

Dear Sirs,

Submission relating to ASIC cost recovery implementation statement - 2020-21 for Registered Company Auditors

I write in relation to the proposed flat levy for Registered Company Auditors for the 2020-21 year of \$1,127.

ASIC industry funding levies are causing damage to economically essential industry

ASIC is aware that the number of auditors in Australia is dropping substantially. By placing a significant financial burden on auditors, ASIC is hastening the exit of auditors from the industry.

ASIC declared the following number of auditors in the cost recovery implementation statements:

- 2018-19: 4,453 Registered Company Auditors
- 2019-20: 4,089 Registered Company Auditors
- 2020-21: 3,645 Registered Company Auditors

The number of auditors is falling by almost 10% each year. Such a drop is unsustainable for an industry that is essential to the smooth operation of financial markets.

While I do not argue that ASIC industry funding levy is the driver behind these drops, the levies add to the pressure on auditors to cancel their registrations. ASIC should recognise that placing additional financial burdens on essential, shrinking industries is counter-productive, and remove this burden.

Recommendation:

In order to ensure that auditors do not continue to lose industry participants, ASIC should (a) identify essential and rapidly-shrinking ASIC-regulated industries, and (b) remove industry funding levies until the identified industries can be stabilised.

Particular unreasonable burden on small auditors

A substantial number of Registered Company Auditors receive little or no fees from their registration. As ASIC would be aware from audit revenue disclosed in the annual form 912, many auditors provide most of their services as pro-bono services to charities and not-for-profits, and they retain their registration to do so. The industry funding levy encourages Registered Company Auditors to cancel their registrations and cease providing audit services to charities and not-for-profits.

ASIC would be capable of performing an analysis of audit revenue received by Registered Company Auditors based on form 912 submissions, and should provide this anonymised data so that industry participants can review the equity of the flat levies being charged by ASIC to small auditors.

Recommendations:

1. ASIC should waive or substantially reduce the industry funding levy where an auditors' revenue is less than a certain threshold, such that ASIC industry funding levy does not represent a unreasonably high proportion of audit revenue (for example, no levy for auditor revenue under \$20,000, where the industry funding levy would be more than 5% of fees).
2. ASIC should provide anonymised industry participant revenue data based on form 912 information each year, such that the industry participants can assess the equity of industry levies.

Excessive industry levy increases

ASIC has not provided a justification for the increase in the Registered Company Auditor industry funding levy of 39% between the 2019-20 and 2020-21 years (on top of the remarkable 390% increase in the previous year). Such large increases indicate that ASIC is either

(a) incorrectly determining the relevant costs, in which case it is not reasonable to charge unsubstantiated levies, or

(b) that industry funding levies have incentivised ASIC to substantially increase expenses, as all costs are passed on to industry participants who have no capacity to influence expenditure increases.

Recommendation:

ASIC should, for each fee type, provide detailed particulars of the increase in regulatory activity ASIC is undertaking, to justify any industry funding fee increases that are in excess of CPI.

Regards,
Martin Bocxe