



**ASIC**

Australian Securities & Investments Commission

## REGULATORY GUIDE 180

# Auditor registration

January 2008

### **About this guide**

This is a guide for auditors and prospective auditors who wish to audit companies and other entities under the *Corporations Act 2001* (Corporations Act).

This guide explains what an applicant must do when applying for registration as a registered company auditor (RCA) or as an authorised audit company (AAC), and how we may exercise our power to approve an auditing competency standard, which may be relied on by individual applicants for registration.

This guide also covers the lodgment of annual statements by RCAs and AACs.

**Note:** The auditor registration provisions discussed in this regulatory guide apply to all applications lodged after 1 July 2004. Auditors who were already registered before 1 July 2004 do not need to reapply for registration.

### About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

**Consultation papers:** seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

**Regulatory guides:** give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

**Information sheets:** provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

**Reports:** describe ASIC compliance or relief activity or the results of a research project.

### Document history

This version was issued on 24 January 2008 and is based on legislation and regulations as at 30 September 2007.

This document can also be referred to as Policy Statement 180 Auditor registration (PS 180).

Previous versions:

Superseded Regulatory Guide 180, issued 29 October 2007

Superseded Policy Statement 180, issued 1 July 2004, 21 December 2004 and rebadged as Regulatory Guide 180 5 July 2007

### Disclaimer

This guide does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this guide are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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## A Overview

### Key points

To register an individual as a registered company auditor (RCA), we must be satisfied that the person meets the requirements in s1280 of the Corporations Act: see RG 180.1.

To register a company as an authorised audit company (AAC), we must be satisfied that the company is eligible to be registered under s1299B of the Corporations Act: see RG 180.2.

We may approve an auditing competency standard if we are satisfied that the standard meets the requirements in s1280A of the Corporations Act: see RG 180.3–RG 180.5.

RCAs and AACs must lodge annual statements with ASIC: see RG 180.6.

## Registering as a registered company auditor

RG 180.1 Before we can register you as an RCA, we must be satisfied that you meet the statutory requirements in s1280 as summarised in Table 1. You must give us evidence that you satisfy these requirements. If you do not meet the requirements, we must refuse your application.

Note: For a discussion of these requirements and how we will assess them, see Section B.

**Table 1: Eligibility requirements for registration as a registered company auditor**

Qualifications: s1280(2)(a)	Skills: s1280(2)(b)	Capable, fit and proper: s1280(2)(c)
<p>You must:</p> <ul style="list-style-type: none"> <li>• have the prescribed academic qualifications <b>AND</b> have completed a prescribed course in auditing; <b>OR</b></li> <li>• have other qualifications and experience that ASIC considers equivalent to both these requirements.</li> </ul>	<p>You must:</p> <ul style="list-style-type: none"> <li>• satisfy all the components of an ASIC-approved competency standard (see RG 180.3–RG 180.5); <b>OR</b></li> <li>• have the prescribed level of practical experience <b>OR</b> experience that ASIC considers equivalent.</li> </ul>	<p>You must:</p> <ul style="list-style-type: none"> <li>• be capable of performing the duties of an auditor; <b>AND</b></li> <li>• be a fit and proper person to be registered as an auditor.</li> </ul>

## Registering as an authorised audit company

RG 180.2 Before we can register your company as an AAC, we must be satisfied that it meets the statutory requirements in s1299B as summarised in Table 2. You must give us evidence that your company satisfies these requirements. If your company is not eligible for registration under s1299B, we must refuse your application.

Note: For a discussion of these requirements and how we will assess them, see Section C.

**Table 2: Eligibility requirements for registration as an authorised audit company**

Directors: s1299B(a)	Share structure and voting rights: s1299B(b)–(c)	Professional indemnity insurance: s1299B(d)	External administration: s1299B(d)
Each director must be: <ul style="list-style-type: none"> <li>• an RCA; <b>AND</b></li> <li>• not disqualified from managing a corporation.</li> </ul>	Each share must be held and beneficially owned by a person who is: <ul style="list-style-type: none"> <li>• an individual; <b>OR</b></li> <li>• the legal personal representative of an individual.</li> </ul> The majority of the votes at a general meeting must attach to shares that are owned by RCAs.	The company must have professional indemnity insurance that is: <ul style="list-style-type: none"> <li>• adequate; <b>AND</b></li> <li>• appropriate.</li> </ul>	The company must not be an externally administered body corporate.

## Approval of an auditing competency standard

RG 180.3 Auditing competency standards provide an alternative means by which a person may satisfy us that they have the skills (demonstrated by sufficient practical experience) to be registered as an RCA.

RG 180.4 Under s1280A of the Corporations Act, we may approve an auditing competency standard if we are satisfied that:

- the standard provides that a person's performance against each component of the standard is to be appropriately verified by an assessor who is an RCA and has sufficient personal knowledge of the person's work to be able to give that verification;
- the standard is not inconsistent with the Corporations Act or any other law of the Commonwealth under which we have regulatory responsibilities;
- the standard adequately addresses the level of skill needed for registration as an RCA; and
- the standard is harmonised to the greatest extent possible with other approved auditing competency standards.

Note: For a discussion of these requirements and how we will assess them, see Section E.

- RG 180.5 We also have power to approve a variation of an approved standard and to revoke an approval of an auditing competency standard.

## Lodging annual statements

- RG 180.6 RCAs and AACs must lodge an annual statement with ASIC within 1 month of the anniversary of their registration. These statements help us to monitor the activities of RCAs and AACs after registration.

Note: For a discussion of this requirement, see Section F.

