

Mr Doug Niven
Senior Executive Leader
Financial Reporting & Audit
Australian Securities and Investments Commission
Level 5
100 Market Street
Sydney NSW 2000

30 August 2013

Comments regarding Consultation Paper 209: Resignation, removal and replacement of auditors: Update to RG 26

Dear Mr Niven,

Ernst & Young would like to thank you for the opportunity to provide feedback on the consultation paper released by ASIC on 30 May 2013.

Our response aims to highlight expected implications of these proposals and the practical difficulties envisaged with some aspects of the current and draft updated Regulatory Guide 26 'Resignation, removal and replacement of auditors' (RG 26).

As noted by ASIC, there has been significant legislative amendments since RG 26 was first issued, particularly in relation to auditor independence. Hence a review of this area is welcome and timely and provides the opportunity to make the resignation and removal of auditors a more efficient process for ASIC, entities and auditors.

By way of summary, we make the following key observations:

1. Fundamental approach to resignation and removal of auditors

Resignation of auditors of registered schemes and compliance plans

- ▶ The Consultation Paper requested any views on the current approach to the resignation and removal of auditors, including the timing of resignations. We believe the process for resignation or removal of auditors of public companies is well understood and accepted for and that there is not a requirement for a fundamental change in the process. However, there are several practical difficulties in relation to the timing of resignation for auditors of registered schemes and compliance plans.
- ▶ The current process requires the application for resignation or removal of the auditor to occur prior to the end of the financial year for it to take effect within one month after the audit report for that year is lodged. This process is more onerous than that required for public companies in that:
 - the application is required prior to the end of the financial year - for a public company the process occurs at the AGM, for which the required notices are sent out several months after year end
 - For a public company, if the resignation or removal does not occur at the AGM an alternate process is available. A public company can change auditor other than at an AGM by holding a general meeting, without a requirement to satisfy one of the early consent circumstances set out in RG 26.

- For registered schemes and compliance plans, resignation or removal other than by application prior to year end can only occur if the application satisfies one of the early consent circumstances set out in RG 26.
- ▶ We believe that the resignation or removal should be allowed for at any time, provided that the incoming auditor confirms that the change in auditor will not impact on the quality of the audit and the outgoing auditor confirms that there is not a disagreement between management and the auditor.

2. Comments where the fundamental approach is retained

Resignation of auditors of registered schemes and compliance plans

- ▶ Similar to our comments detailed above in relation to the change of auditor process for registered schemes and compliance plans, the proposed restrictions in relation to the resignation or removal of auditor for registered schemes, compliance plans, Australian Financial Services License (AFSL) holders and credit licence holders are more onerous than we believe is necessary. The proposed process would require the application for resignation or removal of the auditor of these entities to occur prior to the end of the financial year for it to take effect within one month after the audit report for that year is lodged. As detailed above, this process is more onerous than that required for public companies and we believe it should be simplified to allow the change to occur at any time, subject to ASIC approval and confirmation from the incoming auditor that the change in auditor will not impact on the quality of the audit and the outgoing auditor confirms that there is not a disagreement between management and the auditor.
- ▶ The early consent circumstances include an allowance to enable one auditor to be appointed for all group entities. So, for example, if Company X is acquired by Company Y then this would allow the appointment of Company Y's auditors to Company X outside of the normal AGM process on the basis that there is potential for greater audit effectiveness if there is one auditor for all entities in a group. We recommend that the same early consent circumstance should exist where there is a change in the responsible entity for a registered scheme or compliance plan. This situation is explicitly excluded in RG 26 from situations that may be considered early consent circumstances on the basis that there is no relevant parent/subsidiary relationship. However, this ignores the practical reality that there is the same potential for greater audit effectiveness if there is one auditor for all registered schemes and /or compliance plans because the responsible entity would generally implement a common process for:
 - producing financial statements for registered schemes and/or
 - ensuring compliance with the requirement of compliance plans

