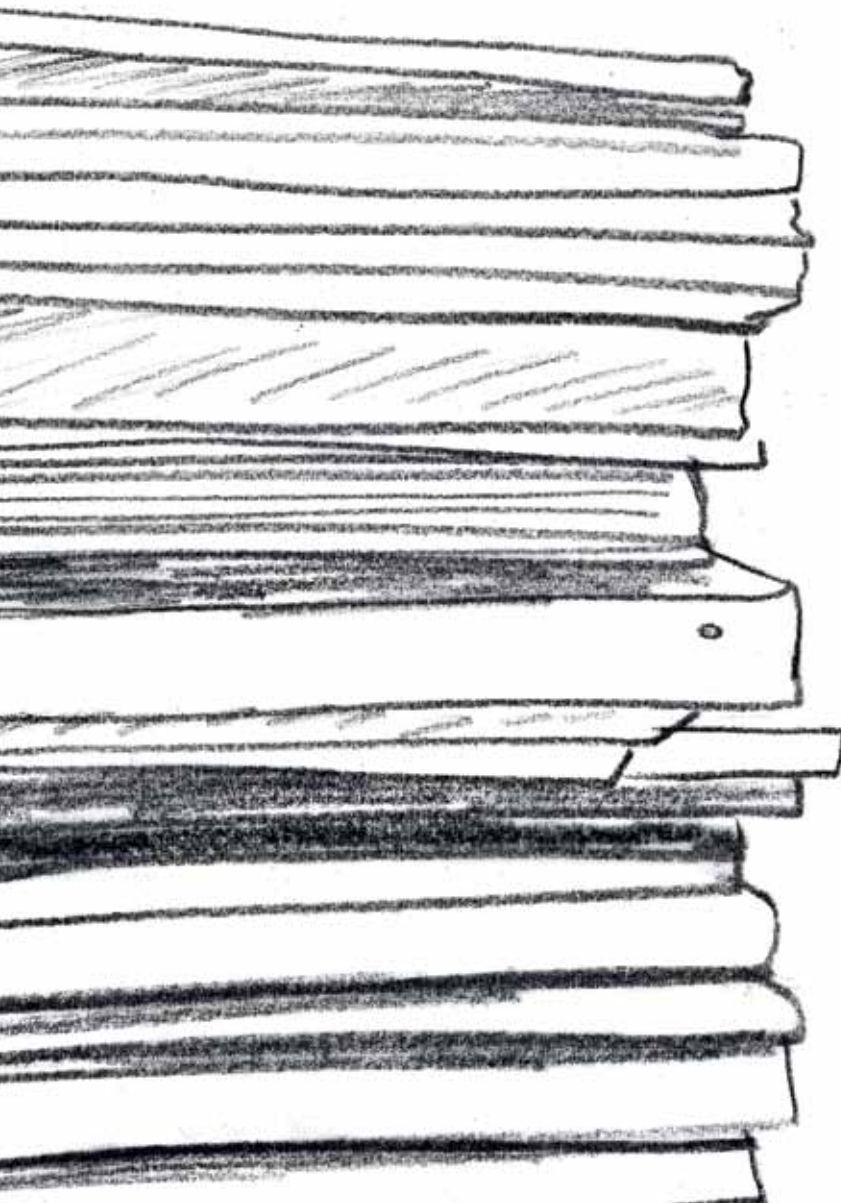


# Transparency Report 2011

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**Grant Thornton Australia Limited** For year ended 30 June 2011





“If we don’t have quality we don’t have anything. High quality is absolutely paramount among all Grant Thornton global targets.”

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**Ken Sharp**  
Global Leader – Assurance Services  
Grant Thornton International

# Transparency Report 2011

Our Transparency Report is a public statement to clients, audit committees, regulators and the wider public of our commitment to provide quality assurance services to organisations all over the world. Our clients rightly expect us to have policies and procedures in place that mean the quality and level of service they receive is not only exemplary but consistent, irrespective of where they operate.

Currently, there is no legislative requirement for Australian firms to prepare transparency reports. As such, in Australia, transparency reports are prepared on a voluntary basis.

As part of our commitment to supporting our clients' pursuit of global markets, Grant Thornton Australia, through Grant Thornton Audit Pty Ltd, has registered with the Professional Oversight Board of the UK Financial Reporting Council. This is in addition to our existing PCAOB (US) and CPAB (Canada) registrations.

Our 2011 Transparency Report has been prepared in accordance with the requirements of the UK Statutory Auditors (Transparency) Instrument 2008.

This report explains how our firm is run and how we ensure that we perform audits of the highest quality. It also describes the expertise, breadth and depth of Grant Thornton Australia and Grant Thornton International.

The 2011 Transparency Report describes policies and procedures which were effective during the year ended 30 June 2011.

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# A message from our Chief Executive Officer

Australia is experiencing volatile times.

Natural disasters, particularly in Queensland, northern New South Wales and Victoria, have caused loss and disruption to businesses large and small. A high dollar, commodity price volatility, re-regulation of the labour market and the lingering effects of the credit crunch have unsettled Australian business.

Compounding this, governments here and overseas are scrutinising businesses ever more closely. Regulators and taxation authorities are beefing up their compliance teams, as they clamp down on the excesses of pre-GFC corporate behaviour and shore up their revenue base.

So it's too simplistic to talk about a two speed economy. Each business is impacted differently by these market dynamics and all must contend with heightened scrutiny as they take the essential measures to survive and thrive. Our mission at Grant Thornton is to help clients navigate this complexity.

