



Technical Accounting Alert

Corporations Legislation Amendment (Audit Enhancement) Bill 2012

Introduction

The purpose of this alert is to provide details of the changes to the Corporations Act following Parliament's approval of the Corporations Legislation Amendment (Audit Enhancement) Bill 2012. At this time it is expected that Royal Assent will be given in late July 2012 which is when the provisions of the Act will commence.

Overview

The amendments to the Corporations Act through the Audit Enhancement Act is argued by the Government necessary to ensure that Australia's audit quality framework continues to be in line with international best practice. The 5 specific amendments are as follows:

Directors have the flexibility to extend the five-year auditor rotation period for audit engagement and audit review partners that applies to listed companies by up to two years, provided auditor independence and audit quality can be maintained.

The Act requires the publication of a transparency report by individual auditors and audit firms that audit more than ten significant entities in a year, thereby ensuring that factual information is publicly available about firms who audit listed and other publicly important entities such as banks and insurance companies. Grant Thornton has published a similar Transparency Report for the 2010 and 2011 financial years and the June 2012 Transparency Report will pick up any changes brought about by the Audit Enhancement Act.

The Act amends the role of the Financial Reporting Council regarding auditor independence, replacing it with a strategic policy role of advising the Minister and professional accounting bodies on audit quality in Australia.

Where ASIC believes an audit firm has not taken appropriate remedial action to remedy a failure to comply with relevant auditing standards, codes of conduct, or requirements under the *Corporations Act 2001*, ASIC can publish audit deficiency reports. In appropriate cases, the Act will allow ASIC to communicate its concerns directly with an audited company.

Further information

For further information on any of the information included in this TA alert, please contact your local Grant Thornton Australia contact member or a member of the National Audit Support team via the GTAL IT Service Desk <http://gtassist.au.gt.local/>

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