



# Transparency Report

For the year ended 30 June 2023

Propel your future



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**A global community  
where dynamic business  
advisors can belong, grow  
and thrive.**

Together, we create powerful opportunities to propel the success of our clients, our people, and our communities.



**Bob Bell**  
Managing Director  
bbell@pkf.com.au

## Foreword

**We are pleased to present our Transparency Report for the year ended 30 June 2023.**

This report provides information on PKF Newcastle & Sydney and our relationship with network firms in the PKF Australia and International Network. It is designed to give information to existing and potential clients, as well as other key stakeholders, on the ownership and governance of the Firm and the measures we take to maintain high quality standards.

Audit and related services are an important part of our business and we welcome the requirement to publish this transparency report. Quality is a key pillar of our organisation, underpinned by a commitment from all team members to continuous improvement and recognition that quality is both about service and our compliance with the regulatory requirements.

Our approach to training, process change, peer review and adoption of technology all serves towards this ethos of continuous improvement that clients understand and are able to work with in the interests of all stakeholders.

# Legal structure and ownership

PKF Newcastle & Sydney (the Firm) is a group of partnerships, companies and trusts owned by its equity partners and related entities and governed by a Shareholders Agreement and Audit Partnership Agreement.

As at 30 June 2023, there were fourteen equity partners in the Firm's head entity.

The Firm operates from the following two offices in New South Wales:

- Level 8, 1 O'Connell Street Sydney; and
- 755 Hunter Street Newcastle West.

## The Firm offers a range of services comprising:



Audit and Assurance



Corporate Finance



Business Advisory



Taxation



Business Recovery and Insolvency



Wealth Creation

The PKF Newcastle & Sydney Audit division is operated as a separate partnership, PKF (NS) Audit & Assurance Limited Partnership ("PKF(NS) A&A" or "Partnership"). As at 30 June 2023, PKF(NS) A&A had five equity partners and is governed by its own partnership agreement.

In the year ended 30 June 2023, the PKF NS Administration Services P/L ATFT New Horizons Unit Trust was utilised by the Partnership as its administration vehicle. All employees who provide assurance services are employed by PKF(NS) A&A.

# Governance

The Firm is managed by its equity partners and includes a Managing Director who is elected by the partners. The partners meet regularly throughout the year, to discuss various operational and strategic matters.

The equity partners also meet periodically to discuss matters that arise which need to be urgently addressed. As at 30 June 2023, the equity partners and their business units are as follows:



# National network

PKF Newcastle & Sydney is a member firm of the PKF International Network, admitted under an individual Operating Licence Agreement.

The fifteen PKF firms in Australia are located in Newcastle, Sydney, Adelaide, Brisbane, Canberra, Gold Coast, Hobart, Melbourne, Perth, Port Stephens, Rockhampton, Tamworth, Townsville, Upper Hunter, and Walcha.

All PKF firms within Australia have signed a Members' Agreement with PKF Australia Limited (PKFA).

PKFA is governed by a board of directors, consisting of a partner representative from each of the PKF firms in Australia (excluding any correspondent members).

## Currently, the members of the Board are:

Adelaide	Antoniette Tatarelli Nicole Peterson
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Brisbane	Liam Murphy Sara Crevillen
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Canberra	George Diamond
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Gold Coast	Matthew Butler
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Hobart	Daniel Rands
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Melbourne	Timothy Bow Jason Stone
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Newcastle/Sydney	Bob Bell Clayton Hickey
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Perth	Chris Roos Darren Shillington
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Tamworth	Brian Wall
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Steve Meyn (Chair)

Peter Cannan (CEO)

The Board meets face-to-face at a minimum three times per year and conducts monthly teleconferences. The Board is responsible for protecting the interests and reputation of the members of PKFA, and for the oversight of the management and operations of the national network from a strategic level. The functions and powers of PKFA are specified within the Members Agreement. To assist the Board in performing these functions and powers, the following sub-committees have been established and the various functions and powers delegated:



**Audit and Assurance**



**Business Advisory**



**Business Recovery & Insolvency**



**Corporate Finance**



**Information Technology**



**Marketing**



**Taxation**



**Wealth Management**

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

The PKF Australia Chairman also attends sub-committee meetings.

