

QoN 010-05 – Retrospective audit of financial service advice industry

Why is the financial services (advice) industry being retrospectively audited when it would never happen in any other industry such as health or education?

Answer:

ASIC does not have a program of work where it is retrospectively auditing the financial advice industry.

However, when ASIC becomes aware of misconduct (either through a report of misconduct, a breach report, market intelligence or a surveillance) it is standard practice to investigate why the misconduct occurred and to require the misconduct to be remedied. In many cases, this will require licensees to undertake a review and remediation program. This nearly always necessitates looking at historical advice and records in order to determine whether clients have suffered any loss and require remediation.

For example, as discussed in REP 515 *Financial advice: Review of how large institutions oversee their advisers* ASIC saw widespread and systemic historical failures of licensees to properly oversee their financial advisers. Given the widespread nature of the misconduct (which occurred over a number of years) ASIC required the licensees to undertake comprehensive review and remediation programs.