



**CHARTERED SECRETARIES
AUSTRALIA**

Leaders in governance

28 October 2011

Corporate Reporting and Accountability Unit
Corporations and Capital Markets Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: auditquality@treasury.gov.au

Dear Treasury

**Exposure Draft: Corporations Legislation Amendment
(Audit Enhancement) Bill 2011**

Chartered Secretaries Australia (CSA) is the independent leader in governance and risk management. As the peak professional body delivering accredited education and the most practical and authoritative training and information in the field, we are focused on improving organisational performance and transparency.

Our Members are all involved in governance, corporate administration and compliance with the Corporations Act (the Act), with primary responsibility to develop and implement governance frameworks in public listed and public unlisted companies, as well as in private companies.

CSA welcomes the opportunity to comment on the Exposure Draft: Corporations Legislation Amendment (Audit Enhancement) Bill 2011.

CSA notes that the current audit regulatory framework provided some insulation to the Australian market during the recent global financial crisis. However, it remains vitally important that the framework continues to be robust and stable in order to account for the dynamic nature of the financial reporting environment. CSA, therefore, commends the audit enhancement exposure draft as a good initiative in ensuring that the key standards remain.

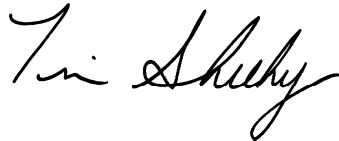
CSA does, however, hold one concern with the requirements relating to auditor rotation periods. While the proposal to introduce more flexibility is welcomed, CSA notes that it is proposed that the recommendation required to be provided by the audit committee to the board (or resolution by the board in the case of a company without an audit committee) must state that the audit committee (or board) is 'satisfied that the approval is **necessary** to safeguard the quality of the audit provided to the company or scheme.'

The term 'necessary' imposes an absolute standard, where it would be impossible to accomplish a task or goal in the absence of the course of action in question. CSA is of the view that setting the bar at an absolute level would cause some boards to not avail themselves of this new proposal and to limit its intended effectiveness.

CSA recommends that setting criteria based around the idea of 'reasonableness' rather than the absolute standard of 'necessary' would provide a more suitable outcome for those wishing to utilise this amendment.

CSA would be more than happy to discuss this issue further with you.

Yours sincerely

A handwritten signature in black ink that reads "Tim Sheehy". The signature is written in a cursive, flowing style.

Tim Sheehy
CHIEF EXECUTIVE