# International network

The Firm is a member firm of the PKF International Limited (PKFIL) network of separately owned firms. Globally, PKF consists of 530+ offices worldwide, operating in 150 countries, across five regions.

The Firm does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms within PKFIL. PKF Newcastle & Sydney is a separate legal entity to all other PKFIL network firms and accordingly is not responsible for the decisions and actions made by other PKF network firms.

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

**50**

years' experience in Australia

**15**

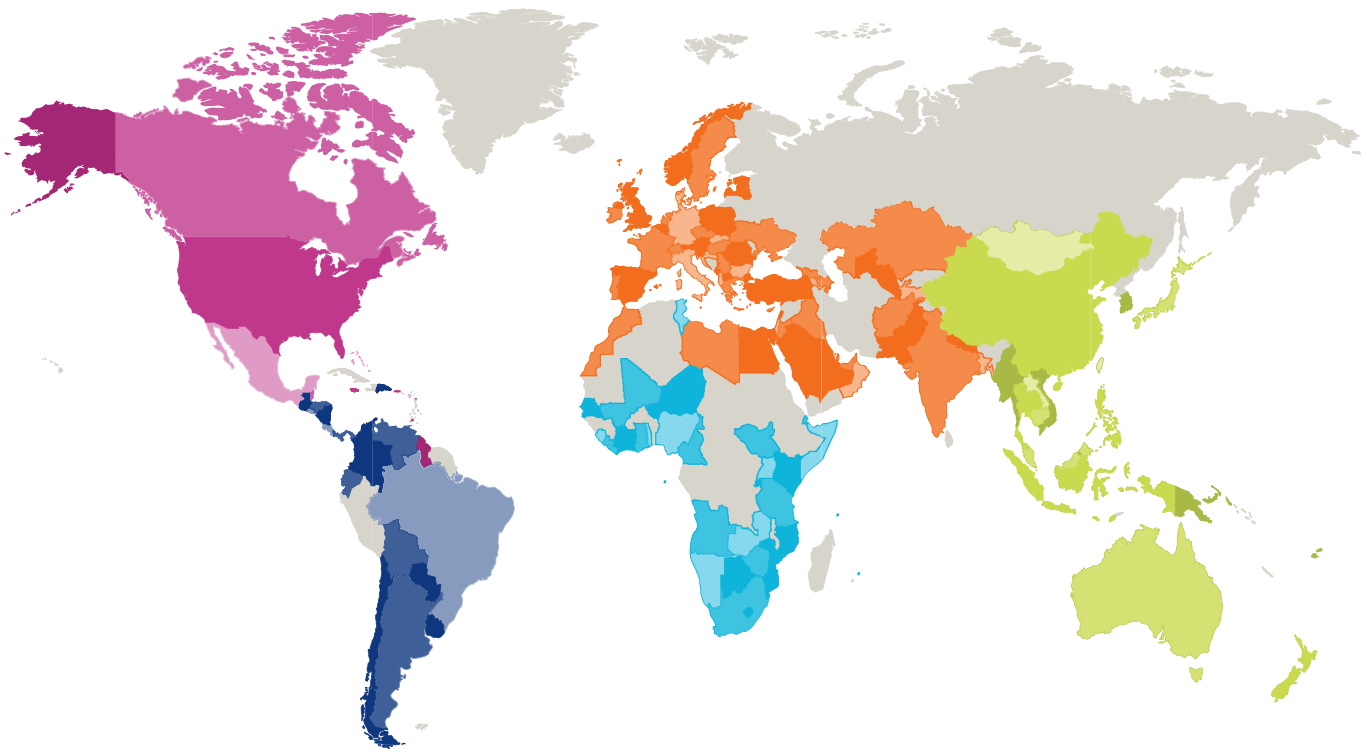
offices across Australia

**10<sup>th</sup>**

largest accountancy network in Australia

**800**

people in Australia







PKFIL is a company registered in England and limited by guarantee (registered number 03816253). The Company's Articles of Association require a Board of Directors who conducts the business of the Company. The Board authorises recruitment of PKFIL's staff, authorises a number of international committees, divides the member firms into geographical regions, and sets an annual licence fee for the member firms within the network.

