



31 August 2023

Committee Secretary  
Parliamentary Joint Committee on Corporations and Financial Services  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

By email: [corporations.joint@aph.gov.au](mailto:corporations.joint@aph.gov.au)

Dear Committee Members,

**RE: Inquiry into Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry**

Accounting Professional & Ethical Standards Board Limited (APESB) welcomes the opportunity to make a Submission to the Inquiry into *Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry* (Ethics and Professional Accountability Inquiry).

**The role and mandate of APESB**

APESB was created as an independent body in 2006 by the Australian professional accounting bodies with a primary purpose to develop, issue and maintain high-quality professional and ethical pronouncements for the Australian accounting profession (including firms) in an independent manner with a public interest focus.

APESB's structure is globally unique as it is a circumstance where one National Standard Setter issues professional and ethical standards for three professional accounting bodies, namely Chartered Accountants Australia and New Zealand (CA ANZ), CPA Australia and the Institute of Public Accountants (IPA) who are all members of the International Federation of Accountants (IFAC).

APESB's pronouncements apply to the members of these three professional accounting bodies. They are extended to accounting firms established by these members and apply to all professional services that members and firms provide, including accounting, auditing, tax, management consulting and financial management services.

**Co-regulatory environment**

The Australian accounting profession exists in a co-regulatory environment, which involves APESB, other standard setters comprising the Auditing and Assurance Standards Board (AUASB) and the Australian Accounting Standards Board (AASB), the three Australian professional accounting bodies and applicable regulatory authorities (for example, the

Australian Securities and Investments Commission (ASIC), Tax Practitioners Board (TPB) and the Australian Taxation Office (ATO)).

### **The importance of professional and ethical standards**

We understand the public outrage with the currently observed ethical failings of large accounting firms. APESB shares the public's concerns, especially as the failings have occurred within firms required to comply with APESB's professional and ethical standards, which we believe are clear regarding fundamental ethical obligations, such as maintaining confidentiality and identifying and addressing conflicts of interest.

Professional and ethical standards are the cornerstone of the accounting profession. We believe that a strong framework of professional and ethical standards assists accountants in addressing ethical issues when they arise and, when adhered to, establishes robust professional conduct. Adherence to ethical standards contributes to confidence in capital markets and accountants' outputs for clients and employers.

APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ([APES 110](#)) issued by the APESB is based on the [International Code of Ethics](#) issued by the International Ethics Standards Board for Accountants ([IESBA](#)), which has been adopted and is used in over 130 jurisdictions in the world. APESB has issued [20 other pronouncements](#), including standards at the firm level and pronouncements on a range of professional services, including non-assurance services such as taxation, valuation, forensic accounting, insolvency, financial planning, due diligence committees and outsourced services. We believe that APES 110 and APESB's other professional and ethical standards represent global best practice.

APESB also plays an important role in enhancing the International Code of Ethics through involvement with the IESBA National Standard Setters (IESBA NSS) group. Since the group was formed in 2009, APESB has actively provided jurisdictional input to the global standard development process. In addition, APESB's CEO, [Channa Wijesinghe](#), is a public interest Board Member of the IESBA and provides an Australian perspective on the international standards development process.

APESB pronouncements apply to all services provided by accountants, including consulting services. However, consulting services are provided by many disciplines other than accounting, and these disciplines may have their own codes of conduct. In the absence of a generally recognised framework for consultants, ethical issues such as conflicts of interest will not be consistently managed or addressed.

### **Monitoring, enforcement, and collaboration with regulators**

Similar to the AASB and AUASB, as a national standards setter, APESB's mandate does not include monitoring and enforcement. The three professional accounting bodies and regulatory authorities (e.g., ASIC, TPB, ATO) are responsible for monitoring and enforcing compliance of professional accountants, including conducting disciplinary actions for breaches of APESB standards.

APESB regularly engages with the quality review teams of professional accounting bodies and regulators to determine whether the requirements of APESB standards are being complied with in practice and if further enhancements are required to address specific issues.

## Way forward

APESB support this government inquiry and believes it is an essential step in evaluating the effectiveness and appropriateness of the existing regulatory, technical and legal settings and broader cultural factors in which professional services firms (accounting and other consultants)<sup>1</sup> operate.

In early August 2023, APESB held a workshop with the stakeholders relevant to its mandate to consider the current regulatory framework and how it can be enhanced. The workshop was conducted under the premise that the current arrangements are not working and that reforms are required. In addition, APESB engaged with the NSW Government's Inquiry into the management and integrity of consultants.

In light of the stakeholder engagement to date, APESB believes the following measures or actions could be considered, either individually, in part, or as a whole, to improve the ethics and professional accountability of large professional services firms (accounting and other consultants):

### Enhancements to the current regulatory framework

- APESB consider the development of a standard (based on the UK FRC's Audit Firm Governance Code) that focuses on the culture and governance of large professional services firms in the Australian environment;
- APESB, in conjunction with the IESBA, works towards strengthening the global Code on issues that impact firm culture and governance;
- APESB consider the development of a specific standard on management consulting services, which include requirements relating to confidentiality, conflicts of interest, financial interests, and business relationships, and would apply to all professional services firms; and
- Enhance the existing ethics module of the professional programs and mandatory continuing professional development of accountants by increasing coverage of the APESB Standards.

### Transforming the existing regulatory landscape

- Provide legislative backing for APESB's professional and ethical pronouncements;
- Move APESB under the oversight of the FRC (consistent with the Australian Accounting and Auditing standard setters);
- Enhance transparency of large professional service firms by requiring them to prepare general purpose financial reports, including remuneration disclosures and subject them to audit if they are not already subject to these requirements, which would be filed with ASIC and be available for public inspection; and
- Establish an independent body to monitor all professional services firms that provide audit, assurance and consulting services. This would broaden oversight from just accounting practitioners and could capture those firms and entities currently not subject to statutory regulatory oversight who provide those services. This independent body will

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<sup>1</sup> APESB uses the term professional services firm in this submission to encapsulate accountants and other consultants. The Committee may consider a broader definition in determining the protections required for the government and public interest entities. APESB has not validated the professional and ethical standards of other professional service providers nor whether those standards would be considered international best practice.

undertake enforcement actions where appropriate and prepare public annual reports of its monitoring and enforcement activities to enhance public trust.

