk matters.

The National Professional Practice Director (NPPD), Jacques Strydom, oversees the Audit & Assurance Quality & Risk team. The NPPD is responsible for all decisions relating to the interpretation of auditing matters and audit technical training to the Audit & Assurance practice. The NPPD also has operational responsibility for the system of quality control and is a member of the Audit & Assurance Executive.

The Audit & Assurance Risk Leader, Daniel Crowther from 15 August 2022, previously Caithlin Mc Cabe until her retirement, is responsible for client and engagement acceptance and continuance, as well as risk sensing and risk mitigation activities in relation to the audit practice. The Audit & Assurance Risk Leader is also a member of the Audit & Assurance Executive.

The Accounting Technical team is led by the National Accounting Technical Leader, Alison White. The Accounting Technical team is responsible for providing accounting technical support, including accounting technical training to the Audit & Assurance practice and clients. It specialises in accounting standards and interpretations, including Australian International Financial Reporting Standards (IFRS), U.S. Generally Accepted Accounting Principles, and the financial reporting requirements of the Corporations Act.

# Our purpose and commitment: instilling trust and confidence

At Deloitte Australia, our purpose is to go beyond the expected and make an impact that matters.

For Audit & Assurance, this means a constantly evolving audit and assurance process, leveraging leading-edge technology, and applying a diversity of skillsets, knowledge, and experience to deliver high-quality services. We take great pride in instilling confidence and trust in the capital markets and are committed to relentlessly raising the standards of quality and always acting with integrity, independence, and transparency. We are continuously building our capabilities to support the delivery of high-quality audits and other assurance engagements and making leading contributions to the future of the audit profession.

**External, DTTL and Deloitte Asia Pacific contribution**

**Adam Powick**  
CEO  
Deloitte Asia Pacific Executive Team

**Tom Imbesi**  
Chairman Deloitte Australia  
Deloitte Global Board  
Chair of the Deloitte Global Finance & Audit Committee  
Deloitte Global Risk & Ethics Committee  
Deloitte Asia Pacific Board

**Joanne Gorton**  
Managing Partner, Audit & Assurance  
Accounting & Auditing Standing Committee  
Deloitte Asia Pacific Audit & Assurance Leadership Team

**John Leotta**  
Audit Leader  
International Accounting Standards Board’s Consultative Group for Rate Regulation  
Board of the Group of 100

**Julie Breden**  
Partner, Audit & Assurance  
Quality & Risk  
Deloitte Global AQMM Executive  
Deloitte Asia Pacific Audit Quality Monitoring & Measurement Leader

**Alison White**  
National Accounting Technical Leader  
Deputy Chair Australian Accounting Standards Board

**Anna Crawford**  
Partner, Accounting Technical  
Deloitte Global IFRS Leadership Team

**Marisa Orbea**  
Director of Independence  
Deloitte Global Independence Leadership Team

**Jamie Gatt**  
Partner, Audit & Assurance  
Deloitte Asia Pacific CI&M Leader

**Jason Thorne**  
Partner, Audit & Assurance  
Australian Auditing & Assurance Standards Board

**Hussein Hussein**  
Partner, Audit & Assurance  
Deloitte Asia Pacific Assurance Leader

**Stephen Roche**  
Partner, Audit & Assurance  
Deloitte Asia Pacific Global Mobility Leader

**Paul Schneider**  
Partner, Audit & Assurance  
Deloitte Asia Pacific Member Global Audit & Assurance Transformation Executive Group  
Deloitte Asia Pacific Omnia Leader

**Jacquie Fegent-McGeachie**  
Partner, Audit & Assurance  
Sustainability Reporting Project Advisory Panel



# What Deloitte Audit & Assurance brings to capital markets

## A focus on audit quality

Deloitte's commitment to audit quality permeates everything we do. The independent audit is a central element of the financial reporting ecosystem, in place to protect investors and other stakeholders, as well as to promote the effective functioning of the capital markets. We are keenly aware of our obligation to deliver audit services that meet the challenges and complexities of the current environment, while complying with professional and regulatory standards. For the financial reporting ecosystem to function as intended, it is vital that the auditor's role be executed effectively.

Deloitte is committed to doing more than simply meeting regulatory requirements and conforming to expectations. We are going beyond the expected to set the standard of excellence for the profession. In keeping with that objective, our commitment to audit quality is unequivocal.

## Deloitte Global leadership

The Deloitte Global Audit & Assurance Executive is led by Jean-Marc Mickeler, Deloitte Global Audit & Assurance Business Leader, whose responsibilities include developing and driving the Deloitte Global Audit & Assurance strategy, with a focus on quality:

- Setting the standard for audit quality 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.
- Leading transformational initiatives to innovate the way our audits are executed to meet our stakeholders' evolving needs.

## Entities Deloitte audits

As part of Deloitte Audit & Assurance's commitment to supporting the capital markets, we are focused on auditing entities where it serves the public interest and where we have the capabilities to perform a quality audit with objectivity and in compliance with applicable professional standards, laws and regulations, including those relating to ethics and independence.

The Australian Audit Acceptance Committee augments Deloitte Australia's detailed policies and procedures for the acceptance of prospective audit clients, the continuance of existing engagements, and the assessment of risk. The objective of these policies and procedures is to ensure Deloitte Australia only accepts or continues with audit engagements where:

- It is able to perform the engagement and has the capabilities to do so, including adequate time and resources.
- It can comply with all relevant professional standards, laws and regulations, including those relating to ethics, independence, and conflicts of interest assessments and considerations.
- It considers the prospective audit client's management team to act with integrity and in alignment with our shared values.
- The proposed audit fee is appropriate given the risk profile of the engagement.

The company we keep is an important aspect of our Audit & Assurance strategy and the global shared values that guide our behaviour to lead the way, serve with integrity, take care of each other, foster inclusion, and collaborate for measurable impact. The question we ask ourselves is: what type of entities do we, as a global network, want to be associated with? To answer this question, we developed an audit and assurance risk appetite statement to serve as the foundation for the company we engage. The risk appetite statement can be used as a tool to promote robust discussion of risk and as a basis upon which acceptance and continuance decisions can be debated and challenged effectively and credibly. The statement, as shown below, sets the tone for the risk culture and aims to drive global consistency in the engagement acceptance and continuance decision making process:

***"Deloitte's Audit & Assurance portfolio risk appetite underpins our purpose led agenda and reinforces our Principles of Business Conduct, which articulate the standards to which we hold ourselves, wherever in the world we live and work, in order to build and maintain a sustainable business for current and future generations.***

***Consistent with our commitment to purpose and to act in the public interest, we recognise that taking on a degree of risk is a natural consequence of doing business. In order to deliver high-quality audit and assurance services, we proactively identify and manage risk through our quality control processes, policies and procedures to make informed decisions aligned to our strategy and values.***

***We aspire to have a portfolio of clients that aligns with our shared values, respects our professionals, recognises emerging issues and societal responsibilities, and is committed to providing transparency to stakeholders in the financial reporting ecosystem.***

***We endeavour to have a portfolio that does not include clients that lack integrity, engage in illegal activities, disregard the authenticity of financial accounting and reporting, or are unwilling to establish and maintain sufficient internal controls and related processes."***

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

The annual portfolio risk review involves a comprehensive review of the audit client portfolio for the purposes of creating capacity for partners and practitioners, evaluating whether we were doing the right work for the right clients, and understanding the risks in the audit client portfolio.

Our ongoing risk-sensing activities include analysis by Audit & Assurance Quality & Risk to identify audit engagements with an elevated risk and to implement mitigating strategies as appropriate.

## Fewer, stronger member firms

Within the Deloitte member firm structure, Deloitte Australia is part of the Deloitte Asia Pacific member firm. As a locally registered and regulated audit firm in Australia, we have decision-making authority regarding regulatory matters and professional obligations and maintain ultimate responsibility for the execution of audit and assurance services in accordance with local laws and regulations. As a member of a combined firm within the Deloitte network, we work in close cooperation with the other geographies in the Deloitte Asia Pacific member firm and benefit from additional oversight of quality, risk management, and monitoring activities. This structure fosters shared investment in audit innovation and resources as well as the sharing of leading practices across geographies, contributing to our collective aspirations of continuous improvement in audit quality.

## Audit & Assurance – the future, today

At Deloitte, meeting expectations is where our Audit & Assurance services begin.

Our people's commitment to integrity, to serve the public interest, and to deliver high-quality assurance over the areas that matter most to our stakeholders is at the core of everything we do.

We strive to be leaders in quality and will continually deliver on this commitment by focusing on excellence across people, process, and technology. Each of these core components helps us to deliver our vision for a better future, creating an impact that not only meets expectations but goes beyond them.

What does this look like? A constantly evolving audit and assurance practice, leveraging bright minds, effective processes, and world-class technologies from across our global organisation while drawing on our years of experience. We deliver high-quality services in an efficient and effective way that upholds integrity, builds confidence, and drives value by focusing on what really matters.

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

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

Real-time audit quality monitoring

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

Agile deployment of tools and technologies to respond to changing environments





**Delivering audit excellence through process, people, and technology transformation<sup>5</sup>**

With The Deloitte Way, Deloitte is bringing innovation into the core of how our audits are executed: with automation that improves routine tasks, analytics that yield a deeper and more insightful view into data, and artificial intelligence (AI) that enhances human discovery and problem solving. As a result, we are improving the quality of the audits we deliver while also creating a richer talent experience for our people and giving clients a streamlined digital audit experience that improves transparency and deepens insights.

Innovation and technology enablement are an expectation in today's fast-changing business environment, and this holds true for the audit profession. Today's complex business environment requires the audit be dynamic, multidimensional, and insightful. There is demand for relevant, real-time information, and we need to evolve our audits as the entities we audit innovate their businesses and processes. Leveraging evolving technology and data, Deloitte Audit & Assurance delivers deeper insights to create more consistent, transparent, and valuable audit and assurance for our stakeholders. We bring bright minds, effective processes, and world-class technologies from across the global organisation to deliver an impact beyond expectations. Deloitte Australia auditors are enhancing procedures with greater use of data-driven analytics, as well as cognitive and cloud-based technologies like AI. This is due in part to the increased automation and effectiveness these provide, but also the need for Deloitte Australia to stay abreast of technological advances used by the entities we audit.

Deloitte is committed to the continued investment in emerging technologies and diversity of thought that enables the delivery of enhanced quality, insights, and value to our clients and the markets. Deloitte's holistic global audit platforms, Deloitte Omnia and Deloitte Levvia, demonstrate our commitment to delivering high-quality digital audits of all sizes and levels of complexity.

Deloitte Omnia is our cloud-based, end-to-end audit delivery platform for larger audits, including publicly listed entities, while Deloitte Levvia delivers a streamlined, right-sized digital audit experience for select private and smaller entities.

