

QON: 007

Senator O'Neill

Questions

Could ASIC please provide:

1. Reports from each of the firms of the number of allegations of misconduct/harassment etc., along with what was done and the outcome in a summary form.
2. The number of exits by staff with NDAs or other similar prohibiting clauses that stemmed from complaints along with details of the payouts.
3. The staff turnover data by level and gender.
4. The pay gap data (not numbers) for partners/non-equity/salary/equity.
5. Information on the resignations they have refused over the past 5 years in relation to paragraph 57 of their submission?

57. ASIC's consent is required for the resignation (not removal) of an auditor of a public company. To assist in protecting the auditor's independence, we do not give consent if it appears that the resignation could be related to a disagreement with management over an accounting treatment or estimate. We refuse consent where there are indications that the change in auditor is in circumstances where there is a disagreement with management on financial reporting or the auditor may issue a qualified or modified audit report.

Answers

1. ASIC does not have the power to regulate harassment of staff in audit firms and such harassment is not covered by the *Corporations Act 2001*. We have reviewed s311 notices received from auditors in the two years to 30 June 2019 concerning suspected contraventions of that Act and there were no reports of harassment.

In the two years to 30 June 2019, we received two notifications of suspected financial misconduct from audit firms. These notifications concerned suspected misconduct by officers of proprietary companies audited by one firm. In one case, a company officer allegedly claimed \$17,600 for personal expenses from the company. In the other case, a company officer allegedly used a corporate credit card for \$50,000 of personal expenses. In both cases, the individuals ceased to be officers of the companies concerned. Any criminal action would be a matter for the relevant State police.

2. This is not within our jurisdiction. We have no information from auditing firms in Australia on the number of exits by staff of those firms with non-disclosure agreements or other similar prohibiting clauses that stemmed from complaints. Nor do we have details of the payouts for such individuals.
3. This is not within our jurisdiction. We have no information from auditing firms in Australia on the staff turnover for those firms, including such information by level and gender.
4. This is not within our jurisdiction. We have no pay gap information from auditing firms in Australia for partners of those firms, including information relating to salary or

Parliamentary Joint Committee on Corporations and Financial Services
ASIC response to Question on Notice
Inquiry into the regulation of auditing in Australia

distributions. We have no information that identifies the remuneration of named partners or the gender of partners.

5. The following table shows the number of applications to ASIC to consent to resignation as auditors of public companies over the last five years and the number that were rejected on their merits. The information is not separately recorded in our systems and has been ascertained from records of the outcomes for those more complex applications referred from our Registry Services team to our Financial Reporting & Audit team for review. These figures do not, for example, include any applications rejected by ASIC due to incomplete documentation or not paying the required fee.

	Number of applications refused	Total applications received
1/7/2014 – 30/6/2015	6	584
1/7/2015 – 30/6/2016	1	582
1/7/2016 – 30/6/2017	2	584
1/7/2017 – 30/6/2018	1	579
1/7/2018 – 30/6/2019	5	293

ASIC Regulatory Guide 26 *Resignation of auditors* outlines the circumstances in which we would not give our consent to the resignation of an auditor. As a result of this guidance, most auditors would not to make applications in circumstances where we would refuse such applications.