



Transparency report 2019

EY Australia
October 2019

EY

Building a better
working world

Contents

Message from the CEO and Regional Managing Partner Oceania, and Assurance Managing Partner Oceania	3
About us	5
Legal structure, ownership and governance	5
Commitment to sustainable audit quality	8
Infrastructure supporting quality	8
Instilled professional values	10
Internal quality-control system	12
Audit-quality reviews	12
External-quality inspections.....	13
Client acceptance and continuance.....	15
Performance of audits.....	16
Review and consultation.....	17
Rotation and long association	18
Compliance with legal requirements	18
Audit quality within a multidisciplinary firm.....	20
Quality in our service lines.....	20
Independence practices.....	22
Continuing education of audit professionals	25
Revenue and remuneration.....	27
Financial information	27
Partner remuneration	27
Appendix 1: List of PIE audit clients	29
Appendix 2: ASIC inspection findings by key areas for 30 June 2018	34
Appendix 3: List of approved EYG member firms in an EU or EEA member state	36

More information about EY can be found at [ey.com](https://www.ey.com).

Message from the CEO and Regional Managing Partner Oceania, and Assurance Managing Partner Oceania

October 2019



Building a better working world is central to everything we do at EY. The insights and quality services we deliver to build trust and confidence in the capital markets, and in economies around the world, is an important part of this ethos.

We believe that how we advance sustainable audit quality, manage risk and maintain our independence as auditors should be transparent to our stakeholders. We value regular dialogue, and this 2019 transparency report of Ernst & Young (EY Australia) is one of the ways in which we advise our stakeholders on what we are doing in each of these areas.

Executing high-quality audits continues to be our top priority and is at the heart of our commitment to serve the public interest. It enables us to grow the global EY network successfully and responsibly, while achieving our purpose of building a better working world.

Auditors play a vital role in the functioning of capital markets by promoting transparency and supporting investor confidence. Companies, regulators and other stakeholders count on us to deliver excellence in every engagement. The need for trust and confidence in financial reporting in our capital markets has never been greater, and auditors play an important role in this regard. We are focused on investing in tools to improve what we do, creating the highest-performing teams, as well as building trust and confidence in the audits we perform.

We embrace the transparency objectives of Australia's Corporations Act 2001 and the European Union's 8th Company Law Directive, which require Australian statutory

auditors of public interest entities (PIEs) to publish annual transparency reports. The *Transparency report 2019: EY Australia* complies with Australia's Corporations Act 2001 and the Directive, and covers the fiscal year ended 30 June 2019.

Our focus on enhancing audit quality and upholding our independence is informed by a range of sources, including external and internal audit inspection results. Continuous improvement of audit quality requires us to challenge approaches to audit execution, and we focus on this by evaluating all inspection findings and taking responsive actions. In this report, you can learn more about our internal quality-control system, how we instil professional values, how we perform an audit, our review and consultation processes, our approach to audit-quality reviews, and our independence practices.

This year we established an Audit Quality Governance Committee to focus on sustainable audit quality and other quality measures. We continue to invest in technology and data analytics to test larger populations of audit-relevant data, identifying unseen patterns as well as delivering richer client insights and a deeper understanding of transactions, as well as areas of risk.

At the date of this report, the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Regulation of Auditing in Australia (the Inquiry) is commencing with submissions from a range of stakeholders in the financial-reporting supply chain.

Our submission to the Inquiry addresses the role and scope of audit, the relationship between non-audit services and auditor independence, management of conflicts, the structure of audit firms and audit tenure.

Our submission also discusses the role of the multidisciplinary firm in delivering high-quality audits. The use of highly experienced subject-matter specialists in a multidisciplinary firm is required to supplement the skill and expertise of our core audit teams. The use of these specialists is supported by the Australian Securities and Investments Commission (ASIC) and the findings of academic research, which consistently conclude that multidisciplinary firms are well positioned to meet the audit needs of a complex business.

We support the Inquiry in establishing recommendations that will increase confidence in financial reporting and welcome the opportunity to provide input into the Inquiry with our perspectives on areas where reform of current practices and regulations could enhance capital-market confidence.

We acknowledge and accept our responsibility to improve the quality of our audits and have outlined in our submission to the Inquiry, and in this *Transparency report 2019*, our commitment to doing this. While there are areas for improvement in audit quality, we believe the overall quality of EY Australia audits is high and the public can rightfully have confidence in our audit product.

EY Australia's reputation is based on and grounded in providing high-quality professional audit services objectively and ethically to every company we audit. Our submission explains how our audit practice operates independently to deliver quality audits within this multidisciplinary firm by regulation, professional standards, EY policy and the policies of our clients. Our audit partners are incentivised to deliver quality audits. They are not permitted to be and are not incentivised for providing additional services to audit clients. You can learn more about these measures in this report.

We encourage all our stakeholders – including our clients and their investors, audit committee members and regulators – to continue to engage with us on our strategy as well as any of the matters covered in this report.



Tony Johnson

CEO and Regional Managing Partner
Oceania

EY Australia



Glenn Carmody

Managing Partner Assurance
Oceania

EY Australia

**EY's purpose:
building a better
working world**

EY is committed to doing its part in building a better working world.

The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all our stakeholders. In so doing, we play a critical role in building a better working world for our people, our clients and our communities.

2019 snapshot

Quality

Internal audit quality review



(FY18: 87%)

93% of the engagements inspected were rated as having no material findings or deficiencies

ASIC inspection results

20 public companies inspected during inspection period ended June 2018

In 22% of the 63 key audit areas

reviewed, ASIC concluded sufficient audit evidence was not obtained to offer reasonable assurance in the related financial report.

59 learning hours completed
in 2019 on an average by partners and staff

Results

Revenue from audit services grew by **4%**
in 2018 to AUD 390m (FY18: AUD375m)

Total EY Australia revenue AUD **1.9billion** (FY18: AUD 1.8billion)

6% ↑

Legal structure, ownership and governance

EY Australia is a partnership and is a member firm of Ernst & Young Global Limited (EYG), a UK company limited by guarantee. In this report, we refer to ourselves as “EY Australia”, “we”, “us” or “our”. “EY” refers collectively to the global organisation of the member firms of EYG.

EYG member firms are grouped into three geographic Areas: Americas; Asia-Pacific; and Europe, Middle East, India and Africa (EMEIA). The Areas comprise a number of regions that consist of member firms or sections of those firms. Japan was a separate fourth Area but, on 1 July 2019, became part of Asia-Pacific. As a result, there are now six regions within the Asia-Pacific area, compared with five regions previously.

EY Australia is part of the Asia-Pacific area, which comprises member firms in 23 countries (since 1 July 2019) and is a member of Ernst & Young Asia-Pacific Limited (Asia-Pacific Limited).

Within the Asia-Pacific area, EY Australia is part of the Oceania region. EY Australia operates across seven offices in Australia and has 550 partners as at 30 June 2019.

The principal governing bodies for the Oceania region and EY Australia are:

Oceania Executive Leadership Team

The Oceania Executive Leadership Team has the authority and accountability for strategy and execution. It comprises the Oceania Managing Partner and CEO; the Markets leader; Market segment leaders; the Operations leader; the service-line leaders for Assurance, Advisory, People Advisory Services, Transaction Advisory Services and Tax; and the Financial Services Office leader.

Regional Partners Forum

Each region elects a Regional Partner Forum (RPF) whose representatives advise and act as a sounding-board to regional leadership. The partner elected as Presiding Partner of the RPF also serves as the region’s representative on the Global Governance Council (see page 5).

Asia-Pacific Area

Asia-Pacific Limited, a Hong Kong company limited by guarantee, is the coordinating entity for the EYG member firms in the Asia-Pacific area. Asia-Pacific Limited facilitates the coordination of these firms and cooperation between them, but it does not control them. Asia-Pacific Limited is a member firm of EYG, has no financial operations and does not provide any professional services.

The principal governing body of the Asia-Pacific area is:

Area Operating Executive

The Area Operating Executive oversees the execution of the global EY strategy in the Asia-Pacific area. It comprises the Area Managing Partner; the Deputy Area Managing Partner; the leaders for Talent, Risk, Strategy Execution and Accounts; the service-line leaders for Assurance, Advisory, Transaction Advisory Services and Tax; and the Regional Managing Partners of the area’s five regions. Since Japan was integrated into the Asia-Pacific Area on 1 July 2019, the Area Operating Executive also includes the Japan Region Managing Partner and a Transition leader.

Global Governance Council

The Global Governance Council (GGC) is the main oversight body of EYG. It comprises one or more representatives from each region, other member firm partners as at-large representatives, and up to six independent non-executives (INEs). The regional representatives, who otherwise do not hold senior management roles, are elected by their RPFs for a three-year term, with provision for one successive reappointment. The GGC advises EYG on policies, strategies, and the public-interest aspects of its decision-making. The GGC approves, upon the recommendation of the Global Executive (GE), a number of matters that could affect EY.

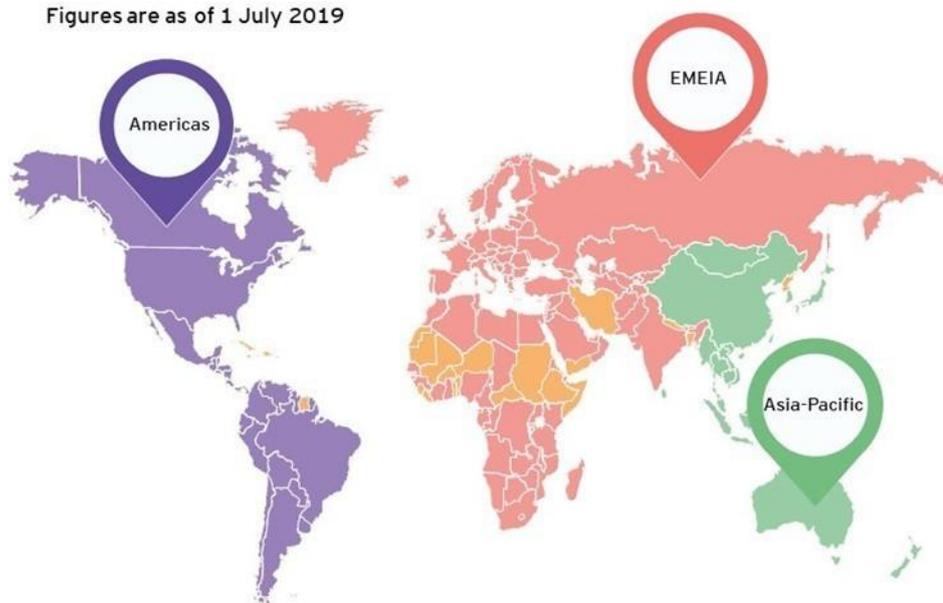
Network arrangements

EY is a global leader in assurance, tax, transaction and advisory services. Worldwide, over 260,000 people in member firms in more than 150 countries share a commitment to building a better working world, united by shared values and an unwavering commitment to quality, integrity and professional scepticism. In today's global market, the integrated EY approach is particularly important in the delivery of high-quality multinational audits, which can span nearly every country in the world.

This integrated approach enables EY member firms to develop and draw upon the range and depth of experience required to perform such diverse and complex audits.

	Americas	EMEIA	Asia-Pacific
Regions	8	10	6
Countries	31	97	23

Figures are as of 1 July 2019



EYG coordinates the member firms and promotes cooperation among them. EYG does not provide services, but its objectives include the promotion of exceptional high-quality client service by member firms worldwide. Each member firm is a legally distinct entity. Their obligations and responsibilities as members of EYG are governed by the regulations of EYG and various other agreements.

The structure and principal bodies of the global organisation during the fiscal year ended 30 June 2019, described below, reflect the principle that EY, as a global organisation, has a common shared strategy.

The Executive includes the GE, its committees and teams, and the leadership of the three (previously four) areas. At the same time, the network operates on a regional level within the areas. This operating model allows for greater stakeholder focus in the regions, permitting member firms to build stronger relationships with clients and others in each country, and be more responsive to local needs.

Independent non-executives

Up to six INEs are appointed from outside EY. The INEs are senior leaders from both the public and private sectors who reflect diverse geographic and professional backgrounds. They bring to the global organisation, and the GGC, the significant benefit of their varied perspectives and depth of knowledge. The INEs also form a majority of the Public Interest Sub-Committee (PIC) of the GGC. The role of the PIC includes public interest aspects of decision-making, issues raised under whistleblowing policies and procedures, as well as stakeholder dialogue and engagement in quality and risk-management discussions. The INEs are nominated by a dedicated committee.

Global Executive

The GE brings together EY's leadership functions, services and geographies. As of 1 July 2019, it is chaired by the Chairman and CEO of EYG, and includes its Global Managing Partners of Client Service and Business Enablement; the Area Managing Partners; the global functional leadership for Talent; the leaders of the global service lines – Assurance, Advisory, Tax and Transaction Advisory Services; and one EYG member firm partner on rotation.

The GE also includes the Chair of the Global Accounts Committee and the Chair of the Emerging Markets Committee, as well as a representative from the Emerging Markets practices.

