

# Transparency Report 2018





**OUR UNIQUE CULTURE  
NURTURES STRONG  
COLLABORATIVE CLIENT  
PARTNERSHIPS**





## TRANSPARENCY REPORT FOR THE YEAR ENDED 30 JUNE 2018

RSM (the Firm) is a full service national accounting firm delivering expert corporate, financial and advisory accounting services to clients across diverse industry sectors.

Our one-firm structure underscores a client-focused culture, which enables our clients to more readily connect to our extensive national and international networks, expertise and industry experience. RSM boasts a national network of 30 offices which, combined with over 95 years' experience, has helped us develop an extensive understanding of Australian business trends and conditions. Our unique culture nurtures strong collaborative client partnerships across growth-focused entrepreneurial businesses, through to leading multinational organisations operating within diverse industry sectors, not-for-profit organisations and governments alike.

As a single firm, we provide strong service benefits to our clients. Our structure enhances business efficiencies, reduces internal bureaucracy and underpins our client focused culture. It also assists our clients in readily connecting to partners/directors and senior advisers, providing both leading advice and great value for money.

### **Legal structure and ownership**

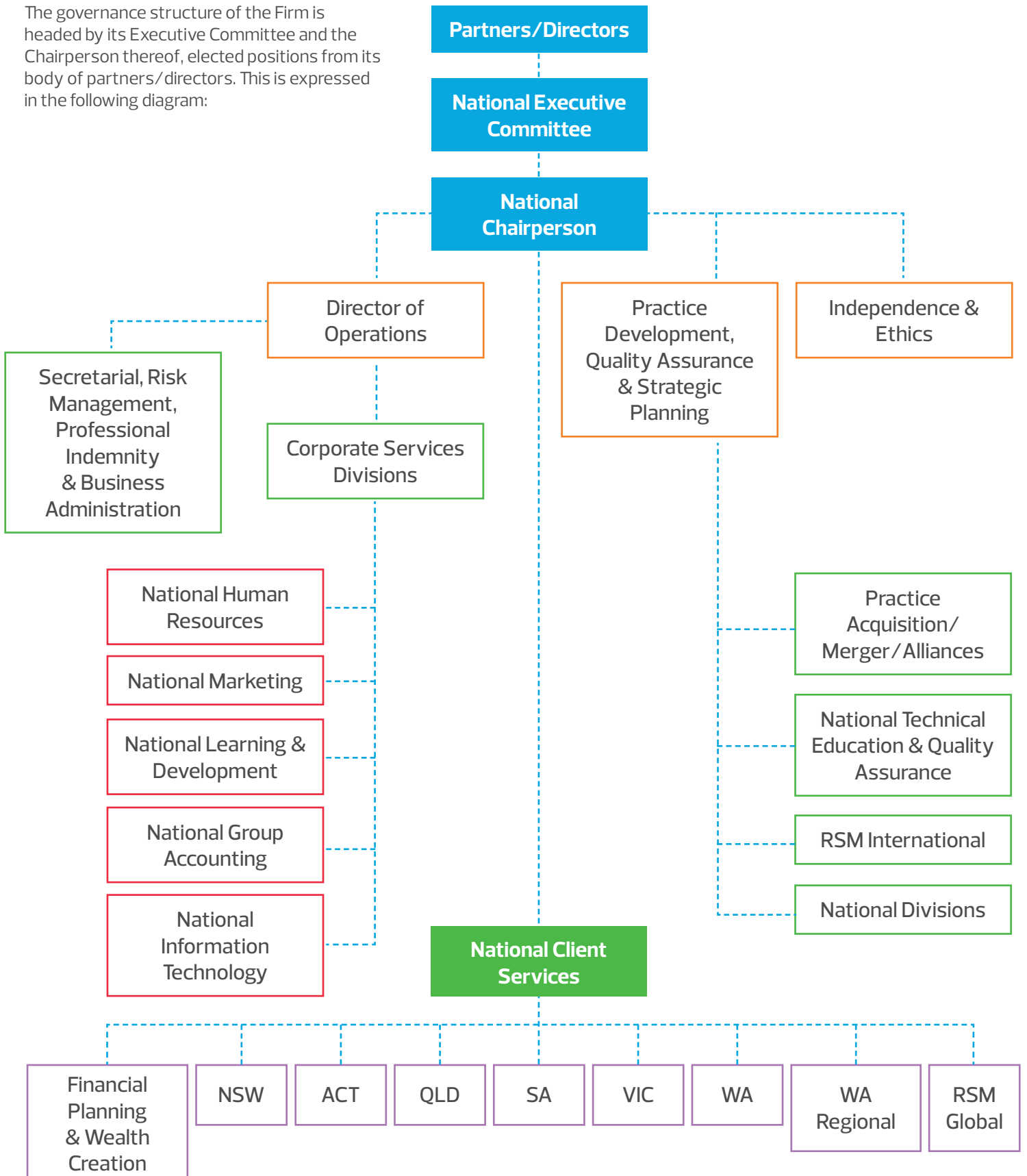
RSM Australia conducts business through the following entities:

- RSM Australia Partners (ABN 36 965 185 036) – conducting statutory audit and formal insolvency appointments pursuant to the Corporations Act 2001
- RSM Corporate Australia Pty Limited (ABN 82 050 508 024) – an Australian Financial Services Licensee conducting corporate advisory services
- RSM Financial Services Australia Pty Limited (ABN 22 009 176 354) – an Australian Financial Services Licensee conducting a licensed financial planning business
- RSM Australia Pty Ltd (ACN 009 321 377) as trustee for Birdanco Practice Trust (ABN 65 319 382 479) trading as RSM – conducting all other engagements, including non-statutory audit and insolvency engagements

The above entities are controlled by the partners/directors of RSM.

