

# Transparency Report 2010

**Grant Thornton Australia Limited**  
For year ended 30 June 2010



## Contents

- 3 Foreword
- 4 Statement from the Head of Assurance
- 5 Thought leadership
- 7 Services
- 9 Grant Thornton International
- 10 Governance and management
- 11 Management structure
- 14 Quality control systems
- 16 Independent oversight and external quality assurance review
- 17 Risk management
- 19 Independence practices
- 21 Professional skills and values
- 23 Social Responsibility
- 24 Financial information
- 25 Director remuneration
- 26 Public interest entities
- 27 Contacts



A clear view of how we operate, the values that underpin who we are and how we maintain public trust in our audit capability.



# Foreword

We are justifiably proud of our achievements since moving from a federation of state based firms to become one organisation in 2007. In three short years, we have moved quickly to become a single national organisation, establishing a reputation as a distinctive service provider offering expert, Director-led advice and practical support for all our clients.

From our offices in Adelaide, Brisbane, Melbourne, Perth and Sydney, we are able to provide access to centres of excellence in Audit, Taxation and a range of essential Advisory services to meet the needs of privately held and corporate clients wherever their businesses are situated. Grant Thornton Australia's structure allows us to deliver a consistent level of service excellence throughout all states with a focus on strong communication, building close relationships and accessible expertise.

We have reached this vital stage of our development through a determination to develop our existing people and astute hiring of the best available talent.

The results to date are very encouraging and we are seeing benefits from the support readily offered by individual service lines to colleagues and teams in other areas to the benefit of our clients. Our ability to provide swift response to our clients, combined with the immediate availability

of advice and support in all aspects of accounting and business issues has added to Grant Thornton Australia's growing reputation as a complete business partner for our growing client base.

This transparency report is in respect of the year ended 30 June 2010 and is the third annual report of its type produced by Grant Thornton Australia. It has been produced on a voluntary basis to enable our stakeholders - businesses, investors, regulators and communities - to better understand our business. It explains how the firm is run, how we ensure that we perform audits of the highest quality, and describes the expertise, breadth and depth of our firm and of Grant Thornton International. Transparency of audit firms is a key element underpinning the confidence of the world's capital markets in the audit process and Grant Thornton will continue to play our part in creating a more accountable and robust accounting profession.

We are looking forward to and are confident about our prospects for 2011 and beyond. We anticipate a bright future as a significant force in Australia's accounting and business advisory profession.

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**Robert Quant**  
Chief Executive Officer  
Grant Thornton Australia

# Statement from the Head of Assurance

Over the last decade, we have built our audit and assurance practice on the basis of audit quality. It is the cornerstone of our business and we pride ourselves on providing robust opinions to our clients.

In line with this is our focus on providing distinctive client service to all of our clients. Access to senior technical experts, has enabled us to exceed our clients' high expectations. We place paramount importance on meeting our clients' deadlines.

Many see audit as a commodity. But beyond the robustness of our assurance opinions, our differentiation has been based on the high level of director involvement and service we provide to our clients. This director-led relationship model allows us to better understand our clients' businesses and industries. Delivery is efficient and access to senior decision makers and technical resources

allows us to communicate in a clear and responsive manner with all of our clients.

As national head of audit and assurance services, I am responsible for all aspects of leading this service line, from delivering financial performance and driving growth to attracting, developing and retaining the best people.

Naturally, our delivery of audits complies with the requirements of increasingly complex professional standards. High quality, well trained auditors using our state of the art audit methodology and tools are fundamental to our success. Our high standards are maintained through our national training model which ensures every one of our staff obtains regular, consistent training tailored to their experience level.

We are fortunate to be able to leverage Grant Thornton International's first class global audit methodology (Horizon™) along with its second generation software tool, Voyager, which Grant Thornton member firms around the world are now using.

Voyager builds on Grant Thornton International's previous Explorer and auditCARE platforms, which we have been using successfully for more than 10 years in Australia. Voyager provides us with an even greater competitive advantage against the mid-tier firms who do not have such tools. This is a strong platform to further challenge the Big 4 on large, complex audit assignments.

With practitioners who joined us via mergers in Melbourne in 2008 and Perth in 2007 now fully integrated into

our culture and methodologies, we now have sizeable, strong audit practices in all five major state capital cities utilising our common tools. Our ASX listed audit clients number around 140 and more are joining us all the time.

During the last year we have successfully won audit engagements for a number of large global organisations who have recognised the strength of the Grant Thornton International network, including our size, depth and capability. These companies saw the benefits of our network of International Business Centres, our common audit methodology and our consistent approach to client service to deliver seamless audits internationally without some of the cumbersome bureaucracy that they had encountered with their previous audit firms.

By continuing to build on the expertise gained through our current large clients, we will continue to make inroads in this market and demonstrate that we are a very real and attractive alternative to the Big 4.

We have made significant progress in achieving these goals in the last 12 months and will continue to grow strongly over the coming years, as we further demonstrate our commitment to audit quality, client service, employing only the best people and using world class audit tools.

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**Andrew Archer**  
National Head of Audit & Assurance  
Grant Thornton Australia



# Thought leadership

Grant Thornton Australia is dedicated to understanding the issues facing Australian businesses. We have produced a number of research and opinion pieces on the issues and challenges businesses have faced over the last 12 months. With their knowledge of our expertise, journalists regularly seek our opinions on matters of public interest.

Below are examples of thought leadership reports and discussions released by Grant Thornton Australia this year, all of which are available on our website [www.grantthornton.com.au](http://www.grantthornton.com.au).

## **Corporate governance report (June 2010)**

Good corporate governance disclosure provides all listed companies with an opportunity to demonstrate to the market that they treat the issue seriously and in doing so, provide investors with confidence in their longer term sustainability.

Grant Thornton Australia's corporate governance reporting review considered the disclosures of ASX300 listed companies and was released in June 2010.

For the first time, we reported on disclosure under the revised ASX governance guidelines which came into effect for companies with financial years commencing on or after 1 January 2008. For the most part, this means we reported on companies with balance dates of 31 December 2008 and 30 June 2009. Companies with a balance date between 1 July and 30 November were not obliged to comply when our data was compiled, we have measured their performance against the new rules none-the-less.

We also reviewed these companies' disclosure of corporate social responsibility initiatives in their business as this is increasingly becoming an issue for investors, suppliers and customers alike.

## **International Business Report (August 2010)**

This was the eighth year of our participation in the Grant Thornton International Business Report (IBR).

The global survey examines the thoughts and opinions of over 7,200 privately held businesses from 36 economies. It includes responses from entrepreneurs, family businesses and non-listed entities.

Topics of interest this year included business confidence and economic prospects, business environmental practices, employment issues, trends and experiences in raising finance, women in management and trends in mergers and acquisitions.

## **Australia's future tax system review report (April 2010)**

On Sunday 2 May 2010, the Federal Government released 'Australia's Future Tax System Review' (formerly known as the Henry Tax Review). This review took a 'root and branch' approach to looking at the Australian Federal and State tax system and was expected to recommend widespread tax reforms.

Australia's Future Tax System Review Panel, led by Treasury Secretary Dr Ken Henry, provided many opportunities for individuals, businesses and organisations to submit their views on what Australia's future tax system should look like to ensure Australia is best placed to deal with the demographic, social, economic and environmental challenges that lie ahead.

Grant Thornton's leading tax specialists produced an in-depth analysis of the report and the Federal Government's initial response.

