

THE JOINT STANDING COMMITTEE ON PUBLIC ACCOUNTANT AND AUDIT'S REPORT

This committee report is entitled *Review of Independent Auditors by Registered Company Auditors*, and its recommendations are similar to the Federal Government's discussion paper. The areas of difference are:

- a. the requirement of all publicly listed companies to have an audit committee. The Federal Government's discussion paper requires only the top 500 companies to have audit committees
- b. the need for the Financial Reporting Council to develop corporate governance standards that have legislative backing
- c. the requirement that audit firms report to the ASIC on how they have managed independence issues
- d. ASIC to investigate independence issues arising from the above and any other source
- e. auditors to form an opinion on whether the company has complied with corporate governance standards as recommended in point b
- f. the recommendation of incorporation of auditing firms, that auditors have proportionate liability, and the capping of auditor liability.

The Federal Government's discussion paper did not recommend capping of auditor's liability. Capping of auditors' liability involves auditors' liability being limited to a multiple of the audit fee for a client or audit fees for the firm. For example, the liability could be limited to, say, 10 times the audit fee of a client.

Reference

Joint Standing Committee on Public Accountant and Audit's Report 2002, *Review of Independent Auditors by Registered Company Auditors*, The Parliament of the Commonwealth of Victoria, Canberra, August, www.aph.gov.au/house/committee/jpaa/reports.htm.