

## **2. SUMMARY OF ISSUES, CONCLUSIONS AND RECOMMENDATIONS**

201. This chapter provides a summary of the issues considered by the Working Party during the course of the review and the Working Party's recommendations for dealing with those issues.

202. The Working Party divided the review into the following components:

- Who should perform the registration and supervisory functions?
- What should be the appropriate pre-requisites for registration?
- What form should post registration supervision take?
- How should the appointment of company auditors be undertaken and their subsequent independence be ensured?
- What are the appropriate procedures for the removal of a company auditor?
- Who should undertake the disciplinary function and what should be the disciplinary body's functions and powers?
- The resource implications of the Working Party's preferred approach to performing the registration and supervisory functions and undertaking the disciplinary function.

203. In considering these matters, the Working Party has had regard to the problems of the 1980s and has carefully considered the views of some respondents seeking greater and more stringent regulatory controls in respect of the appointment and supervision of company auditors. The Working Party has also had regard to significant developments since the 1980s, including initiatives by the ICAA, the ASCPA, the National Institute of Accountants (NIA), the Australian Stock Exchange (ASX) and the Australian Institute of Company Directors (AICD).

204. Wherever appropriate the Working Party has endeavoured to ensure that safeguards are built into the recommendations it has made.

## PERFORMING THE REGISTRATION AND SUPERVISORY FUNCTIONS

205. Four viable options for performing the registration and supervisory functions have been identified by the Working Party:

- having the ASC continue to perform the registration function with supervisory functions continuing to be performed by both the ASC and, in the case of RCAs who are members of accounting bodies, the accounting bodies;
- having the ASC delegate the registration function and its component of the supervisory function to authorised accounting bodies;
- having the Law confer responsibility for the registration and supervisory functions on authorised accounting bodies; or
- establishing a new Auditors Practice Board to perform the functions.

206. While each of these options has its advantages and disadvantages, the Working Party came to the view that the option giving authorised accounting bodies responsibility for the regulation and supervision of company auditors under delegation from the ASC is to be preferred.

207. The Working Party therefore makes the following recommendations concerning the performance of the registration and supervisory functions:

- The *Australian Securities Commission Act 1989* (the ASC Act) and the Law should be amended to authorise the ASC to delegate responsibility for the registration and supervision of company auditors to one or more Australian accounting bodies that satisfy specified conditions. **Recommendation 4.1.**
- The conditions set out in the Law would provide that the ASC must be satisfied that each authorised accounting body has and will continue to maintain:
  - (a) sufficient resources to enable the delegated functions to be performed in an efficient and effective manner;
  - (b) a comprehensive and mandatory code of ethics and other rules dealing with the conduct of members who provide auditing services;
  - (c) mandatory requirements for the continuing professional development of its members and for professional indemnity insurance for those members in public practice;
  - (d) a comprehensive program for the periodic review of the work of members who provide auditing services;

- (e) appropriate disciplinary procedures for dealing with complaints and other matters concerning members who provide auditing services; and
  - (f) adequate indemnity insurance arrangements in respect of its performance of the delegated functions. **Recommendation 4.2.**
- A decision of an authorised accounting body made during the course of performing a delegated function may be the subject of an appeal to the ASC. The decision taken by the ASC may, in turn, be the subject of an appeal to the AAT. **Recommendation 4.3.**
  - The ASC may set such additional conditions in a Memorandum of Understanding (MOU) as it considers are necessary to enable it to ensure that the delegated functions are performed in accordance with the requirements of the Law and in an effective and efficient manner. **Recommendation 4.4.**
  - The ASC may only delegate responsibility for the registration and supervision of company auditors to an accounting body when written agreement has been reached with that body on the conditions set down in the Law and any additional conditions that may be imposed by the ASC. **Recommendation 4.5.**
  - Where an authorised accounting body fails to comply with any of the conditions set out in either the Law or the MOU, the ASC may revoke the delegation. **Recommendation 4.6.**
  - Notwithstanding the delegation of registration and supervisory functions to one or more authorised accounting bodies, the ASC may continue to perform registration and supervisory functions in circumstances in which it would be unreasonable to expect a person to apply to an authorised accounting body for registration (for example, where the person has a conscientious objection, based on religious grounds, to the membership of a professional organisation). The registration of such a person should be subject to rules and conditions that are adopted by the ASC and which are equivalent to those imposed by an authorised accounting body. **Recommendation 4.7.**
  - Particulars of all RCAs are to be entered in a single Register of Auditors which is to be maintained in a manner and at a place approved by the ASC. **Recommendation 4.8.**
  - Subject to appropriate safeguards concerning the protection of information from unauthorised use or disclosure, section 127 of the ASC Act should be amended to allow the ASC to provide information to:
    - (a) authorised accounting bodies concerning individuals who are members of one or more of the bodies;

