

PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Inquiry into the regulation of auditing in Australia

Public Hearing - Friday, 29 November 2019

Chartered Accountants Australia and New Zealand Responses to Questions on Notice

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| QoN Number | 001 |
| Hansard Page Reference | 62 |

Question

Mr Ghandar: I believe Professor Guthrie was referring to just one of the references in there, which is a working paper, but there are multiple other academic studies—the Competitions and Markets Authority and other regulatory reviews. In fact in the submissions that have been made to this committee you will find, several other academics who have pointed to that evidence. Professor Peter Wells refers to Ruddock, Taylor and Taylor who find no evidence of the provision of non-audited services reducing accounting conservatism. Professor Stephen Taylor, submission 47—

Senator O'NEILL: If you can provide that document, that would be very helpful.

Response from CA ANZ

Please find the Notes on Academic Submissions in Appendix A.

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| QoN Number | 002 |
| Hansard Page Reference | 62 - 63 |

Question

Senator O'NEILL: How many of your board members are ex-big four? How many people are on your board, for starters?

Mr Ghandar: I believe we have two board members out of 11 who are currently working in the large firms. I'd have to take on notice how many have previously worked in the big four.

Senator O'NEILL: How many are from PwC?

Mr Ghandar: I'm not aware of that. I don't think any of the current members [who are working at the large firms] —

Senator O'NEILL: Would you provide a current and past status of who's there?

Mr Ghandar: I can certainly provide that on notice.

Senator O'NEILL: Thank you very much—and any who are not currently engaged by the big firms but still being paid by them in the way that we heard about from Mr Edge today?

Mr Ghandar: Certainly.

Response from CA ANZ

- There are 11 current CA ANZ Board members.
- Three Board members worked at PwC or predecessor firm Coopers & Lybrand.
- Three Board members work at or worked at a large firm¹ and receive payments related to their work/former work.

CA ANZ By-Laws stipulate that the Board must consist of:

- A minimum of 8 and a maximum of 10 directors who are CA ANZ members.
- 2 independent directors who are not CA ANZ members.

¹ In this document, 'large firms' or 'big firms' refers collectively to Deloitte, EY, KPMG and PwC.

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| QoN Number | 003 |
| Hansard Page Reference | 62 |

Question

Senator O'NEILL: What specific enforcement action have you ever taken on auditors with regard to the big four?

Mr Ghandar: I'd have to take that on notice. I know that our disciplinary program was reviewed over the last year by the Financial Reporting Council. I believe there were around nine enforcement actions taken that had gone through a disciplinary tribunal but I'm not aware of how many of those related to the larger firms.

Senator O'NEILL: Could you provide, on notice, the details. So there were nine actions?

Mr Ghandar: That's right.

Senator O'NEILL: In what period of time?

Mr Ghandar: In a three-year period.

Response from CA ANZ

- Of the nine sanctions against auditors included in the *Financial Reporting Council's Auditor Disciplinary Processes: Review* for the period 2015 – 2018, none were in relation to people working in the large firms.
- Based on our records, over the previous 10 years there were two tribunal hearings that imposed sanctions in relation to audit matters for members working in the large firms.

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| QoN Number | 004 |
| Hansard Page Reference | 63 - 64 |

Question

Senator O'NEILL: Are you familiar with PwC's Mr Steve Bourke?

Mr Ghandar: No.

Senator O'NEILL: You're not familiar with Mr Bourke—

Mr Ghandar: No.

Senator O'NEILL: and there's been no disciplinary action involved?

Mr Ghandar: I'd need to take that on notice and look into it.

Response from CA ANZ

The Chartered Accountants ANZ Professional Conduct team is aware of and monitoring a matter involving Mr Steve Bourke.

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| QoN Number | 005 |
| Hansard Page Reference | 65 |

Question

Mr Ghandar: That's why we've put forward a 15 point plan. In fact, point No. 1, the very first point in our plan, is to strengthen those prohibitions. I should clarify that, in my opinion piece, I wasn't saying that we are in the golden age of auditing. I'm saying that we can be, if we can address challenges in confidence, and the risks that are facing Australians and the relevance of where auditors are focused, as well as audit quality. That's what we've put in our 15 point plan. It's a road map to achieving that. We certainly would like to see that be achieved.

Senator O'NEILL: The prohibitions that you just talked about sound like they might align more closely with the US list of prohibited activities that was in, I think, appendix B in the ASIC submission. I'd be interested if you could, on notice, respond to that and give us an indication of whether they're the sorts of prohibitions of activity that you would be asking for.

Mr Ghandar: I'd be very glad to do that.

Response from CA ANZ

Chartered Accountants ANZ would support efforts to strengthen prohibitions on non-audit services including considerations encompassing those outlined in Appendix B of the ASIC Submission (Submission 16), and others that may impact confidence in auditing, subject to appropriate consultation.

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| QoN Number | 006 |
| Hansard Page Reference | 67 |

Question

Mr GORMAN: How many breaches of the code of ethics have there been in the last financial year?

Mr Ghandar: How many have occurred?

Mr GORMAN: How many are known to have occurred?

Mr Ghandar: Can I take that on notice?

Mr GORMAN: I would appropriate that.

Mr Ghandar: When you say 'have occurred', do you mean ones that we've investigated or—

Mr GORMAN: Ones that you're aware of.

Mr Ghandar: Let me take that on notice.

Response from CA ANZ

During the financial year ended 30 June 2019, the Professional Conduct Committee and Disciplinary Tribunal of Chartered Accountants found there were breaches of the code of ethics by 20 members, some of whom were auditors.

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| QoN Number | 007 |
| Hansard Page Reference | 67 |

Question

Senator WHISH-WILSON: Could you take on notice as well any examples you could give us where companies have dumped their auditor or vice versa. If you know of any examples of that, that would be very useful.

Response from CA ANZ

Assuming this means to remove an auditor without an appropriate reason Chartered Accountants ANZ is not aware of specific instances. Greater transparency and oversight around the reasons for auditor removals may highlight where there aren't appropriate reasons and this is a key motivation in putting forward point 5 of Chartered Accountants 15 Point Plan on Audit and Risk (Submission 2.1), "Introduce transparency and oversight of auditor removals: Companies should disclose the reasons for removal of auditors and regulatory oversight should be consistent with requirements for auditor resignation".

The Treasury's Submission (Submission 15, page 10) provides an overview that shows the asymmetry between transparency and oversight involved in auditor removal by companies (essentially a company resolution without the need for disclosure of reasons or regulatory oversight), versus auditor resignations (for which the auditor of a company must apply to ASIC for consent to resign, stating the reasons).

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| QoN Number | 008 |
| Hansard Page Reference | 68 |

Question

Senator O'NEILL: I asked you a question about the arrangement with ASIC with regard to audit, and there was an article published in the AFR where a spokesperson said:

The accounting body had 'an understanding with ASIC' that it would not do audit inspections of large firms alongside the regulator's own review program.

Can you confirm whether or not such an understanding exists. Also, having looked at the transparency reports of the big four, in 2018 and 2019 they had some details about the last time such an audit was undertaken. From what I read, it goes back to 2011, which is quite some time ago. Would you please have a look and see if you've got a scheduling of the next round of inquiry for 2020? That would be a big gap.