### **IFRS Survey: Four years on – where to from here (June 2009)**

Since adoption of International Financial Reporting (IFRS) in Australia in 2005, this research considered the impact of reporting under IFRS to date and the expectations of those affected by IFRS going forward. Australia was one of the first nations to implement IFRS. This research was conducted as part of our ongoing commitment to speaking out on the issues that matter to business.

A major motivation for the adoption of IFRS was the belief it would be a significant step towards improved financial reporting. IFRS was intended to enhance Australian companies' access to global capital, reduce borrowing costs and bring simplification to global groups that had different accounting platforms.

The survey results consider the opinions of a broad cross-section of those not only involved in the financial reporting preparation, but also users of these financial reports.

Issues investigated include:

- whether IFRS implementation was successful
- whether there is a need for IFRS simplification
- the desire for and nature of future reforms
- the perceived role of IFRS in the current global financial crisis (GFC).



# Services

## Audit and Assurance

Grant Thornton Australia delivers a responsive, director-led service for all audit clients, taking the time to understand each client's business.

Our global investment in technical resources and training empowers us to proactively identify potential issues that our clients may encounter and deal with them in a planned and considered way.

As members of Grant Thornton International, we deliver a seamless and efficient global audit. Our global audit methodology and state of the art Voyager software platform allows audit files to be easily and safely transferred between Grant Thornton member firms to minimise coordination costs for international clients. We use a web-based global independence and conflict check system to ensure the independence of all our staff, prior to undertaking any work.

Some of the audit and assurance services we provide include:

- Statutory audits of financial reports
- Reviews of financial reports
- Internal audits
- Systems and controls reviews
- Agreed upon procedure reports
- Other types of audits:
  - trust accounts
  - grant acquittal statements
  - turnover audits.

## Tax

Continual changes in taxation law challenge businesses large and small, particularly those operating internationally. The Grant Thornton

Australia tax team work with our clients to consider the issues that arise within specific types of tax and how the impact on their business, as well as the tax implications of new projects, or a changes to the business.

We work with clients to develop tax strategies suitable for specific business and individual structures.

Our tax services include:

- Business tax planning
- Corporate tax risk management
- Goods & services tax and indirect tax
- Fringe benefits tax
- Employment tax
- International tax, including transfer pricing
- Expatriate tax
- Research and development
- Corporate advisory

## Privately Held Business

Grant Thornton Australia has built our name on helping dynamic, privately held businesses achieve their ambitions. We develop close, long-term relationships with our clients and work with them to understand the needs and aspirations of both the business and the owner.

Services offered to privately held businesses and their owners include:

- Strategic planning
- Accounting, taxation compliance and advice
- Business health checks
- Structuring advice & asset protection planning
- Finance/banking reviews
- Remuneration planning

- Franchise services
- Wealth investment management
- Succession planning
- Superannuation advice
- Estate planning.

## Corporate Finance

The corporate finance team at Grant Thornton Australia supports complex transactions, particularly in the rapidly changing middle market.

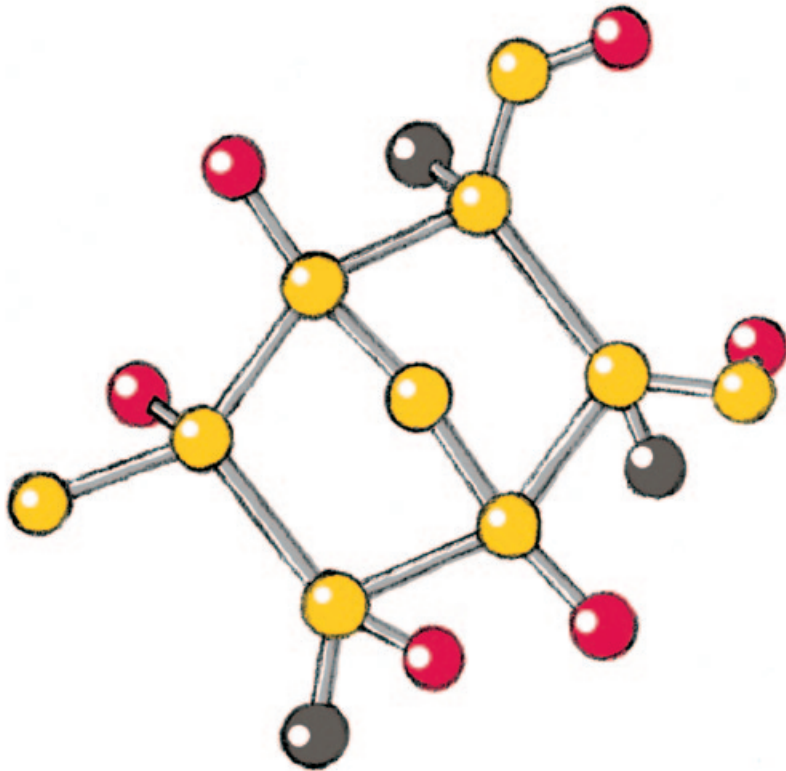
We foster deep relationships with our clients, private equity houses, banks, other financial intermediaries, lawyers and government bodies. This allows us to actively involve all transaction parties – purchaser, vendor, investor and management – so we can respond rapidly and deliver tailored solutions.

For those competing internationally, the consistent capability and methodology of Grant Thornton member firms around the world position us ideally to address cross-border requirements.

Corporate finance services include:

- Mergers & acquisitions
- Valuations
- Transaction advisory services
- Capital market services

In 2010, Grant Thornton Australia's Corporate Finance team hosted the inaugural Private Equity conference, bringing together the majority of the major players in the Australian private equity market. This leveraged the strength of the Financiers Conference run by Recovery & Reorganisation which is now in its ninth year.



### Recovery and Reorganisation

Grant Thornton Australia works with companies, law firms and major Australian lenders to help anticipate and prevent corporate insolvency.

We broker solutions guiding debtors, creditors and other stakeholders towards a successful long-term future.

Where it is not possible to turn around a troubled business without formal insolvency proceedings, we are qualified to act as voluntary administrators, receivers, liquidators or trustees in bankruptcy and often use these procedures as a restructuring tool.

Recovery and Reorganisation teams at Grant Thornton member firms around the globe enable us to provide integrated cross-border recovery solutions to multinational corporations.

Recovery and Reorganisation services include:

- restructuring and turnaround
- exit strategy services
- lender support services
- insolvency services
- pre-lending reviews

### Business Risk Services

We provide enhanced risk management and compliance services along with IT related risk management.

Risk management is about more than just compliance – it’s an opportunity to align business systems with strategic objectives. We are focused on improving business processes and ensuring effective governance and control, working with clients to set a clear strategy for improvement, identifying and tackling issues to take advantage of opportunities presented.

### Business Transformation Consulting

Our management consulting services help organisations successfully implement complex initiatives.

Our consultants work with their clients to execute priority business initiatives including market, financial, technology and operational strategies.

Specialist offerings include:

- Market sustainability – developing and deploying strategic capabilities
- Service integration – enhancing the operation of businesses support functions

### Workforce Outsourcing

Grant Thornton Australia offers solutions that assist clients improve how they manage and deploy employees and improve support service delivery. A comprehensive outsourced financial and HR solution – fully supported “back office” infrastructure with timely, practical advice.