#### Enhancing ethical behaviours and public interest for all professions

- Enhance transparency of the provision of professional services to public interest entities and Government by extending the financial statements disclosure from fees paid to the entity's auditor for audit and non-audit services to all fees paid to professional services firms for all services provided to the entity;
- The Government develop a rigorous Code of Ethics (such as APES 110) that could be applied to all professional services firms or persons that contract with or provide any form of professional services to the Government;
- Apply the enhancements discussed in the preceding paragraphs to all firms providing professional services; and
- APESB consider whether there is merit in developing a professional agnostic APES 110 and a professional standard for management consulting that could apply to all professionals.

APESB's specific responses to the terms of reference of the inquiry into ethics and professional accountability in the audit, assurance and consultancy industry are included in Appendix A for your consideration. Appendices B and C set out further information on international developments relating to Audit Firm Governance and professionally agnostic sustainability standards. Refer to Appendix D for details on the Quality Review programs of the professional accounting bodies.

#### **Concluding comments**

APESB welcomes the opportunity to discuss the existing accounting professional and ethical standards framework with the Committee and how these standards deal with ethics and professional accountability, community expectations, and serve the public interest.

If, during the inquiry, a gap is identified in the professional standards framework that falls within APESB's mandate, we look forward to working with you to develop an appropriate solution.

Please note that APESB's submissions are public documents, and we request that this Submission be shared publicly on your website.

We trust that you find these comments useful in your deliberations. If you wish to discuss this further or require any additional information, please contact APESB's Chief Executive Officer, Channa Wijesinghe

Yours sincerely

Nancy Milne OAM

**Chairman**

## Appendix A

### Specific comments on the Inquiry's Terms of Reference

APESB has only considered the terms of reference that relate specifically to its role and mandate as the National Standards Setter of accounting professional and ethical standards in Australia.

Accordingly, APESB's responses to the specific terms of reference of the inquiry are as follows:

#### Terms of Reference 1:

##### The global and national firm structures

APESB has noted the issues reported in the media and raised at other government inquiries<sup>2</sup> regarding the structure of global and national accounting firms, in particular, the use and oversight of partnership structures and whether large firms should separate their audit and non-audit divisions.

##### Firm structure and governance

The majority of the large accounting firms in Australia have a partnership structure, although some of the large firms operate as corporate entities. Concerns have been raised about whether the lack of oversight over partnership structures leads to governance issues and poor transparency and accountability.

While it may seem like an easy solution to mandate that large firms adopt a corporate structure to be covered by existing regulatory frameworks, such a change will also result in significant taxation and operational cost implications. There would also need to be a reasonable transitional period to allow time for firms to change their structure.

APESB is of the view that alternative methods could be used to address the issues of governance and transparency associated with partnership structures with relatively low implementation costs.

One such method could be changing the treatment of large firms to be similar to how Public Interest Entities (PIEs) are treated for financial reporting purposes. This change could be implemented by:

- mandating the categorisation of large firms with substantial revenue, assets and workforces as PIEs;
- requiring large firms to prepare general purpose financial reports, including the disclosure of remuneration and information relating to their operations, and subject them to audit or alternatively adopting the disclosing entities disclosure requirements of the *Corporation Act 2001*; and
- adopting remuneration and accountability practices observed in APRA-regulated listed entities.

APESB considers that this approach would enable the relevant firms to maintain their partnership structure while being treated as reporting entities, thereby bringing transparency

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<sup>2</sup> Issue was raised as part of the NSW Government Public Works and Accountability Committee's [Inquiry into the NSW Government's management and use of consultants](#).

to their financial and operational practices and remuneration disclosures. This measure could also be applied more broadly to all professional services firms that provide services of interest, such as consulting services.

APESB also considers that the transparency of the provision of professional services could be enhanced through mandated disclosures on fees paid to all professional services firms. Historically, mandatory financial statement disclosures only addressed the disclosure of fees paid to an auditor for audit and non-audit services. In our opinion, this disclosure should be extended to include the disclosure of fees paid to other professional services firms for all services. We believe this might also assist in identifying the objectivity and conflict of interest issues associated with professional services firms providing services to government and public interest entities.

APESB is aware of multiple measures undertaken by the UK Financial Reporting Council (UK FRC) to strengthen corporate governance, audit practices and reporting in the UK. The developments in the UK could serve as valuable insights when considering potential reforms to the regulatory framework in Australia.

It is worth noting that the Big Six firms in the UK are regarded as Limited Liability Partnerships (LLPs) under the [Limited Liability Partnerships Act 2000](#) and are subject to audit and disclosure requirements on partner remuneration. UK firms are also required to have at least three independent directors on their Boards.

It may be useful for the Federal Government to consider the UK reporting requirements for partnership structures in the [Limited Liability Partnerships Act 2000](#), the [UK Audit Firm Governance Code](#) and the [Principles of Operational Separation](#).

### Separation of audit and non-audit parts of the firms

The separation of audit and non-audit divisions of the firms is often premised by some commentators as necessary to maintain the quality of audit services and avoid conflicts by limiting the provision of non-assurance services. Usually, this is based on incorrect assumptions that audit is a loss leader that opens the door for the firms to perform other more profitable services and that services provided to audit clients are a significant part of the large firms' business.

However, the Big Four firms' transparency reports in recent years indicate that audit services generally account for about 15% of a firm's overall revenue. Non-audit services to audit clients are about another 5% to 7%. A substantial portion, about 75% or more, of firm revenue is earned from non-audit services to non-audit clients.

These figures align with a research report authored by Professor Elizabeth Carson of UNSW and issued by the AUASB in December 2019, which analysed the provision of non-audit services to audit clients of listed companies in Australia from 2012 to 2018. The average ratio of non-audit services to audit services for the seven years was around 34%.<sup>3</sup>

In the December 2019 PJC inquiry into the regulation of auditing, it was noted from the firm leaders' statements that auditing is profitable.<sup>4</sup> At the time, ASIC obtained information from

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<sup>3</sup> Source: [AUASB Research Report No 4. \(Dec 19\)](#) (page 8-9), 4 December 2019.

