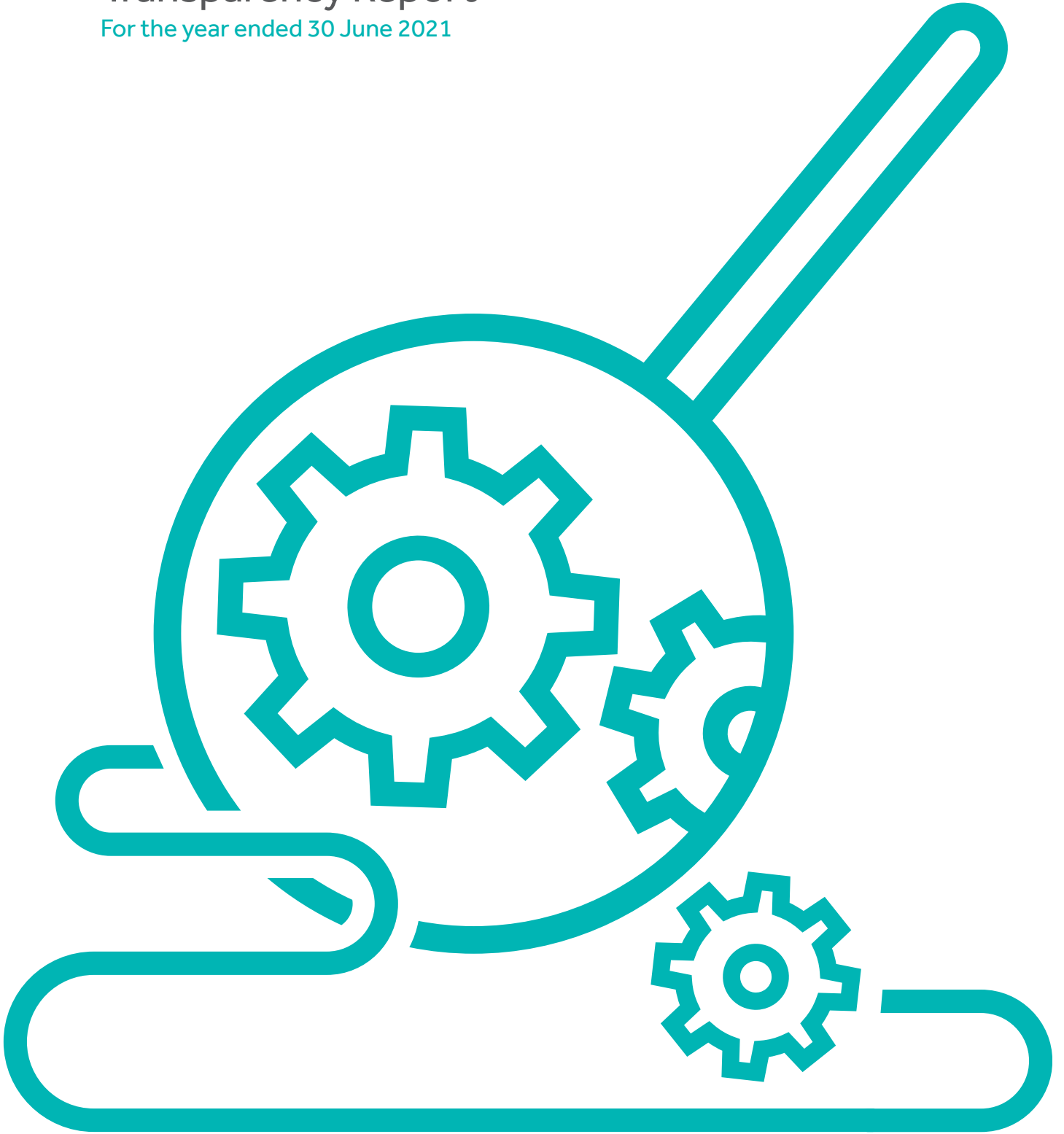


# Transparency Report

For the year ended 30 June 2021



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# Chair's Letter



It is with pleasure that Nexia Australia provides this 2021 Transparency Report for the benefit of our clients, prospective clients, regulatory bodies and our partners and staff.

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This Transparency Report provides an overview on the structure of Nexia Australia and Nexia International and the governance framework in which we operate. In addition, this Report also outlines our quality control systems and the effectiveness of such systems, our quality control monitoring and our commitment to continuing professional education.

At 30 June 2021, Nexia Australia comprised the national network of six independent Chartered Accountancy firms located in seven locations - Adelaide, Brisbane, Canberra, Darwin, Melbourne, Sydney and Perth. All firms are members of Nexia International, a global accounting and consulting network whose domicile is located in the Isle of Man.

Each of the six independent firms in Australia conduct statutory audits through their respective audit entities. The Sydney member, through Nexia Sydney Partnership and Nexia Sydney Audit Pty Ltd and our Perth member, through Nexia Perth Audit Services Pty Ltd, are required by Part 2M.4A of the Corporations Act 2001 to provide specific information under the Act due to both firms conducting audits of 10 or more significant entities. The remaining members of Nexia Australia have voluntarily included information in this Report in order that the national network is accurately conveyed.

It is imperative in our industry that all our Partners and Staff embrace the importance of quality in all our activities and it is pleasing to report that within Nexia Australia this goal is actively pursued and followed. Quality is not a measure at a particular point of time but it is a process which has to be continually repeated, monitored and where necessary improved.

In our case, quality service not only must meet this criterion in order to grow and sustain our business but also must meet the quality standards as set by our regulatory bodies and the broader business community.

This Report provides a clear message to Audit Committees and all our stakeholders of our commitment to quality and service that is a benchmark of Nexia Australia's philosophy and success.

Finally, I would like to thank all our Partners and Staff who work tirelessly to achieve high levels of quality and service in order to meet the needs of our clients and regulatory authorities.

A handwritten signature in black ink, appearing to read 'Mal Di Giulio', with a large, stylized flourish at the end.

**Mal Di Giulio**  
National Chair

25 October 2021

# Who we are

## Overview of the Network

Each of the firms comprising the Nexia Australia network are mid-sized firms of accountants and business advisors providing a full range of accounting, auditing, taxation, corporate and specialist business advisory services to our clients.

