



**CHARTERED SECRETARIES  
AUSTRALIA**

*Leaders in governance*

17 April 2009

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Dear Douglas

## ASIC form for notification of appointment of auditor

Chartered Secretaries Australia (CSA) is the independent leader in governance, risk and compliance. 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. We proactively encourage federal and state governments to create legislative frameworks that foster sound practices in stewardship, accountability and transparency, as well as ethical behaviour. We represent over 8,000 governance professionals working in public and private companies, all of whom, due to their involvement in corporate administration and compliance, have a thorough working knowledge of the *Corporations Act*, and all of whom liaise with the Australian Securities and Investments Commission (ASIC) regularly in the course of their work.

### Background

CSA meets formally with ASIC via a Liaison Committee four times each year. At a number of meetings CSA has raised concerns that the mechanism for notifying the appointment of an auditor does not currently operate efficiently and effectively. CSA has welcomed the discussions with ASIC on this issue.

For public companies, there is no requirement to advise ASIC of the name of a new auditor at the time of appointment. This information is advised to ASIC on Form 388, Copy of Financial Statements and Reports, which is lodged together with the annual report. However, public listed companies have relief whereby accounts lodged with Australian Securities Exchange (ASX) do not also need to be lodged with ASIC with Form 388. CSA notes that this relief, while welcome, can create problems. For example, when an auditor seeks permission from ASIC to resign, ASIC has been known to refuse permission because it does not have that auditor noted on its records. This arises as ASIC does not insist that a listed public company lodge a Form 388 each year.

ASIC has advised CSA that the original Form 315 had included questions relating to the appointment of auditor and change of name of auditor. At the time of the repeal of the annual return, as part of the reduction in regulation to which companies are subject, ASIC did not consider it appropriate to create a new form. The creation of a new form would have undermined the reduction in red tape that was being enacted.

CSA and ASIC have discussed how members can notify ASIC of the appointment of the auditor when no form exists for such notification. At present, some public listed companies that have taken advantage of the relief whereby accounts lodged with ASX are deemed to be lodged with ASIC attach a covering letter to Form 315 notifying ASIC of the appointment of the auditor.

There are a number of problems associated with attaching a covering letter:

- It is not commonly known that a covering letter attached to Form 315 could be required to ensure that ASIC has a record of the appointment of the auditor as this is an informal process that has been arrived at by trial and error on the part of CSA members.
- Large public listed companies are familiar with regulatory challenges and frequently have the resources to manage them, and thus may well arrive at the solution of attaching a covering letter after contact with ASIC. However, newly listed and start-up companies do not understand why a covering letter should be attached to a form, but wish the form to be available from ASIC so that their regulatory obligations and the process attached to them are clear.

CSA request

**CSA requests** that ASIC modify the existing form available to notify ASIC of the appointment of an auditor of listed investment schemes. The modification would provide for companies to notify ASIC of the appointment of an auditor.

CSA strongly believes that the public perception of needing to know who the auditor is provides a context for the modification of this form.

The current informal system, which is and remains unknown to many companies, is causing considerable confusion and rendering it difficult for companies to meet their compliance obligations.

CSA also strongly believes that the clarity of the compliance obligation offered by a modified form allowing companies to notifying ASIC of the appointment of the auditor will support smaller companies in particular to meet their regulatory obligations.

Cost v benefit

CSA notes that it could be argued that the modification of the form available to listed investment schemes, providing for notification by companies as well, imposes additional regulatory burden and costs on companies.

CSA strongly disputes this in this instance.

CSA points to the time taken to rectify the current situation, where companies do not understand their compliance obligations because there is no form available to clarify what they are. CSA notes that filling out a form notifying ASIC of the appointment of an auditor would take the relevant person in a company approximately five to ten minutes.

However, the current situation, which demands that individual companies arrive at an individual solution to clarify that ASIC has been notified of the appointment of an auditor can occupy multiple hours of the relevant person in each company. The particular number of hours spent on rectifying the absence of a notification form differs for each company.

For example, multiple contact with different staff members of ASIC, to seek to clarify that ASIC already has the information originally provided in accounts lodged with ASX, or to clarify that ASIC does not have this information and that it therefore needs to be supplied separately, can occupy many hours over some weeks. This in turn creates delays in the auditor being able to assume responsibility, which has knock-on effects for the company in question, and these effects can also occupy many hours of the relevant person's time.

CSA cannot point to any benefit in forcing companies to spend hours to clarify the appointment of the auditor with ASIC.

However, CSA can point to unsustainable costs that the current situation imposes.

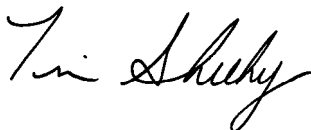
CSA notes that the modification of the form currently available to listed investment schemes to allow them to notify ASIC of the appointment of an auditor, so that companies can also quickly notify ASIC of the appointment of an auditor, instantly provides benefit in clarifying compliance obligations, and reduces costs as no 'untangling' of the current lack of notification process is required. CSA notes that filling out such a form imposes a negligible cost on a company.

Conclusion

CSA looks to ASIC to effect reform that would ameliorate the process difficulties currently being experienced that affect the ability of companies to meet their regulatory obligations.

CSA also looks to ASIC to reduce the costs imposed on companies by the current situation of the lack of a notification process.

Yours sincerely

A handwritten signature in black ink, appearing to read "Tim Sheehy". The signature is written in a cursive, flowing style.

Tim Sheehy  
CHIEF EXECUTIVE