

9 February 2022

Mr Doug Niven
Chief Accountant
Australian Securities and Investments Commission
GPO Box 9827
Sydney NSW 2001

via email: auditsubmissions@asic.gov.au

Dear Doug

ASIC Consultation Paper 352: Communicating audit findings to directors, audit committees or senior managers

Thank you for the opportunity to provide a submission to ASIC on its proposal to communicate audit findings to directors, audit committees or senior managers.

The Australian Institute of Company Directors' (**AICD**) mission is to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. The AICD's membership reflects the diversity of Australia's director community, with 47,000 members drawn from directors and leaders of not-for-profits, large and small businesses and the government sector.

The AICD supports the proposal set out in the consultation paper to communicate findings from its reviews of audit files to directors of the entities audited on a routine basis rather than, as it currently does, on an exception basis. We also support the draft Regulatory Guide.

With respect to the questions you ask at B1:

1. Should any of the types of audit quality findings outlined in paragraph 11 not be communicated?

No, all the audit quality findings seem appropriate to be communicated.

2. Are there any additional types of audit quality findings that should be communicated?

No, we believe this is an appropriate list.

3. Do you have any other comments on the types of audit quality findings proposed to be communicated as set out in paragraph 11?

No.

Communication with directors

We suggest that ASIC consider amending the Regulatory Guide and/or its practice to consider both the content of the disclosure to directors and the process following that disclosure. As the discussion paper correctly points out, the disclosure from ASIC should prompt directors to engage with the auditor around

the issue of concern and reassure themselves on audit quality. In order to do so, it would be of assistance if the content of the disclosure was relatively free of technical language and enabled the director to properly understand ASIC's findings. Further, it would assist directors if ASIC would undertake to make itself available to directors where a disclosure is made to further explain its finding and its reasoning, to enable the director to form an independent judgment on ASIC's finding. This is particularly important in cases where the external auditor disagrees with those findings.

Accordingly, we suggest that a new paragraph 260.25 be inserted into the Regulatory Guide and the Regulatory Guide be renumbered accordingly:

RG260.25

We will communicate our audit findings in as plain language as possible. We will also make ourselves available for discussions with directors to assist them in better understanding the basis of our findings.

Next steps

We hope our submission will be of assistance. If you would like to discuss any aspects further, please contact David McElrea, Senior Policy Adviser, at dmcelrea@aicd.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Louise', with a long horizontal flourish extending to the right.

Louise Petschler GAICD

General Manager, Advocacy