

IN THE MATTER OF an Application by the Australian Securities and Investments Commission (**ASIC**) to the Companies Auditors Disciplinary Board (**CADB**) pursuant to s1292 of the Corporations Act 2001(**The Act**) (**Application**).

MATTER NO:04/VIC20

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Applicant

JOHN PAUL BRADSHAW

Respondent

DECISION of **CADB** to exercise its powers under s1292 of **The Act**.
Notice of this decision will be sent to the Respondent under ss1296(1)(a) of **The Act** and a copy of that notice will be lodged with ASIC under ss1296(1)(b) of **The Act**.

FINAL DECISION AND REASONS (DECISION)

23 MARCH 2021

CADB Member Panel (**Panel**):

Maria McCrossin (Chairperson)

Tony Brain (Accounting Member)

Kerrie Howard (Business Member)

Companies Auditors Disciplinary Board
Level 10, 100 Market Street, Sydney NSW 2000
Tel: (02) 9911 2970

DECISION

1. This is an administrative **Application** brought by ASIC with respect to John Paul Bradshaw, Registered Company Auditor #9758 (Respondent) seeking:
 - (i) An order under s1292 of **The Act** cancelling registration of the Respondent as a Company Auditor.
 - (ii) An order that the Respondent pay the Applicant's costs.
2. The Respondent was served with ASIC's application by confirmed registered post delivery to his residential address, identified by an electoral roll search.
3. A **Panel** was convened in accordance with s 210A of the Australian Securities and Investments Commission Act (2001) (Cth) (**ASIC Act**) to determine this Application. There was no appearance by the Respondent in these proceedings.
4. The **Panel** is satisfied that ASIC took reasonable steps to bring the existence of these proceedings to the notice of the Respondent.
5. The **Panel** is also satisfied that reasonable time was provided to ensure the Respondent Mr Bradshaw had a sufficient opportunity to prepare and lodge any submissions or adduce evidence in response to ASIC's Application, should he have wished to.
6. The Applicant's contention is that the Respondent, within the meaning of ss 1292(1)(a)(i) of **The Act**, contravened s1287A of **The Act** on seven occasions, in that he failed to lodge with ASIC by the stipulated time annually, a statement in the prescribed form, being a Form 912 pertaining to the preceding 12-month period (**Annual Statement**) as required under s 1287A of the Act (**The Contention**).
7. The Respondent has taken no steps to appear in the proceedings despite correspondence to him from **CADB** outlining that process. With consent of the Applicant, the **Panel** therefore proceeded to consider the Application and make its determination on the basis of the papers filed, that included ASIC's Application, submissions and relevant documentary evidence, on 3 February 2021.
8. A copy of the **Panel's** Determination dated 17 February 2021 (**Determination**), which included details of the **Panel's** proposed orders, was sent to the **Respondent's Address**. Further time was allowed, as notified in the **Determination**, for any submissions or evidence for the **Panel's**

consideration and the option of appearing before the Panel for a final hearing was provided to the parties. As there was no response by Mr Bradshaw within the time specified, the **Panel** re-convened to make final orders on the papers filed by ASIC on 19 March 2021.

Facts

9. On the basis of the documentary evidence filed in the proceedings the **Panel** is satisfied that the following facts are established:
 - 9.1. The Respondent has been registered as a Company Auditor continuously since 4 April 1984.
 - 9.2. After 1 July 2004 the Respondent was required to lodge an **Annual Statement** by 3 April each year.
 - 9.3. As at 4 September 2020 when this Application was filed, the Respondent had not lodged an **Annual Statement** for the following years:
 - i. 3 March 2013 to 2 March 2014 (required to be lodged by 3 April 2014).
 - ii. 3 March 2014 to 2 March 2015 (required to be lodged by 3 April 2015).
 - iii. 3 March 2015 to 2 March 2016 (required to be lodged by 3 April 2016).
 - iv. 3 March 2016 to 2 March 2017 (required to be lodged by 3 April 2017).
 - v. 3 March 2017 to 2 March 2018 (required to be lodged by 3 April 2018).
 - vi. 3 March 2018 to 2 March 2019 (required to be lodged by 3 April 2019).
 - vii. 3 March 2019 to 2 March 2020 (required to be lodged by 3 April 2020).
 - 9.4. On 17 June 2014 the Respondent, in response to an email from the Applicant reminding him to lodge his Annual Statement for the year to April 2014, emailed a reply on 17 June 2014 that said “PLs (sic) cancel registration – no audits completes (sic) for past year.”
 - 9.5. On 27 June the Applicant sent an email to the Respondent with the subject heading “What must be done to finalise your cessation as a registered auditor” and it included details of how to lodge a Form 905- notification of ceasing to practice as, or change details of, an auditor (**Form 905**).

