



Grant Thornton

An instinct for growth™

Committee Secretary
Parliamentary Joint Committee on
Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

By email

**Grant Thornton Australia
Limited**
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230

T

14 February 2020

Inquiry into Regulation of Auditing in Australia

Dear Secretary,

Thank you for the opportunity to participate in the Inquiry into Regulation of Auditing in Australia.

Please find attached our responses to the questions received on Notice during the 7th February 2020.

Should you have any queries related to our submission, please feel free to contact us.

Yours sincerely

Greg Keith
CEO
Grant Thornton Australia Limited

Andrew Rigele
National Managing Partner - Audit & Assurance
Grant Thornton Australia Limited

ABN-41 127 556 389 ACN-127 556 389

Grant Thornton Australia Ltd ABN 41 127 556 389 ACN 127 556 389 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

www.grantthornton.com.au

Response to the questions on notice from Friday 7th February 2020 parliamentary session

In this section, Grant Thornton Australia offers its responses to the questions received on notice in the inquiry of the regulation of auditing in Australia.

1. Senator O'Neill Question: What does a senior person look like? What set of skills do the ASIC inspectors have to have, and what market value do they currently have.

Grant Thornton would like to bring to the attention of the Inquiry, the Public Company Accounting and Oversight Boards requirement on inspectors.

"The PCAOB Inspections Team

A PCAOB inspector makes a direct impact on improving audit quality for the investing public at the accounting firms registered with the PCAOB. Our Inspectors focus on the work that they love – audit!

At the PCAOB, you will be exposed to multiple industries and technical issues. Inspectors can continue to work within a particular industry or subject matter, or they can branch out and gain knowledge and experience within other industries and subject matters.

Inspectors also have access to the standard setters, and the opportunity to participate in the standard-setting process in a meaningful way.

If you have five or more years in public accounting, and experience auditing publicly traded companies, consider joining our Inspections team.

<https://pcaobus.org/Careers/Pages/Our-Inspections-Team.aspx>"

The PCAOB requires specific qualifications for their inspectors, which we have outlined below.

Specific qualifications:

- Current CISA (Certified Information Systems Auditor) and/or CPA (Certified Public Accountant) license required;
- Five to eight years of progressively responsible experience having attained the Manager level in the audit of companies traded on the U.S. markets in the areas of IT general controls and application and process controls;
- Bachelor's degree in a technology related field and/or Accounting; MBA/Master's degree is a plus;
- Strong knowledge and experience in IT general controls and application and process controls;
- Strong knowledge of PCAOB standards, generally accepted accounting principles and/or international financial reporting standards;
- Strong communication skills, both written and oral;
- Ability to work independently and as a member of a team;
- Ability to travel 20-30% of time (including some non-U.S. travel);and
- Fluency in a foreign language is a plus.

2. Senator PRATT – deadline pressures

Grant Thornton would recommend staggering the statutory financial reporting deadlines. This is a widely utilised practice throughout not only Australia but across the world. The Australian Taxation Office (ATO) currently employs these practices through their staggered deadlines on submitted tax returns for the financial reporting deadlines.

Currently within Australia, all public companies are required to lodge their financial reports with the Australian Securities and Investment Commission (ASIC) within three (3) months of the year end and

private companies within four (4) months. Companies House within the United Kingdom market allows four (4) months for public and nine (9) months for private companies.

The tight reporting deadlines apply considerable pressure on the industry, increasing stress on both the company's management and auditors. With over 90% of the Australian companies having a 30 June year end this exasperates the situation.

We would therefore recommend the following:

- Early filers (ASX 300) – two (2) months which aligns with ASX 4E requirements and most release fully audited financial statements;
- ASX Listed companies (excluding explorers) – three (3) months and align the ASX 4E reporting to this as well.
- ASX Explorers – four (4) months (on the basis that these are already categorised by the ASX)
- Other public companies and Public interest entities – four (4) months
- Private companies – six (6) months
- NFP entities – seven (7) months (noting NFP entities are currently 7 months for ACNC), however this is intended to move back to six (6) months.

In order to facilitate the above, we would also propose the ASX 300 assessment be based on the beginning of the financial reporting period, to ensure companies have sufficient time to facilitate the movement in the financial reporting deadlines.

As mentioned during the joint panel discussion, a key element of the change of financial reporting deadlines is to also allow the tax year ends to be aligned to a change in accounting year ends more easily.

3. Senator Paterson - Could transparency could be enhanced by digital financial reporting?

We would support digital financial reporting. This is commonly utilised with other jurisdictions around the world. Digital financial reporting is currently available in Australia through XBRL, however it is not widely used by the market.

4. Senator O'Neill - What recommendations they think would be positive across the entire sector?

As mentioned during our opening comments, Grant Thornton recommends three aspects for the joint committee to consider for the Australian market:

- a tiering of audit deadlines similar to the USA, UK and the ATO (as disclosed in detail above);
- broadening of statutory accounts disclosures surrounding fraud and solvency; and
- ensure any recommendations are not uniformly adopted but each recommendation is considered for the different needs of private investors in MSBs.