- (b) authorised accounting bodies about non-members who are RCAs or who are known to be making application for registration as an RCA.  
**Recommendation 4.9.**

## PRE-REQUISITES FOR REGISTRATION

208. The Working Party considered three issues concerning the requirements for registration:

- educational qualifications;
- professional qualifications; and
- the appropriate level of practical experience in auditing.

### Educational Qualifications

209. The Working Party makes the following recommendations concerning the educational qualifications needed for registration as a company auditor:

- The existing educational pre-requisites for registration as a company auditor (ie tertiary qualifications in accountancy and commercial law) are considered to be adequate, subject to the introduction of an additional requirement that all applicants have completed a specialist course equivalent to the auditing module currently provided by the ICAA's Professional Year (PY) Program or the ASCPA's Certified Practising Accountant (CPA) Program.  
**Recommendation 5.1.**
- Relief from the requirement to undertake the course of study referred to in recommendation 5.1 should be granted to an applicant who holds suitable overseas qualifications or who can demonstrate to the registering body that he or she has qualifications that are equivalent to the auditing module.  
**Recommendation 5.2.**

### Professional Qualifications

210. A number of submissions received by the Working Party proposed that membership of an accounting body should be a pre-requisite for registration as a company auditor. However, the Working Party concluded that such a requirement could be anti-competitive and thus contrary to the requirements of the *Trade Practices Act 1974*. Nevertheless, the Working Party has some sympathy with the view that individuals who are not members of an accounting body that is an authorised

accounting body should agree to abide by the code of ethics and other rules of the authorised accounting body to which they submitted their application for registration.

211. The Working Party therefore recommends that:

- Where a person who is not a member of an accounting body that is an authorised accounting body seeks registration as a company auditor, he or she must agree to abide by the code of ethics and other rules of the authorised accounting body to which they submitted their application on the same basis as members of that body. **Recommendation 5.3.**

## **Practical Experience**

212. The question of what should be the appropriate level of practical experience for registration as a company auditor was one of the more difficult issues to confront the Working Party during the course of the review.

213. The Working Party has concluded that competency standards should ultimately be adopted as the principal basis for determining whether a person has sufficient practical experience in company auditing and auditing techniques to be registered as a company auditor. In coming to this decision, the Working Party notes that the adoption of competency standards will add a qualitative element which is currently missing from the existing requirements, will further the move towards a self-regulatory approach along the lines advocated elsewhere in this report, and will meet the concerns of accountants in smaller and provincial firms in that it will facilitate the registration of individuals who are proficient in auditing work but who cannot satisfy the existing practical experience requirements.

214. The Working Party has also concluded that an hours-based regime should continue to be used pending the introduction of competency standards by authorised accounting bodies.

215. The Working Party makes the following recommendations about the level of practical experience needed for registration as an auditor:

- Where an authorised accounting body has in place a competency standard in auditing that has been approved by the ASC, an applicant must satisfy the audit component of the competency standard in order to be registered. **Recommendation 5.4.**
- The ASC must be satisfied about the appropriateness and workability of the audit component of an authorised accounting body's competency standard before that standard may be approved for use by the authorised accounting body as a basis for deciding whether an applicant meets the practical experience requirements for registration as a company auditor. **Recommendation 5.5.**

- Where an authorised accounting body does not have an approved competency standard in auditing the level of practical experience required for registration as a company auditor should be:
  - (a) at least 2,000 hours work in auditing over five years under the supervision of an RCA; and
  - (b) a minimum of 500 hours of this time should be spent on work that involves a senior level of responsibility for audits. **Recommendation 5.6.**
- Subsection 324(12) of the Law, which provides that the ASC may appoint a suitably qualified or experienced person as auditor of a proprietary company where it is impractical for the company to obtain the services of an RCA because of the location where it carries on business, should be retained. **Recommendation 5.7.**

## Re-registration

216. The Working Party also concluded that there should be a different process for re-registration, and makes the following recommendations concerning the implementation of revised procedures:

- There should be simplified criteria for re-registration as a company auditor where the applicant had voluntarily relinquished his or her original registration. **Recommendation 5.8.**
- An applicant for re-registration as a company auditor must meet the following conditions:
  - (a) the applicant voluntarily relinquished his or her original registration;

- (b) the applicant was not subject to disciplinary proceedings in respect of an auditing-related matter following the relinquishment of the original registration or that the voluntary relinquishment did not occur in order to avoid disciplinary proceedings; and
- (c) the relinquishment of the original registration was not more than five years before the date of the application for re-registration.