Non payment of audit fees

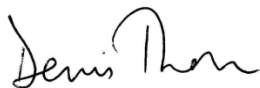
- ▶ We believe that unpaid audit fees should be included as one of the factors indicating that early consent circumstances exist. The Consultation Paper that it is ASIC's view that unpaid fees are a commercial matter which can be resolved through communication. In practice, the matter is more complicated to resolve and there are instances where the matter cannot be resolved through communication, similar to any other problematic debtor. We note that unpaid fees is one of the considerations we must consider in determining if we are independent. Where there are long outstanding unpaid fees it may lead us to concluding that we are not independent and therefore would require qualification of our independence declaration.
- ▶ We believe it is appropriate and convenient to have ASIC's approach to giving consent or approval under all requirements of the Corporations Act and National Credit Regulations relating to the resignation, removal and replacement of auditors set out in RG 26. This provides a single source of guidance for both entities and auditors and provide a single source of guidance.

Ernst & Young has addressed the specific feedback questions set out in the consultation paper in Appendix 1 of this letter.

If we could please request that our submission is not to be disclosed on the internet. Other than this restriction, we are happy for our feedback to not be treated as confidential.

If you have any questions in relation to our comments, please do not hesitate to contact me on (03) 8650 7637.

Yours sincerely



Denis Thorn
Partner

Appendix 1

| Proposal | Feedback requested | EY response |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Should we change our fundamental approach to the resignation and removal of auditors? | | |
| Overall approach to resignations B1 We propose to issue an updated RG 26 to provide guidance on the resignation, removal and replacement of auditors that is consistent with our guidance in the existing RG 26. The attached draft updated RG 26 has been prepared on a basis consistent with our existing approach. | B1Q1 Do you have any comments or concerns about ASIC's current approach to the resignation and removal of auditors within the context of the legislative requirements? Please outline the nature of any suggested change, the benefits and costs of any change, and the reasons for the change? B1Q2 Do you have any comments on the existing legislative requirements relating to the resignation and removal of auditors? | B1Q1 – Our comments largely revolve around the process for resignation/removal of auditors of registered schemes and compliance plans. B1Q2- We note that other countries allow a more flexible approach to the resignation/removal of auditors and believe that these more flexible approaches would add to the efficiency and effectiveness of the process. |
| Timing of resignations B2 Our current approach is that the resignation of an auditor of a public company should normally occur at the AGM or within one month after the lodgement of the auditor's report for registered schemes. | B2Q1 Do you agree that the resignation of auditors should normally take effect at the AGM for public companies and within one month after the lodgement of the auditor's report for entities that do not hold AGMs? Does this timing create any practical difficulties? B2Q2 Do you agree that the resignation or removal of auditors of registered schemes and compliance plans should normally take effect within one month after the auditor's report is lodged? Does this timing create any practical difficulties? | B2Q1 – We agree that for public companies they should normally take effect at the AGM. In addition, RG 26 does provide an alternate process where the auditor is removed which requires a general meeting. In relation to entities that do not hold AGM's we are of the opinion that the requirement for the resignation (or removal) to occur within one month after the lodgement of the auditors report is too onerous and in practice currently creates a number of difficulties. The proposed requirements are more onerous than those for listed entities We have commented further on this point below in B2Q2. B2Q2- We do not agree with the proposed timing. This is the area that currently causes the most practical difficulties for change of auditor for the following reasons: <ul style="list-style-type: none"> - Where there is a change of responsible entity of a registered scheme it is generally more effective and efficient to have the replacement responsible entity's auditor to perform the audit. This is because they are familiar with the processes in place to prepare financial statements of the registered scheme and/or to comply with the requirements of the compliance plan. By having an auditor who is unfamiliar with these processes |

