

# FURTHER INFORMATION



**Building a better  
working world**

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21 February 2020

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

Dear Secretary

Further to our previous advice to a question on notice we confirm that EY is not aware of any instances in the past ten years where a company has gone into receivership where EY audited the final annual financial report and there was a material misstatement.

Other organisations responding to questions on notice responded differently by providing a list of ASX listed companies, where a liquidator was appointed in the last ten years, and the firm audited or reviewed the last full or half year financial report, prior to the liquidator's appointment.

Based on that criteria we are aware of the following eight instances where EY audited or reviewed the last full or half year financial report prior to the liquidator's appointment. In seven of those cases reference to material uncertainty related to going concern was included in the last financial report audited or reviewed by EY before liquidators were appointed. In the eighth case, based upon the conditions existing at the date the relevant audit/review report was signed, a reference to material uncertainty related to going concern in the audit/review report was not warranted.

<b>Name of Company</b>	<b>ASX Listed</b>	<b>Year Liquidator Appointed</b>	<b>Reference to Material Uncertainty Related to Going Concern in the last audit report or half year review report from EY before liquidator appointment</b>
Discovery Metals Limited	Yes	2015	Yes
Bluestone Global Limited	Yes	2014	Yes
Brierty Limited	Yes	2018	Yes
Delta SBD Limited	Yes	2017	Yes
Newsat Limited	Yes	2015	Yes
Penrice Soda Holdings Limited	Yes	2014	Yes
Ultrapay Limited	Yes	2010	Yes
Sherwin Iron Limited	Yes	2015	No, as based upon the conditions existing at the date the relevant audit/review report was signed, a reference to material uncertainty related to going concern in the audit/review report was not warranted.



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We have also noted an additional three entities that do not meet the above criteria but have been referred to in submissions or have been the subject of media interest.

In all three cases we included a reference to material uncertainty related to going concern in the last audit report or half year review report that we issued. Quintis Limited and Blue Sky Alternative Investments Limited have not been subject to liquidator appointment. LM Investment Management Limited is not an ASX listed company.

<b>Name of Company</b>	<b>ASX Listed</b>	<b>Year Liquidator Appointed</b>	<b>Reference to Material Uncertainty Related to Going Concern in the last audit report or half year review report from EY before liquidator appointment</b>
Quintis Limited	Yes	Liquidator not appointed	Yes
Blue Sky Alternative Investments Limited	Yes	Liquidator not appointed	Yes
LM Investment Management Limited	No	2013	Yes

EY does not keep a formal register of all audit clients that have entered administration.

We note that as has been stated by numerous witnesses appearing at the Committee's public hearings and submissions made to the Committee, corporate failure does not necessarily imply that the last financial report was materially misstated or that the audit was deficient.

Yours sincerely,

Chris George  
Partner  
Assurance Professional Practice Director, Oceania

# ORIGINAL VERSION

## Parliamentary Joint Committee on Corporations and Financial Services PJC Inquiry into the regulation of auditing in Australia

### EY Responses to Questions on Notice received 23 December 2019

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#### **Question: Audit failures**

1. Over the last ten years, how many civil cases have been found against EY in which audit quality was a significant component in the statement of claims? Please provide details of such instances.
2. Over the last ten years, how many civil cases have EY settled in which audit quality was a significant component in the statement of claims? Please provide details of such instances.
3. Over the last ten years, how many companies have gone into receivership where: EY audited the final annual financial report; and where there was material misstatement in the final annual financial report?

In respect of each of the instances that meet the conditions in Question 2:

4. Were the auditors involved dismissed?
  5. Were the partners managing the file penalised financially, including through the withholding of performance payments?
  6. Were there any other actions that EY took in response?
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#### **Answer:**

1. In the last 10 years, there has been no litigation which has resulted in an adverse judgment or adverse findings with respect to EY's audit quality. An auditor being joined to litigation proceedings is not, in and of itself, indicative of poor audit quality.
2. In the ten years prior to 23 December 2019, EY has not settled any cases in which audit quality was a component of the statement of claim.
3. EY is not aware of any instances in the past ten years where a company has gone into receivership where EY audited the final annual financial report and there was a material misstatement.

In response to questions 4, 5 and 6, there have been no cases which meet the conditions in question 2.

In September 2009, EY settled a case with the administrators of Sons of Gwalia, a former EY audit client. This settlement was not an admission of liability and was a commercial decision to bring the matter to a close.