ASIC
Australian Securities & Investments Commission

ASIC's review of internal complaints at major audit firms

Report 848 | November 2026

About this report

We reviewed internal complaints across the four largest audit firms to understand issues raised relating to their audit practice.

Contents

Executive summary 3

Issues identified in connection with statutory audits 6

How firms responded 8

Appendix 1: Scope and methodology 10

Appendix 2: Firm-level breakdown of complaints 12

Key terms and related information 14

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.

Executive summary

Audits underpin the quality and reliability of financial reporting in our economy and therefore directly contribute to investors and consumers having trust and confidence in our businesses and capital markets. For this reason, there are strict requirements for audits under the *Corporations Act 2001* (Corporations Act) and the auditing standards. These requirements set out the framework for ensuring the quality of statutory audits and regulating the conduct of the registered company auditors (RCAs) who perform them.

ASIC plays an important role in ensuring compliance with these requirements through a range of regulatory activities, including financial reporting and audit surveillance, reviews of auditor independence and enforcement action where appropriate. There are limits on ASIC's role: we register RCAs and regulate them in their conduct of statutory audits but we do not regulate audit firms generally, and the auditing standards are only directly enforceable by ASIC in connection with an audit conducted by an RCA of the firm.

Recent events suggest that audit firms' internal complaints registers may be a source of information about issues with the quality of statutory audits conducted by RCAs. Complaints may reveal concerns about audit evidence, professional judgement or other aspects of the conduct of a statutory audit before they become visible through ASIC's other regulatory work.

We undertook this surveillance work to examine whether internal complaints at the four largest audit firms indicated potential issues with statutory audits conducted by RCAs. Because there are no regulatory provisions that directly govern how audit firms handle complaints, this surveillance was not a review of firm-level complaints handling policies and procedures.

This review complements ASIC's established audit oversight program, including:

- our regular financial reporting and audit surveillance work reported in Report 842 *ASIC's oversight of financial reporting and audit 2025–26* (REP 842),
- our review of auditor independence in Report 817 *Building trust: Auditors' compliance with independence and conflict of interest obligations* (REP 817), and
- our surveillance into the financial reporting and audit of registrable superannuation entities (RSEs) in Report 841 *Accounting for your super: Super fund financial reporting and audit 2025–26* (REP 841).

What we reviewed

Our review focused on the four largest audit firms: KPMG, Ernst & Young, Deloitte Touche Tohmatsu and PricewaterhouseCoopers. These firms audit more than 94% of listed companies by market capitalisation and employ more than 500 RCAs. They also audit more than 85% of RSEs, which manage significant retirement savings.

We used our compulsory information-gathering powers to request records of complaints received by the firms between 1 July 2023 and 26 June 2026 that related to their statutory audit work, their RCAs or audit-connected conduct by other employees in the firm. In total, firms identified 558 complaints as responsive to ASIC's notices and provided them for our review. For a breakdown of complaints, see Appendix 2.

We framed the requests broadly to ensure we captured complaints that might reveal audit concerns contained within, or arising from, a wider workplace, conduct or employment matter.

Our aim was to assess the available information to identify any potential regulatory concerns relating to statutory audits conducted by RCAs and determine the appropriate regulatory response, including if any further inquiries were warranted. We did not investigate every single complaint or allegation in detail or reach findings about every person identified in the complaints.

Further details on the scope and methodology of the surveillance are set out in Appendix 1.

What we found

Of the 558 complaints we reviewed, we identified 35 complaints that raised issues in connection with the conduct of a statutory audit, or the misuse of statutory audit client information.

The issues raised in these complaints included:

- falsified or unsubstantiated audit procedures recorded as completed
- directions to disregard or not escalate audit concerns
- possible manipulation of audit sampling
- failure to identify, investigate and escalate material audit issues
- misuse of statutory audit client information and other breaches of confidentiality, data security or independence requirements, and
- retaliation against, or victimisation of, reporters who raised issues in connection with a statutory audit.

The remaining 523 complaints did not raise issues in connection with the conduct of a statutory audit, or the misuse of statutory audit client information. These complaints instead included issues relating to internal audit or other assurance work, as well as a range of additional issues including:

- human resources and workplace matters (including bullying, sexual harassment, workplace safety, workload and performance management) that did not also raise issues related to the conduct of a statutory audit or misuse of statutory audit client information
- policy breaches (such as training policies)
- information handling (such as sending sensitive information to personal email accounts), and
- other issues arising in the non-statutory audit functions of the firms, regarding individual behaviour of RCAs, audit and assurance staff, and firm practices.