The team provides three key services:

- Workforce deployment - to ensure required talent is available cost effectively
- Outsourcing operations - from base transactional services (e.g. payment compliance) to premium engagement services (e.g. wealth management)
- Interim HR/payroll management - on a short or long term basis

### Litigation and Forensic

Grant Thornton Australia’s forensic accounting and litigation support services help businesses quantify and recover economic losses. We provide specialist investigative financial, accounting and taxation services that can assist with building a case against a breach of contract or obtain a settlement on a wide range of disputes.

Our services include:

- Investigation and analysis of financial evidence
- Development of applications to assist analysis and presentation of financial evidence
- Communication of findings (e.g. reports and exhibits) to assist in legal proceedings, including expert witness court testimony and preparation of visual aids to support evidence.



# Grant Thornton International

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd (Grant Thornton International).

Grant Thornton International is one of the world's leading organisations of independently owned and managed accounting and consulting firms.

These firms provide assurance, tax and specialist business advice to privately held businesses and public interest entities. Around the globe, more than 30,000 Grant Thornton people provide clients with distinctive, high quality and personalised service in over 95 countries.

Grant Thornton International Ltd (Grant Thornton International) is a not-for-profit, non-practising, international umbrella membership entity organised as a private company limited by guarantee, not having a share capital, incorporated in England and Wales.

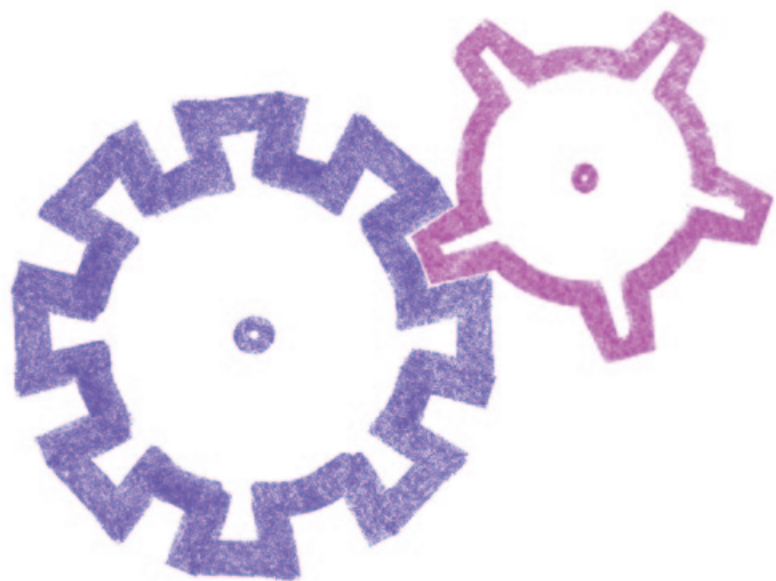
Each member firm within Grant Thornton International is a separate and independent firm. These firms are not members of one international partnership or otherwise legal partners with each other, nor does membership within Grant Thornton International thereby make any firm responsible for the services or activities of any other.

Each firm governs itself and handles its administrative matters on a local basis. Although many of the member firms carry the Grant Thornton name, either exclusively or in their national practice names, there is no ownership among the firms or by Grant Thornton International.

Grant Thornton International strives to speak out on issues that matter to business and which are in the wider public interest and to be a bold and positive leader in its chosen markets and within the global accounting profession.

## Highlights 30 September 2009

- Member firm personnel in 2009 totalled 30,369 (30,662 in 2008) of which 2,564 were partners (2,610 in 2008)
- Grant Thornton member firms served as auditors for over 1,700 publicly listed companies in 2008
- The member firms of Grant Thornton International achieved combined global revenues of US\$3.6 billion to 30 September 2009 (US\$4.0 in 2008)
- Assurance services account for around 46% of global revenues
- Assurance revenues decreased by 4% to \$US1.6 billion



# Governance and management

In a fast changing world with increasing regulation, Grant Thornton Australia can be relied upon to provide practical and independent advice centred on the highest professional ethics, principles and standards.

## Structure

Our national structure allows us to offer a full range of services to dynamic organisations – both privately held businesses and public interest entities. This is something that smaller firms will struggle to offer as the cost of compliance and regulation increases. Being one national firm has enabled us to share information and resources across all of our offices which means that we can provide better, more distinctive service to our clients no matter where they do business.

## Leadership

High on each director's agenda is a desire to maintain a collaborative, values-based organisation and to value and leverage individual strengths and passions.

Our people are encouraged to speak out on a wide range of issues relating to both our clients and the public interest. We strive to lead in our chosen markets and support necessary change in our profession. Our directors contribute on domestic and international issues with strong collaboration with professional and industry associations.

## Governance

Grant Thornton in Australia operates directly through, or as subsidiaries of

Grant Thornton Australia Limited, as an unlisted public company. All shareholders are employees of the company. There are no outside shareholders.

Our 'single entity' corporate structure enables us to reduce risks through stronger, more consistently applied systems and procedures.

The firm is governed by our Board. The Board members comprise an independent Chairman, five state based Executive Directors elected by shareholders, a national CEO and two external Independent Directors nominated by the Board.

This diversity enables the Board to provide sufficient oversight, independent thought leadership and working knowledge of local office environments to maintain our entrepreneurial business culture. Our structure enables local offices to have sufficient authority so they are able to respond to their local market as well as having appropriate influence at a national level.

Our independent Chairman oversees the policy and strategy body to protect the firm's values at a Board level.

Three national committees stand aside from the Board:

- the National Risk Management Implementation Group (NRMIG) is established to recognise and manage risk
- the Remuneration and Equity Committee (REC) oversees fair and responsible remuneration practices
- the Audit and Risk Committee assists the board to fulfil its

responsibilities in relation to financial reporting, risk, governance and audit functions.

## Legal structure

### Ownership

Grant Thornton Australia Ltd is a single national corporation which is entirely owned by its shareholders, all of whom are employees of the company.

Within our structure we do not refer to ourselves as partners, but instead we use the title of director, for example: Director – Tax.