Deloitte Australia has successfully piloted Deloitte Omnia on a selection of our audits, with broad deployment of the platform commencing in October 2022. Deloitte Levvia commenced broad deployment in April 2022 on our 30 June 2022 year-end audits.

We will continue developing and enhancing these global platforms for the foreseeable future, integrating new technologies and ways of working. Deloitte has also designed an innovative global data and analytics solution, and our integrated suite of enabling innovation technologies are all connected in the cloud.

The consistent application of audit methodology through standardised audit procedures, and an audit delivery platform which tracks and identifies departures from our audit methodology on a timely basis, are key to consistently performing high-quality audits.

Deloitte Australia has also implemented the following innovation initiatives and cloud-hosted solutions:

- Deloitte Connect – online communication, information sharing, and progress tracking.
- Reveal Analytics – sophisticated regression analysis.
- InsightBox – self-service analytics.
- Company Risk Insights – comprehensive risk analytics on Public Company Accounting Oversight Board (PCAOB) engagements.
- Audit Online – interface with delivery centres and support of guided risk assessments.
- Regional Audit Delivery Centres and Centres of Excellence – specialist teams enhancing quality and consistency of audit delivery.

**Auditing in disruptive times**

In recent years, the world has experienced a period of exceptional challenges and uncertainty, from the societal changes caused by the COVID-19 pandemic to the humanitarian crisis brought on by the war in Ukraine. These momentous shifts have brought unprecedented speed of change to the profession, and throughout this period, Deloitte has prioritised the safety and wellbeing of its people. In times of global complexity and economic uncertainty, the need for high-quality audit and assurance services is critical. Now more than ever, investors and stakeholders are looking to auditors to bring trust and objectivity to capital markets.

Despite the unique challenges of the current environment, Deloitte Australia has not wavered in its commitment to ethics, integrity, independence, and transparency – all while serving the public interest. We recognise the importance of upholding our professional responsibilities and our role in instilling trust in the financial reporting ecosystem. We continually reinforce the following principles with Audit & Assurance practitioners:

- Exercise professional scepticism and due professional care.
- Critically evaluate the quality of audit evidence obtained and whether it is sufficient and appropriate to address the risk.
- Make well-reasoned professional judgements supported by clear documentation.
- Foster a culture of consultation.
- Stay connected and support one another.

In this period of continued uncertainty, all stakeholders of the financial reporting ecosystem (including governments, financial institutions, entity management, those charged with governance, auditors, and investors) must exercise significant judgement. This includes an awareness of the heightened risk of fraud, the presence of new or different risk factors, and potential changes in internal control environments. Although the existing accounting frameworks have provisions for uncertainties, financial statement users and regulators should continue to expect a higher degree of market and economic volatility in the near term.

Deloitte welcomes the public statements and guidance issued by regulators including those by the Australian Securities and Investment Commission (ASIC) that recognise the current uncertainties and emphasise the importance of high-quality, forward-looking corporate disclosures. Stakeholders can bring greater transparency to the financial reporting ecosystem by raising awareness of these issues, which ultimately benefits the public. This includes providing more clarity on the responsibilities of management, audit committees, companies, auditors, regulators, and other stakeholders.

Professional standards, Deloitte policies and guidance, strong consultation and specialist networks, and steadfast diligence continue to be the basis for our execution of high-quality audits. Deloitte's global technology and infrastructure have allowed for an agile and rapid response to various workplace disruptions, including the shift to virtual working. Deloitte Global continues to provide firms with globally relevant and locally adaptable audit resources and guidance. These responses have allowed us to continue to reinforce the execution of the Deloitte audit approach throughout this historically challenging period.

The transformation of audit delivery in an increasingly dynamic work environment has led Deloitte to respond to the rapidly changing needs and requirements of the talent landscape. This includes challenging historical working methods and supporting its people in a hybrid working environment.

Going forward, Deloitte Australia will continue to focus its efforts and provide a consistent audit experience in a way that embraces the evolving expectations of the entities we audit and our people.



<sup>5</sup> For more information about Deloitte audit innovation, please refer to Deloitte's [Global Impact Report](#).

### Multidisciplinary model (MDM)

Throughout the Deloitte network, Deloitte's robust MDM – consisting of audit, advisory, tax, and consulting practices – is an important contributor to the performance of high-quality audits. This unique model purposefully connects Deloitte's great breadth of professionals and practitioners with a profound depth of experience, skills, and specialties to bring stronger insights and high-quality services. Auditors increasingly use the work of specialists in numerous areas, including to assist in their evaluation of accounting estimates and fair value measurements. This has been more important than ever as companies' financial statements are required to reflect the uncertainties presented by COVID-19 and ensuing macroeconomic factors. Further, the scope of corporate reporting is expected to grow rapidly in the near future: financial statements and corporate disclosures will continue to become more complex due to new environmental, social, and governance (ESG) considerations and other focus areas. In addition, as big data utilisation becomes more pervasive in line with other digital advances, the demand for data analysts and IT specialists will grow accordingly. The benefits of the MDM include:

- Possibility to develop industry or thematic insights (e.g., climate, governance, corporate strategy) through multiple lenses, which enhances auditors' understanding of business risks relevant to conducting audits.
- Immediate access for the Audit & Assurance practice to specialised resources in other business lines. This promotes audit quality because auditors can readily leverage the knowledge and experience of advisory practitioners who are skilled in subjects beyond audit and assurance.
- A diverse organisation helps attract and retain premier talent.
- Availability of intellectual capital within the network to innovate audit processes and technologies.
- Parts of the business grow at different rates during various time periods across markets. Deloitte's MDM safeguards against market volatility to uphold the long-term viability of the network and allows for significant investments in audit quality and innovation, even in times of financial pressures on the audit business.

Deloitte acknowledges, however, the possibility and perception of conflicts of interest, and therefore has robust independence policies and systems in place to help ensure that Deloitte's strategy is executed in alignment with regulatory and professional requirements. In some areas, Deloitte policies are more stringent than what professional standards or laws or regulations require.



### Environmental, social, and governance reporting<sup>6</sup>

The foundations of business are changing rapidly. Long-term resilience and the ability to deliver enduring value has become far more connected to broader values and expectations. Market participants and other stakeholders are calling for greater insight into how an organisation builds, protects, and enhances enterprise value over time, and are specifically demanding enhanced transparency around ESG impacts and the dependencies of a company's business model and strategy.

There is a growing interest globally for organisations to integrate climate-related and other ESG considerations into internal control policies and procedures and to improve the maturity of systems, processes, and governance over climate-related and other ESG information. Those charged with governance (e.g., audit committees, boards) are moving toward incorporating ESG considerations in their oversight responsibilities of an organisation's management, its reporting readiness, and implementation of processes and controls to collect data.

In response to growing demand, the reporting landscape is quickly changing to meet the needs of stakeholders with proposed standard-setting through the ISSB and other rulemaking around the world. Developments in standard-setting and rulemaking are intended not only to drive transparency and consistency in global reporting, but also to make clear that information from both financial and sustainability reporting is essential to informing a stakeholder's view of an entity's value.

The greater focus on and scrutiny of this information also increases the need for confidence in the quality of the information being disclosed, which may be achieved through assurance over ESG information. Deloitte believes a formal assurance requirement over ESG reporting is critical to shaping a reporting system that's trustworthy, comparable, and supportive of the ultimate objective to drive sustainable value creation. Objectivity, credibility, and integrity are critical qualities in assurance providers, along with independence, professional scepticism, commitment to quality, and appropriate training.

Deloitte is taking specific action to support the execution of high-quality audits that give appropriate consideration to climate-related risks and opportunities:

- Educating Deloitte professionals on climate change and its impact on audit entities through a climate learning curriculum and framework, and offering related guidance to consider climate-related matters as part of the audit. We have formed a centre of excellence with a dedicated team that can deploy audit support, provide guidance, and challenge to elevate ESG-related audit documentation, with a current focus on clients for whom we expect the most significant impacts. Deloitte Australia has appointed a dedicated Audit ESG Leader, Annalisa Amiradakis to support this effort.
- Engaging in the global debate by being proactive in supporting global sustainability standards. We're facilitating the five sustainability reporting standard-setting bodies, contributing to the IFRS Foundation's climate disclosure work, and actively participating in various global platforms such as the World Economic Forum and the 2021 United Nations Climate Change Conference (COP 26).

- Deloitte Australia is represented by Jacquie Fegent-Mcgeachie on the Sustainability Reporting Project Advisory Panel, jointly formed by the Australian Accounting Standards Board and the Australian Audit & Assurance Standards Board, which is advising on the implementation of the proposed IFRS Sustainability Standards in Australia, developed by the ISSB.

Deloitte supports the continued collaboration of all participants in the financial reporting ecosystem, working together to develop and implement common standards upon which to measure, disclose, and ultimately assure ESG information.

Further, to help the world achieve the goals of the Paris Agreement, Deloitte has launched [WorldClimate](#), a strategy to drive responsible climate choices within the Deloitte network and beyond.

<sup>6</sup> For more information about Deloitte's alignment with ESG, please refer to Deloitte's [Global Impact Report](#).



# Deloitte's priority focus on audit quality

Deloitte's commitment to audit quality is central to everything we do.

We continually deliver on this commitment by instilling a culture of quality and excellence across the network, establishing business and financial priorities, and developing effective processes, tools, and technologies applied in the execution of audits. Deloitte's brand is defined by the high-quality audits delivered and by the unwavering commitment to continuous improvement of our systems of quality control. Making sure audit quality keeps pace with emerging economic, business, and regulatory conditions, as well as technological advances, is critical to the continual enhancement of Deloitte's role in protecting the public interest and supporting the effective functioning of the financial reporting ecosystem.

## Leadership commitment and tone at the top

Deloitte's culture of quality and excellence begins with a strong tone from the top, starting with senior leadership through to the leaders in all our offices and audit engagements. Deloitte's focus on audit quality is evident through the direct involvement of leaders and consistent messaging that reinforces the importance placed on audit quality. Deloitte's relentless pursuit of quality defines not just what we do, but who we are.

We conduct Audit Quality surveys at least annually to assess perceptions of the leadership tone within Deloitte Australia and the importance placed on audit quality.

The results of the 2022 survey highlighted that communications from leadership consistently reflect audit quality as a key priority. Very pleasingly, we are seeing ongoing improvement in respect of how practitioners perceive how the firm and engagement leadership recognises and rewards actions for high quality.

The 2022 Deloitte Australia Audit Quality survey indicated the following from Audit respondents:

**91%**

believed that communication from leadership consistently reflects audit quality as a key priority

## System of quality control

Deloitte believes an effective system of quality control is crucial for the consistent performance of high-quality audit engagements and we continue to make significant investments in the people, processes, and technologies that underlie Deloitte's quality control processes.

Regulators and standard setters in Australia and globally are focused on driving further improvements in firms' systems of quality control. In December 2020, the IAASB released its new, revised suite of quality management standards, including ISQM 1. Systems of quality management in compliance with ISQM 1 are required to be designed and implemented by 15 December 2022, and an evaluation of the system of quality management will be required to be performed within one year following that date.

