

## **Additional analysis of audit disputes**

The provision of additional analysis of audit disputes and alternative accounting treatments should not be dependent on reforms to laws on public liability, according to the report of the Royal Commission into the collapse of general insurer, HIH.

Accounting firms and professional accounting bodies have urged as critical the need to reform the form and content of the audit report to provide a greater analysis to those using financial statements of a company's core risks.

The firms, however, argued such an expansion could only occur if they are given additional safe harbour in the law to provide that type of analysis to users of financial statements.

Justice Neville Owen says in his report there is no relevant linkage between the two concepts and it is inappropriate for the profession to trade off the expanded audit reporting with matters of audit liability.

"It is difficult to see why expanded audit reporting has been linked to the issue of audit liability in this way. It is not suggested that the inclusion of additional matters in the audit report would require the application of a higher duties of skill or care in the conduct of the audit," Justice Owen states.

"Further, in presenting audit reports, auditors are generally not liable to third parties who rely on the financial reports to make investment or other financial decisions, even if the likelihood of such reliance is foreseeable or known to the auditors."

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.