

Transparency Report

PKF PERTH

(FORMERLY PKF MACK)

For the year ended 30 June 2018



Contents

Transparency Report.....	3
Legal Structure and Ownership	3
Governance	3
National Affiliation - Network, Legal & Structural Arrangements.....	4
International Affiliation - Network, Legal & Structural Arrangements	6
Quality Control System.....	6
Statement of Effectiveness	9
Complaints and Allegations.....	9
Independence Procedures and Practices	10
External Audit Monitoring.....	12
Partner Remuneration.....	12
Financial Information	13
Public Interest Entities audited by the Firm	13
Appendix A.....	14
Public Interest Entities Audited by the Firm – Year to 30 June 2018.....	14

Transparency Report

We are pleased to present our Transparency Report for the year ended 30 June 2018, designed to give information on the ownership and governance of the firm and the measures we take to maintain high quality standards in our audit and other services.

LEGAL STRUCTURE AND OWNERSHIP

PKF Perth (the firm) is a partnership governed by the terms of its Partnership Agreement and is owned by its equity partners. As at 30 June 2018 there were 10 equity partners and 1 non-equity partner. The firm operates from its office at 35 Havelock Street, West Perth, WA 6005. Although independently owned and based in Western Australia, the firm is a member of the PKF International network of firms.

The firm offers a range of services comprising:-

- Audit and assurance services.
- Business services.
- Taxation (corporate and personal).
- Superannuation and administration services.

The MLDM Unit Trust is used by the partnership as a service trust. All employees are employed through this entity. There is one active related company, PKF Mack Financial Services Pty Ltd (formerly known as Pike and Skinner Financial Services Pty Ltd). Its principal activity is the provision of financial planning services.

On 1 September 2018, the firm changed its name from PKF Mack to PKF Perth. This was the firm's commitment to a transition into a seamless integrated network. There is no change in ownership or personnel.

GOVERNANCE

The firm is managed by a board of partners. The board comprises of all the equity and non-equity partners, and consists of a Managing Partner who is elected by the partners. The board meets regularly on a monthly basis throughout the year, to discuss various operational and strategic matters. Effective of 1 July 2018, the firm has moved back to one managing partner with the appointment of Darren Shillington, as both Anthony Maclean and Dean Pike step down from this role, signalling that the transition from the previous merger over 2 years ago has been completed.

The board also meets periodically from time to time to discuss matters that arise which need to be urgently addressed.

As at 30 June 2018 the board comprised of:

Equity Partners

Joint Managing Partners

Anthony Maclean (Chairman) ¹

Dean Pike ¹

Other Partners

Anthony Russo Battagliolo (Partner – Taxation)

Carl Longshaw (Partner - Taxation)

Christopher Roos (Partner - Taxation)

Darren Shillington (Partner - Taxation) ¹

Matthew Van Riessen (Partner - Taxation)

Paul Skinner (Partner – Taxation)

Simon Fermanis (Partner - Audit and Assurance)

Tony Munday (Partner – Financial Services)

Non-Equity Partner

Shane Cross (Partner - Audit and Assurance)

¹ As mentioned above, effective from 1 July 2018, reverted to a sole managing partner with the appointment of Darren Shillington, and both Anthony Maclean and Dean Pike stepping down.

The board has created various sub-committees to attend to day to day matters relating to these areas, and meet on a periodic basis similar to the Board. These consist of the following:-

- Human Resources.
- Infrastructure.
- Administration.
- Sales, Marketing & Clients.
- Service, Delivery/Production.
- Finance.

NATIONAL AFFILIATION - NETWORK, LEGAL & STRUCTURAL ARRANGEMENTS

On 3 March 2014, the Lawler Alliance network of firms were admitted into the PKF International network. Each of the 5 firms have been admitted under individual Operating Licence Agreements. The 5 firms are located in Sydney, Melbourne, Brisbane, Perth and Tamworth. In addition, an Adelaide accounting firm, Kennedy & Co, was admitted into the PKF network on 1 September 2015, This was renamed PKF Kennedy. With the admission of these additional firms, all PKF firms within Australia signed a Members Agreement with PKF Australia Limited (PKFA).

