



29 June 2012

The Manager
Corporate Reporting and Accountability Unit
Corporations and Capital Markets Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: auditquality@treasury.gov.au

Dear Sir/Madam,

RE: Proposed Regulations in respect of the Corporations Legislation Amendment (Audit Enhancement) Act 2012

Accounting Professional & Ethical Standards Board Limited (APESB) welcomes the opportunity to make a submission on the proposed Regulations in respect of the Corporations Legislation Amendment (Audit Enhancement) Act 2012.

APESB's role in the accounting profession

APESB is governed by an independent board of directors. Its primary objective is to develop and issue, in the public interest, appropriate professional and ethical standards which apply to the membership of the three major Australian professional accounting bodies. A secondary objective of the APESB is to provide an opportunity or forum for the discussion and consideration of issues relating to professional standards for accountants. The APESB is funded by the three major accounting bodies, but has complete independence in its standard-setting activities.

In setting standards, we endeavour to incorporate a strong emphasis on professionalism and the role of sound judgement in those accountants obliged to follow our standards. We believe that setting high quality standards with demanding criteria contributes to the professional standing and behaviour of members of the accounting profession.

The quality of audits and financial reporting is critical to the professional standing of accountants, as well as being of major interest to the public. APESB is largely dependent on other bodies for the monitoring, review and enforcement of standards and we welcome the ongoing work of Treasury, ASIC and FRC in contributing to this. Within its mandate, APESB promotes the importance of compliance with professional and ethical standards.

We would always be pleased to discuss ways to improve compliance with Treasury, ASIC, FRC and other relevant bodies. We are in regular dialogue with the three major accounting bodies in relation to their approach to monitoring professional and ethical behaviour.

Specific comments

Proposed regulations in respect of annual transparency reporting requirements

APESB is supportive of Treasury's proposed regulations in respect of the Corporations Legislation Amendment (Audit Enhancement) Act 2012 which requires audit firms who audit 10 or more entities as defined in section 332A of the Act to publish an annual transparency report with specified information about their operations.

We note that a number of the requirements are also required by APESB published standards, including independence requirements, systems of quality control, and obligations to maintain professional competency. We agree that it is appropriate to restrict transparency reporting to audit firms conducting a number of audits exceeding a specified threshold of entities as defined in the legislation. There is significant public interest in these entities and the availability of public information on the operation of respective audit firms would benefit stakeholders.

Whilst we acknowledge that the legislation has specified the reporting threshold at 10 or more entities, we respectfully request that you consider the practical application of this measure to Small and Medium Practices (SMP) or affiliated networks of firms in order to not to create a regulatory burden on these practices.

We believe that the proposed regulations and the Corporations Act amendments will contribute to enhancing audit quality in Australia and will align the Australian auditing framework with best practice adopted by other major jurisdictions such as the United States, the United Kingdom and Canada.

If you would like to discuss further or require any additional information, please do not hesitate to contact me at kspargo@bigpond.net.au or Mr. Channa Wijesinghe, Technical Director at channa.wijesinghe@apesb.org.au.

Yours sincerely

A handwritten signature in cursive script that reads "Kate Spargo".

Kate Spargo
Chairman