From the beginning, our firms recognised that their role was much more than simply providing accounting, auditing and taxation compliance services. Our role was to become trusted business advisors that provide advice and services in many different areas of our clients businesses.

We believe in strong business relationships and that is why our clients are guaranteed direct involvement by our Partners. This direct involvement ensures that material issues will be identified at an early stage and addressed in a practical and commercial manner. All Partners are supported by a team of enthusiastic and dedicated professionals and support staff with a broad range of qualifications and experience, the majority of whom are involved in the full time provision of client services.

**Nexia Australia prides itself on being Agile, Accessible and Advancing** which is the cornerstone of our service mandate.

In this Report reference to "Partner" refers to the equity and non-equity owners of Nexia Australia Network Partnerships, as well as the Directors of authorised audit companies and corporate entities in the Nexia Australia Network referred to in Section 3. The information contained in this Transparency Report relates to the transparency reporting year ended 30 June 2021.



# Network structure and governance

## Nexia International

Nexia Australia Pty Ltd (Nexia Australia) is a member firm of the Nexia International network.

Nexia International is a worldwide affiliation of independent auditors, business advisers and consultants. The key to Nexia's success is simple: global representation with member firms ranking in the top ten in the world's major financial and economic centres. This positioning means that Nexia is able to provide a top quality service to its clients with international needs. The Nexia International network comprises 34,500 Partners and professional staff in 265 member firms serving our clients through 752 offices in 128 countries. Global fee income for 2020 was US\$4.49bn, an increase of 5.4% on 2019 and ranking Nexia International as the 8th largest international accounting and consulting network (International Accounting Bulletin World Survey, 2021).

From its foundation to the present day, one of Nexia's greatest strengths has been the willingness of its independent firms to share their Partners' expertise and knowledge on behalf of the affiliation's clients.

Our clients naturally expect the highest standards of professional advice. All of our independent member firms apply strict procedures and standards and are subject to regular quality control reviews which must be met as a condition of continuing membership of Nexia International. All its member firms must belong to their local professional body. In addition, our specialist committees publish several professional publications and manuals – all contributing to the quality and international expertise of Nexia International.

## Legal structure

Nexia International Limited (Nexia International) is a company limited by guarantee registered in the Isle of Man. Nexia International supports the activities of the international network and does not provide any professional services; these are provided only by the individual, independent member firms. Neither Nexia International nor any of the individual member firms are responsible for each others' acts or omissions.

## Governance structure

The Nexia International governance framework is set out in the Nexia International Constitution which comprises:

- The Memorandum & Articles of Association of Nexia International Limited; and
- Regulations promulgated by the Nexia International Board to provide guidance and clarity in relation to matters including member firm obligations and rights applicable to membership of Nexia International, governance structure and dispute resolution.

It is a condition of membership that member firms act in compliance with the Nexia International Constitution.

Nexia International is governed by a Council in which all member firms are represented. The Council elects the Nexia International Board of Directors. The Board of Directors approve the acceptance of new firms in accordance with its internal guidelines after passing a quality control review. The Board also approves the network's vision and strategy and oversees the numerous operating committees, including their membership.

The Board also reviews each member firm's adherence to the agreed minimum operating and quality standards and if firms do not adhere, the Board has the authority to expel a firm from the network.

The current Board comprises:

**Ian Stone** (Chair) (Sydney)

**Daniel Abelovich** (Argentina)

**Bashier Adam** (South Africa)

**Larry Autrey** (USA)

**Richard Collis** (UK)

**Christian Fuchs** (Germany)

**Krupal Kanakia** (India)

**Jefforie Kvilhaug** (USA)

**Philip Mandel** (USA)

**Sancho Simmonds** (UK)

The Board meets at least twice per year. Nexia International is organised through four regional areas:

- a. Asia Pacific
- b. Europe, Middle East and Africa
- c. North America
- d. Latin America

Nexia Australia is a member of the Asia Pacific Region.

# Network Structure and Governance Council

## Governance structure

|                                  |   |
|----------------------------------|---|
| <b>Council</b>                   | <ul style="list-style-type: none"> <li>• One member firm, one vote</li> <li>• Ratifies the election and appointment of directors to the Nexia International Board</li> </ul>  |
| <b>Nexia International Board</b> | <ul style="list-style-type: none"> <li>• Comprises ten members, with at least one director from each region, being: Asia Pacific; Europe, Middle East and Africa; North and Central America; and South America</li> <li>• Oversees the operation of the global Chief Executive Officer and the Global Office and member firms' compliance with Nexia policies</li> <li>• Approves strategic plans and vision</li> </ul>   |
| <b>International Committees</b>  | <ul style="list-style-type: none"> <li>• Relevant international committees include the:             <ul style="list-style-type: none"> <li>- International Audit Committee;</li> <li>- International Digital Committee;</li> <li>- International Tax Committee; and</li> <li>- International People Development Committee.</li> </ul> </li> <li>• These committees comprise representatives from member firms</li> <li>• Considers, develops and enhances policies and guidance for member firms</li> </ul> |

## Nexia Australia

### Legal structure

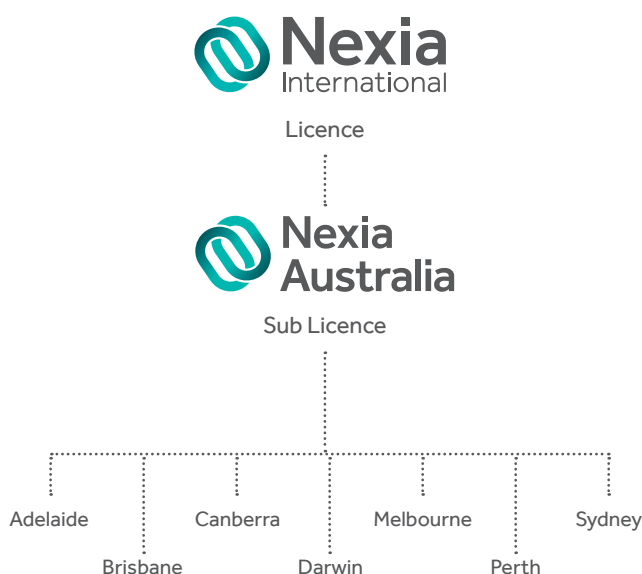
Nexia operates in Australia as a network of independent member firms. Nexia Australia Pty Limited (Nexia Australia), a company limited by shares and incorporated in Australia, holds an umbrella licence and membership agreement with Nexia International.