| Proposal | Feedback requested | EY response |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>B2Q3 Do you agree with the underlying principles for the normal timing of the resignation of an auditor outlined in draft updated RG 26.14–RG 26.20? Should these underlying principles be changed, particularly taking into account the introduction of the legislative requirements for auditor independence since our guidance was first developed, which are additional to the professional independence requirements? Should there be additional or alternative underlying principles for the timing of resignations?</p> <p>B2Q4 In your experience, what proportion of resignations of auditors are initiated by the auditor and what proportion are initiated by the company?</p> <p>B2Q5 Should ASIC consent be given to a resignation at any time of the year? Should there be exemptions, for example, when ASIC is made aware that there is a disagreement between the auditor and the management concerning an accounting treatment or other aspect of the company's reporting obligations? Should other conditions be considered—for example, taking into account the legislative provisions for the removal of auditors?</p> | <p>(ie the incumbent auditor) perform the audit could increase the audit risk and the audit cost</p> <ul style="list-style-type: none"> - This argument is no different to the current allowance where early consent can be granted where a group of companies aligns its auditors to be consistent with the parent entity auditor. Although registered schemes are specifically excluded from this exemption on the grounds that they are not in a parent/subsidiary relationship, the practicality of the situations is the same. <p>B2Q3- In general we agree with the underlying principles.</p> <p>B2Q4 – In our experience the large majority of resignations of auditor are initiated by the company. While we do not keep statistics on this we would estimate that in excess of 90% of resignations are initiated by the company.</p> <p>B2Q5- We believe that there still should be the ability for a resignation to occur outside of the AGM period. Where this occurs, there should be built in safeguards to ensure the integrity of the process. We believe it would be prudent to have resignations or removals which occur outside of an AGM to require ASIC approval. To assist the process, as part of the resignation process the incumbent auditor should opine on whether there has been any disagreement with management which has led to the resignation. In addition, the replacement auditor should confirm that the acceptance of the audit will not adversely impact on audit quality.</p> |

| Proposal | Feedback requested | EY response |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>B2Q6 Should audit committees or directors control the timing of the resignation of auditors? To what extent should audit committees or the board of directors be regarded as representing the interests of members in relation to a change of auditor? To what extent should audit committees and directors be responsible for ensuring that audit quality is maintained?</p> <p>B2Q7 Are there practical issues in using the removal provisions for a public company to change auditors at any time during the year, given the costs associated with the requirement to hold a general meeting?</p> <p>B2Q8 Do you have any comments on whether there should be disclosure to the market about the resignation of an auditor, similar to the approach in other countries where regulator consent to the resignation is not generally required and auditor resignations can occur at any time? Please provide reasons supporting your comments.</p> | <p>B2Q6- We believe that the current regulatory process is the most appropriate for public companies. Allowing audit committee or directors control over the resignation of auditors would presumably require some safeguards in terms of ASIC approval. We do acknowledge that audit committees do play an important role in assessing audit quality through the audit committee process.</p> <p>B2Q7- For listed public companies it is normally only listed entities that would be costly to hold a special general meeting to change auditor. In practice, this process is well understood and accepted and appears to work well. We would expect that the requirement to hold a general meeting to remove an auditor of a public company would only occur in rare circumstances.</p> <p>B2Q8- We do not believe disclosure to the market of auditor resignations or removals is necessary given the other safeguards already in place for the resignation of an auditor. The resignation is publicised to members at the AGM or at the general meeting and therefore do not believe it is necessary to make additional disclosures to the market.</p> |
| <p>Identifying a replacement auditor B3 Our current approach is to consent to the resignation of an auditor of a public company only if a replacement auditor has been identified by the company.</p> | <p>B3Q1 Should ASIC's consent to the resignation of an auditor of a public company be conditional on the company having obtained a possible replacement auditor? If not, how should ASIC comply with its obligation to appoint an auditor? In particular, how should ASIC choose a replacement auditor?</p> <p>B3Q2 If we require an incumbent auditor to continue in office, or if we appoint a new auditor, does this create a potential conflict with the obligations of auditors under the auditing standards concerning the acceptance and continuance of audit engagements? If so, how should such conflicts be addressed?</p> | <p>B3Q1- We believe the resignation should be conditional on the company having a replacement auditor. This currently works well in practice and do not believe the process should be changed.</p> <p>B3Q2- We see that a potential conflict can arise. As touched on under professional standards we are required to undertake client acceptance and continuance procedures. Where these processes resulted in us concluding it was not appropriate to accept or continue with a client, but we were required to by ASIC, we would be in breach of these professional requirements.</p> |