# GOVERNANCE STRUCTURE

The governance structure of the Firm is headed by its Executive Committee and the Chairperson thereof, elected positions from its body of partners/directors. This is expressed in the following diagram:



## OVERVIEW OF RSM INTERNATIONAL

RSM Australia is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right.

The 2017 survey of the International Accounting Bulletin ranks RSM as the sixth largest network of independent accounting and consulting firms. The network now comprises members and correspondents in 120 countries with over 800 offices and 43,000 total staff, and combined revenues in excess of US\$5.1 billion.

The network is administered by RSM International Limited, a company registered in England and Wales. Intellectual property rights used by members of the network are owned by RSM International Association.

Many RSM member firms are among the top seven in their respective countries and possess some of the best professional resources and experience available. The member firms have a broad client base from large listed and international companies to smaller, owner-managed businesses in the public and private sector. In addition to traditional assurance services, within RSM there are significant resources and experience in tax, transaction support, risk management, internal audit and corporate recovery and insolvency.

Further information on the RSM International network of firms can be found in the [RSM International Transparency Report](#).

### Membership in the forum of firms

RSM is a member of the Forum of Firms, an organisation formally established in 2002 as an association of international networks of accounting firms that perform transnational audits.

RSM is active in and fully supports the objective of the Forum of Firms which is to promote consistent and high quality standards of financial reporting and auditing practices worldwide and to support convergence of national audit standards with the International Standards on Auditing. Susana Martínez of RSM Mexico currently represents RSM as member of the Forum of Firms' Transnational Auditors Committee.

Bob Dohrer, RSM Global Leader – Quality and Risk, chaired the Forum of Firms from July 2010 with his second term ending in 2014. Commencing in 2015, Mr Dohrer began serving his first term on the International Auditing and Assurance Standards Board (IAASB), the independent standard setting board supported by IFAC responsible for establishing international standards and guidance for auditing and other assurance services.





## OUR VALUES AND PURPOSE

The RSM network connects member firms through common methods and processes, including commonly agreed and applied quality standards. This connection provides comfort to RSM member firm partners and their clients that the quality of service and advice to referred clients will be to a consistently high standard – everywhere in the world.

### **RESPECT** — TREAT OTHERS AS WE WOULD LIKE TO BE TREATED

We display respect in each interaction with:

- clients
- employees
- partners

### **INTEGRITY** — DO THE RIGHT THING

We stay true to our beliefs:

- in decisions
- in negotiations
- in communications

### **TEAMWORK** — WORK TOGETHER EFFECTIVELY

We cultivate genuine collaboration:

- in work groups
- across member firms
- across functions
- amongst leaders

### **EXCELLENCE** — BE THE BEST IN EVERYTHING WE DO

We achieve distinction through:

- our standards
- our operations
- the work we deliver

### **STEWARDSHIP** — BETTER OUR NETWORK, MEMBERS AND OUR PEOPLE

We make RSM a better place by:

- developing our people
- building our brand
- supporting our communities





### The Power of Being Understood

We exist to empower our clients to make confident decisions. To achieve this, we focus around a single clarifying thought – the Power of Being Understood. This is the idea that sits at the heart of our brand and guides us in our decisions, behaviours, values and actions.

Our purpose is to deliver the **Power of Being Understood** to our clients, colleagues and communities through:

- **Collaboration** – we build strong, collaborative and lasting relationships with all our stakeholders by being accessible, responsive and adaptive.
- **Ideas and Insight** – we gain a deep understanding of clients' needs, strategy and aspirations and strive to be an essential part of their business environment
- **Understanding** – we provide every client with the benefits of tailored thinking and the insight of our more senior experts, both locally and globally.

### The Client Commitment

From new trade rules to talent migration, from big data to cyber threats, the world is changing at an unprecedented pace. But upheaval also means opportunity, if you're prepared. In this fast-paced environment, you need an adviser that thinks ahead and rapidly responds to your changing needs. At RSM, we build strong relationships based on deep understanding of what matters most to our clients. It is our strong, collaborative approach that differentiates us. We will strive to truly understand you, your strategies and your aspirations and endeavour to be considered the adviser of choice to your business. By sharing the ideas and insights of our most senior professionals, we bring our expert local and global knowledge and resources to your environment, so you feel understood and empowered to move forwards with confidence. This is the power of being understood. This is the RSM experience and our commitment to you.

## INNOVATION AT RSM

Recent years have seen much progress towards innovation concept and support, yet gaps remain between understanding and applying innovation.

While the notion of "innovate or die" always applies, the ability to progress innovation through to commercialisation requires a clear understanding of not only economic conditions but factors such as industry connections and mentors, budget and market validation. As such, innovation will never be a 'regular project'. This is where RSM provides support to innovators and entrepreneurs through expert advisory services, collaboration, budgeting and financial services.

