



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

By email: [auditquality@treasury.gov.au](mailto:auditquality@treasury.gov.au);  
[erin.flynn@treasury.gov.au](mailto:erin.flynn@treasury.gov.au); [jane.cheung@treasury.gov.au](mailto:jane.cheung@treasury.gov.au)

29 June 2012

Grant Thornton Australia Limited  
ABN 41 127 556 389

Level 17, 383 Kent Street  
Sydney NSW 2000  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

T +61 2 8297 2400  
F +61 2 9299 4445  
E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

Dear Manager

**GRANT THORNTON SUBMISSION – ANNUAL TRANSPARENCY REPORT  
FOR AUDITORS – DRAFT REGULATIONS**

Grant Thornton Australia is pleased to provide Treasury with its comments on the draft Regulations for the Annual Transparency Report.

Grant Thornton Australia's response reflects our position as auditors and business advisers to listed and privately held companies, and other businesses.

Grant Thornton Australia broadly supports the requirement to provide an Annual Transparency Report for its audit activities, and has voluntarily provided on our website a Transparency Report for the 30 June 2010 and 30 June 2011 financial years, and intends to again provide a Transparency Report for its activities for 30 June 2012. However we believe that amendments may be necessary to the draft Regulations or indeed to the Act, so that the intent of the Corporations Legislation Amendment (Audit Enhancement) Act 2012 is reflected in Annual Transparency Reports issued by Australian auditors.

We suggest that further time beyond the 10 day period in which comments have been sought, be allowed for consultations with auditing entities is needed before the Regulations are finalised as otherwise the intent of the Act may not be reflected in the information that the Regulations require.

We believe that the draft Regulations have not taken into account the structure of those auditing entities that have adopted a Registered Audit Company structure, following past amendments to the Corporations Act that allowed audit partnerships to incorporate as companies. In particular we make the following observations:

1. As discussed with Treasury staff following the release of the draft Regulations, we understand that the definition of the term 'transparency reporting auditor' in the Act is restricted to either: an individual auditor; or an audit firm; or an authorised audit company. All audit activities are conducted by Grant Thornton Australia Limited through a number of structures and in certain instances by individual audit partners which are to some extent dictated by Commonwealth, and State legislation. Grant Thornton's main audit activities are conducted via Grant Thornton Australia Pty Limited which is a registered audit company. However some audit activities are conducted by State based partnerships and in certain instances by individual partners. However in each instance the audit work is 100% controlled ultimately by Grant Thornton Australia Limited. We believe that the intent of the legislation is to require disclosure of audit activities by the ultimate owner which is Grant Thornton Australia Limited, rather than separate disclosure by individual structures, being an individual auditor; or an audit firm;; or an authorised audit company
2. We support the disclosure of other (non-audit) services provided by the auditor, and our interpretation is that this would cover all such services provided by the Grant Thornton Australia Limited group. However as recently discussed with Treasury staff, if the view is taken that the 'other services' are only required to be disclosed by the audit vehicle which in most cases is Grant Thornton Australia Pty Limited (the transparency reporting auditor), then this would trigger very little disclosure as such 'other services' are mostly provided by other Grant Thornton Australia Limited vehicles. By way of example, Grant Thornton Australia Limited's 2011 Transparency Report disclosed total fees of \$151.1 million, which included audit fees of \$37.5 million and fees for other (non-audit) services charged to audit clients of \$5.7 million. If the interpretation of the Act and the draft Regulations is that it is only fees charged by the audit vehicle being Grant Thornton Australia Pty Limited, then there would be minimal fees disclosed as most other (non-audit) services are conducted via the Grant Thornton Australia Limited company.
3. Grant Thornton therefore suggests that the Regulations and perhaps an amended Act, should require the ultimate owner of the audit activities being in this instance Grant Thornton Australia Limited, to produce a consolidated Transparency Report, rather than separate Transparency Reports for the 3 categories of the transparency reporting auditor.
4. Grant Thornton is one of only 2 Australian audit entities that currently produce a Transparency Report and it is publicly available on the Grant Thornton website. A copy of the 30 June 2011 Transparency Report is available at:

<http://www.grantthornton.com.au/files/transparencyreport2011.pdf>

If you require any further information or comment, please contact me.

Yours sincerely  
GRANT THORNTON AUSTRALIA LIMITED

Keith Reilly

National Head of Professional Standards