Effective 31 July 2018, the second PKF firm in Perth, PKF Lawler, exited the PKF network, leaving only PKF Perth (formerly PKF Mack) in Western Australia.

TRANSPARENCY REPORT

PKFA is governed by a board of directors, consisting of a managing partner from each of the PKF firms in Australia (excluding any correspondent members), and an external Chairman/CEO, appointed by the Board. Currently, the members of the Board are:-

Norman Draper – Chairman/CEO

Steven Meyn - Sydney/Newcastle

Timothy Bow - Melbourne

Thomas Hackett - Brisbane

Darren Shillington - Perth

Michael Sheehy - Gold Coast

Ross Di Bartolo - Canberra

Brian Wall - Tamworth

Daniel Rand – Tasmania

Domenico Cosentino - Adelaide

In addition to the above directors, the following additional directors have been appointed, but have no voting rights:-

Liam Murphy – Brisbane

Dean Pike – Perth

The Board meets at a minimum 4 times per year, with at least 1 meeting in each quarter. The Board is responsible for protecting the interests and reputation of the members of PKFA, and for the oversight of the management and operations of the national network from a strategic level. The functions and powers of PKFA are specified within the Members Agreement. To assist the Board in performing these functions and powers, the following sub-committees have been established and the various functions and powers delegated.

- Audit and Risk Management
- Taxation
- Business Services
- Business Recovery and Insolvency
- Corporate Advisory
- Information Technology
- Training/Knowledge/Learning & Development
- Marketing and Promotions

A representative from each office is entitled to have a member on each of these sub-committees. Each sub-committee has a chairperson, who is required to report to the Board on a regular basis on various matters set out within the Members Agreement.

The board has established the following key values within the PKFA network.

- Passion
- Teamwork
- Clarity
- Quality
- Integrity

TRANSPARENCY REPORT

INTERNATIONAL AFFILIATION - NETWORK, LEGAL & STRUCTURAL ARRANGEMENTS

The firm is a member firm of the PKF International Limited (PKFIL) network of legally independent firms. In total, there are over 400 offices operating in 150 countries across 5 regions, and have an overall turnover of over US\$1 billion. The firm does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms within PKFIL. PKF Perth is a separate legal entity to all other PKFIL network firms and accordingly is not responsible for the decisions and actions made by other PKF network firms.

The network formed by PKFIL (the Licensor) and the member firms (the Licensees) is regulated by adherence to an Operating Licence Agreement (OLA) between the Licensor and individual Licensees. The form of the OLA authorises the Licensee to use the PKF name as defined under specific circumstances, under specific conditions, for specific purposes (The Business) and in a specific territory (The Territory), in consideration for which, the Licensee pays a royalty and Licence fee to the Licensor.

PKFIL is a company registered in England and limited by guarantee. The Company's Articles of Association require a Board of Directors who conduct the business of the Company. The Board, authorises recruitment of PKFIL's staff, authorises a number of international committees, divides the member firms into geographical regions and sets an annual licence fee for the member firms within the network.

Each licensee is legally independent. Contractual relations are only formed between a client and the member firm engaged by the client and no other member firm may be held liable. PKFIL has no financial or management interest in any member firm. None of the directors of PKFIL has a financial or management interest in any member firm other than his or her own.

The Board comprises at least one member from each geographical region. The following committees have been established which report to the Board:

- International Professional Standards Committee – this establishes the minimum professional standards to be met by member firms and conducts a global quality review program. It also promotes audit materials and capabilities as well as organising audit and accounting events.
- International Tax Committee – this promotes the development of tax capabilities on a global basis and organises tax events.
- International Corporate Finance Committee – this promotes the development of corporate finance business on a global basis and organises an annual conference.
- International Business Development Committee – this co-ordinates marketing initiatives.
- International Insolvency Committee – this promotes the development of insolvency work capabilities on a global basis.