The GE and the GGC approve nominations for the Chairman and CEO of EYG, then ratify appointments of the Global Managing Partners. The GE also approves appointments of Global Vice Chairs. The GGC ratifies the appointments of any Global Vice Chair who serves as a member of the GE.

The GE's responsibilities include the promotion of global objectives and the development, approval and, where relevant, implementation of:

- ▶ Global strategies and plans
- ▶ Common standards, methodologies and policies to be promoted within member firms
- ▶ People initiatives, including criteria and processes for admission, evaluation, development, reward and retirement of partners
- ▶ Quality improvement and protection programmes
- ▶ Proposals regarding regulatory matters and public policy
- ▶ Policies and guidance relating to member firms' service of international clients, business development, markets and branding
- ▶ EY's development funds and investment priorities
- ▶ EYG's annual financial reports and budgets
- ▶ GGC recommendations.

The GE also has the power to mediate and adjudicate disputes between member firms.

GE committees

Established by the GE and bringing together representatives from the three (previously four) areas, the GE committees are responsible for making recommendations to the GE. In addition to the Global Audit Committee, there are committees for Global Markets and Investments, Global Accounts, Emerging Markets, Talent, Risk Management, Assurance, Advisory, Tax and Transaction Advisory Services.

Global Practice Group

This group brings together the members of the GE, GE committees, regional leaders and sector leaders. The Global Practice Group seeks to promote a common understanding of EY's strategic objectives and helps drive consistency of execution across the organisation.

EYG member firms

Under the regulations of EYG, member firms commit themselves to pursue EY's objectives, such as the provision of high-quality service worldwide. To that end, the member firms undertake the implementation of global strategies and plans, then work to maintain the prescribed scope of service capability. They are required to comply with common standards, methodologies and policies, including those regarding audit methodology, quality and risk management, independence, knowledge sharing, human resources (HR) and technology.

Above all, EYG member firms commit to conducting their professional practices in accordance with applicable professional and ethical standards, as well as all applicable requirements of law. This commitment to integrity and doing the right thing is underpinned by the EY Global Code of Conduct and EY values (see page 11).

Besides adopting the regulations of EYG, member firms enter into several other agreements covering aspects of

their membership in the EY organisation, such as the right and obligation to use the EY name and knowledge sharing.

Member firms are subject to reviews to evaluate adherence to EYG requirements and policies governing issues, such as independence, quality and risk management, audit methodology and HR. Member firms unable to meet quality commitments and other EYG membership requirements may be subject to separation from the EY organisation.



Commitment to sustainable audit quality

Infrastructure supporting quality

Quality in our service lines

EY's purpose, ambition and strategy calls for EYG member firms to provide exceptional service to our stakeholders worldwide. This is supported by an unwavering commitment to quality, as well as service that is professionally and globally consistent. It means service that is based on objectivity, professional scepticism and adherence to EY and professional standards.

EYG member firms and their service lines are accountable for delivering quality engagements. EY service lines manage the overall process for quality reviews of completed engagements and input for the quality of in-process engagements, which helps achieve compliance with professional standards and EY policies.

Our strategy has reinforced the ownership of quality by the service lines, including audit. It has also resulted in increased clarity around the role of risk management in policies and practices that support and improve audit quality.

The Global Vice Chair of Assurance coordinates member firms' compliance with EY policies and procedures for assurance services.

Professional Practice

The Global Vice Chair of Professional Practice, referred to as the Global Professional Practice Director (PPD), is overseen by the Global Vice Chair of Assurance and works to establish global audit-quality control policies and procedures. Each of the Area PPDs is overseen by the Global PPD and the related Area Assurance Leader. This helps provide greater assurance as to the objectivity of audit quality and consultation processes.

The Global PPD also leads and oversees the Global Professional Practice group. This is a global network of technical subject-matter specialists in accounting and auditing standards, who consult on accounting, auditing and financial reporting matters, as well as perform various practice-monitoring and risk-management activities.

The Global PPD oversees development of the EY Global Audit Methodology (EY GAM) and related technologies so that they are consistent with relevant professional standards and regulatory requirements. The Global

Professional Practice group also oversees the development of the guidance, training and monitoring programmes and processes used by member firm professionals to execute audits consistently and effectively. The Global, Area and Regional PPDs, together with other professionals who work with them in each member firm, are knowledgeable about EY people, clients and processes, and they are readily accessible for consultation with audit engagement teams.

The Oceania Region Professional Practice Director (Oceania PPD) is responsible for the professional practice function in EY Australia and is accountable to the Asia-Pacific Area PPD.

Additional resources often augment the Global Professional Practice group, including networks of professionals focused on:

- ▶ Internal-control reporting and related aspects of the EY audit methodology
- ▶ Accounting, auditing and risk issues for specific industries and sectors
- ▶ Event-specific issues involving areas of civil and political unrest, or sovereign debt and related accounting, auditing, reporting and disclosure implications
- ▶ General engagement matters and how to work effectively with audit committees.

Risk management

Responsibility for high-quality service and ownership of the risks associated with quality is placed with the member firms and their service lines. Among other things, the Global Risk Management Leader helps oversee the management of these risks by the member firms, as well as other risks across the organisation as part of the broader Enterprise Risk Management framework.

Member firm partners are appointed to lead risk-management initiatives (supported by other staff and professionals) within member firms, including coordinating with the service lines on such matters. The Global Risk Management Leader is responsible for establishing globally consistent risk-management execution priorities and enterprise-wide risk management.

These priorities cascade to member firms, and their execution is monitored through an Enterprise Risk Management programme.

Audit Quality Governance Committee

In 2019, we established the Audit Quality Governance Committee (AQGC) in EY Australia as a body to have oversight on all matters relating to audit quality, and to support the initiatives under the EY Sustainable Audit Quality (SAQ) programme (see page 10). The AQGC meets twice a year and is chaired by the Oceania PPD and includes members of the Oceania Executive Leadership team including the CEO and Regional Managing Partner, the Assurance Managing Partner, Oceania Financial Services Assurance Leader, and the Quality Enablement Leader (QEL). The AQGC reviews the results of external and internal audit-quality reviews, the application of the audit-quality component of partner performance measures and receives regular updates on the SAQ programme and audit transformation activities.

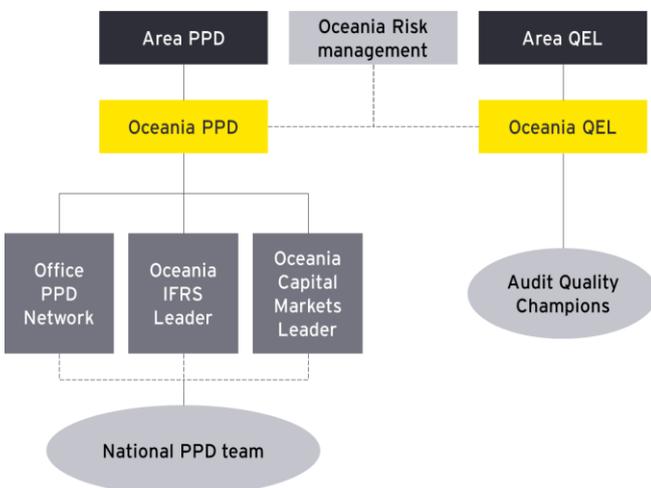
Audit & Accounting Policy Committee

The Audit & Accounting Policy Committee (AAPC) in EY Australia, is chaired by the Oceania PPD and comprises all of the partners from the Oceania Professional Practice group (Office PPD), the Asia-Pacific Assurance Professional Practice Director, the Oceania Risk Management Leader and representatives from the Office of the Oceania General Counsel. AAPC meetings are held quarterly and are focused on:

- ▶ Monitoring the results of ASIC inspections and internal audit-quality review inspections and root-cause analyses that are performed on each inspection finding
- ▶ Development of Oceania accounting, audit policies and guidance
- ▶ Deployment of EY GAM for the Oceania region in consideration of local regulations
- ▶ Considerations of accounting, auditing and risk issues for specific industries and sectors.

EY Australia audit-quality infrastructure

The following chart summarises the professional practice and quality infrastructure that support the EY Australia audit practice.



Global Confidentiality Policy

Protecting confidential information is ingrained in the everyday activities of EYG member firms. Respect for intellectual capital and all other sensitive and restricted information is required by the EY Global Code of Conduct, which provides a clear set of principles to guide the behaviours expected of all EY people. The Global Confidentiality Policy provides added clarity for EY people and forms the fundamental element of broader guidance that includes key policies on conflicts of interest, personal data privacy and records retention. Other guidance includes social media guidance and information-handling requirements.

In addition, the global policy on reporting fraud, illegal acts and other noncompliance with laws; regulations; and EY’s Global Code of Conduct require EY professionals to speak up on seeing any behaviour that is believed to be a violation of applicable law or regulation, applicable standard or EY’s Global Code of Conduct. This includes the unauthorised or improper disclosure of confidential information.

Furthermore, the global policy on Personal Data Protection supports and builds upon provisions within the EY Global Code of Conduct regarding respecting and protecting personal information, in accordance with local law and professional standards, and was recently updated to comply with the European Union’s (EU) General Data Protection Regulation (GDPR).

Cybersecurity

Managing the risk of major and complex cybersecurity attacks is a part of doing business for all organisations. While no systems are immune from the threat of cyber attacks, EY Australia is vigilant in the steps it takes to secure and protect client data. The EY approach to cybersecurity is proactive and includes the implementation of technologies and processes necessary to manage and minimise cybersecurity risks globally. EY information security and data-privacy programmes, consistent with industry practices and applicable legal requirements, are designed to protect against unauthorised disclosure of data. There is a dedicated team of internal and external cybersecurity specialists who actively monitor and defend EY systems.

Beyond technical and process controls, all EY people are required to affirm in writing their understanding of the principles contained in the EY Global Code of Conduct and their commitment to abide by them, and to participate in an annual security awareness learning activity. There are various policies outlining the due care that must be taken with technology and data including, but not limited to, the Global Information Security Policy and a global policy on the Acceptable Use of Technology. EY cybersecurity policies and processes recognise the importance of timely communication. EY people receive regular and periodic communications reminding them of their responsibilities on these policies and general security awareness practices.

Components of the audit-quality-control programme

In the following sections, we describe the principal components of the audit-quality-control programme, which EY Australia follows:

- ▶ Instilled professional values
- ▶ Internal quality-control system
- ▶ Audit-quality reviews
- ▶ External quality-assurance reviews
- ▶ Client acceptance and continuance
- ▶ Performance of audits
- ▶ Review and consultation
- ▶ Rotation and long association
- ▶ Compliance with legal requirements.

Instilled professional values

Sustainable Audit Quality

Quality is the foundation of our work and central to EY's responsibility to provide confidence to the capital markets. This is reflected in the SAQ programme, which continues to be the highest priority for EY Assurance practices.

SAQ establishes a strong governance structure that enables each member firm to provide high-quality audits. It is implemented locally and coordinated and overseen globally. The word "sustainable" in SAQ is used to demonstrate that this is not a one-off, short-term initiative but an ongoing process of improvement.

There are six SAQ pillars: tone at the top, people capabilities, simplification and innovation, audit technology and digital, enablement and quality support, and accountability. The pillars are supported by a foundation of serving the public interest.

Significant progress has been made through SAQ. EY's internal and external inspection findings globally are improving, and there is greater consistency in execution. EY has deployed world-class technological tools that enhance the quality and value of EY audits, including the EY Canvas online audit platform, the EY Helix analytics platform and the EY Atlas research platform.

A key feature of EY Canvas is the EY Client Portal, which enables clients to securely communicate with audit teams and confirm what information auditors have requested, and whether that information has been provided. EY Canvas also facilitates the use of the Milestones project management program, which helps audit teams keep on track and highlights potential matters to be addressed during the audit process.

When Milestones is combined with the EY Client Portal, engagement teams have more time to focus, to be curious and to be sceptical. As a result, audit quality is enhanced.

Other recent global SAQ initiatives include: a new approach to pictorially depict a company's internal controls and processes; the Personal Workload Tool, which reviews personal responsibilities and assesses whether there is

sufficient time to execute high-quality audits; Purpose-Led Outcome Thinking, a framework that focuses on the behaviours that drive high-quality audits; and Key Findings Review, which helps coach our teams.

There is also a network of QELs, an overall Global Audit Quality Committee and a Culture and Behaviours Taskforce. They help us in executing and reviewing root-cause analysis and understanding the impact of our initiatives in driving quality outcomes, better behaviours and a continuous-improvement mindset.

Audit quality is something that every team member must understand and be committed to implementing locally. SAQ is essential to all our goals and ambitions, while each regional and area leader has oversight of the efforts to achieve those goals.

The SAQ infrastructure demonstrates that audit quality is the single most important factor in our decision-making and the key measure on which our professional reputation stands.

EY Australia SAQ programme

EY Australia is embracing the global initiatives. We also develop local initiatives that respond to the results of the root-cause analysis performed on findings arising from internal and external audit reviews, as well as other quality priorities.