<sup>4</sup> Deloitte: Tom Imbesi stated: 'Audit within Deloitte is a valued and profitable business for our firm. We do not subsidise our audit business, nor do we use audit as a loss leader to generate revenue from other services to the entities we audit.' Deloitte Opening Statement Public Hearing 9 December 2019, PJC Inquiry into regulation of Audit in Australia, page 45 of [Transcript](#). Also stated again on page 59 of transcript.

the firms, indicating that audit services are profitable. An Australian Financial Review article in 2019 also revealed that the gross margins for auditing ASX 300 clients were up to 80%.<sup>5</sup> Accordingly, we conclude that audit services are profitable in their own right and would not need to act as loss leaders for the firms.

Based on the firms' revenue analysis, the non-audit services provided to audit clients are declining. From 1 July 2023, APESB believes it will likely reduce further as the new non-assurance services (NAS) provisions will be in effect in Australia and will further restrict services provided to audit clients.

APESB is of the view that limited benefits will be achieved if there is a focus on the audit business to deal with issues associated with consulting services. It would be more prudent to focus on resolving the identified issues related to consulting services, given these services comprise a significant portion (75% or more) of the Big Four firms' business. The Federal Government should prioritise dealing with issues associated with consulting services.

If the ring-fencing approach to operational separation between the audit and non-audit businesses of the firm is to be pursued, the Federal Government could consider a model similar to the United Kingdom (UK), where a virtual separation of the audit business and the firm's other businesses has been achieved by the establishment of separate governance and operational structures.

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<sup>5</sup> Australian Financial Review article, [Audits highly profitable for the big four](#), 15 October 2019.



## **Terms of Reference 2:**

**The extent to which Government obligations applying to a professional services firm may vary depending on the structure adopted, such as a partnership, a company, a trust, or other structure, including the consideration of any gaps and international best practice across the areas listed.**

APESB agree that different obligations are imposed on different structures adopted by professional services firms. As noted in our response to the Terms of Reference 1 above, an option to address some of these differences is for the Federal Government to consider treating large firms similar to PIEs for financial reporting purposes.

The recent PwC tax scandal and other ethical failures have illustrated some large accounting firms' lack of transparency and accountability. Implementing a new reporting requirement for firms classified as PIEs (based on substantial revenue, assets and workforces) would create the obligation to prepare general-purpose financial reports, including remuneration disclosures, which would be subject to audit. APESB believes that enhancing transparency would allow the Government and the public to gain deeper insights into the firms and their operations, including firm profitability and partner remuneration.

Based on APESB's mandate, we have focused on the questions in this term of reference as to whether there are gaps in the cultural practices and management of conflicts of interest by professional services firms, including consideration of international best practice.

## Analysis of current professional and ethical standards

The objects of APESB under its constitution include monitoring the effectiveness of APESB standards and regularly reviewing the implementation of APESB standards due to domestic or international developments, changes in legislation or where there are deficiencies in market practice.

In light of the recent ethical failures, APESB has critically analysed its pronouncements to determine whether the professional and ethical standards are fit for purpose, effective and appropriately monitored and enforced in Australia.

APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) sets out the fundamental principles of ethics, which underpin the profession's responsibility to act in the public interest. These principles establish the standard of behaviour expected of professional accountants. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

APES 110 also includes clear requirements relating to confidentiality and conflicts of interest. Those requirements have been outlined in previous submissions to Federal Government inquiries, so they have not been replicated in this Submission. For your reference, the relevant Submissions were to:

- The Senate Finance and Public Administration Committees Inquiry into [management and assurance of integrity by consulting services](#) (dated 21 April 2023); and
- The Parliamentary Joint Committee Inquiry into the [Regulation of Auditing in Australia](#) (dated 28 October 2019)

It is mandatory for all professional accountants to understand these requirements and know their obligations to comply with APES 110 as part of their membership obligations of a professional body.



APESB does not believe there are deficiencies in its standards concerning managing conflicts of interest and confidentiality. However, APESB is considering the development of a standard for management consulting services for professional accountants, which could reinforce the existing requirements relating to confidentiality and conflicts of interest.

The observed ethical failures have occurred due to firms and individuals not complying with the ethical standards. However, they have highlighted issues associated with firm governance, organisational culture and the tone from the top.

APESB believes further professional and ethical requirements could be developed to address these topics and are considering the development of a standard that focuses on large firm culture and governance in the Australian environment.

APESB notes that the UK FRC has issued an [Audit Firm Governance Code](#). It has been in place since 2010 and was revised in July 2016 and April 2022 and requires firms to place a greater emphasis on the concept of public interest. Key aspects of the Code include:

- It applies to firms that audit 20 or more PIEs;
- The Board Chair and the senior partner/chief executive need to be separate roles;
- The firm needs to establish a Board to oversee management, which has a defined Charter or terms of reference;
- The board composition must have at least half the firm's Board selected from partners who do not have significant management responsibility within the firm and at least three Independent Non-Executives (INEs);
- INEs (for the whole firm) and Audit Non-Executives (ANEs) (for the audit practice) have the responsibility to consider whether the firm is acting contrary to the public interest, endangering the objectives of the Code and initiating procedures for fundamental disagreements;
- INEs are not partners of the firm or responsible for strategy or performance and have no voting rights or make decisions;
- Firms are required to have a Code of Conduct; and
- Includes a part on operational separation that the largest firms may apply<sup>6</sup>.

Refer to [Appendix B](#) for further details on the UK's Audit Firm Governance Code.

APESB believe that the UK's Audit Firm Governance Code could be the basis for a Governance Standard it would develop for the Australian professional services environment.

In addition, APESB has encouraged the International Ethics Standards Board for Accountants (IESBA) to work towards strengthening the International Code of Ethics on issues that impact firm culture and governance.<sup>7</sup>

APESB is also of the view that there should be a higher focus on continuing professional development for accountants on ethics. Currently, the education requirements of the professional accounting bodies vary, with mandatory ethics training ranging from a few hours to 20 hours per triennium. There are also varying requirements concerning the ethics

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<sup>6</sup> The [Principles for Operational Separation](#) are included in a separate document and at this stage are voluntary. It is expected they may become mandatory within the next 5 years, depending on the assessment of how firms manages it during the voluntary period.

<sup>7</sup> APESB stressed the importance of this matter in its recent [submission](#) to the IESBA's Consultation Paper on its Strategy and Work Plan for 2024-2027.

component of the professional programs undertaken by the students of the professional accounting programs.