| Proposal | Feedback requested | EY response |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Commencement of work by a proposed auditor B4 Our current approach is that a proposed new auditor of a public company should not commence audit work until after we have consented to the resignation of the incumbent auditor. | <p>B4Q1 There are instances when a proposed new auditor of a public company commences audit work without the company first seeking our consent to the resignation of the incumbent auditor. In such circumstances, should we consent to the resignation of the incumbent auditor at any time of the year to avoid any potential duplication of costs if the incumbent auditor were required to continue in office?</p> <p>B4Q2 Are there any other practical difficulties or implications in planning a change in auditor?</p> | <p>B4Q1- We believe audit work should not generally commence to any significant extent until ASIC has provided appropriate approval.</p> <p>B4Q2- None not already mentioned elsewhere.</p> |
| Audit firm mergers and new authorised audit companies B5 Our current approach is that the resignation of an auditor of a public company following a merger of audit firms or the replacement of the audit firm by an authorised audit company should occur at the next AGM of the company. | <p>B5Q1 Do the normal requirements for the timing of the resignation of auditors of public companies cause practical difficulties for audit firms that merge or are replaced by an authorised audit company? Should these practical difficulties be addressed and, if so, how? Please provide your reasons.</p> | <p>B5Q1- Yes practical difficulties may be caused. Where there is a change in structure, or a merger between firms, there may be legal requirements around the dissolution of entities which may make it practically difficult to comply with the resignation of one of the merged or restructured entities and the appointment of another entity in the newly merged or restructured firm or company.</p> <p>We believe these circumstances should be addressed, and may be best dealt with through a specific exemption in the 'early consent circumstances'</p> |
| Other matters B6 We are seeking to collect information on the costs and benefits of any possible changes to our current approach and are interested in any other concerns with our current approach. | <p>B6Q1 If you suggest any changes to our current approach, what are the costs and benefits flowing from these changes?</p> <p>B6Q2 Do you have any other concerns with our existing guidance, as it is outlined in the draft updated RG 26?</p> | <p>B6Q1- We propose changes to the requirements for the resignation/removal of registered scheme, compliance plan, AFSL and credit licensee auditors. We believe the benefits from this are a more efficient audit which is more capable of covering audit risks.</p> <p>We do not believe there are any significant costs associated with this and that appropriate safeguards to ensure audit quality would still be provided.</p> <p>B6Q2- None other than those raised separately in this response.</p> |

| Proposal | Feedback requested | EY response |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. Consenting to resignations, removals and replacements if our current fundamental approach is retained? | | |
| Early consent circumstances B7 Subject to the impact of any change in our fundamental approach discussed in B1–B6, we propose to include examples of ‘early consent circumstances’, where we will give consent to the resignation of an auditor of a public company other than at the AGM, or to the resignation, removal or replacement of an auditor of another entity other than within one month after the audit report is lodged: see Table 2 and Table 3 of the draft updated RG 26. | <p>B7Q1 Should the draft updated RG 26 include further examples of early consent circumstances? Please outline any such examples and the reasons why they should be included in the updated RG 26.</p> <p>B7Q2 Are there any practical implications of the timing of the resignation of auditors of companies that are responsible entities and their related schemes?</p> <p>B7Q3 Do you have any other suggestions about what may or may not constitute early consent circumstances? Please provide reasons supporting each of your comments.</p> <p>B7Q4 Do you have any comments on the proposed replacement of the term ‘exceptional circumstances’ in the current RG 26 with ‘early consent circumstances’ in the draft updated RG 26?</p> | <p>B7Q1- Yes – as previously mentioned:</p> <ul style="list-style-type: none"> - Where there is a change in responsible entity and the change would align the registered scheme or compliance plan auditor with the auditor used by the responsible entity for its other registered scheme and/or compliance plan audits – this would bring in to line the current exemption for where an entity is not audited by the same auditor as its parent entity (refer to B2Q2 for reasons) - where an audit firm merges or restructures - where there are unpaid fees <p>B7Q2- Yes – as previously detailed in B2Q2</p> <p>B7Q3- None other than those detailed in B7Q1 above</p> <p>B7Q4- No – change in term seems appropriate.</p> |
| Non-payment of audit fees B8 Subject to the impact of any change in our fundamental approach discussed in B1–B6, we propose that non-payment of audit fees should be one of the factors indicating that early consent circumstances do not exist: see Table 3 of the draft updated RG 26. | <p>B8Q1 Do you have any comments on whether unpaid audit fees could be perceived to be a conflict of interest and therefore auditors should be able to apply for consent to resign because of a threat to their independence?</p> <p>B8Q2 Should auditors, in this situation, be permitted to resign without a replacement auditor being nominated? Please provide reasons supporting each of your comments.</p> | <p>B8Q1- We believe this does constitute a reason for an auditor to be able to resign. Unpaid audit fees are one of the considerations when determining if we are independent. Where we have long outstanding unpaid audit fees we would normally expect this to represent an independence matter for which we may lead us to not being independent and therefore require us to qualify our independence declaration. We note that ASIC believe this to be a commercial matter which can be resolved through communication. Practically, this is not always possible and where a client refuses to settle outstanding audit fees resignation should be allowed under the ‘early consent circumstances’</p> |