We have provided a growing number of organisations with the audit, tax and other specialist advisory services they need to comply with domestic and overseas regulation.

Because we're a client-driven firm, we deliver these services to a standard expected by our clients. That entails much more than merely satisfying the requirements of the regulators. We pride ourselves on a high touch approach, as a result of which clients can expect to engage with more of our senior people. It's the broad, business perspective our senior people bring that helps our clients succeed in today's uncertain business environment.

This is our fourth annual Transparency Report. Although all have been produced on a voluntary basis with respect to Australia's current reporting requirements, this is the first we have produced to comply with the reporting requirements of the Professional Oversight Board of the UK Financial Reporting Council, with which we recently completed registration.

We are acutely aware of the growing pressures on accounting firms which strive to maintain the very highest standards of excellence in audit. Price competitiveness should never impact on quality, rigour and independence. We are committed to investing in our Audit & Assurance division and educating our clients about the value to them of participating in a best practice process that is unimpeachable.

This year is another first for Grant Thornton Australia. Apart from this Transparency Report, we are also issuing a separate Annual Review as a way of improving the depth of our communication with clients, the market and our own people. The Annual Review is an extension of our desire to be as open as possible with our external and internal stakeholders, the profession and regulators.



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

# Statement from the Head of Assurance

High quality performance underpins our assurance strategy. Quality is the cornerstone of our business and we pride ourselves on providing robust opinions to our clients. We have audit quality measures in place for partners and staff to ensure our overall audit quality objective is translated into real, measurable actions.

The recent Centro judgement, together with the continued financial pressures experienced in the global economy, have again brought considerable regulatory and media focus on financial reporting and audit quality. Grant Thornton welcomes the reform debate and we will continue to make regular submissions on developments in legislation, accounting, auditing and professional standards. During the year the new Clarity ISAs took full effect and our global audit methodology was updated to reflect these important changes. We believe that improvements to the ISAs as a result of the Clarity Project will further enhance the quality of practice, particularly in those areas of increased focus such as fair value accounting and accounting estimates.

During the year we continued to work closely with the professional accounting bodies and regulators on emerging issues. We also increased our activities with the Australian Institute of Company Directors (AICD) conducting various director briefings and updates around Australia, throughout the year. In 2011 we completed our fourth annual Corporate Governance Survey, conducted a

financial reporting/regulatory reform survey (the results of which will be released shortly), and have been active in the emerging area of Integrated Reporting. These activities assist us in developing submissions and responses to these emerging issues. As a major international professional services organisation, Grant Thornton also meets at least annually with the International Forum of Independent Audit Regulators (IFIAR) and contributes regularly to the public debate on major industry issues.

Our strategy is also focussed on providing distinctive client service to all of our clients. Beyond the robustness of our assurance opinions, our differentiation has been based on the high level of partner involvement and service we provide to our clients. This partner-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.

Our focus on distinctive client service was a major push for the year and this was reflected in higher client satisfaction levels and improved retention of clients. Our national structure is really bedding down now and the firm is placing increasing emphasis on building our capability, profile and client footprint in priority industry sectors – here in Australia, as well as overseas.

As befits Grant Thornton's emphasis on quality audits and rigour,

during 2010/11 our Audit & Assurance team focussed much of their thought leadership on a deeper understanding of, major Australian industry sectors, particularly biotechnology, food and beverage, professional services, retail, aged care and not-for-profit. Our perspectives, analysis and commentary received frequent mentions in the media and resulted in various invitations to address industry forums.

This year we concentrated on a number of important staff development programs to broaden the depth of our technical and commercial skills, including international and local secondments (outbound and inbound), and transfers across service lines. We were very pleased to have developed and introduced our own proprietary model financial reports, and Grant Thornton's National Audit Support team has developed a number of new technical alerts, industry alerts, practice aids and documents to support our clients and audit specialists.

In the coming year we will continue to monitor and respond to ongoing developments in financial reporting and audit quality.

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**Andrew Archer**  
National Head of Audit & Assurance  
Grant Thornton Australia  
30 September 2011

# Grant Thornton International legal structure and ownership

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. It is a not-for-profit, non-practising, international umbrella membership entity which is 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.

These firms provide assurance, tax and specialist business advice to privately held businesses, not-for-profits, government organisations and listed public companies. Nearly 30,000 Grant Thornton people provide clients with distinctive, high quality, personalised service in more than 96 countries.

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. It aims to be a bold and positive leader in its chosen markets and within the global accounting profession.

## Criteria for membership

In addition to considering the reputation of a prospective firm and its adherence to the highest professional standards, Grant Thornton International has developed a set of criteria that must be met by prospective member firms before they can be considered for membership in the organisation.

The criteria for membership include:

- member firms must adopt Grant Thornton International policies, procedures and methodologies. These include, but are not limited to:
  - service line methodologies and quality controls, including client acceptance and re acceptance
  - engagement protocols
  - ethical and independence policies

- member firms must maintain a system of quality control in accordance with International Standards on Quality Control ISQC 1, and must agree to periodic quality assurance inspections by global teams.

## Funding of Grant Thornton International

Grant Thornton International is funded by annual contributions from the member firms. The approved budget determines the aggregate annual contribution which is allocated to member firms in proportion to the member firm's turnover for the 12 months ended 30 September.