The umbrella agreement prohibits Nexia Australia from operating as an accounting and consulting firm in its own right and Nexia Australia does not provide any services or advice to any clients and exists solely to provide shared resources to its members and holds the international licence with Nexia International. Nexia Australia grants a sub-membership agreement to each Australian member firm to be a member of Nexia International and provides limited shared resources to the Australian member firms.

Nexia Australia currently employs the National Accounting & Audit Technical Director, National Tax Director, National Marketing Manager and support staff. Each member firm of the Nexia Australia network is an independent legal entity and is financially independent from other network firms.

At 30 June 2021, the firms comprising the Nexia Australia network had 77 Partners and approximately 508 staff in seven offices in Australia.

The following diagram illustrates the network structure:



# Network Structure and Governance

## Governance structure

Nexia Australia Pty Ltd is governed by its Board of Directors, which comprises one representative from each of the six network firms.

The Board comprises:

**Mal Di Giulio** (Chair) (Perth)

**Paul Dal Bosco** (Melbourne)

**Jamie Dreckow** (Adelaide/Darwin)

**Andrew Hoffmann** (Sydney)

**Garry Murphy** (Canberra)

**Ken Robertson** (Brisbane)

The Board meets at least four times per annum.

### The role of the Nexia Australia Board includes:

- setting the vision and direction of Nexia Australia
- ensuring all firms implement and adhere to:
  - the quality standards set by the Board and relevant professional requirements; and
  - the other requirements and obligations imposed by Nexia International on member firms.

The Board elects a Chair whose term is for 3 years. Mal Di Giulio was appointed Chair in 2020.

## Australia & New Zealand Audit Committee

The Australia & New Zealand Audit Committee comprises audit leaders from each of the Nexia Australia member firms, the Nexia firms in New Zealand and the Nexia Australia Accounting & Audit Technical Director. The Committee is responsible for:

- assessing, developing and enhancing Nexia's audit methodology and quality offered by member firms to better enable them to serve the needs of existing and prospective clients and to satisfy the expectations of high quality deliverables by our stakeholders;
- establishing auditing and technical standards and assessing the compliance of member firms with such standards;
- developing the exchange of professional skills and know-how among member firms; and
- identifying and formulating national audit training requirements.

The Committee meets at least four times per annum and reports directly to the Nexia Australia Board.

At 30 June 2021, the Committee comprised:

**Lester Wills** (Chair) (Sydney)

**Nigel Bamford** (Brisbane)

**Nathan Breckell** (Christchurch)

**Jamie Dreckow** (Adelaide/Darwin)

**Muranda Janse Van Nieuwenhuizen** (Perth)

**Garry Murphy** (Canberra)

**Andrew Wehrens** (Melbourne)

**Martin Olde** (Nexia Australia Accounting & Audit Technical Director)

## National Risk and Quality Control Committee

The National Risk and Quality Control Committee comprises a partner from each of the member firms' risk and quality control committees in Australia and New Zealand as well as the Nexia Australia Accounting & Audit Technical Director.

As an indication of the importance Nexia Australia places on quality, two members of the Nexia Australia Board are also members of the National Risk and Quality Control Committee. The Committee is responsible for monitoring risk and compliance with professional and ethical standards, setting, updating and monitoring compliance with Nexia Australia's quality control policies and processes and formulating responses to business risks and the outcomes of the firm's monitoring programs. The National Risk and Quality Control Committee meets at least three times per annum and reports directly to the Nexia Australia Board.

# Member Firms

The Nexia Australia network comprises the following firms that provide audit services to clients:

| Location  | Entity providing audit services                       |
|-----------|---|
| Adelaide  | Nexia Edwards Marshall Partnership                    |
| Brisbane  | Nexia Brisbane Audit Pty Ltd                          |
| Canberra  | Nexia Duesburys (Audit) Partnership                   |
| Darwin    | Nexia Edwards Marshall NT                             |
| Melbourne | Nexia Melbourne Audit Pty Ltd                         |
| Perth     | Nexia Perth Audit Services Pty Ltd                    |
| Sydney    | Nexia Sydney Partnership & Nexia Sydney Audit Pty Ltd |

## Nexia Perth

### Legal structure

Nexia Perth Pty Ltd (Nexia Perth) provides Audit, Tax Consulting, Corporate Finance and other Business Advisory Services to a varied client base through a number of wholly-owned legal entities. Audit and related assurance services are provided by Nexia Perth Audit Services Pty Ltd (NPAS), a company limited by shares and incorporated in Australia.

NPAS is an authorised audit company, regulated by the Australian Securities and Investments Commission (ASIC).

NPAS is managed by its partners, all of whom are Registered Company Auditors, experienced Chartered Accountants, and are Directors of Nexia Perth Pty Limited.

### Governance structure

Governance oversight of NPAS is undertaken by the partners who meet regularly to review the company's financial performance, regulatory compliance and to consider the actions required to maintain audit quality, operational performance and other assurance work performed.

Partners and staff of NPAS also actively participate in the management of Nexia Perth with particular responsibilities including quality control and technical representation on a number of Nexia Australia's committees.

NPAS has access to Nexia Perth's resources including administration and human resources. In addition, Nexia Australia's national technical resources provide support to NPAS in respect of audit, financial reporting, tax and certain quality control matters.

NPAS is subject to the same governance oversight by the partners and represents one division of the broader operations of Nexia Perth. Other Divisions include:

- Taxation Consulting;
- Taxation Compliance;
- Superannuation Services;
- Financial Services;
- Business Advisory; and
- Corporate Advisory.

## Nexia Sydney

### Legal structure

Nexia Sydney Group Pty Ltd is controlled by the equity partners of the Nexia Sydney Partnership. As at 30 June 2021 there were nineteen equity partners and eight non-equity partners.