The effective implementation of ISQM 1 is a key element of Deloitte's global audit quality strategy. Deloitte Australia's ISQM 1 implementation activities are well progressed, building on the multi-year investments and commitment already delivered to go beyond the requirements of the existing professional standards. Deloitte Australia continues to work with leaders across Deloitte Australia, Deloitte Asia Pacific, and the broader network to further enhance our proactive approach to managing the quality of engagements performed. This includes identifying and addressing risks to audit quality and driving continued advancements in quality control processes that will serve us well into the future as the environment within which we operate continues to evolve and become increasingly complex.

Consistent with Deloitte's culture of continuous improvement and innovation, ISQM 1 provides the opportunity to challenge ourselves and examine those areas where we can further support and transform the system of quality control. Audit quality is always front and centre, and robust audit quality monitoring and measurement processes play an integral role in our ability to continually improve.

## Independence, objectivity, and professional scepticism

The execution of high-quality audits requires independence, objectivity, and professional scepticism. This means a continuous and tangible focus on Deloitte's critical role in serving the public interest, including creating a culture of quality where doing the right thing is paramount. Deloitte consistently reinforces the important role of auditors as independent evaluators who must maintain a mindset of professional scepticism throughout the conduct of our work.

This approach to the audit is reflected in Deloitte policies, methods, procedures, and learning, and is reinforced through quality control and accountability measures.

## Audit approach

Deloitte's approach to a high-quality audit involves an audit methodology, common across the Deloitte network, supplemented by audit tools our practitioners use to plan, perform, supervise, review, document, conclude, and communicate the results of each audit. Deloitte's audit approach is underpinned by professional standards and requirements under applicable laws and regulations.

This audit methodology is dynamic – it evolves continuously to keep pace with the changing demands of investors, companies, and other stakeholders. It recognises that advances in statistical science and in the availability and management of large data sets are relevant to continuing to enhance the quality of Deloitte audits.

Deloitte audit methodology is risk based, focusing on the financial statement account balances, disclosures, and underlying assertions that have a risk of material misstatement.



**Processes to support Deloitte practitioners in the execution of high-quality audits**

The resources applied by Deloitte practitioners in the performance of their audits include the proprietary tools, guidance, materials, and practice aids used in conducting audits, which are available to all our practitioners in the Deloitte Global Technical Library, an extensive online library, and in our audit execution platforms. Deloitte regularly issues accounting and auditing guidance to our practitioners and communicates developments that should be factored into audit risk assessments and responses in order to maintain and drive quality audit execution.

**Engagement team selection and expertise**

The responsibility for each engagement is assigned to an engagement partner with the appropriate competence, capabilities and authority to perform the role. Client commitments and capacity of each audit partner are monitored to enable them to have sufficient time to adequately discharge their responsibilities.

The selection of the engagement team and timely involvement of the partner and other senior team members in the riskiest aspects of the audit is key to developing and executing a high-quality audit. Every audit is led by an engagement partner who must be satisfied that the assigned professionals have the required competencies and experience and meet independence requirements.

For higher risk engagements, additional measures are 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 consultations with specialists or a national panel of experienced partners.



**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 professional standards. The overall supervision of each audit engagement is the responsibility of the engagement partner.

The table on page 18 summarises Deloitte Australia's policies in relation to engagement reviews.



**Consultation**

Quality and risk management considerations are integral to Deloitte's audit business. That is why Deloitte views consultation as an essential, collaborative process – one that helps determine the most appropriate answers to complex questions. Deloitte has identified circumstances where consultation outside of the engagement team is required in order to demonstrate an appropriate level of professional judgement and challenge. Deloitte consultation policies require that conclusions are documented, understood, and implemented. Foundational to the effectiveness of the consultation process is Deloitte's investment in consultation resources who have the appropriate skills and expertise. In addition to formal consultations, whenever engagement partners and teams need additional information or perspectives, they are encouraged to seek assistance from the Audit & Assurance Quality & Risk and Accounting Technical teams, or others in the organisation with specialised knowledge including Independence Australia. The management, visibility, and consistency of these consultations is enhanced by our query management portal, which facilitates the consultation process with specialists.



**Deloitte Conditions for Success (DCS)**

Deloitte's commitment to audit quality is reflected in the DCS: five fundamental operating principles critical to the execution of high-quality audits and effective risk management. Global DCS benchmarks are monitored on an annual basis and provide firms with a baseline for measuring progress and driving improvements in these key areas.



<sup>7</sup> Full-time equivalents, excludes Independence Australia and Ethics team members.

<sup>8</sup> Includes team members partially utilised as engagement team members. Adjusted 2021 comparative for consistency is 46.



# 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 performed in accordance with Deloitte audit methodology, professional standards, and applicable legal and regulatory requirements
- Any significant matters have been raised for further consideration
- Appropriate consultations have taken place and the resulting conclusions have been properly documented
- There is a need to revise the nature, timing and extent of planned audit procedures
- The work performed supports the conclusions reached and is appropriately documented
- The evidence obtained is sufficient and appropriate to support the auditor's report
- The objectives of the engagement procedures have been achieved.

## Engagement quality control review

Performed by a partner for public interest entities and high risk entities, or a partner, principal, or director for certain other entities based on predetermined criteria, 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 properly documented
- The engagement team has made an appropriate evaluation of independence
- Appropriate matters have been considered for reporting to those charged with governance.

The engagement quality control reviewer also reviews the financial statements and the proposed auditor's report.

## Special review

Performed by an experienced partner for entities assessed as much greater than normal risk, to provide an additional level of objectivity by continually challenging the key elements of the engagement giving rise to the higher risk. These may include:

- Engagement acceptance or continuance
- Overall engagement approach and detailed plan
- Scope and quality of work in high-risk areas
- Appropriateness and implementation of consultation and resolution of significant issues
- Adequacy of audit evidence documented in the working papers
- Client communication or reports.

## Review panel

Performed by at least two partners who are not involved in the engagement:

- When events or conditions have been identified that indicate that there could be significant doubt about an entity's ability to continue as a going concern (for audit of entities other than very small engagements); or
- Where our auditor's report will or may be modified, contain a material uncertainty related to going concern section or an emphasis of matter; or
- Where a client is reliant on a letter of financial support; or
- When a restatement of financial statements is proposed.

A review panel considers the appropriateness of the proposed auditor's report and the wording of the modification, material uncertainty related to going concern, emphasis of matter, restatement, or letter of financial support disclosure. Furthermore, for audit of listed entities, the review panel will also review the determination of Key Audit Matters and how they are reported in the auditor's report.

# Unrivalled talent experience and professional development

Deloitte's culture of excellence and design of learning programs and experiences place our people at the forefront.

Our practitioners are technically proficient with high levels of ethics, integrity, professional scepticism, and objectivity, applying their judgement and experience with thoughtfulness, passion, authenticity, and commitment. We are continuously enhancing our skillsets, knowledge, and experience to go beyond the expected and deliver meaningful impact. We invest in our people not only from a technical viewpoint, but also from a coaching and leadership basis – empowering them to co-create the right culture for their peers to succeed. Attracting, developing, and retaining our very best practitioners is key to consistently performing high-quality audits.

Deloitte is committed to delivering an unrivalled talent experience, developing practitioners, and furthering their careers by creating a lifelong learning environment – advancing audit education, skillsets, and flexible career options that appeal to auditors of today and tomorrow.

Our people bring diverse backgrounds, knowledge, perspective, and skillsets that enhance our capabilities as an organisation. Deloitte is united in the commitment to our ALL *IN* initiative, dedicated to improving diversity, equity, inclusion, and innovation.

In addition, we are committed to bringing global consistency to our audits through operational discipline, effective management of the business, and the development of a singular approach to doing audits known as The Deloitte Way.

Deloitte is driving a sustainable audit and assurance business that recognises and rewards its people and makes ongoing targeted investments in their future.



**Learning and development initiatives**

Deloitte's transformed approach to audit delivery is changing the audit experience for practitioners. Audit teams are empowered by advanced tools and technologies and more extensive use of data and analytics within a guided workflow to execute the end-to-end audit. For Deloitte practitioners, this means focusing on how the engagement is planned, executed, and managed consistently across the globe, using forward-looking techniques and capabilities. It also offers opportunities to enhance their technical and professional skillsets and competencies. For example, certain skills remain as important as ever: enhanced data analytics, project management, critical thinking, communication, professional judgement, and the application of accounting and auditing principles to work more effectively and deliver high-quality engagements.

As capabilities and skillsets are enhanced, we build greater confidence and become better evaluators of risk.

Deloitte has made substantial investments in talent and learning strategies and transformed the technical audit curriculum to build the refreshed skillsets and proficiency required by level:

- **At the core, Deloitte has a mandatory global audit technical learning curriculum** (supplemented for Australian requirements as needed). It's tailored for learners by level and uses a dynamic blend of education, exposure, and experience via on-the-job activities and instructor-led courses available live and digital on demand.

- **We have a comprehensive onboarding program** to ensure all new joiners transition meaningfully and effectively into our business. This includes mandatory audit technical, accounting technical, ethics, and independence onboarding curriculum by level, to equip them with the skills and knowledge required for their audit engagements.
- **All client service practitioners are required to complete at least 20 hours of continuing professional development (CPD) each year** and at least 120 hours every three years (i.e. an average of 40 hours per year). This comprises 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).
- **All client service practitioners have clearly defined role expectations and global talent standards** which outline the leadership, professional and technical specialisation capabilities required of practitioners at each level.

We encourage all our people to continually invest time in themselves to develop their leadership and professional capabilities.

Deloitte also has specific learning requirements for specialists working on audit engagements to support their knowledge and understanding of the audit process. In addition, our assurance learning offering is being expanded to respond to emerging business needs.

Deloitte Australia's professional development program aims to help partners and practitioners maintain and enhance their professional competence and leverage advanced new tools and technologies to improve the consistency of audit execution.

To supplement on-the-job development, Deloitte Australia provides continuing formal professional development programs in relevant subject areas consistent with the Deloitte Global Audit & Assurance curriculum.

Our NPPD, supported by the Audit & Assurance Quality & Risk, Accounting Technical, and Independence teams, present regular (typically monthly) updates to the partner, principal, director, senior manager, and manager group on changes to regulatory, accounting, and auditing methodologies, as well as 'hot topics' and focus areas given the challenges and complexities of the current environment.