## Underlying principles

- RG 180.7 An audit of an Australian company, disclosing entity, registered scheme or Australian financial services (AFS) licensee for the purposes of the Corporations Act may only be done by an RCA or AAC. Individuals (see Pt 9.2) may be registered as RCAs and companies may be registered as AACs (see Pt 9.2A). The qualifications, experience and other requirements for registration are set out in the Corporations Act.

### Registration of registered company auditors

- RG 180.8 Our policy aim is to interpret and apply the law in line with the objectives of the legislature. The Explanatory Memorandum to the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Bill 2003 (CLERP 9 Bill) (which amended the auditor registration provisions of the Corporations Act) states that the CLERP 9 Bill 'will update and enhance the qualification requirements applying to accountants who seek registration as company auditors': para 5.77.
- RG 180.9 Our policy on the registration of RCAs aims to reflect these objectives by imposing minimum standards of both competence and integrity. This will help protect investors and other users of financial reports. Specifically, a person who applies to be registered as an RCA must demonstrate sufficient competence and integrity to express a professional opinion that the financial report of a company, registered scheme or disclosing entity is reliable and in accordance with the Corporations Act. To do this, they need to fully understand Australian auditing requirements and practices.

### Registration of AACs

- RG 180.10 The CLERP 9 Bill also introduced the concept of an 'authorised audit company' to help 'accounting firms better manage risks of professional liability by providing an additional option of incorporation. Allowing

auditors to incorporate will address some of the concerns about the professional liability of auditors. It also provides accounting firms with an additional option for the way they structure their operations': para 5.201 of the Explanatory Memorandum to the CLERP 9 Bill.

- RG 180.11 Companies, unlike individuals, may have limited liability. Without adequate and appropriate professional indemnity insurance arrangements, an audit client may experience difficulty claiming against the AAC where the AAC's professional services have caused the client economic loss. The insurance requirements seek to ensure that an audit client obtaining services from an AAC is in a similar position, in terms of the client's ability to recover for economic loss, to an audit client obtaining like services from an individual RCA or firm of auditors.
- RG 180.12 We consider that the purpose of the 'adequate and appropriate insurance' requirement, set out in the CLERP 9 Bill, is to ensure that AACs can meet claims reasonably anticipated to arise from their auditing work under the Corporations Act. This is why we have imposed specific conditions on registration dealing with the adequacy and appropriateness of the mandatory professional indemnity insurance: see Pro Forma 215 *Company auditor registration conditions* [PF 215] and Pro Forma 216 *Authorised audit company registration conditions* [PF 216].
- RG 180.13 We may review these conditions from time to time. In particular, we may review the professional indemnity insurance requirements in light of any substantive changes in the nature or availability of professional indemnity insurance, or changes to any state or territory legislation or policy that sets out minimum insurance requirements for auditors or accountants generally. We may also review our policy to ensure consistency with international best practice or the recommendations of relevant professional bodies.

### **Approval of auditing competency standards**

- RG 180.14 The competency standard regime provides an alternative to complying with the time-based practical experience requirements prescribed in the Corporations Regulations 2001 (Corporations Regulations): see reg 9.2.01. Accordingly, a competency standard may not necessarily require that an applicant meet the same minimum time period of practical experience as in reg 9.2.01. However, the competency standard must be sufficiently rigorous, transparent and objective to ensure that a person's practical experience is adequate for registration as an RCA.
- RG 180.15 To demonstrate that a competency standard is 'sufficiently rigorous, transparent and objective', an application to approve a competency standard should include an analysis of the underlying methodologies that were used in developing the standard to meet these key objectives. The analysis should

also include a discussion of what consultation was undertaken in developing the competency standard.

### **Lodgement of annual statements**

- RG 180.16 One of the purposes of lodging annual statements with ASIC is to provide us with up-to-date information that may, if necessary, be used as the basis for targeted monitoring purposes.
- RG 180.17 The content of the annual statement is prescribed in the Corporations Regulations only for AACs: see reg 9.2A.03 and Form 912B *Annual statement by an authorised audit company* at [www.asic.gov.au](http://www.asic.gov.au). Annual statements from RCAs should be submitted using Form 912A *Annual statement by an auditor* at [www.asic.gov.au](http://www.asic.gov.au).

## B Registering as a registered company auditor

### Key points

To be registered as an RCA, you must satisfy us that you meet the requirements in s1280—that is, you:

- have completed educational requirements prescribed by the Corporations Regulations **OR** qualifications and experience that are, in our opinion, *equivalent* to those requirements (see RG 180.18–RG 180.19);
- meet an approved competency standard **OR** have practical experience as prescribed by the Corporations Regulations (see RG 180.20);
- are capable of performing the duties of an auditor **AND** are otherwise a fit and proper person (see RG 180.22–RG 180.29); and
- meet the other eligibility requirements relating to disqualifications and residency in Australia (see RG 180.30).

We will impose conditions on all registrations: see RG 180.31–RG 180.33.

## How to apply

### Steps in applying for registration as an RCA

- 1 You must apply using Form 903AA *Application for registration as an auditor*. You can either:
  - complete and lodge an electronic Form 903AA at [www.asic.gov.au/auditregistration](http://www.asic.gov.au/auditregistration); or

Note: Even though you have lodged Form 903AA electronically, you still must send us your supporting material in hardcopy. Please include a hardcopy of your completed Form 903AA, signed and dated in the spaces provided, when you send your supporting material and application fee to ASIC.