Audits are conducted by both Nexia Sydney Partnership and Nexia Sydney Audit Pty Ltd (NSA). Nexia Sydney partnership is a general partnership owned by its equity partners. NSA is an authorised audit company, regulated by the Australian Securities and Investments Commission (ASIC) and controlled by its Audit Partners. The Directors of NSA are all Registered Company Auditors and experienced Chartered Accountants.

For the purpose of this Transparency Report, audits performed by Nexia Sydney Partnership and NSA have been treated collectively as both entities are subject to the same quality control and audit policies and processes.

Other separate legal entities wholly-owned by Nexia Sydney Group Pty Ltd provide accounting, business advisory and tax, superannuation, and other services to clients. All corporate entities are incorporated in Australia.



# Member Firms

## Nexia Sydney Group continued

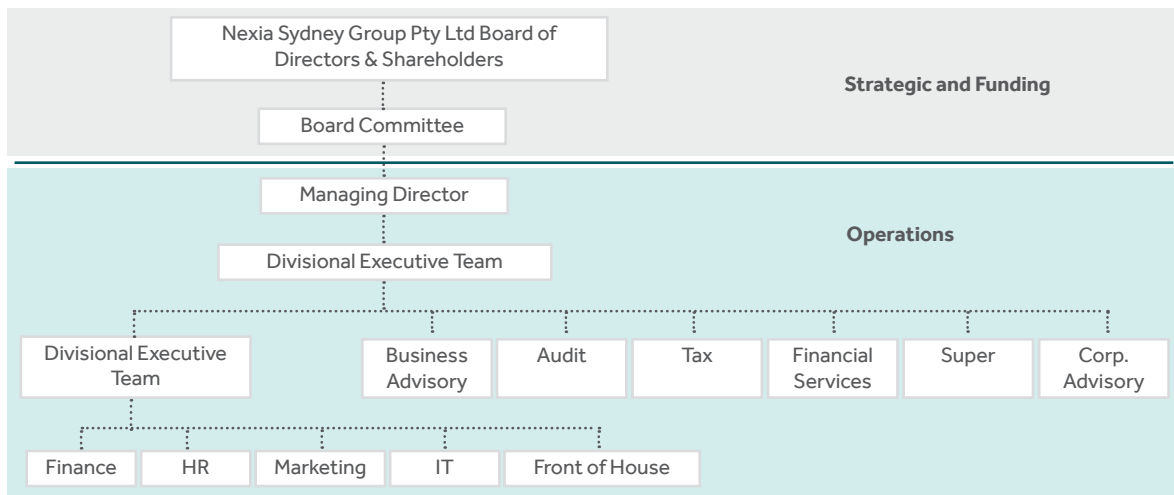
### Governance structure

The Partners are responsible for determining the firm's operating and reporting structure. In addition, the firm will designate from among themselves or other qualified staff, on an annual or other periodic basis, the person(s) responsible for leadership of various parts of the firm's operations. Partners meet every second month to consider all matters relating to the operations of the firm and to make strategic decisions in line with our vision and goals. The Partners meet twice a year to set goals.

Nexia Sydney is governed by its Board of Directors, which comprise the 27 Directors of Nexia Sydney Group Pty Ltd. The Board of Directors have delegated key decision making to a smaller elected Board Committee made up of a Chair and five members.

The Board Committee meets on a monthly basis and the full Board of Directors meets on a quarterly basis. The Board Committee oversees the budget and business planning process, as well as development of the strategy. The Board of Directors reviews and approves the Strategy and Business Plan.

Each Divisional Head forms part of the Divisional Executive Team of which the Managing Director oversees. The Divisional Executive Team meet on a monthly basis and report to the Board.



The Partners elect a Managing Director as the head representative of the firm.

The Managing Director is responsible for supervising the activities of the practice, as directed and authorised by the Partnership. This position also carries the responsibility for all matters relating to the scope and conduct of the professional practice and for practice development and public relations; and to relations with the accounting bodies and other professionals or groups.

The Managing Director maintains an ongoing dialogue with the wider firm through regular updates on strategy and development to all partners and staff as well as periodic engagement sessions, giving individuals at all levels the opportunity to raise questions and issues directly with the Managing Director.

In addition, the Partners appoint the Chair and the firm's Leadership Team.

The audit division is subject to the same governance oversight by the Partners and represents one division of the broader operations of the firm.

Other divisions include:

- Business Advisory;
- Corporate Advisory;
- Financial Services;
- Superannuation Services;
- Tax; and
- Operations.

## Other Member Firms<sup>1</sup>

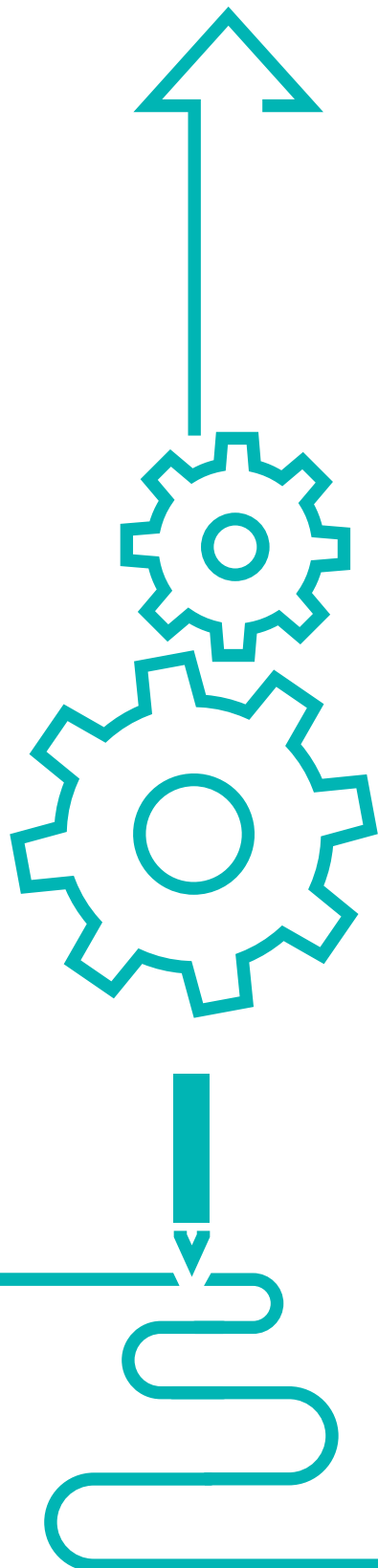
The remaining firms within the Nexia Australia network, being independently owned and operated, conduct their business through separate legal entities controlled by the Partners of the respective firms.