Key to the success of our SAQ programme has been the continuous commitment of the firm's leadership to the investment in and delivery of the initiatives under SAQ. The root-cause analysis and the quality-implementation plan helps prioritise our quality initiatives each year, and we have made significant investments in compliance, technology and talent to enable us to deliver the sustainable high-quality audits that stakeholders demand.

Our key priorities include:

- ▶ *Enhancing the audit quality champions network.*

Effective July 2019, an Oceania QEL role was created by separating certain responsibilities held previously by the Oceania Professional Practice Director. The primary responsibility of the QEL is to lead the SAQ programme.

We have continued to invest in audit-quality resources throughout Australia, including establishing audit-quality champions in each of our offices who support the deployment of our SAQ initiatives.

- ▶ *Constantly engaging with audit partners and managers to drive audit quality*

At EY Australia, we engage our audit partners and managers in regular learning forums and events. Such events provide a platform to promote desired audit-quality behaviours and act as a launch platform for new quality initiatives. In 2019, the structured learning included the following events and forums, focused on audit quality and accounting updates:

Executive events	<p>Biannual structured learning events targeted at reinforcing messages around audit-quality focus areas, as well as upcoming accounting and reporting requirements.</p> <p>The two events were conducted in November 2018 (one day) and April 2019 (two days) for each office. The events were led by the Oceania PPD to ensure consistency of messaging across the audit practice, and are mandatory for Partners, Associate Partners, Directors, Senior Managers and Managers. The key messages from the session are separately presented to the Assistant Manager and Seniors.</p>
Audit-quality webcasts	<p>These are provided by the Oceania PPD to update audit executives on results from external and internal reviews, as well as key reminders on best practices. Two webcasts were delivered during the fiscal year in July 2018 and January 2019. Webcasts are mandatory for Partners, Associate Partners, Senior Managers and Managers. These webcasts are subsequently available on our internal resource portal for the engagement teams to coach Seniors and other staff members.</p>
Practical issues forums	<p>Practical issues forums (PIFs) are organised monthly by our International Financial Reporting Standards (IFRS) desk to cover specific accounting standards updates and are designed to facilitate knowledge sharing based on practical examples. PIFs are attended by Partners, Associate Partners, Senior Managers and Managers.</p>

► *Enablement initiatives*

Enabling consistent execution of our global audit methodology is an important component of our strategy to deliver sustainable audit quality. Best-practice approaches and documentation are made available to our audit teams. These support efficient, consistent and effective audits while still allowing for the specific requirements of each individual engagement.

During 2019, we continued to roll out standardised enablement and simplified audit tools through an internal efficiency platform that hosts best-practice enablers.

Tone at the top

EY Australia leadership is responsible for setting the right tone at the top and demonstrating EY's commitment to building a better working world through behaviour and actions. While the tone at the top is vital, our people also understand that quality and professional responsibility starts with them. Our shared values, which inspire our people and guide them to do the right thing, alongside our commitment to quality, are embedded in who we are and in everything we do.

The EY approach to business ethics and integrity is contained in the EY Global Code of Conduct and other policies. This approach is also embedded in the EY culture of consultation, training programmes and internal communications. Senior management regularly reinforces the importance of performing quality work, complying with professional standards, adhering to our policies, leading by example and through various communications. EY's quality-review programmes assess quality as a key metric in evaluating and rewarding all professionals.

The EY structure, internal policies and guidance ensure that our audit professionals:

- Understand the policies and procedures for assurance services
- Are incentivised to deliver quality audits
- Are not influenced by other commercial outcomes when making decisions in relation to an audit engagement.

EY Australia has measures aimed at improving partner accountability. These measures include:

- Mandated areas where partners are required to consult with professional practice (see page 17)
- Separation of professional practice function from Australian management
- Independent engagement-quality review partner assigned, where required (see page 17)
- Approvals required from the audit partners prior to engaging in any non-audit services for audit clients (see page 23)
- Financial penalties for poor audit-quality outcomes
- Financial penalties for partner independence breaches or noncompliance
- Partners cannot be and are not incentivised or remunerated for the sale of non-audit services to audit clients (see page 27).

The EY culture strongly supports collaboration and places special emphasis on the importance of consultation in dealing with complex or subjective accounting, auditing, reporting, regulatory and independence matters. We believe it is important to determine that engagement teams and clients correctly follow consultation advice, and we emphasise this when necessary.

The consistent stance of EY Australia has been that no client is more important than our professional reputation: the reputation of EY Australia and the reputation of each of our professionals.

EY Global Code of Conduct

We promote a culture of integrity among our professionals. The EY Global Code of Conduct provides a clear set of principles that guide our actions and our business conduct. They are to be followed by all EY personnel. The EY Global Code of Conduct is divided into five categories:

- Working with one another
- Working with clients and others

- ▶ Acting with professional integrity
- ▶ Maintaining our objectivity and independence
- ▶ Respecting intellectual capital.

Through our procedures to monitor compliance with the EY Global Code of Conduct, and through frequent communications, we strive to create an environment that encourages all personnel to act responsibly, including reporting misconduct without fear of retaliation.

The EY/Ethics Hotline provides our people, our clients and others outside of the organisation with a means to confidentially report activity that may involve unethical or improper behaviour, and that may be in violation of professional standards, or otherwise inconsistent with the EY Global Code of Conduct. The hotline is operated by an external organisation that provides confidential and, if requested, anonymous hotline reporting services worldwide.

When a report comes in to the EY/Ethics Hotline, either by phone or email, it receives prompt attention. Depending on the content of the report, appropriate individuals from Risk Management, Talent, Legal or other functions are involved to address the report. The same procedures are followed for matters that are reported outside of the EY/Ethics Hotline.

Our values - who we are:

People who demonstrate integrity, respect and teaming

People with energy, enthusiasm and the courage to lead

People who build relationships based on doing the right thing.

Internal quality-control system

Structure

EY Australia's reputation for providing high-quality professional audit services independently, objectively and ethically is fundamental to our success as independent auditors. We continue to invest in initiatives to promote enhanced objectivity, independence and professional scepticism. These are fundamental attributes of a high-quality audit.

At EY Australia, our role as auditors is to provide assurance on the fair presentation of the financial statements of the companies we audit. We bring together qualified teams to provide our offerings, drawing on our broad experience across industry sectors and services. We continually strive to improve our quality and risk-management processes so that the quality of our service is at a consistently high level.

We recognise that in today's environment – characterised by continuing globalisation, the rapid movement of capital

and the impact of technology changes – the quality of our audit services has never been more important. As part of our strategy, we continue to invest heavily in developing and maintaining our audit methodology, tools and other resources needed to support quality service.

While the market and stakeholders continue to demand high-quality audits, they also demand increasingly effective and efficient delivery of audit services. In addition to the investments mentioned, EY continues to seek ways to improve the effectiveness and efficiency of its audit methodology and processes while improving audit quality.

We work to understand where our audit quality may not be up to our own expectations and those of stakeholders, including independent audit regulators. We seek to learn from external and internal inspection activities and to identify root causes of adverse-quality occurrences to continually enable us to improve audit quality. We believe that taking effective and appropriate actions to improve quality is important.

Effectiveness of the quality-control system

EY has designed and implemented a comprehensive set of global audit-quality control policies and practices. These policies and practices meet the requirements of the International Standard on Quality Control (ISQC) issued by the International Auditing and Assurance Standards Board (IAASB). EY Australia has adopted these global policies and procedures; we have supplemented them as necessary to comply with local laws and professional guidelines, as well as to address specific business needs.

We also execute the EY Audit Quality Review (AQR) programme to evaluate whether our system of audit-quality control has operated effectively so as to provide reasonable assurance that EY Australia and our people comply with applicable professional standards, internal policies and regulatory requirements.

The results of the AQR programme and external inspections are evaluated and communicated within EY Australia to provide the basis for continual improvement in audit quality, consistent with the highest standards in the profession.

The GE has oversight of the implementation of quality improvement. As such, it reviews the results of the internal AQR programme and external audit firm regulatory reviews, as well as any key actions designed to address areas for improvement.

The recent results of such monitoring, together with feedback from independent audit regulators, provide EY Australia with a basis to conclude that our internal control systems are designed appropriately and are operating effectively.

Audit-quality reviews

The EY Global AQR programme is the cornerstone of the EY process to monitor audit quality. EY Australia executes the Global AQR programme and develops responsive action plans where quality improvements are required. The

primary goal of the programme is to determine whether systems of quality control, including those of EY Australia, are appropriately designed and followed in the execution of audit engagements to provide reasonable assurance of compliance with policies and procedures, professional standards, as well as regulatory requirements. The Global AQR programme complies with guidelines in the ISQC 1, as amended, and is supplemented (where necessary) to comply with Australian professional standards and regulatory requirements. It also aids EY Australia's continual efforts to identify areas where we can improve our performance or enhance our policies and procedures. Approximately one-third of our Australian audit partners are subject to AQR each year.

The Global AQR programme complements external practice-monitoring and inspection activities, such as inspection programmes executed by audit regulators and external peer reviews. Executed annually, the programme is coordinated and monitored by representatives of the Global PPD network, with oversight by Global Assurance leadership.

The engagements reviewed each year are selected on a risk-based approach, emphasising audit engagements that are large, complex or of significant public interest, including elements of unpredictability. The Global AQR programme includes detailed risk-focused file reviews covering a large sample of listed and non-listed audit engagements, alongside public interest entities and non-public interest entities, to measure compliance with internal policies and procedures, EY GAM requirements, as well as relevant local professional standards and regulatory requirements. It also includes reviews of a sample of non-audit engagements. These measure compliance with the relevant professional standards, as well as internal policies and procedures that should be applied in executing non-audit services. In addition, practice-level reviews are performed to assess compliance with quality-control policies and procedures in the functional areas set out in ISQC 1.

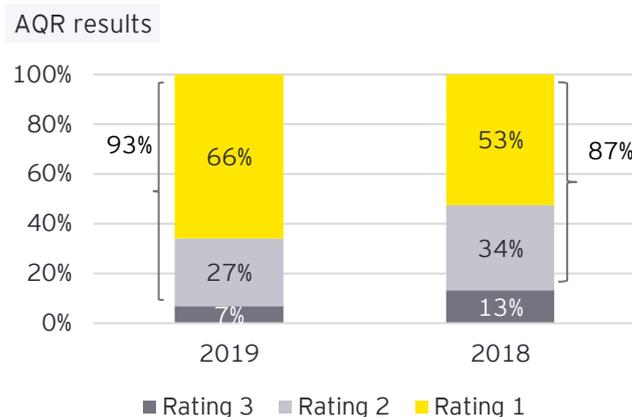
AQR reviewers and team leaders are selected for their skills and professional competence in accounting and auditing, as well as their industry specialisation; they often work in the Global AQR programme for several years and are highly skilled in the execution of the programme. Team leaders and reviewers are assigned to inspections outside of their home location and are independent of the audit teams reviewed.

The results of the Global AQR programme, external practice monitoring and inspection activities are evaluated and communicated to improve quality. Any quality-improvement plans describe the follow-up actions to be taken, the people responsible, the timetable and deadlines, and sign-off on completed actions. Measures to resolve audit-quality matters noted from the Global AQR programme, regulatory inspections and peer reviews are addressed by Assurance leadership, our PPD and our QEL from 1 July 2019. The actions are monitored by our PPD and Assurance leadership. These programmes provide important practice-monitoring feedback for our continuing quality-improvement efforts.

EY Australia AQR results

We evaluate the results of our review on a three-point scale: 1 = no or minor findings; 2 = findings that were more than minor but less than material; 3 = material findings.

In 2019, EY Australia's AQR programme resulted in the inspection of 44 audit engagements and 93% of the engagements inspected were rated as having no material findings or deficiencies. For 2018, 38 engagements were reviewed in AQR, of which 87% were rated as having no material findings or deficiencies.



When there are material or minor findings/deficiencies, EY Australia looks at the findings from internal and external inspections to identify root causes, develop action plans and improve audit quality. For audits with material findings arising from our internal reviews, EY Australia develops and implements a remedial action plan. A quality-improvement plan is also developed for EY Australia, which draws on root-cause analysis that we complete. We communicate lessons learnt from the reviews to our audit practice and include them in future training. The results are also built into the work of our SAQ programme (see page 10). AQR results play an important part in our assessment of Partner and staff quality.

External-quality inspections

Australian Securities and Investments Commission

EY Australia is subject to inspection of our audit practice and engagements by ASIC. As part of its inspections, ASIC evaluates quality-control systems and reviews the files related to a sample of audit engagements.