  - complete and lodge a paper Form 903AA (including any supporting material and application fee). You can download a copy of Form 903AA at [www.asic.gov.au/auditregistration](http://www.asic.gov.au/auditregistration) or obtain a copy from an ASIC Service Centre or Infoline on 1300 300 630.
- 2 Your application (i.e. your completed Form 903AA and supporting material) for registration as an RCA must:
  - include the information or documents that we need to decide whether you meet the eligibility requirements under the Corporations Act (see Table 4–Table 7 in this section, and Appendix 1 and 2);
  - be dated not more than 3 months before the application is lodged; and
  - be accompanied by the application fee (currently \$130 for electronic lodgement, \$330 for paper lodgement).
- 3 You should ensure the application (including supporting material) lodged with us is correct and complete and provide certified copies where required: see RG 180.55–RG 180.57. Under s1308 of the Corporations Act, there may be serious consequences if you provide, or authorise the provision of, a false, incomplete or misleading statement in a document lodged with us: see RG 180.58–RG 180.61.
- 4 Send your application and application fee to:
 

Auditor Registration Team  
Australian Securities and Investments Commission  
PO Box 4000  
Gippsland Mail Centre Vic 3841

Note: We can only start to process your application after we have received the application fee.

**Table 3: What you need to include with your application**

Eligibility requirements	Explanation	What you need to include
<b>Qualifications and experience: s1280(2)(a)</b>		
<b>Prescribed academic qualifications: 1280(2A)</b>	See RG 180.18 and Table 4	See Table 12 in Appendix 1
<b>Equivalent qualifications and experience: s1280(2B)</b>	See RG 180.19 and Table 5	See Table 13 in Appendix 1
<b>Skills: s1280(2)(b)</b>		
<b>Approved auditing competency standard: s1280(2)(b)(i)</b>	See RG 180.20, RG 180.21 and Table 6	See Table 14 in Appendix 1
<b>Prescribed practical experience: s1280(2)(b)(ii) and reg 9.2.01(a)</b>	See RG 180.20, RG 180.21 and Table 6	See Table 16 in Appendix 1 and: <ul style="list-style-type: none"> <li>• Sample document A in Appendix 2 (details of your practical experience)</li> <li>• Sample document C in Appendix 2 (details of your supervisory experience)</li> <li>• Sample document D (supervisor declaration)</li> </ul>
<b>Equivalent practical experience: s1280(2B) and reg 9.2.01(b)</b>	See RG 180.20, RG 180.21 and Table 6	See Table 16 in Appendix 1 and: <ul style="list-style-type: none"> <li>• Sample document B in Appendix 2 (details of your equivalent experience)</li> <li>• Sample document C in Appendix 2 (details of your supervisory experience)</li> <li>• Sample document D (supervisor declaration)</li> </ul>
<b>Capable and fit and proper person: s1280(2)(c)</b>		
<b>'Capable'</b>	See RG 180.23–RG 180.24 and Table 7	See Table 17 in Appendix 1 and: <ul style="list-style-type: none"> <li>• Sample document E in Appendix 2 (capability report)</li> <li>• Sample document F in Appendix 2 (capability declaration)</li> </ul>
<b>'Fit and proper'</b>	See RG 180.25–RG 180.29 and Table 7	See Table 17 in Appendix 1 and: <ul style="list-style-type: none"> <li>• Sample document F in Appendix 2 (capability declaration)</li> </ul>
<b>Other eligibility requirements: s1280(3)–(4)</b>		
<b>Not a 'disqualified' person/ resident in Australia</b>	See RG 180.30	See question 9 in Form 903AA

## Qualifications and experience: s1280(2)(a)

- RG 180.18 To satisfy us that you meet this requirement, you must show that you have either:
- (a) prescribed academic qualifications under s1280(2A) as summarised in Table 4; or
  - (b) equivalent qualifications and experience under s1280(2B) as summarised in Table 5.
- RG 180.19 In assessing whether qualifications and experience are equivalent under s1280(2B) to the prescribed academic qualifications and experience in s1280(2A), we will focus on whether the applicant has both:
- (a) qualifications and training relevant to company auditing; and
  - (b) experience in the conduct of an audit in Australia under Australian regulatory requirements.

**Table 4: Summary of prescribed academic qualifications under s1280(2A)**

What you need to have	What you must lodge with ASIC.
<ul style="list-style-type: none"> <li>• You must hold a degree, diploma or certificate from a prescribed university or another prescribed institution in Australia: see reg 9.2.02.</li> </ul> <p><b>AND</b></p> <ul style="list-style-type: none"> <li>• Your degree, diploma or certificate must represent a course of study in:               <ul style="list-style-type: none"> <li>– accountancy (including auditing) of not less than 3 years duration; and</li> <li>– commercial law (including company law) of not less than 2 years duration.</li> </ul> </li> </ul> <p><b>AND</b></p> <ul style="list-style-type: none"> <li>• You must have completed a prescribed course in auditing: see reg 9.2.03.</li> </ul>	<ul style="list-style-type: none"> <li>• A certified copy of your degree, diploma or certificate from the prescribed university or prescribed institution that has given you the qualification on which you rely: see reg 9.2.02.</li> <li>• A certified copy of your statement of academic record from that university or institution which indicates:               <ul style="list-style-type: none"> <li>– the subjects you have undertaken for that qualification;</li> <li>– the results you obtained; and</li> <li>– a legend explaining what the results represent.</li> </ul> </li> <li>• A letter (s1280(2A) certificate) from an authorised person at the university or institution certifying to ASIC that you have passed examinations in such subjects as represents a course of study in:               <ul style="list-style-type: none"> <li>– accountancy (including auditing) of not less than 3 years duration; and</li> <li>– commercial law (including company law) of not less than 2 years duration.</li> </ul> <p style="margin-left: 20px;">Note: A statement of academic record is not a s1280(2A) certificate.</p> </li> <li>• A certified copy of a certificate or statement of academic record indicating that you have satisfactorily completed a course in auditing prescribed by reg 9.2.03.</li> </ul>