Those firms operate in a similar manner, whereby the Partners appoint a Managing Partner to lead that firm. The Partners of each firm are responsible for setting the goals and vision of each firm and in turn elect a management team to assist in its implementation and operations.

<sup>1</sup> Nexia Edwards Marshall, Nexia Canberra, Nexia Brisbane and Nexia Melbourne

# Internal Quality Control System

## SYSTEMS



### Leadership Responsibilities for Quality within the Firm

Nexia Australia has an overriding commitment to quality. It is the ultimate responsibility of the Managing Partner of each firm to ensure that the quality assurance policies and procedures as outlined in the firms' Quality Control Manual are adhered to. The firm's Partners decide on all key matters regarding the firm and its professional practice.

The Partners of each firm accept responsibility for leading and promoting a quality assurance culture within their firm and for providing and maintaining the Quality Control Manual and all other necessary practical aids and guidance to support engagement quality.

Nexia Australia recognises the importance of quality in performing all client engagements. The mandatory status of ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* and APES 320 *Quality Control for Firms* is acknowledged and each firm affirms their intention to operate in a climate of quality, complying with ASQC 1 and APES 320. Specifically:

- All Partners and staff are expected to maintain a high level of quality in all assigned tasks and be fully conversant with the requirements of APES 110;
- Partners acknowledge their responsibility for fostering and ensuring a culture of quality;
- Quality will not be compromised by commercial considerations on assignments;
- All staff members are required to consistently follow required procedures;
- Training and mentoring are recognised as key components to ensuring quality is maintained;
- Staff members are required to attend training relevant to their roles;
- Each firm devotes sufficient resources for the development, documentation and support of its quality control policies and procedures; and
- Staff members' annual performance reviews include an appraisal of their demonstrated commitment to quality and ethics, their level of continuing professional development, adherence to the policies and procedures of the firm and the level of competence of the team member.

# Internal Quality Control System

## Ethical Requirements

All Partners and staff of the firms of Nexia Australia are required to adhere to the fundamental principles of professional ethics as outlined in Chartered Accountants Australia & New Zealand's By-laws and Regulations, APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* and other standards issued by the Accounting Professional & Ethical Standards Board (APESB). All Partners and staff must maintain a high standard of personal conduct to avoid any possible damage to their personal reputation, Nexia Australia's reputation or that of the professional accounting body of which they are a member. All staff members are responsible for Nexia Australia's adherence to the ethical principles. If any staff members are concerned with a matter relating to non-adherence to Nexia Australia's ethical principles, they are encouraged to communicate these concerns to the Engagement Partner, Risk and Quality Control Partner or Managing Partner, as that staff member considers appropriate in the circumstances.

## Acceptance and Continuance of Client Relationships and Specific Engagements

Nexia Australia acknowledges that client integrity and the ability of each firm to conduct the engagement competently and ethically are essential components of Nexia Australia's quality control system.

Each firm and its Partners accept new engagements and client relationships only after the Engagement Partner, based on a review process conducted by the (prospective) engagement team, has approved the acceptance of the engagement, in accordance with the firms' policies and procedures.

All firms use established procedures to provide it with reasonable assurance that it identifies and assesses the potential sources of risk associated with a new client relationship or a specific engagement. Each firm will only tender for or accept new clients after assessing the acceptability of the client. The factors the firm will take into account include:

- the actual and/or perceived integrity of the client;
- the cultural fit of the client within the firm's practice areas;
- the competence and capability of the firm to complete the engagement within the required timeframe; and
- ethical issues, with particular reference to any perceived independence and conflict of interest threats.

## Human Resources

Human Resources is recognised as a critical success area for each of the firms. Accordingly, all Partners accept the ultimate responsibility for the quality of the work performed by personnel of the firm so as to be able to issue reports that are appropriate in the circumstances. Management of, and communication with, staff members is one of the major roles of Partners.

On an ongoing basis, each firm monitors their needs to ensure that the level of staff enables them to maintain current client levels and anticipated growth, turnover of personnel and retirements.

An appropriate Partner or dedicated Human Resources Professional / Manager is allocated responsibility for all human resource issues. Human Resources leaders have the responsibility for:

- maintenance of human resource policies;
- identifying required policy changes resulting from labour laws and regulations, and to remain competitive in the marketplace;
- providing guidance and consultation on human resource related matters;
- maintenance of performance evaluation appraisal systems;
- as requested, recommending specific actions or procedures appropriate to the circumstance (that is, discipline, recruitment);
- scheduling of in-house professional development;
- maintenance of personnel files (including annual declarations of independence, acknowledgement of confidentiality, and continuing professional development reports); and
- development and delivery of induction training.

The Partners of each firm monitor the effectiveness of the recruitment program to ensure that the policies and procedures are being followed and that personnel needs are being met.

All firms are committed to ethical principles. Accordingly, adherence to ethical principles is an important component of all Human Resources procedures, including performance evaluation, promotion, and remuneration. Any personnel not adhering to the ethical principles will be counselled and where appropriate may be subject to disciplinary action.

# Internal Quality Control System

## Engagement Performance

Through established policies and procedures and its quality control system, Nexia Australia requires that engagements be performed according to professional standards and applicable regulatory and legal requirements. Nexia Australia's overall systems are designed to provide reasonable assurance that the firm and its Partners and staff adequately and properly plan, supervise, and review engagements and produce engagement reports that are appropriate in the circumstances.

