

Audit Quality Strategic Review  
Corporations and Financial Services Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
Email: [auditquality@treasury.gov.au](mailto:auditquality@treasury.gov.au)

Grant Thornton Australia Limited  
ABN 41 127 556 389

Level 17, 383 Kent Street  
Sydney NSW 2000  
PO Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

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T +61 2 8297 2400  
F +61 2 9299 4445  
E [info.nsw@grantthornton.com.au](mailto:info.nsw@grantthornton.com.au)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

Dear Treasury

**TREASURY DISCUSSION PAPER: AUDIT QUALITY: A STRATEGIC REVIEW**

Grant Thornton Australia is pleased to provide Treasury with its comments on the discussion paper 'Audit Quality: A Strategic Review' (the DP).

Grant Thornton Australia's response reflects our position as auditors and business advisers to listed and privately held companies, and other businesses.

This submission has benefited with input from our clients, and discussions with key constituents including the members of the Australian Public Policy Committee that comprise the 7 large auditing firms and the professional accounting bodies.

Grant Thornton Australia broadly supports the Key Findings in the DP and note that this is consistent with both the APPC's submission and the professional accounting bodies separate submission. We have however made specific comments on 3 of the Key Findings as detailed in the attached Appendix

If you require any further information or comment, please contact me.

Yours sincerely  
GRANT THORNTON AUSTRALIA LIMITED



Keith Reilly  
National Head of Professional Standards

# Appendix

## **Key Finding 10 – Professional accounting bodies quality reviews**

We support the professional accounting bodies aim for a reduction in the compliance burden for firms that are subject to various oversight inspections. To this extent we believe that an immediate result would be for the professional accounting bodies to accept the results of the ASIC inspection program that is conducted every 1 to 2 years on the large firms, and not conduct its own inspection of the audit activities of the particular firms.

As detailed in the professional accounting bodies submission we: “encourage the Government, through ASIC, to continue to work with oversight bodies in other major jurisdictions (including the International Forum of Independent Audit Regulators (IFIAR)) to develop appropriate and effective mutual recognition arrangements for regulatory inspections.”

## **Key Finding 11 – The FRC’s independence function**

We support the Treasury proposal to streamline the work of the FRC and ASIC on auditor independence to eliminate any duplication. However we believe that the FRC should retain its oversight of the auditor independence process given its wider representation.

## **Key Finding 25 – Registered Company Auditors**

Like the professional accounting bodies we “support Treasury’s proposal to seek views of stakeholders on strategies to assist in addressing the decline in the number of registered company auditors.” However as detailed in our submission to Treasury on the Corporate Reporting Reform Bill 2010, we do not support allowing non RCAs from conducting audits which are required to comply with Australian Auditing Standards. Over submission stated:

“The specific audit skills required to be able to conduct an audit review require an experienced auditor and Grant Thornton believes that this can only be met by a registered company auditor, as is the current requirement for a Corporations Act audit. The expertise required to conduct an audit review is no less to that needed to conduct an audit, and it could be argued is greater as there is a lower level of knowledge of the operations being audit reviewed.

The reasoning given in the Explanatory Material to the Bill for allowing a non registered company auditor to undertake an audit review is in Grant Thornton’s opinion flawed. No evidence is provided as to why there are not already sufficient registered company auditors available to conduct audits or audit reviews; particularly as such audits are currently being conducted by registered company auditors. “