



**Inquiry into the regulation of auditing in Australia – Questions on Notice from Senator Whish-Wilson: PricewaterhouseCoopers**

ASIC audit inspections: In respect of key audit areas and associated files where ASIC forms the view that a PwC auditor did not obtain reasonable assurance about whether the financial report as a whole is free from material misstatement:

1. Are the auditors involved penalised financially, including through the withholding of performance payments? Could you please provide data on the frequency and value of such penalties over the last five years?
2. Are the auditors involved counselled?
3. Are the auditors removed from the file?
4. Are the partners managing the file penalised financially, including through the withholding of performance payments? Could you please provide data on the frequency and value of such penalties over the last five years?
5. Are the partners managing the file counselled?
6. Are the partners managing the file removed from the file?
7. Are there any other actions that PwC takes in response?

*PwC Response*

All ASIC inspection findings are considered by the firm's team of Risk and Quality specialists and appropriate response plans are developed, including the application of our formal Accountability Framework for the relevant Partners.

PwC's accountability framework includes an assessment of audit quality related matters and then appropriate responses that can include financial penalties, additional learning and development, being subject to additional inspections or layers of quality review, suspension from signing audits or, in extreme cases, departure from the firm.

Over the last five years the firm has received three ASIC Inspection Reports. While ASIC did make findings in each of those reports, no findings resulted in subsequent restatements to the relevant financial statements of the company being audited. Notwithstanding this, five partners incurred financial penalties as a result of these ASIC inspection findings. No staff members incurred financial penalties. No staff or partners were removed from audits.

In addition, partners and staff were counselled individually and in groups as a result of ASIC inspections and the firm's internal inspection processes. As noted in our Submission to the PJC, in FY20 we are assessing audit partners against a new scorecard. This scorecard will incorporate feedback from audit committees, and include an assessment of the use made by the audit team of standardisation and automation tools and specialist expertise.