



ASIC
Australian Securities &
Investments Commission



Grant Thornton Audit Pty Ltd

Audit inspection report

1 July 2019 to 30 June 2020

Report 682 | December 2020

About this report

This report sets out our findings from reviewing audit files at Grant Thornton Audit Pty Ltd from 1 July 2019 to 30 June 2020, and recommendations from reviews of governance and accountability.

Introduction

This report summarises findings from:

- reviews that we substantially completed in the 12 months to 30 June 2020 of key areas in selected financial report audits of listed entities and other public interest entities conducted by Grant Thornton Audit Pty Ltd (Grant Thornton)
- our reviews of aspects of Grant Thornton's approach to firm governance and accountability for audit quality, and
- financial reporting surveillances completed by us in the 12 months to 30 June 2020 relating to listed entities and other public interest entities audited by Grant Thornton.

This report:

- should not be taken to provide assurance that the firm's audits and systems, or audited financial reports, are free of other deficiencies not identified in this report
- does not include details of enforcement actions that may have been underway or finalised in the 12-month period relating to audits (if any) involving members of the firm, and
- is intended to communicate our findings in a clear and concise manner to leadership of the firm who are informed auditing and accounting professionals. Other readers of this report may not have the full context of this report and the findings summarised in it.

[Information Sheet 224](#) ASIC audit inspections and [Report 677](#) Audit inspection report: 1 July 2019 to 30 June 2020 provide further information on our audit firm inspection process.

Our findings

In our view, Grant Thornton did not obtain reasonable assurance that the financial report was free of material misstatement in three of the 11 key areas that we reviewed in total across three audits by the firm, being 27% of the key areas reviewed by us. This compares to 31% for the 12 months ending 30 June 2019.

A limited number of audits and audit areas were selected for review on a risk basis, and so caution is needed in generalising from the results to all audits conducted by the firm and all areas of those audits.

Table 1 summarises the findings. The firm did not necessarily agree with all of our findings. The findings do not necessarily mean that the financial reports audited were materially misstated, but rather that the auditor did not have a sufficient basis to support their opinion.

Table 1: Audit review findings—Risk of material misstatement

Entity	Areas with findings	Findings
Entity A	One of the four key areas reviewed	<i>Goodwill and intangible asset impairment</i> —The auditor did not test the key assumptions used in determining value in use or fully evaluate a component auditor’s testing of impairment of an investment in a subsidiary. The disclosure in the financial report was also deficient.
Entity C	Two of the four key areas reviewed	<i>Services revenue</i> —The auditor’s work on occurrence, accuracy and cut-off was inadequate. <i>Goodwill impairment</i> —The auditor did not obtain sufficient evidence over the reasonableness of forecast cash flows and the discount rate, including understanding the reasons for historical differences between forecast and actual revenue.

Our audit file review findings which did not involve a risk of material misstatement are summarised in Table 2. These findings include matters that could be relevant to obtaining reasonable assurance for the audited entity in future or another audited entity.

Table 2: Audit review findings—Other

Entity	Findings
Entity A	<i>Contingent liability and legal expenses</i> —The auditor should have better documented evidence on a class action against the entity and the acceptance of capitalised legal expenses.
Entity B	<i>Goodwill impairment</i> —The auditor should have communicated deficiencies in management’s impairment testing of goodwill to the board.
Entity C	<i>Disclosures</i> —Disclosures on interest rate swaps and loan facilities did not comply with accounting standards. <i>Documentation</i> —The auditor should have better documented work on acquisition accounting, determination of cash generating units, assessment of goodwill impairment risk, and revenue sample sizes.

Firm governance and accountability

We reviewed aspects of the firm’s approach to firm governance and accountability for audit quality. Our better practice recommendations are included in Table 3.

Table 3: Firm governance and accountability

Area	Better practice recommendations
Firm governance	<ul style="list-style-type: none"> Strengthening the governance framework with a clear outline of objectives, direction and accountability for the National Assurance Quality Team. Enhancing whistleblower policies and processes by considering use of an independent whistleblowing service provider, where appropriate.

Area	Better practice recommendations
Accountability for audit quality	<ul style="list-style-type: none"> Ensuring that the consequences for engagement partners for deficient audits are transparent to the partner group. Holding firm experts/specialists involved on audit engagements accountable for adverse findings identified in internal and external quality reviews. Seeking feedback to firm leadership on audit quality from audit committees and non-executive directors of audited entities.

Financial report findings

During the six months to 31 December 2019, we completed risk-based reviews of aspects of 16 financial reports of listed and other public interest entities audited by the firm in the 12 months to 30 June 2020. Following our inquiries, one entity made material changes to net assets or profits as summarised in Table 4. More information can be found in a [media release](#) available from the ASIC website.

Table 4: Financial report finding—Media release issued

Media release	Entity	Year end	Findings
19-263MR	iSignthis Limited	30 June 2018	The company decreased the funds held on behalf of merchants included in both current assets and current liabilities by \$6.3 million to \$2.3 million in its financial report for the half year ended 30 June 2019.

Improving audit quality

If it has not already done so, the firm should identify underlying root causes for the matters reported from our audit reviews and financial reporting surveillances, and for findings from internal and global firm reviews, and implement further and improved actions to achieve sustainable improvements in audit quality.

Further information

More information on the matters in Table 1 to Table 3 is contained in detailed comment forms provided separately to the firm. The comment forms include the firm's responses to our findings.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents: consultation papers, regulatory guides, information sheets and reports.

Disclaimer

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations. Examples in this report are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.