



Australian Government

Financial Reporting Council

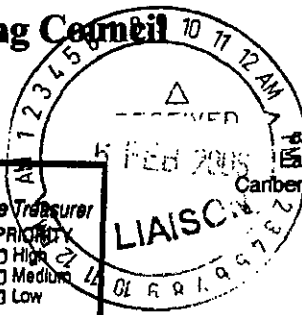
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Chairman:
Mr Charles Macek
c/- The Treasury
Langton Crescent
Canberra ACT 2600

Telephone:
(03) 9691 4000

Email:
chairman@frc.gov.au

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<i>In office of the Parliamentary Secretary to the Treasurer</i>	
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<input type="checkbox"/> Parliamentary Secretary	<input type="checkbox"/> Department
<input type="checkbox"/> Adviser	<input type="checkbox"/> Other
01 FEB 2006	
TREASURY ACTION	
<input type="checkbox"/> Acknowledge	<input type="checkbox"/> Briefing
<input type="checkbox"/> Substantive response	<input type="checkbox"/> Speech
<input type="checkbox"/> Constituent	<input type="checkbox"/> Information
<input type="checkbox"/> Advise	<input checked="" type="checkbox"/> Appropriate action
	<input type="checkbox"/> Refer to.....
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Secretariat:
The Treasury
Langton Crescent
Canberra ACT 2600

Telephone:
(02) 6263 3144

Facsimile:
(02) 6263 2770

E-mail:

frcsecretary@treasury.gov.au

30 January 2006

The Hon. Chris Pearce, MP
Parliamentary Secretary to the Treasurer
Parliament House
CANBERRA ACT 2600

Dear Parliamentary Secretary

I am writing to provide you with an FRC perspective in relation to the proposed increase in the audit inspection powers of ASIC as we are aware of concerns raised in various submissions prepared in response to the proposals.

The FRC has not and, indeed, would find it difficult to reach a consensus on each of the six proposals contained in the consultative paper, which are:

- Expanding ASIC's functions to cover arrangements with foreign regulatory agencies;
- A new audit inspection and information gathering power;
- Auditor must assist ASIC;
- Authorisation to share information with foreign regulator;
- Publicity and reporting; and
- Powers and requirements regarding domestic audit.

However, two of the proposals appear to be uncontentious; namely, authorisation to share information with foreign regulators and the reporting and publicising of such activity. This lack of consensus reflects the diversity of the stakeholders represented within the Council and more importantly, the complexity of the issues raised in the Consultation Paper.

The Sarbanes-Oxley Act has an extraterritorial effect to the extent that it requires an Australian auditor of an Australian company registered in the US, to register with the Public Company Accounting Oversight Board (PCAOB) and to comply with the US audit requirements. The effect of this is that an Australian auditor of a US registered company will be accountable to the US regulator for the audit of their Australian operations. It is US policy that US registrants be assessed in a holistic way for their worldwide operations.

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Without question the most substantive issue raised by this consultative process is that of national sovereignty. This is an issue which warrants very careful consideration.

Minimising compliance burden needs to be also a criterion by which this issue is resolved. This is most likely to be achieved through cooperative arrangements with the PCAOB which will extend to the information gathering process under a single joint inspection of an Australian auditor. The FRC believes that a Roundtable involving representatives of key stakeholders could provide a useful forum for achieving a resolution to these complex matters.

The proposal for a Roundtable would inevitably delay the resolution of these matters. However, both the surveillance undertaken by ASIC and the FRC's own monitoring activities confirm that there are no systemic weaknesses affecting the audit profession in Australia.

Given the FRC's interest in these matters, reflected in its monitoring function and information gathering powers, we would welcome the opportunity to participate in the on-going consideration of the most efficient and effective process to ensure public trust in the audit profession.

Yours sincerely

A handwritten signature in cursive script that reads "Charles Macek".

Charles Macek
Chairman