



**ASIC**  
Australian Securities &  
Investments Commission

<b>Committee</b>	Parliamentary Joint Committee on Corporations and Financial Services
<b>Inquiry</b>	Oversight of ASIC, the Takeovers Panel and the Corporations Legislation No.1 of the 46th Parliament
<b>Question No.</b>	006.2
<b>Date</b>	26 November 2021
<b>Topic</b>	ASIC's international work on Financial Reporting and Audit
<b>Reference</b>	Spoken, 26 November 2021, Hansard page 13 and 14
<b>Committee member</b>	Senator O'Neill

### Question

**Mr Longo:** Senator O'Neil, if it provides any assurance, I've been personally briefed by all the top big four on their audit quality programs. I've put several hours into it since I started. I absolutely acknowledge the significance of the audit profession to the robustness of financial reporting of the accounts we all rely on. We're quite happy to come back to you with ASIC's program and the people that work in that program.

We're very active internationally. I was on one call with Mr Niven with several leaders in this field in Australia on what we're doing to contribute to the development of international audit standards. We're very active internationally, so I think we have a lot to be proud of there. We're very plugged in to what's going on internationally. In one call I was on, I was briefed by a Europe based global head of one of the big four as to the work they're doing with training, systems, processes, technology and the challenges they're facing. It's a big subject. We'll certainly give you some insight into our contribution to it and hopefully that will provide some reassurance about what we're doing. No doubt that may lead to other questions or observations that we can deal with as well.

**Senator O'NEILL:** Yes, thanks

### Answer

#### Background

- ASIC's work with securities and audit regulators in other countries is an important part of our activities to promote and improve audit quality and financial reporting quality in Australia. The quality of financial reports is key to confident and informed Australian investors and markets.
- ASIC's work with other international regulators in relation to financial reporting and audit is important because:
  - Many Australian corporations operate in global markets or raise funds in other markets;
  - Australian markets are affected by international economic, regulatory and other developments;
  - The larger Australian audit firms are part of global networks that establish audit methodologies and impose other requirements and oversight on their member national firms to support audit quality and the consistent application of financial reporting requirements;
  - Australia adopts standards for financial reporting, auditing, auditor independence, and ethics of accountants/auditors that are developed internationally by the International Accounting Standards Board (IASB), the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA); and
  - Standards on sustainability reporting and climate reporting are being developed internationally that may be adopted in Australia or will influence Australian reporting.

### ASIC's role

- ASIC's Chief Accountant, Doug Niven, is responsible for our international work on financial reporting and audit quality. This work is largely through our involvement in the International Organization of Securities Commissions (IOSCO) and the International Forum of Independent Audit Regulators (IFIAR). We also interact directly with international standard setters and the international leadership of the largest six accounting firm networks.
- ASIC works with senior representatives of other securities regulators through IOSCO to improve financial reporting and audit quality internationally and in Australia. ASIC is a member of IOSCO's:
  - *Committee 1 on Accounting, Auditing and Disclosure* – Primarily responsible to IOSCO's activities in relation to financial reporting and audit quality
  - *Auditing Subcommittee* - Influences the development and quality of auditing, auditor independence and ethical standards, interacts with standard setters and leadership of largest audit firm networks, and develops guidance relating to audit.
  - *Accounting Subcommittee* - Influences the development and quality of financial reporting standards to provide consistent, useful and meaningful information for investors. Also interacts with the IASB and global accounting technical leaders
  - *IFRS Information Sharing Subcommittee* – Promotes consistent application of International Financial Reporting Standards (IFRS) by securities regulators.
  - *Sustainability Technical Experts Group* – Worked with the IFRS Foundation Technical Readiness Working Group on draft standards for sustainability and climate reporting, and will influence the development of reporting standards by the new International Sustainability Standards Board and the development of related international assurance standards.
- ASIC works with senior representatives of other audit regulators through IFIAR to improve audit quality internationally and in Australia. ASIC is a member of IFIAR's:
  - *Board* – Governs IFIAR, its strategic plan and its activities.
  - *Global Audit Quality Working Group* – Meets with leadership of each of the largest six audit firm networks globally on improving audit quality in their networks. ASIC leads the work with KPMG internationally.
  - *Standards Coordination Working Group* – Influences the development and quality of auditing, auditor independence and ethical standards.
  - *Enforcement Working Group* – Informs IFIAR members on enforcement practices and initiatives through member surveys and workshops.
  - *Inspection Findings Survey Taskforce* – Coordinates a survey of negative findings from the audit inspection file reviews undertaken by IFIAR member and reports publicly. The overall findings level is used in a public target for the largest firms to improve audit quality.
- ASIC's Commissioners represent ASIC on the IOSCO Board.
- ASIC's Chief Accountant has previously led:
  - *IOSCO's Auditing Subcommittee*, including the development of an international guide for audit committees on supporting audit quality.
  - *IOSCO's IFRS Information Sharing Subcommittee*, including the development of an international database and other ways of sharing the interpretation and application of IFRS by regulators so as to promote consistent financial reporting internationally. ASIC's Chief Accountant also led a comprehensive survey of regulators on all aspects of their regulation of financial reporting to promote the quality of regulation internationally.
  - *IFIAR's International Coordination Working Group*, including the development of the IFIAR Multilateral Memorandum of Understanding on information sharing between IFIAR members (MMoU) and assessment of regulators for participation in that MMoU.

- ASIC's Chief Accountant also participated in the Monitoring Group reforms of the governance of auditing and ethical standard setting internationally to enhance independence from the auditing profession and the quality of standards.