

Independent Peer Review Report – Summary Report

10 June 2025

Hardwickes Chartered Accountants

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Background

Between 15 December 2023 and March 2024 ASIC conducted inquiries into aspects of audits of a specified entity during the relevant period. The relevant period is defined as the period of approximately 32 consecutive years, commencing in 1992 and ending on or about 4 March 2024. A number of concerns were raised by ASIC.

In response to ASIC's concerns, ASIC and Hardwicks entered into a Court Enforceable Undertaking (CEU) on 29 May 2024. In accordance with the CEU, Hardwicks appointed Qualitas Consultants as the independent peer reviewer to conduct and complete a review of the firm's audit practices and its compliance with applicable Auditing Standards and legal and regulatory requirements.

This summary report outlines the observations, findings and recommendations of Qualitas Consultants work conducted between July 2024 and March 2025.

Scope

The scope of services required under the CEU was limited to the following:

- (i) Complete a review of the design, implementation and operation of Hardwicks system of quality management for audits in accordance with ASQM 1;
- (ii) Conduct a full quality peer review of three Hardwicks audit files;
- (iii) Review Hardwicks audit methodology;
- (iv) Prepare a written report of the findings and recommendations issued to Hardwicks; and
- (v) Complete a report and provide it to Hardwicks by 29 March 2025.

Qualitas Consultants Observations:

ASQM 1

- Hardwicks does have a Quality Management Manual that addresses the requirements of ASQM1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* (ASQM 1) and APES 320 *Quality Management for Firms that provide Non-Assurance Services* (APES 320). Hardwicks however does not have a System of Quality Management (SQM) to assess the risks of meeting the prescribed quality objectives as required by ASQM 1.

- Monitoring and Remediation requirements of ASQM 1 have not been conducted.

Audit Engagement Performance:

- The three audit engagement files reviewed were rated as unsatisfactory.

Audit Methodology:

- Hardwicks does not have a fully detailed audit methodology

Qualitas Consultants Recommendations

A summary of the key recommendations to Hardwicks:

ASQM 1

- Create a SOQM that meets the requirements of ASQM 1.
- In the short-term conduct monitoring and remediation of the policies that sit within the existing Quality Management Manual with the aim by the end of 2026 that the monitoring is conducted over the entire SOQM in line with the requirements of ASQM 1.
- A baseline in relation to the quality culture of the audit division at the leadership level needs to be established.

Audit Engagement Performance:

- Remediation for the peer review observations that are specific to the individual client files reviewed.
- A Root Cause Analysis (RCA) to be conducted to establish the root cause/s for the three files reviewed being rated as unsatisfactory.
- A comprehensive training program be established as recommended.
- The creation of a competency framework to link what skills are required by staffing level. This is to then to be linked to the training program and staff assessment processes.
- Create a skills matrix for the audit division that should include staff with IT specialities.
- More formalised on the job coaching structures per audit engagement.

Audit Methodology:

- Create a full audit methodology that links back to Australian Auditing standards and applicable laws and regulatory requirements.

Limitations

The independent activities conducted by Qualitas Consultants were not performed in accordance with generally accepted auditing, review, or other assurance standards in Australia and accordingly this report does not express any form of assurance. None of the activities or this report constitutes any legal opinion or advice.

Qualitas Consultants provided specific services outlined in the Scope paragraph above for this engagement and for no other purpose, and disclaims any responsibility for the use of Qualitas Consultants services for any other purpose or in a different context.