The Global Leadership Board submits a proposed budget for the following calendar year to a committee of the board for scrutiny and approval. The board agrees the final budget and the level of member firm contributions required to meet the budget. The combined global revenues to 30 September 2010 were US\$3.674 billion.

## Governance

The Board of Governors (BoG) appoints the global CEO, who in turn appoints the Global Leadership Board (GLB).

The GLB works with member firms to implement globally agreed strategies and programmes including the Grant Thornton Assurance Reviews (GTAR). All members are

subject to a GTAR at least every three years.

The BoG is the principal and overriding authority in Grant Thornton International. The BoG is a group of individuals selected from member firms worldwide and exercises governance on their behalf. The BoG's responsibilities include:

- Approving the global strategic direction and policies of Grant Thornton International as established by the Chief Executive Officer (CEO)
- Approving the criteria in conformity with which the CEO may admit member firms
- Suspending the rights of, or expelling, a member firm
- Appointing and setting the remuneration of the Chair of the BoG

- Appointing, evaluating performance and setting the remuneration of the CEO

Robert Quant, Grant Thornton Australia's CEO, is our representative on the BoG.

The BoG as at 6 June 2011 is:  
Peter Bodin (Chairman) – Sweden  
Terry Back – United Kingdom  
Scott Barnes – United Kingdom  
Stephen Chipman – United States  
Ed Nusbaum – CEO, Grant Thornton International  
Robert Quant – Australia  
Phil Noble – Canada  
Jean Schnob – Canada  
Daniel Krukdjian – France  
Klaus-Guenter Klein – Germany  
Paul Raleigh – Ireland  
Satoru Endo – Japan  
Hector Perez – Mexico  
Gerard Mulder – The Netherlands

The role of the chair is pivotal to creating the conditions necessary for a highly effective board focused on the strategic global development of Grant Thornton International. Peter Bodin was initially appointed for a two-year period commencing on 1 January 2010.

CEO, Ed Nusbaum, took office as CEO on 1 January 2010. The CEO takes office for an initial term of five years and is eligible for successive terms of three years each. The role of the CEO includes the development and recommendation of strategic priorities and of policies and procedures for ratification by the board, together with their subsequent implementation. The CEO has the authority to appoint new member firms in accordance with the criteria agreed by the board.

More information can be found at [www.gti.org](http://www.gti.org)

### Highlights 30 September 2010

- Member firm personnel in 2010 totalled 29,974 (30,369 in 2009) of whom 2,511 were partners (2,564 in 2009)
- Member firms of Grant Thornton International achieved combined global revenues of US\$3.674 billion to 30 September 2010 (US\$3.592 billion in 2009)
- 96 member firms worldwide (95 in 2009)
- Assurance services account for around 46% of global revenues
- Assurance revenues increased by 2% to US \$1.690 billion



# Grant Thornton Australia structure, governance and management

Grant Thornton Australia's national corporate structure enables us to provide superior client service to meet the needs of our clients across Australia and reduce business risks through stronger, more efficient systems and procedures.

We are able to offer a full range of services to dynamic organisations – both privately held businesses and public interest entities. This is achieved through dedicated client service partners who understand the needs of our clients and can coordinate the specialist services required by them.

Being one national firm has enabled us to share information and resources across all of our offices. We can provide better, more distinctive service to our clients no matter where they do business.

## **Governance**

The firm is governed by our Board, comprising an independent Chairman, five state based Executive Directors elected by shareholders, a national CEO and two external Independent Directors nominated by the Grant Thornton Australia Ltd Board (the Board).

The Board composition 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 to respond to their local market and also have 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)

recognises and manages 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**

Grant Thornton Australia's business is conducted through Grant Thornton Australia Ltd, as an unlisted public company and its wholly owned special purpose subsidiaries. All shareholders are associated investment entities of employees of the company. There are no outside shareholders. Statutory audits are conducted by a special purpose entity, Grant Thornton Audit Pty Ltd, a registered audit company, which is controlled by Grant Thornton Australia Ltd.

## **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
- Public Oversight Board (POB) – UK



- Canadian Public Accountability Board (CPAB) – Canada
- 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.

### Management

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

### Board of Directors

The Board oversees the governance of the organisation and protects the interests of shareholders. It comprises:

- Five internal representatives who are elected by the shareholders
- The CEO
- An independent Chairman
- Two external independent Directors nominated by the Board

Board members, other than independents, are elected by shareholders for a term of two years. At the completion of their term they may offer themselves for re-election. Directors who hold national leadership or Office Managing Partner\* positions are not eligible for election to the Board.

The key roles of the Board are:

- Governance
- Setting strategic direction
- Ensuring the CEO executes our business strategy
- Approving plans and budgets to support the strategy
- Monitoring financial performance
- Appointment of the CEO
- Approving major matters in line with the shareholder agreement

### Chairman – Roger Collins

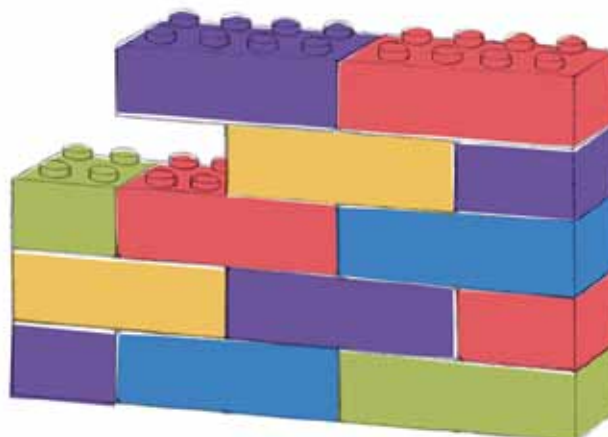
The Board appoints the Independent Chairman who will be one of the three independent members nominated to the Board.

