

24 October 2016

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Dear Doug

**CP 265 'Communicating audit findings to directors,  
audit Committees or senior managers'**

The Group of 100 (G100) is the pre-eminent voice for CFOs in Australia with the purpose of creating better businesses for tomorrow and is pleased to comment on the proposals in CP 265.

**Criteria for communicating financial reporting and audit findings**

*B1Q1 Do you have any comments on our proposed criteria set out in Table 1?*

*B1Q2 Are there any additional criteria that we should consider including?*

**The G100 considers that the proposed criteria are appropriate to determine which audit inspection findings are communicated to directors, audit committees and senior managers of the entity being audited. We do not consider that the full report need be provided to the entity – rather the communication should focus on the matters that impact on the reliability of the financial reports. However, questions do arise in relation to how the criteria are to be applied and when the entity and its auditor is advised of the results and how those findings are communicated. This must be managed in such a way that it does not create uncertainty in the marketplace and undermine the relationship between the auditor and the client.**


**Advising directors of routine audit file reviews**

*B2Q2 Do you agree that we should let directors know that we will be reviewing audit files relating to the entity as part of a routine audit firm inspection?*

*B2Q2 Should we also let directors of an audited entity know that we will be reviewing audit files relating to the entity as part of a surveillance activity where we already have reason for concern about the adequacy of the audit?*

**The G100 believes that the directors should be advised that ASIC is reviewing the audit files, irrespective of the reasons for the review. Our understanding is that the major audit firms already do so as a courtesy to their clients. However, if ASIC is to advise directors of a review the timing of doing so (only after advising the auditor) and the process involved should not damage the relationship between the auditor and the client and create uncertainty in the marketplace.**

Yours sincerely  
**Group of 100 Inc**



Zlatko Todocevski  
President