

Audit transparency report.

For the year ended 30 June 2016.



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International relationships

ShineWing

ShineWing Australia Pty Ltd entered the ShineWing International Limited network on 1st February 2015.

Each firm within the ShineWing network is an independent member firm of ShineWing International Limited which comprises 7 separate and independent member firms operating locally in countries around the world. Member firms offer assurance, accounting, tax and a range of other international business services across 7 countries through an aggregate of some 32 offices and 5,000 personnel.

ShineWing International Limited is a company incorporated in Hong Kong with limited liability. The company does not provide professional services in any jurisdiction. Its role is to promote the coordination of member firms' professional strategies. ShineWing International Limited monitors the adherence by member firms to the quality obligations set by ISQC 1: Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Service Engagements, and to assess the suitability of candidate firms for admission.

Each member firm of ShineWing International Limited is separate and independent from both ShineWing International Limited and other member firms. Member firms of ShineWing International Limited do not share their respective profits or losses, they are not under common ownership or control and each member firm appoints its own management.

All prospective member firms are required to obtain approval from ShineWing International Limited prior to acceptance into the ShineWing International Limited network. If the approval process is successful, the prospective member firm must enter into a Member Firm Agreement with ShineWing International Limited, whereby the new member firm agrees to be bound by the ShineWing International Limited Members' Agreement.

Member firms are expected to comply with applicable regulatory and professional obligations including, where relevant, those established by the International Federation of Accountants ('IFAC') and its affiliated bodies.

Membership also requires compliance with various administrative obligations, but these do not expand upon the requirements of relevant professional bodies. Concerning the delivery of assurance services, member firms are required to complete and maintain compliance questionnaires and are subject to periodic monitoring visits. The nature of monitoring procedures gives recognition to the professional environment in which individual firms operate. Equivalent procedures are applied where firms are candidates for admission. Where deficiencies are identified at a member firm, remedial recommendations are made. If deficiencies are not resolved, then ShineWing International Limited may determine that the firm be excluded from membership.

Neither ShineWing International Limited nor any role within it carries any executive authority over the operations of individual member firms. All member firms are independent entities owned and managed in each location. Their membership of ShineWing International Limited should not be construed as constituting or implying any partnership between them.

ShineWing International Limited is a Member of the Praxity Alliance. Praxity is an alliance of global independent accountancy, tax and business consulting firms with more than 620 global member offices and in excess of 35,000 professionals.

Praxity is the world's largest alliance of independent accounting firms and is ranked 7th in the International Accounting Bulletin (IAB) League Table of international accounting networks and associations.

Operating in over 100 countries across the world, Praxity has a strong presence throughout the USA, Europe, Asia-Pacific, Africa and The Middle East regions.

ShineWing Australia

ShineWing Australia is a national firm comprising 3 office locations throughout Australia:

- Melbourne
- Sydney
- Brisbane

Legal structure

ShineWing Australia comprises a number of separate legal entities as follows:

- ShineWing Australia Pty Ltd
- ShineWing Australia
- ShineWing Australia Wealth Pty Ltd
- ShineWing Corporate Finance Pty Ltd

All entities are privately owned and all shareholder owners are associated investment entities of the practice directors of the company.

Audit & Assurance services are provided by ShineWing Australia, a partnership, comprising 32 practice directors of ShineWing Australia Pty Limited.

Audit & Assurance services are conducted by designated audit partners, all of which are registered company auditors.

Governance

ShineWing Australia Pty Ltd has an active Governance Charter that outlines the roles and responsibilities of the Board of Directors and Executive Board along with the roles, function and areas of responsibility in matters relating to all aspects of the strategic direction and day to day operations of ShineWing Australia.

Key roles of the Board

- Set strategic direction of the firm
- Oversee Remuneration Policy
- Admission of Directors/Partners

Board composition

- Independent Non-Executive Chairman
- Practicing Directors

Executive Board composition

- Independent Non-Executive Chairman
- Managing Director
- Five Practicing Directors appointed by Director vote

The Non-Executive Chairman is not a shareholder of ShineWing Australia.

Key role of the Executive Board

- Responsible for the day to day operations
- Oversee core support functions
 - Human Resources
 - IT
 - Admin
 - Finance
 - Marketing
 - Business Development

The Managing Director is responsible for the day to day operations of the firm, is appointed by and accountable to the Executive Board.

Key role of the Managing Director

- Leadership and vision;
- Propose and execute approved strategies;
- Propose business plans and budgets to support strategies; and
- Operation of the business in accordance with the above.

Names of Relevant Entities Audited

(of the kinds mentioned in subsection 332A (1) of the Act)

This list includes those clients to which the firm conducted an audit in accordance with the requirements of Division 3 of Part 2M.3 of the Corporations Act 2001 for the transparency reporting year.