### CEO – Robert Quant

The CEO, who is charged with the day to day operations of the firm, is appointed by and accountable to the Board.

The key roles of the CEO are:

- Leadership and vision
- Propose and execute approved strategies
- Propose business plans and budgets to support the strategies
- Appoint senior management
- Operate the business in accordance with the strategies and business plan approved by the Board



### **Remuneration and Equity Committee (REC)**

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

### **Audit and Risk Committee**

The Audit and Risk 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 receives the information it requires in a timely manner.

Members of the Audit and Risk Committee are:

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

### **National Risk Management Implementation Group (NRMIG)**

The 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.

### **National Executive**

The firm is managed by the CEO and his executive team through the National Executive, which comprises the National Head of Markets (Ian Herman), National Head of Service Lines (Rodger Flynn), Chief Operations & Financial Officer (Laura Lillas) and the National Director of People & Culture (Jan Roberts).

The key role of the National Executive is to execute the firm's approved strategies and business plan.

### **Office Managing Partners (OMPs)\***

As part of the national plan, our OMPs collaboratively lead our offices' go-to-market strategies to build our brand, attract quality people, deliver distinctive client service and grow revenue to ensure profitable performance in each local market.

Our office managing partners in each state are:

- Dean Marsh (Adelaide)
- Rodger Flynn (Brisbane)
- Ian Herman (Melbourne)
- Bill Stephen (Perth)
- Matt Adam-Smith (Sydney)



**National Service Line**

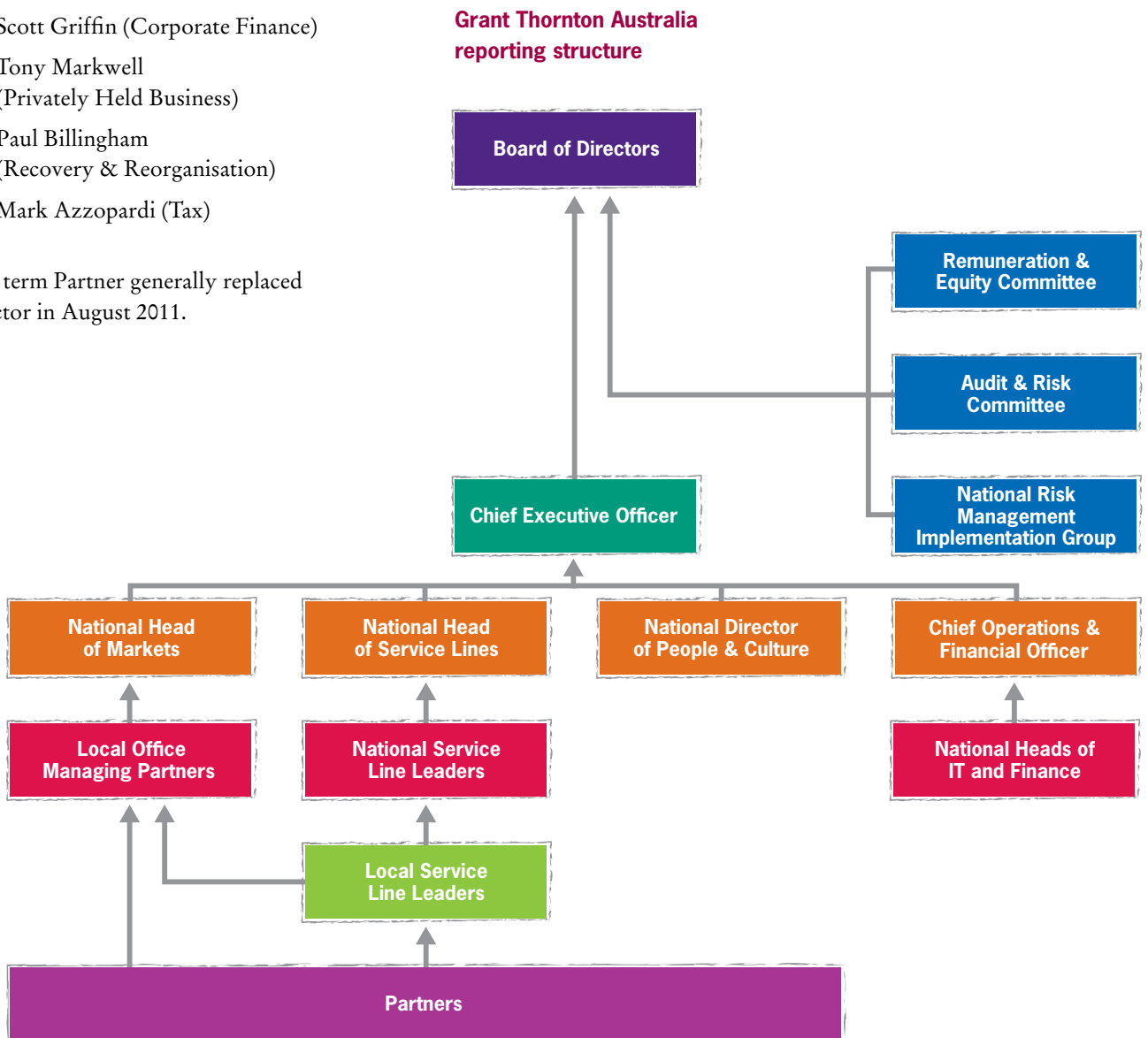
**Leaders (NSLLs)**

Our NSLLs establish the vision and define the direction of each service line. Their goal is to develop and leverage our national technical capability, build our market presence and deliver the highest quality service to clients in support of achieving our growth targets and goal of being a leader in our chosen markets.