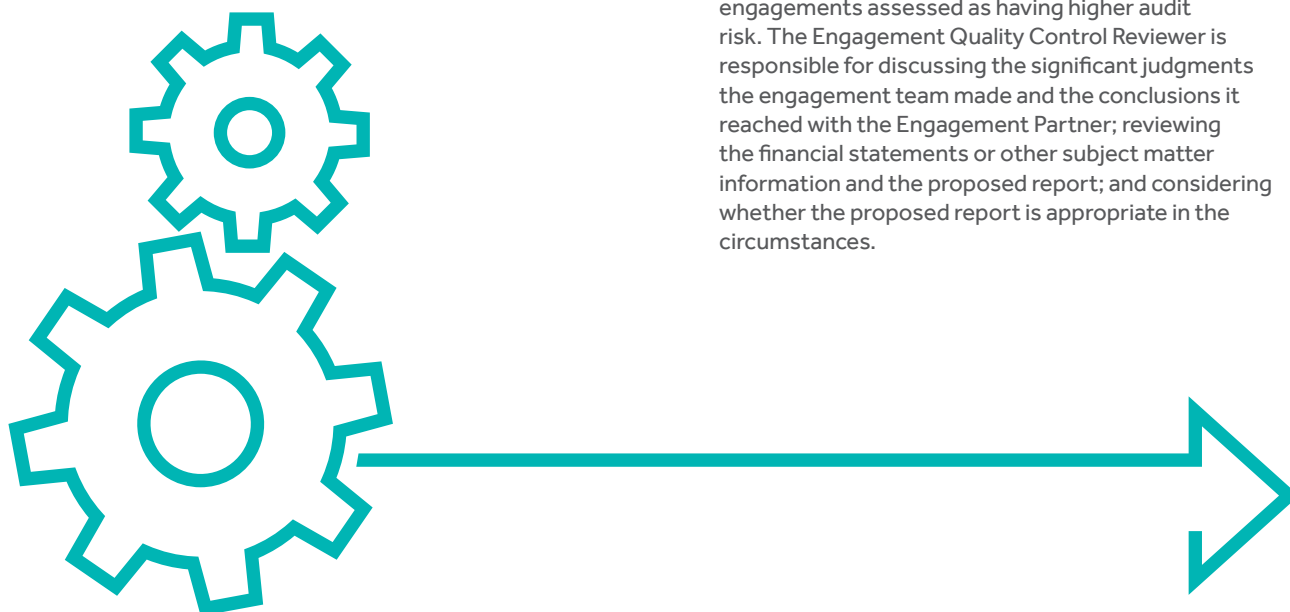
To help ensure that Partner and staff performance on engagements is consistent and accords with professional standards and regulatory and legal requirements, Nexia Australia provides sample working paper templates for documenting the engagement process for clients. These templates are updated as required to reflect any changes in professional standards. Staff use these templates to document key facts, risks, and assessments related to acceptance or continuation of each engagement. Staff are encouraged to exercise professional judgment when modifying such templates to ensure that such matters are appropriately documented and assessed for each engagement in accordance with professional standards and each firm's policies.

Also available are research tools and reference materials; a quality control system and manual; appropriate industry standard software tools, including data and system access security; and guidance, training, and education policies and programs, including support for compliance with the professional development requirements of the accounting bodies in Australia.

When performing any engagement, all Partners and staff are required to:

- follow and adhere to their firm's planning, supervision, and review policies;
- use the firm's templates for file preparation, documentation, and correspondence, as well as its software, research tools, and the signing and release procedures appropriate for the engagement;
- follow and adhere to the ethical policies of the profession and the firm;
- perform their work to professional and firm standards with due care and attention;
- document their work, analysis, consultations, and conclusions sufficiently and appropriately;
- complete their work with objectivity and appropriate independence, on a timely and efficient basis, and document the work in an organised, systematic, complete, and legible manner;
- ensure that appropriate consultations on difficult or contentious matters are undertaken and documented;
- ensure that appropriate client communications, representations, reviews, and responsibilities are clearly established and documented; and
- ensure that the engagement report reflects the work performed and its intended purpose and is issued soon after the fieldwork is complete.

In addition to the engagement partner, an Engagement Quality Control Reviewer is appointed to audits of public interest entities and other audit engagements assessed as having higher audit risk. The Engagement Quality Control Reviewer is responsible for discussing the significant judgments the engagement team made and the conclusions it reached with the Engagement Partner; reviewing the financial statements or other subject matter information and the proposed report; and considering whether the proposed report is appropriate in the circumstances.



# Internal Quality Control System

## Engagement Quality Review Process

Monitoring consists primarily of determining — through interviews and file inspections — whether, and to what extent, this control system is operating effectively. It also includes developing recommendations to improve the system, especially if weaknesses are detected or if professional standards and practices have changed. The overall objective of the monitoring process is to help improve the quality of engagements and in doing so, aims to enhance the credibility and integrity of Nexia Australia's brand.

Nexia Australia relies on every Partner and staff member at all levels to informally monitor and enforce quality, ethics, and professional and firm standards. This monitoring shall be inherent in every aspect of professional work. Partners and staff who are in a position to make decisions or oversee the work of others have a greater level of responsibility.

Nexia Australia will also consider any feedback received from the Chartered Accountants Australia and New Zealand's (CA ANZ) and the Australian Securities and Investment Commission's (ASIC) practice inspection and licensing regime. However, this is not a substitute for the firm's own internal monitoring program. The Nexia International Technical Director may also elect to review the firm's quality control policies and procedures. Each firm is supportive of the reviews undertaken by Nexia International, the professional accounting bodies, the regulator and the National Accounting & Audit Technical Director's internal monitoring program.

The purpose of the monitoring program is to assist the firm in obtaining reasonable assurance that its policies and procedures relating to the system of quality control are relevant and operating effectively. The program shall also help ensure compliance with practice and regulatory review requirements.

The Nexia Australia Risk and Quality Control Committee has implemented monitoring and inspection processes to ensure selected engagements comply with applicable professional standards and legal obligations.

The system has been designed to provide Nexia Australia with reasonable assurance that significant and systemic breaches of policy and quality control are unlikely to occur or go undetected.

All Partners and staff must co-operate with the Reviewer, recognising that this individual is an essential part of the quality control system. Support for the process by Partners and Managers and constructively addressing Reviewers' comments and findings is of particular importance.

