

## Current Affairs Noticeboard

### **Auditors spared from independence rules**

Auditors have been spared from Sarbanes Oxley style independence rules in legislation following the election of the Howard government for a fourth term.

The election of the government, which has resulted in the Coalition parties securing an increased majority in the lower house, means plans have been flagged by the Australian Labor Party to introduce specific prohibitions on certain non-audit services that are inconsistent with the concept of the provision of an independent external audit.

'Labor takes the view that the company's auditor should be prohibited from providing certain non-audit services which potentially compromise the independence of the auditor. Those non-audit services include bookkeeping, financial information systems design, appraisal or valuation services, actuarial services, internal audit services, management functions, broker or dealer services, legal services and other prescribed services,' the Labor policy says.

'In our view, there will still be scope for the provision of non-audit services to clients, although those services which by and large always affect the auditor's independence will be restricted.'

The Labor policy points to the fact that the position adopted by Labor was the preferred approach of the Australian Securities and Investments Commission in a submission lodged with the Federal Treasury on the original discussion paper on CLERP 9.

'The provision of some non-audit services will always, or almost always, threaten the independence, or the appearance of independence, of auditors, regardless of the safeguards adopted ... ASIC considers that the best approach is to prohibit the provision of such non-audit services through the Act, rather than through the ethical rules of the professional bodies,' the ASIC submission said.

Labor's corporate governance policy also revisited the concept of introducing a four-year ban on former audit partners joining the board of a previous audit client.

'Labor believes that cooling off periods for auditors in the CLERP 9 reforms are not sufficient. The Government has flip-flopped on the issue and has changed from a two-year period in the original consultation paper, to a four-year period in

the draft Bill, and back to a two-year period in the final Act,' the policy launched by Labor during the campaign said.

'Labor supports Justice Owen's recommendation in the HIH Report that four years is an appropriate cooling-off period before audit partners can join their former clients.'

While the HIH Royal Commission report authored by Justice Owen indicate a preference for a four-year ban the Federal Government responded to lobbying from various accounting firms that argued the four-year ban would be overkill.