



Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600
corporations.joint@aph.gov.au

Dear Chair and Members of the Joint House Committee on Corporations and Financial Services

Re: Regulation of Auditing in Australia

A Case Study in Identifying Fraud

Auditors have a **responsibility** to obtain reasonable assurance that the financial report is free from material misstatement, whether caused by **fraud** or **error**. This requirement is contained in **Australian Auditing** Standard ASA 250, which is the **Australian** equivalent of ISA 250

In this case study the **National Australia Bank** audit partner, [REDACTED], has been provided with evidence of fraud associated with a subsidiary company, NULIS Nominees (Australia) Ltd {**NULIS**}.

The former Chair of NULIS, Nicole Smith, was a memorable witness at the Hayne Royal Commission.

REGULATION OF AUDITING IN AUSTRALIA 3RD SUBMISSION



The head of the trustee responsible for NAB's superannuation funds told the royal commission she never thought about whether wrongly taking fees from customers' accounts was a crime.

Commissioner Kenneth Hayne raised the question of criminal behaviour during NAB's third day of questioning over its part in the "fees for no service" scandal.

Nicole Smith, who was the chair of the trustee NULIS until the end of June, is giving evidence about financial advice fees that were charged to some super customers — despite no adviser being assigned to them.

Commissioner Kenneth Hayne then asked whether there was ever any contemplation of criminal proceedings.

"Did you think yourself that taking money to which there was no entitlement raised a question of the criminal law?" Mr Hayne asked.

"I didn't," Ms Smith responded.

Given this exposure at the Hayne Royal Commission, the EY Audit Partner, [REDACTED], will need to be extra vigilant before signing off on her next Audit Report.

This is especially the case after the Government has made many legislative changes in accordance with the recommendations of Royal Commissioner Hayne.

NAB and *NULIS* may take the view that neither ASIC nor APRA will enforce these new laws, so there is no need to comply with even new criminal sanctions.

This submission and the included Exhibits will be a public record as to whether that will be the case.

Too often the Audit Partners of Audit Firms who are not subject to *Audit Firm Rotation*, just "rubber stamp" the financial statements without any attempt to check for fraud or errors.