

### **Attendance of auditor at AGM**

10. The Government will amend the law to require an auditor to attend the AGM of a listed company at which the audit report is tabled and to answer reasonable questions about the audit.
  - The Government will ensure shareholders are able to submit questions by e-mail to the listed company and that the questions will be posted on the company web site.

## **Commentary**

It has long been suggested that auditors attend annual general meetings in order to answer relevant questions. Shareholders or shareholder activist groups, such as the Australian Shareholder Association, could question auditors about various issues of concern. Given that the business media monitor and report on annual general meetings, the issues underlying shareholder questions could then be publicised.

There is a danger that if embarrassing questions are asked involving fraud or going concern, auditors may invoke their own 'fifth amendment'. The 'audit expectation gap' relates to users having misunderstandings about the auditor's actual role. Auditors are not responsible for detecting every fraud committed in a company, and there are circumstances under which the auditor will not be liable for failing to warn of business failure. However, precisely when auditors are responsible for detecting fraud and warning of business failure is impossible to define. In the past, the profession has argued that the areas in which it is criticised do not fall within an auditor's duty, and that the criticisms arise only because of the audit expectation gap. This has led to a futile debate over defining auditor responsibilities; it is a debate that will never be resolved, since each party has a different understanding of an auditor's duties. Ultimately, these responsibilities are determined in court decisions. However, since most recent court cases involving auditors have been settled out of court, this source of clarification has not often proved useful.