APESB have considered whether the recent failures indicate the current monitoring, enforcement and disciplinary processes are ineffective and do not deter bad behaviour. Our response to the Term of Reference 3 details this consideration further.

#### International best practice for ethical standards

In May 2022, the IESBA released the [Benchmarking International Independence Standards Report](#), a study comparing the IESBA's International Code - in particular, the independence provisions applicable to audits of financial statements of PIEs – with the relevant rules of the US Securities and Exchange Commission (SEC) and the US Public Company Accounting Oversight Board (PCAOB).

The benchmarking analysis provided valuable insight into the alignment between the International Code and a significant jurisdiction like the US. The report highlights the similarities and differences between the International Code and the US SEC and PCAOB rules in areas of greatest interest to stakeholders, including the permissibility of Non-assurance services (NAS) to audit clients, fees, long association with an audit client, and business and financial relationships.

Australia and the UK adopt a principles-based standards approach rather than the rules-based approach adopted in the US. Despite the different regulatory approaches, the IESBA Code's auditor independence requirements align well with the US independence rules. The study found that both independence frameworks include overarching principles supported with specific requirements and specify the fundamental principles to assess the auditor's independence.

The study further contributes to promoting greater public confidence in the robustness of the International Code. As the Australian Code (APES 110) is based on the IESBA's International Code, we believe that APES 110 is comparable to the auditor independence rules of the US SEC and PCAOB, and represents global best practice.

#### Enhancing the broader adoption of ethical practices

APESB's mandate is to establish professional and ethical standards for professional accountants. However, a broader range of professionals provide consulting services that should be subject to similar rigorous ethical requirements.

We are of the view that there should be ethical obligations associated with the engagement of consultants. We note that recent ethical failings by consultants on government engagements have occurred despite government procurement policies and related procedures, indicating these have not been observed as expected.

APESB encourages the Federal Government to consider establishing a rigorous Code of Ethics or requiring compliance with a Code such as APES 110 that applies to all suppliers of professional services to the Government. This requirement to follow a Code could be embedded in legislation or government contracts. However, governments need to monitor and sanction inappropriate behaviour that departs from the requisite standard of conduct.

A broader consideration could be whether the APESB and its Code (APES 110) should only focus on the accounting profession. APES 110 is a robust code, issued by an independent board that could apply to all professions serving governments and the community.

At the international level, there is an acknowledgement that professionally agnostic standards should be developed for sustainability assurance engagements to ensure that entities prepare and present consistent and reliable information. Refer to [Appendix C](#) for an outline of the IESBA's Sustainability Project and the international regulators' support for professionally agnostic standards.

This approach could be considered for the Australian environment; however, we note this is a radical change and would require changes to APESB's structure and the enforceability of its standards (as discussed further in our response to Terms of Reference 3).

### **Terms of Reference 3:**

**Mechanisms available to governments, government departments, statutory authorities, professional standards bodies, regulators, and non-government clients to monitor and sanction misconduct and poor performance, including any gaps and overlaps across service and entity types.**

Similar to the AASB and AUASB, as a national standards setter, APESB's mandate does not include monitoring and enforcement. The three professional accounting bodies and regulatory authorities (e.g., ASIC, TPB, ATO) are responsible for monitoring and enforcing compliance of professional accountants, including conducting disciplinary actions for breaches of APESB standards.

APESB does not envisage that it should be accorded regulatory responsibilities for monitoring and enforcement, consistent with the Westminster system. However, based on recent ethical failures over the last few years, APESB believe the current regulatory framework is ineffective and that measures or actions need to be taken to address misconduct and poor performance by professional accountants and consultants.

#### Consolidation of the regulatory framework

The current regulatory framework for professional accountants is described as a co-regulatory framework, as a number of bodies monitor and oversee the different services provided by professional accountants. Some specific services that professional accountants provide are overseen by particular regulators, such as:

- audit services (for entities reporting under the *Corporations Act 2001*) are regulated by the Australian Securities and Investments Commission (ASIC);
- tax services are overseen by the Tax Practitioners Board (TPB); and
- all other services that professional accountants provide will fall under the monitoring and enforcement of the relevant professional bodies, such as CA ANZ, CPA Australia and IPA.

However, this approach has had varying success, with the recent ethical failures highlighting the ineffectiveness of the patchwork of regulations and related monitoring and enforcement activities.

APESB considers that the regulatory landscape would be more effective by introducing a new independent regulator to oversee the monitoring and disciplinary activities of professional services firms (accounting and other consultants), which may not currently be subject to appropriate regulatory oversight.

The independent body would undertake enforcement actions where appropriate and publish annual public reports on its monitoring and enforcement activities.

APESB acknowledges that such a change will impact the whole profession, not just the large firms. Therefore, before such reform is implemented, we urge the Federal Government to consider the breadth of accounting firms and ensure that any reforms are implemented without imposing undue burdens on Small and Medium Practitioners (SMPs) and sole practitioners.

We also acknowledge that establishing a new regulator takes time and significant resources. Therefore, APESB have also considered what other reforms could be considered to enhance the current regulatory framework.

### Increasing legislative support for professional and ethical standards

Legislative instrument ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* (originally operative from 1 January 2010) provides legislative backing for the Code (APES 110), incorporating auditor independence requirements. Accordingly, APES 110 has the force of law for audits and reviews performed of entities subject to the *Corporations Act 2001* and is a mandatory requirement. Additionally, it is a mandatory professional requirement for members of the three professional accounting bodies to comply with APES 110.

APESB is of the view that increasing the prominence of the ethical standards and providing legislative backing would improve compliance and enforceability of the standards.

We also believe it would improve the independence of APESB by moving it under the oversight of the Financial Reporting Council (FRC), which is consistent with the other standard setters - the Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB). This proposal could be directly funded by the Government or operationalised via a levy imposed on members in public practice that an independent Board of Trustees can oversee.

### Enhance transparency of professional bodies' monitoring actions

Presently, quality reviews in Australia are conducted by ASIC for audit services, TPB for tax services and by the professional accounting bodies for all other services provided by accountants.