### Regulatory body affiliation

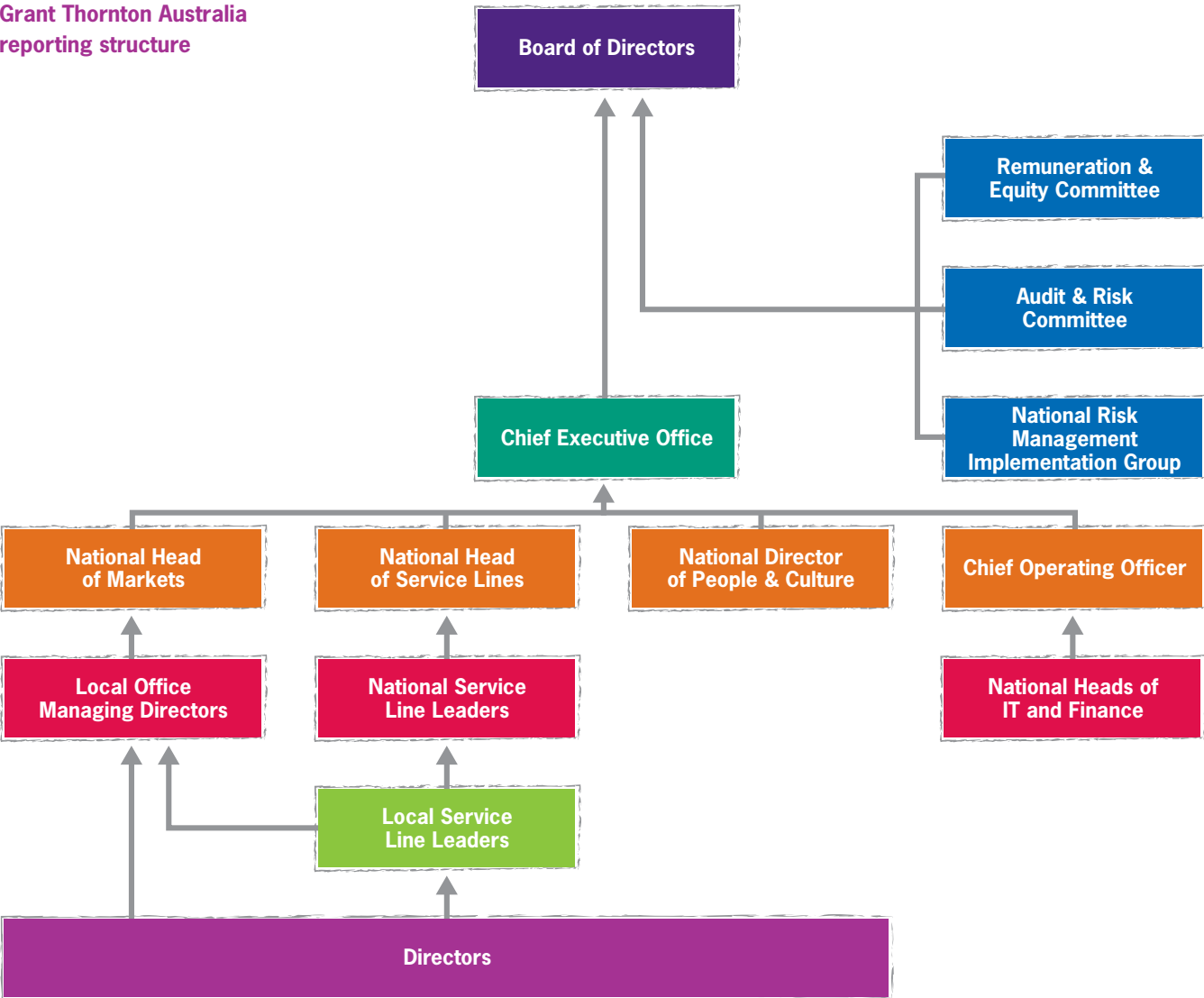
Many of the firm's activities are regulated by a number of independent bodies including:

- Institute of Chartered Accountants in Australia (ICAA)
- Australian Securities and Investments Commission (ASIC)
- Public Company Accounting Oversight Board (PCAOB) – USA
- Company Auditors and Liquidators Disciplinary Board
- Taxation Registrations Board
- Australian Prudential Regulatory Authority (APRA).

Grant Thornton Australia Ltd is subject to reviews by certain regulatory authorities including the ICAA, ASIC, PCAOB and APRA. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd.

# Management structure

Grant Thornton Australia reporting structure



The key roles and responsibilities for management with Grant Thornton Australia's structure are as follows:

### Board

The principal role of the Board is to lead the firm's strategic priorities. The Board is responsible for determining national policy, strategy and governance standards. It approves and oversees delivery of the overall vision and strategy for the firm's profitable success and growth. The Board appoint and direct the Chief Executive Officer (CEO) and hold him/her accountable for ensuring the business is operating in a manner consistent with the vision and values.

The Board consists of the following members:

- Independent Chairman – Professor Roger Collins
- CEO – Robert Quant
- Bill Stephen (based in Western Australia)
- Steve Westaway (based in South Australia)
- Andrew Rigele (based in New South Wales)
- Greg Keith (based in Victoria)
- Simon Hancox (based in Queensland)
- two external directors to be appointed shortly

The independent Chairman has been appointed to provide direction and support for the delivery of the firm's vision and strategy. The role of the independent directors is to ensure all members of the board are focussed on the national shareholders' best interests and to support executive directors during the decision making processes.

### Remuneration and Equity Committee (REC)

This committee's role is to oversee and approve the annual remuneration awards and equity allocation for Directors. Members of the REC are comprised of two Board members and three appointed members from offices not represented by the Board appointees.

### National Risk Management Implementation Group (NRMIG)

The National Risk Management Implementation Group (NRMIG) is responsible for implementing risk and compliance initiatives at an office and service line level. This group has oversight responsibility for risk management and compliance across their area of responsibility and hence for ensuring that the business complies with the GTAL Risk Management and Compliance Framework.

The National Risk and Compliance Manager directly utilises the members of this group to implement the elements of the risk and compliance framework, and to disseminate information to, and collect information from the business.

The NRMIG is chaired by the National Risk Leader, with members from each of our offices.

### Audit and Risk Committee

The audit committee assists the board to fulfil its corporate governance and oversight responsibilities in relation to the firm's financial reporting, internal control systems, risk management systems and the internal and external audit functions. They objectively analyse firm financial data and ensure the board receive the information they require in a timely manner. Members of the Audit & Risk Committee are:

- Bill Stephen (Chairman)
- Steve Westaway
- Simon Hancox

### National Executive

The firm is managed by the CEO and his executive team through the National Executive, which comprises National Head of Markets, National Head of Service Lines, Chief Operating Officer and the National Director of People & Culture.

The key role of the National Executive is to execute the firm's approved strategy.

### Chief Executive Officer (CEO) – Robert Quant

The CEO has overall responsibility for:

- building and delivering national strategies for profitable growth and

market position

- ensuring the management of the firm is in a manner consistent with the interests of our clients, people and ethical standards providing leadership for the values, brand development and stewardship of the firm
- management of the appointment, performance and development of directors
- the appointment and delegated management of the senior executive team. Office managing directors (OMDs) report to the CEO as do our national service line leaders (NSLLs)
- representing our firm on the Board of Governors of Grant Thornton International (GTI) and a member of the GTI Strategy Committee

### Office Managing Directors (OMDs)

As part of the national strategy, OMDs collaboratively lead, build and deliver growth and profitable performance in each local market.

- New South Wales – Matt Adam-Smith
- Queensland - Rodger Flynn
- South Australia - Dean Marsh
- Victoria - Ian Herman
- Western Australia - Bill Stephen

### National Service Line Leaders (NSLLs)

Our NSLLs establish the vision and define the direction of each service line. Their goal is to leverage national service line capability and market presence to deliver the highest quality service to clients and to achieve growth and market leadership.

- Audit & Assurance – Andrew Archer
- Privately Held Business – Tony Markwell
- Corporate Finance - Scott Griffin
- Recovery and Reorganisation - Paul Billingham
- Business Transformation – Rob Hughes
- Tax – Mark Azzopardi

### Local Service Line Leaders – Audit (LSLLs)

The LSLLs are responsible for the audit activities in each of the state offices and report to the NSLL Audit. They and



the NSLL are members of the Audit Advisory Group that meet around every two months to monitor the audit practice.

**National Head of Professional Standards (NHoPS)**

The NHoPS role is to provide regulatory support to the audit practice on a national basis. This regulatory support includes training, risk management and quality control in relation to ethical standards, auditing and accounting standards, and marketing the Grant Thornton audit brand.

**Chief Operating Officer (COO)**

This role provides leadership and management of the national support

operations. The senior executives in finance, information technology, marketing and people & culture work with the COO to deliver the strategic outcomes required to meet the firm’s business and cultural objectives.