Our NSLLs are:

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

\*The term Partner generally replaced Director in August 2011.



# Internal quality control and effectiveness

Stringent quality management procedures, internal control systems and risk assessment measures ensure that everyone at Grant Thornton Australia adheres to the high standards we and our clients have come to expect.

## **Audit quality**

In its 2010 strategic review of audit quality in Australia, the Treasury of the Australian Government noted seven key drivers of audit quality. These include the five identified by the UK FRC as well as two additional drivers.

### **1. The culture within an audit firm**

Grant Thornton's six values – **Collaboration, Leadership, Excellence, Agility, Respect, and Responsibility (CLEARR)** – form the foundation of our firm's approach to audit quality. They are embedded in our Code of Conduct and our policies and processes, and provide daily guidance to management and staff at all levels of the organisation and across our entire business.

This is exemplified by:

- For several years Grant Thornton Australia Ltd has voluntarily prepared and released transparency reports, emphasising our commitment to quality
- Our audit consultation processes and risk monitoring, helping to drive quality
- Our culture, which promotes robust client acceptance and continuance systems and processes that are aligned with Australian legislative requirements and Grant Thornton International protocols
- Strong ethical practices that are promoted via consistent messages, e.g. annual ethics and independence training, Audit and Risk & Compliance 'Alert' programs and national bulletins and technical training.



We are aligned around a common purpose that unites us in providing the same quality experience for our clients and our people, seamlessly across borders.



We are distinguished for innovation and our solutions-based approach, created and delivered by talented people with the passion to exceed expectations.



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



We are committed to the success of our clients, our people, our profession, and our stakeholders at large, demonstrating leadership at all levels.



We have the ability to adapt, anticipate and respond quickly to meet complex client requirements, changes in markets and the profession.



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.



## 2. The skills and personal qualities of audit partners and staff

Grant Thornton staff are recruited not just on technical competency, but also on being a 'good fit' with the firm's values. This includes personal qualities in line with our CLEARR values.

We are committed to continuing the education of all staff through various means, such as:

- International, national and local office-based and web-based training
- Firm, industry and service line specific bulletins
- National support staff and industry expertise

Staff needs are reviewed on a regular basis through a formal supervision and review process and a more informal

mentoring program to ensure the appropriate level of support is provided for a successful career at Grant Thornton Australia. Specific training plans are developed and updated every year, or more regularly as required by changes in legislation, to ensure the right communication is delivered at the right time in each staff member's career path.

## 3. The effectiveness of the audit process

Grant Thornton International has produced and maintained a global audit approach through its Horizon™ audit methodology implemented through the Voyager suite, an integrated set of proprietary software tools including a lead sheet and trial balance program, TBeam. Using Voyager, audit teams in all Grant Thornton member firms

achieve the same level of audit quality. They produce a seamless audit product, whether the audit is performed in one member firm for local purposes or across many member firms for group audits.

Voyager enables audit teams to identify financial statement risks and link them to the processes and internal controls established to address those risks. This allows audit teams to tailor an audit response that is appropriate to the assessed risks and safely maintain all documentation of the audit process.

Voyager also assists audit teams to document, evaluate and test internal controls. Voyager is linked to Grant Thornton's TBeam tool to produce lead schedules and analytical analysis for our working papers and financial statements for our clients.

Our global audit process is supplemented by Grant Thornton's Audit Manual, International Computer Assisted Auditing Techniques (CAAT) program, template working papers and financial statements, checklists and practice aids, all regularly maintained by our National Audit Support team and available to all staff via our national intranet, GTAssist.

## 4. The reliability and usefulness of audit reporting

Our audit process is not just about a standard audit report. We strive to enhance our clients' business. We work to bridge the expectation gap between our audit process and communication with the Audit Committee, Board



and those charged with governance. To do this we use tools such as the Audit Planning Memoranda and Key Issues Memoranda that are presented to Boards or those charged with governance for clarity about the scope of our audit, identified threats and mitigations, key risks and judgements, emerging issues, regulatory changes, and any other findings that must be communicated.

### **5. Factors affecting audit quality outside the control of auditors**

Any factors identified outside the control of our audit process that may affect our audit quality are identified as risks within our audit tools and appropriate responses are put in place to address these risks throughout the audit engagement.

Some examples of factors outside the control of auditors that have the potential to affect audit quality include:

- The client's culture and their focus on financial reporting
- The resources of the client's internal finance team and their Audit Committee
- Quality, timeliness and availability of the client's financial information
- Changes in the regulatory environment the client operates in, including reporting deadlines.

### **6. Australia's audit regulation framework**

All staff assigned to an engagement are required to adhere to the independence rules prescribed by the Corporations Act 2001, professional standards and codes, relevant foreign legislation and regulations, and our own internal policies, including sign-off acknowledging staff are free from prohibited financial interests in, and relationships with, our clients, their management, Partners and significant owners.

Personal independence is monitored through our Risk and Compliance Group and web-based Global Independence System (GIS). Part of the National Audit Support monitoring program includes review of all engagements in compliance with the rotation provisions of the Corporations Act 2001 and the Australian professional and ethical requirements and, where necessary, those of foreign regulators such as the US SEC.