- 9.6. The Applicant re-communicated this information to the Respondent on 25 February 2015 by post, 30 June 2015 by email and telephone and 6 July 2015 by post.
- 9.7. The Applicant's evidence was also that there were numerous emails and letters to the Respondent between 16 July 2015 and 26 February 2020 alerting him to his obligation to file an **Annual Statement**. The final communication before these proceedings were commenced, sent by ASIC to Mr Bradshaw on 26 February 2020 further stated that if the Respondent wished to avoid the Applicant making this Application to CADB he should lodge the outstanding **Annual Statements** by 12 March 2020.
- 9.8. A search of the Applicant's relevant database revealed that there had been no further response from the Respondent following his email dated 17 June 2020 by the time these proceedings were filed.
- 9.9. Further written evidence from Mr Brett Crawford a Senior Manager in ASIC's Financial Reporting and Auditing Enforcement team was subsequently filed with CADB. It recorded that on 5 January 2021 ASIC received a letter from Mr Bradshaw (dated 8 December 2020) in which the Respondent stated that he had resigned as an auditor effective 30 June 2014 and if ASIC wished to pursue him for "exit taxes" then he would seek legal advice against ASIC for ASIC's failure to take action in relation to another matter. On 18 January 2021, ASIC responded to Mr Bradshaw by letter notifying him again of the need to lodge a **Form 905**. The Australia Post tracking identification retained by the Applicant recorded this letter as having been delivered on 22 January 2021.

Legislative Framework

10. S 1287A of **The Act** provides:
- (1) *A person who is a registered company auditor must, within one month after the end of:*
- (a) *the period of 12 months beginning on the day on which the person's registration begins; and*
- (b) *each subsequent period of 12 months.*
- Lodge with ASIC a statement in respect of that period.*
- (1A) *A statement under ss. (1):*
- (a) *must contain such information as is prescribed in the regulations; and*
- (b) *must be in the prescribed form.*

11. S 1287A of **The Act** has been in effect since 1 July 2004 and may be satisfied by a registered company auditor (**RCA**) lodging an **Annual Statement** within the time prescribed.
12. Ss 1292(1) of **The Act** provides:
- The Board may, if it is satisfied on an application by ASIC for a person who is registered as an auditor to be dealt with under this section that...*
- (a) *the person has:*
- (i) *contravened s. 1287A.*
- by order, cancel, or suspend for specified period, the registration of the person as an auditor.*
13. The prescribed form for a registered Company Auditor to effect cancellation of their registration was and remains a Form 905 - Notification of ceasing to practise as, or to change details of, an auditor (**Form 905**). ASIC is otherwise unable to cancel the registration of a Company Auditor without a **CADB** order.

Panel finding

14. The **Panel** is satisfied on the basis of the documents and evidence filed that the Respondent failed to file **Annual Returns** as set out in the Application while he continued to be an **RCA** and the **Panel** finds **The Contention** is established.
15. The **Panel** is therefore empowered to make orders under ss 1292(1) of the Act.

CADB's function when exercising its sanctions power

16. The principle that primarily guides **CADB** in the exercise of its sanction powers is protection of the public. In *Re Young and Companies Auditors and Liquidators Disciplinary Board* 361 the Administrative Appeals Tribunal (**AAT**) said that the jurisdiction created by s1292 of **The Act** is of a protective nature and: *'it seems that the protection of the public should be the principal determinant of a proper order but that this may be achieved by an order affecting registration of the person in question. In other words, deterrence is an element of public protection.'*¹

¹ (2000) 34 ACSR 425 [80]

17. Further, in **CADB's** decision in McVeigh² it was said that in exercising its powers:
- (a) The **Panel's** prime concern must be protection of the public.
 - (b) The protection of the public includes the maintenance of a system under which the public can be confident that the relevant practitioner and all other practitioners will know that breaches of duty will be appropriately dealt with.
 - (c) The personal circumstances of the practitioner are to be given limited consideration.

Appropriate orders - relevant factors

18. On the basis of **The Contention** established, **ASIC** is seeking an order cancelling the Respondent's registration as a Company Auditor.
19. As already noted, the parties were notified when the **Determination** was delivered, that the **Panel's** indicative view was that it would make an order cancelling the Respondent's registration subject to seeking to provide the Respondent with a further opportunity either to appear before the **Panel** to make submissions and/or adduce evidence relevant to the **Panel's** exercise of discretion with regard to making any order, or to file written submissions and/or evidence for consideration by the **Panel**.
20. The Respondent has made no contact with the **CADB**.
21. The Applicant submitted that the Respondent has been reminded of his obligation to lodge **Annual Returns** while he continued to be an **RCA** and cancellation was appropriate in the circumstances that an **Annual Return** had not been lodged since 2014 even though Mr Bradshaw had not taken the steps necessary to cancel his registration as a Company Auditor.
22. The timely lodgement of an **Annual Statement** by all **RCAs** is an important statutory requirement designed to ensure transparency of compliance by **RCAs** with their key statutory obligations.
23. The **Panel** accepts that whilst, it is always important to comply with any statutory obligation to lodge forms, there may be circumstances involving minor failures, or failures resulting from genuine errors or an understandable break down of systems, which may not warrant the making of an order cancelling an **RCA's** registration.