Working in a collaborative and responsive way means that we tailor our services to ensure clients are at the forefront of international best practice, technology and innovation within a rapidly changing global economy. We are adapting our audit approach to reflect the rapid transformations in business that many of our clients are undertaking. In particular, our audit approach is evolving to place a greater focus on technology, on data security and integrity issues, and on the insights that can be gained from effective use of data analytics.

RSM has a strong commitment to innovation and entrepreneurship, demonstrated by involvement in several programmes designed to foster and support innovators.

## FOUNDATION OF QUALITY

### Audit Quality

Quality is the absolute cornerstone for RSM. To reinforce the message that audit quality is of the utmost importance in RSM, the Executive Office develops and maintains global resources and tools for member firms, including:

- An audit methodology delivered via technology and software that is used globally
- An audit methodology manual and quality assurance and risk containment policies that are designed in accordance with international auditing, quality control, independence and ethics standards
- A comprehensive proprietary intranet service where information is housed for member firms covering topics such as auditing, financial reporting, ethics and independence requirements and training on all topics, processes and protocols enabling consultation with the Executive Office with regard to audit, independence and ethics matters

The overall responsibility for effective and high quality functioning of the member firm's assurance practices lies with the RSM Global Leader – Quality & Risk. The Transnational Assurance Services Executive Committee (TASEC) provides development of strategy and direction for the assurance practices which is then implemented through the RSM Global Leader – Quality & Risk and the Executive Office team. The heads of audit from member firms are also called upon to form task forces and to seek input with respect to specific needs and projects undertaken by the Executive Office.

The Global Leader – Quality & Risk is also supported in strategy implementation by assurance functional leaders for audit methodology and technology, International Financial Reporting Standards, global inspection and monitoring programmes and assurance services training.

### Global Audit Methodology

RSM member firms have agreed to comply with the requirements of the RSM Audit Manual and the mandatory Model Audit Programme Sheets (MAPS). The RSM Audit Manual provides an audit methodology that is risk based and includes a risk/materiality matrix providing member firm engagement teams with initial guidance with respect to appropriate responses to identified risks of material misstatement. The requirements within the RSM Audit Manual are required to be used by RSM member firms when conducting audits of financial statements.

The RSM Audit Manual complies with the requirements of the following:

- International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB)
- International Standards on Auditing issued by the IAASB
- International Auditing Practice Statements issued by the IAASB
- RSM Quality Assurance and Risk Containment Policies

RSM member firms apply the requirements and guidance contained in the RSM Audit Manual through the use of mandatory audit programme sheets and also through a proprietary automated audit programme template called RSM Paperless. This programme is designed to operate on the CaseWare technology platform which includes automated trial balance and working paper generation functionality.

A major project is currently underway to assess and revise the RSM audit methodology, and RSM Australia is an active participant in this project. In addition to scrutiny of bedrock audit principles such as the audit risk model and materiality, the project also focuses on an enhanced professional judgment framework, including appropriate use of professional scepticism and responsibilities for fraud. Use of innovative data analysis techniques in providing more effective audits is also a major piece of the audit methodology project. Lastly, the project involves determination of the most effective and efficient technology platforms to support the delivery of the RSM audit methodology by member firms.



### RSM Technical Committees

RSM has established the following technical committees, leadership and advisory groups comprised of professionals from member firms around the world. These include:

- Transnational Assurance Services Executive Committee responsible for setting the audit methodology and other audit related policies and oversight of all RSM global inspection and monitoring programmes
- IT Committee actively engaged in the review, analysis and support of the IT infrastructure
- International Tax Leadership Group which supports and develops quality control standards for tax services
- IFRS Advisory Committee providing direction and strategy with respect to IFRS services to the Executive Office as well as serving as the top IFRS consultant body within the RSM network.
- Risk Advisory Services Leadership Group which supports and develops quality control standards for risk advisory services
- Operational Risk Committee, which is responsible for overseeing the development and management of operational risks for the network
- Innovation Committee, which is responsible for identifying and assessing opportunities arising for innovations contributing to the growth and long-term development of the RSM network

### RSM Centres of Excellence (CoEs)

CoEs play a critical part in our international business development efforts, and also serve to enhance member firm core competencies in services delivered. The CoEs are groups of professionals from various member firms who aim to establish standard practices, ensure seamless regional delivery and align our resources to enable targeting of mid-size and larger, more sophisticated companies. Based on the needs of the network, the CoEs are globally coordinated and organised on a regional basis.

### Transnational Assurance Services Executive Committee (TASEC)

As an executive committee of the RSM International Board of Directors, TASEC is responsible for developing, promulgating and monitoring compliance with all standards issued by the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). TASEC is also charged with monitoring the operation of quality assurance activities conducted by the Executive Office, including the approval of due diligence reports for the admission of new member firms, the approval of member firm inspection reports, and action plans to address deficiencies noted during the global inspection programme. Other responsibilities of TASEC include developing, promulgating and monitoring compliance with:

- Requirements of the RSM Audit Manual and RSM Model Audit Programmes
- Non-service line specific and assurance services requirements of the RSM Quality Assurance and Risk Containment Policies
- Requirements of the RSM Assurance Services Training and Continuing Professional Development Policies
- Requirements of the RSM Ethics and Independence Policies
- Requirements of the RSM Anti-Bribery and Corruption Policies
- Requirements of the Policies and Procedures for the Global Inspection Programme and Member Firm Inspection Programme

When necessary, TASEC also recommends sanctions against member firms and professionals as a result of non-compliance with the Committee's directives. The RSM Board of Directors ultimately acts on any such recommendations.