**Recommendation 5.9.**

## **POST-REGISTRATION SUPERVISION**

217. Issues considered by the Working Party in the context of post-registration supervision of RCAs include:

- the adequacy of the existing requirements for reporting to the ASC;
- the need for RCAs to undertake continuing education; and
- whether RCAs should be required to undertake a minimum level of audit work in order to maintain their registration.

### **Annual Statement**

218. Although the triennial statement that each RCA has to lodge with the ASC is intended to allow the ASC to monitor the RCA's audit activities, the Working Party noted that there are widely held views that the statement fails to achieve this objective. Perceived deficiencies of the statement include that it does not provide up to date information for surveillance purposes, that it requires the disclosure of information that has already been provided to the ASC, and that the particulars of audits conducted during the period give no indication of the size or complexity of those audits.

219. After considering options of either abolishing the statement or requiring a statement containing revised information to be lodged annually, the Working Party concluded that the latter option was to be preferred.

220. The Working Party therefore makes the following recommendations concerning the reporting requirements of RCAs:

- The existing triennial statement should be replaced by a new annual statement.

**Recommendation 6.1.**

- The new annual statement should provide information about:
  - (a) an RCA's personal particulars;
  - (b) details of the nature and complexity of major audit work undertaken, including the aggregate hours, showing separately the work in respect of companies and other entities; and
  - (c) professional development undertaken by the RCA during the year. **Recommendation 6.2.**
- If the registration and supervision of RCAs is undertaken by authorised accounting bodies, the annual statement should be combined with the authorised accounting bodies' membership renewal forms. **Recommendation 6.3.**

## Professional Development

221. The Working Party considers that RCAs should be required to undertake a minimum amount of professional development, with the amount to be prescribed being similar to that required of ICAA and ASCPA members who hold public practice certificates.

222. Accordingly, it recommends that:

- RCAs should be required to undertake a minimum amount of professional development, calculated on either an annual or triennial basis, and their annual statement should include particulars about the audit content of that professional development. **Recommendation 6.4.**
- Failure to comply with a requirement to undertake a minimum amount of profession development should be grounds for disciplinary action against the RCA. **Recommendation 6.5.**

## Practical Experience

223. The Working Party recommends that:

- RCAs should not be required to undertake a specified level of audit work in any one year, but should be required to maintain their competence in audit work. Where an RCA has not undertaken any substantive audit work during a period of not less than five years or has failed to maintain competency in audit work, the supervisory body may require the RCA to show cause why his or her registration should not be cancelled. **Recommendation 6.6.**



## Quality Review

224. The Working Party recommends that:

- The work of all RCAs should be subject to periodic quality reviews conducted by authorised accounting bodies. **Recommendation 6.7.**
- Subject to privacy considerations, the Law should provide that all files in respect of audits that have been undertaken by an RCA must be available for inspection as part of a quality review. **Recommendation 6.8.**

## APPOINTMENT AND INDEPENDENCE OF AUDITORS

225. The Working Party identified the procedures for appointment of auditors by companies and measures to ensure the independence of auditors as important issues that needed consideration.

### Appointment

226. While Australian requirements for audit appointment are broadly in line with those of other developed countries, the Working Party noted that directly involving a company's audit committee or another committee of non-executive directors in the appointment process would complement the increasing emphasis on external directors and audit committees in the overall context of corporate governance.

227. The Working Party therefore recommends:

- If the ASX listing rules do not so provide, the Law should be amended to require listed companies to have an audit committee. Non-executive directors should constitute the majority of members of such a committee. **Recommendation 7.1.**
- Auditors of a listed company should be appointed and their remuneration determined on the recommendation of the company's audit committee or, where there is no audit committee, an appropriate committee of non-executive directors. **Recommendation 7.2.**
- Auditors of an unlisted company should be appointed on the recommendation of the company's audit committee where such a committee exists. **Recommendation 7.3.**

## Independence

228. The Working Party notes that independence for a professional is a state of mind and that no specific restrictions or requirements can achieve independence. However, it believes that some specifications can contribute significantly towards the maintenance of independence of mind, as well as the appearance of independence.