² Determination of the Board, Matter No 10/VIC08 at 12.7

24. In the present case, the evidence establishes that ASIC had successfully contacted Mr Bradshaw and alerted him to the need to file the **Annual Statement** (or a **Form 905** in the event he had ceased to practise) but Mr Bradshaw did not take either of those steps. In the circumstances ASIC's only option to effect cancellation of Mr Bradshaw's registration was to make an application to CADB.
25. In the **Panel's** view the circumstances that have led to the Panel to conclude that **The Contention** has been established, provide an appropriate basis on which to order cancellation of Mr Bradshaw's registration as a Company Auditor, as protection of the public must be our primary consideration. The public is entitled to the firm expectation that **RCAs** listed on the public register can be contacted by the Applicant, and that they are capable of carrying out the functions and duties prescribed by **The Act**, including that contained in s1287A of the Act. In this matter it appears Mr Bradshaw concluded his career as an **RCA** and did not complete the necessary paperwork to notify ASIC that he is no longer practising, even though ASIC did attempt to facilitate the voluntary cancellation of his registration by providing him with a **Form 905**.
26. ASIC must be diligent in carrying out its responsibility as the regulator to ensure the register of **RCAs** contains accurate and up to date information as this is the bedrock of the legislative framework under **The Act** for ensuring the maintenance of public confidence in **RCAs**, who play a key role in underpinning the stability of Australia's financial markets. As well as ensuring an **RCA's** contact information is regularly updated, the **Annual Statement** assists the Applicant to perform its functions under Part 9.2 of **The Act**, in particular providing ASIC with up-to-date information annually to enable it to carry out its monitoring function including:
- (i) Whether any disciplinary action has been taken against the **RCA**.
 - (ii) Whether any conditions imposed on the registration of the **RCA** have been complied with.
 - (iii) Whether the auditor has breached rotation requirements under **The Act**.
 - (iv) Details of audit work performed by the **RCA** over the previous 5 years.
- Such information provides ASIC with a yearly snapshot, and is a useful regulatory tool enabling it to take further action if an **RCA's** responses raise any "red flags". Failure to lodge the **Annual Statement** in a timely way impedes the utility of this tool with significant attendant risks to the public that audits may be conducted by **RCAs** who no longer meet the requirements of registration prescribed by **The Act**.
27. There is no evidence that Mr Bradshaw continues to carry on business as an

RCA, although the assumption must be that he can do so at any time while he remains registered. The fact that Mr Bradshaw may have retired and failed to attend to the necessary paperwork to enable ASIC to cancel his registration and remove his name from the register of Company Auditors does not in our view provide a basis for the **Panel** to impose a lesser sanction, as the protective nature of **CADB's** jurisdiction circumscribes that a lesser sanction is only appropriate in circumstances where the **Panel** can be confident the **RCA** could resume fully their duties and obligations under **The Act** following a period of suspension. We have no such evidence before us in this matter.

28. While an order cancelling the registration of a Company Auditor of well over 30 years standing may be perceived as punitive, the **Panel** does not make this order with that objective in mind. The principles set out in paragraph 17 acknowledge that when a **Panel** exercises **CADB's** jurisdiction, the Respondent's personal circumstances are to be given limited consideration and that the maintenance of a system under which the public is protected and can be confident that the relevant **RCA** and all other **RCAs** will know that breaches of duty will be appropriately dealt with must take precedence. It is these principles that, for the reasons set out above have informed this **Panel's** decision to order that the Respondent's registration as a Company Auditor be cancelled.

Order

29. The Panel orders that the registration of Mr John Paul Bradshaw as a Company Auditor be cancelled with immediate effect.

Notice

30. Within 14 days of the date hereof, formal notice of this **Decision** will be sent to the **Respondent's Address** as required by ss1296(1)(a) of **The Act**. A copy of the formal notice of this **Decision** will also be lodged with **ASIC** as required by ss 1296(1)(b) of **The Act** and **CADB** will cause to be published in the Gazette a notice in writing setting out the **Decision** as required by ss1296(1)(c) of **The Act**.

Maria McCrossin



Chairperson of the Panel
23 March 2021