Each licensee is separately owned. Contractual relations are only formed between a client and the member firm engaged by the client and no other member firm may be held liable. PKFIL has no financial or management interest in any member firm.

None of the directors of PKFIL has a financial or management interest in any member firm other than his or her own.

The PKFIL Board comprises at least one member from each geographical region and each region has a Board.

There are two international committees responsible for professional and practice standards being:

- **International Professional Standards Committee (including Assurance)** - this establishes the minimum professional standards to be met by member firms and conducts a global quality review programme. It also promotes audit materials and capabilities as well as organising audit and accounting events.
- **International Tax Committee** - this promotes the development of tax capabilities on a global basis and organises tax events.

A number of additional practice area committees operate regionally and internationally.

Details of member firms are set out in the PKFIL directory and on the website [www.pkf.com](http://www.pkf.com).

# System of quality management

PKF Newcastle & Sydney, together with the PKF International Network, has comprehensively reviewed and updated the firm's system of quality management (SOQM) to respond to the requirements of the new Australian Standard of Quality Management (ASQM 1) which came into effect on 15 December 2022.

ASQM 1 applies to firms who perform audits, reviews of financial statements and other assurance/related service engagements. The standard requires the firm to design, implement and operate a SOQM which covers all aspect of the work of the firm.

Responsibility and accountability for the effective operation of the SOQM lies with the Managing Director (Bob Bell) and the Audit Partners. The Firms Risk Committee has Operational Responsibility, including Monitoring, Independence and administrative responsibility for the SOQM.

The firm developed its SOQM through a series of workshops involving subject matter experts to identify the quality objectives, the quality risks and responses to those risks to ensure it provides reasonable assurance to meet the requirements of ASQM 1.

The fundamental response to the quality risks lies within the firm's policies and procedures which are set out in Firm's Quality Control Manual (QCM).

ASQM 1 requires that an annual evaluation of the SOQM is undertaken. The first such review is being completed by the Firm and the results will be shared in the next Transparency Report.

The Firm's system of internal quality control and how it complies with the requirements are detailed below.

## 1. Leadership responsibilities

The overall responsibility for the Firm's SOQM accepted by Bob Bell (Managing Director) and the Audit Partners of PKF Newcastle & Sydney. Each Partner has an overriding commitment to quality, however day-to-day responsibility has been assigned to a specific Partner. The Firm has documented the above SOQM within the Firm's Quality Control Manual. This document sets out various policies and procedures that reflect the ASQM 1 requirements. The Partners reinforce their commitment to quality, and an annual review of these policies and procedures is performed and updated, when required.

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

- All team members are expected to maintain the tone of a high level of quality through the application to their various assigned tasks.
- Quality will not be comprised on assignments.
- Procedures and processes will be consistently followed by all team members.



- Team members' annual performance reviews include an assessment on their commitment to quality.
- Ongoing training is provided to ensure quality is maintained.
- Team members are encouraged to participate and actively attend training sessions internally and externally.

## 2. Ethical requirements

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

- Adherence to the ICAA's Code of Ethics and Professional Standards issued by the Accounting Professional & Ethical Standards Board (APESB) takes precedence over commercial considerations.
- Before accepting any new work assignments from either new or existing clients, partners and staff must take reasonable steps to identify circumstances that could pose a conflict of interest both within the Firm and the PKF network.
- Conflict of interest checks within the PKF network must include a review of the PKFI Transnational Entities database to establish if any network firm has an existing relationship with the new or existing clients.
- Partners and managers are required to keep independence issues under constant review and, in respect of audit assignments, reconfirm the Firm's independence having regard to the APESB Code of Ethics and Professional Standards, prior to the commencement of every audit.
- All members of the Firm are required to complete an annual declaration of their independence, freedom from conflicts of interest and that they hold no prohibited investments.
- Partners of network firms are required to complete a prohibited securities declaration annually.

