



26 September 2019

The Parliamentary Joint Committee on Corporations and Financial Services  
[Corporations.joint@aph.gov.au](mailto:Corporations.joint@aph.gov.au)

Bentleys Australia Pty Ltd t/a  
**Bentleys Network**  
Head Office

Dear Committee members,

### **Inquiry into Regulation of Auditing**

Bentleys Australia is a network of independent advisory and accounting firms, located throughout Australia, New Zealand and China. We work with listed enterprises, government bodies, businesses, not-for-profits and individuals to help them achieve their objectives and get where they want to be.

We welcome the opportunity to contribute our thoughts on the regulation of auditing in Australia and the terms of reference of the inquiry, on behalf of our member firms. The auditing profession in Australia is quite competitive and there is fee pressure that contributes to the challenges that our firms face. We share the concerns of others that audit work may be sought as a "loss leader" to gain lucrative consulting work, and we would support any practical measures that would mitigate this risk and keep audit fees at a sustainable level.

There is a perception amongst some in the market that only the big four accounting firms are capable of conducting certain audits or assurance engagements. This includes government agencies where we feel there is a tendency to opt for a large "brand name" firm. This view is factually incorrect and is dangerous as it only serves to limit the competitiveness of the market to the four firms that are perceived as being capable. This competition is further diminished when one or more of the four firms are already providing services and so are conflicted from providing assurance services.

The other **challenges** that we face are set out below:

- Educating those charged with governance and management on their obligations to ensure adequate and sufficient documentation is maintained and able to be provided to auditors;
- Educating those charged with governance, management and the users of the financial report on the primary role of the auditor and the "expectation gap" that exists. This may result in varying degrees of what is expected from the auditor, and can be different from audit to audit and firm to firm;



- Time pressures to conduct the audit work in the window available between the client being ready and the regulatory or client-imposed deadline. We are used to the concept of a “busy season” whereby half of the year’s work needs to be compressed into a quarter of the year, however it can be challenging to attract and retain sufficiently qualified and experienced auditors to commit to this each year. Many competent auditors tire of this constant pressure and opt for roles in commerce;
- Auditing and Accounting Standards tend to be written with the large listed companies in mind and this “one-size fits all” approach poses challenges for small and medium sized organisations and their auditors.

With regard to regulation of the auditing profession, we find that the ASIC Inspection process is quite robust and detailed. We do not believe the results of the ASIC Inspection program are clearly understood by the broader community or always accurately reported in the media. There are sometimes different “professional judgements” over what constitutes sufficient audit evidence and so it would be beneficial if these were clearly reported as such, rather than as an adverse finding. If these judgement findings are going to be reported on a scorecard as either “pass” or “fail”, then it may result in a more prolonged resolution process.

Bentleys values the reputation for quality that we have developed in the market. We protect this reputation by having a quality assurance process amongst our firms to ensure a high level of audit quality is maintained. This process involves peer review audits of a selection of audit files each year and rating them and providing feedback on any perceived deficiencies, and improvement opportunities. These firm results are then reported to our National Management Board and we find this scrutiny ensures that quality is retained as the top priority among our firms.

We understand that some audit firms do not have such a robust annual quality assurance process. We find that when reviewing other firm’s prior year audit files, the sufficiency of audit evidence is less than we would normally expect. Some firms that we compete with do not provide their prior year audit files for inspection.

In conclusion, we support the objectives of quality and transparency in the auditing profession and the education of stakeholders in their understanding of the role of auditors and the scope of audit services.

Yours sincerely

**Tony Sacre**  
Chief Executive Officer  
Bentleys Network

**David Francis**  
Chairman, Audit & Assurance TAC  
Bentleys Network