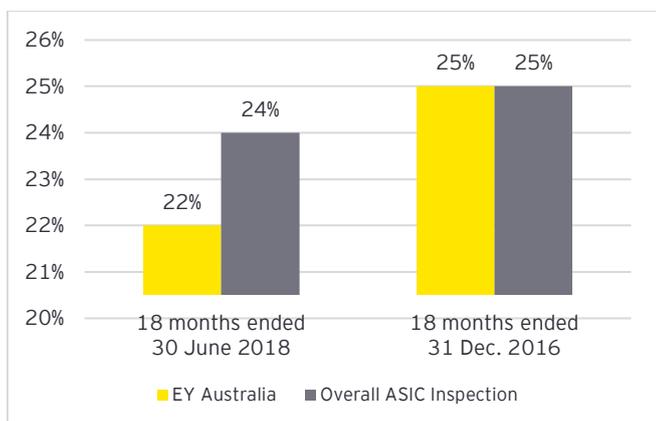
ASIC conducts reviews on an ongoing basis throughout the year. The most recent ASIC inspection cycle covered 12 engagements of listed companies over the period from July 2018 to June 2019. The results of ASIC's inspections for this period are in the process of being finalised by ASIC and are expected to be published in November 2019.

In May 2019, we received ASIC's report summarising the results of the previous ASIC inspection cycle (for the period January 2017 - June 2018) Upon receipt, EY Australia publicly disclosed the inspection results for this period, including all the individual findings identified by ASIC (see Appendix 2).

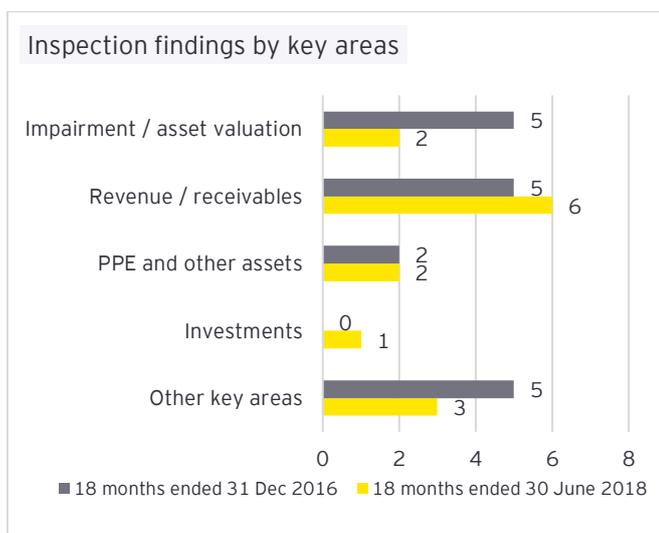
In ASIC's view, in the 18-month period ended June 2018, EY Australia gathered insufficient evidence in 14 out of 63 areas reviewed to offer reasonable assurance that the related financial report was free of material misstatement. It does not mean that a financial report was misstated in these areas.

ASIC inspects a risk-based sample of listed company audits every period. ASIC does not review audit engagements in their entirety and does not review a consistent set of areas across all the audit engagements reviewed. ASIC's public report states that they generally select some of the more complex, demanding and challenging audits, as well as some more significant or higher-risk areas of financial reports. Accordingly, drawing conclusions as to broad measures of audit quality based on these statistics is invalid and, as ASIC note, caution must be taken in generalising results across the entire market.

Comparison of the overall findings of ASIC's inspections across all firms in Australia to the findings reported in EY Australia audits inspected for the periods ended 30 June 2018 and 31 December 2016 are summarised in the chart below.



ASIC inspections select areas to be reviewed using a risk-based approach. The table below summarises the instances of inspection findings by key audit areas covered under review.



Other key areas include inventory and cost of sales, borrowings, taxation, expenses and payables.

Case study

Root-cause analysis and our response to inspection findings related to the audit of the impairment of non-current assets.

Area	Impairment of non-financial assets, including challenging the reasonableness of any forecasts and key assumptions, and the basis of valuation.
Our response	<p>Following root-cause analysis, through our quality-improvement plans, we have implemented specific measures over the last two years to assist our auditors apply scepticism, appropriately challenge and obtain sufficiently appropriate audit evidence.</p> <p>These measures included:</p> <ul style="list-style-type: none"> ▶ Monitoring by specific subject-matter experts to oversee and review audit team responses on testing of impairment of non-financial assets for selected engagements ▶ Development of detailed guidance, including valuation of specialist involvement, standard audit programmes and enablement tools to ensure consistency across our audit practice ▶ Focused training to our audit partners, senior managers and managers on key considerations when auditing impairment of non-financial assets ▶ Incorporating key reminders to audit partners, senior managers and managers on impairment-related testing, including appropriate specialist involvement. <p>Recent ASIC inspection results and EY AQRs have shown significant improvement. ASIC findings in this area decreased by 60% during the 18 months ended 30 June 2018 as compared to the earlier period.</p>

Area	The audit of revenue with emphasis on accounting policy choices, substantive analytical procedures (SAPs) and tests of detail.
Our response	<p>Our root-cause analysis of inspection findings related to revenue and receivables indicated inconsistencies in the application of our global audit methodology when performing SAPs.</p> <p>By the time ASIC formally issued its 2018 inspection report to us in May 2019, we had already been engaging with our audit teams to provide further guidance around scoping of SAPs. As part of the training and communication, we issued guidance clarifying the requirements and considerations relevant to audit sampling for test of details, determining samples sizes and verification to external evidence.</p>

We recognise the further efforts that we needed to make to deliver consistent audit quality, and we are committed to continuing to improve in this area. As a result of the improved guidance and measures, we have seen improvement in the results of the EY AQRs in 2019, which covered audits conducted in more recent periods.

Public Company Accounting Oversight Board

EY Australia was inspected by the Public Company Accounting Oversight Board (PCAOB) in 2017 and the public report was issued in July 2017. The next inspection by PCAOB for EY Australia will occur in November 2019.

Visit www.asic.gov.au and www.pcaobus.org for more information on ASIC and PCAOB, along with publicly available inspection reports. We respect and benefit from ASIC's and PCAOB's inspection processes. We thoroughly evaluate points raised during the inspection in order to identify areas where we can improve audit quality. Together with the AQR process, external inspections aid us in making our audits and related control processes of the highest quality in the interests of our clients' investors and other stakeholders.

Other regulators

EY Australia is also registered with the Canadian Public Accountability Board, New Zealand's Financial Markets Authority, Luxembourg's Commission de Surveillance, the UK's Financial Reporting Council and Japan's Financial Services Authority. This is necessary to participate in audits of global clients or conduct audits of Australian clients who, owing to overseas stock-exchange-listing requirements, file financial statements in those jurisdictions. We have not been inspected by these regulators.

Client acceptance and continuance

EY policy

The EY global policy on Client and Engagement Acceptance sets out principles for member firms to determine whether to accept a new client or a new engagement, or to continue with an existing client or engagement. These principles are fundamental to maintaining quality, managing risk, protecting our people and meeting regulatory requirements. The objectives of the policy are to:

- ▶ Establish a rigorous process for evaluating risk and making decisions to accept or continue clients or engagements
- ▶ Meet applicable independence requirements
- ▶ Identify and deal appropriately with any conflicts of interest
- ▶ Identify and decline clients or engagements that pose excessive risk

- ▶ Require consultation with designated professionals to identify additional risk-management procedures for specific high-risk factors
- ▶ Comply with legal, regulatory and professional requirements.

In addition, the EY global policy on conflicts of interest defines global standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for managing potential conflicts of interest by using appropriate safeguards. Such safeguards may include obtaining client consent to act for another party (where a conflict of interest may exist), establishing separate engagement teams to act for two or more parties, implementing mechanisms to operationally separate the engagement teams or declining an engagement to avoid an identified conflict.

The EY global policy on conflicts of interest and associated guidance take into account the increasing complexity of engagements and client relationships, as well as the need for speed and accuracy in responding to clients. They also align with the latest International Ethics Standards Board for Accountants (IESBA) standards.

Putting policy into practice

We use the EY Process for Acceptance of Clients and Engagements (PACE), an intranet-based system, for efficiently coordinating client and engagement acceptance, as well as continuance activities in line with global, service-line and member-firm policies. PACE takes users through the acceptance and continuance requirements, then identifies the policies and references to professional standards needed to assess both business opportunities and associated risks.

As part of this process, we carefully consider the risk characteristics of a prospective client or engagement and the results of several due-diligence procedures. Before we take on a new engagement or client, we determine whether we can commit sufficient resources to deliver quality service, especially in highly technical areas, and if the services the client wants are appropriate for us to provide. The approval process is rigorous, and no new audit engagement may be accepted without the approval of our regional PPD.

In the EY annual client-and-engagement-continuance process, we review our service and ability to continue to provide a quality service, and confirm that clients we serve share EY Australia's commitment to quality and transparency in financial reporting. The Partner in charge of each audit, together with our Assurance leadership, annually reviews our relationship with the audit client to determine whether continuance is appropriate.

As a result of this review, certain audit engagements are identified as requiring additional oversight procedures during the audit (close monitoring), and some audit clients are discontinued. As with the client-acceptance process, our Oceania PPD is involved in the client continuance process and must agree with the continuance decisions.

Decisions about acceptance, or continuance of clients and engagements, consider the engagement team's assessment of whether the company's management may pressure us to accept inappropriate accounting, auditing and reporting conclusions to undermine quality. Considerations and conclusions on the integrity of management are essential to acceptance and continuance decisions.

Performance of audits

There has been significant investment by EY in improving audit methodologies and tools, with the goal of performing the highest-quality audits in the profession. This investment reflects EY's commitment to building trust and confidence in the capital markets and in economies the world over.

Audit methodology

EY GAM provides a global framework for delivering high-quality audit services through the consistent application of thought processes, judgements and procedures in all audit engagements, regardless of size. EY GAM also necessitates compliance with relevant ethical requirements, including independence from the entity we audit. Making risk assessments, then reconsidering and modifying them as appropriate - and using these assessments to determine the nature, timing and extent of audit procedures - are fundamental to EY GAM. The methodology also emphasises applying appropriate professional scepticism in the execution of audit procedures. EY GAM is based on International Standards on Auditing and is supplemented in Australia to comply with the local Australian Auditing Standards and regulatory or statutory requirements.

Using an online tool, EY Atlas, an EY auditor is presented with a version of EY GAM organised by topic and designed to focus the audit strategy on the financial statement risks, as well as the design and execution of the appropriate audit response to those risks. EY GAM consists of two key components: requirements and guidance, and supporting forms and examples. The requirements and guidance reflect both auditing standards and EY policies. The forms and examples include leading practice illustrations, and assist in performing and documenting audit procedures.

EY GAM can be 'profiled' or tailored to present the relevant requirements and guidance, depending on the nature of the entity being audited. For example, there are profiles for listed entities and for those considered non-complex entities. Enhancements to the audit methodology are made regularly to address new standards, emerging auditing issues and matters, implementation experiences, as well as external and internal inspection results. In addition, we monitor current and emerging developments, then issue timely audit planning and execution communications that emphasise areas noted during inspections, as well as other key topics of interest to ASIC and the International Forum of Independent Audit Regulators. Specifically, we are preparing for the implementation of ASA 540 (revised), *Auditing Accounting Estimates and Related Disclosures* (effective for audits of financial reporting periods beginning

on or after 15 December 2019), by raising awareness of the requirements of the new standard and providing reminders on performing risk-assessment procedures specific to the audit of accounting estimates, then designing and performing audit procedures responsive to those risks.

Technology

Our audit engagement teams use technology to assist in executing and documenting the work performed in accordance with EY GAM.

EY Canvas, the global EY audit platform, lies at the heart of the audit and enables us to provide a high-quality audit. EY Canvas is built using state-of-the-art technology for web applications. This allows us to provide data security and to evolve our software to respond to changes in the accounting profession and regulatory environment.

Using profile questions, audit engagements in EY Canvas are automatically configured with information relevant to an entity's listing requirements and industry. This helps to keep our audit plans customised and up-to-date, and provides direct linkage to our audit guidance, professional standards and documentation templates. EY Canvas is built with a user interface that allows the team to visualise risks and their relationship to the planned response and work performed in key areas. It also enables a linkage for our group audit teams to communicate inter-office risks and instructions so that the primary audit team can direct execution and monitor performance of the group audit.

EY Canvas includes a client portal to assist teams in communicating with clients and streamlining their client requests. Mobile applications are integrated with EY Canvas to help our people in their audit work: for example, in monitoring the status of the audit, capturing audit evidence securely and performing inventory observations.

Audit engagement teams use other applications, data analysers and forms during various phases of an audit to assist in executing procedures, making and documenting audit conclusions, and performing analysis. This includes EY Smart Automation: a collection of applications that are being developed and deployed globally through EY Canvas to digitally enable EY audit professionals in executing audit procedures and processes.

At EY, we are making data analysis integral to our audits. Our use of data and analysis is not about additive procedures or visualisations. It is about taking large populations of company data and applying our globally consistent technology (EY Helix) and methodology (EY GAM) to audit that data.

EY Helix is a library of data analysers for use in audits. These data analysers are transforming the audit through the analysis of larger populations of audit-relevant data, identifying unseen patterns and trends in that data, and helping to direct our audit efforts. The use of data analytics also allows us to obtain better perspectives, richer insights and a deeper understanding of transactions and areas of risk.

