

## Answers to Questions on Notice

<b>Committee</b>	Parliamentary Joint Committee on Corporations and Financial Services
<b>Inquiry</b>	Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry
<b>Subject</b>	Consulting
<b>Reference</b>	Hansard, 22 February 2024, page 40
<b>Committee member</b>	Senator Deborah O'Neill
<b>Respondent</b>	Chair and Chief Executive Officer, Auditing and Assurance Standards Board

### Question

**CHAIR:** Yes, or even on anybody who considers themselves a consultant, for which there are no professional bodies. Yet the services that are being provided there are bringing certified practitioners that you would be overseeing in contact with others who are completely uncertified, who can then use that certified knowledge in the private context to be publicly released by somebody else. I'm really concerned about how that whole ecosystem is operating without any sort of external scrutiny. I'll give you the opportunity to think about that on notice if you have any recommendations around the need for consultancy to be brought into some sort of an ethical oversight structure as well, because of the intimate connection they have with the sectors that you deeply care about and particularly represent.

### Answer

The possible regulation of consultants is a matter for Government policy. Some relevant considerations may include:

1. The types of services that could be regarded as 'consulting services' is broad and the need for clarity as to which services would be covered by any regulation;
2. Defining the objectives of regulation, which would determine the nature and scope of regulation, such as:
  - a) protecting the confidentiality of information available to providers of consulting services;
  - b) promoting the integrity of service providers;
  - c) the quality of services provided;
  - d) whether the level of services provided to an entity by a provider could be seen to impact on the objectivity of the service provider in giving any advice;\
  - e) the potential impact of any integrity or quality issues on trust and confidence in other services provided by the service provider that are currently regulated; and
  - f) whether regulation should focus on the type of services, who provides the services and/or who the services are provided to;
3. Cost vs benefit assessments for possible regulation options;
4. Whether there should be a statutory registration process for the providers of particular types of consulting services;
5. Whether there should be initial and ongoing competency, experience and education requirements for individuals involved in providing consulting services;
6. If there are registration requirements, who should register consultants providing particular types of services and what be the body and process to consider deregistration for not meeting required standards;
7. What other remedies or sanctions should apply to consultants who do not meet required standards;

8. Whether there are to be protected titles for those providing particular types of regulated services;
9. Whether a firm that provides audit services should be able to provide, or be prohibited from providing, particular defined types of consulting services or non-audit services to audited entities under statutory requirements;
10. Whether a firm that provides audit services should be able to provide, or be prohibited from providing, particular defined types of consulting services to entities that are not audited by that firm;
11. Whether any requirements for firms that provide audit services should depend upon the size of the provider or the types of entities audited;
12. Any transparency, accountability and oversight requirements for service providers;
13. Any governance requirements for service providers;
14. Whether and how to address consulting services provided by foreign providers;
15. Whether consulting services should be regulated through requirements for contracts entered into by government, listed or other type of entities;
16. Whether an existing or new government regulator should regulate services and service providers, noting the existing broad regulatory remit of ASIC compared to similar foreign regulators;
17. How any standard setting or regulatory functions should be funded, including whether to recover costs through levies on service providers; and
18. The expected impact of any other initiatives affecting the regulation of service providers.

Parts of [APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#) (Code of Ethics) issued by the Accounting Professional and Ethical Standards Board (APESB) applies to accountants who provide consulting services and who are members of Chartered Accountants Australia and New Zealand, CPA Australia or the Institute of Public Accountants (PABs). As noted on page 9 of the AUASB's submission to the Committee's inquiry (Submission no. 58), some factors that may be considered if the APESB standards of the were to be made enforceable under legislation include:

- (a) Whether legally enforceable standards should be made by a government body that is funded by mandatory levies and whose chair and members are appointed by government or a government body;
- (b) Whether the Code of Ethics should be enforceable under the Corporations Act in connection with entities whose financial reports are subject to audit under the Corporations Act;
- (c) Whether the Code of Ethics should be extended to cover audit, assurance and other services provided by individuals and entities who are not members of one of the PABs, as well as individuals who are members of one of the PABs;
- (d) Whether the Code of Ethics should only apply to the extent that it is not inconsistent with the existing general and specific auditor independence requirements in Chapter 2M of the Corporations Act;
- (e) Whether there are any aspects of the Code of Ethics that should be strengthened; and
- (f) Whether any future new provisions of the Code of Ethics covering climate/sustainability reporting assurance providers should be made enforceable. This may include considering whether the Code of Ethics should be applied to any non-accountant practitioners who are subject to other ethical and independence standards for another profession.