

**Parliamentary Joint Committee on Corporations and Financial Services**

**Inquiry into the regulation of auditing in Australia**

**Questions on Notice 017**

***Corporations Act 2001, Volume 2, Chapter 2M, Part 2M.3, Division 3—Audit and auditor's report***

1. Who is liable for criminal offences under Division 3? Is it limited to the individual auditor(s)? What liability does a company have? What liability do other partners in a partnership have?
2. Who is liable for any civil action taken as a result of offences under Division 3? Is it limited to the individual auditor(s)? What liability does a company have? What liability do other partners in a partnership have?

***Corporations Act 2001 Section 307A: Audit to be conducted in accordance with auditing standards***

1. If an auditor does not obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error:
  - a. Is the audit in accord with the auditing standards; and
  - b. Does this, *prima facie*, constitute a breach of Section 307A?
2. When ASIC reaches the view that an auditor did not obtain reasonable assurance:
  - a. What enforcement action does ASIC take?
  - b. Does ASIC inform the audited entity?
3. Does ASIC have 'practice notes' to guide its response when it reaches the view that an auditor did not obtain reasonable assurance?
4. In how many cases where ASIC formed the view that an auditor did not obtain reasonable assurance did ASIC refer the matter to the Companies Auditors Disciplinary Board?
5. In how many cases where ASIC formed the view that an auditor did not obtain reasonable assurance did ASIC accept a Court Enforceable Undertaking?
6. In how many cases where ASIC formed the view that an auditor did not obtain reasonable assurance did ASIC begin court proceedings?
7. In how many cases where ASIC formed the view that an auditor did not obtain reasonable assurance did this result in an auditor voluntarily cancelling their registration?
8. Is there anything preventing ASIC from publishing the audit inspection report for each firm in full? Why doesn't ASIC publish the audit inspection report for each firm in full?
9. Is there anything preventing ASIC from publishing the names of entities identified in an individual firm's audit inspection reports whose audits received an adverse finding? Why doesn't ASIC publish the names of entities whose audits receive an adverse finding?

10. In cases where ASIC forms the view that an auditor has not obtained reasonable assurance, does ASIC establish whether: an audit firm also provided other assurance or non-assurance work for that entity; and the value of any non-audit work? Please provide details, if possible the number of files that attracted an adverse finding in each of ASIC's audit inspection reports where the audit firm also provided non-audit work for the entity in question.

***Report 648 – Audit inspection report for 2018-19***

1. For each of the six time periods listed in Table 1 of Report 648, relating to individual audit inspection reports:
  - a. What number of key audit areas reviewed attracted an adverse finding?
  - b. What number of files were reviewed?
  - c. What number of files that were reviewed attracted an adverse finding, in part or as a whole?

***APES 110 Code of Ethics for Professional Accountants***

APES 110 requires auditors to be independent, including in appearance, which is defined as: The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a Firm's or an Audit or Assurance Team member's integrity, objectivity or professional scepticism has been compromised.

1. For each of the last five years, on how many occasions has ASIC identified an auditor to be in breach of the independence requirements of APES 110?
2. When ASIC reaches the view that an auditor is not independent:
  - a. What enforcement action does ASIC take?
  - b. Does ASIC inform investors in the audited entity?
3. Does ASIC have 'practice notes' to guide its assessment of whether an auditor is independent?

**Audit failures**

1. What analysis does ASIC undertake of the quality of audits where a company goes into receivership? In other words: does ASIC use corporate collapses as an opportunity to identify the nature and scale of any problematic audit practices?

## **Audit failures**

1. Where a larger listed company or other public interest entity collapses as evidenced by receivership, administration or liquidation, ASIC considers whether the financial report was materially misstated and whether there were deficiencies in the audit. We will often review the audit working papers and other relevant evidence as a part of this process. In this way, ASIC does review corporate collapses to assess any problematic audit practices. Of course, a corporate collapse does not necessarily mean that the financial report or audit were deficient.