**Audit & Assurance Leadership appointments**

Audit & Assurance Leadership roles are clearly defined. A role profile, key performance indicator framework, and global leadership attributes provide a basis for consistent leadership appointment and evaluation across the Deloitte Audit & Assurance network. They also align the strategic objectives of member firms and Deloitte Global Audit & Assurance. We have introduced globally consistent standards for member firm Audit & Assurance leaders – including Audit & Assurance Business Leaders, Audit & Assurance Quality Leaders, and Audit & Assurance Risk Leaders – through clearly defined roles, responsibilities, and expected success outcomes. These inform objective-setting and evaluation processes and reinforce Deloitte's culture of quality and excellence. Robust monitoring of succession planning is in progress to ensure Deloitte is developing and appointing the appropriate individuals with the capabilities to achieve these consistent standards.

**Remuneration**

Execution of high-quality audits is expected from all practitioners and is embedded across the Deloitte network. Audit quality is recognised through reward and recognition programs and is built into performance standards at every level, against which practitioners' 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.

Audit quality is a key consideration in determining partner compensation, with our global and local policies requiring that both positive and negative quality outcomes be factored into compensation decisions.

Specifically, partner evaluations take the following factors into account:

- Demonstrating a strong commitment to quality, risk management, and the stewardship of our reputation.
- 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.

Metrics related to the sale of non-audit services to audit clients are prohibited by Deloitte policies when evaluating or compensating audit partners.

Our partner performance management and remuneration process creates a strong link between audit quality and partner remuneration. Partners receive a quality and risk rating (Quality Rating) as part of their performance management, which includes granular feedback relating to audit quality.

Findings from ASIC inspections are an important input to a partner's Quality Rating and are considered among a variety of other quality measures. In considering ASIC inspections findings, we have regard to their nature and severity. We also consider whether the findings are indicative of an issue which requires a broader firm response or whether they are unique to the engagement or partner.

There have been financial consequences for partners in relation to poor Quality Ratings. Financial penalties have included reduction in base remuneration, reduction of annual remuneration adjustments, and removal of annual remuneration adjustments. We have also imposed non-financial penalties in relation to poor Quality Ratings including reassignment of client portfolios and suspension of audit signing rights.

We have other formal and informal disciplinary options available. There are multiple internal and external inputs (which may include regulatory findings) to any such actions depending on severity.

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

<sup>9</sup> The average hours attending the NPPD regular updates are not included.





**Attracting, and retaining our people**

The current environment for talent is extremely competitive, and attraction and retention of our people is a strategic priority for Deloitte. We acknowledge the challenges our people are facing and recognise our part in re-establishing the meaningful connections that so many have missed. Deloitte is focused on transforming the Audit & Assurance talent experience, including reimagining our ways of working to improve retention and further advance the diversity, equity, inclusion, and wellbeing of our people.

With international borders being largely closed for the past two years, continued talent constraints have been a key challenge. With skilled migration slowly resuming this year, talent attraction and engagement has been critical. We are continuously monitoring this rapidly evolving situation and using our global network and innovation skills to help tackle these challenges. During the year we drew on new and existing programs and initiatives to help us address this situation and attract, engage, motivate, and retain talent.

As part of our workforce planning strategy, we leverage talent across a range of channels to supplement our local teams over audit peak periods. Talent is predominantly sourced from the broader Deloitte international network under service arrangements. In the 2022 reporting period, Deloitte Australia Audit benefited from 142,941 hours of audit support across 282 talented auditors from across the globe.

One of the big shifts facing business and society is the changing nature of how we work. People want and expect more flexibility, and they want to choose how and where they work to achieve greater balance between their personal and professional lives.

In response to this shift towards greater flexibility and choice, we examined our approach to work and our talent experience. We considered what modern work means for Deloitte and, during the year, made meaningful changes to how we define hybrid working. We also increased the number of available flexible working arrangements, and we improved the employee transition back to work following a period of parental leave. Across the past two reporting years, we made four policy changes of significance as outlined on the following page.



**Deloitte Experience**

The Deloitte Experience (DX) was launched in June 2021 to help our people “find their spot on the green dot” by reimagining what work looks like. Built on trust, DX empowers our people to design and make choices about where they work based on client, team, and personal needs, and how they connect with our clients and each other. Given DX is all about choices and providing our people flexibility, we have removed our core 9am–5pm working hours.



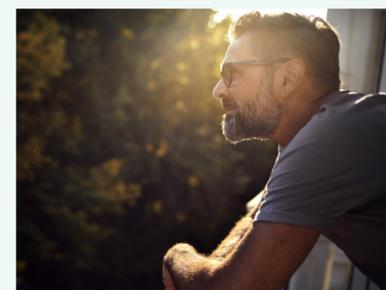
**Making Work Work for Families**

The transition back to work from parental leave can be challenging as parents navigate how they deliver for their clients, work with their teams, manage their families, and take care of their own needs. Making Work Work for Families is a program that provides meaningful support to make this transition easier for our people.



**DeloitteFlex**

Our market-leading flexible work policy DeloitteFlex provides many different types of flexibility and leave arrangements to empower our people to make decisions about when and where they work. In FY22 we enhanced DeloitteFlex and increased the number of flexible working options to 14. These included PlaceFlex and International PlaceFlex, which provide our partners and our people with the ability to travel and work in any domestic and 10 international locations, and CultureFlex, which enables partners and our employees to swap two public holidays for days that are of cultural significance to them.



**Audit & Assurance Recharge Leave**

Designed to invest in our people’s wellness, Recharge Leave provides our Audit & Assurance people with an opportunity to take time out to rest and recover following periods of increased work effort and additional hours. The intent of this policy is to provide clarity, certainty, and consistency across our business, whilst ensuring fairness and equity in how we support the wellbeing of our people.





Our recent employee engagement survey for Deloitte Australia confirmed that the top reason for staying with Deloitte was **flexibility**. This was followed by **career growth opportunities, relationships with teams, and meaningful work**. We are proud that our focus on flexibility and a more contemporary approach to work is having a meaningful impact on our people.

Deloitte's global ALL *IN* commitment is to achieve gender parity at all levels of our organisation, and we continue to make progress towards this goal. ALL *IN* starts with the tone set at the top by leadership and includes programs to support women in developing and growing their careers, through initiatives like our iconic Inspiring Women program.

Deloitte is proud of its heritage as a leading employer for women. In April 2022 Deloitte received its 21st consecutive citation from the Workplace Gender Equality Agency (WGEA) as an Employer of Choice for Gender Equality. Deloitte is only one of two organisations in Australia to achieve this award.

One of the most important principles we apply to our remuneration review process is gender pay equity – comparing pay by gender in like-for-like roles and taking action where required. The goal of this review is to ensure that gender pay equity is at or below 1% for similar work or roles across Deloitte Australia.

Another way we focus on retaining more women in our workforce is through targeted leadership development programs. Our Inspiring Women leadership program had a record 200 participants this year. We also rolled out enhanced training modules specifically focused on the coaching skills required to support women as they return to work from parental leave or career breaks.

Deloitte was proud to join forces with the other Big Four professional services firms on the Vax Return initiative: an advertising campaign that highlighted the benefits for businesses, the community, and the economy when the 80% vaccination target was reached. This collaborative campaign was the first time the Big Four joined their brands together behind a matter of social impact. Together, with our support of the national vaccination effort, we encouraged our teams to get vaccinated and offered leave, programs, and information seminars to support the effort.

Deloitte was also one of the first companies to announce that double vaccination would be a requirement for all employees and contractors physically working from our offices. This position was widely adopted by organisations that were looking to manage the health risks facing their people while facilitating a return to in-person collaborative work.

Putting the health of our people first also encouraged us to make some bold changes to how we work: we fully embraced hybrid working and changed the norms from predominantly working in the office or at a client site to a hybrid model that included remote work.

Deloitte Australia is a founding member of the Corporate Mental Health Alliance Australia, an alliance of organisations that recognise that the mental wellbeing of their employees transcends market dynamics, and that working together collaboratively will give them the best chance of delivering real impact for their people.

Very pleasingly, our staff engagement score for Audit & Assurance respondents was **76%**, with **85%** of our team saying they were proud to work at Deloitte.

We continue to make strategic investments in our talent and look for opportunities to collectively expand the talent experience. This focus on our people and retention of top talent enhances Deloitte's ability to deliver high-quality audits.



**Deloitte Australia gender diversity insights:**

| As at 30 June                                 | Total | Total female | Female % |
|---|-------|--------------|----------|
| <b>Audit &amp; Assurance employees</b>        |       |              |          |
| 2022  | 2,254 | 1,217        | 54%      |
| 2021  | 2,070 | 1,103        | 53%      |
| <b>Audit &amp; Assurance partners</b>         |       |              |          |
| 2022  | 203   | 71           | 35%      |
| 2021  | 193   | 64           | 33%      |
| <b>National Executive</b>                     |       |              |          |
| 2022  | 13    | 5            | 38%      |
| 2021  | 11    | 4            | 36%      |
| <b>Board</b>                                  |       |              |          |
| 2022  | 10    | 4            | 40%      |
| 2021  | 10    | 4            | 40%      |
| <b>During the Transparency Reporting Year</b> |       |              |          |
| <b>New Audit &amp; Assurance partners</b>     |       |              |          |
| 2022  | 27    | 11           | 41%      |
| 2021  | 15    | 5            | 33%      |

**Awards and recognition**

**WINNER – Most Innovative Professional Services Firm**  
AFR Boss Most Innovative Companies

**WINNER – Most Popular Commerce & Business Employer**  
AFR Grad Connection

**EMPLOYER OF CHOICE for Gender Equality**  
21st year in a row for citation (WGEA)

**WINNER – Grad Recruiter of the Year**  
AAGE

**WINNER – Most Popular Internship**  
AFR GradConnection

**GOLD AWARD – LGBTQ Inclusion Awards**  
Australian Workplace Equality Index (AWEI)

**3RD in Top 100 Employers**  
AFR GradConnection

**1ST in Professional Services / 4TH Overall – World's Most Attractive Employer**  
Universum 2021 rankings

**Social Impact**

**Making an Impact Every Day**

We believe human connection can help create innovative solutions and lasting impact on pressing issues of our time. By harnessing the collective power of Deloitte's network of people, clients, nonprofits and communities, we aim to achieve lasting social impact for the greater good.





# The role of company directors in achieving high-quality financial reporting

In an environment of increasing scrutiny, we recognise that company directors are primarily responsible for the quality of financial reporting and play an important role in supporting the audit process. Company 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. The final report issued by the Parliamentary Joint Committee on Corporations and Financial Services into the Regulation of Auditing Australia included two recommendations that impact on control frameworks:
  - The Corporations Act be amended to require companies, that are audited under the Corporations Act, to establish and maintain an internal control framework for financial reporting and that management annually report on the effectiveness of the internal control framework. This management assessment would then be subject to auditor reporting.
  - The Financial Reporting Council should oversee a formal review of the sufficiency and effectiveness of reporting requirements in relation to the prevention and detection of fraud and management’s assessment of going concern. Detailed reporting would likely include assessment and disclosure of controls in relation to the fraud prevention and detection and management’s process to assess going concern.
- Having the requisite skill mix and a 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 high-quality audit.
- Considering the independence and effectiveness of the external audit process.