EY is deploying data analysers to examine the business operating cycles of the companies that we audit, supported by analytics-based audit programs to aid the application of these data analysers.

Using the EY Helix library of data analysers, our engagement teams can enhance their audit risk assessment, enabling the audit of higher-risk transactions, as well as assisting our people in asking better questions about audit findings and evaluating the outcomes.

EY Atlas is a global technology platform that enables our auditors to access the latest accounting and auditing content, including external standards, EY interpretations and thought leadership.

Formation of audit engagement teams

EY Australia policies require an annual review of partner assignments by our Assurance leadership and Oceania PPD. This is carried out to make sure that the professionals leading listed-company audits possess the appropriate competencies (i.e. the knowledge, skills and abilities) to fulfil their engagement responsibilities and are in compliance with applicable auditor-rotation regulations.

The assignment of professionals to an audit engagement is also made under the direction of our Assurance leadership. Factors considered when assigning people to audit teams include engagement size and complexity, specialised industry knowledge and experience, timing of work, continuity and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialised or additional expertise is needed to supplement or enhance the audit engagement team.

In many situations, internal specialists are assigned as part of the audit engagement team to assist in performing audit procedures and obtaining appropriate audit evidence. These professionals are used in situations requiring special skills or knowledge, such as information systems, asset valuation and actuarial analysis.

Review and consultation

Reviews of audit work

EY policies describe the requirements for timely and direct senior professional participation, as well as the level of review required for the work performed. Supervisory members of an audit engagement team perform a detailed review of the audit documentation for accuracy and

completeness. Senior audit executives and engagement partners perform a second-level review to determine adequacy of the audit work as a whole, as well as the related accounting and financial-statement presentation. A tax professional reviews the significant tax and other relevant working papers. For listed and certain other companies, an engagement quality reviewer (described below) reviews important areas of accounting, financial reporting and audit execution, as well as the financial statements of the company we audit and our auditor's report.

The nature, timing and extent of the reviews of audit work depend on many factors, including:

- ▶ The risk, materiality, subjectivity and complexity of the subject matter
- ▶ The ability and experience of the audit team members preparing the audit documentation
- ▶ The level of the reviewer's direct participation in the audit work
- ▶ The extent of consultation employed.

Our policies also describe the roles and responsibilities of each audit engagement team member for managing, directing and supervising the audit, and the requirements for documenting their work and conclusions.

Consultation requirements

EY consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues. Consultation requirements and related policies are designed to involve the right resources so that audit teams reach appropriate conclusions.

Consultation is built into the decision-making process; it is not just a process to provide advice.

For complex and sensitive matters, we have a formal process requiring consultation outside of the audit engagement team with other personnel who have more experience or specialised knowledge, primarily Professional Practice and Independence personnel. In the interests of objectivity and professional scepticism, our policies require members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have recently served, the client to which the consultation relates. In this circumstance, other appropriate individuals would be assigned.

EY policies also require that all consultations are documented, including written concurrence from the person or persons consulted, to demonstrate their understanding of the matter and its resolution.

Engagement-quality reviews

Engagement-quality reviews are performed by audit partners in compliance with professional standards for audits of all listed companies and those considered to need

close monitoring. Engagement-quality reviewers are experienced professionals with significant subject matter knowledge. They are independent of the engagement team and able to provide objective evaluation of significant accounting, auditing and reporting matters. In no circumstances may the responsibility of the engagement-quality reviewer be delegated to another individual.

The engagement-quality review spans the entire engagement cycle, including planning, risk assessment, audit strategy and execution. Policies and procedures for the performance and documentation of engagement-quality reviews provide specific guidelines on the nature, timing and extent of the procedures to be performed, and the required documentation evidencing their completion. Our Oceania PPD approves all engagement-quality review assignments.

Audit engagement team resolution process for differences of professional opinion

EY has a collaborative culture that encourages and expects people to speak up, without fear of reprisal, if a difference of professional opinion arises or if they are uncomfortable about a matter relating to a client engagement. Policies and procedures are designed to empower members of an audit engagement team to raise any disagreements relating to significant accounting, auditing or reporting matters.

These policies are made clear to people as they join EY, and we continue to promote a culture that reinforces a person's responsibility and authority to make their own views heard and seek out the views of others.

Differences of professional opinion that arise during an audit are generally resolved at the audit engagement team level. However, if any person involved in the discussion of an issue is not satisfied with the decision, they refer it to the next level of authority until agreement is reached or a final decision is made.

Furthermore, if the engagement-quality reviewer makes recommendations that the engagement partner does not accept, or the matter is not resolved to the reviewer's satisfaction, the auditor's report is not issued until the matter is resolved. EY policies require documentation of disagreements and their resolution.

Rotation and long association

EY supports mandatory audit partner rotation to help reinforce auditor independence. EY Australia complies with the audit partner rotation requirements of the IESBA Code; APES 110 Code of Ethics for Professional Accountants, issued by the Australian Accounting Professional & Ethical Standards Board (APESB); Corporations Act 2001; as well as the Australian Prudential Regulatory Authority; and the U.S. Securities and Exchange Commission, where required. EY Australia supports audit partner rotation because it provides a fresh perspective and promotes independence from company management, while retaining expertise and knowledge of the business. Audit partner rotation, combined with independence requirements, enhanced

systems of internal quality controls and independent audit oversight, helps strengthen independence and objectivity, and are important safeguards of audit quality.

For listed entities in Australia, rotation of the audit partner is mandated by the Corporations Act 2001, and our independence policy requires the lead engagement partner and the engagement-quality reviewer to be rotated after five years, with other audit partners who make key decisions or judgments on matters significant to the audit (the 'other key audit partners') to be rotated after seven years. The lead engagement partner may remain in place for an additional two years, subject to exceptional circumstances if requested by the directors of a listed entity and approved by EY Independence and Oceania PPD. EY Australia adopted the amendments required under the IESBA Code and APESB for audits of financial statements for periods beginning on or after 1 January 2019. Following rotation, the lead engagement partner and the engagement-quality reviewer may not resume any role in the engagement until at least three years have elapsed, and for other key audit partners, until two years have elapsed (the 'cooling-off period').

During the cooling-off period, there are restrictions on the role the partners can play in relation to the client if that role involves having significant or frequent interaction with senior management or those charged with governance of the client, or exerting direct influence on the outcome of the audit engagement.

In addition to the audit partner rotation requirements applicable to PIE audit clients, EY has established a long-association safeguards framework which, consistent with the requirements of the IESBA and APESB Code, includes consideration of the threats to independence created by involvement of professionals over a long period of time on an audit and a safeguards framework to address such threats.

We employ tools to effectively monitor compliance with internal rotation and requirements for audit partners and other professionals who have had long association with the audit client. There is also a process for rotation planning and decision-making that involves consultation with, and approvals by, our Professional Practice and Independence professionals if there are any matters of judgment related to the application of the rotation rules or the engagement is considered high risk. We monitor our tools and process to ensure they are updated in a timely manner for required changes in regulatory requirements, including any announcements from the IESBA and APESB.

Compliance with legal requirements

The EY Global Code of Conduct provides a clear set of standards that guide our actions and business conduct. EY Australia complies with applicable laws and regulations, and EY's values underpin our commitment to doing the right thing. This important commitment is supported by a

number of policies and procedures, explained in the paragraphs below.

Anti-bribery

The EY Global Anti-bribery Policy provides EY people with direction around certain unethical and illegal activities. It emphasises the obligation to comply with anti-bribery laws and provides greater definition of what constitutes bribery. It also identifies reporting responsibilities when bribery is discovered. In recognition of the growing global impact of bribery and corruption, efforts have been increased to embed anti-bribery measures across EY.

Insider trading

The EY Global Insider Trading Policy reaffirms the obligation of our people not to trade in securities with insider information, provides detail on what constitutes insider information and identifies with whom our people should consult if they have questions regarding their responsibilities.

Trade sanctions

It is important that we are aware of the ever-changing situation in respect of international trade sanctions. EY monitors sanctions issued in multiple geographies and provides guidance to EY people on impacted activities.

Data privacy

The EY Global Personal Data Privacy Policy, revised and reissued in 2018, sets out the principles to be applied to the collection, use and protection of personal data, including that relating to current, past and prospective personnel, clients, suppliers, and business associates. This policy is consistent with the strict requirements of the EU's GDPR, as well as other applicable laws and regulations concerning data protection and privacy. EY also has Binding Corporate Rules, approved by EU regulators, in place to facilitate the movement of personal data within the EY network. Furthermore, we have a policy to address our specific Australian data privacy requirements and business needs.

Whistleblowing

The EY/Ethics Hotline provides EY people, clients and others outside of EY with a means to confidentially and, either anonymously or on a disclosed basis, report an activity that may involve unethical or illegal behaviour that is in violation of professional standards, or otherwise inconsistent with the EY Global Code of Conduct. In 2019, 14 reports were submitted to the EY/Ethics Hotline.

Document retention

EY Australia's record-retention policy applies to all engagements and personnel. This policy ensures that documents (including electronic ones) are retained in accordance with EY Australia's legal obligations.

Audit quality within a multidisciplinary firm



Quality in our service lines

Our multidisciplinary-firm model operates in the four service lines of Assurance, Tax, Transaction Advisory Services and Advisory, with staff reporting to partners who are associated with one of these four service lines. Our financial statement audit practice sits within our Assurance service line.

Revenue from Audits and directly related services for audit clients for the year ended 30 June 2019 represents 21% of EY Australia revenue.

Multidisciplinary does not mean that we provide all our services to our audit clients. There are significant restrictions on non-audit services that can be provided to audit clients (see page 23).

For our audit practice and the delivery of quality audits, a multidisciplinary firm means having a service-line model that facilitates the growth and training of highly experienced subject matter specialists.

A multidisciplinary firm enhances audit quality as it provides ready access to the wide range of industry and subject-matter specialists necessary to deliver quality audits now and into the future - which often are required at short notice - who understand the role of audit, our audit methodology and who comply with the strict audit independence requirements (see page 22).

To effectively audit accounting estimates such as intangible asset valuations, rehabilitation estimates, insurance liabilities, property valuations, plant and equipment valuations, business valuations, and other complex fair-value asset and liability estimates, specialist skills are required. These specialists are required to supplement the skill and expertise of our core audit teams to conduct high-quality audits, where additional subject matter expertise is required.

In addition to these skills, knowledge of intricate multijurisdictional tax regimes, tax reform, executive remuneration valuation protocols, data extraction and analysis, complex modelling and information technology, and controls are all integral to the delivery of an audit. These specialist skills exist within our non-Assurance service lines.

As audits and the business environment become increasingly complex, to execute effective high-quality audits will require new areas of specialist skills. Expertise in artificial intelligence, cyber, analytics, robotics, blockchain

and other emerging disciplines are becoming required, and there is a continuing trend for increased involvement of specialist resources. These new skills reside and are being developed in the non-Assurance service lines.

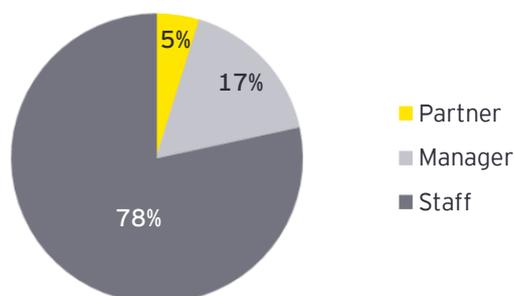
The EY structure - together with external regulation, EY policies and other factors - combine to support the audit practice to operate independently to avoid threats to independence and to manage conflicts of interest.

This ensures our auditors are incentivised to deliver quality audits and that the decisions they make in the conduct of their audits are not influenced by other commercial outcomes the firm may experience in either Assurance or any of its other service lines. Our policies include:

- ▶ Including, as the principal element of partner performance, outcomes from audit inspection programmes (both internal and external), with financial penalties for poor-quality outcomes and independence breaches or noncompliance
- ▶ Excluding from audit partners' performance and remuneration any consideration of selling non-audit services to audit clients
- ▶ Risk-management and audit-quality responsibilities reside within a professional practice group that is separate from the operational leadership of the firm.

Case study of our ASX 300 audit clients

The following chart summarises the proportion of Partner, Manager and staff time on audits of ASX 300-listed entities for the period May 2018 April 2019.



In the fiscal year ended 30 June 2019, an average of 8.7% of the time spent on the ASX 300 audits conducted by EY Australia was incurred by specialists from other service lines, as their expertise was required in the execution of the audit.

When specialists from the other service lines participate in audits, they become subject to the heightened independence rules applicable to audit team members.