Mr Ghandar: That certainly comes back to your previous question around potential duplication with the government regulator. It's not the role of the Australian Securities and Investments Commission to decide what CAANZ reviews. So an agreement is, in some ways—well, there isn't an agreement. The comments—

Senator O'NEILL: So there is not an agreement?

Mr Ghandar: No, the—

Senator O'NEILL: Is that your evidence today?

Mr Ghandar: That's right. The comments made in that article, I believe, refer to an interview last year which pointed to sharing of information and a mutual understanding of what each body was doing at the time that the ASIC audit inspection program was being established back in 2009. But there's no agreement. It's our decision, as Chartered Accountants Australia and New Zealand, as to which practices and what quality reviews we would undertake, and we're guided in that by, of course, looking at the work that the Australian Securities and Investments Commission is doing and seeking not to overlap—

Senator O'NEILL: But are you aware that—

CHAIR: Sorry, Senator O'Neill, this is going to be a question on notice. You're over time.

Senator O'NEILL: But PwC actually say that this is one of their assurance practices—that CAANZ are actually doing this—

CHAIR: You can take that up with PwC.

Senator O'NEILL: so I think that that's a very important question to get a proper answer to.

Mr Ghandar: I'm not sure that's the case, but I'll get back to you on notice on that question.

CHAIR: It's been taken on notice.

Response from CA ANZ

Chartered Accountants ANZ does not perform “audit inspections” or “audits” relating to the large firms for the reasons outlined in the public hearing (see below extracts from Hansard).

Hansard page 65:

Ms HAMMOND: Thank you for your paper and for your presentation. I found the paper very informative. Can I just clarify a few points. Chartered Accountants Australia & New Zealand—you are the professional body, but, when you say you're the professional body, what do you mean by that? You don't register the auditors, do you?

Mr Ghandar: That's right, and I should have said that earlier. We don't register auditors in Australia. That's the role of the Australian Securities and Investments Commission. In fact, there are auditors who are not members of our organisation, and that's one of the other reasons why it's very important that we're not overlapping and duplicating with the government regulator.

Ms HAMMOND: And so you don't regulate, either?

Mr Ghandar: That's right. We're not an audit regulator.

Hansard page 63:

Senator O'NEILL: Why don't you audit the files of the big four?

Mr Ghandar: We don't do any actual audits. We're a professional body which provides a qualification for auditors. We also do work, as I mentioned, in the policy area. We don't audit any audit firms.

Senator O'NEILL: There has been some discussion about this in recent times, and there was a little confusion about an arrangement between your organisation and ASIC.

Mr Ghandar: In terms of quality review of audit firms, as distinct from an audit—I was thinking of Senator Whish-Wilson's questions earlier about who audits the accounts of those firms. We certainly don't do that...

... To go to your question, Senator O'Neill, we have a quality-review program, and it's probably important to go back to the different roles and objectives. ASIC's the chief regulator for auditors, and their program is very much focused on the economic outcome of integrity in the reporting in the capital markets. Our program focuses on the capabilities, skills, competence and integrity in our members and in their practices.

Senator O'NEILL: But doesn't that manifest itself in the work of the big four?

Mr Ghandar: In the large firms, yes.

Senator O'NEILL: That's where you see the fruits of those endeavours in setting standards, isn't it, or the failures of them?

Mr Ghandar: Certainly, there are auditors within the large firms. It's very important to recognise the context, though, that those large firms are inspected each year in terms of audit quality by the Australian Securities and Investments Commission, the United States public company audit oversight board, the Canadian Public Accountability Board and potentially a range of other regulators. We have another 6,500 practices within our membership that potentially don't have any reviews of that nature done at all. So that's really where we focus our resources.

Senator O'NEILL: So it's a resource issue? Is that why you don't audit the files of the big four?

Mr Ghandar: It's not purely a resource issue, no. This is a set-up that exists in many countries, where a public government independent regulator has taken the chief role for regulating auditing.

We have an obligation under our membership of the International Federation of Accountants not to duplicate those sorts of programs in our reviews because that can actually be counterproductive and even undermine the program that the regulator has in place.

Appendix A: Notes on Academic Submissions

[NB: These are personal notes prepared for our own analysis of the submissions, including an understanding the extent of peer reviewed academic evidence or other evidence provided to support arguments put forward; this is not intended as a complete or comprehensive summary]

| Submitter | Notes | Peer Reviewed Academic Evidence | Other Evidence |
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| #7 Professor Peter Wells | <p>In conclusion, the structure of the audit industry has been considered extensively in the literature. While there might be perceptions of problems and concerns about a lack of competition and conflicts, there is no rigorous empirical evidence of this. Problematically regulatory intervention into the market might lead to higher costs and less expert audit and non-audit services.</p> <p>Prescribing the presentation of financial statements in an electronic format, or a format which facilitates electronic extraction, would greatly enhance the ability to review and use of information in financial statements.</p> <p>“Kinney JR., Palmrose, and Scholz (2004) find that firms who provide audit services and tax services are able to do so more efficiently or at lower cost. This is likely due to client knowledge and what are commonly labelled spill over effects”.</p> <p>“Ruddock, Taylor, and Taylor (2006) find no evidence of the provision of non-audit services reducing accounting conservatism, which is commonly used as a measure of accounting quality and audit effectiveness. Furthermore, in more</p> | <p>Carcello, J. V., Hermanson, D. R., & Raghunandan, K. (2005). Factors Associated with U.S. Public Companies' Investment in Internal Auditing. <i>Accounting Horizons</i>, 19(2), 69-84. Retrieved from https://www.aaajournals.org/doi/abs/10.2308/acch.2005.19.2.69. doi:10.2308/acch.2005.19.2.69</p> <p>Craswell, A. T., Francis, J. R., & Taylor, S. L. (1995). Auditor brand name reputations and industry specializations. <i>Journal of Accounting and Economics</i>, 20(3), 297-322. Retrieved from https://EconPapers.repec.org/RePEc:eee:jaecon:v:20:y:1995:i:3:p:297-322.</p> <p>Donelson, D. C., McInnis, J. M., & Mergenthaler, R. D. (2012). Rules-Based Accounting Standards and Litigation. <i>The Accounting Review</i>, 87(4), 1247-1279. Retrieved from https://www.aaajournals.org/doi/abs/10.2308/accr-10274. doi:10.2308/accr-10274</p> <p>Dong, Y., Li, O. Z., Lin, Y., & Ni, C. (2016). Does Information-Processing Cost Affect Firm-Specific Information Acquisition? Evidence from XBRL Adoption. <i>Journal of Financial and Quantitative Analysis</i>, 51(2), 435-462. Retrieved from https://www.cambridge.org/core/article/does-informationprocessing-cost-affectfirmsspecific-information-acquisition-evidence-from-xbrl-adoption/5B4A73E50E6EA14C2EE1FE27EC7ABC9A. doi:10.1017/S0022109016000235</p> | None |