Although the Big Four firms hold practice memberships with CA ANZ, their audit services are subjected to reviews by ASIC, as CA ANZ does not conduct reviews of the audit files in its quality review program. This was confirmed on 29 November 2019 in a separate [inquiry](#) led by this Committee on the *Regulation of Auditing in Australia*, when Mr Amir Mostafa Ghandar, Leader of Reporting and Assurance at CA ANZ, stated that the large firms are inspected each year in terms of audit quality by ASIC. He also highlighted that CA ANZ, as a member of IFAC, has an obligation not to duplicate the ASIC inspection program in its review program.<sup>8</sup>

APESB is also aware that the present monitoring and enforcement efforts conducted by professional bodies are valuable for educating Small and Medium Practices (SMPs). However, we recognise that there is a need to transition towards more robust monitoring and enforcement for larger firms. We acknowledge that, at times, professional bodies may encounter challenges in enforcing their monitoring procedures due to restrictions on information sharing and the ability to compel members to provide information.

With the responsibility for oversight being shared by different parties, it is challenging to understand the functioning of the overall monitoring and enforcement process. The difficulty arises from the lack of comprehensive reporting on conducted reviews and shared results by these bodies.

APESB, therefore, encourages additional transparency and monitoring by professional bodies, including:

- Professional bodies could be more transparent in the results of their monitoring processes of firms and outcomes of their disciplinary procedures, where possible.
- Maintaining the educative monitoring approach for SMPs.

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<sup>8</sup> Parliamentary Joint Committee on Corporations and Financial Services' hearing into *Regulation of auditing in Australia*, [Official Committee Hansard](#) (page 63), 29 November 2019.

- Large firms like the Big Four should be subject to more rigorous scrutiny by professional bodies.
- Concerning non-audit services, the level of oversight remains unclear. ASIC's reviews primarily focus on the audit divisions of the firms. It is not transparent how effectively the provision of non-audit services is monitored and non-compliance matters are addressed.

[Appendix D](#) provides further information on the quality review programs of the professional accounting bodies.

### Impacts of the ASIC restructure

APESB is concerned about the recent restructuring at ASIC and the potential for long-term negative impacts on audit quality in Australia. Recent changes in ASIC's priorities and resource allocation will presumably lead to a decreased focus on audits for PIEs or Listed Entities. This year, we expect fewer audit reviews to be performed by ASIC, down from 45 in 2022, as a direct consequence of this restructuring.

These organisational changes occurred when audit quality results from 2022 marked a significant decline. The Big Six audit firms had a 9% increase in negative findings, while negative findings for all firms collectively rose by 4%.<sup>9</sup>

Given the global trend of declining audit quality, audit regulators, such as ASIC, and audit firms should be increasing their focus on improving audit quality. ASIC already conducts fewer reviews compared to its global counterparts in the UK and the US, and this gap could potentially widen further in 2023 as ASIC reallocates resources toward other priorities.

The table below summarises the surveillance program conducted by regulators in Australia, the UK, and the US. Note that significantly more entities and audit firms operate in overseas jurisdictions. However, in overseas jurisdictions, the number of reviews is increasing.

### **Details of the reviews conducted by regulators in Australia, the UK and the US**

Regulator	2019	2020	2021	2022
ASIC (Australia)	19 firms 58 audit files <sup>10</sup>	13 firms 53 audit files <sup>11</sup>	16 firms 45 audit files <sup>12</sup>	14 firms 45 audit files <sup>13</sup>
FRC (UK) <sup>14</sup>	136 audit files	130 audit files	147 audit files	148 audit files
PCAOB (US) <sup>15</sup>	176 firms 743 audit files	153 firms 631 audit files	141 firms 690 audit files	157 firms 710 audit files <sup>16</sup>

<sup>9</sup> Source: [ASIC Audit Inspection Report for 1 July 2021 to 30 June 2022](#) (page 6)

<sup>10</sup> Source: [ASIC Audit Inspection Report for 1 July 2018 to 30 June 2019](#) (page 14)

<sup>11</sup> Source: [ASIC Audit Inspection Report for 1 July 2019 to 30 June 2020](#) (page 6)

<sup>12</sup> Source: [ASIC Audit Inspection Report for 1 July 2020 to 30 June 2021](#) (page 5)

<sup>13</sup> Source: [ASIC Audit inspection report for 1 July 2021 to 30 June 2022](#) (page 5)

<sup>14</sup> Statistic for 2019-2022: FRC website, see [Audit Quality Review](#).

<sup>15</sup> Statistic for 2019-2021: [Staff Update and Preview of 2021 Inspection Observations](#) (page 5)

<sup>16</sup> Statistic for 2022: [Staff Update and Preview of 2022 Inspection Observations](#) (page 7)

### Oversight and delegation of monitoring responsibilities

APESB presumes that ASIC's recent restructuring will result in a decreased pool of resources and skilled staff for conducting audit firm inspections.

APESB acknowledges that the three professional bodies (CA ANZ, CPA Australia and IPA) have quality review programs and disciplinary procedures to monitor their members' compliance with ethical and professional standards.

The effectiveness and independence of these existing programs could be enhanced by placing oversight of these monitoring programs of the professional bodies with ASIC or a new regulator. ASIC or the new regulator would need to be appropriately resourced. Still, it could be a cost-effective alternative to recruiting staff for ASIC to undertake extensive reviews and build on the existing structures and systems.

If having ASIC overseeing these programs is impractical, the Government may explore the option of transferring the oversight responsibilities to a new regulator.

APESB suggests the Federal Government may consider the practice adopted in the UK where, since June 2016, the UK FRC have established [Delegation Agreements](#). These agreements empower Recognised Supervisory Bodies (RSBs), which include professional bodies such as the Association of Chartered Certified Accountants (ACCA) and the Institute of Chartered Accountants in England and Wales (ICAEW), to carry out specific regulatory tasks delegated by the UK FRC. The UK FRC's Professional Bodies Supervision Team (PBS) oversees the activities of these RSBs. The delegated tasks<sup>17</sup> include:

- Applying technical standards, professional and ethical standards, and internal quality control for statutory auditors and their work;
- Applying eligibility criteria to determine individual eligibility for appointment as statutory auditors, maintaining a register of eligible auditors and making it available for inspection;
- Procedures for maintaining the competence of statutory auditors;
- Monitoring of statutory auditors and audit work; and
- Investigations and imposing and enforcing sanctions when statutory auditors breach relevant requirements.

This UK system of oversight and delegation could be considered to strengthen Australia's current monitoring and enforcement systems.