We are committed to a multidisciplinary model because it provides the structure, breadth and depth of technical skills and industry expertise necessary to deliver audits now and into the future. Benefits of a multidisciplinary model include:

- ▶ Enabling investment in research and development in specialist areas given economies of scale
- ▶ Growth in other service lines strengthens the audit practices with additional resources invested in highly skilled individuals
- ▶ Using specialists across functions within the same firm ensures that they are all bound by the same standards of quality, independence and ethics, share common professional values, and are intertwined in a culture and brand built on a reputation for high-quality audits
- ▶ Sharing the development of technology solutions, including analytics and robotics, across service lines enables solutions built on the same platforms to support each discipline and reduces the cost within each service line
- ▶ Increased financial stability as revenue is diversified across different sectors, service lines and through services that experience different demand cycles from clients
- ▶ More sustainable operating model as the firm is less vulnerable to economic shocks.

EY Australia continues to support the multidisciplinary firm as the best model for delivering a high-quality audit.

Independence practices



The EY Global Independence Policy requires EY Australia and our people to comply with the independence standards applicable to specific engagements, including the IESBA and APESB Code of Ethics.

We consider and evaluate independence with regard to various aspects, including our financial relationships and those of our people; employment relationships; business relationships; the permissibility of services we provide to audit clients; applicable firm and partner rotation requirements; fee arrangements; audit committee pre-approval, where applicable; and partner remuneration and compensation.

Failure to comply with applicable independence requirements will factor into decisions relating to a person's promotion and compensation, and may lead to other disciplinary measures, including separation from EY Australia.

EY Australia has implemented EY's global applications, tools and processes to support us, our professionals and other employees in complying with independence policies. These have been adapted to the Australian requirements and processes where necessary.

EY Global Independence Policy

The EY Global Independence Policy contains the independence requirements for member firms, professionals and other personnel. It is a robust policy predicated on the IESBA Code and supplemented by more stringent requirements in jurisdictions where prescribed by the local legislative body, regulator or standard setting body. The policy also contains guidance designed to facilitate an understanding and the application of the independence rules. The EY Global Independence Policy is readily accessible and easily searchable on the EY intranet.

Global Independence System

The Global Independence System is an intranet-based tool that helps EY professionals identify the entities from which independence is required and the independence restrictions that apply. Most often, these are listed audit clients and their affiliates, but they can also be other types of attest or assurance clients. The tool includes family-tree data relating to affiliates of listed audit clients and is updated by client-serving engagement teams. The entity data includes notations that indicate the independence rules that apply to

each entity, helping our people determine the type of services that can be provided, or other interests or relationships that can be entered into.

Global Monitoring System

The Global Monitoring System (GMS) is another important global tool that assists in identifying proscribed securities and other impermissible financial interests. Professionals ranked as Manager and above are required to enter details about all securities and other financial interests they hold, or those held by their immediate family, into the GMS. All other professionals are encouraged to also record their securities in GMS. When a proscribed security is entered, or if a security they hold becomes proscribed, professionals receive a notice and are required to dispose of the security. GMS allows professionals to verify, before they invest, whether the financial interest is permitted for them. Furthermore, it is used to check whether an EY professional may become part of an engagement team for a particular client, based on the professional's recorded financial interests, before the professional is assigned to a client engagement, whether for an audit engagement or a non-audit engagement. Identified exceptions are reported through the Global Independence Incident Reporting System for regulatory matters.

GMS also facilitates annual and quarterly confirmation of compliance with independence policies, as described below.

Independence compliance

EY has established a number of processes and programmes aimed at monitoring the compliance with independence requirements of EY member firms and their people. These include the following activities, programmes and processes.

Independence confirmations

Annually, EY Australia is included in an area-wide process to confirm compliance with the EY Global Independence Policy and process requirements, and to report identified exceptions (if any).

An initial independence screening is conducted for all potential partner candidates - referred to as Direct Admit Partner (DAP) - to identify any circumstances or relationships that could delay or prevent the DAP from being a partner in EY Australia. This is followed by a more detailed independence review to identify any financial relationships the DAP, or their immediate family, is required to dispose prior to becoming an EY partner. The DAP is also required to confirm his/her compliance with key aspects of the Corporations Act and EY Global Independence Policy.

All EY professionals and certain others, based on their role or function, are required to confirm compliance with independence policies and procedures at least once a year. All partners are required to confirm compliance quarterly.

Independence compliance reviews

EY conducts internal procedures to assess member-firm compliance with independence matters. These reviews include aspects of compliance related to non-audit services, business relationships with the companies we audit and financial relationships of member firms.

Personal Independence Compliance Testing

Each year, the EY Global Independence team establishes a programme for testing compliance with personal independence confirmation requirements and with reporting of information into GMS. The table summarises the planned coverage under the programme.

Role	Testing frequency
Partner in Leadership	Every three years
Partner	Every five years
Promotion to Partner, Associate Partner, Executive Director or Director	Prior to promotion
Random 3% sample of other professionals (Managers and above, not Partners)	Annually

For the 2019 testing cycle, EY Australia tested 239 Partners and other personnel as part of the Personal Independence Compliance Testing. We continue to focus on educating our professionals in regards to their responsibilities, ensuring compliance with EY policies, and are focused on continued improvement in our compliance.

Non-audit services

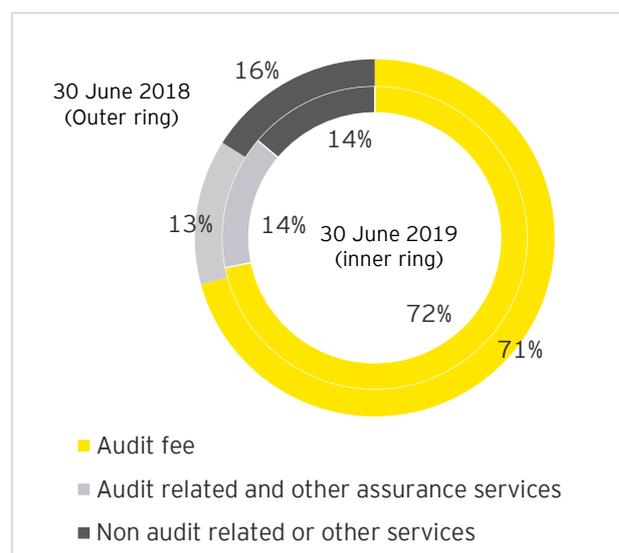
All non-audit services we provide to our audit clients are only services that the professional standards, laws and regulations, including independence standards, consider to be permissible for an auditor to provide to an audit client. We monitor compliance with the standards governing the provision of non-audit services to audit clients through a variety of mechanisms. These include the use of tools, such as PACE (see page 15) and Service Offering Reference Tool (SORT), see below, as well as training and required procedures completed during the performance of audits and

internal inspection processes. We also have a process in place for the review and approval of certain non-audit services in advance of accepting the engagement. Audit partners must approve the provision of all non-audit services to audit clients before any such service is accepted, once they are satisfied of the compliance to required professional standards, including consideration of company-specific auditor independence policies that client audit committees may use to manage the nature and quantum of non-audit services.

No part of our partner evaluation and reward process can or does include any reference to the selling of non-audit services (see page 27) to audit clients.

In addition, we perform testing procedures of ongoing engagements to identify potential noncompliance with applicable independence rules and the EY engagement acceptance processes.

The chart below summarises the proportion of fees from audit and other services for ASX 300-listed entities audited by EY Australia for the fiscal years ended 30 June 2019 and 30 June 2018.



Tax services are generally the largest component of the non-audit or other services.

Global independence learning and communications

EY develops and deploys a variety of independence learning programmes. All professionals and certain other personnel are required to participate in annual independence learning to help maintain our independence from the companies we audit.

The goal is to help EY people understand their responsibility and to enable each of them, and their member firms, to be free from interests that might be regarded as incompatible with objectivity, integrity and impartiality in serving an audit client.

The annual independence learning programme covers independence requirements focusing on recent changes to policy, as well as recurring themes and topics of importance. Timely completion of annual independence learning is required and is monitored closely. EY Australia supplements this programme with local content to cover local independence requirements under Corporations Act 2001 and the independence standards of APESB that may differ from the EY Global Independence Policy.

In addition to the annual learning programme, independence awareness is promoted through a number of events and materials, including new-hire programmes, milestone programmes and core service-line curricula, as well as dedicated communication, including EY news articles, to provide guidance on specific topics.

Service Offering Reference Tool

We assess and monitor our portfolio of services on an ongoing basis to confirm that they are permitted by professional standards, laws and regulations, and to make sure that we have the right methodologies, procedures and processes in place as new service offerings are developed. We restrict services from being provided that could present undue independence or other risks. SORT provides EY personnel with information about EY service offerings. It includes guidance around which services can be delivered to audit and non-audit clients, as well as independence and other risk-management issues and considerations.

Business Relationship Evaluation Tool

Our people are required to use the Business Relationship Evaluation Tool (BRET) in many circumstances to identify, evaluate and obtain advance approval of a potential business relationship with a client and an assessment, whether the relationship with an audit client may be allowed, thereby supporting our compliance with independence requirements.

We conduct quarterly compliance testing to review the timeliness of BRET submissions.

Audit committees and oversight of independence

We recognise the important role that audit committees and similar corporate governance bodies undertake in the oversight of auditor independence. Empowered and independent audit committees perform a vital role on behalf of shareholders in protecting independence and preventing conflicts of interest. We are committed to robust and regular communication with audit committees or those charged with governance. Through EY quality-review programmes, we monitor and test compliance with EY standards for audit committee communications, as well as the pre-approval of non-audit services, where applicable.

Continuing education of audit professionals



Professional development

The continuous development of our people’s skills and knowledge is critical to achieving our purpose of enhancing confidence in the capital markets.

Providing opportunities for the right experiences, learning and coaching helps our people grow and achieve their potential at a variable pace of progression that suits them.

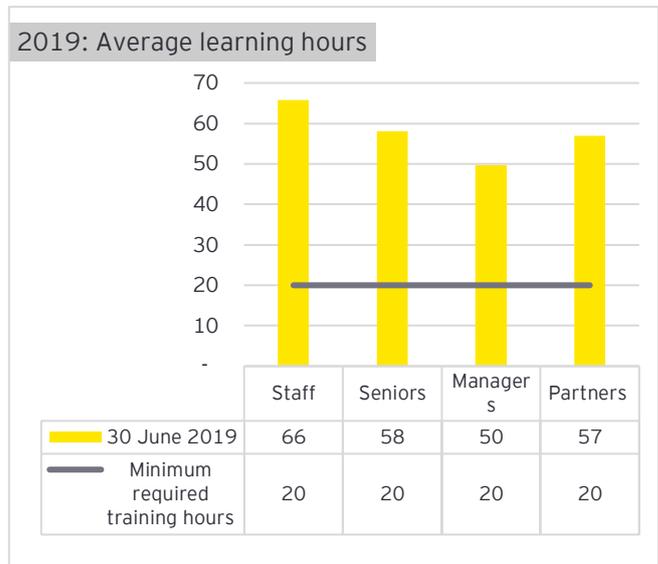
The day-to-day experiences gained are assigned locally in a systematic way while the EY audit learning core curriculum is globally consistent. This is supported throughout by on-the-job coaching from more experienced professionals that helps to transform knowledge and experience into practice.

Learning is delivered through the award-winning Audit Academy, which combines interactive classroom-based simulations and ‘on-demand’ e-learning modules with relevant reinforcement and application support. This is supplemented by learning programmes that are developed in response to changes in accounting and reporting standards, independence and professional standards, new technology and emerging practice issues.

Where an EYG member firm audits and reviews IFRS financial statements, relevant team members undertake learning to become IFRS-accredited.

EY Australia requires our audit professionals to obtain at least 20 hours of continuing professional education each year, and at least 120 hours over a three-year period. Of these hours, 40% (minimum eight hours each year and 48 hours over a three-year period) must cover technical subjects related to accounting and auditing.

Our investment in training continues to support our audit-quality focus and we continue to make significant investment in our training curriculum. Our people believe the training programmes enable them to deliver high-quality audits. The chart summarises the average trainings completed at each level, which include topics on audit, financial reporting standards, independence and ethics.



There is significant investment in coaching Seniors and Managers on transformation and analytics and more on-demand learnings available in our learning portals, which resulted in increased learning hours for Staff, Seniors and Managers.

Knowledge and internal communications

In addition to professional development and performance management, we understand the importance of providing client-engagement teams with up-to-date information to help them perform their professional responsibilities. EY makes significant investments in knowledge and communication networks to enable the rapid dissemination of information to help people collaborate and share best practices. Some of our initiatives include:

- ▶ EY Atlas, which includes local and international accounting and auditing standards, as well as interpretive guidance
- ▶ Publications such as International GAAP, IFRS developments and illustrative financial statements
- ▶ Global Accounting and Auditing News – a weekly update covering assurance and independence policies, developments from standard setters and regulators, as well as internal commentary thereon
- ▶ Oceania Accounting and Auditing News - a fortnightly update covering local auditing, accounting and financial reporting development, reminders of key internal policies and announcements, as well as periodic updates on risk management

- ▶ EY Digital Audit launching pad, which directly links teams to our audit platforms - EY Canvas, the EY Helix data-analyser library and EY Atlas - and provides access to our most recent and relevant learning, enablement and support for digital audit.
- ▶ Practice alerts and webcasts covering a range of global and country-specific matters designed for continuous improvement in member firms' Assurance practices.

