

IFIAR 2022 Member Profile – ASIC

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Australia
2. Member¹	2.1 Insert the name of the Member, both in the local language and in English: Australian Securities and Investments Commission (ASIC)
	2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: <u>Street Address:</u> Level 5, 100 Market Street, Sydney, New South Wales, 2000, Australia <u>Postal Address:</u> GPO Box 9827, Brisbane, Queensland, 4001, Australia <u>Tel:</u> +61 2 9911 2000 <u>Website:</u> www.asic.gov.au
	2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation: ASIC is both the securities regulator and audit oversight regulator in Australia. Under the Australian Securities and Investments Commission Act 2001, ASIC is responsible for promoting confident and informed markets and investors. ASIC’s authority for audit regulation is encompassed within its general authority and powers as a securities regulator under that legislation. In particular, ASIC is responsible for the regulation of compliance with the Corporations Act 2001, which includes provisions relating to financial reporting and audit by Australian companies, disclosing entities (including listed entities) and registered schemes.
	2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>If yes, please describe these changes with an appropriate level of detail:</p>
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>Chair, 2 Deputy Chairs and 3 other Commissioners. All are independent of the audit firms, professional accounting bodies and bodies or entities associated with the audit profession.</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>There are no specific eligibility or composition requirements in legislation for members of the Commission. All members are appointed by the Federal Government, are full time, and are subject to strict independence and conflict requirements. Members typically have relevant legal, markets or business backgrounds.</p> <p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>Not applicable.</p> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>All Commissioners are full time and cannot be current practitioners. Under independence and conflict requirements, Commissioners will not be involved in matters involving their former practices and must declare any conflicts. As a securities regulator, there are no specific requirements for former auditors.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p>Not applicable.</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>Government appropriations. ASIC is funded indirectly by an industry funding model whereby regulated entities pay non-discretionary levies to government based on ASIC costs. ASIC will then be funded by appropriations linked to the industry funding. For auditors, levies are payable on the share of listed entity audit fees plus a flat fee for each individual who is a registered auditor.</p>
	<p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>See 4.1 above. Industry levies are non-discretionary.</p>
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

	<p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> If directly, kindly provide a brief description or summary of the responsibility, including the regulatory reporting process after inspections i.e. recommendations issued, follow-up, etc.). <p>Our audit inspections cover the largest six national firms, and other firms that audit the financial reports prepared under the <i>Corporations Act 2001</i> (the Act) by listed entities and other public interest entities.</p> <p>Each year we review key audit areas in 40 to 50 audits selected on a risk basis. For the largest six audit firms we also assess key aspects of audit firm quality control systems over audits of financial reports.</p> <p>Following our review of audit files:</p> <ol style="list-style-type: none"> we advise the audit firm about the areas where we consider the auditor did not obtain reasonable assurance that the financial report as a whole was free of material misstatement (negative findings) we ask the firm to identify and commit to remedial actions to address our findings where we are not satisfied with the audit firm’s response to our findings, we will challenge the adequacy of the proposed remedial actions for both individual audits and firm action plans. We set out the findings from our inspections in a public annual audit inspection report which includes statistics showing the proportion of key audit areas reviewed where we considered the auditor did not obtain reasonable assurance that the financial report as a whole was free of material misstatement. We do this to facilitate understanding of the extent of our findings and the importance of audit firms addressing underlying root causes of those findings. We also issue public audit inspection reports on each of the six largest firms. <ul style="list-style-type: none"> If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight: <p>Not applicable.</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>Audit firms are inspected on a continuous basis. One audit engagement file is inspected at each Big 4 firm each one to two months. Mid-tier firm audit</p>
--	---

	files may be reviewed every half-year. Small firms that only audit one or two small listed companies, may be reviewed once every 12 years.
6. Audit and Financial Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p>Our inspections focus on the audits of the 2,300 listed entities. We have the power to review the auditors of all 32,000 entities that prepare financial reports under the Corporations Act 2001.</p> <p>We can inspect any of the 3,300 individuals who are registered company auditors. We inspect about 18 of the 120 audit firms that audit listed entities in any year.</p> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <p>The largest 4 audit firms audit over 95% of the listed entities by market capitalization.</p>
7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p> <input checked="" type="checkbox"/> Registration/Licensing <input type="checkbox"/> Audit and/or Ethics Standard Setting <input type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____ </p> <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p> <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight </p> <ul style="list-style-type: none"> • If directly, please describe the responsibility with an appropriate level of detail. • If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures. <p>ASIC registers individual auditors. Firms can only conduct audits through registered individual auditors. It is also possible to register a company as an auditor with ASIC. Further detailed information on the registration</p>

	<p>processes is provided in ASIC Regulatory Guide 180, which is available from the ASIC website.</p> <hr/> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • If directly, please describe the responsibility with an appropriate level of detail. • If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures. <p>Not applicable.</p> <hr/> <p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • If directly, please describe the responsibility with an appropriate level of detail. • If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures. <p>Not applicable.</p> <hr/> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <ul style="list-style-type: none"> • If directly, kindly provide a brief description or summary of the enforcement responsibility, the procedure and process involved, including the regulatory reporting process that led to disciplinary action.
--	---

	<ul style="list-style-type: none"> • If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures. <p>Not applicable.</p> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>None.</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>ASIC is a securities regulator. Our other responsibilities include the regulation of financial reporting.</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>ASIC issued its public inspection reports for the 12 months to 30 June 2021 in November 2021. Enforcement actions included monetary penalties against the auditors of Halifax Investments.</p>