| Submitter | Notes | Peer Reviewed Academic Evidence | Other Evidence |
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| | <p>recent periods in the United States there is no evidence of the provision of non-audit services impacting audit quality (Lisic, Myers, Pawlewicz, & Seidel, 2019).”</p> | <p>Efendi, J., Park, J. D., & Smith, L. M. (2014). Do XBRL filings enhance informational efficiency? Early evidence from post-earnings announcement drift. <i>Journal of Business Research</i>, 67(6), 1099-1105. Retrieved from https://EconPapers.repec.org/RePEc:eee:jbrese:v:67:y:2014:i:6:p:1099-1105.</p> <p>Ferguson, A., Francis, J. R., & Stokes, D. J. (2003). The Effects of Firm-Wide and Office-Level Industry Expertise on Audit Pricing. <i>The Accounting Review</i>, 78(2), 429-448. Retrieved from https://aaajournals.org/doi/abs/10.2308/accr.2003.78.2.429. doi:10.2308/accr.2003.78.2.429</p> <p>Freeman, W., Wells, P., & Wyatt, A. (2014). Insights from the failure of the Countrywide Financial Corporation. <i>International Journal of Managerial Finance</i>, 10(1), 115-136. Retrieved from https://doi.org/10.1108/IJMF-12-2012-0131. doi:10.1108/IJMF-12-20120131</p> <p>Freeman, W., Wells, P., & Wyatt, A. (2017). Measurement Model or Asset Type: Evidence from an Evaluation of the Relevance of Financial Assets. <i>Abacus</i>, 53(2), 180-210. Retrieved from https://onlinelibrary.wiley.com/doi/abs/10.1111/abac.12108. doi:10.1111/abac.12108</p> <p>Hamilton, J., Li, Y., & Stokes, D. (2008). Is the Audit Services Market Competitive Following Arthur Andersen's Collapse? <i>Accounting and Finance</i>, 48, 233-258. doi:10.1111/j.1467-629X.2007.00242.x</p> <p>Henderson, D., & O'Brien, P. C. (2017). The standard-setters' toolkit: can principles prevail over bright lines? <i>Review of Accounting Studies</i>, 22(2), 644-676. Retrieved from</p> | |

| Submitter | Notes | Peer Reviewed Academic Evidence | Other Evidence |
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| | | <p>https://doi.org/10.1007/s11142-017-9392-4. doi:10.1007/s11142-017-9392-4</p> <p>Kim, J.-B., Kim, J. W., & Lim, J.-H. (2019). Does XBRL Adoption Constrain Earnings Management? Early Evidence from Mandated U.S. Filers. Contemporary Accounting Research, 0(0). Retrieved from https://onlinelibrary.wiley.com/doi/abs/10.1111/19113846.12493. doi:10.1111/1911-3846.12493</p> <p>Kinney JR., W. R., Palmrose, Z.-V., & Scholz, S. (2004). Auditor Independence, Non-Audit Services, and Restatements: Was the U.S. Government Right?*. Journal of Accounting Research, 42(3), 561-588. Retrieved from https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1475-679X.2004.t01-1-00141.x. doi:10.1111/j.1475-679X.2004.t01-1-00141.x</p> <p>Krishnan, J. (2005). Audit Committee Quality and Internal Control: An Empirical Analysis. The Accounting Review, 80(2), 649-675. Retrieved from https://www.aaajournals.org/doi/abs/10.2308/accr.2005.80.2.649. doi:10.2308/accr.2005.80.2.649</p> <p>Lennox, C. S., Wu, X., & Zhang, T. (2014). Does Mandatory Rotation of Audit Partners Improve Audit Quality? The Accounting Review, 89(5), 1775-1803. Retrieved from https://www.aaajournals.org/doi/abs/10.2308/accr-50800. doi:10.2308/accr-50800</p> <p>Lisic, L. L., Myers, L. A., Pawlewicz, R., & Seidel, T. A. (2019). Do Accounting Firm Consulting Revenues Affect Audit Quality? Evidence from the Pre- and Post-SOX Eras. Contemporary Accounting Research, 36(2), 1028-1054. Retrieved from</p> | |

| Submitter | Notes | Peer Reviewed Academic Evidence | Other Evidence |
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| | | <p>https://onlinelibrary.wiley.com/doi/abs/10.1111/1911-3846.12424. doi:10.1111/1911-3846.12424</p> <p>Liu, C., Wang, T., & Yao, L. (2013). XBRL's Impact on Analyst Forecast Behavior: An Empirical Study. <i>Journal of Accounting and Public Policy</i>, 33. doi:10.1016/j.jaccpubpol.2013.10.004</p> <p>Ruddock, C., Taylor, S. J., & Taylor, S. L. (2006). Nonaudit Services and Earnings Conservatism: Is Auditor Independence Impaired? <i>Contemporary Accounting Research</i>, 23(3), 701-746. Retrieved from https://www.lib.uts.edu.au/goto?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=22476371&site=ehost-live.</p> | |
| <p>#13 Professor Michael Bradbury and Associate Professor Bryan Howieson</p> | <p>Houghton and Jubb (2002) review the risks associated with auditor independence and propose a mechanism to manage those risks. They propose each audit firm establish an Auditor Independence Board. Members should be experts in fields such as auditing, commercial law, professional services, accounting or auditing standard-setting, or accounting policy-making and should not be current or former partners or other employees of the audit firm. For every audit, the board would consider threats to independence in a contemporaneous and confidential fashion. The outcome of the deliberations would be a documented decision to proceed or not with an audit engagement or to determine</p> | <p>Arthur, N., Endrawes, M. and Ho, S. 2017. 'Impact of Partner Change on Audit Quality: An Analysis of Partner and Firm Specialisation Effects', <i>Australian Accounting Review</i>, 27(4):368-381. DOI:10.1111/auar12150.</p> <p>Bradbury, M.E., Ma, D. and Scott, T. 2018. 'Explanations for Not Having an Audit Committee in a 'Comply or Explain' Regime', <i>Australian Accounting Review</i>, Early View. DOI:10.1111/auar12241.</p> <p>Carey, P. J., Monroe, G. S. and Shailer, G., 2014. 'Review of Post-CLERP 9 Australian Auditor Independence Research', <i>Australian Accounting Review</i>, 24(4): 370-380. DOI:10.1111/auar.12047.</p> <p>Carson, E., Fargher, N., and Zhang, Y. 2016. 'Trends in Auditor Reporting in Australia: A Synthesis and Opportunities for Research', <i>Australian Accounting Review</i>, 26(3):226-242. DOI:10.1111/auar.12124.</p> | <p>Australian Securities and Investments Commission. 2019. '19-013MR Audit inspection findings for 2017-18', available at: https://asic.gov.au/about-asic/news-centre/find-a-mediarelease/2019-releases/19-013mr-audit-inspection-findings-for-2017-18/, last accessed 2 October, 2019.</p> <p>Financial Reporting Council and Auditing and Assurance Standards Board (FRC-AUSB). 2019. <i>Audit Quality in Australia: The Perspective of Audit Committee Chairs</i>, September, available at: https://www.auasb.gov.au/admin/file/content102/c3/AQSurveyReport-FINALPrintable.pdf, last accessed 2 October, 2019.</p> <p>International Auditing and Assurance Standards Board (IAASB). 2014. <i>A Framework for Audit Quality</i>, International Federation of Accountants, International Federation of Accountants.</p> <p>International Auditing and Assurance Standards Board (IAASB). 2019. <i>Audits of Less Complex</i></p> |