229. The Working Party is of the view that the following recommendations will assist company auditors in being, and in being seen to be, independent:

### Level of Indebtedness

- The level of indebtedness by an auditor to a client (as referred to in paragraphs 324(1)(e) and (2)(f) of the Law) should be increased from \$5,000 to \$10,000 or such other amount as may be prescribed by regulation, subject to recommendation 7.6. **Recommendation 7.4.**
- A prohibition should be placed on the indebtedness of a company to its auditor, with the exception of professional fees and amounts up to a maximum of \$100,000 deposited with a financial institution or life insurance company by a natural person on normal commercial terms and in the ordinary course of business of the financial institution or life insurance company, subject to recommendation 7.6. **Recommendation 7.5.**
- The monetary indebtedness prohibitions should only apply to partners of a firm of auditors who are directly engaged on the audit assignment and relatives of such partners. **Recommendation 7.6.**

### Term of Appointment

- There should be mandatory rotation of the audit partners responsible for the audit of listed companies in accordance with the principles laid down in Statement of Auditing Practice AUP 32 — Audit Independence (AUP 32). **Recommendation 7.7.**

### Provision of Non-Auditing Services by Auditor

- Providing there is a continuing mandatory requirement to adhere to the independence requirements of current ethical rulings and auditing standards, the Law should not place any restrictions on an auditor or his or her firm performing non-auditing services for an audit client. However in the current review of ethical requirements by the accounting bodies, it is recommended that attention be directed toward the provision of additional procedures (including allocation of responsibility for the additional services to a partner other than the external audit

partner) for application in the more contentious areas of accounting services, internal audit and specific and separate internal control reviews to strengthen independence in these areas. **Recommendation 7.8.**

- The current disclosure requirements relating to non-audit services should be expanded to require a breakdown of the nature of those services and to include services provided by entities whose beneficial ownership is substantially the same as that of the auditor's firm. **Recommendation 7.9.**
- Non-audit services provided to a company by its auditor or his or her firm should be reviewed annually by the company's audit committee or, where there is no audit committee, by the full board to satisfy itself that the non-audit services provided are not of a nature that would compromise the independence of the external auditor from the perspective of the company. **Recommendation 7.10.**

### Method of Selecting Auditor

- The Law should not place any restrictions on the use of tendering as a means of selecting a company's auditors but companies should be encouraged to reduce the number of formal tenders required. **Recommendation 7.11.**

### Relationship of the External Auditor with the Audit Committee or Non-Executive Directors

- The Law should be amended to provide that where a company's audit committee or the company's board is to discuss issues which have relevance to the audit, the company's auditor should be given notice of the meeting and be invited to attend the meeting or relevant part thereof. The Law should also be amended to permit an auditor (by prior notice) to attend an audit committee meeting or board meeting to raise and discuss issues which have relevance to the audit. **Recommendation 7.12.**

### Compliance with Accounting Standards

- The Working Party encourages the establishment of a Financial Reporting Review Board (FRRB) or similar group to inquire into apparent departures from accounting standards or other reporting requirements. Where it was found that departures had occurred, it would seek appropriate remedies. If it is unsuccessful, matters should be referred to either the accounting bodies or the CALDB or both for appropriate disciplinary action. **Recommendation 7.13.**

## Removal and Resignation of Auditors

- The Law should be amended to provide that a proposed change to the auditor of a disclosing entity is a continuous disclosure matter. **Recommendation 7.14.**
- The Law should provide that any proposal for appointment of auditors of a disclosing entity must contain information on the proposed fees. **Recommendation 7.15.**

## Attendance at AGM

- The Law should be amended to require an auditor, or a representative of the auditor, to attend the annual general meeting (AGM) at which the auditor's report is tabled unless reasonable circumstances preclude his or her attendance. **Recommendation 7.16.**

## Restriction on Fee Levels for a Particular Client

- An appropriate mandatory standard of the accounting bodies should require that where the total fees in respect of all services in a financial reporting period paid by an audit client or group of clients exceeds 15 per cent of the gross fees of the practice, there must be detailed consideration and documentation on the relevant audit file of the implications for independence and that the document is to be available for review in the normal quality review process. **Recommendation 7.17.**