| Proposal | Feedback requested | EY response |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| <p>Changes in the audit firm or practice structure B9 Subject to the impact of any change in our fundamental approach discussed in B1–B6, we propose that outgoing auditors should bring to our attention changes in the audit firm or practice structure as the result of a merger, acquisition or dissolution: see draft updated RG 26.86–RG 26.87.</p> | <p>B9Q1 Do you agree with our proposed requirement for outgoing auditors to provide information on changes in the firm or practice structure as a result of mergers, acquisitions and dissolutions? Please provide reasons supporting your comments.</p> | <p>B9Q1- Yes – we do not see this as an onerous requirement</p> |
| <p>Auditor rotation B10 Subject to the impact of any change in our fundamental approach discussed in B1–B6, we propose that: (a) if the auditor of a listed company or listed registered scheme is ineligible to continue as auditor under the auditor rotation requirements in s324DA, and there are no other members of the firm or directors of the audit company eligible to play a significant role in the audit, the auditor should resign under s329(5) or 331AC(2) (see draft updated RG 26.77–RG 26.79); and (b) if a company is an authorised deposit-taking institution (ADI) and the auditor is ineligible to continue as auditor because they would be in contravention of the rotation requirements of paragraph 89 of Prudential Standard CPS 510 Governance, made under the Banking Act 1959, and there are no other members of the firm or directors of the audit company eligible to play a significant role in the audit, the auditor should resign under s329(5) or 331AC(2) (see draft updated RG 26.80–RG 26.81).</p> | <p>B10Q1 Do you have any comments on our regulatory approach to the resignation of auditors that are ineligible to continue because of auditor rotation requirements?</p> | <p>B10Q1- Approach seems reasonable and appropriate.</p> |
| <p>Other matters B11 We are seeking to collect information on any other changes that should be made within the context of our current fundamental approach if that approach is retained.</p> | <p>B11Q1 Do you have any other suggestions for changes to the draft updated RG 26 in the context of our current approach?</p> | <p>B11Q1- None other than already highlighted in our responses.</p> |

