



ASIC
Australian Securities &
Investments Commission

Committee	Parliamentary Joint Committee on Corporations and Financial Services
Inquiry	Oversight of ASIC, the Takeovers Panel and the Corporations Legislation
Question No.	030
Topic	ASX & CHES Replacement – Ernst & Young Engagement
Reference	Spoken 27 June 2023, Hansard page 31
Committee member	Senator O'NEILL

Question

CHAIR: Do you know how many people worked on this report that is so fundamental to your sense of assurance that the ASX is doing the right thing? How many people worked on this report?

Mr Bourne: The audit report?

CHAIR: Yes.

Mr Bourne: I don't have a number of people. The key partners were—

CHAIR: I'm hearing the letters C-E-O and word 'partners' in a different way in recent times. Usually that is something that would fill people with assurance. Now I really want to understand who was on this job, who checked what qualifications they have and who checked their conflicts of interest. These assurance documents are fundamental. Assurance is so fundamental to everything. I'm not assuaged by the title 'partner' any more or the term 'assurance'. I just have a deep scepticism, like all good auditors are supposed to have. I'm deeply sceptical at this point. Mr Bourne, any information you can provide will be helpful.

Mr Bourne: Well, I have the name of the partner who ran this particular audit. He is the lead partner on it. I do not know the number of staff who contributed to it. We would need to come back to you on receiving advice.

CHAIR: Or their qualifications.

Mr Longo: We can take that question on notice.

CHAIR: I think that would be appropriate.

Answer

EY had a team of 18, including a lead Partner and supporting second partner, undertaking the audit of ASX's Special Report on CHES. EY had 12 Australian based members and 4 subject matter team members from EY firms in US, Canada, and Hong Kong. EY's lead partner was the lead partner in its Financial Services Technology Risk practice and EY Oceania Financial Services third party risk management lead.

We were advised that EY's lead partner had 20 or more years' experience working with clients on technology risk and regulatory matters, including matters in relation to obligations arising from various Australian regulatory frameworks under APRA, AUSTRAC and ASIC, including ASIC's (ASX) Market Integrity Rules and the Australian Financial Service Licence regime. We were familiar with EY's second supporting partner through his work as the lead partner for the ongoing Independent Expert reports required in relation to the CHES Replacement Assurance Program under the licence conditions imposed on ASX Clear and ASX Settlement in November 2021. His intended work as the supporting partner was to provide further oversight and quality review of the engagement, as well as continuity and knowledge of CHES assurance activities.

Before specifying in the s823B (1) written notice that ASX must have the CHES Special Report audited by EY, we considered EY's suitability for the appointment; which included consideration of its capabilities, capacity and independence. In separate discussions with ASX and EY, we reinforced to both organisations their obligations to manage both actual and perceived conflicts.

Discussions were held with the EY Partner at the ASIC staff level and between ASIC's Chair and EY's CEO and Regional Managing Partner, setting out our high expectations of the resources and capabilities



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that EY were to bring to their work on the ASX special reports. ASIC's Chair set a clear expectation of the importance of the work to the Australian financial system.

EY is required under the terms of the arrangement with ASX and protocols in place with ASIC to manage conflicts and to inform the ASX and ASIC as soon as it becomes aware that it has a conflict or can no longer act impartially. The management of EY's independence and conflicts of interest is a matter that is front of mind as we engage with ASX and EY.