**Chief Financial Officer (CFO)**

The CFO manages the firm’s financial affairs including budgeting, recordkeeping and financial reporting to the CEO and board.

**National Director Marketing and Market Engagement**

Leadership, development and management of the firm’s brand, marketing and business development activities in line with national strategy is

the responsibility of the national director of marketing and market engagement.

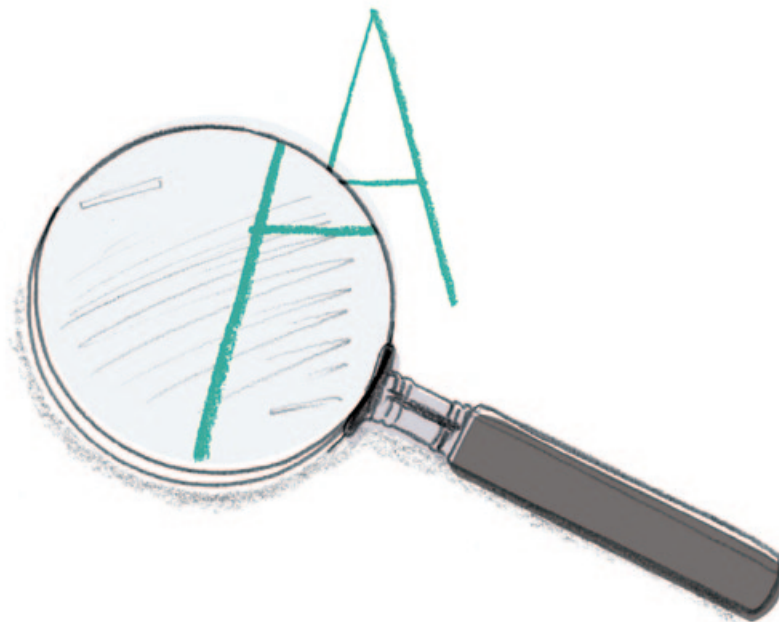
**National Director of People and Culture**

Leadership, development, management and delivery of the firm’s people strategy are the responsibility of the national director of people and culture. This ensures we attract and retain the best people to meet our strategic goals.

**Chief Information Officer (CIO)**

The CIO works with the COO in developing and implementing information technology initiatives, technology platforms and systems to deliver the optimum structure for the operations of the firm.

# Quality control systems



## Quality management and technical excellence

Our success centres on our determination to be leaders in our chosen fields. Stringent quality management procedures, internal control systems and risk assessment measures ensure that everyone at Grant Thornton Australia adheres to the high standards that we and our clients have come to expect.

Nowhere is this more important than in our audit services where the quality of work is critical for both our clients and professional regulators. To uphold our standards, we have established a range of processes which oversee our audit procedure and the independence of directors and staff.

Every part of our business is required to be governed by rigorous quality control systems, including:

- detailed technical manuals – documenting procedures and standards expected of our work
- continual training of directors and staff including comprehensive inductions, yearly appraisals and director peer reviews
- quality control measures to review and assess each assignment and to uphold the required standards of quality
- quality assurance processes – these include retrospective reviews to enable feedback into the procedures to continually review their effectiveness.

Grant Thornton Australia operates a risk management framework with

management taking responsibility for the quality service line delivery and ensuring that the appropriate processes are in place on an annual basis. Should any areas of weakness be identified, appropriate action is taken with the improvement process monitored throughout.

We adopt a quality management approach for auditing and financial reporting which is based on the following components:

- A robust and rigorous risk-based audit approach – we allocate significant resource to ensure audit quality, including widespread consultation and on the job technical training
- Skills and personal attributes of our directors and staff
- Ethics and integrity – we only accept and act for businesses which we believe exhibit integrity and ethical standards and for whom we consider the risks of acting for to be acceptable
- Independence and impartiality – throughout the organisation we understand that our reputation relies on the quality of our work and

strength of the decisions we take

- Consultation – we operate a culture where consultation is ingrained in our approach and in some circumstances, compulsory

## Client acceptance and continuance procedures

All of Grant Thornton Australia's statutory audit clients are subject to categorisation policies to make sure that the appropriate procedures are applied.

That categorisation is used to drive key procedures including:

- the need to consult and acquire specific, external-to-the-office approval prior to the acceptance and continuation with particular new clients
- the requirement of specific team members, with relevant experience, to perform the role of audit director and 'on-site' roles
- for certain categories of audit, to recognise the need to appoint an appropriately experience review director.

Clients are only engaged if we are fully

satisfied that we have the required capacity, skills and expertise to enable us to offer the highest possible standards of service and care to meet client expectations. Acceptance of a client must also not prejudice our independence, objectivity or integrity.

High profile appointments are required to be pre-approved by senior management who are independent of the proposed client service team. A similar process is compulsory on an annual basis or if there are any known changes in circumstances.

We also abide by Grant Thornton International's Key Assurance Assignment Acceptance and Reacceptance (KAR) Policy, which is designed to identify and assess those assurance assignments that could present significant risk to Grant Thornton International Ltd and its member firms.

The KAR Policy applies to assignments for prospective and existing assurance clients that meet one or more defined criteria. These criteria are based around appropriate size and fee thresholds, industries, prospect operational jurisdictions and subsidiary/parental company relationships.

We maintain strong quality management systems for all service lines to ensure that each individual assignment is delivered to a consistently high level of professional and technical excellence.

In addition, we have dedicated central support teams for all service areas who offer practical support and advice to all client-facing directors and staff.

### Supporting robust audit delivery

Grant Thornton International provides resources that assist member firms in delivering a robust and rigorous audit.

They include:

- the Horizon™ audit methodology, with supporting state-of-the-art software, manuals and policies, benchmarked against the International Standards on Auditing, International Standards on Quality Control, and the IFAC Code of Ethics for Professional Accountants
- protocols that enable member firms to consult with audit specialists in other member firms throughout the

international organisation

- a comprehensive intranet service that includes up to date information for member firms on relevant professional standards, a worldwide restricted-entity list, an International Financial Reporting Standards help desk, topical alerts, financial statement templates and examples

In Australia, our national audit support team provides high quality technical support and guidance on all audit related issues.

### Clear and unambiguous audit reporting

We communicate with a clients' Board and audit committees on matters of relevance in a clear, practical and positive manner.

Close consultation is maintained throughout the audit process with audit committees on a range of issues such as initial scoping, through to crucial judgements. Our strategy and key issues memoranda also provide structure for continued interaction with boards and audit committees.

### Audit team structures

Strong emphasis is given to the requirement to have the highest quality of expertise within each audit team with substantial director and manager involvement encouraged throughout the audit process. This is fundamental to our audit approach and a key differentiator within the marketplace. We also dedicate considerable resources to appraising and developing all audit team members, including mentoring, professional and personal development courses.

### Grant Thornton International quality control procedures

In addition to our own quality control procedures, as a member firm of Grant Thornton International we are required to abide by a system of quality controls that encompasses, at a minimum, the following standards issued by the International Federation of Accountants (IFAC) (and supplemented by additional Grant Thornton International quality assurance policies):

- International Standard on Quality Control 1: Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements
- International Standard on Auditing 220: Quality Control for Audits of Historical Financial Information
- International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants.

### Grant Thornton International Audit Review

Every member firm is obliged to submit to an inspection of its audit practice by Grant Thornton International, referred to as the Grant Thornton International Audit Review (GTAR).