Our policies and processes pertaining to the acceptance of non-audit clients safeguard us from providing prohibited services to our audit clients. Controls are built into our Acceptance and Continuance Tool for non-audit services to trigger the consultation and approval process. In cases where a conflict may arise, the Audit Engagement Partner is consulted

to determine what appropriate safeguards can be established so as to reduce any threats to independence or ethical concerns for client acceptance to be achieved.

### **7. Monitoring of performance of statutory audit functions**

Grant Thornton Australia Ltd is subject to a comprehensive program of scheduled internal and external monitoring of audit quality and independence compliance.

External monitoring under Australia's co-regulatory framework includes:

- ASIC – every two years. Last inspection October 2009
- ICAA – every three years. Last inspection August 2007 (ICAA's new inspection approach has delayed our next review which is currently at the planning phase)
- PCAOB Review – every three years. Last inspection October 2009

Internal monitoring includes:

- Grant Thornton International Audit Review (GTAR) – at least every three years. Last inspection November 2010
- GTAL Peer Review (IQCR) program – all Audit Partners reviewed over a two and a half year cycle. Last inspection May 2011



- Independence Declaration Compliance Audit – annually  
Grant Thornton Australia does not rely solely on periodic reviews to monitor our quality framework and performance. Ongoing monitoring is an important part of our commitment to continuous improvement. Other monitoring activities include:
  - Audit Engagement Quality Control Reviews where required on specific audit engagements
  - Consultation Reviews requested by the engagement team with industry experts within the firm or by our National Audit Support team
  - Accounting, audit and methodology technical queries performed by our National Audit Support team or National Head of Professional Standards

Our internal review program extends beyond the review of individual engagement files to incorporate an assessment of the existence and effectiveness of our policies and procedures. Grant Thornton Australia's Peer Review Programs extend across all service lines. They incorporate a compliance review component to assess performance against a range of compliance requirements including legislation, standards, codes and our own policies. Particular focus is placed on complying with the spirit of legislation and regulations, and underlying principles of standards, codes and policy.

For example, Grant Thornton member firms use the Grant Thornton International ISQC 1 template to form a basis for internal audit reviews. Each member firm is required to submit a final inspection report of

its quality control system to Grant Thornton International for monitoring and follow-up. This is in line with the requirements of the following standards:

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

Grant Thornton Australia audit review teams are coordinated by the National Audit Support team leader and approved by the Audit Advisory Group (AAG), comprising the National Service Line Leader for Audit & Assurance and the local heads of audit in each office across Australia.

Risk issues generated by all review and monitoring activities are assessed to determine an appropriate Management Action Plan (MAP). MAPs are loaded to a central system called Risk Monitor. Our Risk and Compliance team use Risk Monitor to track issues through to completion. Risk Monitor data and information collated from our Risk Assessment Program are combined to improve quality standards across the firm. Results are provided to management through all levels up to and including the Board. Management is able to use the results of our quality monitoring and risk assessment programs to effectively allocate resources where needed to maintain or improve quality performance.

During the last 12 months no issues have been raised which we believe have had, or have the potential to result in, a material negative impact on the quality of our statutory audits.



# Public interest entities

In 2011 Grant Thornton Australia audited 154 public interest entities, compared with 130 during the previous reporting year. The Australian listed entities for which Grant Thornton Australia has carried out statutory audits during the financial year ended June 2010 are:

3D Oil Limited	Focus Minerals Limited	Papyrus Australia Limited
Adelaide Energy Limited	Forge Group Limited	Parker Asset - Enhanced Leaders Trust
Advanced Share Registry Limited	Fox Resources Ltd	Pearl Healthcare Ltd
AFT Corporation Limited	Gascoyne Resources Limited	Petratherm Ltd
Alara Resources Limited	Genra Biosystems Limited	Phosphate Australia Limited
Anteo Diagnostics Limited	Global Health Limited	Planet Metals Limited (formerly Queensland Ores Limited)
Aphrodite Gold Limited	Golden Deeps Limited	Portland Orthopaedics Limited
Arasor International Limited	Goldminex Resources Limited	Praemium Ltd
Archer Exploration Limited	Goldsearch Limited	Prince Hill Wines Limited
Argo Exploration Limited	GRG International Limited	Property Fox No 2 Limited
Ark Fund Limited, The	Heartware International, Inc	Prophecy International Holdings Limited
Asian Centre for Liver Diseases and Transplantation Limited	Helix Resources Limited	Quickflix Limited
Ausmon Resources Limited	Holista Colltech Limited	Ramelius Resources Limited
Austin Exploration Limited	Hunter Hall Global Value Limited	Rand Mining Limited
Austofix Group Limited	Hunter Hall International Limited	Razor Risk Technologies Limited
Australian-American Mining Corporation Limited	Hunter Hall Australian Value Trust	Refresh Group Limited
AVNET Inc	IGDX Holdings Ltd	Reverse Corp Limited
Bandanna Energy Limited	Intrapower Limited	Robe Australia Limited
Bass Metals Ltd	Investigator Resources Limited (formerly Southern Uranium Limited)	Sabre Resources Limited
Beach Energy Limited	Island Sky Australia Limited	Sentosa Mining Limited
Bell IXL Investments Ltd	Jatenergy Limited	Seymour Whyte Limited
Benitec Limited	Joyce Corporation Limited	Shenhua International Limited
Bigair Group Limited	Jupiter Mines Limited	Shree Minerals Limited
Bluglass Limited	Kidman Resources Limited	Sirtex Medical Limited
Bremer Park Limited	Lawson Gold Limited	Souls Private Equity Limited
Carabella Resources Limited	Leaf Energy Limited (formerly Aquacarotene Limited)	South American Ferro Metals Limited
CCK Financial Solutions Limited	Legacy Iron Ore Limited	Southern Crown Resources Limited
Century Australia Investments Limited	Legend Corporation Limited	Southern Gold Limited
Clean Seas Tuna Limited	Lion Energy Limited	Strathfield Group Limited
Clinuvel Pharmaceuticals Ltd	Mako Energy Limited	Strezlecki Metals Limited
Computronics Holdings Limited	Marathon Resources Limited	Sundance Energy Australia Limited
Coonawarra Australia Property Trust	Marbletrent Group Limited	SWW Energy Limited
Copper Strike Limited	Marmota Energy Limited	Syrach Resources Limited
Core Exploration Limited	Maximus Resources Limited	Tasman Resources NL
Datamotion Asia Pacific Limited	McMillan Shakespeare Limited	Tellus Resources Ltd
DWS Advanced Business Solutions Limited	Medical Corporation Australasia Limited	Thomas Bryson International Limited
Eagle Eye Metals Limited	Medusa Mining Limited	Toro Energy Limited
Eastland Medical Systems Limited	Mesbon China Nylon Limited	Transerv Energy Limited
Eden Energy Limited	Metlas Australia Limited	Treyo Leisure and Entertainment Limited
Ellex Medical Lasers Limited	Metminco Ltd	TTA Holdings Limited
Emergent Resources Ltd	Minotaur Exploration Ltd	TWT Umbrella Limited
Empired Limited	Misson Newenergy Ltd	Undercoverwear Limited
Energy & Minerals Australia Limited	Mithril Resources Limited	United Overseas Australia Limited
Entellect Limited	Monax Mining Limited	UraniumSA Limited
Enterprise Metals Limited	Montec International Limited	Vector Resources Limited
Environmental Group Limited, The	MRG Metals Limited	Victory West Metals Limited
Ero Mining Limited	Musgrave Minerals Limited	Wallace Absolute Return Limited
Eromanga Hydrocarbons	Mutiny Gold Limited	WHK Group Limited
Excela Limited (formerly Fox Invest Limited)	My ATM Holdings Limited	Xiao Xiao Education Limited
Ferraus Limited	National Can Industries Ltd	Yanghao International Ltd (formerly Rongtai International Group Holdings Ltd)
Fission Energy Limited	New Guinea Energy Ltd	
Flinders Mines Limited	Outback Metals Limited	

# Independence practices

Maintaining objectivity and independence of thought is vital to conserving Grant Thornton's 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.

Independence has particular meaning in the audit environment but is equally relevant throughout the whole firm. Independence standards are clearly defined in our Compliance Manual.

Independence compliance is monitored actively, and partners and managers are required to record their financial interests (and those of their immediate family members) in our automated tracking system, GIS (Global Independence System).

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 Independence Declarations process, and a review of

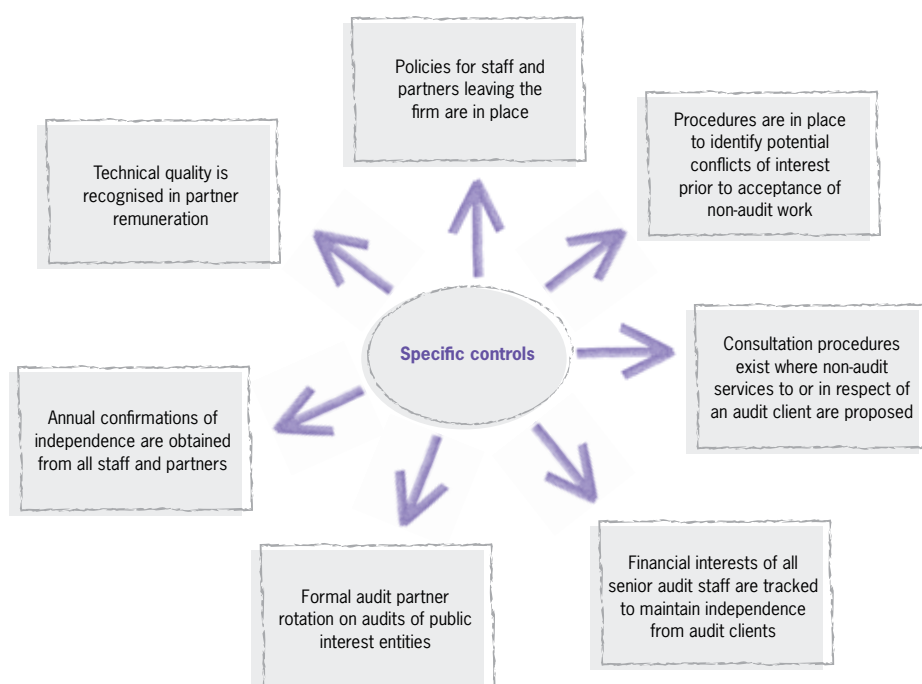
a sample of GIS accounts is performed to establish whether suppliers are audit clients of the firm and, if they are, whether a threat to independence might arise.

The nature and effectiveness of the firm's procedures for maintaining 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 taken. 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.