At this point, the Australian Government has not formally responded to the recommendations of the Parliamentary Joint Committee; however, it may be prudent to assume these recommendations may progress in some form as has happened, or is happening, in other jurisdictions such as the UK and the US. Offshore experience is that the process of building towards an internal control framework that is sufficiently robust to satisfy formal audit requirements can require a multi-year focus.

Guidance on the role of company directors in financial reporting is provided by ASIC in Information Sheet 183 *Directors and financial reporting* and Information Sheet 196 *Audit quality – The role of directors and audit committees*.

## Reporting matters

The following statistics relating to year-end audits of listed entities performed during the Transparency Reporting Year reinforce the commitment by Deloitte Australia to protect the interests of capital markets and the investing community:



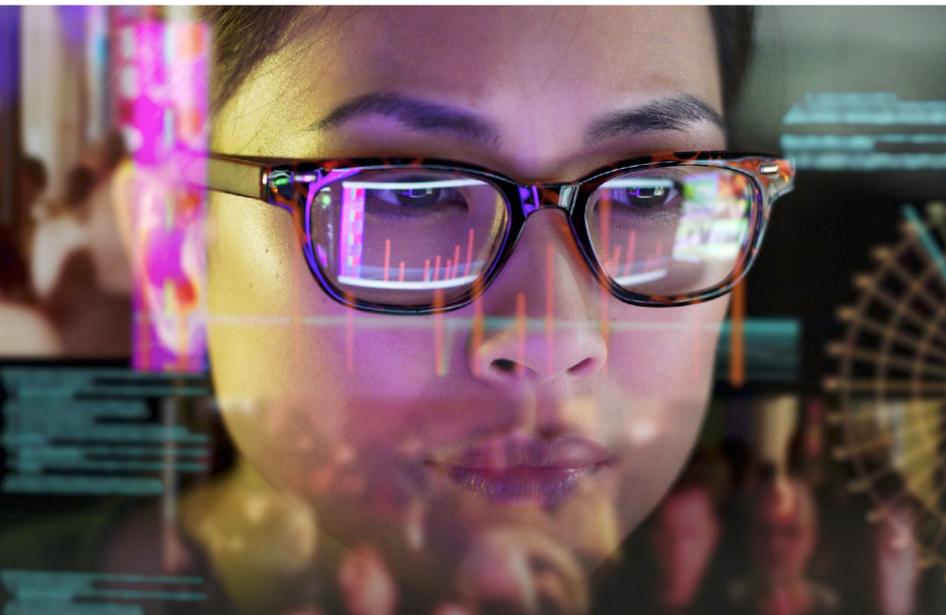


# External and internal audit quality monitoring

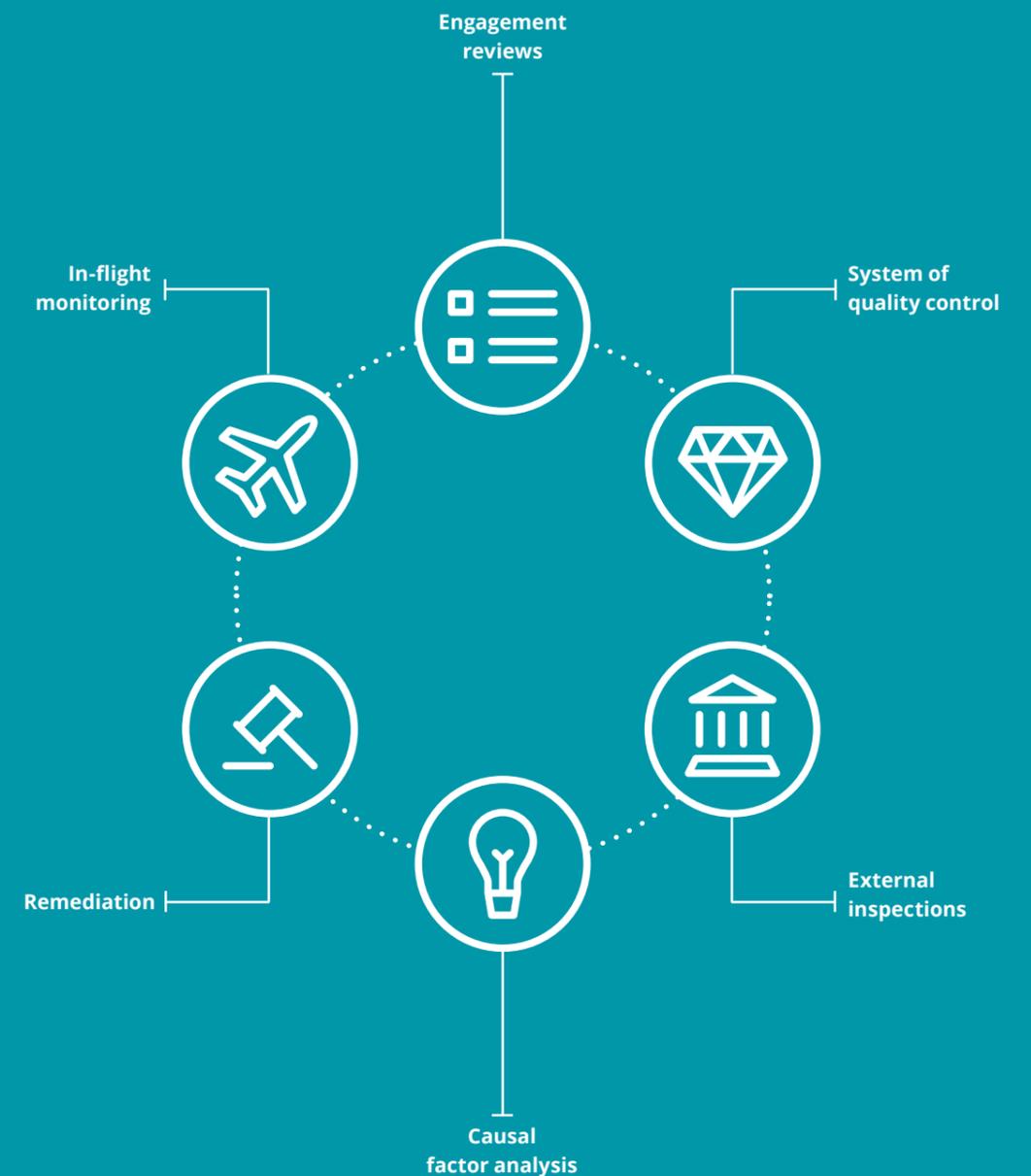
## Audit Quality Monitoring & Measurement (AQMM)

A continued focus on audit quality is of paramount 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 objective of the Deloitte Global AQMM program is to communicate relevant, reliable, and timely information to leadership to enable swift, responsive remedial actions and continuous improvement in our system of quality control. This includes identifying deficiencies and good practices in this system of quality control and the assessment of the effectiveness of remedial actions in driving improvements in audit quality.



# Audit Quality Monitoring & Measurement





### In-flight monitoring

Continuous audit quality monitoring by Deloitte Australia involves proactively identifying audit issues on 'in-flight' engagements to drive timely solutions and real-time corrective actions. This is achieved through the following suite of activities:

- 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.
- Real-time reviews of in-flight engagements by specialised quality reviewers in the form of coaching, which allows any quality issues to be proactively identified and remediated throughout the audit.

In-flight monitoring results are evaluated overall to determine whether additional communication and support is needed for audit engagement teams with respect to adherence to the audit methodology or updates thereto.



### Engagement reviews

We conduct robust, regular engagement reviews (internal practice reviews). Key components include:

- Risk-based engagement selection and consideration of all major industries served by Deloitte Australia.
- Findings moderated by a panel to drive consistency in findings and engagement ratings.
- External practitioners, independent of Deloitte Australia, provide oversight over these internal practice reviews to drive global consistency.
- Reviewers independent of the engagement team (from within Deloitte Australia as well as from other Deloitte geographies) with the right experience and industry knowledge conduct the reviews.

Every audit partner is reviewed at least once every three years. In addition, partner candidates are reviewed prior to their promotion to partner.

The most recent practice review program was completed in October 2022. These extensive and rigorous reviews covered 33% of our audit partners and showed a significant improvement, with a 9% decrease in the percentage of files rated as non-compliant, from 27% in 2021 to 18% in 2022. This reflects the successful implementation of measures over the last 18 months under our Audit Quality Plan (AQP), which we refine each year as part of commitment to constantly improving audit quality. It is important to note there were no restatements of financial reports or reissuances of audit opinions for files rated as non-compliant.

Partners with an engagement file that receives a non-compliant rating are subject to causal factor analysis to understand why the audit deficiencies occurred and to identify any required quality measures, including specific training, coaching, and supervision. Additional quality measures are incorporated into and monitored via an approved, partner-specific quality improvement plan. Partners with an engagement file that receives a non-compliant rating are also subject to review in the next practice review period.

Percentage of audit partners for which engagement files were subject to practice reviews:



Hours spent performing practice reviews:



### System of quality control (SQC) review

The approach adopted to perform the SQC review includes an objective risk assessment to determine the scope of the SQC testing program, an evaluation of the design and implementation of the relevant processes and controls, and testing for operational effectiveness. The SQC review includes the execution of a comprehensive SQC testing program.

Key areas were selected for testing, including client and engagement acceptance and continuance, engagement performance, and resourcing.

Testing of the SQC is an integral part of the firm's monitoring activities.

Deloitte Australia's SQC complies with the Australian Standard of Quality Control issued by the Australian Auditing and Assurance Standards Board, progressing towards compliance with ISQM 1 by 15 December 2022.

Audit Quality Indicators (AQIs), including the Deloitte Conditions for Success (DCS), are used in conjunction with other metrics to further assist Deloitte Australia in developing and monitoring audit quality action plans and reporting on our progress in the audit quality journey.

Hours spent completing the SQC testing program:



### Causal factor analysis and remediation

Continuous improvement is essential to Deloitte's culture of quality and excellence. Understanding why deficiencies occur is critical to the design of effective actions to remediate findings. When deficiencies are identified, whether through internal or external monitoring activities, actions are taken to identify gaps and appropriate retrospective or prospective remediation activities. Remediation is imperative to drive continuous improvement in audit quality and avoid similar findings in the future.

An AQP is prepared by Deloitte Australia and provides for effective implementation and monitoring of key audit quality priorities. The governance framework for the AQP is underpinned by the Deloitte Australia Audit Quality Steering Committee, responsible for the implementation of the AQP, and the Audit Quality Oversight Committee (including the Deloitte Asia Pacific Audit & Assurance Business Leader and the Deloitte Asia Pacific Audit & Assurance Quality Leader), which provides governing oversight.



**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 external audits of financial reports in order to protect the public interest and support the capital markets.

