

Audit standards takeover confirmed

Audit standard setting is to be overseen by the Financial Reporting Council. The product of that process will definitely be law, the Federal Government confirmed in the past fortnight.

A media release issued by the Federal Treasurer Peter Costello during the government's budget-related public relations blitz set down what the government intends the FRC to do under the powers as envisaged in the ninth discussion paper of the Corporate Law Economic Reform Program.

An additional \$1 million is being kicked into the system by the Federal Government to fund the added responsibilities, but there are plans to have that amount supplemented by additional funds from the accounting profession and the business community. It is a funding scheme that has failed to draw sufficient corporate support over the past 12 months.

The Federal Government has confirmed the oversight body will:

- oversee audit independence issues
- oversee audit standard setting by placing the Auditing and Assurance Standards Board under the oversight of the FRC
- monitor and assess the adequacy of the disciplinary procedures of the accounting bodies, and,
- promote and advise on the adequacy of the teaching of professional and business ethics.

"Details of these arrangements are being developed in consultation with the FRC and stakeholders, and in the light of stakeholder submissions on the CLERP 9 paper. Exposure draft legislation for the CLERP 9 reform package is expected to be released for public comment next month," the Treasurer's media release states.

"In exercising its new oversight functions, the FRC will work with the professional accounting bodies in their oversight of audit quality assurance and auditor discipline, but will also have the capacity for independent monitoring, including through use of consultants. In addition, Treasury will absorb significant salary costs for FRC secretariat support."

The Treasurer also wants funding from both the accounting profession and business community for the audit standard setting process – a notion that replicates the government's vision in the CLERP 1 paper of the processes being funded jointly by business and the profession as well as directly from the consolidated revenue of federal, state and territory governments.

"The present measure will provide one third of the annual running costs of the AuASB, with the remainder to be contributed by the accounting profession and business community," the Treasurer says.

This article was supplied by Tom Ravlic. Tom Ravlic 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.