

Auditor surrenders audit ticket

A Victorian auditor that has been subject to inquiries by the Australian Securities and Investments Commission has surrendered his audit ticket.

Dennis Ronald Beed's audit of Institute of Hospitality in Healthcare (IHH) for the 30 June 2001 year end was examined by the ASIC and the Commission raised concerns that the audit was:

- Conducted based on superseded legislation,
- Generally not in compliance with auditing standards, and,
- An audit of financial statements that themselves failed to meet the requirements of the Corporations Act 2001 and accounting standards.

"On the last point, Mr Beed should have at least qualified his audit report to note those departures, however he failed to do so," the Commission says.

The company's accounts were also prepared on a cash basis rather than using the accrual basis of accounting and it also failed to comply with several accounting standards, such as the cash flow statement.

'Auditors must conduct their audits in accordance with the requirements of the Auditing Standards, the Accounting Standards and the Corporations Act', says Jan Redfern, ASIC Deputy Executive Director Enforcement.

'When the accounts they have audited do not meet these requirements, auditors have a special responsibility to report this to shareholders and to ASIC. Failing to do so is a serious concern', Redfern says.

Surrendering the company auditor registration is one way for auditors to deal with inquiries regarding their performance by the ASIC. The Commission does not have to take the auditor through a disciplinary hearing at the Companies' Auditors and Liquidators Disciplinary Board if an auditor surrenders their registration as a company auditor.

The CALDB has available to it a limited number of penalties such as the cancellation of an auditor's registration, a suspension of the registration or a reprimand if it finds an auditor guilty of transgressing auditing standards.

One high profile case in recent years involved former Arthur Andersen partner, Stuart Gooley, who was found to have done insufficient work on the audit of Southern Cross Airlines, which collapsed in the early 1990s.

Gooley, a former auditing standard setter at both the domestic and international levels, was initially hit with a two-year suspension by the CALDB, but an appeal to the Administrative Appeals Tribunal saw that penalty watered down to a reprimand.

This article was supplied by Tom Ravlic. Tom is a financial journalist who has spent the past seven years covering the accounting profession, accounting and audit standard setting and corporate governance. His work has appeared in various publications including *Business Review Weekly*, *Personal Investment* (now *Personal Investor*), *The Age*, *CFO Magazine*, the *Australian CPA*, the *Company Director Journal* and the newsletters of the internationally renowned Lafferty Group. In addition to his freelance commitment to a wide range of publications, Tom has recently accepted an appointment to be editor of *Chartac Accountancy News*, published by Melbourne-based publisher Crown Content.