

26 May 2022

Registration Consultation
The Financial Reporting Council
8th Floor, 125 London Wall
London EC2Y 5AS

By email: registrationconsultation@frc.org.uk

Dear Sir / Madam,

Re: Consultation on proposed Public Interest Entity (PIE) Auditor Registration Regulations

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 170,000 members working in over a 100 countries and regions around the world. We thank the Financial Reporting Council (FRC) for the opportunity to comment on the above Consultation and make this submission on behalf of our members and in the broader public interest. We provide the following overall observations rather than answering the specific questions posed in the Consultation.

CPA Australia supports independent regulation and oversight of auditors of public interest entities (PIEs). The proposal to expand the FRC into a regulatory and oversight body that includes PIE auditor registration is a major reform to the regulatory regime for the accounting profession in the United Kingdom (UK).

In our view, independent regulation and oversight of PIE auditors should enhance the already high levels of trust the community has in the profession and build on the UK's reputation for being a leading international financial centre and business hub. We however recommend that the FRC works closely with the audit profession, professional accounting organisations, PIEs, investors, and other stakeholders to ensure there is acceptance of the proposed new regime, including a suitable transition period. It may also be beneficial to consider these reforms in light of how auditors are regulated and overseen in similar jurisdictions such as Australia.

Audit oversight in Australia

Similar to the proposals being made in the Consultation, in accordance with the Australian Securities and Investment Commission (ASIC) Act 2001, ASIC, an independent Australian Government regulator, is responsible for registering registered company auditors (RCAs) and Authorised Audit Companies (AACs), and for the surveillance, investigation and enforcement of the financial reporting and auditing requirements of the *Corporations Act 2001* (Aust.) (the Act).

We note that the proposed regulatory role of the FRC is similar to ASIC in the following areas:

- Registration of auditors of entities reporting under the Act, which extends beyond PIEs to all companies requiring an audit under the Act.
- Audit inspections to review compliance with audit quality and auditor independence requirements. ASIC publishes reports on the outcomes of such activity, along with guides targeted at both directors and auditors. Examples include:
 - [ASIC Audit inspection report: 1 July 2020 to 30 June 2021](#) and six largest international networks' individual firm inspection reports
 - [ASIC INFO 222: Improving and maintaining audit quality](#)
 - [ASIC INFO 223: Audit quality – the role of others](#)
 - [ASIC INFO 196: Audit quality – the role of directors and audit committees](#)
- Investigation and enforcement action against auditors, including for non-compliance with auditing and assurance standards.

Audit firm inspections and auditor surveillances are key compliance tools ASIC uses to educate and influence the behaviour of auditors and audit firms. CPA Australia works closely with ASIC to understand and communicate the outcomes of its audit

oversight programs, so that auditors can learn from program findings to maintain and improve audit quality. We have found that the more collaborative regulators are in their approach to auditor oversight, the more receptive auditors and firms are to accepting the outcomes of the program and to addressing the concerns that are highlighted.

Examples of the differences between Australia's regulatory framework and the FRC's proposed regulatory framework include:

- As noted above, the registration and oversight of auditors by ASIC extends to all auditors of companies under the Act, not just PIE auditors.
- Australia has independent statutory bodies issuing accounting, and auditing and assurance, standards, which are enforceable by law.
- Whilst ASIC is also responsible for setting continuing professional development (CPD) requirements for RCAs, it does not oversee the qualifications of CPA Australia or other professional accounting organisations in Australia, nor does it oversee the education programs and CPD provided by professional accounting organisations.
- ASIC does not issue practising certificates to auditors or accountants more broadly.
- Not every aspect of public accounting services in Australia is regulated. However, ASIC also licenses and regulates accountants performing insolvency work and providing financial advice to individuals. Where an accountant is providing tax advice, such accountants are licensed and regulated by Australia's Tax Practitioners Board.
- An auditor registration may also be needed for auditors appointed under specific Australian federal or state legislation (e.g., audit of self-managed superannuation funds).
- Auditors of entities not required to be audited by law, such as of small private companies, are subject to oversight of the professional accounting organisation with which they hold a practicing certificate.

Disciplinary processes, action, and appeal in Australia

ASIC is also tasked with investigating and disciplining RCAs / ACCs for breaches of legislation. The Companies Auditors Disciplinary Board (CADB) is an independent statutory body established under the ASIC Act. The primary role of CADB is to act as an expert disciplinary tribunal to consider applications for the cancellation or suspension of the registration of auditors under the Corporations Act.

If there is an adverse finding against the RCA / ACC, the respondent can appeal the decision to the [Administrative Appeals Tribunal](#) (AAT). The appeals process in Australia can, on average, extend from six to eight months or more for a matter to be heard and a decision handed down by the AAT. Our experience shows that depending on the seriousness or complexity of the matter, the timeframe can extend beyond this length of time.

From our experience in Australia, public notification of disciplinary decisions will improve understanding of how the regulator will interpret and apply the guidelines to specific factual circumstances. For example, ASIC publishes [six-monthly reports outlining ASIC's enforcement outcomes](#) and [ASIC Media releases](#).

CPA Australia also publishes aggregated data on our complaints process. Pages 42 and 43 of our [most recent annual integrated report](#) shows information on complaints received and how we acted on those complaints.

If you have any queries about this submission, please Tiffany Tan, Audit and Assurance Policy Lead at tiffany.tan@cpaaustralia.com.au.

Yours sincerely,

Dr Gary Pflugrath FCPA
Executive General Manager,
Policy and Advocacy