| Submitter | Notes | Peer Reviewed Academic Evidence | Other Evidence |
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| | <p>controls and procedures to ensure an adequate level of independence.</p> <ul style="list-style-type: none"> • Each audit firm establish an Auditor Independence Board that considers threats to independence for every audit, whether to proceed, and safeguards. • Mandatory firm rotation after 20 years, mandatory retendering before 10 years. • Boards should include 'viability statement' in annual report • 70% cap on non-audit services of total group-level audit fees • Expanding the role and function of ASIC to include standard-setting oversight | <p>Carson, E., Redmayne, N.B. and Liao, L. 2014. 'Audit Market Structure and Competition in Australia', Australian Accounting Review, 24(4):298-312. DOI:10.1111/auar12041.</p> <p>Christopher, J., Leung, P. and Leong, S. 2018. 'Can Employees be Used to Overcome Independent Audit Limitations?', Australian Accounting Review, 27(4):442-456. DOI:10.1111/auar12183.</p> <p>Coram, P. J., Mock, T. J., Turner, J. L and Gray, G. L. 2011, 'The Communicative Value of the Auditor's Report', Australian Accounting Review, 21(3):235-252. DOI:10.1111/j.18352561.2011.00140.x.</p> <p>Davis, M. and Hay, D. 2012. 'An Analysis of Submissions on Proposed Regulations for Audit and Assurance in New Zealand', Australian Accounting Review, 22(3):303-316. DOI:10.1111/j.1835-2561.2012.00165.x</p> <p>Gay, G., Schelluch, P. and Reid, I. 1997. 'Users' Perceptions of the Auditing Responsibilities for the Prevention, Detection and Reporting of Fraud, Other Illegal Acts and Error', Australian Accounting Review, 7(1):51-61. DOI:10.1111/j.1835-2561.1997.tb00028.x</p> <p>Guthrie, J. and Pang, T. T. 2013. 'Disclosure of Goodwill Impairment under AASB 136 from 2005-2010', Australian Accounting Review, 23(3):216-231. DOI:10.1111/j.18352561.2013.00204.x.</p> <p>Hay, D., Stewart, J. and Botica-Redmayne, N. 2017. 'The Role of Auditing in Corporate Governance in Australia and New Zealand: A Research Synthesis', Australian Accounting Review, 27(4):457-479. DOI:10.1111/auar12190.</p> | <p>Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs, International Federation of Accountants.</p> |

| Submitter | Notes | Peer Reviewed Academic Evidence | Other Evidence |
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| | | <p>Houghton, K. A. and Jubb, C. 2002. 'An Australian Response to Recent Developments in the Market for Audit Services', Australian Accounting Review, 12(2):24-30. DOI:10.1111/j.1835-2561.2002.tb00200.x</p> <p>Howieson, B. A., 2013. 'Quis Auditoret Ipsos Auditores?: Can Auditors Be Trusted?', Australian Accounting Review, 23(4): 295–306. DOI:10.1111/auar12.008.</p> <p>Jung, N.C. and Kim, H.A. 2019. 'The Effect of Litigation Risk Increase on Big N Auditor Exits and Audit Quality in the Korean Savings Banking Industry', Australian Accounting Review, 29(3):502-515. DOI:10.1111/auar12236.</p> <p>Kend, M. and Basioudis, I. 2018. 'Reforms to the Market for Audit and Assurance Services in the Period after the Global Financial Crisis: Evidence from the UK', Australian Accounting Review, 28(4):589-597. DOI:10.1111/auar.12211.</p> <p>Kend, M., Houghton, K.A. and Jubb, C. 2014. 'Competition Issues in the Market for Audit and Assurance Services: Are the Concerns Justified?', Australian Accounting Review, 24(4):313-320. DOI:10.1111/auar12063.</p> <p>Kilgore, A., Radich, R. and Harrison, G. 2011. 'The Relative Importance of Audit Quality Attributes', Australian Accounting Review, 21(3):253-265. DOI:10.1111/j.18352561.2011.00141.x.</p> <p>O'Leary, C., Boolaky, P., and Copp, R. 2013. 'The Negative Impact of Additional Legislation on Corporate Stewardship', Australian Accounting Review, 23(4):357-368. DOI:10.1111/j.1835-2561.2012.00188.x.</p> | |

| Submitter | Notes | Peer Reviewed Academic Evidence | Other Evidence |
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| | | <p>Prasad, P. and Chand, P. 2017. 'The Changing Face of the Auditor's Report: Implications for Supplier and Users of Financial Statements', Australian Accounting Review, 27(4):348-367. DOI:10.1111/auar.12137.</p> <p>Tan, B.S. and Ho, Y.K. 2016. 'Some Economics of Audit Market Reform', Australian Accounting Review, 26(3):271-283. DOI:10.1111/auar12114.</p> | |
| #21 Nyenrode Business University | <p>There is evidence of institutional commercial pressure in auditing. As a result, people perceive that auditors are serving two masters. We propose an Audit Board to solve this issue by avoiding potential conflicts of interest (e.g., mandating statutory audits of public interest entities by a quasigovernmental organization, separating the roles of owner, manager, and employee) and building on the strengths of the existing accounting firms (e.g., fellows, multidisciplinary teams).</p> | <p>Aobdia, D. (2019). Do practitioner assessments agree with academic proxies for audit quality? Evidence from PCAOB and internal inspections. <i>Journal of Accounting and Economics</i>, 67(1), 144-174.</p> <p>Baker, C. (2005). What is the meaning of "the public interest"? <i>Accounting, Auditing & Accountability Journal</i>, 18(5), 690-703.</p> <p>Bazerman, M., & Moore, D. (2011). Is it time for auditor independence yet? <i>Accounting, Organizations and Society</i>, 36(4-5), 310-312.</p> <p>Bazerman, M., Loewenstein, G., & Moore, D. (2002). Why good accountants do bad audits. <i>Harvard Business Review</i>, 80(11), 96-103.</p> <p>Bazerman, M., Moore, D., Tetlock, P., & Tanlu, L. (2006). Reply. Reports of solving the conflicts of interest in auditing are highly exaggerated. <i>Academy of Management Review</i>, 3(1), 43-49.</p> <p>Bazerman, M., Morgan, K., & Loewenstein, G. (1997). The impossibility of auditor independence. <i>Sloan Management Review</i>, 38(4), 89-94.</p> | <p>Alvesson, M., & Deetz, S. (2000). <i>Doing Critical Management Research</i>. In R. Thorpe, & M. Easterby-Smith, Sage Series in Management Research (pp. 1-22). London: SAGE Publications.</p> <p>Authority for the Financial Markets (AFM). (2015). <i>Sector in beeld. Marktanalyse accountantsorganisaties 2010-2014</i>. Amsterdam: AFM. Retrieved from https://www.google.nl/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwuiwKH05zgAhWCa1AKHVTjCV8QFjAAegQICRAC&url=https%3A%2F%2Fwww.afm.nl%2F-%2Fprofmedia%2Ffiles%2Frapporten%2F2015%2Fsector-in-beeld-marktanalyseaccountantsorganisaties-</p> <p>Authority for the Financial Markets (AFM). (2018a). <i>Jaarverslag 2017</i>. Amsterdam: AFM. Retrieved from https://www.afm.nl/~profmedia/files/afm/jaarverslag/2017/jv-2017nl.pdf</p> <p>Authority for the Financial Markets (AFM). (2018b). <i>Vulnerabilities in the structure of the audit sector</i>. Amsterdam: AFM. Retrieved from</p> |