**Australian Securities & Investment Commission**

ASIC has responsibility for the oversight of auditors in Australia. ASIC monitors compliance with the requirements of the Corporations Act as it relates to auditor independence and audit quality. In 2014, ASIC introduced a continuous inspection process for the largest firms. Deloitte Australia has been subject to ongoing engagement file reviews throughout the Transparency Reporting Year.

Periodically, ASIC publicly reports on its audit inspection program, summarising the scope and overall findings of inspections. ASIC issued reports on 30 November 2021<sup>10</sup> setting out findings from the review of audit files in the 12 months to 30 June 2021, relating to audits of financial reports for years ended from 31 December 2019 to 31 December 2020.

ASIC adopts a risk-based approach to its inspections. This means they focus on a limited number of the more complex and challenging audits of listed and other public interest entities, and the higher risk key audit areas.

During the 12-month period to 30 June 2021, ASIC also completed risk-based reviews of aspects of financial reports audited by Deloitte Australia as part of the ASIC financial reporting surveillance program.

**ASIC inspection findings:**

|                           | Number of audit files | Key audit areas with findings | Key audit areas reviewed | Percentage |
|---------------------------|-----------------------|-------------------------------|--------------------------|------------|
| <b>Largest six firms</b>  |                       |                               |                          |            |
| 12 months to 30 June 2021 | 35                    | 27                            | 115                      | 23%        |
| 12 months to 30 June 2020 | 46                    | 37                            | 156                      | 24%        |
| <b>Deloitte Australia</b> |                       |                               |                          |            |
| 12 months to 30 June 2021 | 5                     | 5                             | 17                       | 29%        |
| 12 months to 30 June 2020 | 7                     | 9                             | 26                       | 35%        |

**ASIC financial reporting surveillance program:**

|                           | Number of financial reports | Number of restatements <sup>11</sup> | Percentage |
|---------------------------|-----------------------------|--------------------------------------|------------|
| <b>Deloitte Australia</b> |                             |                                      |            |
| 12 months to 30 June 2021 | 43                          | 1                                    | 2%         |
| 12 months to 30 June 2020 | 45                          | 4                                    | 9%         |

<sup>10</sup> See [REP 709 Audit inspection report: 1 July 2020 to 30 June 2021](#) and [REP 711 Deloitte Touche Tohmatsu Australia: Audit inspection report – 1 July 2020 to 30 June 2021](#).

<sup>11</sup> Material change to net assets or profits made following ASIC's risk-based review of the financial report.

ASIC has stated a need for audit firms to carefully evaluate the effectiveness of existing initiatives to improve audit quality and implement improvements and further initiatives. To improve audit quality, ASIC expects audit firms to focus on identifying and addressing root causes of negative findings, developing and implementing action plans to address the identified root causes, and monitoring and revising action plans to ensure they are effective. We entirely agree and continue to be committed to doing this.

ASIC have acknowledged the availability of audit staff resources may continue to be affected by COVID-19 conditions, pre-existing factors, and planned and future changes, and will require responses by all firms across the profession and by other parties in the financial reporting chain.

Disappointingly, we expect the results from the review of five audit files in the 12 months to 30 June 2022 will show an increase in the findings percentage with respect to the key audit areas reviewed.

We note ASIC's reviews of Deloitte Australia's approach to audit firm culture and talent. ASIC found we had a range of practices and initiatives to maintain a culture focused on audit quality and to attract and retain the right talent for complex audits. ASIC has stated changes in our culture-related practices and initiatives may take time to show an impact on negative findings and need to be applied in combination with other initiatives to improve audit quality. Further, the extent to which these practices and initiatives are delivering the intended outcomes should therefore continue to be regularly monitored and assessed.

ASIC made no better practice recommendations for Deloitte Australia but did separately report on general considerations for firms and the profession in the areas of culture and talent<sup>12</sup>.

We consider all of ASIC's findings in relation to each audit they review. Depending on the nature and severity of the ASIC finding and our assessment of the causal factors, we will consider if there is a need to revise our AQP, policies, processes, and guidance, or to deliver additional training to our audit practitioners. Where we consider it necessary, we remediate our audit engagement files.

Our audit partners and staff learn from these interactions by incorporating ASIC's feedback into continuous improvement and audit quality programs. A senior member of the Audit & Assurance Quality & Risk team participates in meetings with ASIC to obtain detailed knowledge of the nature and severity of the findings from each ASIC file review. Our objective is that the audit partner and team learn from the ASIC inspection process, consider what they could have done differently (including a root cause analysis) and, where appropriate, revise their approach on subsequent audits.

We value the ASIC inspection and financial reporting surveillance programs and benefit from the extensive dialogue we have with ASIC during, and as a result of, both processes. We believe that the inspection process serves an important role in improving audit quality, and we value the insights it brings to both entities and the audit profession. We continue to engage with ASIC on measures to improve audit quality and will play our part to further enhance confidence in financial reporting.

<sup>12</sup> See [REP 709 Audit inspection report: 1 July 2020 to 30 June 2021](#) and [REP 711 Deloitte Touche Tohmatsu Australia: Audit inspection report – 1 July 2020 to 30 June 2021](#).



**Chartered Accountants Australia and New Zealand (CA ANZ)**

CA ANZ has a Quality and Practice Review Program<sup>13</sup> to monitor whether its members in public practice have quality control systems in place to comply with professional standards, and legal and regulatory requirements.

CA ANZ commenced a Quality and Practice Review of Deloitte Australia in 2022. The review is currently in its final stages, following which its outcome will be communicated to Deloitte Australia.

**Foreign regulators**

As we are registered to audit entities that are publicly accountable in foreign jurisdictions, a number of foreign regulators are also authorised to inspect Deloitte (when applicable) as outlined in the table to the right:

| Regulator  | Date and comment   |
|--|--|
| Public Company Accounting Oversight Board, United States | The most recent PCAOB inspection of Deloitte Australia was in October 2020. The PCAOB reviewed elements of the Firm's system of quality control and sections of the audit files for two engagements with 2019 year ends. The PCAOB issued its public inspection report for Deloitte Australia in March 2022 <sup>14</sup> .<br><br>During the Transparency Reporting Year, we serviced 30 companies registered with the PCAOB. |
| Financial Reporting Council (FRC), United Kingdom        | No inspection to date. The FRC publishes an annual report on its website in relation to its audit inspection findings (see <a href="http://www.frc.org.uk">www.frc.org.uk</a> ).   |
| Canadian Public Accountability Board (CPAB)              | No inspection to date. The CPAB publishes an annual report on its website in relation to its audit inspection findings (see <a href="http://www.cpab-ccrc.ca">www.cpab-ccrc.ca</a> ).  |
| Financial Markets Authority (FMA), New Zealand           | No inspection to date. The FMA publishes an annual report on its website in relation to its audit inspection findings (see <a href="http://www.fma.govt.nz">www.fma.govt.nz</a> ).   |



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

Deloitte Australia confirms 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 reviews and regulatory inspections to enhance our system of quality control.

<sup>13</sup> See [Quality and Practice Review Program](#) for further details.

<sup>14</sup> See [2020 Inspection Deloitte Touche Tohmatsu](#).

**Deloitte Australia's commitment to audit quality**

During the Transparency Reporting Year, we refreshed and expanded on our key audit quality priorities in response to the evolving market.

|                                | Creating capacity  | Workforce planning   | Reward and recognition   | Internal controls  | Enhancing capability   | System of quality control   |
|--------------------------------|--|--|--|--|--|---|
| <b>What we are doing</b>       | Continuing rationalisation of our partner audit client portfolios through our portfolio risk reviews and by increasing our partner-to-staff ratios.  | Investing to reach and maintain our target leverage model through staff retention and recruitment strategies.<br><br>This includes leveraging a range of options to meet our supply model and to address the skills shortage arising from pandemic driven furloughs and border restrictions. | Refreshing and realigning our remuneration strategies and other reward and recognition strategies.   | Increasing and prioritising the deployment of internal control and information technology (IT) specialists to support engagement teams.<br><br>In addition, further improving internal controls capability of engagement teams by providing additional training and tools.                 | Continuing to enhance learning programs for partners and practitioners.<br><br>Increasing the frequency of real-time reviews of in-flight engagements by specialised quality reviewers independent of the audit team.<br><br>Continuing to invest globally in our next-generation cloud-based audit delivery platforms (Deloitte Omnia for the majority of our clients and Deloitte Levvia for select private and smaller entities).<br><br>Accelerating the adoption of The Deloitte Way for globally consistent audit execution. | Strengthening various aspects of our system of quality control including our EQCR processes and partner deployment.   |
| <b>How it improves quality</b> | It's critical to continue focusing on lifting the already significant involvement of partners and other senior team members as businesses become more complex. It allows greater focus on the riskiest aspects of the audit and is key to consistently performing high-quality audits.         | Improving retention and addressing continued talent constraints is critical and key to consistently performing high-quality audits.  | Attracting, developing, and retaining the very best people are key to consistently performing high-quality audits.   | Instilling the internal controls capability of engagement teams is key to consistently performing high-quality audits.   | Real-time feedback from specialised quality reviewers while an audit is in progress increases the consistency of quality across the audit client portfolio and enables engagement teams to incorporate improvements prior to the issuance of our audit opinion.<br><br>The consistent application of audit methodology through standardised processes, and a delivery platform which tracks and identifies departures from this methodology on a timely basis, are key to consistently performing high-quality audits.             | Improving our SQC processes and embedding these in future audits is key to supporting engagement teams to consistently perform high-quality audits.   |
| <b>How we are tracking</b>     | During the year, the review of our client portfolio resulted in a saving of over 185,000 resource hours, which has been reinvested to continue improving audit quality. We have established our goals and objectives for the year ahead to maintain our momentum in this important initiative. | During the year, we drew on new and existing programs and initiatives to help us attract, engage, motivate, and retain talent.<br><br>We leverage surge talent across a range of channels to supplement our local teams over audit peak periods.   | We have uplifted remuneration across various levels and increased both the recognition and amounts of our quality awards to better link our priorities to remuneration outcomes. Initiatives have been introduced for flexible working arrangements including domestic and international remote working as well as initiatives to increase staff engagement at all levels. | The deployment of internal control and IT specialists was increased and based on the prioritisation/stratification of the client portfolio.<br><br>Capability of practitioners was improved via bespoke audit learning (by levels) and via the introduction of new intellectual resources. | Real-time reviews have been progressively expanded across the client portfolio, providing additional support and quality-focused initiatives for our engagement teams.<br><br>Over the past year, we have successfully carried out our deployment and transformation initiatives. We have completed the pilot programs for the Omnia and Levvia platforms and are commencing broad deployment activities. Our teams have also integrated The Deloitte Way into existing audits, having achieved a success rate of 97%.             | Considerable progress has been made to increase partner capacity and support through deployment planning processes and improved partner and EQCR portfolios. This is resulting in a re-alignment of roles and responsibilities to enable more focus on client and audit quality priorities. |



# Independence, ethics, and additional disclosures

## Deloitte Global independence



Sets **independence policies and procedural expectations** 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.