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<sup>17</sup> UK FRC, [Delegation Agreement between FRC and ACCA \(2022\)](#) (clause 2.1), 29 Jul 2022.



## Appendix B

### UK FRC's Audit Firm Governance Code

The UK FRC's Audit Firm Governance Code was issued in January 2010 and revised in July 2016 and April 2022, respectively.

This Code applies to firms that audit 20 or more PIEs or one or more FTSE 350 companies. It provides a framework for good governance practice against which firms that audit PIEs can be assessed and must be disclosed in their transparency reports.

The following table provides a high-level summary of key principles and provisions applicable to firms that audit PIEs in the UK. To fully understand these requirements, please refer to the relevant sections in [UK FRC's Audit Firm Governance Code \(revised April 2022\)](#).

Leadership	Principles
	<ul style="list-style-type: none"> <li>• Management and governance structures should promote the long-term sustainability of the firm.</li> <li>• A clear division of responsibilities between a firm's governance structure and its management.</li> <li>• Management must demonstrate its commitment to the public interest by adhering to the Code and actively engaging with Independent Non-Executives (INEs) and Audit Non-Executives (ANEs).</li> <li>• Management should possess suitable experience, knowledge, influence, authority and availability to fulfill assigned responsibilities.</li> <li>• Owners, INEs and ANEs must be provided with timely information to enable them to discharge their duties.</li> </ul>
	Provisions
	<ul style="list-style-type: none"> <li>• The firm needs to establish a Board to oversee management with a defined Charter or terms of reference.</li> <li>• The Board Chair and the senior partner/chief executive need to be separate roles.</li> <li>• At least half the Board should be selected from among partners who do not have significant management responsibilities within the firm.</li> <li>• Establish arrangements to determine remuneration and progression matters for Board members.</li> <li>• Subject individual members of a firm's governance and management to formal, rigorous and ongoing performance evaluation, including the re-election or re-selection.</li> <li>• Conduct a formal annual evaluation of the performance of the Board and any committees, plus the public interest body.</li> <li>• Members of governance structures, INEs and ANEs must have access to the same information as the management.</li> <li>• The firm's annual transparency report should include the following: <ul style="list-style-type: none"> <li>○ composition of the firm's governance and management;</li> <li>○ governance structures and management operation; and</li> <li>○ controls in place to facilitate effective oversight by the Board.</li> </ul> </li> </ul>

<b>People, Values and Behavior</b>	<b>Principles</b>
	<ul style="list-style-type: none"> <li>• Establish and promote an ethical culture that supports high-audit quality performance while also serving the public interest and ensuring the firm's long-term sustainability.</li> <li>• Foster and maintain a culture of openness that encourages ideas and problem solving aligned with the public interest.</li> <li>• Apply policies and procedures for people management to reinforce the firm's commitment to upholding the Code.</li> </ul>
	<b>Provisions</b>
	<ul style="list-style-type: none"> <li>• The Board and management must define and align the firm's purpose, values, and culture. If these are established internationally, the firm should have the ability to influence and adapt to the UK.</li> <li>• Disclose the Code of Conduct on its website, which is applicable to all employees. The Board and INEs should oversee compliance with it.</li> <li>• Promote a culture endorsing quality work, professional judgement and values, public interest, compliance with professional standards and applicable legal and regulatory requirements.</li> <li>• Policies and procedures must encourage inclusivity, open dialogue, and the ability to raise concerns related to the Code and the firm's values and culture.</li> <li>• Introduce key performance indicators for governance effectiveness and report on performance in the firm's transparency report.</li> <li>• Regular culture assessments and reviews are required.</li> <li>• INEs ensure effective whistleblowing policies and procedures in place and monitor related issues.</li> <li>• INEs should review people management policies and procedures, including remuneration and incentive structures, recruitment and promotion processes, training and development activities, diversity, and inclusion.</li> <li>• INEs should monitor the firm's success at attracting and managing talent, especially in audit practices. In cases of operational separation, ANEs should be involved in this process.</li> <li>• INEs and ANEs need to use various data and engagement methods to gather employees' views and to clarify their own roles and the Code's purpose. One INE should be designated as the primary point of contact for engaging with the firm's employees.</li> <li>• The firm's annual transparency report should include the following: <ul style="list-style-type: none"> <li>○ How they engage employees and consider their interests in decision-making; and</li> <li>○ How the firm evaluates its dealing with opportunities, risks, talent attraction, sustainability of its business model, and how its culture, in the audit practice, aligns with the Code's purpose.</li> </ul> </li> </ul>
<b>Operations and Resilience</b>	<b>Principles</b>
	<ul style="list-style-type: none"> <li>• Consistently evaluate the effectiveness of its policies and procedures and enhance operational decision-making.</li> <li>• Establish policies and procedures for risk management.</li> <li>• Open, cooperative, and transparent communication with regulators.</li> <li>• Establish policies and procedures to ensure the independence and effectiveness of internal and external audit activities and to monitor the quality of external reporting.</li> </ul>

	Provisions
	<ul style="list-style-type: none"> <li>• The firm must support the FRC and its successors by openly sharing information.</li> <li>• Take corrective measures to address regulatory concerns in relation to the firm's audit work, leadership, governance, culture, management information, risk management and internal control system.</li> <li>• Develop robust datasets and effective management information for monitoring their activities, including input from INEs (and ANEs) and their capacity to engage with the regulator.</li> <li>• Establishing an audit committee with disclosed terms of reference and membership information on its website. If the Committee operates internationally, the UK firms should disclose as if based in the UK.</li> <li>• Regularly monitor risk management and internal controls, with at least an annual review of effectiveness. INEs' involvement should cover all significant controls, including financial, operational, compliance controls and risk management systems.</li> <li>• Conduct a robust assessment of the firm's principal risks, including those threatening its business model, future performance, solvency, liquidity, and sustainability of audit practice. INEs (and ANEs in operationally separated firms) should be involved in this assessment.</li> <li>• Publicly report their compliance with the Code's Principles. In case of non-compliance, the firm should outline alternate arrangements and how they can achieve the intended outcome and purpose of the Code.</li> <li>• Specify those responsible for financial statement preparation, and the firm's auditors should clarify their reporting responsibility in an extended audit report as required by International Auditing Standards (UK) 700/701.</li> <li>• The firm's annual transparency report should include the following: <ul style="list-style-type: none"> <li>○ a commentary on its performance, position and prospects;</li> <li>○ adherence to its operating legal and regulatory framework;</li> <li>○ description of the audit committee's work and duties;</li> <li>○ review of internal controls and actions taken to address any substantial deficiencies identified;</li> <li>○ description in dealing with significant internal control problems;</li> <li>○ assessment of principal risks faced and how they are being managed and mitigated; and</li> <li>○ interaction with the firm's global network, including the benefits and risks of these arrangements.</li> </ul> </li> </ul>
INEs and ANEs	Principles
	<ul style="list-style-type: none"> <li>• INEs are appointed to the governance structure to observe, challenge and influence decision-making in the firm.</li> <li>• INEs (and ANEs) 's primary responsibilities: <ul style="list-style-type: none"> <li>○ focus on the public interest when providing advice to the firm;</li> <li>○ maintain and demonstrate objectivity and an independent mindset throughout their tenure;</li> <li>○ have sufficient time and appropriate rights to discharge their responsibilities effectively; and</li> <li>○ have an open dialogue with the regulator.</li> </ul> </li> </ul>

