

Further provisions from the Bill

Meditation of accounting disputes

Accounting disputes between the ASIC and companies are to be mediated by a new body called the Financial Reporting Panel (Fabro, 2003, p.23). The aim of this proposal is to minimise court hearings. However, the Panel decisions are non-binding, and thus disputes may still be heard in courts. The Financial Reporting Panel comprises five professionals drawn from the accounting, auditing, legal or business administration fields (p.23). The members of the Panel can be part- or full-time and have a maximum term of five years.

Only the ASIC can refer matters to the panel, and has the right to compel witnesses and take evidence (p.23). The ASIC can choose to publicly publish findings although commercial in-confidence information will not be included in the ASIC's published findings (p.23).

Legal backing for auditing standards

CLERP 9 recommended that some auditing standards would have legal backing. However, some stakeholders and the ASIC noted problems in identifying which standards this would be applied to, therefore it was decided to give legal backing to all standards (Department of Treasury, 2003a, p.4). The main advantage of giving legislative backing to auditing standards is that it will be easier for the ASIC to commence legal proceedings against auditors.

Similarly to the Australian Accounting Standards Board, the Auditing and Assurance Standards Board (AuASB) will be reconstituted with a government-appointed chair under the auspices of the Financial Reporting Council (Department of Treasury, 2003b, para 27).

Ruth Picker, partner of Ernst & Young and acting chair of the Australian Accounting Standards Board, states "the audit profession will have real difficulty with it, as auditing is not as precise as accounting is and there's many subjective decisions and judgements needed in forming a view of an audit" (Buffini, 2003b, p.23). She adds that nowhere else in the world do auditing standards have legal backing (Buffini, 2003b, p.23). The AuASB is to "make auditing standards for the purposes of the Corporations Act" (Department of Treasury, 2003b, para. 53), with Bill Edge, the present chairman of the AuASB, seeing timeliness and flexibility in the drafting process as the only problems (Buffini, 2003b, p.23). Presumably, Bill Edge is concerned about the time taken to draft the standards.

The AuASB *makes* standards by taking International Standards and modifying them, allowing for the Australian Legislative framework and institutional regulatory arrangements (Department of Treasury, 2003b, para. 55). The AuASB can still make a standard from International Standards, regardless of whether it is consistent with the AuASB's views. It is argued that adopting an international standard with minimum modification is in Australia's best interests as "it represents the results of many deliberations and compromises necessary to achieve international practice" (para. 55).

Obtaining consistency between various countries' auditing standards is less of a problem than obtaining consistency amongst countries' accounting standards, as auditing standards contain very broad statements that are applicable to all audits, regardless of the country of origin. Also, auditing standards do not recommend that particular accounting policies be adopted. One

interesting question with regard to the creation of auditing standards is this: will it take into account the contents of the Institute of Chartered Accountants discussion paper relating to extending the scope of the audit? This was discussed in August 2003's edition of *Current Affairs in Auditing*.

References

Buffini, Fiona 2003b, 'Rotation ruling postponed for two years', *The Australian Financial Review*, 9 October, p.23.

Department of Treasury 2003a, *CLERP (Audit Reform and Corporate Disclosure) Bill: Introduction*, www.treasury.gov.au.

——— 2003b, *CLERP (Audit Reform and Corporate Disclosure) Bill: Chapter 1, Audit Reform*, www.treasury.gov.au.

Fabro, Allesandra 2003, 'Panel to mediate in balance sheet disagreements', *The Australian Financial Review*, 9 October, p.23.