Entity Name	ABN/ASRN	ASX Code
Yancoal Australia Ltd	82 111 859 119	YAL
Yancoal SCN Limited	20 602 841 556	YCN
Rhipe Limited	91 112 452 436	RHP
AMA Group	113 883 560	AMA
CPT Global Limited	083 090 895	CGO
Traffic Technologies Limited	080 415 407	TTI
Probiotec Limited	075 170 151	PBP
GBM Gold Limited	119 956 624	GBM
US Residential Fund	26 169 548 369	USR
China Magnesium Corporation Limited	14 125 236 731	CMC
Murchison Holdings Limited	52 004 707 260	MCH
Quest Investments Limited	59 004 749 044	QST
Hongfa Group (Australia) Limited	ACN 607 840 111	SSX 8HF

Financial information

Services provided	Revenue from Services	
	2016 (\$,000)	2015 (\$,000)
Audits and reviews of financial statements	11,277	7,698
Other assurance and non-audit services	39,691	37,971
Total fees	50,968	45,669

Basis for Partner remuneration

Directors of ShineWing Australia Pty Ltd are remunerated as follows:

- All directors receive a fixed salary component based on a defined banding level
- All directors participate in a bonus scheme based on meeting or exceeding their individual and divisional performance criteria
- All equity directors receive a dividend based on their relevant equity holding

An independent committee oversees the assessment of performance to ensure recognition of individual performance and a fair and equitable distribution of the bonus allocation. This committee also recommends movements to an individual partner's band level based on sustained performance.

ShineWing Australia governance

The role of the Executive Board of ShineWing Australia is to serve the interests of all its stakeholders, provide strategic direction for members and manage risks associated with the firm. It is the responsibility of each Executive Board member to communicate resolutions to the divisions of the firm and to ensure they are implemented. ShineWing Australia's constitution is contained in the ShineWing Australia Practice Deed, which includes processes for the appointment of directors, voting rights, and meeting expectations. The Executive Board is required to meet at least once every three months in any one financial year. For this financial year past, the Executive Board has met 11 times.

The Executive Board has a strong focus on quality. The Executive Board has its own Charter which outlines its primary purpose/s and details relevant duties and responsibilities which align with good governance.

The Executive Board has responsibility for:

- Confirming effective risk management as a firm wide responsibility;

- Establishing ShineWing Australia's risk culture and defining its appetite for risk which aligns with the ShineWing Australia Board's vision and mission and is sufficiently adaptable; and
- Identifying, assessing and managing risks and controls designed to respond to those risks, to achieving ShineWing Australia's organisational objectives and strategic goals.
- Ensuring that an annual review program of the firm's audit engagements is completed on a timely basis, resourced appropriately, and enables a sufficiently independent, objective and compliant firm-wide review program to be completed;
- Enabling ShineWing International Limited to meet their requirements under IFAC whereby ShineWing Australia has been monitored in respect of its compliance with ISQC1 or region equivalent (i.e. ASQC1: Australia's Auditing Standard on Quality Control) Enabling the firm to meet the requirements of professional bodies and regulators;
- Reporting in general terms on the progress and outcomes of the review program and by exception, on 'failed' reviews or other matters as deemed necessary by the Executive Board, and providing recommendations which promote continual improvement in quality; and
- Considering the adequacy and effectiveness of policies and procedures to manage audit regulatory risks facing ShineWing Australia.
- Developing and monitoring the firm's systems, controls and procedures for compliance with legal and regulatory obligations with respect to external audit engagements;
- Promotion of continuous improvement, and shall foster adherence to, the firm's policies, procedures and practices with respect to external audit engagements;
- Create a forum for the tabling of external audit related issues, challenges, opportunities and sharing of technical knowledge, experiences and resources between offices of the firm; and
- Sharing external audit marketing strategies and initiatives and identifying opportunities to grow the firm's fee base and brand awareness.

Maintaining quality

As a firm that undertakes audit and other assurance engagements, we are required to establish and maintain a system of quality control that includes policies and procedures in accordance with the requirements of ASQC1.

In the current environment there is a real focus on the key drivers of audit quality across the audit practice of the firm, including:

- Culture of and commitment to audit quality;
- Skills and competencies
- Effectiveness of audit processes
- Factors outside the control of auditors.

Culture of and commitment to audit quality

We recognise the importance of a diverse mix of partners and senior executives to ensure the best quality service for all our clients. What binds such a diverse group together are the shared values that the quality of our audits is fundamental to the ongoing success of our business. This notion is embedded throughout our documented policies and procedures and permeates the whole firm.

Skills and competencies

Our diverse mix of partners and senior executives enables us to meet the challenges of operating in an increasingly challenging and ever evolving profession. Our audits are conducted by individuals who are analytical, rational, critical, technical and sceptical thinkers who have industry specialisations and excellent communication skills.

