

## IFIAR 2023 Member Profile – ASIC

1. Jurisdiction	<p><b>1.1 Insert the name of the jurisdiction in English:</b></p> <p>Australia</p>
2. Member <sup>1</sup>	<p><b>2.1 Insert the name of the Member, both in the local language and in English:</b></p> <p>Australian Securities and Investments Commission (ASIC)</p> <hr/> <p><b>2.2 Include relevant contact information, including postal address, telephone number(s), a general email address (if any) and a link to the Member’s website:</b></p> <p><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> <a href="http://www.asic.gov.au">www.asic.gov.au</a></p> <hr/> <p><b>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:</b></p> <p>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.</p> <hr/> <p><b>2.4 Please indicate whether the Member has responsibility for the following tasks within the area of Audit Oversight:</b></p> <p><input type="checkbox"/> Licensing  <input checked="" type="checkbox"/> Registration  <input type="checkbox"/> Audit and/or Ethics Standard Setting  <input type="checkbox"/> Permanent Education / Continuous Training of Auditors  <input checked="" type="checkbox"/> Inspection</p>

<sup>1</sup> 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.

	<input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____
<b>3. Governing Body Composition and members</b>	<p><b>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including, where possible, the names, the organization they represent (if any) and brief backgrounds of the governing body members, or provide a link to a page on your website where this information is provided.</b></p> <p>Chair, 2 Deputy Chairs and 1 other Commissioner. All are independent of the audit firms, professional accounting bodies and bodies or entities associated with the audit profession. There are currently up to three vacant Commissioner positions with at least one to be filled.</p> <p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body? E.g. Does national legislation require representatives on the governing body from certain organizations, or with specific experience, etc.</b></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><b>3.3 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?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></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>
<b>4. Independence safeguards</b>	<p><b>4.1 Please describe the national independence requirements for the governing body and its members, and legal or regulatory requirements/provisions in place that safeguard their independence from the audit profession.</b></p>

	<p>Conflicts of interest requirements and declarations re investments and relationships, declarations for matters at each meeting, blacklisting of securities trading in entities subject to current activities, information confidentiality, approval for any external employment or consultancy, etc.</p> <p><b>Are employees of the Member covered by the same or separate set of independence requirements?</b></p> <p><input checked="" type="checkbox"/> Same set of requirements    <input checked="" type="checkbox"/> Different set of requirements</p> <p><b>If there are separate independence requirements for employees, please describe:</b></p> <p>The same requirements apply. In addition, further requirements have been established for those involved in audit inspections (and financial report surveillances) which cover matters such as cooling off periods after and before employment with a firm, involvement in inspections after commencing discussions on employment with firms, trading in securities of companies subject to inspections and surveillances, and business and family relationships.</p> <hr/> <p><b>4.2 Are there any additional safeguards in place that provide for the Member's overall independence from the audit profession? E.g. through the appointment process, specific Board actions, etc.</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>If yes, please describe:</b></p> <p>Profession cannot influence funding levies.</p>
<p><b>5. Funding Arrangements</b></p>	<p><b>5.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget:</b></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> <hr/> <p><b>5.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p>See 4.1 above. Industry levies are non-discretionary.</p>

<b>6. Audit Market</b>	<p><b>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.</b></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. Going forward this will be reduced to about 10 firms per annum with the number of audit files reviewed reducing from about 50 to about 20.</p> <p><b>6.2 Please describe the sizes (in terms of revenue / number of listed entity clients / number of partners and audit staff / etc. – whichever measure is commonly used and available in your jurisdiction) and market shares of each of the largest audit firms in the Member’s jurisdiction.</b></p> <p>The largest 4 audit firms audit over 95% of the listed entities by market capitalization.</p>
<b>7. Inspection System</b>	<p><b>7.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>7.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility, including the follow-up and reporting process, and the regulatory measures available to be taken as a result of inspections (if described in Question 11 Enforcement, please reference that section for details on such measures).</b></p> <p><b>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 by the Member:</b></p> <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 (being reduced to about 20 going forward) selected on a risk basis. For the largest six audit</p>

firms we also assess key aspects of audit firm quality control systems over audits of financial reports.

Following our review of audit files:

- a) 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)
- b) we ask the firm to identify and commit to remedial actions to address our findings
- c) 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.

**7.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:**

Audit firms are inspected on a continuous basis. One audit engagement file is inspected at each Big 4 firm each one to two months (three to four months in future). Mid-tier firm audit files may be reviewed every half-year (annually or bi-annually in future). Small firms that only audit one or two small listed companies, may be reviewed once every 12 years (about 40 years in future).

**7.4 Does the Member have its own inspection staff, use reviewers from the professional body or sub-contract to third parties, independent contractors, etc. for the conduct of inspections? Please tick the boxes that apply: (multiple responses allowed) Note that there is no need to tick a box if non-employee reviewers are used very occasionally and are not a core staffing approach.**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> <b>Employees of the Member</b> | <input type="checkbox"/> <b>Professional body</b> |
| <input type="checkbox"/> <b>Third Parties</b>                      | <input type="checkbox"/> <b>Other</b>             |

**Please explain below:**

Only employees are used on inspections.

<b>8. Licensing</b>	<p><b>8.1 If the Member has the responsibility for <u>Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Licensing conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</b></p> <p><b>If through oversight, please indicate the name of the other organization and its composition. 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.</b></p>
<b>9. Registration</b>	<p><b>9.1 If the Member has the responsibility for <u>Registration</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</b></p> <p><b>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.</b></p> <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 processes is provided in ASIC Regulatory Guide 180 <i>Auditor Registration</i>, which is available from the ASIC website.</p>
<b>10. Audits and/or Ethics Standard Setting</b>	<p><b>10.1 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?</b></p> <p><input type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</b></p> <p><b>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.</b></p>

	Not applicable.
<b>11. Permanent Education / Continuous Training of Auditors</b>	<p><b>11.1 If the Member has the responsibility for <u>Permanent Education / Continuous Training of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education / Continuous Training of Auditors conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</b></p> <p><b>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.</b></p> <p>Not applicable.</p>
<b>12. Enforcement</b>	<p><b>12.1 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)?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Referral</p> <p><b>If directly, please describe the responsibility and procedures applied (including investigations, disciplinary actions or sanctions), as well as the reporting process for disciplinary action.</b></p> <p><b>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.</b></p> <p>ASIC is responsible for all matters relating to enforcement involving auditors but must apply to an external body to deregister an auditor or a court to impose fines or other penalties.</p>
<b>13. Other Responsibilities in Audit Oversight or Audit Regulation</b>	<p><b>13.1 If the Member has the responsibility for <u>other tasks within the area of Audit Oversight or Audit Regulation</u>, please describe with an appropriate level of detail:</b></p> <p>None.</p>

<b>14. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight or Audit Regulation</b>	<p><b>14.1 Please describe with an appropriate level of detail, the responsibility of the Member for <u>tasks outside the area of audit oversight or audit regulation</u> such as supervision of financial reporting or securities regulation:</b></p> <p>ASIC is a securities regulator. Our other responsibilities include the regulation of financial reporting.</p>
<b>15. Member Update for public information (if any)</b>	<p><b>15.1 Are there any major news, activities, events or updates (on audit matters, the Member's organization, the governing legislation or the authority/responsibilities) that you wish to keep the public informed of since completing last year's Member Profile?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p>