| Proposal | Feedback requested | EY response |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. Auditor resignations, removals and replacements under other legislation if our current fundamental approach is retained | | |
| <p>Proposal B12 We propose to incorporate guidance in the updated RG 26 on our approach to giving consent or approval under all the requirements from other provisions of the Corporations Act and National Credit Regulations that relate to the resignation, removal and replacement of auditors: see Sections B, C, D and E of the draft updated RG 26. Our final guidance in these areas will depend on any change in our fundamental approach discussed in B1–B6.</p> | <p>B12Q1 Do you have any comments on our approach of incorporating into the regulatory guide our guidance on the provisions of the Corporations Act and National Credit Regulations that relate to auditor resignation, removal and replacement? Please provide reasons supporting your comments.</p> | <p>B12Q1- We believe it is convenient to have all guidance contained within RG26 – this allows a single source of guidance and simplifies the process for auditors.</p> |
| <p>Registered schemes and compliance plans, AFS licencees and credit licencees B13 Subject to the impact of any change in our fundamental approach discussed in B1–B6, we propose that: (a) an application for consent to the resignation or removal of an auditor of a registered scheme or compliance plan should be lodged before the end of the financial year of the scheme for it to take effect, following our consent, within one month after the auditor's report for that year is lodged; (b) an application for consent to the resignation or removal of an auditor of an Australian financial services (AFS) licensee should be lodged before the end of the licensee's financial year for it to take effect, following our consent, within one month after lodgement of the auditor's report for that financial year; and (c) an application for approval of the resignation or replacement of an auditor of a credit licensee trust account (trust account auditor) should be lodged before the end of the licensee's financial year for it to take effect, following our approval, within one month after lodgement of the trust account audit report for that financial year. If the resignation, removal or replacement of an auditor of a registered scheme or compliance</p> | <p>B13Q1 Do you have any comments on our proposed timing for when an application for consent to, or approval of, the resignation, removal or replacement of an auditor should be lodged?</p> <p>B13Q2 Do you have any comments on our proposed timing for when the resignation, removal or replacement of an auditor will take effect, following our consent or approval?</p> <p>B13Q3 Should auditors be allowed to resign without a replacement auditor being nominated?</p> <p>B13Q4 Should we allow consent at any time even if early consent circumstances do not exist?</p> <p>B13Q5 Do you have any comments on our proposed requirement for early consent circumstances to exist for the resignation, removal or replacement of an auditor to take effect on a date other than within one month after lodgement of the audit report? Please provide reasons supporting each of your comments.</p> | <p>B13Q1- We believe this approach is onerous and inconsistent with the requirements for a public company as detailed at B2Q2.</p> <p>B13Q2- Consistent with the responses provided at B2Q2, we believe the timing to be onerous and currently is practically the most inefficient aspect of auditor resignations and approvals.</p> <p>B13Q3- Consistent with our prior response we believe a replacement auditor should be nominated prior to allowing the resignation of an existing auditor.</p> <p>B13Q4- We believe consent at any time would be an efficient and suitable approach providing there was certainty as to the ability of the replacement auditor to adequately complete the current year audit in line with regulatory reporting deadlines.</p> <p>B13Q5- As detailed at B2Q2 there should be additional 'early consent circumstances' provided to allow, for instances, for resignation/removal of an auditor of a registered scheme and/or compliance plan where the responsible entity is changed and the incumbent auditor does not audit the replacement responsible entity or the registered schemes and/or compliance plans they act as</p> |

| Proposal | Feedback requested | EY response |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>plan, AFS licensee or credit licensee is proposed to take effect on a date other than within one month after lodgement of the auditor's report, early consent circumstances must exist: see draft updated RG 26.43–RG 26.44 (registered schemes), RG 26.56–RG 26.59 (AFS licensees) and RG 26.71–RG 26.73 (credit licensees).</p> | | <p>responsible entity for.</p> |
| <p>Single members companies B14 Subject to the impact of any change in our fundamental approach discussed in B1–B6, we propose that we can consent to the resignation of an auditor of a single member public company that does not hold an AGM to take effect within one month after the lodgement of the audit report. Where early consent circumstances exist, we may consent to a resignation outside this period. While many single member public companies are owned by other public companies, we suggest that early consent circumstances may exist where the member is a natural person: see draft updated RG 26.30–RG 26.31 and RG 26.99.</p> | <p>B14Q1 Do you have any comments on our proposed approach to providing consent to auditor resignations for single member public companies electing not to hold an AGM? Please provide reasons supporting your comments.</p> | <p>B14Q1- As noted, many of these entities are owned as part of larger corporate groups. As such, we believe there should be greater flexibility provided in allowing resignation outside the period one month after lodgement of the auditors report.</p> |