



Law Council
OF AUSTRALIA

The Secretary
Parliamentary Joint Committee on
Corporations and Financial Services
Room SG.64
Parliament House
CANBERRA ACT 2600

By email : corporations.joint@aph.gov.au

Dear Dr Dermody

ENQUIRY INTO EXPOSURE DRAFT – CLERP (AUDIT REFORM AND CORPORATE DISCLOSURE) BILL

I refer to your invitation to make submissions with respect to the above Bill.

These submissions have been prepared by the Insolvency and Reconstruction Committee of the Business Law Section of the Law Council of Australia (“the Committee”). The submissions have been endorsed by the Business Law Section but have not been considered by the Council of the Law Council of Australia.

The Committee makes the following submissions.

- The Committee agrees with the views set out in CLERP 9 with respect to the General Statement of Principle requiring independence (Part 4.6) and financial relationships (Part 4.8). The Committee agrees with Proposals 2 to 7 inclusive.
- Whilst the Committee generally agrees with Proposal 9, it expresses concern that if auditors are required to rotate after five years (and up to seven years where ASIC relief has been granted) there may be insufficient auditors, particularly from larger firms, available to accept the position on a rotational basis. Consideration should be given to an exemption mechanism.
- The Committee notes that it is intended that the majority of members of the Companies Auditors and Liquidators Disciplinary Board (“the Board”) will be non accountants. The Committee recommends that at least one auditor and/or insolvency practitioner should sit on the Board.
- Whilst the Committee agrees generally with Proposal 35, namely that protection should be made available for employees and others who report suspected breaches of the law to ASIC, there needs to be penalties for those that make a false report (particularly from disgruntled employees).

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Should you have any questions please contact the Committee Chair Jon Clarke on 08-8228 1103.

Yours sincerely



Michael Lavarch
Secretary- General

10 December 2003