	<table><tr><th>Provisions</th></tr><tr><td><ul style="list-style-type: none"><li>• The Board must have at least three INEs.</li><li>• INEs must meet regularly. If the firm operates internationally, at least three INEs must focus on the UK and participate in governance arrangements.</li><li>• INEs need full visibility, including assessment of firm strategy, culture, senior appointments, financial performance, operational policies and global initiatives on the firm and audit quality.</li><li>• A nomination committee, including at least one INE, oversees INE (and ANEs) appointments, skills, experience, and succession planning.</li><li>• INEs must have access to relevant information about the global network's impact on the UK firm's operations and public interest.</li><li>• INEs should have regular contact with the Ethics Partner and have direct access to them.</li><li>• INEs should engage with audit committees and investors to understand the user experience of audits and develop a collective view of the firm's operation.</li><li>• Contracts for services should be agreed upon with each INE (and ANE), setting out their rights and duties, and their tenure is limited to a maximum of nine years.</li><li>• Provide INEs (and ANEs) with necessary resources, including induction, training, indemnity insurance, and access to independent professional advice.</li><li>• Define clear escalation procedures for resolving disagreements between INEs (and ANEs) and members of the firm's management and governance structures.</li><li>• INEs (and ANEs) must promptly alert the regulator when they believe that the firm:<ul style="list-style-type: none"><li>○ is acting contrary to the public interest;</li><li>○ is endangering the objectives of this Code; and</li><li>○ initiates the procedure for fundamental disagreements.</li></ul></li></ul></td></tr></table>	Provisions	<ul style="list-style-type: none"><li>• The Board must have at least three INEs.</li><li>• INEs must meet regularly. If the firm operates internationally, at least three INEs must focus on the UK and participate in governance arrangements.</li><li>• INEs need full visibility, including assessment of firm strategy, culture, senior appointments, financial performance, operational policies and global initiatives on the firm and audit quality.</li><li>• A nomination committee, including at least one INE, oversees INE (and ANEs) appointments, skills, experience, and succession planning.</li><li>• INEs must have access to relevant information about the global network's impact on the UK firm's operations and public interest.</li><li>• INEs should have regular contact with the Ethics Partner and have direct access to them.</li><li>• INEs should engage with audit committees and investors to understand the user experience of audits and develop a collective view of the firm's operation.</li><li>• Contracts for services should be agreed upon with each INE (and ANE), setting out their rights and duties, and their tenure is limited to a maximum of nine years.</li><li>• Provide INEs (and ANEs) with necessary resources, including induction, training, indemnity insurance, and access to independent professional advice.</li><li>• Define clear escalation procedures for resolving disagreements between INEs (and ANEs) and members of the firm's management and governance structures.</li><li>• INEs (and ANEs) must promptly alert the regulator when they believe that the firm:<ul style="list-style-type: none"><li>○ is acting contrary to the public interest;</li><li>○ is endangering the objectives of this Code; and</li><li>○ initiates the procedure for fundamental disagreements.</li></ul></li></ul>	
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Provisions				
	<ul style="list-style-type: none"><li>• ANEs should focus on the audit practice in accordance with the <a href="#">Principles for Operational Separation</a>.</li><li>• The Audit Board should have the authority to act independently of the firm-wide public interest body.</li><li>• INEs should monitor the firm-wide and network's activities for their potential to affect audit quality and audit practice, and ensure the public interest is the focus of the firm's wider decision-making.</li><li>• INEs and ANEs should maintain an open dialogue, consult on matters of public interest and share information with one another.</li><li>• The firm's annual transparency report should include the following:<ul style="list-style-type: none"><li>○ information about INEs (and ANEs) appointment, retirement, resignation, remuneration, duties and arrangements in discharging duties, and the firm's obligations in supporting them.</li><li>○ firm criteria for assessing the independence of INEs (and ANEs), either from the firm and its owners or from its audited entities.</li></ul></li></ul>			

## Appendix C

### IESBA's Sustainability Ethics and Independence Standards

This Appendix summarises the international developments in the IESBA's project concerning [Ethics and Independence Standards for Sustainability Assurance](#).

The IESBA is currently focusing on a project to develop professionally agnostic Independence Standards for Sustainability Assurance, meaning the standards can be applied irrespective of whether professional accountants or other professionals conduct the assurance engagement.

The IESBA's strategic direction in this project is supported by the International Organisation of Securities Commissions (IOSCO). In September 2022, IOSCO released a statement supporting the international auditing and independence standards being profession-agnostic to support the consistency, comparability and reliability of sustainability-related information provided to the market, enhancing trust in the quality of that information. Further information can be found in IOSCO's [Statement](#).

#### International Ethics Standards Board for Accountants (IESBA)

At the IESBA's [June 2023 Board Meeting](#), the IESBA Board considered the feedback from their global sustainability roundtables held in late March/early April 2023.

The IESBA Board supported the inclusion of the profession-agnostic independence standards for sustainability assurance in a new part 5 of the Code. The Board discussed several other issues, including the scope of ethics and independence standards for sustainability assurance, independence standards for group sustainability assurance engagements, the definition of Public Interest Entities (PIEs) for sustainability assurance engagements, partner rotation requirements, fee-related provisions concerning independence and provisions addressing how to respond to non-compliance with laws and regulations (NOCLAR).