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

## 3. Acceptance and continuance of client relationships and specific engagements

The Firm has detailed procedures covering the acceptance and continuance of client relationships and new specific engagements. This includes conducting an independence check throughout the PKF Australia network for all public interest entity (PIE) tenders and proposed appointments.

For all PIEs, a comprehensive client acceptance form must be completed prior to acceptance of an appointment.

This requires identification of the prospective client, an assessment of the Firm's independence and freedom from conflicts of interest, and an assessment of whether the Firm has the requisite skills and resources to carry out the engagement and an assessment of the risk the prospective client would present to the Firm.

Conflict of interest checks are completed prior to preparing a proposal for a potential new client or before agreement for the provision of a new service to an existing client. The checks include a consideration of whether the entity is a transnational entity, a public interest entity or a listed entity. Transnational entities are those entities whose financial statements may be relied upon outside the audited entity's home jurisdiction for the purposes of significant lending, investment or regulatory decisions. A database of such entities is maintained by PKFI to enable identification of those entities where another network member firm provides services to that entity.

Upon acceptance of a new client or a specific engagement from an existing client, the Firm issues a detailed engagement letter for agreement by the client. This includes the nature of the assignment and the Firm's standard terms of business.

## 4. Resources

The Firm has established policies and procedures to ensure that its people are equipped with the required technical skills, commitment to client service and high professional and ethical standards, covering objectivity, integrity and independence.

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

The Firm develops the capabilities and competence of its staff through a variety of methods. Formal training courses are developed internally or are sourced from reputable professional educators including but not limited to the Institute of Chartered Accountants Australia and New Zealand (CAANZ), and GAAP Consulting. Formal courses may take the form of group conferences, webinars, workshops or seminars.

We expect, as a minimum, that personnel meet the professional development requirements of the CAA NZ. A summary of these requirements is as follows:

- The undertaking of CPE to achieve a minimum of 120 CPE hours over a three-year period.
- At least 20 hours must be completed annually.
- Over the three-year period, a maximum of 30 hours technical reading may be claimed as CPE.
- Professional staff are expected and encouraged to take personal responsibility for maintaining their skills and knowledge by monitoring relevant professional developments.

The Firm sends regular Client Alerts on legislative changes. The Firm also provides:

- A technical library, including online resources available via the Firm's website.
- Manuals setting out the Firm's procedures for all audit and assurance engagements as well as other services provided by the Firm.
- Subscriptions to a number of technical updates emailed by various bodies including CAANZ and the Taxation Institute of Australia.
- Half-yearly and externally-provided training for staff and partners dealing with current developments, (new legislation, accounting and auditing standards).
- Ad hoc internal and external training to meet specific needs.

The progress of students studying for their professional qualification with CAANZ and other bodies (for example, the Taxation Institute of Australia) is carefully monitored, with each student being closely supported.

Audit partners also satisfy ASIC's registered company auditor requirements.

## 5. Engagement performance

The Firm's procedures for engagements are set out in the Firm's quality control manual. In respect of audit and assurance engagements the Firm uses a mixture of proprietary audit and developed programs. Internationally recognised audit software, Caseware, is used to ensure audit engagements comply with Australian Auditing Standards and Ethical Requirements.

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

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

- All team members have direct access to Partners.
- In-charge auditors meeting with Partners for one-on-one consultations.

Partners and managers are constantly monitoring actual WIP compared to the time budgets agreed within planning.

## 6. Monitoring

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

Engagement Quality Reviews (EQR) are required on all public listed and disclosing entity client audits. An EQR must be performed by a registered company auditor, either from within the Firm or one of the PKF network firms.



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

# Independence procedures and practices

The Firm's Quality Control Manual sets out the independence and ethical requirements and procedures in relation to audits.

This reflects and satisfies the requirements of the APESB's Code of Ethics and Professional Standards and an exercise has been carried out to map the manual against these requirements.

The audit software, Caseware, also has comprehensive programs and directions in relation to independence. The Firm's procedures cover:

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

## Integrity, objectivity and independence

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

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

Governance is further managed by regular partner meetings.

## Financial, business, employment and personal relationships

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

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

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

## Long association with the audit engagement

In the case of listed companies the Partners must rotate from the audit after five years.