**See Table 12 in Appendix 1 for more details of how we will assess this requirement.**

**Table 5: Summary of equivalent qualifications and experience under s1280(2B)**

What you need to have	What you must lodge with ASIC
<ul style="list-style-type: none"> <li>You may be eligible for registration if you can satisfy ASIC that you have qualifications <b>AND</b> experience equivalent to the requirements in s1280(2A).</li> <li>If you hold one, but not both prescribed qualifications under s1280(2A), we will assess your other qualifications and experience to see whether they are equivalent to the prescribed qualification that you do not hold.</li> <li>If you obtained your university or other qualifications overseas, we will assess your qualifications and experience to see whether they are equivalent to the prescribed qualifications.</li> </ul>	<p>A statement setting out:</p> <ul style="list-style-type: none"> <li>the qualifications <b>AND</b> experience you rely on for your knowledge of accountancy and commercial law (including company law); and</li> <li>the reasons we should treat those qualifications and experience as equivalent to s1280(2A).</li> </ul> <p>Note: If you are relying on an overseas accounting and legal qualification, you may have to provide an assessment letter from an authorised assessing authority of the National Office of Overseas Skills Recognition (NOOSR). This letter should confirm the comparability of your qualifications and an Australian undergraduate degree in accounting and law from a prescribed university or institution: see <a href="http://www.aei.dest.gov.au">www.aei.dest.gov.au</a>.</p> <ul style="list-style-type: none"> <li>A certified copy of your degree, diploma or certificate from the university or institution that has given you the qualification on which you rely.</li> <li>A certified copy of your statement of academic record from each university or institution that has given you a qualification on which you rely, which identifies the subjects you have undertaken for that qualification and explains your results.</li> <li>A certified copy of your certificate or statement of academic record indicating that you have satisfactorily completed a course that you rely on as being equivalent to a course in auditing prescribed by reg 9.2.03.</li> </ul> <p>Note: If you are relying on an overseas auditing course, you may have to provide an assessment letter from one of the Australian bodies that conducts such courses in Australia, confirming the comparability of this course and the course conducted by the Australian body.</p>

See Table 13 in Appendix 1 for more details of how we will assess this requirement.

## Skills: s1280(2)(b)

- RG 180.20 To satisfy us that you meet this requirement, you must show that you either:
- (a) comply with an approved competency standard under s1280(2)(b)(i) (see Table 14 in Appendix 1 of this guide); or
  - (b) have:
    - (i) prescribed practical experience in auditing under s1280(2)(b)(ii) (see reg 9.2.01(a)); or
    - (ii) experience we consider equivalent under s1280(2B) to that required by reg 9.2.01(a) (see reg.9.2.01(b)).

These skills requirements are summarised in Table 6.

**Table 6: Summary of skills requirement under s1280(2)(b)**

	What you need to have	What you must lodge with ASIC
<b>Approved auditing competency standard: s1280(2)(b)(i)</b> <b>OR</b>	You must satisfy all the components of an approved competency standard. <b>OR</b>	<ul style="list-style-type: none"> <li>Your completed log book (including your assessor's statement and/or statement by referee/s).</li> <li>A certified copy of your certificate of membership of the CPAA, ICAA, NIA or other professional body.</li> </ul>
<b>Prescribed practical experience: s1280(2)(b)(ii) and reg 9.2.01(a)</b> <b>OR</b>	You must have at least 3,000 hours work in auditing during the 5 years immediately before the date of your application, including at least 750 hours spent supervising audits of companies. <b>OR</b>	<ul style="list-style-type: none"> <li>A statement setting out details of your practical experience. See Sample document A in Appendix 2 for the preferred form of this statement.</li> <li>A statement setting out details of your supervisory experience. See Sample document C in Appendix 2 for the preferred form of this statement.</li> <li>A supervisor declaration from each RCA who supervised your work. See Sample document D in Appendix 2 for the preferred form of this statement.</li> </ul>
<b>Equivalent practical experience: s1280(2B) and reg 9.2.01(b)</b>	You must have practical experience that, in our opinion, is equivalent to the practical experience in reg 9.2.01(a).	<ul style="list-style-type: none"> <li>A statement setting out details of your practical experience. See Sample document B in Appendix 2 for the preferred form of this statement.</li> <li>A statement setting out details of your supervisory experience. See Sample document C in Appendix 2 for the preferred form of this statement.</li> <li>A supervisor declaration from each RCA who supervised your work. See Sample document D in Appendix 2 for the preferred form of this statement.</li> </ul>

See Table 14–Table 16 in Appendix 1 for more details of how we will assess this requirement.

## Overseas qualifications

RG 180.21 If you have overseas auditing experience and qualifications, you must give us evidence that you have at least three years of practical experience in company auditing in a country that we consider to have auditing standards that are equivalent to Australian standards. We will recognise the following countries as having auditing standards that are equivalent to Australian standards:

- (a) the United States; and
- (b) those countries whose professional accountancy bodies are members of the International Federation of Accountants (IFAC) and who apply all, or substantially all, of the International Standards on Auditing issued by the IFAC's International Auditing and Assurance Standards Board. We may require confirmation of this fact from your overseas professional body.

Note: If you are relying on an overseas auditing course, you may have to provide an assessment letter from one of the Australian bodies that conducts such courses in Australia, confirming the comparability of this course and the course conducted by the Australian body.

## Capable and a fit and proper person: s1280(2)(c)

RG 180.22 In addition to being satisfied that you hold the necessary qualifications and have the necessary competency or practical experience, we must also be satisfied that you are:

- (a) capable of performing the duties of an auditor; and
- (b) otherwise a fit and proper person to be registered as an auditor.

These requirements are summarised in Table 7.

