

OTHER MATTERS IN OCTOBER/NOVEMBER MEDIA — SUBMISSION BY PROFESSION RELATING TO CLERP 9

In a submission to the Federal Government relating to the proposed auditing reforms in CLERP 9, the auditing profession stated that the public expects external oversight of the auditing profession and that external oversight is needed to ensure public confidence in the auditing profession. The profession has thus changed its attitude on this point and has suggested that an external unit overseen by the Financial Reporting Council should monitor the top 300 companies (Buffini 2002, p. 4).

One of the recommendations included in CLERP 9 is that an oversight body should monitor and assess the adequacy of the disciplinary procedures of the accounting bodies. The Institute of Chartered Accountants in Australia (ICAA) (2002) has issued a policy paper on its disciplinary proceedings. The policy paper acknowledges that disciplinary proceedings involving members involved in corporate collapses has in the past been criticised. However, the paper notes the ICAA discipline powers are limited because:

- ICAA policy is to await for the completion of an investigation by statutory bodies and any other subsequent disciplinary or other legal action
- the ICAA has been advised that there is a high probability of being in contempt of court if it conducts its own investigation and disciplinary action whilst civil legal action is in progress
- where out-of-court settlements occur, the ICAA can only examine publicly available material to see if a disciplinary action is necessary.

Australia has two professional accounting bodies and auditors of major Australian companies would be members of the ICAA. Thus, the ICAA discipline procedures are more relevant to the conduct of Australian auditing. The above suggests that the ICAA has a very limited role in disciplining Australian auditors. Legal cases involving auditors can take many years. For example, the law case involving Arthur Andersen's audit of Southern Equities Corp (formerly Bond Corporation) was settled only this year. Bond Corporation was one of the companies that collapsed in the late 1980s. The long delay in settling auditing cases plus the fact that ICAA disciplinary proceedings are based upon publicly available information means that any disciplinary proceedings by the ICAA have limited value.

References

Buffini F 2002, 'Auditors forsake self-regulation', *The Australian Financial Review*, 25 November, p. 4.

Institute of Chartered Accountants in Australia 2002, *The ICAA's Professional Conduct and Integrity Role*, www.icaa.org.au