A rotation database is maintained holding a record of every public interest entity client. The database is reviewed by the audit partners on a regular basis.

## Fees, remuneration and elevation, policies, gifts and hospitality

The Firm's policies specifically prohibit partners and staff from receiving incentives or rewards for selling non-audit services to audit-clients.

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

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

### Non-audit services

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

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

### Documentation

Ethical and independence considerations are documented at the following stages:

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

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

A prescribed list is maintained of all entities where investment is prohibited because of client relationships. This list is accessible to all staff and is applicable across the PKF Network.

### Conflicts of interest

The Firm's system for identifying conflicts of interest is built around internal database searches and e-mail notifications of potential engagements to all Partners and staff.

Procedures for dealing with actual and potential conflicts are set out in the Quality Control Guide and the PKF International Professional Standards Manual, and include notifications of potential conflicts to interested parties, establishing safeguards, and not proceeding with the potential engagement.

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

### Monitoring and review

Procedures are in place to monitor compliance with the Firm's independence requirements. As part of their review procedures, the Managing Director reviews and checks compliance with the Firm's independence procedures. The audit quality assurance programme considers adherence to the Firm's ethical and independence requirements on each engagement selected for review. Additionally an annual declaration is made by every partner and member of staff confirming compliance with all ethical and independence requirements.

During the 2023 year, the Firm carried out a review of its independence procedures with satisfactory results.



# External audit monitoring

PKF (NS) A&A during the year ended 30 June 2023 comprised the following significant principals:

## Equity Partners

Clayton Hickey  
Registered company auditor, FCA

Martin Matthews  
Registered company auditor, FCA

Kym Reilly  
Registered company auditor, CA

Paul Pearman  
Registered company auditor, CA

Scott Tobutt  
Registered company auditor, CA

## Salary Partner

James Lee  
CA

As a member of the PKF Network, the Firm is subject to audit engagement review by an independent PKF peer reviewer on an annual basis. The Firm is also subject to an overall quality peer review on a bi-annual basis.

## Partner remuneration

Equity Partners are remunerated out of the profits of the Firm receiving percentage share of the profits based on equity holdings, which are drawn down as available.

Salary Partners are remunerated based on a fixed salary and other incentives.

Having regard to auditor independence, partners are not incentivised to gain non-audit work from audit clients.

## Financial information

	Year ended 30 June 2023 \$000s
Total PKF NS Fees	\$54,154
PKF(NS) A&A fees	\$17,739
PKF(NS) A&A External audit fees	\$13,682
Fees for non-audit services to financial statement audit clients	\$4,356

The Firm is regulated in the conduct of its services by:

- The Chartered Accountants Australia and New Zealand (CAANZ). The Firm is subject to periodic audit and whole firm practice assurance reviews, the last of which was carried out in 2020.
- The Australian Securities and Investments Commission (ASIC). ASIC performed a detailed review on a significant listed client's file and the Firm's quality systems for the year ended 30 June 2021 in May 2022.



# Public interest entities audited by the Firm

The following is a list of public interest entities which we were appointed as external auditors during the year ended 30 June 2023:

1st Group Limited

Alloggio Group Limited

Camplify Holdings Limited

Cessnock District Health Fund Limited

Cleanspace Holdings Limited

Dawney & Co Limited

Fat Prophets Global Contrarian Fund

Fat Prophets Global Property Fund

Florin Mining Investment Company Limited

GreenHy2 Limited

Horizon Credit Union Limited

Ignite Limited

Illuminator Investment Company Limited

IPD Group Limited

Kip McGrath Education Centres Limited

Lode Resources Limited

Northern Inland Credit Union Limited

NSX Limited

Pacific International Insurance Pty Ltd

Phoenix Health Funds Limited

Pritchard Equity Limited

RAM Essential Services Property Fund

Swoop Group Limited

The Betmakers Holdings Limited

Tubi Group Limited

White Energy Company Limited

Winpar Holdings Limited

# Connect with us

## Propel your future



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PKF Sydney/Newcastle is a member of PKF Global, the network of member firms of PKF International Limited, each of which is a separately owned legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s).