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| <p>#25 Dr Max Bessell, Dr Lisa Powell, Prof Paul Coram, Prof Christopher Symes</p> | <ul style="list-style-type: none"> • Legislation requiring audits be amended to make it consistent • ASIC oversight program to cover all RCAs in a reasonably regular timeframe • Another auditor designation is required in Australia | <p>Max Bessell, Lisa Powell and Grant Richardson (2017). An Analysis of the Inconsistencies Regarding the Co-regulatory Environment for Registered Company Auditors in Australia. Australian Business Law Review, 45(4).</p> | <p>Ferguson, Colin and Pinnuck, Matthew and Skinner, Douglas J., Lucky Or Good? Audit Market Concentration And The Emergence of The Big 4 In Australia (October 1, 2018). Chicago Booth Research Paper No. 14-13. Working paper. Available at SSRN: https://ssrn.com/abstract=2431727 or http://dx.doi.org/10.2139/ssrn.2431727</p> |
| <p>#39 Professor James Guthrie</p> | <p>Recommendation: the relationship between auditing and consulting services is mired in potential conflicts of interest, hence auditors must act exclusively as auditors.</p> <ol style="list-style-type: none"> 1. Statutory auditors of large companies and other entities must act exclusively as auditors. 2. The audit business of accounting firms must be legally separate from everything else, with no crossholdings. 3. Auditors and their associates cannot sell any non-auditing services, with the exception of delivering statutory returns, to audit clients. 4. It will be a criminal offence for statutory auditors of large companies and any entities related to them to offer or perform non-auditing services for audit clients. | <p>None</p> | <p>Financial Times, (16 May 2018), "Big 4 accountancy firms plan for the forced break-up".</p> <p>CA ANZ (2019), "Audit quality in a multidisciplinary firm: what evidence shows", September 2019.</p> <p>Reviews commissioned by the UK Labour Party: Sikka, P. et al., (2019), "Regulatory Architecture to Enhance Democracy and Business Accountability", Sikka, P. et al., (2018), "Reforming the Auditing Industry", this review was commissioned by the UK Labour Party.</p> <p>Various Australian Financial Review references;</p> <ol style="list-style-type: none"> 1. How Deloitte, EY, KPMG and PwC partners minimise their tax bill 2. Allegations made against two KPMG partners 3. PwC reveals partners average tax rate with starting pay of 350k 4. The Fixer in a fix over EY move 5. Former KPMG, Deloitte, PwC tax partners join forces at Namaru 6. Want to be more productive? Get up earlier, much earlier 7. Court actions against Deloitte, EY, KPMG and PwC 8. PwCs golden goodbye ties former partners to the firms profits forever 9. Some Big 4 partners are disrupting the tax system, the ATO tells estimates |

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| | | | 10. The Big 4 consulting firms probed by ACCC over cartel conduct |
| #43 Professor Allan Fels | <p>The problem with simply banning all non-audit service provision for audit clients as the UK firms have proposed is that conflicts are not entirely eliminated.</p> <p>I would point out however that separation of the two functions would be a much cleaner, simpler and less costly way to deal with the problem.</p> | None | None |
| #47 Professor Stephen Taylor | <p>Based on extensive empirical evidence, I am extremely sceptical that further regulation of the provision of NAS to audit clients will be beneficial to audit quality. The recent European amendments which restrict NAS beyond specifically banned services to no more than 70% of the audit fee is unlikely to result in any discernible improvement in overall audit quality.</p> <p>Concerns about audit quality are, for the most part, are linked to the rules that govern financial reporting. Perhaps the time has come for the concept of a mandatory audit requirement to be reviewed, rather than to simply further extend the prevailing regulatory framework.</p> | <p>Craswell, A. and J. Francis. 1999. Pricing initial audit engagements: A test of competing theories. <i>The Accounting Review</i> 74, 201-216.</p> <p>Craswell, A., J. Francis and S. Taylor. 1995. Auditor brand name reputations and industry specialization. <i>Journal of Accounting and Economics</i> 20, 297-322.</p> <p>DeAngelo, L. 1981. Auditor size and auditor quality. <i>Journal of Accounting and Economics</i> 3, 183-199.</p> <p>Dechow, P., W. Ge. And C. Schrand. 2010. Understanding earnings quality: A review of the proxies, their determinants and their consequences. <i>Journal of Accounting and Economics</i> 50, 344-401.</p> <p>DeFond, M and J. Zhang. 2014 A review of archival auditing research. <i>Journal of Accounting and Economics</i> 58, 275-326.</p> <p>Doogar, R., P. Sivadasan and I. Solomon. 2015. Audit fee residuals: Costs or rents? <i>Review of Accounting Studies</i> 20, 1247-1286.</p> | <p>Aobdia, D., P. Choudhary and N. Newberger. 2018. Which audit input matters? An analysis of the determinants of audit quality, profitability and audit fees using PCAOB data. Working Paper, available ssrn.com/abstract=3300277.</p> <p>Bouwens, J. 2019. What is the relationship between audit quality and non-audit services? An overview of the existing literature. Cambridge University Working paper.</p> <p>Carson, E. 2019. Audit market structure and competition in Australia: 2012-2018. Australian Audit and Assurance Standards Board, Research Paper No. 3.</p> <p>Competition and Markets Authority. 2019. Statutory audit services market study: Final report.</p> <p>Coulton, J., G. Livne, A. Pettinicchio and S. Taylor. 2019. Abnormal audit fees and audit quality. Working paper, University of Technology Sydney.</p> |

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| #56 Professor Ken Trotman | <p>Prior controlled experimentation can point out some of the costs, benefits and unintended consequences in advance, and avoids need to disentangle variables that are confounded in natural settings.</p> <p>Based on a very comprehensive review of the literature, they suggest that "... banning non-audit services (NAS) does not seem to affect audit quality, and tax-related NAS actually improves it. In addition, studies examining potential threats to auditor independence find little evidence that they impair audit quality.</p> | <p>DeFond, M., and J. Zhang. 2014. A review of archival auditing research. <i>Journal of Accounting & Economics</i> 58 (2/3): 275-326.</p> <p>Glover, S. M., M. H. Taylor, and Y. Wu. 2019. Mind the gap: Why do experts have differences of opinion regarding the sufficiency of audit evidence supporting complex fair value measurements? <i>Contemporary Accounting Research</i> 36 (3): 1417-1449.</p> <p>Harding, N., and K. T. Trotman. 2017. The effect of partner communications of fraud likelihood and skeptical orientation on auditors' professional skepticism. <i>Auditing: A Journal of Practice & Theory</i> 36 (2): 111-131.</p> <p>Peecher, M. E., I. Solomon, and K. T. Trotman. 2013. An accountability framework for financial statement auditors and related research questions. <i>Accounting, Organizations and Society</i> 38 (8): 596-620.</p> <p>Trotman, K. T. 2019. Discussion of 'Mind the gap: Why do experts have differences of opinion regarding the sufficiency of audit evidence supporting complex fair value measurements?' <i>Contemporary Accounting Research</i> 36 (3): 1449-1460.</p> | <p>Grohnert, T., W. H. Gijssels, R. G. H. Meuwissen, and K. T. Trotman. 2019. The Effect of a Supportive Learning Culture and Rank on Professional Skepticism in Information Search. Working paper, Maastricht University and UNSW Sydney.</p> <p>Houghton, K., and K. Trotman. 2002, 2003 and 2005. Review of KPMG Australia's Processes and Policies in Respect of Independence, Conflict Resolution and Quality Controls. KPMG.</p> <p>International Auditing and Assurance Standards Board (IAASB). 2014. <i>A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality</i>. New York, NY 10017: International Federation of Accountants (IFAC).</p> <p>PricewaterhouseCoopers Audit Standards Oversight Board. 2004.</p> |
| #57 Adjunct Professor Stuart Kells, Professor Zahirul Hoque, Professor Ian Gow and Mr Scott Hamilton | <p>Trying to break up or carve up the firms would be very difficult (potentially impossible); perhaps more importantly, disruption in the auditing sector is overtaking this idea; the Big 4 face being disrupted and out-competed in auditing before a new structural model could be sculpted.</p> <ul style="list-style-type: none"> • Rethink/redesign audit methodology due to the | None | Our book 'The Big Four: The Curious Past and Perilous Future of a Global Monopoly' (La Trobe University Press). |