Details of member firms are set out in the PKFIL directory and on the website www.pkf.com.

QUALITY CONTROL SYSTEM

PKF Perth has established a quality control system that encompasses the six elements of quality control embedded within Australian Standards on Quality Control: Quality Control for Firms That Perform Audits and Reviews of Financial Reports, Other Financial Information, and Other Assurance Engagements (ASQC1), which deals with a firm's responsibilities for systems of quality control for audits and reviews of financial statements and other assurance and related engagements, and APES 320: Quality Control for Firms (APES 320), which deals with the same except in relation to all services within the firm.

TRANSPARENCY REPORT

PKFIL also maintain an international professional standards manual which must be adhered to by member firms.

The elements of quality control set out in ASQC1 and APES 320 have relevance to all services provided by the firm and the firm has applied them as follows:

1. LEADERSHIP RESPONSIBILITIES

The overall responsibility for the firm's system of quality control has been accepted by the partners of PKF Perth. Each partner has an overriding commitment to quality, however the day to day responsibility has been assigned to a specific Partner.

The firm has documented the above quality control system, which is in compliance with ASQC 1 and APES 320 mandatory requirements, in the PKF Quality Control Manual. This document sets out the various policies and procedures that reflects the above standards requirements. The partners reinforce their commitment to quality and a review of these policies and procedures is performed and updated, when required.

The partners' commitment to quality within these standards is reinforced to staff through the following:-

- All team members are expected to maintain a high level of quality through to their various assigned tasks.
- Quality will not be comprised on assignments.
- Procedures and processes will be consistently followed by all team members.
- Team members' annual performance reviews include an assessment on their commitment to quality.
- Ongoing training to ensure quality is maintained.
- Team members are encouraged to participate and actively attend training sessions internally and externally.

2. ETHICAL REQUIREMENTS

The firm's professional standards note covering independence sets out the following:

- Adherence to the Chartered Accountants Australia New Zealand's (CA ANZ's) Code of Ethics and Professional Standards issued by the Accounting Professional & Ethical Standards Board (APESB) takes precedence over commercial considerations.
- Partners and managers are required to keep independence issues under constant review and in respect of audit assignments, reconfirm the firm's independence having regard to the APESB Code of Ethics and Professional Standards, prior to the commencement of every audit.
- All members of the firm are required to complete an annual declaration of their independence and freedom from conflicts of interest.

The requirement to comply with the CA ANZ's Code of Ethics and the APESB's Professional Standards is set out in the PKF Quality Control Manual and forms part of employees' contracts of employment.

3. ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

The firm has detailed procedures covering the acceptance and continuance of client relationships and new specific engagements. A comprehensive client acceptance form must be completed prior to acceptance of an appointment. This requires identification of the prospective client, an assessment of our independence and freedom from conflicts of interest and an assessment of whether the firm has the requisite skills to carry out the engagement.

All PKF Perth employees and Australian PKF firms (for Public Interest Entities only) are requested by email to notify PKF Perth of any conflicts or perceived conflicts in relation to the acceptance of a new audit client.

In addition and before accepting any new engagement, all partners must certify that they are independent of the proposed new client and there are no conflicts or perceived conflicts.

Upon acceptance of a new client or a specific engagement from an existing client, the firm issues a detailed engagement letter for agreement by the client, detailing our understanding of the nature of the assignment and what is required of us and our standard terms of business.

4. HUMAN RESOURCES

We have established policies and procedures (as set out in our Employee Handbook) to ensure that our people are equipped with the required technical skills and reflect our values of commitment to client service and high professional and ethical standards, covering objectivity, integrity and independence.