According to its charter, TASEC shall consist of five to nine members of suitably qualified and experienced audit partners or audit directors from member firms. The chair of TASEC is selected by the RSM International Board of Directors from the members of the Committee and serves for a term of three years and can be re-nominated at the end of the three-year term.



# WHAT'S DRIVING CHANGE IN THE AUDIT PROFESSION?



If you have ever purchased a new car, the chances are you will have only noticed superficial changes

between an older and newer model.

In a similar fashion, an audit may look the same on the surface but the detail belies a whole range of transformations and changes. If we unpick the detail, there are two key developments that are changing the audit industry forever – the use of technology and the changing views of regulators towards technological change. These are the driving forces of the audit industry.

The primary factor propelling change in the audit profession is the expanding use of data, both by clients and their auditors. The role and use of big data has caused much needed disruption in the profession as the rapidly expanding use of data analytics recasts the role of auditors. Long gone are the traditionalists – they are making way for the digital transformers. As a great enabler, technology has created the space for advocates of data analytics to champion higher quality audit evidence than has been obtained in the past. Audit firms that do not innovate in data analytics quickly enough to at least keep pace with their clients will risk becoming less relevant in the financial information supply chain.

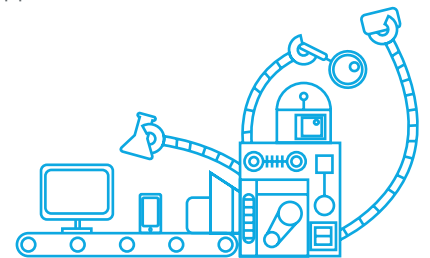
**BIG DATA**  
disruption  
**data**  
**ANALYTICS**


A second and related factor is the view of regulators with regard to innovative techniques being developed and applied by auditors. Regulators have to assess whether auditors have complied with professional standards, but there is little mention in the professional standards of innovative high-quality audit procedures such as data analytics. Whilst the professional standards do not prevent an auditor from performing innovative audit procedures, these specific procedures are not referred to in the professional standards and that leaves regulators and auditors in an uncertain place. This uncertainty is in some cases paralysing innovation in the profession. This is a challenge that can be overcome by continuing the existing dialogue between the auditors and the regulators. Ultimately a balance needs to be struck between maintaining the highest level of quality without losing sight of the benefits that innovations can bring to traditional auditing models.

A key part of transforming the audit environment for the better will be achieved by sticking to the very basic quality control considerations embodied in professional standards. Auditors must make an assessment of whether the source of the audit evidence is up to standard. As part of this, auditors need to look forward towards the deployment of new innovative techniques with a rigorous quality control process.

Quality is a key issue, especially in times of change when new techniques are altering the way an audit works. This is where another factor shaping the audit environment is becoming increasingly important. A Quality Management Approach (QMA) is starting to sweep across the industry. This approach recognises that certain building blocks need to be in place to satisfy quality standards. As part of this, an auditor can

adjust and tailor its approach to quality control to match its specific client base. For example, an audit firm that has no clients in the insurance sector has no need for quality control procedures to ensure that its staff are appropriately trained in accounting standards specific to the insurance sector. This not only removes unnecessary barriers to innovation, but makes sure that clients receive the best service. At this stage, a QMA approach to quality control at the firm level is just being developed within the professional standards by IAASB task forces. Once this process is completed, firms will have confidence to fully flesh out their individual approaches.



In the future, a true QMA system will allow objectives, risks and responses to be scalable so that firms of all sizes are performing efficient high-quality audits. Audit clients that require less receive less, and clients that require more, receive more in terms of time and resources. However, before this approach can be developed, the IAASB standards will need to be assessed, revised and issued so that an effective QMA approach becomes a finalised system for auditing. While these developments may seem like they are arriving in a flurry, businesses need hardly notice them as the onus is on firms to adapt so they can deploy new techniques and processes. If the industry embraces the technological changes around new ways of applying that technology, companies will be better served. ■  Article from [rsm.global](https://www.rsm.global)







## THE FIRM'S INTERNAL QUALITY CONTROL SYSTEM

The organisational structure, policies, procedures and communication programs promote an internal culture of quality throughout RSM member firms.

In Australia, the National Executive Committee of RSM Australia has responsibility for monitoring compliance with the minimum quality assurance policies and procedures. The Executive Committee has designated responsibilities for quality control as follows:

- National Technical Education & Quality Assurance Committee (NTEQAC) – comprised of National Heads of Divisions, National Technical Director and chaired by a representative of the Executive Committee
- Each National Head has responsibility to plan and co-ordinate the quality assurance program for their division. This involves liaising with the National Technical Director and reporting to the Executive on the quality assurance program within their division
- The National Technical Director is responsible for reviewing programs for internal quality inspections, analysing findings from internal and external inspections and assisting with quality control initiatives of the divisions
- The Director in charge of Independence and Ethics is responsible for implementing and monitoring compliance with independence and ethics policies across all divisions

### Acceptance and Continuance of Client Relationships and Specific Engagements

It is the Firm's policy to accept engagements only with those clients who fit the RSM key acceptance criteria. Such criteria include client integrity, independence, understanding of the client's needs and service requirements, and the Firm's capabilities in terms of resources and expertise to perform the work required by the client and to render the necessary reports to a high standard.