The firm acknowledges that professional development is an integral part of job satisfaction, workplace productivity, reward and recognition, and is critical to achieving the firm's objectives. A learning and development framework has been established and implemented for all partners and professional staff within the firm designed to provide the best platform to continue their ongoing professional development.

Effectiveness of audit processes

Our risk-based methodology follows a proven structured approach. Our methodology focuses on examining key business processes that are critical to achieving the goals and objectives of our clients. Our audit approach is designed to be closely aligned with the underlying risks of an organisation.

In this way, we focus our risk assessment and related audit activities on each client's risks and how well management addresses those risks. By understanding the underlying risks that impact an organisation's business drivers, we develop a more comprehensive and effective audit strategy that provides our clients with comprehensive risk coverage and increased value.

Our risk-based audit methodology



The audit methodology adopted by the firm has been developed to comply with Australian Standards of Auditing (“ASA’s”). Our audit methodology is underpinned by CaseWare Working Papers. The audit methodology is continually monitored by ShineWing Australia to ensure compliance with new and emerging audit requirements, including both International Standards of Auditing (“ISA’s”) and ASA’s, and its application is subject to ASQC1 peer inspection reviews.

Factors outside the control of auditors

There are factors that exist in relation to an entity that are outside our control. By obtaining an in-depth understanding of an entity and the environment in which it operates, these factors are able to be identified and assessed as to their risk of material misstatement. The nature and extent of audit procedures undertaken are intrinsically linked to the identification and assessment of such risks.

Relevant ethical requirements

The provision of our audit services is subject to our strict policies in respect to maintaining our independence. This is achieved through the application of our Quality Assurance Manual and Independence Policy to ensure the firm's compliance with the requirements of APES 320 Quality Control for Firms, the Corporations Act 2001 (where applicable) and APES 110 Code of Ethics for Professional Accountants ("the Code"). The ShineWing Australia Quality Assurance Manual and Independence Policy, including all policies and procedures contained therein, ensures that we are compliant with the requirements of the Code. This is executed via our web-based proprietary platform – IQA Monitor. The following safeguards are enforced within IQA Monitor to ensure our objectivity is maintained and we are free from conflicts of interest when discharging our professional responsibilities:

- Partners or staff do not act in a managerial or decision-making capacity, and are not involved in processing or originating transactions for our assurance clients
- Where non-assurance services are provided to our assurance clients, we are satisfied that the non-assurance services will not have a material impact on our planned assurance procedures and we will not express assurance on these non-assurance procedures
- Partners and staff involved in the provision of non-assurance services to our assurance clients do not participate in the client's approval or authorisation processes.

As auditors, direct and material financial interest in our assurance clients or controlled entities and material associates is prohibited to us. This prohibition extends to:

- All partners and professional staff of the firm and any superannuation fund, companies or trusts controlled by them
- The spouse/defacto and dependents of these partners and professional staff
- Certain other relatives of partners and professional staff who directly provide any professional services to the client and its controlled entities.
- The following policies and procedures are undertaken to ensure compliance with our Quality Assurance Policies and Procedures and Independence Policy:
- Six monthly declarations are signed by all partners and staff confirming they hold no prohibited financial or employment relationships with assurance clients of the firm. Independence declarations are signed by all engagement team members confirming their independence
- Conflict checks are performed on all new clients to identify any potential conflicts of interest
- Where non-assurance services are to be provided to an assurance client that might place at risk our audit independence, approval by the firm's Quality Assurance Partner is obtained prior to the commencement of the engagement, to ensure compliance with the requirements of the Quality Assurance Manual and Independence Policy
- All new partners and professional staff undertake mandatory ethics and independence training when joining the firm
- All partners and staff are provided refresher training and updates on their mandatory ethics and independence responsibilities annually
- Monitoring processes are applied to ensure compliance with the requirements of the Quality Assurance Manual.

Monitoring

External accountability and monitoring

- ASIC – Latest inspection was finalised in June 2015 as part of the Moore Stephens Australia network.

Internal accountability and monitoring

- ShineWing International Limited – Latest inspection was completed in January 2014
- Each audit partner will be subject to an annual Independent ASQC1 peer inspection review coordinated by ShineWing Australia

As part of our ongoing commitment to quality, every listed audit client of the network is subject to an Engagement Quality Control Reviews (“EQCR”) for both the annual audit and half-year review in accordance with ASQC1.

There are also a suite of other entities subject to EQCRs as and when required:

- Where uncertainty around going concern exists
- Where certain types of modified audit opinions are being considered
- In instances where it is required to safeguard against a potential threat to independence
- Where the audit risk associated with the engagement has been deemed high
- Otherwise, where the lead engagement partner feels it is necessary.

We believe that our quality control system operates effectively and enables us to meet our obligations under ASQC1. Notwithstanding the above, we are always seeking to improve the quality and effectiveness of our quality controls system to meet the changing dynamics of our industry.

ShineWing Australia

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