GTAR is a systematic check of the quality of member firms' audit procedures carried out at least once every three years by independent and suitably qualified partners and managers from other member firms under the overall direction of Grant Thornton International. The inspection process is designed to monitor member firms' compliance with professional standards and Grant Thornton International's audit quality control policies and procedures.

The most recent review of Grant Thornton Australia Limited was completed for the Australian audit practice in November 2010, and no significant issues were identified.

### Internal quality assurance reviews

National audit reviews are carried out annually to assess the quality of the audit work across various areas of activity and industry sectors. The reviews are risk focused and review teams are selected from outside the office under review.

Reviews cover each office location once every three years and all new audit directors one year after appointment.

In accordance with the Transparency Report requirements, the above outlines the procedures that we have adopted to ensure that our assurance work is of the highest quality. Similar processes are adopted across all client-facing segments of our business to ensure that our reputation is protected and maintained.

# Independent oversight and external quality assurance review

A number of the firm's activities, including audit, recovery and reorganisation, financial planning work and some aspects of our corporate finance work are regulated by independent bodies.

The firm's audit practice is regulated by the Institute of Chartered Accountants in Australia (ICAA) and we are subject to inspection of our audit files by the Australian Securities and Investments Commission (ASIC). Our firm was inspected by the ICAA in 2007 and by ASIC in 2009. No major issues were identified in these various reviews.

The firm is registered with the Public Company Accounting Oversight Board (PCAOB). The PCAOB conducted a review of our firm in 2009 and no major issues were identified from an Australian audit perspective.

Serious consideration is given by senior management to any recommendations made as a result of internal reviews or by a regulator and action taken to implement appropriate changes.

## Independent external audit

As an unlisted public company, our business and annual financial statements are subject to external statutory audit under the Corporations Act. Edwards Marshall Chartered Accountants are our auditors. The audited financial statements are lodged with ASIC.





# Risk management

At Grant Thornton we consider risk management to be an integral part of our business activity. We have developed a comprehensive and integrated risk management and compliance strategy which plays a crucial role in our governance framework.

## Roles and responsibilities

The Board has ultimate accountability for the firm's risk management and compliance outcomes. They are responsible for ensuring that the entity has appropriate systems in place to manage our risk exposures and our compliance obligations. Their commitment to a strong risk and compliance culture is reflected in our risk management and compliance policy statements.

The National Risk Management Implementation Group (NRMIG), chaired by the national risk leader, is responsible for monitoring our risk and compliance performance against our strategy and advising directors on all elements of risk and compliance. This committee is supported in the business by office based Local Risk Management Advisory Committees (LRMAC's) which are chaired by the local NRMIG member. The LRMAC's are in turn supported by risk and compliance representatives in the business.

The national risk and compliance manager is responsible for developing the risk and compliance strategy, frameworks and programs and implementing them in the business.

The risk and compliance strategy, and its supporting elements, are based on Australia/New Zealand Standards ISO 31000 (Risk Management) and AS 3806 (Compliance Programs).

## Frameworks

Our risk management framework

incorporates a fully integrated program which is used to:

- identify risk and controls and allocate responsibilities for them
- measure our inherent and residual risk and set risk tolerance levels
- quantify the impact and likelihood of occurrence
- assess controls for effectiveness of design and performance
- monitor programs for testing controls
- raise risk issue action plans and track them to completion
- report to management on our risk status in order to facilitate informed decision making.

Risk assessments form the basis of our risk management program and are currently being developed for all operational and support service lines.

A formal risk issue and compliance breach reporting program is in place. Reported issues are recorded in a central database and tracked to completion. This involves gathering monthly updates from those responsible for completing the actions, monitoring progress against pre-determined completion dates (set by risk rating), reporting to management on individual and overall status of issues and evidencing completion. Where an issue is a compliance breach, protocols are utilised to manage all liaison with the regulator or professional body. If the issue or breach concerns the assurance area, the national head of professional standards is a key stakeholder in the

process. Testing of controls is performed both internally and externally. External audit results from ASIC, ICAA, Grant Thornton International etc. are subject to the reporting protocols.

Further, the Internal Quality Control Review Program is undertaken annually across the entire business, including support services. This program involves file reviews (particularly in operational service lines) as well as the measuring of compliance with Grant Thornton International requirements, local legislation and other compliance obligations. Management Action Plans resulting from internal reviews are monitored via the risk issue and compliance breach reporting program.

### **Key controls**

#### **Training**

A range of technical and compliance training modules are in use across the business. Attendance is monitored and the modules incorporate assessment where appropriate.

#### **Professional indemnity insurance**

This cover is in place through QBE and is supported by escalation and reporting protocols and processes.

#### **Policy**

National and local policies are used to set standards and guide behaviour. Policies are subject to a formal approvals process, are periodically reviewed and include an explanation of ramifications in the event of breach.

#### **Process and procedure**

Various documented processes and procedures are used to support the implementation of policy in the business. Key amongst these are the compliance manual and service line specific manuals.



# Independence practices

Maintaining objectivity and independence of thought is vital to maintaining our reputation. We have a strong system of independence and conflict checks, which is designed to identify potential conflicts of interest at the earliest possible juncture, and deal with them appropriately. Sources of potential conflict include providing additional services to existing audit clients, acceptance of new clients and investments by the firm and staff.

For audit and similar engagements, where independence is a matter of public interest, our procedures are even more stringent. We ensure that directors carry out a check of whether other services have been provided that might impact on our independence before engaging with new audit clients.

We also require the engagement team to confirm their independence on each audit file. Furthermore, for all publicly quoted clients, we disclose other services provided to the audit committee at the planning and conclusion stages.

Independence compliance is monitored actively by requiring directors and managers to record their financial interests (and those of their immediate family members) in an automated tracking system known as the Global Independence System (GIS). Financial interests of the firm and its affiliated entities are also recorded in GIS. A list of the firm's audit clients with publicly-traded securities is maintained and can be accessed on the firm's intranet by all partners and staff. Compliance with the policy by all of the firm's personnel is checked formally on an annual basis as part of the firm's Annual Regulatory Statements and Declarations process and an annual audit of a sample of GIS accounts.

Whenever the firm is considering entering into a contract for the purchase of goods or services, a check is performed to establish whether suppliers are audit clients of the firm and, if they

are, whether a threat to independence might arise.

The firm maintains a central record of the firm's public interest clients to which rotation policies apply showing the dates when directors and senior staff were first assigned so that circumstances requiring rotation can be identified in advance and then actioned.

The nature and effectiveness of the firm's procedures for maintaining audit independence are kept under constant review. We obtain assurance about their operation from annual audits of user accounts in GIS, cold reviews of audit files and internal audit reviews of non-audit practice areas of the firm. Where weaknesses or breakdowns are revealed, appropriate corrective action is our procedures are designed effectively and are generally operating as intended.

## **Grant Thornton International**

In addition to our own independence practices, Grant Thornton International requires member firms to adopt policies and procedures to safeguard the independence of all member firms. These policies and procedures include a requirement for member firms to maintain a listing of companies considered "restricted" as a result of an audit relationship. These restricted companies are required to be maintained on a global restricted list through a system maintained by Grant Thornton International. Personnel in member firms have access to this global restricted list via the Grant Thornton International intranet.