Nexia Australia conducts compliance monitoring on a selection of individual engagements. The internal monitoring program aims to select one or more completed and released engagements for each Engagement Partner at each inspection such that each Partner's files are selected on at least a cyclical basis. The inspection cycle spans a two-year period.

## Risk and Quality Control Committee

The Nexia Australia member firms have established a Risk and Quality Control Committee, which includes representatives of all Nexia Australia member firms and representatives of all divisions within Nexia Australia member firms. The responsibilities of this Committee include:

- developing, and annually updating, the Nexia Australia Quality Control Manual; and
- monitoring compliance with the approved Nexia Australia Quality Control Manual.

The monitoring process consists of three parts, namely:

- risk management and quality control for firms, including independence policies and procedures, as outlined in the Nexia Australia Risk Management Framework and the Nexia Australia Quality Control Manual;
- quality control at the audit and assurance engagement level; and
- quality control at the non-assurance engagement level.

## Access to technical support and consultations

The Nexia Australia Accounting & Audit Technical Director and Technical Manager are employed by Nexia Australia and report to the National Audit Committee and the Nexia Australia Board, thereby maintaining independence from individual offices. The Technical Director is not only responsible for maintaining Nexia's Quality Control and monitoring processes, but also provides a senior and experienced resource for technical consultations by member firms. The Nexia Quality Control Manual details the firm's consultation policies and dispute resolution mechanism, should differences of opinion arise.

# Independence

Nexia takes its responsibilities regarding independence seriously. Partners and staff are reminded of the need to maintain independence throughout the engagement period for all assurance engagements, as set forth in and by:

- APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*
- the *Corporations Act 2001*
- ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and other Financial Information, and other Assurance Engagements*
- ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information.*

Nexia Australia and each of the firms are responsible for the implementation, monitoring, and enforcement of policies and procedures designed to assist all Partners and staff in understanding, identifying, documenting, and managing independence threats and for the resolution of independence issues that arise prior to or during engagements.

All Partners and staff are required to review their specific circumstances for any independence threats or potential independence threats, and to inform the Firm Risk Manager of any such threats identified. Audit partners and staff are responsible for reporting potential threats to independence and conflicts of interest by:

- Completing engagement independence confirmations prior to the commencement, and immediately before completion, of assurance engagements;
- responding to conflict and independence check communications from the Firm Risk Manager;
- ensuring that all relationships and interests with audit and other assurance clients in their office have been provided to the Firm Risk Manager for recording in the independence registers; and
- completing annual independence declarations.

If threats to independence cannot be eliminated or reduced to an acceptable level by applying appropriate safeguards, each firm shall eliminate the activity, interest, or relationship that is creating the threat, or refuse to accept or continue the engagement (where withdrawal is not prohibited by law or regulation). Instances of non-compliance with the independence requirements shall be reported to the Risk and Quality Control Partner.

All partners and staff within the Nexia Australia network complete an annual independence declaration. The most recent internal monitoring of network-wide independence compliance was conducted as at 30 June 2021.

## Independence Partner

The Independence Partner at each firm is the person delegated by the Managing Partner and/or firm Partners to be responsible for the independence processes and procedures with respect to:

- independence for assurance engagements; and
- conflict of interest for all engagements.

The Independence Partner is required to be consulted and respond to all matters related to ethics, including independence, conflict of interest, and privacy and confidentiality. The Independence Partner is responsible for, and must ensure an appropriate resolution of, independence threats that the Engagement Partner has not adequately resolved or reduced to an acceptable level.

The Independence Partner is also responsible for ensuring that the Firm Risk Manager has performed all independence procedures required by the firm.

# Continuing Professional Education

Our Partners and staff are our greatest assets, and we are a 'learning organisation', so continued professional education is actively encouraged.

## Professional Accounting Bodies

All Partners and staff members who are members of professional accounting bodies are required and supported to meet the training and development requirements of their professional bodies. Qualified staff are required to complete a minimum of 90 hours of formal training and up to 30 hours of non-structured training over a three year period, with at least 20 hours completed annually. Each firm monitors and reviews compliance with the relevant minimum professional education requirements.

## Learning and Development Framework

A national Learning and Development Framework has been designed to outline skills, knowledge and competencies required for staff to perform their role effectively for their experience level.

The framework covers seven key excellence competencies which Nexia believes are fundamental skills and behaviours staff should demonstrate. They are client excellence, self-development, achieving results, solution solving, team engagement, leadership and business growth.

The skills and behaviours that staff develop within the framework can form part of the structure for performance review discussions and can be used to set goals and objectives. The framework outlines the appropriate learning and development that Nexia provides both internally and externally for the 7 key excellence competencies. Each competency has an outcome.

## Study Policy

All firms support the undertaking of both the CA and CPA study programs for staff. Whilst we do not insist on the successful completion of either of these qualification programs as a pre-requisite for ongoing employment, we encourage their completion as they provide further professional development for the participant and we believe they are essential qualifications to hold for long-term career advancement.

We also support any employee who wishes to undertake any course of study that will provide them with knowledge and experience that will benefit them and us.

In addition, we support the completion of part-time studies by staff members for a degree, post-graduate degree course or MBA etc., by allowing flexibility in work hours to accommodate lecture times, study, exams, and also by way of assistance with fees. The nature and type of support is determined on a case by case basis.

## Structured In-house Training

The following encapsulates technical training, management training, independence training and mentoring for all professional and administration staff.

For all new audit staff there is an orientation program covering the firm's audit approach, tools, policies and procedures. Lateral hires receive similar training appropriate to their role and level of experience. The firm supports a mentoring program where junior audit staff are allocated a mentor to assist in their technical, professional and career development.

Technical training is provided through a mixture of webinar and in-house sessions delivered by Partners, the Accounting and Audit Technical Director and senior staff and, where appropriate, sessions delivered by external presenters. All audit staff, including partners and managers, are required to attend our national Audit Conference during which technical training on accounting, audit and quality is delivered. In addition, member firms are able to participate in the Australasian CA Training Group which provides audit, business services and supervisory and management skills training courses. Technical training courses are complemented by on-the-job coaching and mentoring by managers and partners, which provides invaluable learning to junior staff.

