

29 June 2012

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

Email: auditquality@treasury.gov.au

Dear Sir/Madam

Re: Exposure draft regulations to implement the requirement for the publication of an annual transparency report by firms conducting audits, which was introduced in the Corporations Legislation Amendment (Audit Enhancement) Act 2012 (“the draft regulations”)

We appreciate the opportunity to comment on the draft regulations and value the consultative approach adopted by Treasury in its progression of these important legislative proposals to enhance audit quality in Australia. We are very supportive of international consistency and are pleased that Treasury has sought to base the Australian requirements on the European Union requirements. This will minimise the compliance burden on multinational audit networks.

We would like to make the following specific observations in respect of the draft regulations:

- 1) Item 7A206 requires disclosure of each body that is authorised to review the transparency reporting auditor (“TRA”). To assist with consistent interpretation of the regulations we recommend that Treasury consider including greater clarification as to what constitutes an “authorised body”.
- 2) Item 7A208 requires disclosure of matters relating to the TRA’s independence practices including the date of the most recent internal review and the outcome of that review. The requirement to disclose the outcome of the review is not consistent with the requirements in other jurisdictions such as the European Union and the United Kingdom. We recommend that the draft regulation be amended to remove the requirement to disclose the outcome of the review and in doing so achieve an internationally consistent approach.

Furthermore, the internal review programs of TRAs are likely to vary widely in terms of timing, scope and degree of rigor. Therefore the reporting of outcomes is unlikely to be comparable which will reduce its value to users.

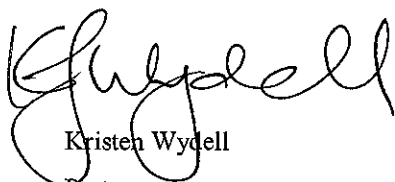
- 3) Item 7A210 as drafted requires disclosure of specific financial information about the TRA. We support the disclosure of the TRAs financial information but consider a principles based approach consistent with international requirements is preferable. If Treasury determines that a more specific requirement is appropriate we recommend that the wording be amended to include the intended purpose, which we understand is to show the relative importance of the financial statement audit work to the TRA.

Furthermore item 7A210 refers to ‘fees received’; the use of this term may result in inconsistent information being disclosed. We consider that ‘received’ should be removed from the ‘fees received’ requirement.

- 4) The draft regulations distinguish between the prescribed information for audit firms and authorised audit companies and individual auditors. To ensure consistency and comparability we consider that items 7A201, 7A203, 7A205, 7A208 and 7A209 should also be included for all TRAs irrespective of legal structure. We believe the requirements of the regulations are scalable in the same manner the auditing standards are scalable to different sized entities.

We look forward to continuing to contribute to Treasury's initiatives for improving audit quality. If you have questions please contact me on (02) 9322 5060.

Yours sincerely



Kristeh Wydell

Partner

Deloitte Touche Tohmatsu