The IESBA will consider the first draft of the proposed ethics and independence provisions for sustainability assurance at its September 2023 meeting.

#### International Organisation of Securities Commissions (IOSCO)

On 25 July 2023, the IOSCO announced that they endorse the sustainability-related financial disclosure standards recently issued by the International Sustainability Standards Board (ISSB), IFRS S1 and IFRS S2.

IOSCO urges its 130 member jurisdictions, which regulate more than 95% of the world's financial markets, to adopt and apply ISSB Standards to promote consistent and comparable climate-related and other sustainability-related disclosure for its investors.

Further information can be found in IOSCO's [media release](#).

## Appendix D

### Quality Review Programs of Professional Accounting Bodies

This Appendix provides insights into the quality review programs of professional accounting bodies (i.e., CA ANZ, CPA Australia, and IPA). These programs are an integral part of mechanisms for monitoring their members' compliance with APESB standards.

#### The role and mandate of APESB

As an independent national standards setter, APESB's role is to set professional and ethical standards in the public interest. APESB's mandate does not include monitoring and enforcement. This demarcation of responsibilities is similar to how the Parliament and the law enforcement authorities operate in a Westminster system.

The three professional accounting bodies and regulatory authorities (e.g., ASIC, TPB, ATO) are responsible for monitoring and enforcing professional accountants' compliance, including conducting disciplinary actions for breaches of APESB standards.

Under APESB's constitution, the objects include monitoring the effectiveness of APESB standards and regularly reviewing the implementation of APESB standards due to domestic or international developments, changes in legislation or where there are deficiencies in market practice. Hence, APESB periodically engages with the quality review function of the professional accounting bodies to determine whether the requirements of APESB standards are being complied with in practice and if further enhancements are required to address specific issues.

As of this Submission's date, over the last five years, CPA Australia has made four quality review presentations to the APESB, IPA has made three, and CA ANZ has made one.

#### Review of the Small and Medium Practices (SMPs)

Each SMP is subjected to review by the applicable professional accounting body. These include individual members in public practice, providing public accounting services and holding public practice certificates issued by their respective professional bodies. APESB acknowledges that the existing review programs reasonably monitor the SMPs in Australia.

As highlighted in the [FRC Annual Report 2021-22](#), the review program at each professional body is different, with complementary management of different risks, participants, and types of engagement.<sup>18</sup>

The results of the review programs on SMPs are summarized in the tables below.

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<sup>18</sup> Source: [FRC Annual Report 2021-22](#) (page 22-24)

**Table 3.2: Outcomes of review programs – Quality assurance reviews of audit firms<sup>1</sup>**

	CA ANZ <sup>2</sup>				CPA Australia <sup>3</sup>			
	2020–21		2021–22		2020–21		2021–22	
	No.	%	No.	%	No.	%	No.	%
Satisfactory / fully compliant	100	82	56	80	–	–	44	96
Requires re-review / non-compliant	20	16	12	17	–	–	2	4
Unsatisfactory / disciplinary action required	2	2	2	3	–	–	0	0
Total	122	100	70	100	–	–	46	100

Notes:

1. The IPA does not current conduct audit quality reviews on firms. Its reviews are conducted on individual Members regardless of whether they are a sole trader or a partner in a small or large practice. This is largely based on statutory registrations and professional and ethical standards being reliant on individual compliance. The IPA has recently introduced entity membership and will be changing its review process to encompass firms which have entity membership.
2. CA ANZ's review program assesses whether a firm has implemented an appropriate system of quality control as set out in APES 320 *Quality Control for Firms* and ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*. The number of audit practices reviewed in 2022 is less than 2021 due to COVID-19.
3. Due to the ongoing impacts of COVID-19, CPA Australia's review program was temporarily postponed in 2020–21. In 2021–22, CPA Australia completed 86 program assessments which included 134 individual members selected for review. The program assessments are now conducted at a firm level and incorporate all CPA Australia Public Practice Certificate holders within the same assessment. Within the 86 Program assessments conducted, 46 firms (62 individual members) provide audit services.

**Table 3.3: Outcomes of review programs – Quality assurance reviews of individual members<sup>1</sup>**

	IPA <sup>2</sup>				CPA Australia <sup>3</sup>			
	2020–21		2021–22		2020–21		2021–22	
	No.	%	No.	%	No.	%	No.	%
Satisfactory / fully compliant	68	78	33	80	–	–	60	97
Requires re-review / non-compliant	19	22	8	20	–	–	2	3
Unsatisfactory / disciplinary action required	0	0	0	0	–	–	0	0
Total	87	100	41	100	–	–	62	100

Notes:

1. CA ANZ completes quality assurance reviews of firms not individual members, see Table 3.2.
2. See note 1 to Table 3.2. The IPA requires all members to undertake a quality assurance review every three to six years. All RCAs and SMSF Auditors are required to be reviewed every three years. All RCAs were compliant with the quality review program in 2021–22, except two; both non-compliances were rectified, and the changes were verified by the IPA. All SMSF auditors were either compliant or compliant after remediation. The IPA separates findings of non-compliance into two categories – minor non-compliance and major non-compliance. In 2021–22, of the 8 non-compliant findings, all were major non-compliance.
3. See note 3 to Table 3.2.



## Review of the Big Four Firms

On 29 November 2019, an [inquiry](#) led by the Parliamentary Joint Committee on Corporations and Financial Services into the *Regulation of Auditing* in Australia. The inquiry questioned CA ANZ's monitoring of Big Four audits. Mr Amir Mostafa Ghandar, Leader of Reporting and Assurance at CA ANZ, said:<sup>19</sup>

*"... 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."*

*"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."*

APESB understand, based on a representation made to us by CA ANZ on 11 August 2023, that CA ANZ have been undertaking periodic reviews of the big four firms, in addition to the annual reviews performed by ASIC as part of their yearly audit inspection program. For the PJC to understand the nature, scope and extent of the reviews conducted, APESB recommends that the PJC contact CA ANZ.

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<sup>19</sup> Parliamentary Joint Committee on Corporations and Financial Services' hearing into *Regulation of auditing in Australia*, [Official Committee Hansard](#) (page 63), 29 November 2019.