The global restricted list serves as a point of reference for member firms considering providing non-audit services to public companies. When the prospective client appears on the global restricted list, consultation is required with the audit partner to ensure that any threats to independence created by the proposed non-audit service can be adequately safeguarded and that the proposed non-audit service is permitted.

Grant Thornton International has also adopted an automated independence tracking system, the Global Independence System (GIS). Partners and client-facing managers in member firms are required to maintain a portfolio in GIS of those publicly traded securities in which they have a financial interest.

The GIS monitors these financial interests against the global restricted

list and is designed to alert the member firm or the individual professional and a national compliance officer in the event that a security held also appears on the global restricted list. The GIS provides a mechanism to assist the individual and the national compliance officer in determining whether the security may continue to be held, based upon the facts and circumstances.

Conducting reviews for potential conflicts of interest and/or threats to independence (jointly referred to as “relationship checks”) prior to proposing on an engagement are important safeguards against threats to objectivity. Grant Thornton International has instituted a policy that establishes a standardised approach to conducting these checks for potential relationships where the client or prospective client has international operations.

# Professional skills and values

## Our vision and values

Grant Thornton Australia has adopted the Grant Thornton International global vision and values. These values and guiding behaviours are designed to guide daily life within Grant Thornton under one global vision.

### Our vision:

“Empowered people providing bold leadership and distinctive client service worldwide.”

### Our values:

Our values are based around the acronym “CLEARR”:

- unite through global collaboration – we are committed to provide the same quality experience for all our clients and people seamlessly across national and international borders
- demonstrate leadership in all we do – we are committed to the success of our clients, people, profession and stakeholders and demonstrate clear leadership at all levels
- promote a consistent culture of excellence – we are distinguished for innovation and solutions-based approaches created and delivered by talented people with the passion to exceed expectation
- act with agility – we have the ability to adapt, anticipate and respond quickly to meet complex client requirements along with changes within the marketplace and profession
- ensure deep respect for people –

we build relationships based on confidence and trust. We treat people as individuals, promoting an inclusive environment that values the capabilities and contributions of each person

- take responsibility for all our actions – we recognise our wider impact on our clients, people and society.

We also recognise that decisions we make are investments in a sustainable future. We act with integrity, openness and accountability to stay true to our purpose and behave in a way that is consistent with our values.

All staff at Grant Thornton have the responsibility to live by this vision and values and promise to make a commitment to “be better tomorrow than we are today”.

## Continued professional education

Grant Thornton Australia is committed to ensuring all our people are equipped with the necessary skills and expertise to deliver our range of services to clients.

Regular training is crucial. Through this training, directors and staff are made aware of the latest issues and standard requirements so that they are able to address them appropriately. Indeed,





the Institute of Chartered Accountants in Australia uses Grant Thornton for regular technical updates to its members.

Grant Thornton Australia has invested heavily in national training. All directors and qualified staff are required to keep up to date with the latest professional standards, including our own risk management, ethical and independence requirements. Staff operating in specialist service lines or dedicated markets including statutory audit must comply with compulsory training requirements. On an annual basis we actively monitor any requirements need to be adhered to with each staff member required to submit a continued professional development record.

Internally, technical resources and support is provided through regular electronic updates, training workshops and seminars.

### Grant Thornton International

While the majority of technical training takes place within member firms, Grant Thornton International makes a significant investment to train auditors in all member firms in the global audit methodology. The audit methodology, known as Horizon™, is supported by state-of-the-art technology.

Significant effort and resources have been committed to make the training program technically rigorous to support implementation throughout member firms so that the audit needs of both public interest and privately held

companies can be met appropriately, regardless of their size or complexity.

### Client service

Grant Thornton Australia prides itself on client service excellence. We want all our clients to experience a consistent level of service no matter where they do business. Our common focus is to understand what businesses want, need and value: close relationships, constant communication and a friendly, easily accessible service from their business advisers.

We believe in working alongside our clients to understand their objectives and help them reach their goals. It's about delivering on the basics and sustaining a strong approach. Delivering when we say we will and offering value at every opportunity is fundamental to our approach.

### Client satisfaction measurement

Our client satisfaction measurement program examines the thoughts and experiences of our clients to regularly monitor and review our client service delivery via a state-of-the-art online client feedback system. Feedback is used to continuously tailor and improve service levels and also to refine the training needs of engagement teams.

This client feedback mechanism provides us with an action list for each client so that all members of the client service team understand the client's expectations, can monitor progress and make improvements during the

engagement.

We seek to measure client service delivery feedback annually. There are four-steps to this process:

- 1 Questionnaire delivery scheduled for each client
- 2 Questionnaires sent by a third-party consultant
- 3 Responses reviewed by engagement team members to analyse results
- 4 Follow-up performed with the client to review performance and address concerns

By tailoring and reviewing the 'Grant Thornton experience' we are able to enhance every element of our approach and ensure we constantly offer value and deliver services to help clients to meet their objectives.

# Social responsibility

In recent years it has become increasingly important for businesses to be aware of their responsibilities to the communities in which they operate. It is no longer acceptable to pay lip service to issues of social involvement, as private and public sector organisations worldwide have added the elements of community involvement and environmental care to their economic activities and results.



Grant Thornton Australia recognises the importance of integrating social involvement into our day to day business. Externally, we are being asked to indicate our social responsibility status for tenders and proposals and we have responded by developing a strategic program designed to meet our responsibilities and show leadership in the profession.

In the year 2010, our community support included:

- Sponsorship of a Seeing Eye Dog in Brisbane
- Provision of Magazines for the Peter MacCallam Cancer Institute in Melbourne
- The CEO Sleepout for St Vincent De Paul
- Dragons Abreast
- Jeans for Genes day
- Ongoing support for the Cancer Council
- Participation in the Movember program

While we are justifiably proud of our social contribution, our activities have often been locally based. As a nationally focussed firm, we have taken steps to concentrate our activities and resources into a more cohesive program that continues to support our local communities while providing guidelines and direction designed to maximise our community support.

## A new approach

Our national approach to Social Responsibility is framed around

the International Organisation for Standardisation (ISO) Guidance Standard on social responsibility (ISO 2600). Many organisations, including some of our clients and other professional firms, are adopting this standard for their social responsibility programs and the ISO principles align quite closely with our own Code of Conduct and values.

Leading our social responsibility program is the Social Responsibility Committee, launched in July 2010 to address the three core elements of social responsibility:

### Our People

Addressing communication with our staff. This element is the responsibility of the People and Culture team.

### Our Clients

Addressing communication with clients. This element is the responsibility of the National Marketing and Business Development team.

### Our Community

Addressing philanthropic issues (workplace giving, donations, volunteer work) and matters around the environment. This is the responsibility of our Social Responsibility Committee.

The program will enhance our reputation; attract and retain quality employees and clients; and positively influence our relationship with government, regulators, companies, suppliers, peers, clients and our communities.

# Financial information

## Turnover

	2010	2009
Fees (turnover) for statutory audits	\$35.1m	\$34.3m
Fees (turnover) for non-audit services charged to audit clients	\$6.3m	\$8.7m
Fees (turnover) for non-audit services to non audit audits	\$106.8m	\$109.5m
Total Fees (turnover)	\$148.2m	\$152.5m

## Other Information

Firm	2010	2009
Number of Directors	86	108
Number of professional staff (full time equivalents)	556	671
Number of non-professional staff (full time equivalents)	181	257
<b>Total</b>	<b>823</b>	<b>928</b>

Audit	2010	2009
Number of Directors	21	23
Number of professional staff (full time equivalents)	141	150
Number of non-professional staff (full time equivalents)*	10	10
<b>Total</b>	<b>172</b>	<b>183</b>

\* Excludes firm wide shared services (eg IT, HR, Marketing etc)



# Director remuneration

The Grant Thornton Australia Remuneration and Equity Committee (REC) stand aside from the Board and oversees fair and responsible remuneration practice for all directors.

