



ASIC
Australian Securities &
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Senator Deborah O'Neill
Chair of the Parliamentary Joint Committee on
Corporations and Financial Services
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Via email: corporations.joint@aph.gov.au

8 April 2024

Dear Chair

We write to you to provide additional information to the Committee on ASIC's regulatory work on financial reporting and audit, in light of the questions the Committee posed to Mr Doug Niven on these issues. Mr Niven left ASIC in July 2023 and we would like to ensure the Committee has the most up to date information.

ASIC's financial reporting and audit workstreams

Financial reporting and audit review program

ASIC has been conducting surveillance of financial reports (formerly known as the Accounts Surveillance Program) since 1991 and surveillance of audits since 2005 (formerly known as Audit Inspections). While there is no legislative requirement for ASIC to undertake these proactive reviews, they are important activities for identifying concerns and guiding behaviour.

The operation of these programs remained largely unchanged for more than 15 years until mid-2022 when, following a strategic review, they were combined into the financial reporting and audit surveillance program which focuses on the entire financial reporting ecosystem. This approach means that we now routinely select audit files for surveillance where a change has been made to financial information or where we have concerns that a financial report may have a risk of material misstatement.

This approach also means that we can concentrate our resources on audits where there is more likely to be harm to consumers and investors through deficient financial information.

In October 2023 ASIC published its first integrated report, covering both financial reporting and audit findings with messages directed to all the key players in the financial reporting ecosystem – preparers, directors and auditors. The report includes a summary of individual audit findings for all firms reviewed, so all auditors can focus on improving audit quality.

As part of the new approach ASIC is actively engaging across other parts of the financial reporting ecosystem to help improve audit quality. ASIC is now writing to company directors to report findings from audit reviews. This is with the clear expectation that directors will take appropriate action with management and auditors.

ASIC's other regulatory work on financial reporting and audit: conflicts of interest and other systemic requirements, enforcement and international and domestic engagement

In addition to continuing the work on our financial reporting and audit program ASIC is currently planning work to review how auditors are complying with important systemic requirements, including complying with auditor independence requirements in the Corporations Act and ethical and independence requirements contained in the Australian Auditing Standards. ASIC is currently scoping this work. It is anticipated that the review will take place in financial year 2024-25

At the same time, ASIC continues its enforcement focus on auditor misconduct and will continue to take action against those who break the law. There are a number of investigations and enforcement actions underway. ASIC uses a range of enforcement tools in relation to auditors including referrals to the CADB, court enforceable undertakings, criminal proceedings and most recently the issuing of infringement notices.

ASIC works with international regulators to improve the quality of audits. This includes as a board member of the International Organisation of Securities Commissions, as a member of the International Forum of Independent Audit Regulators, working with the PCAOB when they are inspecting Australian audit firms and engagement with international accounting and audit standard setters on issues such as sustainable finance and digital financial reporting.

ASIC also engages with domestic financial reporting and audit industry stakeholders. This includes regular liaison with the professional accounting bodies to discuss emerging accounting and auditing issues and meeting with audit firm leadership of the larger six audit firms to discuss their audit quality initiatives. We also engage as required with domestic standard setting bodies (the AASB and AUASB), the Financial Reporting Council and the Australian Institute of Company Directors on a broad range of issues related to financial reporting and audit.

Application to cancel registration of company auditor, including correction of record of statements made by Commissioner Kate O'Rourke and CEO Warren Day

ASIC registers company auditors and may accept an application from a registered company auditor to cancel that registration. Upon receipt of such an application, ASIC considers whether the auditor has any outstanding matters with ASIC. These could include any open investigations, un-lodged documents or unpaid levies.

Since 2021, ASIC has taken the approach that it will refuse to accept an application to cancel a registration where there are outstanding matters that constitute serious conduct matters.

During ASIC's appearance on 3 November 2023, as noted on page 19 of Hansard, we stated that we did not have the ability to choose whether or not to accept an application for a company auditor to 'resign'.

This statement was made in the context of the discussion about ASIC applications to the CADB. The majority of recent ASIC applications to the CADB were administrative in nature. In those administrative cases where the risk of harm is low, if an auditor subsequently applies to cancel their registration ASIC would accept the application to cancel their registration because it achieves the same outcome more quickly and efficiently.

During 2021 ASIC increased its focus on auditor misconduct and reviewed its process for assessing whether to accept an application from a registered company auditor to cancel their registration. ASIC does have the ability to not accept an application from an auditor to cancel their registration and as noted above, we will use this discretion when an auditor is under investigation for serious conduct matters. We would be grateful if this update to the Hansard can be recorded.

We trust that this information is of value to the Committee and thank you for this opportunity to correct the record. We look forward to working with the Committee as the inquiry progresses.

Your sincerely,



Kate O'Rourke
Commissioner