**Table 7: Summary of character requirements under s1280(2)(c)**

What you need to be	What you must lodge with ASIC
<p><b>'Capable'</b></p> <p>See RG 180.23–RG 180.24</p>	<ul style="list-style-type: none"> <li>• Capability report—A capability report explaining the scope and complexity of your audit experience. See Sample document E in Appendix 2 for the preferred form of this statement.</li> <li>• Capability declaration—A statutory declaration from the person named in Form 903AA as your supervisor or referee for the audits described in your capability report. See Sample document F in Appendix 2 for the preferred form of this statement.</li> </ul>
<p><b>'Fit and proper'</b></p> <p>See RG 180.25–RG 180.29</p>	<ul style="list-style-type: none"> <li>• Capability declaration—A statutory declaration from the person named in Form 903AA as your supervisor or referee for the audits described in your capability report. See Sample document F in Appendix 2 for the preferred form of this statement.</li> <li>• A signed statement from you containing details of any: <ul style="list-style-type: none"> <li>– previous disqualifications;</li> <li>– disciplinary action taken;</li> <li>– litigation matter;</li> <li>– administration;</li> <li>– conviction;</li> <li>– previous application for registration; or</li> <li>– resignation or removal.</li> </ul> </li> </ul>

See Table 17 in Appendix 1 for more details of how we will assess this requirement.

### Capable of performing the duties of an auditor

RG 180.23 We consider that a person is 'capable' of performing their professional responsibilities as an RCA if they can perform their duties in a manner that is not negligent.

RG 180.24 We will only consider a person capable of performing their professional duties in a manner that is not negligent if they can demonstrate that they have performed audit work exposing them to a sufficient range of audits and auditing issues relative to the type of audit practise engaged in. We will make this assessment on a case by case basis.

### **Fit and proper person**

RG 180.25 We will only be satisfied that you are a fit and proper person to be registered as an RCA if we are satisfied as to your honesty, integrity and good reputation. This is in addition to our being satisfied about your overall capability.

RG 180.26 When we assess whether you are a fit and proper person to be registered as an RCA, we will regard favourably current membership of one of the professional accounting bodies, because such bodies usually require their members to be fit and proper persons. Therefore, they will have also considered your honesty, integrity and reputation. However, your membership of such a body will not be determinative in our assessment of whether you are a fit and proper person to be an RCA.

RG 180.27 We will consider that you are not fit and proper to be registered if any of the following apply to you:

- (a) in the last 10 years, you have been convicted of any offence of which one element is dishonesty (such as theft or fraud), even though that conviction does not make you a disqualified person under Pt 2D.6;
- (b) in the last 10 years, you have been found civilly liable for any breach of trust, breach of fiduciary duty, dishonesty, gross negligence or recklessness in the course of your professional duties; or
- (c) we are not satisfied that you have full legal or mental capacity.

RG 180.28 We may consider that you are not fit and proper to be registered, depending on the particular facts and circumstances, if you have ever been found to have committed (or have proceedings pending for) any criminal offences, any professional misconduct or other misconduct.

RG 180.29 To assess whether you are a fit and proper person we will require you to provide details about whether:

- (a) any of the criteria in RG 180.27 apply to you;
- (b) any legal action is pending against you, or has been taken against you in the last 10 years:
  - (i) for any offence (other than a traffic offence); or
  - (ii) in relation to the conduct of an audit (whether the audit was under the Corporations Act or otherwise);

- (b) you have ever been excluded from practise as an RCA or liquidator (including by having your registration cancelled);
- (c) any legal or disciplinary action is pending against you, or has been taken against you in the last 10 years that resulted in an adverse finding, by a regulatory, statutory or professional body;
- (d) you have ever been refused membership by a relevant professional body;
- (e) you have ever made a prior application for registration as an RCA or liquidator that has been refused; or
- (f) in the last five years, you have resigned (other than where s324AC(2) applies) or been removed from office as an auditor or liquidator of a company or registered scheme (including in the circumstances described in s327B(2A)–(2C) or s331AAA (2A)–(2C)).

## Other eligibility requirements

RG 180.30 Under s1280, we:

- (a) must not register as an RCA a person who is disqualified from managing a corporation under Pt 2D.6 of the Corporations Act (including because the person is bankrupt); and
- (b) may refuse to register as an RCA a person who is not resident in Australia.

You must provide us with information about these issues in Form 903AA as part of the registration process.

## Conditions on registration

RG 180.31 We will impose conditions on all RCAs applying for registration on or after 1 July 2004 so that RCAs generally will need to meet certain standards even if they are not members of a professional accounting body: see s1289A and reg 9.2.08. Table 8 summarises the standard conditions we will impose on registration of all RCAs on or after 1 July 2004 as set out in Pro Forma 215 *Company auditor registration conditions* [PF 215].

**Table 8: Standard conditions on registered company auditors**

<p><b>Professional development</b> You must document and complete a specified level of continuing professional development.</p>	<p><b>Complaints handling procedures</b> You must document, maintain and follow procedures dealing with complaints by audit clients. Because the nature, scale and complexity of an RCA's businesses will vary, the compliance measures, processes and procedures you need to adopt for quality assurance and complaints will vary according to your business.</p>
<p><b>Professional indemnity insurance</b> You must maintain a specified level of professional indemnity insurance.</p>	<p>However, your complaints handling procedures should be consistent with Australian Standard AS 4269:1995, 'Complaints handling'.</p>
<p><b>Quality assurance procedures</b> You must document, maintain and follow quality assurance procedures required by Australian Auditing Standard AUS 206, 'Quality control for audits of historical financial information'.</p>	

- RG 180.32 We may impose additional conditions or vary or revoke existing conditions, if an RCA was already registered before 1 July 2004. We may do so, for example, where we think it is necessary to address concerns about the conduct of a particular RCA or RCAs generally. If we intend to impose additional conditions on an RCA, or vary or revoke existing conditions, we will first give the person the opportunity to appear before, or be represented at, a private hearing and to make submissions on the matter.
- RG 180.33 Imposing conditions on the registration of all RCAs fosters a 'level playing field' between RCAs who are subject to the rules of a professional accounting body and those who are not. It also helps maintain high standards of audit practice and procedures across the industry. This benefits both audit clients and users of financial reports who rely on audit opinions in financial reports.