Performance management

LEAD is our forward-looking EY approach to people's career, development and performance, focusing on continuous feedback and resulting in better conversations built around 90-day cycles. Feedback is aggregated and used as an input to compensation and reward programmes.

It is designed to support the growth and development of our people at all stages of their career at EY. An individual's personal dashboard provides an easy-to-interpret snapshot of their performance against the leadership-at-EY dimensions and assessed performance against peers.

LEAD provides our people with clear work expectations and the opportunity to self-assess their performance. During the course of the year, every professional, in conjunction with their counsellor, identifies opportunities for further development.



Financial information

Revenue includes expenses billed to clients and revenues related to billings to other EYG member firms. Revenue amounts disclosed in this report include revenues from both audit and non-audit clients as follows:

- ▶ Revenues from the statutory audit of annual and consolidated financial statements of PIEs in the EU
- ▶ Revenues from the statutory audit of annual and consolidated financial statements of other entities
- ▶ Revenues from permitted non-audit services to entities that are audited by the statutory auditor and the revenues from non-audit services to other entities.

Financial information for the period ended on 30 June 2019 and 30 June 2018 (expressed in millions of Australian dollars)

Service	2019 Revenue (\$m)	%	2018 Revenue (\$m)	%
Audits and directly related services for audit clients	390 [#]	21%	375 [#]	21%
All other services to audit and non-audit clients	1,497	79%	1,410	79%
Total revenue	1,887	100%	1,785	100%

[#] Includes revenue AUD 12 million (30 June 2018: AUD 10 million) from audits and directly related services for audit clients listed in EU.

Partner remuneration

Quality is at the centre of the EY strategy and is a key component of EY performance management systems. EY Australia partners and other professionals are evaluated and compensated based on criteria that includes specific quality and risk-management indicators, covering both actions and results.

LEAD for Partners, Associate Partners, Executive Directors and Directors (PPEDDs) applies to all partners in EYG member firms around the world. LEAD for PPEDDs reinforces the global business agenda by continuing to link performance to wider goals and values. The process includes goal setting, ongoing feedback, personal-development planning and performance review, and is tied to partners' recognition and reward. Documenting partners' goals and performance is the cornerstone of the evaluation

process. A partner's goals are required to reflect various global priorities, one of which is quality.

EY policies prohibit evaluating and compensating lead audit engagement partners and other key audit partners on an engagement based on the sale of non-Assurance services to companies they audit. There are no incentives to audit partners to sell non-audit services to audit clients. This reinforces to our Partners their professional obligation to maintain our independence and objectivity.

Specific quality and risk performance measures have been developed to account for:

- ▶ Providing technical excellence
- ▶ Living the EY values as demonstrated by behaviours and attitude
- ▶ Demonstrating knowledge of, and leadership in, quality and risk management
- ▶ Complying with policies and procedures
- ▶ Complying with laws, regulations and professional duties
- ▶ Contributing to protecting and enhancing the EY brand.

The EY partner compensation philosophy calls for meaningfully differentiated rewards based on a Partner's level of performance, as measured within the context of LEAD. Partners are assessed by their firms annually on their performance in delivering quality, exceptional client service and people engagement, alongside financial and market metrics.

Audit quality is the major component of how we assess the performance of our audit partners. Quality concerns arising from ASIC audit inspections and the EY AQR programme result in financial penalties to our Partners and limits their overall performance evaluation for the year, regardless of how they have performed in the other areas in which their performance is measured.

The importance of independence is also recognised in our performance-review processes. Independence breaches or reporting omissions result in financial penalties for Partners.

We operate under a system that requires quality to be a significant consideration in a Partner's overall year-end rating.

To recognise different market values for different skills and roles, and to attract and retain high-performing individuals, the following factors are also considered when we determine our partners' total reward:

- ▶ Experience
- ▶ Role and responsibility
- ▶ Long-term potential.

Instances of noncompliance with quality standards result in remedial actions, financial penalties (as referred to above), additional training, additional supervision or reassignment. A pattern of noncompliance or particularly serious noncompliance may result in actions that include separation from EY Australia.

Appendix 1: List of PIE audit clients



EY Australia PIE audit clients

In the fiscal year that ended on 30 June 2019, EY Australia performed audits of the following PIEs. The PIEs that had securities admitted to trading on the regulated markets in the EU are marked with an asterisk (*).

360 Capital Group	Americold Australian Holdings Pty Ltd
360 Capital RE Limited	AMP Bank Limited
360 Capital Total Return Active Fund	AMP Capital Funds Management Limited
360 Capital Total Return Fund	AMP Capital Schemes
360 Capital Total Return Passive Fund	AMP Eligible Rollover Fund
3P Learning Limited	AMP ERF
AAPC Management Limited	AMP Group Finance Services Limited
Abacus Group Holdings Limited	AMP Life Limited
Abacus Group Projects Limited	AMP Limited
Abacus Hospitality Fund	AMP Retirement Trust
Abacus Income Trust	AMP SST
Abacus Storage Operations Limited	AMP Superannuation Savings Trust
Abacus Storage Property Trust	AnaeCo Limited
Abacus Trust	Antares Capital Partners Ltd
Abacus Wodonga Land Fund	Antisense Therapeutics Limited
Acorn Capital Investment Fund Limited	Aon Risk Services Australia Limited
Actinogen Medical Limited	Apollo Tourism & Leisure Ltd
Adairs Limited	Ardent Leisure Group Limited
Adveritas Limited	Argo Global Listed Infrastructure Limited
Afterpay Touch Group Limited	Argonaut Resources NL
Agrimin Limited	ARQ Group Limited
Agua Resources Limited	Asiamet Resources Limited
AHALife Holdings Limited	AUB Group Limited
AIC Mines Limited	AuKing Mining Ltd
Aioi Nissay Dowa Insurance Co., Limited	Aurecon 37 Limited
AJ Lucas Group Limited	Aurelia Metals Limited
Alexander Credit Opportunities Fund	Australian Meat Industry Superannuation Trust
Allan Gray Australia Equity Fund	Australian Property Growth Fund
Allan Gray Australia Stable Fund	Australian Rail Track Corporation Limited
Alita Resources Limited	Ava Risk Group Limited

Avenira Limited	Challenger Retirement Fund
Aventus Retail Property Fund	Champion Iron Limited
Aveo Group Limited	Christian Super
AVJennings Limited	CI Resources Limited
AvSuper	Cleanaway Waste Management Limited
AWE Limited	Club Plus Superannuation Pty Ltd
Azure Healthcare Limited	Coca-Cola Amatil Limited
Baby Bunting Group Limited	CoINVEST Limited
Bank Australia Limited	Cokal Limited
Bank of Baroda	Coles Group Limited
Bank of China Ltd	Commonwealth Steamship Insurance Co. Pty Limited
Bannerman Resources Limited	Cooper Energy Ltd
BARD1 Life Sciences Limited	Copia Investment Partners Limited
Beach Energy Limited	Cradle Resources Limited
Bendigo and Adelaide Bank Limited	Crescent Wealth Superannuation Fund
Bendigo Superannuation Plan	Crown Resorts Limited
Berkeley Energia Limited*	CSL Ltd
Beston Global Food Company Limited	Cullen Resources Limited
BGC Partners (Australia) Pty Limited	Danakali Limited*
Bisalloy Steel Group Limited	David Jones Limited
Blue Energy Limited	Deep Yellow Limited
Blue Sky Alternative Investments Limited	Delecta Limited
Blue Sky Alternatives Access Fund Limited	Devine Limited
BlueScope Steel Limited	DMG Diversified Portfolio Fund
BOC Gases Superannuation Fund	Domain Holdings Australia Pty Limited
Bradken Pty Limited	DPM Retirement Service
BrainChip Holdings Ltd	Dragon Mining Limited
Bravura Solutions Limited	E & A Limited
Brickworks Limited	Eley Griffiths Group Small Companies Fund
Brisbane Broncos Limited	Ellerston Asian Investments Limited
Brockman Mining Limited	Ellerston Australian Market Neutral Fund
BUBS Australia Limited	Ellerston Capital Limited
BUSS(Queensland) Pooled Superannuation Trust	Ellerston Global Equity Managers Fund
Capricorn Society Limited	Ellerston Global Investments Limited
CAQ Holdings Limited	Emmerson Resources Limited
Carbonxt Group Limited	Energy Action Limited
Carindale Property Trust	Energy World Corporation Ltd
Carnarvon Petroleum	EQT Responsible Entity Services Limited
Catholic Church Insurances Ltd	Equatorial Resources Limited
Challenger Life Company Limited	Equisuper
Challenger Limited	Eric Insurance Limited
Challenger Retirement and Investment Services Limited (CRISL)	ESTIA Health Limited
	E-Sun Bank Limited

Eureka Group Holdings Limited	Investors Mutual Limited
Excelsior Capital Ltd	InvestSMART Group Ltd
Exore Resources Ltd	Invion Limited
Farm Pride Foods Limited	Ioneer Limited
Fe Limited	ipac Asset Management Limited
Fidante Partners Limited	iSelect Limited
Fidante Partners Services Ltd	ISPT Pty Ltd
Finders Resources Limited	Jupiter Energy Limited
First commercial Bank Limited	K & S Corporation Limited
First Quest Retirement Service	Katana Capital Limited
Flight Centre Travel Group Limited	KEB Hana Bank
FM Insurance Company Limited	Kibaran Resources Limited
Forager Australian Shares Fund	King River Resources Limited
Forager International Shares Fund	Kingsrose Mining Limited
G&C Mutual Bank Limited	Kula Gold Limited
G8 Education Limited	L1 Long Short Fund Limited
Gateway Credit Union	Lefroy Exploration Limited
Gazal Corporation Limited	Legend Mining Limited
Genex Power Limited	LG Super
Geopacific Resources Limited	Liberty International Underwriters
Globe Metals & Mining Limited	Lion Energy Limited
Guild Insurance Limited	Liquefied Natural Gas Ltd
Guild Retirement Fund	Lithium Power International Limited
Halidon Asset Management Ltd	LiveHire Limited
Hannans Ltd	Lynas Corporation Limited
Harvey Norman Holdings Limited	Macquarie ADF Superannuation Fund
Hawkley Oil and Gas Limited	Macquarie Alternative Assets Management Limited
HBF Health Limited	Macquarie Financial Products Management Limited
HCF Life Insurance Co Pty Limited	Macquarie Investment Management Australia Limited
Healius Limited	Macquarie Investment Management Limited
Heritage Bank Limited	Macquarie Media Limited
Heron Resources Limited	Macquarie Superannuation Plan
Homesafe Solutions Pty Ltd	Magellan Financial Group Limited
Horizon Gold Limited	Mainstream Group Holdings Limited
Hotcopper Holdings Limited	Man Investments Australia Ltd
Hua Nan Commercial Bank, Ltd	Mandalay Resources Australia Pty Limited
iCar Asia Limited	Manildra Flour Mills Retirement Fund
Ignite Energy Resources Limited	Maritime Super Pty Limited
IMF Bentham Limited	Masterplan Managers Superannuation Fund
ImpediMed Limited	Mayne Pharma Group Limited
Ingenia Communities Group	MDA National Insurance Pty Ltd
Integrated Research Limited	Medical Indemnity Protection Society
International Goldfields Limited	Metals X Limited

Metcash Limited
 Metro Mining Limited
 MFF Capital Investments Limited
 Michael Hill International Limited
 Migme Limited
 Mizuho Corporate Bank, Ltd
 MLC Investments Limited
 MLC Limited
 MLC Pooled Superannuation Trust
 MLC Super Fund
 MLC Superannuation Fund
 Monadelphous Group Ltd
 Monash Absolute Investment Company Limited
 Montgomery Global Fund
 Morningstar Investment Management Australia Limited Schemes
 Mount Gibson Iron Limited
 Municipal Association of Victoria
 Murray River Organics Group Limited
 Namoi Cotton Limited
 Nanosonics Limited
 National Australia Bank Limited*
 National Mutual Life Association of Australasia Limited
 National Mutual Pro-Super Fund
 National Mutual Retirement Fund
 National Storage REIT
 Navigator Australia Limited
 Navigator Global Investments Limited
 Navy Health Ltd
 Neptune Marine Services Limited
 New South Wales Electrical Superannuation Scheme
 Newcrest Mining Limited
 Nick Scali Limited
 Nine Entertainment Co. Holdings Limited
 NMMT Limited
 Novo Resources Corporation
 Nucoal Resources Limited
 Nusantara Resources Limited
 OneMarket Limited
 Ora Banda Mining Ltd
 Orbis Global Equity Fund (Australia Registered)
 Orocobre Limited
 Ozgrowth Limited
 Packer & Co Investigator Trust
 Pact Group Holdings Ltd
 Panoramic Resources Limited
 Pantoro Limited
 Parkway Minerals NL
 Peak Resources Limited
 Peet Limited
 Pengana International Equities Limited
 Pengana Private Equity Trust
 Pensana Metals Ltd
 Pharmacy Guild of Australia
 Police Health Limited
 Polynovo Limited
 PostSuper Pty Ltd
 Prairie Mining Limited*
 Premier Investments Limited
 Premium China Fund
 Prescient Therapeutics Limited
 Prime Financial Group Limited
 Prime Media Group Limited
 Prime Super
 Pro Medicus Limited
 Pro-Pac Packaging Limited
 Quintis Ltd
 RAC Insurance Pty Limited
 Ramsay Health Care Limited
 REA Group Ltd
 Reckson New York Property Trust
 Redbubble Limited
 Regal Investment Fund
 Regis Healthcare Limited
 Rei Superannuation Fund Pty Limited
 Resolute Mining Limited*
 Rhipe Limited
 RMG Limited
 Rox Resources Limited
 Rural Bank Limited
 Salt Lake Potash Limited
 Sandfire Resources NL
 Santos Limited
 Scentre Group Limited
 Schaffer Corporation Limited
 SCOR Global Life Australia Pty Limited