Supports firms, as needed, with their annual SQC review and gives insights into global areas of focus. On a three-year cycle, Deloitte Global Independence provides **independence subject matter expertise that is leveraged during the firms' annual SQC review** as part of Audit Quality Monitoring & Measurement. In-depth follow-up reviews are conducted as needed.



Provides firms with **on-going independence expertise** through consultation – enabling continuous enhancements to global policies, procedural expectations, tools, and practice support activities.



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



Promotes **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, laws, and regulations that relate to independence. These policies and procedures are based on the Deloitte Global Independence policy and are supplemented, as appropriate, to reflect additional national or regional requirements that may be more restrictive than Deloitte Global policies.

Deloitte Australia's leadership team 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 the Firm. Strategies and procedures to communicate the importance of independence to partners, other practitioners, and support staff have been adopted, emphasising each individual's responsibility to understand and meet independence requirements. The Director of Independence is responsible for overseeing independence matters within Deloitte Australia, including the design, implementation, operation, monitoring, and maintenance of the system of quality control related to independence. As part of the Firm's system of quality control, Deloitte Australia:

- Has implemented responses (policies, procedures, and controls) to quality risks it has identified for its key independence areas.
- Has performed appropriate monitoring activities over its key independence areas.
- Has appropriate independence governance in place.

The Firm's key independence areas include:

- Client, engagement, and business relationships, including use of the independence business process tools, the Deloitte Entity Search and Compliance (DESC) system, and the Service Request Monitoring (SRM) application.
- Firm and personal financial relationships, including the use of the Global Independence Monitoring System (GIMS).
- Employment and other relationships.
- Independence confirmations.
- Independence consultations.
- Independence-related policies, communications, and learning.
- Breaches of independence requirements.
- Disciplinary measures for failures to adhere to applicable independence requirements.



**DESC**  
Deloitte Entity Search and Compliance

Global, searchable database containing specific entity information relevant in determining personal and professional independence restrictions.



**SRM**  
Service Request Monitoring

Application integrated with DESC that provides a standard business process workflow for submitting and reviewing pre-approval requests to provide services to and enter into business relationships with clients.



**GIMS**  
Global Independence Monitoring System

Application that contains financial relationship data with relevant independence compliance indicators.



An internal review of independence compliance with the above key independence areas was conducted during the year and the report was issued on 10 November 2021. During 2021, 37% (2020: 34%) of partners were selected for independence compliance testing.



**Non-audit services**

Deloitte policies require every potential engagement to be reviewed to determine whether we have an existing audit relationship with the entity or any of its affiliates and to assess whether the proposed services can be provided without impairing independence.

The recent new provisions released by the International Ethics Standards Board for Accountants (IESBA), and adopted in Australia in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (APES 110) issued by the Accounting Professional & Ethical Standards Board (APESB), strengthen auditor independence for listed and other public interest audit clients. The new provisions are effective for audits of periods beginning on or after 15 December 2022 and include restrictions on provision of non-audit services that might create a self-review threat as well as enhanced disclosure requirements around fees paid by the audit client to their auditor. The new provisions promote greater public transparency and establish base level requirements for communications between auditors and those charged with governance.

**Long association requirements of audit partners and professionals**

Rotation of engagement partners, EQCRs, and other key audit partners helps provide a fresh perspective and reduce familiarity and self-interest threats to independence.

Our rotation policies require the engagement partner and the EQCR for the audits of listed entities and Australian Prudential Regulation Authority (APRA)-regulated entities to be rotated after five consecutive years of service. The rotation requirement is seven years for other key audit partners involved in the audits of listed entities and other public interest entities. Following rotation, these audit partners are not permitted to be involved in the audit engagement or undertake other client-specific roles for a period of two, three, or five years, depending on their role.

Engagement teams record the years of service of engagement partners, EQCRs, and other key audit partners. This is validated against a database maintained by Audit & Assurance Quality & Risk that tracks the number of years of audit partner involvement to facilitate succession planning and monitor compliance with rotation requirements.

**Ethics**

All Deloitte people are expected to act with integrity in accordance with the high ethical standards described in the [Deloitte Global Principles of Business Conduct](#) (Global Code). The Global Code is embedded into each member firm's Code of Conduct and defines the commitments that all Deloitte people make regarding ethical standards, as well as explaining each individual's responsibilities to their clients, colleagues, and society. In addition to the Global Code, other foundational elements of Deloitte's ethics program include global policies, a program of training and communications, and established reporting channels supported by defined incident management protocols. For continuous improvement, regular program assessments and reviews are conducted and feedback is collected from Deloitte people through an annual ethics survey.

Ethics at Deloitte is led by the Deloitte Global Chief Ethics Officer at the global level, the Asia Pacific Conduct Leader at an Asia Pacific member firm level, and for Deloitte Australia, the Ethics and Conduct Leader, Leanne Karamfiles.

The ethics leaders for Deloitte Global, Asia Pacific member firms and Deloitte Australia work together to continually monitor risk and reinforce compliance with the Global Code.

Deloitte Australia maintains policies and procedures that build on the global policies and are designed to provide reasonable assurance that its people comply with relevant ethical requirements.

The ethical requirements for audit and related assurance services provided by Deloitte Australia are set out in APES 110 issued by the APESB.

Deloitte Australia also complies with Deloitte Global policies and procedures, which align with the requirements and guidance set out in the International Code of Ethics for Professional Accountants issued by the IESBA, a standard-setting body of the International Federation of Accountants. When APES 110 is more restrictive than the Deloitte Global policies and procedures, Deloitte Australia follows APES 110.

Deloitte Australia reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems for all people. Learning includes targeted content for onboarding, manager promotion, independent contractors, and ethics refresher programs every two years. Recent global training topics have included a focus on the importance of owning up to one's mistakes, navigating personal relationships in the workplace, and demonstrating respect, integrity, and professionalism on social media. Courses have included a confirmation that professionals are aware that answers should not be shared with others and doing so would constitute a violation of the Global Code. In addition, Deloitte Australia conducts ethics reviews for senior leaders and requires all partners, other practitioners, and support staff to confirm annually that they have read and comprehended the member firm's Code of Conduct and our ethics policies and understand that it is their responsibility to comply with them.

Highlights of the 2021 Deloitte Australia Ethics Survey from Audit & Assurance respondents:



At Deloitte, we believe leading with integrity has never been more important. We've faced significant disruption over the past two years, and we know that during these rapidly changing circumstances, it's more crucial than ever for us to guide and support our people with a strong values-based culture and a principle-driven ethical framework.

These values and principles help us maintain an ethically aware culture. But as an organisation of over 12,000 people, we are not immune to unethical behaviour.

The number of ethical misconduct allegations raised in the year<sup>18</sup> was 146 (1.2 per 100 people), with the top three categories being:

- Respect and fair treatment (51%)
- Sexual harassment (15%)
- Misuse of information (13%).

We target a maximum of four weeks to complete investigations. During the year, we closed out 145 cases of which 55% were substantiated and resulted in action being taken, ranging from training to exits from the Firm.

Actions taken for substantiated allegations during the year:

- Counselling 27%
- Exit 25%
- Reprimand 24%
- Training 24%.

Allegations of sexual harassment are handled by our most experienced investigators.

- During the year, there were 16 sexual harassment allegations raised implicating Deloitte employees.
- Generally, the allegations related to inappropriate communications either verbal or written. There were no sexual assaults reported.
- Of the closed sexual harassment cases, 76% were substantiated and resulted in actions being taken.

Actions taken for substantiated sexual harassment allegations during the year:

- Exit 60%
- Reprimand 40%.

Non-assurance services fees as a percentage of audit and assurance related services fees for ASX 300<sup>15</sup> listed entities audited by Deloitte Australia:



<sup>15</sup> Based on a listing of ASX 300 listed entities as at 31 March 2022 and 2021, respectively.

<sup>16</sup> For years ended 1 April 2021 to 31 March 2022.

<sup>17</sup> For years ended 1 April 2020 to 31 March 2021.

<sup>18</sup> For the 12 months to 31 May 2022.



**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 engagement 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 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 enquiries or complaints and promote privacy awareness.

**Client service assessment and complaints**

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

**Client service assessment**

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.

Following the completion of select 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 handling and whistleblower policies**

To allow the Firm to retain its strong reputation, we have publicly available [complaints handling and whistleblower policies](#).

The Complaints Handling Policy provides guidance for external parties to complain about products and services of Deloitte Australia and for how we manage complaints made against the Firm, its partners, and its employees. The policy is supported by a procedures manual to help resolve external complaints in an efficient, effective, and professional manner.

Eligible whistleblowers also have the option to make a complaint in accordance with the [Whistleblower Policy](#).

Our process includes appointing a Complaints Officer and designating communication channels to manage complaints. Complaints are documented and analysed and appropriate action, including changes to the system of quality control, is taken to address concerns raised where necessary.



# Deloitte Global Ethics

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

The Global Code outlines Deloitte's ethical commitments as a network and expectations for Deloitte's approximately 345,000 people, giving a strong, principled foundation. The foundations of the network's ethics program comprise the following elements:





# Deloitte's Shared Values

At the heart of everything we do is a set of Shared Values. These values serve as the basis for the decisions we make and the actions we take, enabling us to deliver impact how and where it matters most for Deloitte clients, our people, and society.



### Lead the way

With our unmatched scale, scope, skill, and service excellence, Deloitte is not only leading the profession, but reinventing it for the future. And we are putting those same attributes to work in our communities, creating opportunity and leading the way to a better, stronger, and more sustainable world.



### Serve with integrity

By acting ethically and with integrity, and serving as role models in our communities, Deloitte has earned the trust of clients, regulators, and the public. Upholding that trust is our single most important responsibility – the reason we do what is right, always.



### Take care of each other

Deloitte's culture is grounded in the understanding that we're all in this together. We look out for one another and prioritise respect, fairness, development, and wellbeing.



### Collaborate for measurable impact

We approach our work with a collaborative mindset, teaming across businesses, geographies, and skill sets to deliver tangible, measurable, attributable impact. We measure our success not only by metrics, but by the strength of the relationships we build, the level of innovation we bring to solving problems, and the company we keep as we deliver the best of Deloitte to the world.



### Foster inclusion

We are at our best when we foster an inclusive culture and embrace diversity in all forms. We know this attracts top talent, enables innovation, and helps deliver well-rounded client solutions. We are committed to empowering all people to grow and achieve, accelerating diversity in leadership, and building balance for better.

# Shaping the future of the audit profession

Uncertainty and complexity are set to remain a central theme over the coming years, driven by heightened global challenges and rapid technological advancements.

The provision of relevant and reliable financial and, increasingly, non-financial information is critical to both the capital markets and broader society. Policy makers, regulators, investors, company directors, audit committee chairs, and auditors all play an important role in giving users of corporate information a clear and complete picture of the risks and uncertainties in a company's business model to support informed decision making.