## C Registering as an authorised audit company

### Key points

To be eligible for registration as an AAC, you must satisfy us that your company meets the requirements in s1299B, which cover:

- ownership and control of the company (i.e. directors, shareholding and voting rights);
- professional indemnity insurance (see RG 180.36–RG 180.53); and
- external administration.

We will impose conditions on all registrations: see RG 180.34–RG 180.35.

Note: For the legal requirements on ownership and control and external administration, see s1299B(a)–(c) and (e) of the Corporations Act. We only discuss these requirements in Table 9 in relation to information you must provide with your application to show us that you satisfy these requirements.

## How to apply

### Steps in applying for registration as an authorised audit company

- 1** You must apply using Form 903AB *Application for registration as an authorised audit company*. You can either:

  - complete and lodge an electronic Form 903AB at [www.asic.gov.au/auditregistration](http://www.asic.gov.au/auditregistration); or

Note: Even though you have lodged Form 903AB electronically, you still must send us your supporting material in hardcopy. Please include a hardcopy of your completed Form 903AA, signed and dated in the spaces provided, when you send your supporting material and application fee to ASIC.

  - complete and lodge a paper Form 903AB (including any supporting material and application fee). You can download a copy of Form 903AB at [www.asic.gov.au/auditregistration](http://www.asic.gov.au/auditregistration) or obtain a copy from an ASIC Service Centre or Infoline on 1300 300 630.
- 2** Your application (i.e. your completed Form 903AB and supporting material) for registration as an AAC must:

  - include the information or documents that we need to decide whether your company meets the eligibility requirements under the Corporations Act (see reg 9.2.A.01 and the summary in Table 9);
  - be dated not more than 3 months before the application is lodged; and
  - be accompanied by the application fee (currently \$270 for electronic lodgement, \$540 for paper lodgement).
- 3** You should ensure the application (including supporting material) lodged with us is correct and complete and provide certified copies where required: see RG 180.55–RG 180.57. Under s1308 of the Corporations Act, there may be serious consequences if you provide, or authorise the provision of, a false, incomplete or misleading statement in a document lodged with us: see RG 180.58–RG 180.61.
- 4** Send your application and application fee to:

Auditor Registration Team  
Australian Securities and Investments Commission,  
PO Box 4000  
Gippsland Mail Centre Vic 3841

Note: We can only start to process your application after we have received the application fee.

**Table 9: Summary of requirements for registration as an AAC under s1299B**

	What you must show	What to lodge with ASIC
<b>Directors: s1299B(a)</b>	Each director is: <ul style="list-style-type: none"> <li>• an RCA; and</li> <li>• not disqualified from managing a corporation under Pt 2D.6.</li> </ul>	See question 3 in Form 903AB.
<b>Share structure: s1299B(b)</b>	Each share in the company is held and beneficially owned by a person who is: <ul style="list-style-type: none"> <li>• an individual; or</li> <li>• the legal personal representative of an individual.</li> </ul>	<ul style="list-style-type: none"> <li>• A signed statement providing details of the current shareholdings.</li> </ul> See question 4 in Form 903AB.
<b>Voting rights: s1299B(c)</b>	A majority of the votes that may be cast at a general meeting of the company is attached to shares in the company that are held and beneficially owned by individuals who are RCAs.	<ul style="list-style-type: none"> <li>• A signed statement providing details of the voting rights attaching to the shareholdings in the company.</li> </ul> See question 4 in Form 903AB.
<b>Professional indemnity insurance: s1299B(d)</b>	The company has adequate and appropriate professional indemnity insurance for claims that may be made against the company in relation to the audit of companies and registered schemes.	<ul style="list-style-type: none"> <li>• An original or certified copy of a certificate of currency.</li> <li>• A certified copy of the insurance policy terms.</li> <li>• A signed statement containing details of the insurer's place of domicile.</li> <li>• A signed statement from the insurance broker or insurer certifying that any exclusions contained in the policy are standard or usual exclusions for a policy of this type and that the policy is made on standard commercial terms.</li> <li>• A signed statement from the applicant's accountant certifying the value of the company's net tangible assets as at the date of the application.</li> <li>• An estimate of the maximum anticipated Corporations Act audit engagement fee that the AAC will charge for conducting an audit.</li> </ul> See question 5 in Form 903AB. <ul style="list-style-type: none"> <li>• A pro forma deed from each director in favour of ASIC in which the director undertakes to use best endeavours to ensure that the AAC maintains run-off cover for a minimum of 7 years after it ceases to be registered: see <i>Pro Forma 217 Deed: Authorised audit company run-off insurance cover</i> [PF 217].  Note: This is a condition on the registration of the AAC: see Table 10.</li> </ul>

	What you must show	What to lodge with ASIC
<b>External administration: s1299B(e)</b>	The company is not an externally-administered body corporate.	<ul style="list-style-type: none"> <li>• A signed statement containing details of the action taken (if any).</li> <li>• A signed statement containing details of the official management (if any).</li> <li>• A signed statement containing details of the administration or appointment of the controller or managing controller (if one has been appointed).</li> <li>• A signed statement containing details of the compromise or arrangement (if any).</li> <li>• A signed statement containing details of the proceedings (if any) or other action being taken against the company.</li> </ul> <p>See question 4 in Form 903AB.</p>

## Conditions on registration

RG 180.34 We may impose conditions on the registration of AACs. These conditions are not limited by the regulations; we can impose any conditions that we consider necessary: see s1299D(1)(c). Table 10 summarises the standard conditions we will impose on registration of all AACs on or after 1 July 2004 as set out in Pro Forma 216 *Authorised audit company registration conditions* [PF 216].