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

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 our clients.

## **Continued professional education**

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

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 partners 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 that need to be met, with each staff member required to submit a continued professional development record.

Internally, technical resources and support are 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. This methodology, known as Horizon™, is supported by state-of-the-art technology.

Significant effort and resources have been committed to make this 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 consistently high 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 advisors.

We believe in working alongside our clients to understand their objectives and help them reach their goals. 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 sophisticated online client feedback system. Feedback is used to continuously tailor and improve service levels and 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 schedule 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 meet their objectives.

# In the profession

We are committed to investing the time of our senior people in professional leadership positions. This ensures that our clients have access to excellent technical support and awareness of emerging issues, and that their interests are properly represented as public policy is developed.

## **Andrew Archer**

- Australian Public Policy Committee of the Accounting Bodies and major accounting firms
- Accounting Liaison Committee, Australian Securities & Investments Commission (ASIC)
- NSW Council, Institute of Chartered Accountants (ICAA)
- Adjunct Professor, University of Technology

## **Paul Banister**

- Queensland Technical Committee, The Taxation Institute

## **Michelle Fenwick**

- Australian Health Service Financial Membership Association (AHSFMA)
- Public Health Association of Australia (PHAA)
- Australian Human Resource Institute (AHRI)

## **Peter Godber**

- Chairman of State Council – Queensland, The Taxation Institute

## **Grant Layland**

- CA Program Audit and Assurance Module Member Advisory Panel, Institute of Chartered Accountants (ICAA)
- Project Advisory Group for

the revised GS007, Australian Accounting Standards Board (AuASB)

## **Michael McCann**

- Director and Vice President, Insolvency Practitioners Association Australia (IPAA)
- Chairman – Queensland Division, Insolvency Practitioners Association Australia (IPAA)

## **Mark Phillips**

- Australian Automotive Aftermarket Association (AAAA)

## **Tony Pititto**

- Agribusiness Association of Australia

## **Keith Reilly**

- Australian Public Policy Committee of the Accounting Bodies and major accounting firms
- Technical Research Group, Institute of Chartered Accountants (ICAA)
- Financial Reporting Faculty, Institute of Public Accountants
- Accounting Bodies Emerging Issues Group
- Consultative Group, Australian Accounting Standards Board (AASB)
- Consultative Group, Auditing and Assurance Standards Board (AASB)

- Reporting Committee, Australian Institute of Company Directors (AICD)

- Taskforces on Independence and Forensic Accounting, Accounting Professional & Ethical Standards Board (APESB)
- Large Firms IFRS Group and Liaison Committee, Australian Securities & Investments Commission (ASIC)

## **Andrew Rigele**

- Chairman – National Quality Review Committee, Institute of Chartered Accountants (ICAA)

## **Jill Spottiswood**

- Society of Automotive Engineers

## **Scott Treatt**

- Chairman – NSW Membership Committee, The Tax Institute
- NSW State Council, The Tax Institute

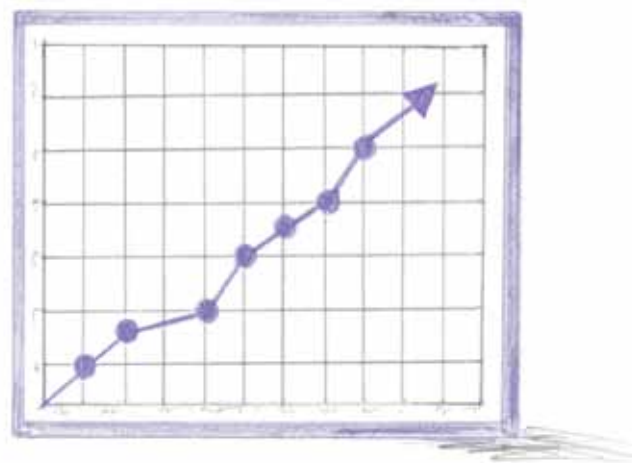
## **Simon Trivett**

- Australian Business Reporting Leaders Forum

## **Stephen J Westaway**

- National Councillor, The Tax Institute
- Chairman – The National Membership Committee, The Tax Institute

# Financial information



## Turnover

	2011	2010
Fees (turnover) for statutory audits	\$37.5m	\$35.1m
Fees (turnover) for non-audit services charged to audit clients	\$5.7m	\$6.3m
Fees (turnover) for non-audit services charged to non-audit clients	\$107.9m	\$106.8m
Total Fees (turnover)	\$151.1m	\$148.2m

## Other information

Firm	2011	2010
Number of partners	85	86
Number of professional staff (full time equivalents)	575	556
Number of non-professional staff (full time equivalents)	215	181
Total	875	823

Audit	2011	2010
Number of partners	24	21
Number of professional staff (full time equivalents)	158	141
Number of non-professional staff (full time equivalents)*	13	10
Total	195	172

\* Excludes firm wide shared services (e.g. IT, HR, Marketing etc)

# Partner remuneration

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

A partner'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 the market rate.

Short term incentives are calculated based on the performances of the partner's local office, national service line and national firm.

These levels are proposed through consultation with Office Managing Partners (OMPs), National Service Line Leaders (NSLLs) and the CEO respectively. This excludes CEO remuneration, whose remuneration is proposed by the REC. The partners' 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 OMPs based on sustained performance against agreed criteria. Performance can be related to contributions to both local and national offices.

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

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

Our Partner Remuneration Framework is currently under review.

# Contacts

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