Recruitment and Performance Evaluation

The firm sets high standards for the recruitment and promotion of personnel, in particular with regard to the selection and interview of candidates and the qualifications required. Partners are involved in all interviews and references are always taken, including from professional or regulatory bodies and obtaining confirmation of academic qualifications. All new staff are subject to a compulsory six month probationary period as part of their employment agreement.

All personnel undergo annual appraisals measured against specific competencies and dealing with performance, future development and training needs. Audit staff receive performance appraisals informally at the end of each significant assignment, which form part of their annual appraisal.

Training and CPD Requirements

The firm adheres to the requirements of the CA ANZ for continuing professional development (CPD). Partners and managers are ultimately responsible for the training and development of staff.

New technical developments are monitored by senior managers or managers and the partners and training is created to meet the needs of all staff. CPD records are maintained by staff and monitored accordingly to ensure compliance with guidelines.

Additional training is organised and provided by PKFA nationally, and various professional staff are selected on an ad hoc basis to attend.

The firm provides:

- Subscriptions to various technical publications, software and checklists, such as CCH, Caseware and IFRS Systems.
- Manuals setting out the firm's procedures for all audit and assurance engagements as well as other services provided by the firm.
- Subscriptions to a number of technical updates emailed by various bodies including the CA ANZ and the Taxation Institute of Australia.
- Half-yearly and externally provided update training for staff and partners dealing with current developments, (new legislation, accounting and auditing standards).
- Ad hoc internal and external training to meet specific needs.

The progress of professional staff studying for their professional qualifications with CA ANZ and other bodies (for example, the Taxation Institute of Australia) is carefully monitored, with each person being closely supported. It is an expectation that all professional staff will enrol and complete the CA Program operated by CA ANZ.

TRANSPARENCY REPORT

5. ENGAGEMENT PERFORMANCE

The firm's procedures for engagements are set out in comprehensive manuals developed by the firm and PKF nationally. In respect of audit and assurance engagements we use a combination of proprietary audit and developed programs.

All professional work is subject to review by managers and partners based on complexity of assignment, with clear guidelines laid down for second partner consultation and the use of external experts where required.

Adequate supervision is provided to staff in performing their tasks through the following:-

- All team members have direct access to partners and managers.
- Managers meeting with partners for one on one consultations.
- Job progress is reviewed and updated at weekly team meetings.
- Partners and managers are constantly monitoring actual WIP compared to the time budgets agreed within planning.

6. MONITORING

The responsibility for quality control is taken on by all partners and managers. All engagements are reviewed by the engagement partner and any issues identified at that time must be addressed and cleared before the final result is achieved. This engagement review includes reviewing whether the firm's policies and procedures have been followed.

We engage an external reviewer to review the quality of audit and assurance work provided by the firm. This is performed on an ongoing basis. Every three/five years, an independent quality assurance review is conducted by a reviewer appointed by the CA ANZ. The firm has undergone this process in August 2013.

Within the PKFA national network, partners from other PKFA firms on an annual basis review other firms within the network to ensure that either audit engagement files or quality control procedures are being performed in accordance with the PKF International Professional Standards Manual (IPSM) and Australian Auditing Standards. The review of both audit engagement files and quality control procedures are completed on a bi-annual basis. This was last performed in December 2017 relating to audit engagement files and quality control procedures.

The results from these reviews are reported to the partners at their monthly meetings and any improvements and revisions are considered and made, where required. These results are also reported to the board of directors of PKFA.

STATEMENT OF EFFECTIVENESS

Based on our monitoring results, we are satisfied that our quality control system is operating effectively to ensure that we comply with professional standards and deliver a quality service to our clients.

COMPLAINTS AND ALLEGATIONS

When a formal complaint is received the client is immediately advised that we have received the complaint. The matter is then referred to the engagement partner for resolution. A complaints register is used to log and monitor the complaint and PI insurers are notified if the matter is serious.

Policies and procedures are assessed to determine if a weakness exists within the quality process that needs to be addressed and rectified.