**Table 10: Standard conditions on registered AACs**

### Professional indemnity insurance

As an AAC, your company must maintain a specified level of professional indemnity insurance: see RG 180.36–RG 180.53.

We may undertake targeted or random surveillance to ensure that your company continues to comply with this condition after registration.

### 'Run-off' cover

Each director of an AAC must execute a pro forma deed in favour of ASIC in which the director undertakes to use best endeavours to ensure that the AAC maintains run-off cover for a minimum of 7 years after it ceases to be registered: see Pro Forma 217 *Deed: Authorised audit company run-off insurance cover* [PF 217] at [www.asic.gov.au](http://www.asic.gov.au) and RG 180.49(e).

### Complaints handling procedures

Your company must implement complaints handling procedures that are consistent with Australian Standard AS 4269:1995, 'Complaints handling'.

### Notifying ASIC of breaches or ineligibility

You must notify us:

- of any breach of a registration condition by your company (see s1299F); and
- in writing, within 7 days, if you become aware that your company is no longer eligible to be registered as an AAC.

If your company ceases to be eligible to be registered, we may cancel or suspend your company's registration as an AAC. While there is no requirement in the Corporations Act for you to immediately notify us of this, we have made it a condition of registration.

Note: You must also notify us if you are seeking to deregister your AAC as a company (e.g. in the case of a winding-up): see RG 180.68.

This requirement is consistent with best practice requirements for some professional accounting bodies, which recommend that members ensure a valid and binding contract of professional indemnity insurance is maintained for not less than 7 years after ceasing practice as an accountant.

#### Other conditions

We may impose other conditions on AACs or vary or revoke existing conditions from time to time, as we consider necessary. We may do so, for example, where we think it is necessary to address concerns about the conduct of a particular AAC or AACs generally.

If we intend to impose additional conditions on an AAC, or vary or revoke existing conditions, we will first give the AAC the opportunity to make submissions on the matter.

- RG 180.35 We aim to impose conditions in accordance with the objective of the legislature (i.e. to provide a system that allows auditors the flexibility to manage risks of professional liability by providing an additional option of incorporation). Para 5.201 of the Explanatory Memorandum to the CLERP 9 Bill states, ‘allowing auditors to incorporate will address some of the concerns about the professional liability of auditors. It also provides auditing firms with an additional option for the way they structure their operations.’ The conditions aim to ensure that audit clients are not disadvantaged if they deal with AACs compared to an RCA or audit firm.

## Professional indemnity insurance

- RG 180.36 Under s1299B, a company is only eligible for registration as an AAC if we are satisfied that it has adequate and appropriate professional indemnity insurance cover. We consider that this insurance should be:
- (a) for an amount sufficient to cover claims reasonably anticipated to arise from Corporations Act audits;
  - (b) fit for its purpose and on usual commercial terms; and
  - (c) reasonably available in the marketplace.

### Adequacy (quantum)

- RG 180.37 For the purposes of s1299B, the minimum insured amount will depend on the largest Corporations Act audit engagement fee that the directors of the AAC reasonably believe the AAC will charge. The estimated fee must be approved by a resolution of the board of directors. The directors of the AAC must:
- (a) advise us of the estimated fee when the AAC applies for registration; and
  - (b) update this estimate each year in the annual statement made by the AAC under s1299G of the Corporations Act.
- RG 180.38 To determine the required insured amount, AACs should use the following formula:

- (a) if the maximum engagement fee is estimated to be \$50,000 or less, the insured amount will be not less than \$500,000 for any one claim and in the aggregate; or
- (b) if the maximum engagement fee is estimated to be more than \$50,000, the insured amount will be not less than 10 times the estimated maximum engagement fee up to a maximum figure of \$20 million for any one claim and in the aggregate.

RG 180.39 Our method for calculating the adequacy of insurance cover held by an AAC is influenced by the research and public consultation carried out by the Professional Standards Council (NSW) before their approval of the Accountants' Limitation of Liability Scheme (NSW) in 1997 (the 1997 scheme). In approving the 1997 Scheme, the claims history of accountants generally (including some auditors) was considered.

Note 1: The 1997 scheme applied to members of the CPAA and the ICAA. It was replaced by the Accountants Scheme in 2001 (the 2001 NSW scheme). The 2001 NSW scheme uses the same method of calculation as the 1997 scheme.

Note 2: A similar scheme applies to members of the National Institute of Accountants (NIA). The NIA (NSW) Scheme commenced on 30 January 2007.

Note 3: New schemes applying to members of the CPAA and the ICAA were gazetted in New South Wales and Western Australia in October 2007. These schemes increase the maximum required insured amount for audit and related services from \$20 million to \$75 million. The minimum required insurance amount will progressively increase from \$500,000 to \$1 million between 30 June 2008 and 1 July 2009. The new schemes use the same method of calculation of insurance requirements beyond the minimum and up to the maximum level as the previous NSW scheme. We may review our registration conditions in light of these changes.

RG 180.40 The 2001 NSW scheme limits the civil liability of accountant members. In return, members are committed to achieve and maintain the appropriate level and currency of professional qualifications and experience, to adhere to a prescribed code of ethics and to maintain business assets and/or insurance to meet claims made against them to a certain limit.

RG 180.41 Since the earlier version of this regulatory guide was issued in 2004, similar schemes have been established in all states and territories.