Independence and other quality control training is provided to Partners and staff annually.

## Unstructured Training

As part of Nexia Australia's commitment to staff development, we offer training to help staff achieve professional and personal growth and greater job satisfaction. The firm provides unstructured training to staff through a number of different avenues:

- periodic peer group meetings take place that contain an element of training;
- coaching and on-the-job training occurs while gaining experience from completing work; and
- practical issues identified while completing assignments are incorporated into on-the-job training.

## External Courses and Seminars

As part of our performance appraisal process, we evaluate the training and development needs of all Partners and staff and encourage professional staff to attend approved external courses if their training and development needs are not addressed in our in-house training courses.

# External Monitoring

The firms of Nexia Australia are subject to a program of scheduled internal and external monitoring of audit quality and independence compliance. Each firm is subject to an internal monitoring program, co-ordinated by the Risk and Quality Control Committee and led by the Nexia Australia Accounting & Audit Technical Director, at least annually.

The following table outlines the external monitoring inspections under Australia's co-regulatory framework of the firms required to report in this Transparency Report.

| Firm         | Date of Last Inspection                                 |   |
|--------------|---|---|
|              | Australian Securities and Investments Commission (ASIC) | Chartered Accountants Australia and New Zealand |
| Nexia Perth  | 2016  | 2011  |
| Nexia Sydney | 2019-2020   | 2021  |

Regular external monitoring of audit quality is required by legislation and professional requirements. Other than as described in this Transparency Report, users of this Report should not make any assumptions about the scope of, or findings from, any external inspections.

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## Statement of Effectiveness of Internal Quality Control System

Nexia Australia's systems of quality controls are designed to provide reasonable assurance that audit engagements comply with Australian Auditing and Assurance Standards, relevant ethical requirements, and applicable legal and regulatory requirements. The Nexia Australia Board considers the appropriateness and effectiveness of the internal quality control policies and procedures in place based on information provided to it including the findings from quality monitoring reviews and external reviews. Those programs provide evidence of our compliance with the application of Nexia's policies and methodologies, as well as areas for improvement where consistent application is not achieved.

Whilst recognising that no system of internal control can provide an absolute guarantee, the results of those monitoring programs provides the Board with a reasonable basis to conclude that, overall, our systems of quality control are operating effectively.



**Mal Di Giulio**  
National Chair

25 October 2021



# Audit Clients

The following is a list of the Relevant Entities for which we conduct an audit.

## Nexia Perth

### Listed Companies

- Ardiden Limited
- Conico Limited
- Dreadnought Resources Limited
- Eden Innovations Limited
- Matsa Resources Limited
- Nexus Minerals Limited
- Northern Minerals Limited
- Strategic Elements Limited
- Tasman Resources Limited
- Tennant Minerals NL
- Weebit Nano Limited

## Nexia Sydney

### Listed Companies

- ASF Group Limited
- BOD Australia Limited
- Cann Global Limited
- Cipherpoint Limited
- Cobalt Blue Holdings Limited
- Cyclopharm Limited
- Empire Energy Group Limited
- IMEXHS Limited
- Kyckr Limited
- Latrobe Magnesium Limited
- Propel Funeral Partners Limited
- Raptis Group Limited
- Vita Life Sciences Limited

## Other Member Firms<sup>3</sup>

### Listed Companies

- Activex Ltd
- Australian Adventure Tourism Group Limited
- Australian Dairy Nutritionals Limited
- ChongHerr Investments Limited
- Compumedics Limited
- Cremorne Capital Limited - Lowell Resources Fund
- EQ Resources Limited
- Macarthur Minerals Limited
- Mithril Resources Limited
- Multistack International Limited
- RPM Automotive Group Limited
- Sayona Limited
- Sietel Limited
- Westar Resources Limited

### Entities Regulated by APRA

- KeyInvest Limited

<sup>3</sup> - Nexia Edwards Marshall, Nexia Canberra, Nexia Brisbane and Nexia Melbourne

# Financial Information

## Financial information – year ended 30 June 2021

| Description   | Nexia Perth<br>\$m | Nexia Sydney<br>\$m | Other Member<br>Firms \$m | Nexia Australia<br>\$m |
|---|--------------------|---------------------|---------------------------|------------------------|
| Revenue relating to audits of financial statements          | 1.7                | 11.6                | 10.9                      | 24.2                   |
| Revenue relating to non-audit services to audit clients     | 0.6                | 7.3                 | 3.7                       | 11.6                   |
| Revenue relating to non-audit services to non-audit clients | 11.7               | 22.5                | 28.7                      | 62.9                   |
| Total   | 14.0               | 41.4                | 43.3                      | 98.7                   |

## Other information – as at 30 June 2021

| Firm<br>(number)  | Nexia<br>Perth | Nexia<br>Sydney | Other Member<br>Firms | Nexia<br>Australia |
|---|----------------|-----------------|-----------------------|--------------------|
| Number of Partners  | 12             | 27              | 38                    | 77                 |
| Number of Professional Staff<br>(full time equivalents)     | 69             | 132             | 218                   | 419                |
| Number of Non-professional<br>Staff (full time equivalents) | 11             | 34              | 44                    | 89                 |
| Total   | 92             | 193             | 300                   | 585                |

# Basis of Remuneration

## Nexia Perth

The basis for remuneration of the authorised audit company's Partners are as follows:

- Those audit Partners that hold an equity interest in Nexia Perth receive a market-based salary, together with a share of Nexia Perth's profit from all divisions which is distributed on a percentage of equity held.
- Those audit Partners that do not hold an equity interest in Nexia Perth receive a market-based salary only.

## Nexia Sydney

Profits of the firm are shared based on the equity share held by each Partner. Nexia Sydney is an equal remuneration partnership and therefore all Partners receive the same profit share once they achieve equity equality.

Bonuses, commissions or other performance adjustments are not paid to any Partner.

Because Nexia Sydney is an equal partnership, there is no benefit derived by a Partner to simply retain a client on their client list where the engagement could be better delivered by another specifically experienced partner with better skills and experience. Nexia aims to ensure every client receives the highest quality services from the most appropriate Partner.



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