Note: Given the significant sensitivities around protecting the identity of reporters, we have only provided high-level, de-identified information about specific complaints and examples. This includes removing details about specific allegations and only providing high-level numerical breakdowns of responsive complaints.

ASIC's response and next steps

We are considering a range of regulatory options and next steps for matters identified through the surveillance that relate to the conduct of statutory audits. We will take compliance or enforcement action as appropriate in relation to those matters within our remit. We will also use

the intelligence from this review to inform our selection and examination of auditors as part of our audit surveillance program for the 2026–27 financial year.

In particular, some of the complaints included serious allegations of misconduct that are under consideration for enforcement action. There have also been other issues identified which relate to matters already under investigation by ASIC, including several matters which have been referred for consideration as part of our existing investigations into KPMG about misstatements in transparency reporting.

We have also engaged with CA ANZ, CPA Australia and the Tax Practitioners Board to identify matters which relate to the conduct of their members, and which may raise concerns about possible breaches of professional or ethical standards. We have already released information in relation to a number of individuals, and we are continuing to engage with these bodies around additional matters of potential interest.

We continue to engage with Treasury around possible law reform to regulate audit firms. The volume of complaints that point to wider issues relating to audit firms, where ASIC's regulatory powers are limited, highlights the case for audit firm licensing and stronger enforcement and disciplinary powers.

This report is a point in time statement on ASICs findings and actions arising out of this surveillance. Its purpose is to provide timely transparency about the issues we identified. As noted above, while this review has concluded, our broader work relating to the issues identified in this surveillance is ongoing. We will continue to communicate the outcomes of any further regulatory action as part of our broader work relating to this sector.

Issues identified in connection with statutory audits

We identified 35 complaints that raised issues in connection with the conduct of a statutory audit, or the misuse of statutory audit client information. These included complaints that audit procedures were not properly performed, supported by sufficient evidence or accurately documented in accordance with auditing standards.

The nature and seriousness of the allegations varied, and the information provided did not always indicate that there was a material auditing failure. However, there were some complaints about alleged misconduct that warranted further regulatory scrutiny. As stated above, ASIC is considering these matters through our enforcement and targeted industry surveillance work, including whether to expand our existing inquiries.

Audit work recorded without sufficient evidence

The most common concerns involved audit work that had been falsified, inaccurately documented or recorded without adequate evidence. The alleged conduct included:

- not performing required procedures or testing and marking testing as complete when it had not occurred
- entering unsupported or unreconciled figures into audit files without appropriate supporting evidence, or providing misleading documentation as evidence
- recording assets in a financial statement without verifying their existence
- using information from a previous year's audit file to support the current year's audit without performing quality checks, and
- preparing draft reports before the underlying work had been completed.

Audit concerns disregarded or not escalated

A number of complaints alleged that employees were directed to disregard, conceal or not escalate issues identified during an audit or that, when escalated, the issues were not investigated appropriately. They also alleged that staff were told not to report identified discrepancies, to pass audit testing despite concerns, or not to raise issues with an engagement partner or other senior personnel.

Manipulation of audit sampling

A small number of complaints involved possible manipulation of audit sampling. They included allegations that audit samples were removed or replaced, or that changes were proposed without an adequate audit basis. This conduct can undermine the reliability of the audit evidence, bias the testing results, and affect the auditor's conclusions.

Other statutory audit concerns

The remaining complaints raised a range of other concerns in connection with the conduct of a statutory audit, or the misuse of statutory audit client information, including:

- directions to apply an interpretation that directly contradicted relevant accounting principles
- negative repercussions for questioning a change to an audit approach
- incorrect or inconsistent instructions about key audit procedures
- resistance to findings identified by the quality assurance team
- failure to raise identified control deficiencies with the audit client
- systemic issues, such as failure to appropriately identify, investigate and escalate material audit issues
- misuse and sharing of confidential statutory audit client information, including during an audit tender process
- retaliation against, and victimisation of, reporters who raised issues in connection with a statutory audit
- breach of statutory audit client requirements and data security, including improper access to information, and
- provision of statutory audit services that may have conflicted with independence requirements.