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| | <p>drivers of corporate investment in technology.</p> <ul style="list-style-type: none"> • Look at what particular types of new technology might be sources of reliable assurance; and consider 'alternative compliance' routes for meeting audit requirements. • Take pro-competitive regulatory steps such as forcing rotation and giving the mid-tiers a leg up. • Tighten rules about consulting vs audit service provision. • Consider whether it is desirable for auditors to continue to 'write their own rules', in standards and other instruments. • Consider what role public auditors such as the ANAO could play in improving corporate auditing. | | |
| #58 Dr Jennifer Wilson | <ul style="list-style-type: none"> • Disagrees with the IIA recommendation that all internal auditors should be a member of their professional body. • Compliance, auditing and enforcement efforts may be undermined by the complexity of the laws auditors needs to be aware of and comply with. • Evaluating whether and how academia can be improved to produce better auditors, | None | <p>Real help for corporate behaviour. Australian Financial Review, 9 July 2019.</p> <p>The Unusual Suspects. Accounting and Business (October 2018 International edition): https://abinternational.accaglobal.com/2018/09/24/18oct_int_i_fraudsters/pugpig_index.html</p> <p>There is no silver bullet to stop fraudsters. The Conversation: https://theconversation.com/there-is-no-silver-bullet-to-stop-fraudsters-70416</p> |

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| | <p>along with reviewing who undertakes governance research and how they do it could place Australia as the much-needed world leader in this field.</p> <ul style="list-style-type: none"> • Consideration of prison sentences may be a more effective deterrent for auditors than being penalised through higher professional indemnity premiums. • Regulators need to have a pivotal role in standard development, implementation and enforcement. • Consolidation of research resources by governments, regulators, universities and professional bodies to improve the quality of research in this field. | | <p>Can employers screen job applicants for potential white collar fraud offenders? In S. Boag & N. Tiliopoulos (Eds.), Personality and individual differences: Theory, assessment and application (pp. 163-170). New York: Nova.</p> <p>Who commits white collar fraud and why? PhD thesis, 2017</p> |
| <p>#59 Professor Robyn Moroney</p> | <ul style="list-style-type: none"> • Audit regulation should be designed carefully, based on evidence of its effectiveness. • Once implemented independent evidence should be gathered to allow for an assessment of the effectiveness of a regulation, making any necessary modifications on a timely basis. • It is important that regulation targeting enhanced audit quality consider the many and varied ways of | <p>Dowling, C., W.R. Knechel and R. Moroney (2018) Public oversight of audit firms: The slippery-slope of enforcing regulation <i>Abacus</i>, 54(3): 353-380. DOI: 10.1111/abac.12130</p> <p>Kamath, R.P., T.C. Huang and R. Moroney (2018) Auditor rotation and perceived audit quality: The effects of fees and industry specialization <i>Journal of International Accounting Research</i> 17(3): 153-175. DOI: 10.2308/jiar-52227</p> <p>Stevens, E., R. Moroney and J. Webster, (2019) Professional Skepticism: The combined effect of partner style and team identity salience, <i>International</i></p> | <p>Martinow, K., R. Moroney and N. Harding, Regulating audit quality via inspections and checklists: Impact on auditor commitment and turnover intentions. Working paper.</p> <p>Moroney, R., W.R. Knechel and C. Dowling (2017) The effect of inspections, rotations and client preferences on staffing decisions. <i>Accounting and Finance</i> forthcoming.</p> |

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| | <p>measuring audit quality as well as the importance of providing some evidence that stakeholders can use to assess the quality of the audit delivered.</p> | <p>Journal of Auditing, 23(2):279-291. DOI: 10.1111/ijau.12161</p> | |
| #62 Mr Neil Fargher | <p>ToR 1: Findings are at best mixed. There is some research arguing that there is a systemic issue of lack of auditor independence, but, in my opinion, most evidence fails to find such a systemic problem.</p> <p>If examples of problems with independence are provided to this inquiry, then an approach would be to consider the additional types of non-audit services that should not be provided by the auditor, the extent of controls required to mitigate independence concerns within an audit firm, and the ability of auditors to report violations of independence. Changes may be needed to the Corporations Act to expand the list of relationships treated as non-independent and, or to the Code of Ethics for Professional Accountants APES 110.</p> <p>Growth in consulting appears to be in the area of consulting to non-audit clients. Such consulting is not a conflict of interest. Such growth does likely raise challenges for audit firms in retaining experienced staff in audit areas and similar issues.</p> | <p>Abernathy, J.L., Barnes, M. & Stefniak, C. 2013. A summary of 10 years of PCAOB research: What have we learned? Journal of Accounting Literature 32: 30-60.</p> <p>Carey, P.J., Monroe, G.S. & Shailer G. 2014. Review of Post-CLERP 9 Australian Auditor Independence Research. Australian Accounting Review 24(4): 370-380.</p> <p>Christensen, B.E., Glover, S.M., Omer, T.C. and Shelley M.K. 2015. Understanding Audit Quality: Insights from audit professionals and investors. Contemporary Accounting Research 33(4): 16481684.</p> <p>Houston, R.W. & Stefaniak, C. M. 2013. Audit partner perceptions of post-audit review mechanisms: an examination of internal quality reviews and PCAOB inspections. Accounting Horizons 27(1): 23-49.</p> <p>Knechel, W.R. 2016. Audit quality and regulation. International Journal of Auditing 20: 215- 23. Li, K.K. & Sloan, R.G., 2017. Has Goodwill accounting gone bad? Review of Accounting Studies 22(2): 964-1003.</p> <p>Robertson, J.C. & Houston, R.W. 2010. Investors' expectations of the improvement in the credibility of audit opinions following PCAOB inspection reports with identified deficiencies. Accounting and the Public Interest 10(1):36-56.</p> | <p>ASIC 2018. Mr John Price, Commissioner, Australian Securities and Investments Commission, Committee Hansard, 16 February 2018, p. 22.</p> <p>Bédard, J., Piot, C. & Schatt, A. 2014. An Evaluation of the French Experience with Joint Auditing (December 1, 2014). Available from SSRN: https://ssrn.com/abstract=2165595</p> <p>Corporate Law Economic Reform Program Act (CLERP 9). 2004.</p> <p>Competition & Markets Authority (CMA) 2019. Statutory audit services market study. Final report, 18 April 2019. Financial Reporting Council (FRC) 2019. Annual Enforcement Review 2019. Available from: https://www.frc.org.uk/getattachment/b8622ccd-5264-41d6-8053-9986fba531c0/2353AnnualEnforcement-Review-v6-1-Final-Web.pdf</p> <p>HIH Royal Commission. 2003. HIH Royal Commission Final Report dated 4 April, 2003.</p> <p>International Forum of Independent Audit Regulators (IFIAR) 2019. Survey of Inspection Findings 2018. International Forum of Independent Audit Regulators, May 2019. Available from: https://www.ifiar.org/?wpdmdl=9603</p> <p>Parliamentary Joint Committee on Corporations and Financial Services (2019) Statutory Oversight of the Australian Securities and Investments Commission,</p> |