Deloitte is committed to establishing a meaningful vision for the future of the profession that addresses the shifting needs of society. We are proactively engaging with a range of stakeholders to bring innovation into the audit of today – as well as the audit of tomorrow – to support the audit, corporate governance, and reporting regime in continuing to enable confidence and trust.

We believe it's equally important to continue attracting talented individuals to the audit profession, supporting their professional development, and promoting audit as a meaningful and rewarding career path. This approach is key to shaping a capable, future-ready audit industry that continues to evolve in a changing world.



# Appendix A: Financial information

The breakdown of the Deloitte Australia's revenue for the year ended 30 June 2022 (A\$m):

| Revenue                                      | 2022         | 2021         |
|--|--------------|--------------|
| Audits of financial statements <sup>19</sup> | 312          | 299          |
| Non-audit services to audit clients          | 97           | 108          |
| Non-audit services to non-audit clients      | 2,394        | 1,933        |
| <b>Total</b>                                 | <b>2,803</b> | <b>2,340</b> |

<sup>19</sup> Includes revenue derived from audits of financial statements. Other related assurance services are classified as non-audit services.

# Appendix B: Public interest entities

Deloitte Australia completed audits<sup>20</sup> of the following entities during the year ended 30 June 2022:

## Listed companies and registered schemes

|  |  |   |
|--|--|---|
| Accent Group Limited                     | Boral Limited  | Dexus Industria Reit (formerly APN Industria REIT) (Stapled Securities) |
| Accent Resources NL                      | BSA Limited  | Dexus PG Limited (formerly APN Property Group Limited)                  |
| AGL Energy Limited                       | Bubs Australia Limited   | Domino's Pizza Enterprises Limited                                      |
| Ai-Media Technologies Limited            | Byron Energy Limited   | Duxton Farms Ltd (formerly Duxton Broadacre Farms Limited)              |
| Airtasker Limited                        | Capitol Health Limited   | E&P Financial Group Limited   |
| Andromeda Metals Limited                 | Capral Limited   | Eagers Automotive Limited   |
| APA Group (Stapled Securities)           | Carbon Revolution Limited  | Electro Optic Systems Holdings Limited                                  |
| Apollo Minerals Limited                  | Cash Converters International Limited  | Elmo Software Limited   |
| Aspen Group Limited (Stapled Securities) | Cashrewards Limited  | Embelton Limited  |
| Atomos Limited                           | CD Private Equity Fund I   | Emeco Holdings Limited  |
| Audinate Group Limited                   | CD Private Equity Fund II  | EML Payments Limited  |
| Audio Pixels Holdings Limited            | CD Private Equity Fund III   | Endeavour Group Limited   |
| Aurizon Holdings Limited                 | CIMIC Group Limited  | EQT Holdings Limited  |
| Austal Limited                           | City Chic Collective Limited   | Essential Metals Limited  |
| Auswide Bank Ltd                         | ClearView Wealth Limited   | FAR Ltd   |
| Autosports Group Limited                 | Cluey Ltd  | Fidelity Global Demographics Fund (Managed Fund)                        |
| AVADA Group Limited                      | Cobram Estate Olives Limited   | Fidelity Global Emerging Markets Fund (Managed Fund)                    |
| Big River Gold Ltd                       | Coda Minerals Ltd  | Frontier Digital Ventures Ltd   |
| Big River Industries Ltd                 | Cromwell Property Group (Stapled Securities)   | Gale Pacific Limited  |
| BikeExchange Limited                     | CSR Limited  | Global Value Fund Limited   |
| Black Rock Mining Limited                | Dalrymple Bay Infrastructure Limited   | Golden Rim Resources Ltd  |
| Blackmores Limited                       | DDH1 Limited   | GR Engineering Services Ltd   |
| Bluechiip Limited                        | Dexus Convenient Retail Reit (formerly APN Convenience Retail REIT) (Stapled Securities) |   |
| Boart Longyear Group Ltd                 |  |   |
| Booktopia Group Limited                  |  |   |

<sup>20</sup> Audit 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 continued**

|  |  |  |
|--|--|--|
| Greenland Minerals Limited                                       | iShares Global High Yield Bond (AUD Hedged) ETF                | NAOS Small Cap Opportunities Company Limited         |
| HUB24 Limited  | iShares Government Inflation ETF                               | Neometals Ltd  |
| IDP Education Limited  | iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF | Netwealth Group Limited                              |
| IDT Australia Limited  | iShares MSCI EAFE ETF  | New Century Resources Limited                        |
| Imdex Ltd  | iShares MSCI Emerging Markets ETF                              | New Energy Solar Limited                             |
| Incitec Pivot Limited  | iShares MSCI Japan ETF   | New Hope Corporation Limited                         |
| Infomedia Ltd  | iShares MSCI South Korea ETF                                   | NobleOak Life Limited                                |
| Invocare Limited   | iShares S&P 500 (AUD Hedged) ETF                               | Northern Star Resources Ltd                          |
| IPH Limited  | iShares S&P 500 ETF  | Noumi Limited (formerly Freedom Foods Group Limited) |
| IRESS Limited  | iShares S&P Mid-Cap ETF  | NRW Holdings Limited                                 |
| iShares Asia 50 ETF  | iShares S&P Small-Cap ETF                                      | Odyssey Gold Ltd                                     |
| iShares China Large-Cap ETF                                      | iShares S&P/ASX 20 ETF   | Opthea Limited                                       |
| iShares Core Cash ETF  | iShares S&P/ASX Dividend Opportunities ETF                     | OreCorp Limited                                      |
| iShares Core Composite Bond ETF                                  | iShares S&P/ASX Small Ordinaries ETF                           | Pacific Current Group Limited                        |
| iShares Core Corporate Bond ETF                                  | iShares Treasury ETF   | Pepper Money Limited                                 |
| iShares Core Global Corporate Bond (AUD Hedged) ETF              | iShares Yield Plus ETF   | Peter Warren Automotive Holdings Limited             |
| iShares Core MSCI World Ex Australia ESG Leader (AUD Hedged) ETF | JB Hi-Fi Limited   | Pioneer Credit Limited                               |
| iShares Core MSCI World Ex Australia ESG Leader ETF              | KKR Credit Income Fund   | Prospa Group Limited                                 |
| iShares Core S&P/ASX 200 ETF                                     | Lark Distilling Co. Ltd  | QANTM Intellectual Property Limited                  |
| iShares Edge MSCI Australia Minimum Volatility ETF               | Little Green Pharma Ltd  | Ramelius Resources Limited                           |
| iShares Edge MSCI Australia Multifactor ETF                      | Lynch Group Holdings Limited                                   | ReadyTech Holdings Limited                           |
| iShares Edge MSCI World Minimum Volatility ETF                   | MA Financial Group Limited                                     | Reckon Limited                                       |
| iShares Edge MSCI World Multifactor ETF                          | Medical Developments International Limited                     | Regal Partners Limited                               |
| iShares Enhanced Cash ETF  | Megaport Limited   | Resimac Group Ltd                                    |
| iShares Europe ETF   | Mincor Resources NL  | RMA Global Limited                                   |
| iShares Global 100 (AUD Hedged) ETF                              | MMA Offshore Limited   | Rubicon Water Limited                                |
| iShares Global 100 ETF   | MoneyMe Limited  | Salter Brothers Emerging Companies Limited           |
| iShares Global Consumer Staples ETF                              | NAOS Emerging Opportunities Company Limited                    | Saunders International Limited                       |
| iShares Global Healthcare ETF                                    | NAOS Ex-50 Opportunities Company Limited                       | SDI Limited  |
|  |  | Seafarms Group Limited                               |

**Listed companies and registered schemes continued**

|  |   |                                      |
|--|---|--------------------------------------|
| Seven Group Holdings Limited                                     | Sovereign Metals Limited                        | Uniti Group Limited                  |
| Shopping Centres Australasia Property Group (Stapled Securities) | Spark Infrastructure Group (Stapled Securities) | US Masters Residential Property Fund |
| Shriro Holdings Limited  | Strike Energy Limited                           | Ventia Services Group Limited        |
| Sigma Healthcare Limited   | Superloop Limited                               | Wameja Limited                       |
| Silk Logistics Holdings Limited                                  | Symbio Holdings Limited                         | Webjet Limited                       |
| Simonds Group Limited  | Tassal Group Limited                            | Widgie Nickel Limited                |
| SIMS Limited   | Terragen Holdings Limited                       | Woolworths Group Limited             |
| Siteminder Limited   | Tigers Realm Coal Limited                       | Zip Co Limited                       |

**Authorised deposit-taking institutions**

|                                |  |                           |
|--------------------------------|--|---------------------------|
| Australian Settlements Limited | Defence Bank Limited                         | Police Bank Ltd           |
| Auswide Bank Ltd               | Members Equity Bank Limited                  | Victoria Teachers Limited |
| Bank of Sydney Ltd             | Newcastle Permanent Building Society Limited | Volt Bank Limited         |

**General insurance and life insurance entities regulated by APRA<sup>21</sup>**

|  |  |  |
|--|--|--|
| AssetInsure Holdings Pty Limited                           | Domestic & General Insurance PLC       | NobleOak Life Limited                        |
| AssetInsure Pty Limited                                    | Futurity Investment Group Limited      | Pacific Life Re (Australia) Pty Limited      |
| Avant Insurance Limited                                    | General Reinsurance Australia Ltd      | QInsure Limited                              |
| Berkshire Hathaway Specialty Insurance Company             | General Reinsurance Life Australia Ltd | Resolution Life Australasia Limited          |
| ClearView Life Assurance Limited                           | Hollard Holdings Australia Pty Ltd     | Resolution Life NOHC Pty Ltd                 |
| ClearView Wealth Limited                                   | Integrity Group Holdings Limited       | RGA Reinsurance Company of Australia Limited |
| Compagnie Francaise D'Assurance Pour Le Commerce Exterieur | Integrity Life Australia Limited       | RLNM Limited                                 |
|  | MetLife General Insurance Limited      | The Hollard Insurance Company Pty Ltd        |
|  | MetLife Insurance Limited              |  |

<sup>21</sup> 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.



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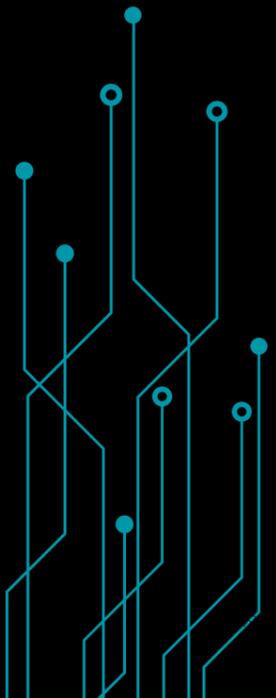
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