This evaluation and re-evaluation is documented and signed by the engagement director. The level of approvals required to accept a client depends on a risk assessment process. Clients assessed as higher risk require additional approvals.

It is the Firm's policy to obtain such information as is considered necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement and when considering acceptance of a new engagement with an existing client.

If a potential conflict of interest is identified in accepting an engagement from a new or existing client, the Firm determines whether it is appropriate to accept the engagement, based on whether appropriate safeguards can be implemented to mitigate the risk. Where issues have been identified and the Firm decides to accept or continue the client relationship, the engagement director records how the issues were resolved, and any safeguards put in place.

In specifically defined circumstances where issues are identified, the engagement director is required to consult, and to document the consultation, with one or more specified individuals before accepting or continuing an engagement or relationship.

### Human Resources

RSM has developed and maintains hiring policies and procedures to provide reasonable assurance that individuals are recruited and hired on a timely basis to meet the Firm's human resource requirements. An annual recruiting plan is prepared by the Firm based on projections anticipating expected growth, turnover, advancements, retirements and other factors.

The Firm's personnel need and hiring objectives are communicated to those involved in hiring. Individuals who are recruited and hired have integrity and the motivation and aptitude for the profession and have adequate educational

The National Executive Committee of RSM Australia has responsibility for monitoring compliance with the minimum quality assurance policies and procedures.

background and qualifications appropriate for the positions for which they are hired.

The stages of recruitment include application by form or resume, interview, checking of references, and offer and acceptance of employment.

The hierarchical structure to career planning and advancement within the Firm has eight formal levels of career development across all divisions of the Firm. The Firm's career development plan (CDP) specifies relevant subject knowledge, competencies and training for each of these career levels. This includes both technical knowledge and behaviours.

The structure and content of the CDP forms the basis of the performance appraisal process and is an integral part of assessing the progress and capability of all staff.

The performance of each professional is continuously evaluated by individuals who are most familiar with the professional's performance. Each professional is periodically (at least annually) formally advised of progress, strengths and weaknesses, future objectives and their development plan by means of an evaluation meeting with an appropriate manager and/or partner/director and the results recorded in an online system such that performance can be monitored over an extended period of time.

Advancement decisions are based on performance evaluations so that those selected for advancement have the qualifications necessary for fulfilment of the responsibilities they will be called upon to assume and have the necessary commitment to, and understanding of, the Firm's ethical requirements and quality assurance and risk containment policies.

Personnel files are maintained by the Human Resources division which include details of career development,

experience, performance evaluations and qualifications. Professional development courses are maintained on the staff training records database.

#### **Training and Continuing Professional Development (CPD)**


RSM creates and maintains training and CPD programmes that provide directors and professional employees with adequate training and training updates. The National Learning & Development (L&D) division is responsible for professional development, education and training. The National Executive is ultimately responsible for training overall, with NTEQAC taking responsibility for technical training. All staff attend a compulsory annual technical training conference for their relevant service line and CDP level. Attendance records are maintained, and details added to the training database. All participants complete evaluations on the conferences and presenters and this information is collated by the L&D division and reviewed by the National heads of each division.

RSM Assurance and Advisory Services Training and CPD policies require all partners/directors and qualified professional employees to develop and maintain competencies relevant and appropriate to their work and professional responsibilities. The responsibility for developing and maintaining competence rests primarily with each director and qualified professional employee.

Each partner/director and qualified professional employee must complete a minimum of 30 hours of Structured CPD per year, or a minimum of 90 hours in every three-year period.

Each qualified partner/director and professional employee must complete a minimum of 120 hours CPD (including unstructured CPD) in every three-year period.

This policy is consistent with the requirements of the Chartered Accountants Australia and New Zealand (CAANZ) Continuing Professional Education Requirements under which members must undertake a minimum of 120 hours



over a three-year period. At least 20 hours (including a maximum of 10 hours of technical reading) must be completed annually.

As a member of the RSM International network, the Firm is required to create and maintain training and CPD programmes that provide directors and professional employees with adequate training and training updates (covering changes to underlying rules and standards) in the following areas:

- Audit Methodology and Australian Auditing Standards
- Ethics and Independence policies
- International Financial Reporting Standards (IFRS)
- Relevant taxation laws which affect the determination of amounts and disclosures in the audited financial statements
- IT applications used by directors and professional employees for their employment duties and as evaluators of IT systems in the context of the financial statements audit
- Industry or product specific knowledge and understanding

#### **Assignment of Engagement Teams**

The Head of each service line is responsible for establishing and maintaining suitable processes for the assignment of a lead director to each engagement, to take responsibility for that engagement on behalf of the Firm. They also ensure that the basis upon which such assignments are made are reviewed regularly, and that such basis include the requirements that the identity and role of the engagement director are communicated to the key members of client management and those charged with governance. The responsibilities of the engagement director are clearly defined and communicated to that director.

The engagement director is responsible for ensuring that the engagement team has the appropriate expertise, ability and time to perform the engagement in accordance with professional standards and applicable local regulatory or legal requirements, to enable an appropriate report / other deliverable(s) to be issued in the circumstances.

#### **Engagement Performance**

NTEQAC is responsible for ensuring each service line develops specific performance and documentation requirements for services provided in their service line, including the form and content of workpapers.