The firm has a culture whereby staff can discuss a complaint from a client openly.

INDEPENDENCE PROCEDURES AND PRACTICES

The firm maintains a 'PKF Quality Control Manual', which sets out the independence and ethical requirements and procedures in relation to audits. This reflects and satisfies the requirements of the APESB's Code of Ethics and Professional Standards and an exercise has been carried out to map the manual against these requirements.

The firm's procedures cover:

- Integrity, objectivity and independence.
- Financial, business, employment and personal relationships.
- Long association with the audit engagement.
- Fees, remuneration and evaluation policies, litigation, gifts and hospitality.
- Non-audit services.

INTEGRITY, OBJECTIVITY AND INDEPENDENCE

The audit partner is ultimately responsible for making decisions on independence and objectivity matters. Where a threat to objectivity is identified, the partner considers whether safeguards can be introduced such as having different types of work for the same client done by different teams or introducing an engagement quality control reviewer. If the safeguards are determined to be sufficient to reduce the threat to an acceptable level, then the relevant issue can be overcome. The audit practice has not to date needed to deal with any of these types of threats.

Partners are expected to report all threats to objectivity and independence to those charged with governance of the client. Details of the relevant safeguards where appropriate is recorded on the audit file.

All partners and staff are required to sign an independence declaration annually and any new employees upon commencement.

Governance is further managed by the monthly partner meetings.

FINANCIAL, BUSINESS, EMPLOYMENT AND PERSONAL RELATIONSHIPS

Partners and their immediate families are prohibited from having a financial interest in an audit client of the firm. Members of staff and their immediate families cannot have a financial interest in audit clients.

Neither the firm nor partners, staff and their immediate families can enter into a business relationship with an audit client of the firm unless this involves the purchase of goods and services in the ordinary course of business, on an arm's length basis and the value is not material to either party, or the relationship is clearly inconsequential to both parties.

Partners and staff must report to the Managing Partner where a member of their immediate or close family has an employment relationship with an audit client. Where a partner leaves the firm to join his or her audit client, unless two years have elapsed since the last audit report was signed, the firm must resign from the audit engagement.

LONG ASSOCIATION WITH THE AUDIT ENGAGEMENT

In the case of listed companies the partner must rotate from the audit after five years. In certain cases this has been extended to a maximum of seven years, where the relevant company's board has approved this extension and notified ASIC.

A rotation database is maintained holding a record for every public interest entity client. The database is reviewed by the Audit Partners on a regular basis.

FEES, REMUNERATION AND EVALUATION, POLICIES, GIFTS AND HOSPITALITY

The firm's policies specifically prohibit equity partners being incentivised or rewarded for selling non audit services to audit clients.

Contingency fees are prohibited for certain types of work such as audit and where they may rely on novel or contentious matters relating to the audit. There are also restrictions on the potential quantum of fees so they cannot individually be material in a financial sense to the firm.

Gifts and hospitality may not be accepted from audit clients. Hospitality is provided to clients rarely and on an ad hoc basis. Such hospitality is immaterial in nature.

NON-AUDIT SERVICES

The overriding consideration in deciding whether the firm can properly provide a non-audit service to an audit client is whether it is probable that a reasonable and informed third party would regard the objectives of the non-audit service as being consistent with the objectives of the audit of the financial statements.

The firm has a policy that whenever a partner or member of staff is contemplating providing non-audit services to an audit client the audit partner is informed promptly so that the audit partner can make an assessment of the relevant threats and safeguards.

DOCUMENTATION

Ethical and independence considerations are documented at the following stages:

- The client acceptance and continuance stages.
- The planning stage of each audit engagement.
- The conclusion of each audit engagement.

The firm's closing reports to those charged with governance of audit client's incorporates independence confirmations. Specific management issues are then incorporated into closing reports to audit clients.

A prescribed list is maintained of all entities where investment is prohibited because of client relationships. This list is accessible to all staff.