How firms responded

Inconsistent investigation and remedial action

The firms' responses to the complaints varied considerably. In some matters, they conducted a formal investigation, interviewed relevant personnel, and reviewed audit files, communications and supporting evidence. Some investigations involved audit quality specialists or the firm's professional practice division. Others were handled mainly by employee relations, people and culture, risk or legal teams.

When the conduct raised in a complaint was substantiated, firms took a range of actions, including:

- requiring affected audit work to be corrected or performed again
- issuing verbal or written warnings
- providing coaching or additional training
- instructing another employee to take over and complete the remaining work
- considering the impact of the conduct on eligibility for performance-based bonus payments, and
- terminating employment.

Complaints not fully substantiated

Other complaints were investigated but not substantiated or only partly substantiated. In some cases, the firm concluded that the complaint arose from a misunderstanding or miscommunication, or that there was insufficient evidence to support the complaint. This was particularly prevalent in 'word-on-word' matters, where even when the firm had found the reporter credible and the complaint had been made contemporaneously, complaints could not be assessed as 'substantiated' without documentary evidence.

Audit concerns treated as workplace matters

We observed a number of complaints where the firms had no records indicating that concerns about the audit quality had been fully examined. This was particularly evident when audit concerns were raised in a broader complaint about bullying, performance management or workplace conduct. Notably, the firms' professional practice or audit quality and risk functions only reviewed approximately 26% of the statutory audit complaints that raised audit quality concerns.

We observed that, in some matters, the firms had their human resources (HR) teams investigate employment or behavioural allegations, but did not look into the underlying audit quality complaint. The complaint was treated solely as an HR issue and was resolved through informal coaching, an apology or a discussion between the parties. If the reporter did not provide further information, the complaint was closed. In other matters, the records showed that some firms did

not assess whether the related audit work was appropriate, procedures needed to be performed again, or the matter should be referred to audit quality specialists.

In one matter where we were concerned that audit quality issues had been missed, the firm has advised that it has reopened its investigation in response to our engagement as part of this surveillance.

Broader implications not always considered

We also observed cases where firms identified misconduct on a specific audit and took action to address it, but they did not appear to assess whether the same conduct may have affected other audits performed by the individual or team involved.

This creates a risk that broader audit quality issues are not detected or addressed. Firms should consider whether findings of misconduct or deficiencies indicate a wider pattern of behaviour or control weakness that warrants further review across other audits.

Engagement with ASIC

Initially, our engagement with the majority of firms was protracted and legalistic, particularly around the notices and information requested by ASIC. The majority of firms responded by withholding or redacting documents, making extensive legal professional privilege claims, missing required deadlines, and prioritising their own internal investigations. This was out of line with our expectations and experience with other sectors.

We engaged with the firms through initial meetings, follow-up correspondence, ongoing meetings and discussions, further compulsory notices and escalation to senior leaders. This included a letter to the chairs of the firms asking them to cooperate with our surveillance by providing timely and complete responses to our information requests.

This engagement led to firms making a number of positive changes to how they engage with us, including agreeing to provide documents under a voluntary disclosure agreement, or changing their legal adviser.

Appendix 1: Scope and methodology

The review focused on complaint-related information within a defined scope as set out below.

ASIC used our information-gathering powers to issue notices to the four largest audit firms:

- KPMG
- Ernst & Young
- Deloitte Touche Tohmatsu, and
- PricewaterhouseCoopers.

These notices sought:

- a copy of the complaint
- an extract of the information about the complaint recorded on the relevant internal complaints register
- the final findings or report on the outcome of the investigation into each complaint, and
- some contextual information from the firm.

The scope covered audit complaints from 1 July 2023 to 26 June 2026 which were defined as:

- any act or omission by a staff member who:
  - was an RCA at the time of the complaint or at the time of any of the conduct to which the Complaint relates; or
  - is an RCA at the date of this notice;
- any act or omission by a staff member in the audit and assurance division in relation to their role or responsibilities in the audit and assurance division;
- any act or omission by a staff member outside of the audit and assurance division in relation to an audit or audits conducted by the firm under the *Corporations Act 2001* (Corporations Act);
- the firm itself, in relation to an audit or audits conducted by the firm under the Corporations Act, or the firm's compliance with any of the auditing standards in relation to the conduct of such audits or the responsibility to establish policies and procedures;
- the handling or outcomes of a complaint referred to in the above paragraph.