Director's remuneration includes the following components:

- base salary
- short-term incentives (STIs)
- long-term incentives (LTIs)
- dividend payments

The base salary is determined by the REC in consultation with external consultants on an annual basis reflecting market rate.

Short term incentives are calculated based on the performances of the director's local office, national service line and national firm. These levels are proposed through consultation with OMDs, NSLLs and the CEO

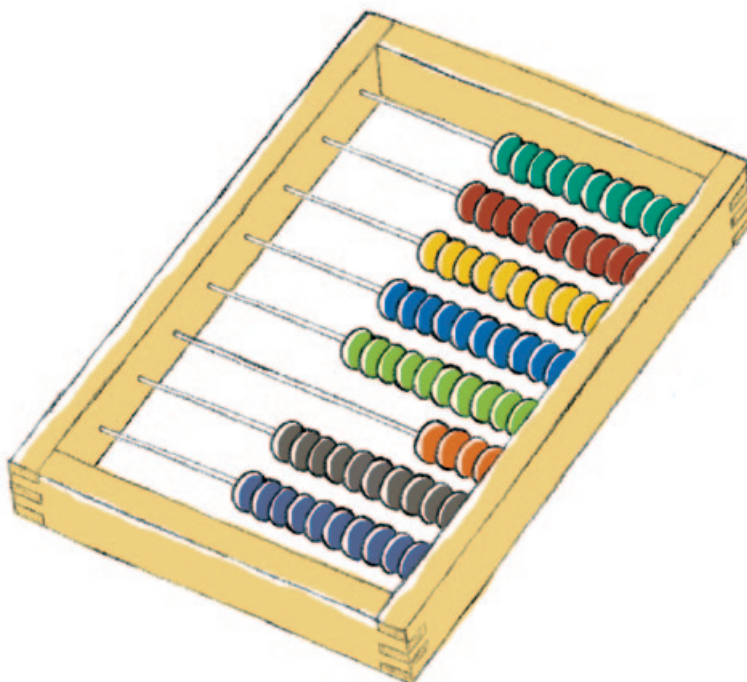
respectively. This excludes the CEO which is proposed by the REC. The directors' performance is measured applying a balanced scorecard methodology, which considers key factors such as:

- financial Performance - individual/team contribution, practice profitability
- leadership - strategic thinking, collaboration, leading others, business development
- client service - client satisfaction, client relationships, commerciality
- quality, knowledge and solutions - innovation, technical excellence, risk management
- ethics and values – personal leadership, shared values, trust & openness

Long term incentives are nominated by the CEO or OMDs based on sustained performance against agreed criteria. Performance can be related to contributions to both local and national office.

Audit directors and staff are not remunerated by reference to non-audit services sold to audit clients.

Dividends are approved by the board, based on profitability and cash flow of the firm subject to agreed retention levels.



# Public interest entities

Grant Thornton Australia Limited audits 130 public companies that are listed on the Australian Stock Exchange. Details are as follows:

3D Oil Limited	Datamotion Asic Pacific Limited	Jupiter Mines Limited	Quickflix Ltd
Adelaide Energy Limited	DWS Advanced Business Solutions Limited	JV Global Limited	Ramelius Resources Ltd
Advanced Share Registry	Eagle Eye Metals Limited	Legacy Iron Ore Limited	Rand Mining NL
African Petroleum Corporation Limited	Eastland Medical Systems Ltd	Legend Corporation Limited	Razor Risk Technologies Limited (Formerly IT&E Limited)
AFT Corporation Ltd	Eden Energy Limited	Lion Energy Limited	Refresh Group Limited
Alara Resources Limited	Ellex Medical Lasers Ltd	Mako Energy Limited	Reverse Corp Limited
Anteo Diagnostics Limited (Previously Biolayer)	Emergent Resources Ltd	Marathon Resources Ltd	Sabre Resources Limited
Archer Exploration Ltd	Empired Limited	Marmota Energy	Seymour Whyte Limited
Argo Exploration Limited	Energy And Minerals Australia Ltd	Maximus Resources	Shenhua International Limited
Asian Centre For Liver Diseases And Transplantation Limited	Entellect Solutions Limited	Mcmillan Shakepeare Limited	Sirtex Medical Ltd
Ausmon Resources Limited	Enterprise Metals Limited	Medical Corporation Australasia Ltd	Solverdi Worldwide Limited (Formerly Australian Biodiesel Group Limited)
Austin Exploration Ltd	ERO Mining Ltd	Medusa Mining Limited	Souls Private Equity Limited
Austofix Group Ltd	Excelsa Limited (Previously Fox Invest)	Mesbon Nylon Limited	Southern Gold Limited
Australian-American Mining Corporation Limited	Eromanga Limited	Metals Australia Limited	Southern Uranium Limited
Bandanna Energy	Excelsa Limited (Previously Fox Invest)	Metminco Limited	Strathfield Group Limited
Bass Metals Ltd	Ferraus Limited	Minotaur Exploration Ltd	Strzelecki Metals Ltd
Beach Energy Ltd	Fission Energy Limited	Mission Newenergy Ltd	Sundance Energy
Bell Ixl Investments	Flinders Mines Ltd	Mithril Resources Ltd	Tasman Resources Limited
Bigair Group Limited	Focus Minerals Ltd	Monax Mining Ltd	The Environmental Group Limited
Bluglass Limited	Fox Resources Limited	Montec International Limited	Thomas Bryson International Ltd
Brand New Vintage Limited	Gascoyne Resources Limited	Mutiny Gold Ltd	Toro Energy Ltd
Bremer Park Limited	Genera Biosystems Limited	National Can Industries Limited	Transerv Energy Ltd
CCK Financial Solutions Ltd	Global Health Limited	Natural Fuel Limited	Treyo Leisure And Entertainment Ltd
Century Australia Investments Limited	Golden Deeps Limited	New Guinea Energy Ltd	TWT Umbrella Ltd
Cervantes Corporation Ltd	Goldminex Resources Limited	OM (Manganese) Ltd	Undercoverwear Limited
Clean Seas Tuna Ltd	Goldsearch Limited	Outback Metals Limited	United Overseas Australia Ltd
Clinuvel Pharmaceuticals Limited	Hangzhou Xiaoshan Xiao Xiao Kindergarten Group	Papyrus Ltd	Uraniumsa Ltd
Computronics Holdings Ltd	Helix Resources Limited	Pearl Healthcare Limited	Vector Resources Limited
Coonawarra Vineyards Property Trust	Hunter Hall Global Value Limited	Petratherm Ltd	Victory West Moly Limited
CPI Limited	Hunter Hall International Limited	Planet Metals Limited (Previously Queensland Ores)	WDS Limited
	Intrapower Limited	Portland Orthopaedics Limited	WHK Limited
	Island Sky Australia Ltd	Praemium Limited	
	Jatoil Limited	Prince Hill Wines Ltd	
	Joyce Corporation Ltd	Property Fox No 2 Limited (NSX)	
		Prophecy International Holdings Ltd	

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