CONFLICTS OF INTEREST

The firm's system for identifying conflicts of interest is built around internal database searches and e-mail notifications of potential engagements to all partners. Procedures for dealing with actual and potential conflicts are set out in the PKF Quality Control Manual and the PKF International Professional Standards Manual and include notifications of potential conflicts to interested parties, establishing safeguards and not proceeding with the potential engagement.

A register of business relationships with clients is maintained and reviewed annually by a specified partner and its accuracy confirmed each year by every partner.

TRANSPARENCY REPORT

MONITORING AND REVIEW

Procedures are in place to monitor compliance with the firm's independence requirements. As part of their review procedures, the Managing Partner reviews and checks compliance with the firm's independence procedures. The audit quality assurance program considers adherence to the firm's ethical and independence requirements on each engagement selected for review

During the year the Managing Partner carried out a review of the firm's independence procedures and confirmed he was satisfied with them.

EXTERNAL AUDIT MONITORING

PKF Perth audit and assurance department during the year ended 30 June 2018 comprised of two audit partners, Simon Fermanis and Shane Cross, who are Registered Company Auditors under the Corporations Act 2001.

The firm is regulated in the conduct of its services by:-

- The Chartered Accountants Australia and New Zealand (CA ANZ). The firm is subject to periodic audit and whole firm practice assurance reviews, which was carried out in August 2013.
- The Australian Securities and Investments Commission (ASIC). ASIC performed a detailed review on a significant listed client's file for the year ended 30 June 2009 in January 2010, a significant unlisted public AFSL client for the years ended 30 June 2012 and 2013 in January 2014 and a significant listed client's file for the year ended 30 June 2015 in March 2016.
- A member firm of PKFIL, the firm is subject to peer reviews by other member firms. (The taxation division was subjected to a rigorous review in October 2011, and the audit & assurance division in December 2017 by another member firm).
- An external reviewer. Independent reviews of listed companies are conducted by an external reviewer who is a member of CA ANZ and a registered company auditor.

PARTNER REMUNERATION

Partners are remunerated wholly out of the profits of the firm receiving an equal percentage share of the profits which are drawn as available, with the exception of the non-equity partner who is remunerated an agreed fixed amount determined annually and incentive payments for introducing new clients to the firm.

No partners receive a bonus for exceptional performance. Having regard to auditor independence, equity partners are not incentivised to gain non audit work from audit clients.

TRANSPARENCY REPORT

FINANCIAL INFORMATION

	\$'000s	Year ended 30 June 2018 \$'000s
Audit fees - external audits other than SMSF		
- External audits other than SMSF	1,918	
- SMSF audits	323	2,241
Fees for non-audit services to audit clients		
- External audits other than SMSFs	273	
- SMSF audits	873	1,146
Fees for other non-audit clients		7,742
Total revenue		11,129

PUBLIC INTEREST ENTITIES AUDITED BY THE FIRM

At Appendix A to this report there is a list which includes the public interest entities in respect of which an audit report was made by the firm during the year to 30 June 2018.



Darren Shillington
Managing Partner
For and on behalf of PKF Perth

30 October 2018

Appendix A

PUBLIC INTEREST ENTITIES AUDITED BY THE FIRM – YEAR TO 30 JUNE 2018

The following is a list of public interest entities which we were the appointed auditors during the year ended 30 June 2018.

Ardiden Ltd	Infinity Lithium Corporation Limited
Auscann Group Holdings Ltd	Riedel Resources Limited
Corazon Mining Limited	Siburan Resources Limited
Euroz Limited	Sprintex Limited
Galena Mining Limited	Syndicated Metals Limited
Indus Energy NL	Wolf Minerals Limited
Ironbark Zinc Ltd	XTD Ltd
MGC Pharmaceuticals Ltd	Zenith Minerals Limited
4DS Memory Limited	
Orthocell Limited	