

**Parliamentary Joint Committee on Corporations and Financial Services**

**Inquiry into the regulation of auditing in Australia**

**Questions on Notice 019**

In its answer to a question on notice about corporate collapses KPMG states that:

We understand ASIC maintains details of a company's auditor and when a company is placed in liquidation. ASIC may be better placed to assist with accurate and complete information.

If so, can ASIC provide data over the last ten years on the cases where public companies have gone into receivership:

- Who was the auditor of the final annual financial report?
- Did the auditor identify a material misstatement, or any other significant shortcomings, in the final annual financial report?

This might be too onerous to undertake comprehensively. If so, could ASIC provide such data on the 50 largest collapses (measured by market capitalisation, for example).

**Answer**

The following table shows the breakdown of listed and unlisted public companies that entered external administration (including receiverships and liquidations) over the 10-year period from 2010 – 2020.

Auditor immediately prior to administration	Listed and unlisted public companies that entered external administration over the 10-year period from 2010 – 2020							
	Liquidations				Delisted from ASX		Other outcomes (including receiverships)	
<b>Deloitte Touche Tohmatsu</b>								
Listed companies								
Unlisted companies								
<b>Ernst &amp; Young</b>								
Listed companies								
Unlisted companies								
<b>KPMG</b>								
Listed companies								
Unlisted companies								
<b>PricewaterhouseCoopers</b>								
Listed companies								
Unlisted companies								
<b>Other auditors</b>								
Listed companies								
Unlisted companies								
<b>Auditor unidentified</b>								
Listed companies								
Unlisted companies								
<b>Total</b>								

Source: ASIC's databases and publicly available information on delisted companies.

[REDACTED]

We draw your attention to the following limitations which may affect information in the table above and in the detailed listing attached:

1. Corporate failures: A corporate failure **would not** necessarily imply that the last financial report was materially misstated or that the audit was deficient.
2. Companies that went into liquidation or receiverships without first going into external administration: These cases are not included in the table above or the attached spreadsheet.
3. Identification of auditors: In some cases, the auditor shown in the table and attached spreadsheet may not be the last auditor prior to administration. This is because companies are not required to notify ASIC of the appointment of auditors and ASIC may not have detected the new auditor from other sources.
4. Classification of listed/unlisted companies: ASIC's system captures the listing status of companies at the time of entering administration. If a company was listed at the time of the last audit, but subsequently de-listed before entering administration, our records would present it as an unlisted company.
5. Companies converted to proprietary companies: Companies that were converted from public companies to proprietary companies subsequent to administration but prior to liquidation and deregistration are not included in the table or detailed listing.
6. Some delisted companies may also have been liquidated: We have identified those companies that entered external administrations that were also liquidated. We have also identified companies were de-listed based on publicly available information. Some companies captured in 'delisted' column above may have subsequently been liquidated without notifying ASIC.
7. Data checking: While we have tested the information in the attached spreadsheet, we have not verified the accuracy of every record and there is a possibility that the information may not be entirely complete.

Given the limitations described above, we suggest that the numerical information in the table above and the supporting information in the attached spreadsheet be treated as confidential by the Committee.

Where a larger listed company or other public interest entity collapses as evidenced by receivership, administration or liquidation, ASIC considers whether the financial report was materially misstated and whether there were deficiencies in the audit. We will often review the audit working papers and other relevant evidence as a part of this process. However, in the time available to respond to the question on notice, it was not practicable to review the audit reports on the last financial report of each of the companies listed in the attached spreadsheet. Hence we have not been able to provide information on whether the auditor had issued a modified opinion that identified a material misstatement, or any other significant shortcomings, in the last annual financial report before the company entered external administration, receivership or liquidation.