



NO.004

INDEPENDENCE OF AUSTRALIAN COMPANY AUDITORS

In October last year the Government released a report on the *Independence of Australian Company Auditors* prepared by Professor Ian Ramsay of The University of Melbourne, and urged industry to give the report their careful consideration. The Government welcomes input from all stakeholder groups on these important issues in finalising its response to the Ramsay recommendations.

After considering stakeholder views on the Ramsay recommendations, the Government plans to announce decisions on audit independence and related issues after any appropriate further consultation - and proceed to implementation in the second half of the year.

Recent corporate failures in the United States and Australia have prompted widespread debate about the quality of company financial reporting and the role and independence of auditors. In the Australian context, significant regulatory change has been effected in this area since the 1980s - aimed at increasing the transparency, reliability and comparability of company financial statements.

In particular, through its Corporate Law Economic Reform Program, the Government has restructured the accounting standard setting process to balance the influence of the accounting bodies with input from a broad range of stakeholders. The Australian Accounting Standards Board and its oversight body the Financial Reporting Council are operating effectively under these new arrangements. Australian accounting standards are recognised internationally as being of high quality.

Australia is also a world leader in pressing for the adoption of a single set of high quality accounting standards for world-wide use and is a major participant in the work of the International Accounting Standards Board directed at this objective.

On audit independence, the Government commissioned the Ramsay report in August 2001 and has encouraged the main accounting bodies in Australia to update their professional ethical rules in this area to reflect world's best practice. The bodies have circulated for comment revised rules based on those released by the International Federation of Accountants in November 2001 (and in final form in January) as a model on which to base national ethical guidance for accountants.

The Government will need to consider in the context of the Ramsay report the appropriateness of these rules to current circumstances and the optimal balance of regulation and self-regulation in this area.

Also, it may be necessary to revisit some issues in the light of any relevant recommendations of the HIH Royal Commission or any further changes introduced in the United States following investigation of the Enron collapse.

The Ramsay report can be found at: <http://www.treasury.gov.au/publications/Ramsay%20Report/index.asp>.

Submissions, marked to the attention of Mr Wallace Fernandes, should be forwarded to:

The General Manager, Corporate Governance and Accounting Policy Division, The Treasury, Langton Place, PARKES, ACT, 2600.

Submissions are due by Friday 1 March 2002. As submissions may be made public, any confidential material should be marked accordingly.

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