

2 December 2011

The Manager  
Corporate Reporting and Accountability Unit  
Corporations and Capital Markets Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

By email: frpdiscussionpaper@treasury.gov.au

Dear Sir/Madam,

**Re: Discussion Paper – Financial Reporting Panel**

The Australian Public Policy Committee (APPC) appreciates the opportunity to comment on the Discussion Paper on the Future of the Financial Reporting Panel (the Discussion Paper). The APPC includes BDO, CPA Australia, Deloitte, Ernst & Young, Grant Thornton, KPMG, PKF, PwC, The Institute of Chartered Accountants in Australia and the Institute of Public Accountants.

The APPC's objective is to promote positive public policy outcomes in respect of audit, accounting and related services in Australia that:

1. Enhance the reputation of the accounting profession by setting and adhering to high standards of ethical and professional conduct.
2. Preserve the viability of a high quality, independent, external financial audit profession through an ongoing focus on audit quality and fair and equitable apportionment of the financial risks associated with the audit function.
3. Add value to the accounting profession's clients and stakeholders.

This submission is intended as a supplement to an earlier submission made by the APPC to Treasury in respect of the Exposure Draft of the Corporations Legislation Amendment (Audit Enhancement) Bill 2011 released on 30 September 2011. As such, it does not purport to offer views on all issues raised in the Discussion Paper.

To ascertain the specific views of the firms and/or professional bodies that comprise the APPC on issues raised within the Discussion Paper, please refer to any individual submissions made by those firms/professional bodies.

**General Comments**

The APPC strongly supports the retention of the Financial Reporting Panel (FRP) as it is essential there be a cost effective, independent arbitrator to referee disputes between ASIC and companies on accounting treatments that may arise. As pointed out in the Discussion Paper, the annual costs of the FRP are significantly less than a single major case proceeding through the court system.

The APPC considers that consideration should be given to allowing companies to refer cases to the FRP without ASIC's consent. However, suitable pre-conditions may need to be

established to prevent matters being peremptorily referred to the FRP before the existence of a “dispute” has been satisfactorily established.

***Expansion of the FRP’s role re: proposed audit deficiency notifications and reports***

The Exposure Draft of the Corporations Legislation Amendment (Audit Enhancement) Bill 2011 released on 30 September 2011 proposes that ASIC be given the power to issue public reports on audit deficiencies by individual audit firms. ASIC would be able to issue a public audit deficiency report on an individual audit firm only after the audit firm had failed to take remedial action to address an audit defect identified by ASIC within a prescribed time frame.

The APPC’s response to Treasury on the Corporations Legislation Amendment (Audit Enhancement) Bill 2011 dated 31 October 2011 made a number of comments on this proposal, including that there must be a right of appeal or similar dispute resolution mechanism established with regard to ASIC’s determination that an audit deficiency exists and/or that the firm has failed to take appropriate remedial action.

Given that there are serious reputational issues at stake for auditors that are the subject of audit deficiency reports, the power to publish such reports must be accompanied by due process including the right of appeal to an independent and appropriately qualified arbitrator.

We consider that the FRP would be an appropriate body to arbitrate disputes between ASIC and audit firms with regard to audit deficiency reports under proposed Division 5A of the Corporations Legislation Amendment (Audit Enhancement) Bill 2011.

Thank you for the opportunity to comment on the Discussion Paper. We would be happy to elaborate on any of the above comments if you require.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Lee White', with a horizontal line underneath it.

Lee White  
Chairman, Audit Quality and Public Reputation Working Group  
APPC  
(e) [lee.white@charteredaccountants.com.au](mailto:lee.white@charteredaccountants.com.au)  
(p) +61 2 9290 5598