SCOR Reinsurance Asia Pacific Pte Ltd
 SeaLink Travel Group
 Seeing Machines Limited
 Senetas Corporation Limited
 Senex Energy Limited
 Shine Corporate Ltd
 Shinhan Bank Sydney Branch
 Slater & Gordon Limited
 State Street Bank & Trust Company
 Sunland Group Limited
 Super Directions Fund
 Swick Mining Services Ltd
 Switzer Asset Management Limited
 Synergy Superannuation Master Fund
 Tabcorp Holdings Limited
 Taiwan Business Bank
 Taiwan Cooperative Bank Limited
 TAL Super Fund
 TAPP Commerce Australia
 Technology One Limited
 Telstra Corporation Limited
 Telstra Super Pty Ltd
 Temple & Webster Group Limited
 Tempo Australia Limited
 TerraCom Limited
 The Hospitals Contribution Fund of Australia Limited
 The Montgomery Fund
 The Pharmacy Guild of Australia - Victorian Branch
 The Retirement Plan Company, LLC
 The Royal Automobile Club of Queensland Limited
 The Star Entertainment Group Limited
 Theta Gold Mines Limited
 Thorney Opportunities Ltd
 Thorney Technologies Ltd
 Transatlantic Reinsurance Company
 Tribeca Global Natural Resources Limited
 TWU Nominees Pty Ltd
 TWU Super Fund
 Tyro Payments Limited
 UBS AG, Australia Branch
 UBS Global Asset Management (Australia) Ltd
 UniSuper Limited
 United Overseas Bank Limited
 Urbanise.com Limited
 Van Eck Australia Pty Ltd
 Vango Mining Limited
 Vector Resources Limited
 Vicinity Centres
 Victoria Teachers Limited
 Vietnam Industrial Investments Limited
 Villa World Limited
 Village Roadshow Limited
 Virginia Surety Company Inc.
 Vision Super
 WCM Global Growth Limited
 Wealth Personal Superannuation and Pension Fund
 Webster Limited
 Wesfarmers Limited
 Westgold Resources Limited
 Westoz Investment Company Limited
 Whispir Limited
 Whitehaven Coal Ltd
 Wholesale Australian Property Fund
 Wingate Asset Management Pty Limited
 Woodside Petroleum Limited
 Woori Bank Sydney Branch
 WorleyParsons Limited
 Xanadu Mines Ltd
 Zicom Group Limited

Appendix 2: ASIC inspection findings by key areas for 30 June 2018



ASIC findings for the eighteen-month period ended 30 June 2018

ASIC inspection for the 18-month period ended 30 June 2018 covered 63 key audit risk areas across 20 public company audits. In ASIC's view, EY Australia gathered insufficient evidence in 14 out of 63 key areas reviewed. The table lists the inspection findings as reported in its audit inspection report on EY Australia for the 18-month period ended 30 June 2018, classified by key area.

Key area	Full text of individual ASIC inspection findings
Impairment / asset valuation	<p>Impairment of intangible assets - the auditor did not review the allocation of assets to cash-generating units, test key assumptions, challenge the reliability of using 15-year cash-flow forecasts, or consider that the entity had not met forecasts historically. The auditor did not challenge forecast revenue growth in excess of historical growth, assess operating-cost and capital-expenditure assumptions, or test the discount rate used. The auditor did not identify disclosure errors.</p> <p>Impairment of intangible assets - the auditor did not corroborate key assumptions made by management for the items comprising the intangible asset.</p> <p>Impairment of goodwill and other intangibles - the auditor did not obtain sufficient evidence for assumptions supporting the recoverable amounts for cash-generating units, including forecast revenue, market share, revenue per customer and expenditure. There was no work on the comparability of companies used in a crosscheck using revenue multiples.</p>
Revenue/receivables	<p>Sales revenue - for substantive testing, the auditor used a combination of a substantive analytical procedure (SAP) and tests of details. Sales were predicted in the SAP by applying the average percentage declines in sales for the last three years rather than extrapolating a trend of accelerating declines in sales. The auditor did not consider disaggregating by product or customer category. Tests of details were not sufficient in areas such as the accuracy of prices and cut-off.</p> <p>Rebates - for substantive testing, the auditor used a combination of a SAP and tests of details. Rebates were predicted in the SAP by applying the prior-year ratio of rebates to sales to current-year sales. The auditor did not disaggregate by product, type of rebate and promotional activities in performing substantive analytical procedures. The threshold for identifying differences for investigation was too large. Test of details did not cover volumes, settlement or rebate calculation. The classification of promotion rebates against revenue rather than as an expense was not adequately assessed.</p> <p>Receivables - the auditor tested receivables to subsequent receipts, but where there was no subsequent receipt, only obtained evidence of delivery. Credit notes were not reviewed for a sufficient period after balance date. The auditor did not adequately test the provision for doubtful debts.</p> <p>Property revenue - the auditor used total prior-year actual revenue to predict current-year revenue in a substantive analytical procedure. Information was not disaggregated by property, and key drivers of revenue were not taken into account by property (e.g. changes in tenants, rental rates and lettable space, as well as redevelopment or expansion of a property).</p> <p>Recovery of outgoings from tenants - the auditor applied the ratio of recovery-outgoings revenue to recoverable expense for the two prior years to the current-year recoverable expense to predict expected revenue. Our concerns are similar to those for the testing of property revenue.</p> <p>Revenue recognition - the auditor did not obtain sufficient evidence to support the immediate recognition of revenue from customer support, maintenance services, upgrading of licensed material and licences contingent on significant implementation and configuration services.</p>

Key area	Full text of individual ASIC inspection findings
	<p>Revenue and receivables - the auditor did not obtain sufficient evidence that the entity's insurance claims and claims against a customer would be accepted and paid. The income statement classification for claims on loss-making contracts was not adequately evaluated.</p> <p>Deferred management fees (DMF) - the auditor did not obtain sufficient evidence on the completeness, accuracy and value of DMF. Revenue recognised was not sufficiently tested for completeness and accuracy or allocation to the correct period. The auditor did not adequately assess key assumptions on estimated tenure. The auditor's work on controls relied upon was not adequate.</p>
PPE and other assets	<p>Development property - the auditor's work on the value of development properties was insufficient. This included work on the feasibility of development such as the effects of significantly extended development time frames, failure to achieve past forecast sales, poor economic conditions, the time value of money and the reasonableness of management's plans. The auditor did not adequately consider whether parcels of land that were not yet acquired for one development should be included in the valuation.</p> <p>Exploration and evaluation asset - the auditor did not have sufficient evidence that the carrying value did not exceed recoverable amount. The auditor did not sufficiently assess the movement in the commodity price, discount rate, exchange rate, net assets exceeding market capitalisation, reasonableness of management's plans and an offer to purchase the asset at less than 10% of carrying value.</p>
Investments	<p>Investment in associate - the auditor relied solely on unaudited management account for a different year end to support the value of an investment in an associate and the recognition of the share of the associate's profit.</p>
Other key areas	<p>Cost of sales - the auditor did not consider the appropriateness of excluding finance costs relating to properties sold from cost of sales.</p> <p>Fair values of investment properties - the auditor's review of capitalisation rates for valuing more than 90% of properties consisted of a brief explanation of the reasonableness of the rate. The auditor did not visit sites or obtain evidence on matters such as the condition of the property, the ongoing tenancy situation, and the market in which each property is located. While rate ranges were obtained from an expert, rates for a third of properties were outside these ranges. For other properties, values were increased significantly, but the ranges also generally supported no change in values.</p> <p>Taxation - the auditor did not obtain sufficient evidence that non-portfolio dividends and income of foreign subsidiaries were not taxable. This included whether the subsidiaries operated active businesses for tax purposes when one subsidiary had no staff or occupancy costs. The auditor did not test the completeness and accuracy of tainted income from a number of countries.</p>

Appendix 3: List of approved EYG member firms in an EU or EEA member state



List of approved EYG member firms in an EU or EEA member state

As of 30 June 2019, the following EYG member firms are approved to carry out statutory audits in an EU or EEA member state. This information is included to meet certain EU transparency report-disclosure requirements, as a consequence of EY Australia's registration with the UK and Luxembourg audit firm regulators. EY Australia is also in the process of registering with the audit-firm regulators in Poland and Spain.

Member state	Statutory auditor or audit firm
Austria	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
Belgium	Ernst & Young Assurance Services BCVBA
	Ernst & Young Bedrijfsrevisoren BCVBA
	EY Europe SCRL
Bulgaria	Ernst & Young Audit OOD
Croatia	Ernst & Young d.o.o.
Cyprus	Ernst & Young Cyprus Limited
	Ernst & Young
	Ernst & Young CEA (South) Services Ltd
	Ernst & Young CEA (South) Holdings Plc
Czech Republic	Ernst & Young Audit, s.r.o.
Denmark	Ernst & Young Godkendt Revisionspartnerselskab
	EY Grønland Statsautoriseret Revisionspartnerselskab
Estonia	Ernst & Young Baltic AS
	OU Baltic Network
Finland	Ernst & Young Oy
	Julkispalvelut EY Oy
France	Artois
	Auditex
	Barbier Frinault & Associates
	Ernst & Young Atlantique
	Ernst & Young Audit
	Ernst & Young et Autres
	EY & Associés
	Picarle et Associés
Germany	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
	Ernst & Young Heilbronner Treuhand GmbH Wirtschaftsprüfungsgesellschaft
	EY Revision und Treuhand GmbH Wirtschaftsprüfungsgesellschaft
	Schitag Schwäbische Treuhand GmbH Wirtschaftsprüfungsgesellschaft

Member State	Statutory auditor or audit firm
Gibraltar	EY Limited
Greece	Ernst & Young (Hellas) Certified Auditors Accountants S.A.
Hungary	Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság
Iceland	Ernst & Young ehf.
Ireland	Ernst & Young Chartered Accountants
Italy	EY S.p.A.
Latvia	Ernst & Young Baltic SIA
Liechtenstein	Ernst & Young AG, Basel
	Ernst & Young AG, Vaduz
Lithuania	Ernst & Young Baltic UAB
Luxembourg	Compagnie de Revision S.A.
	Ernst & Young Luxembourg S.A.
	Ernst & Young S.A.
Malta	Ernst & Young Malta Limited
Netherlands	Ernst & Young Accountants LLP
Norway	Ernst & Young AS
Poland	Ernst & Young Audyt Polska sp. z o.o.
	Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Finance spółka komandytowa
	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Doradztwo Podatkowe spółka komandytowa
	Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp.k.
	Ernst & Young Usługi Finansowe Audyt sp. z o.o.
Portugal	Ernst & Young Audit & Associados - SROC, S.A.
Romania	Ernst & Young Assurance Services S.r.l.
	Ernst & Young Support Services SRL
Slovakia	Ernst & Young Slovakia, spol. s r.o.
Slovenia	Ernst & Young d.o.o.
Spain	ATD Auditores Sector Público, S.L.U.
	Ernst & Young, S.L.
Sweden	Ernst & Young AB
United Kingdom	Ernst & Young LLP
	Ernst & Young Europe LLP

Total turnover for the year ended on 30 June 2019 for these EYG member firms resulting from statutory audits of annual and consolidated financial statements was approximately €2.7 billion.

About EY

EY is a global leader in Assurance, Tax, Transaction and Advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

“EY” refers to the global organisation, and it may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data-protection legislation are available via ey.com/privacy. Please visit ey.com/privacy for more information about our organisation.

©2019 Ernst & Young, Australia
All Rights Reserved.

AU00003150
ED 1017

This communication provides general information that is current at the time of production. The information contained in this communication does not constitute advice and should not be relied on as such. Professional advice should be sought prior to any action being taken in reliance on any of the information. Ernst & Young disclaims all responsibility and liability (including, without limitation, for any direct or indirect or consequential costs, loss or damage or loss of profits) arising from anything done or omitted to be done by any party in reliance, whether wholly or partially, on any of the information. Any party that relies on the information does so at its own risk. Liability limited by a scheme approved under Professional Standards Legislation.

ey.com/au