The engagement director has the overall responsibility for the direction, supervision and performance of the engagement in compliance with applicable professional standards, regulatory and legal requirements and for ensuring an appropriate report is issued.

Specific responsibilities to ensure quality control are:

- Ensuring engagement team compliance with ethical and independence requirements
- Ensuring appropriate acceptance and continuance procedures are performed and documented
- Ensuring engagement team has appropriate competence and experience
- Ensuring an engagement quality control reviewer (EQCR) is assigned where required
- Ensuring appropriate consultations take place
- Reviewing work performed to ensure it is compliant with applicable professional standards, regulatory and legal requirements and supports the conclusion
- Ensuring report or other deliverable(s) are in accordance with the terms of the engagement and any specific policies applying to the type of engagement
- Considering whether any deficiencies arising from the monitoring and inspection process have any effect on the engagement

#### **Supervision and Review**

The level of supervision and review will vary with the type of engagement and composition of the team. Each service line is responsible for determining specific review requirements for services they provide. As a minimum, our review requirements ensure that work has been properly carried out, concluded upon and documented in accordance with any additional service line policies. In addition, the review is designed to ensure that there is a reasonable basis for the opinions, presentations or conclusions expressed in the report or other deliverable.



RSM policy requires engagement quality control reviews (EQCRs) to be conducted for any engagement or a client relationship in specified circumstances which indicate an engagement or client to be of higher than normal risk. This will include engagements with disclosing entities and other major public interest entities.

The purpose of an EQCR is to provide the Firm with assurance, in high risk situations, that adequate work has been performed and supporting evidence obtained and properly evaluated, in support of the report or other deliverable prior to their release. It provides an objective evaluation of the significant judgements made by the engagement team, the conclusions reached in formulating the report or other deliverable and the compliance with applicable professional standards, regulatory and legal requirements.

The Head of each principal service line is responsible for developing processes for assigning an EQCR to an engagement. An EQCR is required to be an independent partner or director, or other suitably qualified person or team, who is not engaged in the performance of the engagement or the provision of other services to the client entity or group of entities. They are required to have the necessary authority, technical competence and industry sector experience to perform an independent review of the quality of the particular engagement or service provided to the client entity or group of entities to which they have been assigned. For example, an engagement quality control reviewer assigned to the audit of a listed entity should be an individual who has sufficient experience and authority to serve as an engagement director on audits of listed entities.

### Consultation

RSM professionals are expected to seek assistance from persons possessing specialised knowledge and expertise whenever they encounter situations where they lack sufficient knowledge and experience and in certain specific situations prescribed by RSM policy. The engagement director is responsible for ensuring that the issue on which consultation was sought and the results of the consultation – including the decisions taken, the basis thereof and how those decisions were implemented – are fully documented and agreed with the person(s) consulted.

## INTERNAL MONITORING AND INSPECTION

### Global Inspection and Monitoring Programmes

In our relentless pursuit of quality, RSM has developed both individual member firm inspection and monitoring programmes as well as RSM's global inspection and monitoring programme. Under the joint operation of these programmes, RSM member firms are provided with

the necessary information with regard to the design, implementation and operating effectiveness of their quality control practices surrounding their assurance practices as well as other service lines.

Each individual RSM member firm is required to establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control over its assurance practice are relevant, adequate, operating effectively, are aligned with RSM expectations and all applicable professional and regulatory requirements.

RSM policies require a partner to be specifically assigned as the partner responsible for the Member Firm's Inspection Program. In Australia this responsibility is assigned to NTEQAC and more specifically the division heads. These responsibilities include:

- The maintenance of policies and procedures for the inspection program, which will meet or exceed RSM International and local inspection requirements
- The overall planning of the program including office rotation, scope, selection of inspection teams and appointment of team captains, selection of engagements for review, the development and issuance of inspection instructions, training and documentation requirements
- Overall supervision of the program and the inspection teams
- The summarisation and communication of inspection results and conclusions
- Monitoring the implementation of corrective action plans

The division heads are required to communicate deficiencies noted as a result of the inspection process to the relevant engagement directors and personnel, including recommendations for appropriate remedial action (which may include changes to the Firm's quality control policies and procedures or disciplinary action for repeated failure to comply with Firm policies). Deficiencies are also analysed by the National Technical Director to assess the need to modify future training programs.

Inspection program reports are presented to NTEQAC on an annual basis. A report on the audit and assurance practice is also submitted to the RSM International Executive Office commenting on the process and results of the inspection, any deficiencies identified and the remedial actions and recommendations that will be implemented to address them.

Under RSM's global inspection programme, RSM periodically oversees and/or participates in all member firm inspection programmes on a cycle not exceeding three years. Such inspections are referred to as globally coordinated inspections. RSM globally coordinated inspections are

conducted by independent qualified partners and senior personnel of other member firms under the direction of the Executive Office personnel and the RSM Global Leader – Quality & Risk. The RSM global inspection programme is also designed to meet the membership obligations of the Forum of Firms, of which RSM is a member network.

RSM's Transnational Assurance Services Executive Committee (TASEC) is responsible for establishing policies and guidelines for both the RSM member firm inspection programme and the RSM global inspection programme. The RSM Executive Office is then responsible for the implementation and operation of the global inspection programme. The RSM International Board of Directors has the authority to impose sanctions on a member firm to ensure compliance with professional requirements and RSM methodologies, policies and procedures.