## Regulation or Self Regulation

- Regulatory requirements for auditors should, to the maximum extent practicable, be embodied in the mandatory standards and pronouncements and self regulatory framework of the authorised accounting bodies. **Recommendation 7.18.**

## Teaching of Professional and Business Ethics

- Endeavours should be made through the appropriate educational channels to introduce and strengthen the teaching of ethical principles in primary and secondary schools. **Recommendation 7.19.**
- The accounting bodies should require an adequate level of teaching of professional and business ethics as a pre-requisite to granting course accreditation to tertiary institutions for graduates entering the induction programs of the accounting bodies. **Recommendation 7.20.**

## DISCIPLINE

230. Four issues were considered by the Working Party in the context of discipline of RCAs:

- (a) whether the existing institutional arrangements for dealing with disciplinary matters operate in an efficient and effective manner;
- (b) whether the matters that may be dealt with by the CALDB are appropriate;
- (c) whether the penalties that may be imposed by the CALDB are appropriate; and
- (d) whether the CALDB or the ASC should be authorised to exchange information with authorised accounting bodies for the purpose of disciplinary proceedings.

### Institutional Arrangements

231. The Working Party noted that there are both advantages and disadvantages in leaving the disciplinary function with the CALDB, transferring the function to the ASC or merging the function with the authorised accounting bodies' disciplinary processes.

232. After considering the various issues associated with this question, they concluded, on balance, that the CALDB should be retained for dealing with conduct matters (such as whether a person has failed to adequately and properly carry out or perform the duties of an auditor or is a fit and proper person to be an RCA) and, accordingly, recommend that:

- The CALDB should be retained for dealing with those disciplinary matters that the Law provides should be brought before an independent disciplinary body. **Recommendation 8.1.**
- Where the ASC has delegated the registration of auditors to authorised accounting bodies, those bodies should be permitted to bring conduct matters directly before the CALDB. **Recommendation 8.2.**

233. The Working Party also considered several proposals having the objective of making the operation of the Board more efficient and ensuring that Board members have a wide range of legal, accounting and business skills.

234. The Working Party concluded that there is some merit in formally expanding the range of skills that CALDB members could bring to the Board's deliberations. The Working Party believes that the most appropriate way of achieving this objective would be to invite additional peak professional and business bodies to nominate persons for

appointment to the Board. The Working Party also concluded that, in conjunction with changes to the skills of CALDB members and the bodies that may make nominations for appointment to the Board, it may be appropriate to revise the rules for the operation of the Board.

235. The Working Party therefore recommends that:

- The ASC Act should be amended to provide for the appointment of a deputy chairperson for the CALDB. **Recommendation 8.3.**
- The ASC Act should be amended to allow the CALDB to sit in more than one Division simultaneously. **Recommendation 8.4.**
- The ASC Act should be amended to provide that a Division of the CALDB is constituted by a member nominated by an authorised accounting body, a legal practitioner and one other person. **Recommendation 8.5.**
- The requirement that the chairperson of the CALDB be a legal practitioner should be repealed. **Recommendation 8.6.**
- The ASC Act should be amended to provide that the membership of the CALDB is to be constituted as follows:
  - (a) each authorised accounting body is to submit a panel of four names, with one person being appointed from each panel of names;
  - (b) two persons selected from a panel of five names submitted by the Law Council of Australia; and
  - (c) two persons selected from panels of names submitted by business and professional organisations that are invited by the Minister to make nominations. **Recommendation 8.7.**

## **Disciplinary Matters**

236. The matters that may currently be referred to the CALDB by the ASC can be divided into two broad categories — administrative matters (such as failure to lodge a statement) and conduct matters.

237. The Working Party considers that disciplinary procedures would be more effective if disciplinary matters of an administrative nature could be dealt with by the registering body, thus leaving the disciplinary body to concentrate on conduct matters.

