Question: Money laundering

The terms of reference for this inquiry include "the role and effectiveness of audit in detecting and reporting fraud and misconduct":

1. Are EY auditors instructed to detect and report instances of suspected money laundering for undertaking audits?
2. Does EY support changes to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 to include accountants, including a "partnership or company that carries on a business of using qualified accountants to supply professional accountancy services", as a designated service?

Answer:

1. Australian Auditing Standard ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* deals with the auditor's responsibility to consider laws and regulations in an audit of a financial report. ASA250 notes that the auditor is responsible for obtaining reasonable assurance that the financial report, taken as a whole, is free from material misstatement, whether due to fraud or error. The requirements in ASA250 are designed to assist the auditor in identifying material misstatement of the financial report due to non-compliance with laws and regulations. However, it states that the auditor is not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

   EY auditors apply our global audit methodology which provides for compliance with ASA 250. Our audit practitioners are not required by ASA 250 to specifically detect instances of suspected money laundering. If during the course of the performance of their ASA 250 procedures, or other audit procedures, they became aware of instances of non-compliance or suspected non-compliance with Anti-money laundering and counter-terrorism financing legislation, ASA 250 sets out the steps the auditor must then take.

2. We do not have a position on the introduction of tranche 2 AML/CTF laws in Australia, however, EY complies with and always supports all of the relevant regulation and legislation applicable to our business.