Based on the information produced, we then issued further notices to clarify or seek additional information about specific matters, including:

- the substance of the allegation and what had occurred
- the substance of any audit-related concerns and the audit to which they related
- the steps and inquiries made to investigate audit-related concerns, and the records documenting that process, including investigation reports, and

› the extent to which the firm's audit professional practice division was involved, and records of disciplinary actions, including emails, file notes, reports and outcome letters.

In response to these further notices, we received a number of complaints that fell outside the scope of the original notices. These included some complaints that were received outside the period set out in our initial notices or via external channels.

Appendix 2: Firm-level breakdown of complaints

The firms identified 558 audit complaints in response to the notices issued by ASIC. The firms also provided the total number of internal complaints recorded between 1 July 2023 and 26 June 2026: see Table 1.

Table 1: Number of complaints recorded and provided by audit firms

Audit firm	Audit complaints provided to ASIC	Total internal complaints recorded between 1 July 2023 and 26 June 2026
PricewaterhouseCoopers	82	624
Ernst & Young	112	949
Deloitte Touche Tohmatsu	260	1,206
KPMG	104	436
Total	**558**	**3,215**

Note: 'Complaints provided to ASIC' includes complaints provided in response to further notices, some of which were received outside the period set out in our initial notices or via external channels. See Appendix 1 for details.

The number of complaints recorded and provided to ASIC is not directly comparable between firms, due to differences in the scope of their complaints frameworks and policies, which determined the types of matters captured, as well as varying and inconsistent recording practices, which sometimes changed across the review period.

This included:

- storing complaints across multiple different registers
- not recording complaints received through certain channels (such as an international hotline) on any register
- different practices when recording multiple related complaints
- some firms using automated controls to flag potential issues, such as information being sent outside the firm, for recording as complaints, while other firms did not necessarily record those issues as complaints, and
- gaps in complaint records, including incomplete information in complaints registers and instances where original complaint documentation had not been retained.

These differences and issues may have affected both the number of complaints recorded and the ability of each firm to identify all relevant complaints in response to ASIC's notices.

Differences in complaint volumes should be interpreted cautiously, as firms with a stronger speak up culture, or more comprehensive processes for identifying and recording complaints may report higher numbers.

The differences and gaps in the material produced also often meant we did not have sufficient information to fully assess the allegation or to form a view on how extensively the matter had been investigated.

Key terms and related information

Key terms

ASIC	Australian Securities and Investments Commission
audit firm	A firm that consents to be appointed, or is appointed, as the auditor of a company or registered managed investment scheme, and a firm that audits a disclosing entity
auditing standards	Standards issued by the Auditing and Assurance Standards Board under section 336 of the Corporations Act
complaint	any report, disclosure, concern or allegation made by a current or former officer, partner, employee or contractor of an audit firm, or any other person who currently provides, or previously provided, services on behalf of an audit firm, that meets the audit firm's criteria for inclusion on its internal complaints register(s)
Corporations Act	*Corporations Act 2001*, including regulations made for the purposes of that Act
legal professional privilege	A common law principle protecting the confidentiality of communications between a legal practitioner, client and certain third parties where those communications were made for the dominant purpose of either giving or obtaining legal advice, or providing professional legal services in relation to actual or anticipated legal proceedings involving the client
RCA	A registered company auditor
REP 842 (for example)	An ASIC report (in this example numbered 842)
reporter	A current or former officer, partner, employee or contractor of the firm, or another person who provides or previously provided services on its behalf, who made or raised a report, disclosure, concern or allegation that was responsive to ASIC's notices and produced to ASIC as part of this surveillance.
respondent	A person whose act, omission, or conduct was the subject of a complaint
RSE	A registrable superannuation entity (e.g. a superannuation fund)
statutory audit	An audit: › of a company, registered scheme or disclosing entity under a provision of the Corporations Act › required under a condition of, or otherwise conducted to obtain the benefit of, ASIC relief in relation to the Corporations Act, or › conducted in accordance with the operating rules of a licensed financial market

Related information

Legislation

Corporations Act 2001

ASIC documents

REP 817 *Building trust: Auditors' compliance with independence and conflict of interest obligations*

REP 841 *Accounting for your super: Super fund financial reporting and audit 2025–26*

REP 842 *ASIC's oversight of financial reporting and audit 2025-26*