## EXTERNAL MONITORING AND INSPECTION

External monitoring under Australia's regulatory framework is conducted by the following bodies:

### **Australian Securities and Investments Commission (ASIC)**

ASIC has responsibility for oversight of auditors in Australia. ASIC is responsible for administering the requirements of the Corporations Act 2001 as it relates to auditor independence (Divisions 3, 4 and 5 of Part 2M.4) and audit quality (Division 3 of Part 2M.3).

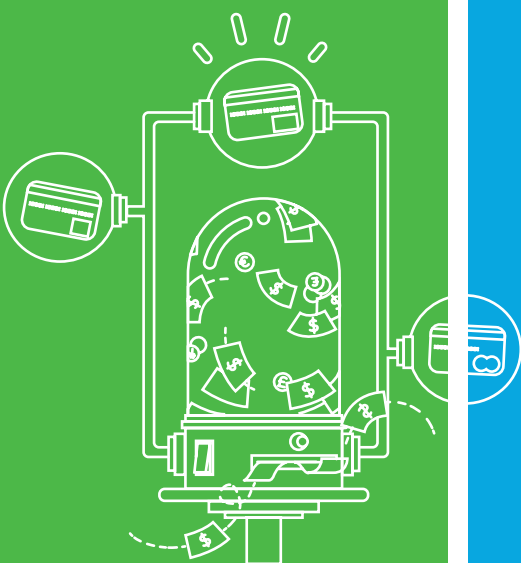
ASIC introduced a continuous inspection process for the largest firms in 2014. RSM was added to this process in 2015 and is now subject to rolling file reviews in each 18-month cycle. The most recent report was issued in September 2016, and the inspection for the following 18-month cycle is currently in progress.

### **Chartered Accountants Australia and New Zealand (CAANZ)**

CAANZ has a quality review program to monitor whether members have the quality control policies and procedures in place to comply with professional standards and legal requirements. The program is compliance focused.

Under CAANZ's approach for major firms, an online quantitative survey is used to assess the perceptions of various respondent groups (partners, managers, qualified staff and graduates) on the Firms' commitment to the drivers of audit quality.

For the compliance aspect of the reviews, rather than conducting file reviews CAANZ rely on ASIC's Audit Inspection Program and the Firms' national and international reviews, together with examining any remedial action taken by the firms.



## INDEPENDENCE PRACTICES IN REPORTING YEAR

RSM maintains independence and ethics policies to provide reasonable assurance that member firms, partners and professional employees comply with the independence and ethical requirements of the following:

- International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants
- The Accounting Professional and Ethical Standards Board's Code of Ethics for Professional Accountants
- RSM International
- CAANZ and other local professional organisations
- Local security exchange regulators
- Other relevant regulatory authorities

Every member firm has a partner responsible for independence, whose responsibility it is to augment these policies, as necessary, to the specific requirements of their member firm to reflect additional local ethical codes or regulatory requirements, which establish higher standards than those reflected in the basic RSM Ethics and Independence policies. Any amendments made to the RSM basic policies to include additional local requirements must be submitted to the Executive Office for review and must be approved by the Global Leader – Quality & Risk.

Partners or professional employees who have a question regarding the RSM independence and ethics policies are required to consult promptly with their member firm's partner responsible for independence. If the member firm partner responsible for independence has a question regarding these policies, he or she consults with the Executive Office.

Member firms are required to maintain a listing of all clients to which the RSM Ethics and Independence policies apply. The list is made available to all partners and professional employees. Additions and deletions to the list are made available, when they occur, to all partners and professional employees.

Engagement directors are required to follow a process to ensure the Firm's independence is established before a client engagement is accepted. They must obtain and document such information about the prospective engagement and services to be provided, to enable them to evaluate the overall impact, if any, on independence.

The RSM Ethics and Independence Policies require partners/directors and employees to immediately notify the

Director Responsible for Ethics and Independence, when circumstances or relationships are identified that could create a threat to independence. Consultation will then take place to determine the appropriate course of action, in accordance with the Firm's consultation policies.

RSM maintains an online independence, relationship and conflict of interest tracking tool called the Global Relationship Tracker and the Firm maintains an Australian prohibited securities list on its intranet site.

The RSM Ethics and Independence policies contain requirements for the rotation of senior engagement personnel on audits of listed entities. The rotation policy complies with the requirements of the Corporations Act 2001 applicable to audits of financial reports.

Monitoring of audit independence requirements occurs on three levels – individual, client and Firm.

At the individual level, compliance is monitored via the annual Independence confirmation process. Partners and professional employees are required to annually complete an independence compliance questionnaire confirming that they:

- Have read the RSM Ethics and Independence policies
- Understand their applicability to his or her activities
- Are, and have been for the past year, in compliance with those policies

Any qualifications to such confirmation are fully explained in writing and corrective action taken. The annual independence declarations are tested for accuracy and completeness.

At the engagement level, the engagement director is responsible for monitoring the independence of the engagement team as well as the provision of other services.

At the Firm level, the Director Responsible for Ethics and Independence monitors compliance with all aspects of the Ethics and Independence policies. In addition, the Firm monitors compliance with all RSM quality policies, including independence, through its internal monitoring and inspection program.

