

Dear Dr. Bell,

Thank you for your kind invitation to make a submission.

I don't have much to submit as I am not an Auditor, although did have many interactions with auditors, especially younger audit staff in my capacity as a  
in the central team of PwC over

. I don't believe there is any information in this submission that is confidential to PwC. There were some common themes emerging from my conversations with junior audit staff:

1. They often worked at client premises where they were shoved into any available space, frequently into ergonomically unsound positions, day after day, resulting in an increasing incidence of physical disorders (eg. carpal tunnel syndrome, neck and back pain).

2. They felt conflicting factors were forcing them to produce sub-optimal audit work. For example, there were so many audit steps that the firm insisted be completed but junior staff were typically allocated to several audit jobs at once and reported to different managers and senior managers on those jobs. As they say, the squeakiest wheel gets fixed first, so they would often be yanked off one job and put onto another, often at short notice, with the result that all the final steps in the first audit job were never completed (eg. documenting the audit trail) or signed off. This left them feeling exposed and undervalued.

3. Some of them would lodge confidential complaints with Human Capital (which was referred to as Human Cattle) but the promised confidentiality was not honoured and word would get back to the Managers/ Senior Managers involved that they had been complaining and they then found themselves in the bad books with those above them, who would give them unjustifiable bad performance reviews, overlook them for promotion, salary increases or allocation of discretionary bonuses. These sorts of behaviours are undesirable for many different reasons.

4. My own background is in Law. The most significant development in recent years is allowing Big 4 Audit firms to provide legal services to audit firm clients. Even if permissible under applicable Independence Rules, it is not feasible for audit firms to meet their fiduciary duties as law firms either in substance or perception, in the context of large government infrastructure projects and in private sector transactions where the audit / law firm is providing a range of services (including legal) to one of more competing clients in the same transaction. I understand the Big 4 have devised certain structures, policies and procedures designed to give the appearance of compliance with relevant Codes of Legal Professional Conduct, but which do not in fact comply with the substance and rationale for having the Rules in place and which may be unethical in themselves.

5. The Big 4 believe (correctly, I think) that there are minimal chances of non-compliance with legal rules, regulations and Codes of Conduct ever coming to light, provided there is proper handling of relevant client relationships. The primary reason for this is that no

external regulator is responsible for holistic, periodic legal services compliance testing. CAANZ doesn't consider legal services compliance testing is its role and the Law Societies only conduct annual audits of trust accounts and the like and also respond to client complaints. They believe, (again correctly, I think) that the key to minimising the risks of non-compliance coming to light is to make sure clients don't complain. External compliance testing with non-monetary legal codes of practice requirements simply does not exist, as far as I am aware.

There are now clear overlaps and gaps between the Regulation of Audits and the Regulation of Legal Services and the implementation and compliance-supervision of both. I believe it would therefore be in the public interest and the interests of transparency, for the terms of reference of this inquiry to include a review of the issues raised above.

Yours faithfully,