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**Dr Kathleen Dermody,
Secretary,
Parliamentary Joint Committee on Corporations and Financial Services
Suite SG.64
Parliament House
Canberra ACT 2600**

Dear Dr Dermody,

I wish to thank the parliamentary committee for providing the opportunity for people to comment on the draft legislation dealing with audit regulation, audit independence, oversight of the accounting profession and corporate disclosure. I intend to provide a more complete submission on the entire Bill, but I feel compelled at this stage to write to the committee on one aspect of the draft provisions.

While the draft Bill makes a case for the establishment of a statutory authority to promulgate auditing standards for this jurisdiction it does not deal adequately with the establishment of statutory authorities for all areas subject to some degree of self-regulation. I refer in this instance to the absence of provisions that bring the listing rules committee and the corporate governance council of the Australian Stock Exchange under the oversight of the Financial Reporting Council, the body that will have complete oversight of any setting of professional standards that were once set by the accounting profession.

It is one thing to remove self-regulation from the accounting profession because some commentators perceive the profession to have a conflict of interest. It is completely another proposition to have the Australian Stock Exchange – a body that is listed on itself – in a position where it is involved in the setting of both the corporate governance council recommendations and the listing rules. The ASX is itself subject to those two regimes and a reasonable observer may conclude it is too close to the setting of the bodies of literature with which the exchange itself must comply. The same argument has been mounted successfully by some commentators against the accounting profession. That profession will no longer have the same degree of involvement in dealing with those issues because it has been deemed

necessary to place the Auditing and Assurance Standards Board under the oversight of the FRC. I am yet to be convinced of the soundness of the argument to have the AuASB under the oversight of the Council when the comparable bodies operating under the auspices of the Australian Stock Exchange remain associated with the organisation that must comply with the rules produced by the governance and listing rules bodies.

The parliamentary committee should recommend as a matter of priority that the relevant stock exchange committees be included as a part of the oversight of corporate governance and audit matters when the Bill comes before the two Houses of Parliament for review.

It is also somewhat ironic the AuASB holds public meetings and is a more transparent organisation than is the ASX corporate governance council or the ASX listing rules committee. It is open to committee members to ask why it is that a body that is open and transparent about its affairs is being hounded into subservience by legislation and other committees run by an entity with what must be seen as an equivalent conflict of interest is not subject to a similar takeover by the Federal Government.

I look forward to corresponding further with the committee on the broader contents of the Bill closer to the committee's submission deadline of November 17, 2003. I am happy to respond to queries from committee members or the committee secretariat on the views that are reflected above. Please let the committee members know they can contact me at any time of their choosing.

Kindest Regards

Tom Ravlic