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| | <ul style="list-style-type: none"> • Drastic restructuring of audit firms to create audit-only firms does not appear warranted. • More helpful reporting from ASIC (eg the precise nature and severity of audit deficiencies). • A “rotation or tender” rule might be considered, perhaps at the 20-year mark. • The current accounting standards arguably allow management too much flexibility in their estimates of asset value and too much flexibility to defer impairments. • Disclosure by auditors of the actions taken in relation to testing management assumptions and estimates relating to asset valuation and impairment could be encouraged in the Key Audit Matters section of the auditor’s report. • Increased management responsibility for asserting the effectiveness of the entity’s internal controls and procedures, but less than the full compliance regime implemented under SOX. • The scope of the audit could be broadened to include enhanced auditor reporting on “other information intended to be read in | | <p>the Takeovers Panel and the Corporations Legislation Report No. 1 of the 45th Parliament. Commonwealth of Australia, February, 2019.</p> <p>Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into the collapse of Trio Capital, May 2012.</p> <p>Ramsey, I. 2001. Independence of Australian Company Auditors – Review of Current Australian Requirements and Proposals for Reform (Ramsey Report). Report to the Minister for Financial Services and Regulation, Commonwealth of Australia, October 2001.</p> |

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| | <p>conjunction with the financial statements”.</p> <ul style="list-style-type: none"> • ASIC’s RG 260 be updated to ensure that ASIC routinely reports findings of audit inspection files to the audit committee, or directors, of the entity audited. • Support the need for a Financial Reporting and Audit Centre of Excellence through the Australian Research Council. | | |
| <p>#63 Emeritus Professor Keith Houghton and Professor Christine Jubb</p> | <ul style="list-style-type: none"> • ASIC reviews of audit firms be publicly available, downloadable and searchable. • XRBL be mandated for all publicly listed companies, phased in over time. • That ASIC maintain a register of key characteristics of the audit of all companies both public and private and that this be publicly available, downloadable and searchable. This needs to include characteristics that might be seen as affecting independence, such as interlocking directorates. • That ASIC maintain a register of litigation in respect of auditors for all companies both public and private and that this be publicly available, downloadable and searchable. | <p>Hossain, S., G. Monroe, M. Wilson and C. Jubb. "The effect of networked clients' economic importance on audit quality," Auditing: A Journal of Practice & Theory. (2016) 35(4): 79-103.</p> <p>Houghton, K.A. and C.A. Jubb. The market for financial report audits: regulation of and competition for auditor independence. Law and Policy 25(3) (2003a): 299-321.</p> <p>Houghton, K.A. and C.A. Jubb. "Selecting an Auditor: What Influences Listed Companies' Choice". Australian Accounting Review. 13(3) (2003b): 67-72.</p> <p>Tham, Y H, Sultana N, Singh, H & Taplin, R. Busy boards and earnings management – an Australian perspective. Asian Review of Accounting. (2019), 27(3): 464-486.</p> | <p>Houghton K and K Trotman, Review of KPMG Australia’s Processes and Policies in Respect of Independence, Conflict Resolution and Quality Controls (2003).</p> <p>Houghton, K, C Jubb, M Kend, J Ng, The Future of Audit – keeping Capital Markets Efficient, ANU Press, (2010).</p> <p>Tadros, E. ASIC needs to release its data on audit quality. The Australian Financial Review. October 16 (2019).</p> <p>Tadros, E. and H Wootton. Court actions against Deloitte, EY, KPMG and PwC. The Australian Financial Review. September 21 (2019).</p> <p>Wells, P. Submission to the Inquiry into the Regulation of Auditing in Australia. (2019). (Submission 7).</p> <p>Wootton, H. Accounting systems need to come out of 19 century. The Australian Financial Review. September 25 (2019a).</p> |

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| | <ul style="list-style-type: none"> A mechanical process of a rotation should not be extended to the audit firms themselves. | | <p>Wootton, H. Deloitte case could curb audit class action trend. The Australian Financial Review. October 15 (2019b).</p> <p>Wootton, H. ASIC pushes to expand digital reporting. The Australian Financial Review. October 22, (2019c).</p> |
| <p>#65 Professor Sandra van der Laan and Dr Steven Townsend</p> | <p>Research on the association between NAS and audit quality has produced a diverse range of results with some evidence suggesting no association (Ashbaugh, LaFond and Mayhew 2003), a negative association (Frankel, Johnson and Nelson 2002), and a positive one (Davis, Soo and Trompeter 2009).</p> <p>Explore Financial Statement Insurance (FSI) as an alternative. Instead of appointing auditors, companies purchase insurance to cover shareholder losses arising from misstated financial reports. Under this arrangement, the insurance providers appoint and remunerate auditors.</p> | <p>Ashbaugh, H., LaFond, R. and Mayhew, B. W. 2003, 'Do nonaudit services compromise auditor independence? Further evidence', The Accounting Review, vol. 78, no. 3, pp. 611-639.</p> <p>Bell, T. B., Causholli, M. and Knechel, W. R. 2015, 'Audit firm tenure, non-audit services, and internal assessments of audit quality', Journal of Accounting Research, vol. 53, no. 3, pp. 461-509.</p> <p>Bhattacharjee, S., Moreno, K. and Yardley, J. 2005, 'Auditors as Underwriters: An Alternative Framework', International Journal of Auditing, vol. 9, no. 1, pp. 1-19.</p> <p>Cahan, S. F. and Zhang, W. 2006, 'After Enron: Audit or conservatism and ex-Andersen clients', The Accounting Review, vol. 81, no. 1, pp. 49-82.</p> <p>Cunningham, L. A. 2004a, 'Choosing Gatekeepers: The Financial Statement Insurance Alternative to Auditor Liability', UCLA L. Rev., vol. 52, pp. 413-475.</p> <p>Cunningham, L. A. 2004b, 'A model financial statement insurance act', Connecticut Insurance Law Journal, 52, pp. 413-476.</p> | <p>Brooks, L. Z., Cheng, C. and Reichelt, K. J. 2013, 'Audit firm tenure and audit quality: Evidence from US firms'. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2201350</p> <p>Brooks, R. 2018, Bean Counters: The Triumph of the Accountants and How They Broke Capitalism, Atlantic Books, London.</p> <p>Gaffikin, M. 2006, 'Regulation: Standardising accounting practice', in U. o. Wollongong (ed.), Working Paper 22, 2006.</p> |