RSM Australia is required to report annually to the RSM Executive Office, that the Firm has adopted the minimum policies and procedures set forth in the quality assurance policies, which includes reference to the Ethics and Independence policies.





## RELEVANT BODIES AUDITED DURING THE YEAR

The following listed companies were audited during the year ended 30 June 2018:

333D Limited	Genesis Resources Limited	Paragon Care Limited
ADG Global Supply Limited	GetSwift Limited	Parkd Limited
Admiralty Resources Limited	GoConnect Limited	Peninsula Mines Limited
Alderan Resources Limited	Goldfields Money Limited	Peppermint Innovation Limited
Ambition Group Limited	Great Boulder Resources	Pharmaust Limited
American Pacific Borate & Lithium Limited	Greenvale Energy Limited	Plukka Limited
Aquis Entertainment Limited	Hardey Resources Limited	Q Technology Group Limited
Astro Resources NL	Harris Technologies Limited	Raiden Resources Limited
AuMake International Limited	Hazer Group Limited	Realm Resources Limited
Aurora Minerals Limited	High Peak Royalties Limited	Red Mountain Mining Limited
AuStar Gold Limited	Hipo Resources Limited	Red Sky Energy Limited
AustChina Holdings Limited	Hot Chili Limited	Redhill Education Limited
Austsino Resources Group Limited	Hylea Metals Limited	Registry Direct Limited
Bid Energy Limited	Imagion Biosystems Limited	Rent.com.au Limited
Bioxyne Limited	Indiana Resources Limited	Resource Base Ltd
Blackham Resources Limited	IQN Limited	Roto-Gro International Limited
BOS Global Holdings Limited	IQX Limited	Samson Oil and Gas Limited
Boss Resources Limited	Jayride Group Limited	SmartTrans Limited
Capitol Health Limited	Kalium Lakes Limited	Soon Mining Limited
Catalyst Metals Limited	Kollakorn Corporation Limited	Southern Hemisphere Mining Limited
Celsius Coal Limited	Kopore Metals Limited	SportsHero Limited
Crater Gold Mining Limited	Krakatoa Resources Limited	Spookfish Limited
Creso Pharma Limited	Leyshon Resources Limited	Tando Resources Limited
CropLogic Limited	Love Group Global Limited	Tinybeans Group Limited
Crossland Strategic Metals Limited	Mach7 Technologies Limited	Torian Resources Limited
Crowd Mobile Limited	MedAdvisor Limited	Tribune Resources Limited
CV Check Limited	Mesa Minerals Limited	UCW Limited
De.mem Limited	Metal Bank Limited	UUV Aquabotix Limited
Department 13 International Limited	Mineral Resources Limited	Valmec Limited
Decmil Group Limited	Nanollose Limited	Ventnor Resources Limited
EHR Resources Limited	Navarre Minerals Limited	Voltage IP Limited
EL Corporation Limited	New Age Exploration Limited	Vonex Limited
Esperance Minerals Limited	Novita Healthcare	Waterco Limited
Experience Co Limited	OBJ Limited	Whitehawk Limited
FarmaForce Limited	Oliver's Real Foods Limited	World Reach Limited
Faster Enterprises Limited	Shine Metals Limited	Zenitas Healthcare Limited
Freehill Mining Limited	Orion Gold NL	Zyber Holdings Limited
Fremantle Community Financial Services Limited	Panorama Synergy Limited	
	Paradigm Biopharmaceuticals Limited	



## FINANCIAL INFORMATION

The relevant financial information for the 2018 year is as follows:

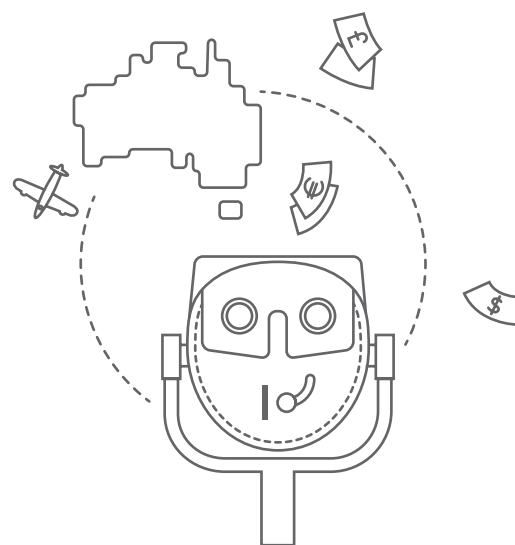
	\$m
Total Firm revenue	179.9
Revenue from auditing of financial statements	21.9
Revenue from other services	158.0

### Basis for remuneration of the Firm's partners/directors

The Firm's partners/directors are remunerated by salary and income share, the latter determined by reference to assessment criteria that includes reporting in accordance with outcomes from the Firm's quality control system.

### Statement by the Executive Committee on the effectiveness of the functioning of the quality control system

The Executive Committee of the Firm confirms that to the best of its knowledge and belief, the Firm's system of quality control operated effectively during the year ended 30 June 2018 to provide reasonable assurance that assurance engagements comply with applicable legal, regulatory and professional requirements.



JAMIE O'ROURKE  
National Chairman  
28 October 2018

ROBERT MIANO  
Chair of NTEQAC  
28 October 2018

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Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, 2nd Floor, London EC4N 6JJ.

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