238. To give effect to this proposal, the Working Party makes the following recommendations, which may be embodied in changes to the Law, the regulations or elsewhere as appropriate:

- Disciplinary matters of an administrative nature (as defined in paragraph 851) are to be dealt with by the registering body. **Recommendation 8.8.**
- Where the registration function has been delegated to an authorised accounting body, guidelines approved by the ASC should cover such matters as:
  - (a) the procedures for giving notice of the authorised accounting body's intention to deal with a matter;
  - (b) allowing the RCA who is the subject of the action to be heard; and
  - (c) the publication of the authorised accounting body's decision **Recommendation 8.9.**
- Where the registration function has been delegated to an authorised accounting body, a person whose registration is cancelled by the registering body may lodge an appeal against that body's decision with the ASC. **Recommendation 8.10.**
- A decision made by the ASC in respect of an administrative matter may be the subject of an appeal to the AAT. **Recommendation 8.11.**
- The CALDB should only deal with cases involving conduct matters or combined conduct and administrative matters. **Recommendation 8.12.**
- Where the ASC has delegated the registration function to authorised accounting bodies, those bodies may, subject to the approval of the Commission, deal with specified types of conduct matter within their own disciplinary systems. **Recommendation 8.13.**
- Where civil or criminal proceedings have been commenced against a person, such proceedings are not to act as a bar to disciplinary proceedings against the same person and arising out of the same matter being commenced or continued by an authorised accounting body, the ASC or the CALDB. **Recommendation 8.14.**

## Penalties

239. The Working Party recommends that:

- The CALDB should be permitted to impose fines up to a limit of \$100,000. Consideration should also be given to amending the Law to enable the CALDB to enforce orders made during the pre-hearing period. **Recommendation 8.15.**

## Release of Information

240. The Working Party further recommends that:

- The nature of the matter, the decision in respect of each disciplinary proceeding and the reasons for the decision should be published. **Recommendation 8.16.**
- The CALDB should be permitted to provide information obtained by it during the course of a disciplinary proceeding to the investigation and disciplinary committees of the authorised accounting bodies to facilitate the disciplinary procedures of those bodies. **Recommendation 8.17.**

## OTHER CORPORATIONS LAW ISSUES

241. The Working Party considered the changes to provisions dealing with the independence of auditors of proprietary companies that were made by the *First Corporate Law Simplification Act 1995* (First Simplification Act).

242. In the view of the Working Party, auditor independence is fundamental and should not be compromised. Accordingly, the Working Party recommends that:

- Paragraphs 324(1)(f) and (2)(g) of the Law should be amended to remove the exemptions which currently permit proprietary companies to appoint as their auditors persons who are officers of the company or persons who are related to officers of the company. **Recommendation 9.1.**

243. The Working Party also considers that consideration should be given to amending the Law to make it clear that an Auditor-General may, subject to any constraints contained in the Commonwealth, State or Territory legislation establishing his or her office, delegate to a person nominated by him or her responsibility for signing an auditor's report or an audit review prepared under Part 3.7 of the Law.

## IMPLICATIONS FOR OTHER LEGISLATION

244. The Working Party notes that RCA status has become the de facto bench-mark for identifying a competent auditor for many non-corporate audits.



245. The Working Party further notes that RCA status may not be essential for some non-corporate audits and, accordingly, considers that the States and Territories should review the audit requirements in their various Acts and, where they consider it appropriate, provide that an auditor may be a person who holds a certificate of public practice issued by a professional accounting body recognised in that legislation.

## **RESOURCE IMPLICATIONS**

246. The Working Party notes that the quantum of the costs associated with the performance of the registration function by authorised accounting bodies will largely depend on the way in which the function is performed by those bodies. Information provided to the Working Party by the ICAA and the ASCPA indicates that, if those bodies were authorised accounting bodies and they jointly performed the registration and supervisory functions, the cost of performing these functions would be approximately \$764,000 in the first year and \$617,000 in the second and subsequent years. While income from annual renewals and applications is currently about \$470,000 per annum, the ICAA and ASCPA estimate that fees revenue would be \$310,000 in the first year and \$293,000 in the second and subsequent years. In keeping with the Government's application of user pays principles, fees should ultimately cover these costs.

247. The Working Party notes that the question of whether authorised accounting bodies should receive additional Government funding or a transfer of resources from Government for undertaking the registration and supervisory functions will be one for the Government and the authorised accounting bodies to negotiate. Nevertheless, both the ICAA and the ASCPA have indicated that they would be unwilling to bear an excess of costs over revenues for the provision of the delegated activities.

248. In addition to the costs incurred by authorised accounting bodies, the ASC will also incur some expenditure in performing an audit-type function on compliance by the authorised accounting bodies with either the terms of the MOU or the conditions under which statutory conferral is made.

249. If the CALDB is to be responsible for hearing conduct-related disciplinary matters, annual costs similar to those incurred in 1995/96 (\$312,000) could be expected. In these circumstances, both the ASC and the authorised accounting bodies could be expected to incur discipline-related costs similar to those currently being incurred.