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| | | <p>Cunningham, L. A. 2006, 'Too big to fail: Moral hazard in auditing and the need to restructure the industry before it unravels', Columbia Law Review, pp. 1698-1748.</p> <p>Davis, L. R., Soo, B. S. and Trompeter, G. M. 2009, 'Auditor tenure and the ability to meet or beat earnings forecasts', Contemporary Accounting Research, vol. 26, no. 2, pp. 517-548.</p> <p>Frankel, R. M., Johnson, M. F. and Nelson, K. K. 2002, 'The relation between auditors' fees for nonaudit services and earnings management', The Accounting Review, vol. 77, no. 1, pp. 71-105.</p> <p>Myers, J. N., Myers, L. A. and Omer, T. C. 2003, 'Exploring the term of the auditor-client relationship and the quality of earnings: A case for mandatory auditor rotation?', The Accounting Review, vol. 78, no. 3, pp. 779-799.</p> <p>Ronen, J. 2002, 'Post-enron reform: Financial-statement insurance and GAAP revisited', Stan. J. Bus. & Fin., vol. 8, p. 39.</p> <p>Ronen, J. 2006, 'A proposed corporate governance reform: Financial statements insurance', Journal of Engineering and Technology Management, vol. 23, no. 1, pp. 130-146.</p> <p>Ronen, J. and Cherny, J. 2002, 'Is Insurance a Solution to the Auditing Dilemma', National Underwriter, vol. 106, no. 32, pp. 26-29.</p> <p>Ronen, J. and Cherny, J. 2003, 'A prognosis for restructuring the market for audit services', CPA J, vol. 73, no. 5, pp. 6-8.</p> | |

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| | | Timmermans, S. 2008, 'Professions and their work: do market shelters protect professional interests?', <i>Work and Occupations</i> , vol. 35, no. 2, pp. 164-188. | |
| #68 Dr Elizabeth Elliott | <p>Primary concerns are:</p> <ul style="list-style-type: none"> • Oligopoly of big 4 • Provision of consulting services to audit clients (especially tax avoidance schemes) • Derivatives exposure | None | None |
| #75 Miss Xinyi Wen, Mr Per Tronnes and Associate Professor Andrew Jackson | <p>The lack of a clear and unambiguous answer in the literature to the question of whether non-audit services affect auditor independence might be disappointing in terms of providing a guidance to future regulation. It does, however, indicate a key feature of auditing. Namely that auditing is complex and multifaceted where both clients and auditors are heterogeneous.</p> | <p>Antle, R., Gordon, E., Narayanamoorthy, G. and Zhou, L., 2006. The joint determination of audit fees, non-audit fees, and abnormal accruals. <i>Review of Quantitative Finance and Accounting</i>, 27(3), pp.235-266.</p> <p>Ashbaugh, H., LaFond, R. and Mayhew, B.W., 2003. Do nonaudit services compromise auditor independence? Further evidence. <i>The accounting review</i>, 78(3), pp.611-639.</p> <p>Basioudis, I.G., Papakonstantinou, E. and Geiger, M.A., 2008. Audit fees, non-audit fees and auditor going-concern reporting decisions in the United Kingdom. <i>Abacus</i>, 44(3), pp.284-309.</p> <p>Blay, A.D., 2005. Independence threats, litigation risk, and the auditor's decision process. <i>Contemporary Accounting Research</i>, 22(4), pp.759-789.</p> <p>Brandon, D.M., Crabtree, A.D. and Maher, J.J., 2004. Nonaudit fees, auditor independence, and bond ratings. <i>Auditing: A Journal of Practice & Theory</i>, 23(2), pp.89-103.</p> | <p>International Federation of Accountants, 2006. <i>IFAC Code of Ethics for Professional Accountants</i>. IFAC, New York.</p> <p>Securities and Exchange Commission (sec). 2000. <i>Revision of the Commission's Auditor Independence Requirements</i>. Release Nos. 33- 919; 34-43602; FR-56. Washington, D.C.: sec.</p> <p>Securities and Exchange Commission, 2003. <i>Strengthening the commission's requirements regarding auditor independence</i>. Financial Reporting Release, (68).</p> <p>US Securities and Exchange Commission (SEC), 2006. <i>Rule filings with respect to the PCAOB's Proposed ethics and independence rules concerning independence, tax services, and contingent fees</i>.</p> <p>Watts, R.L. and Zimmerman, J.L., 1986. <i>Positive accounting theory</i>.</p> <p>Woolf, E., 1997. <i>Auditing today</i>. Prentice Hall.</p> |

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| | | <p>Chung, H. and Kallapur, S., 2003. Client importance, nonaudit services, and abnormal accruals. <i>The Accounting Review</i>, 78(4), pp.931-955.</p> <p>Craswell, A., Stokes, D.J. and Laughton, J., 2002. Auditor independence and fee dependence. <i>Journal of Accounting and Economics</i>, 33(2), pp.253-275.</p> <p>Davis, S.M. and Hollie, D., 2008. The impact of non-audit service fee levels on investors' perception of auditor independence. <i>Behavioral Research in Accounting</i>, 20(1), pp.31-44.</p> <p>DeAngelo, L.E., 1981. Auditor size and audit quality. <i>Journal of accounting and economics</i>, 3(3), pp.183-199.</p> <p>Dechow, P. M., R. G. Sloan, and A. P. Sweeney. 1995. Detecting earnings management. <i>The Accounting Review</i>, 70 (2): 193 – 225.</p> <p>DeFond, M.L. and Park, C.W., 1997. Smoothing income in anticipation of future earnings. <i>Journal of accounting and economics</i>, 23(2), pp.115-139.</p> <p>DeFond, M.L., Raghunandan, K. and Subramanyam, K.R., 2002. Do non-audit service fees impair auditor independence? Evidence from going concern audit opinions. <i>Journal of accounting research</i>, pp.1247-1274.</p> <p>Firth, M., 2002. Auditor–provided consultancy services and their associations with audit fees and audit opinions. <i>Journal of Business Finance & Accounting</i>, 29(5-6), pp.661-693.</p> <p>Ferguson, M.J., Seow, G.S. and Young, D., 2004. Non-audit services and earnings management: UK</p> | |

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| #78 Dr Shann Turnbull | <p>It is recommended that:</p> <ul style="list-style-type: none"> ▪ No licensed external auditor can accept any fees from any company in which a director is subject to their audit. ▪ No auditor can undertake any other type of work for the company or related party organisation consistent with the recommendations above. | None | None |
| #79 Mr Jeffrey Knapp | <ul style="list-style-type: none"> ▪ It is recommended that the Big 4 audit firms be required to divest their insolvency services businesses unless they can publicly explain why the retention of insolvency businesses and big bank audit clients does not breach independence in appearance. ▪ It is recommended that Big 4 audit firms be disqualified from auditing IPO clients for a period of five years. | None | <p>Various articles of Michael West:</p> <ul style="list-style-type: none"> ▪ Loophole: how Deloitte games the tax laws for Kiwi raider, 10 January 2019 https://www.michaelwest.com.au/loophole-how-deloitte-games-the-tax-laws-for-kiwi-raider (viewed 31 October 2019) ▪ Special purpose approach by accountants hides corporate secrets, 6 November 2015 https://www.smh.com.au/business/banking-and-finance/big-companies-hiding-their-numbers-20151106gksbpv.html (viewed 31 October 2019) ▪ What is Serco hiding? 7 May 2013 https://www.michaelwest.com.au/what-is-serco-hiding/ (viewed 31 October 2019) ▪ Health insurance spirals but you wouldn't know it from BUPA's accounts, 15 May 2017 |

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