RG 180.42 As stated in para RG 180.40, the 2001 NSW scheme limits the maximum liability for damages arising out of a cause of action for occupational liability (the limitation amount) that may be awarded against a person. It does not affect damages that are below \$500,000. Where damages are above \$500,000, the limitation amount will be the fee payable for the service to which the cause of action relates, being a reasonable charge for the service provided or which failed to be provided, multiplied by 10, up to a monetary ceiling of \$20 million. Members must have compulsory insurance and business assets of a combined value of not less than the limitation amount.

Note: Under the new NSW schemes, a higher monetary ceiling of \$75 million will apply for auditing and related services. This increase will *not* automatically flow through to our conditions on registration. See Note 3 to para RG 180.39.

- RG 180.43 We consider that the limitation amount, calculated in accordance with the 2001 NSW scheme, is a useful guide as to what is adequate professional indemnity insurance for AACs. From a practical perspective, there is no discernible difference (in terms of risk or otherwise) between the audit services (or the fees for such services) provided by an AAC and audit services provided by an audit firm.

### **Appropriateness (terms and conditions)**

- RG 180.44 To be considered appropriate insurance under s1299B, the insurance must have the following features. The policy:
- (a) must cover claims made in respect of Corporations Act audits;
  - (b) must only be subject to usual or standard exclusions for policies of that type;
  - (c) must cover costs and expenses, including legal costs and expenses of investigating, defending and settling claims;
  - (d) must cover fraud by the officers and/or the employees of the insured;
  - (e) must be on usual commercial terms offered by insurers for this type of insurance at the time of the AAC's registration; and
  - (f) unless we otherwise agree, must be written by an insurer subject to Australian Prudential Regulatory Authority (APRA) supervision (APRA-regulated insurer).
- RG 180.45 The insurance may (if the AAC wishes):
- (a) have a deductible or excess (however, the amount of any deductible must be covered by the value of the net tangible assets (NTA) of the AAC); or
  - (b) cover claims for audits other than audits under the Corporations Act.

Note: In some circumstances we may accept a bank guarantee that covers the amount of any deductible or excess. For further information, contact the Infoline on 1300 300 630.

- RG 180.46 We consider that appropriate insurance is in the form of a 'claims-made' contract. It should cover the insured against liability that is incurred by, or a loss arising from, a claim that is made as a result of a negligent act, error or omission in the conduct of the AAC's business. It should also cover contractual claims against the AAC.
- RG 180.47 In particular, we will require the insurance to:
- (a) have broad coverage subject to limited, reasonably common exclusions;

- (b) cover costs and expenses of defending, investigating and settling a claim against the insured; and
- (c) not be cancellable by the insurer for innocent non-disclosure or misrepresentation by the insured.

### Assessment by ASIC

RG 180.48 In assessing whether insurance arrangements are adequate and appropriate, we will require the directors of an AAC to confirm that its insurance arrangements comply with our policy.

RG 180.49 In particular, the directors of the AAC must:

- (a) advise us upon application for registration of the maximum anticipated Corporations Act audit engagement fee that the directors reasonably estimate the AAC will charge for conducting an audit (see question 5 in Form 903AB);
- (b) provide us with such information or documents about the AAC's professional indemnity insurance arrangements as we may request from time to time;
- (c) lodge a document from an insurance broker or insurer certifying that any exclusions contained in the insurance policy are standard or usual exclusions for a policy of this type and that the policy is made on standard commercial terms;

Note: An example of a policy that does not contain standard or usual exclusions is a policy that excludes particular types of audit work or audit clients, or excludes specified individuals from cover. In such cases, the broker or insurer should provide a qualified certificate identifying the non-standard exclusions.

- (d) provide us with a signed statement from the AAC's accountant verifying the value of the AAC's NTA, if the AAC wishes to have a deductible or excess under its insurance policy; and
- (e) provide us with a pro forma deed executed by each director of the AAC in which the director undertakes to use his or her best endeavours to ensure that the AAC maintains run-off cover for a minimum of 7 years after it ceases to be registered (see Table 10).

Note: If a new director is appointed at any time after registration, the new director must provide us with a pro forma deed executed by the director on their appointment.

### Claims covered

RG 180.50 We note that, in general, AACs do not have any contractual relationship with third parties (e.g. end users of the audited financial report) and the extent to which their statutory obligations embrace the interests of third parties is limited. However, adequate and appropriate insurance should cover claims made by those parties to the extent they can be made.

- RG 180.51 Pt 9.2A of the Corporations Act indicates that the insurance required of an AAC is to extend only to claims made for the audit of companies and registered schemes for the purposes of the Corporations Act.
- RG 180.52 We consider that this includes claims made arising from audits of companies or registered schemes under a statutory provision of the Corporations Act. This also includes audits conducted as a result of ASIC relief or policy relating to the Corporations Act, and audits conducted in accordance with operating rules of a licensed financial market: see s793C.
- RG 180.53 We will require that the policy cover fraudulent conduct of the insured's officers or employees to ensure that the AAC can compensate the audit client in the event of a defective audit. We note that professional indemnity insurance covering fraud is a condition of membership of the professional accounting bodies.

## D What happens next

### Key points

We will assess your application for registration based on the information you submit with your application: see RG 180.54–RG 180.63.

We aim to form a view about whether to grant or refuse your application for registration within 4 weeks of receiving all the required information and documents: see RG 180.64.

We may cancel or suspend the registration of an RCA or an AAC if they cease to be eligible to be registered or fail to comply with any conditions of registration: see RG 180.66–RG 180.67.

You can apply for deregistration as an RCA or an AAC at any time: see RG 180.65–RG 180.68.

### How we will deal with your application

RG 180.54 We will only start to process your application if you have followed all the steps in Section B or C. To find out about the progress of your application contact ASIC Infoline on 1300 300 630.

#### Failure to provide supporting material

RG 180.55 Unless you provide:

- (a) a fully completed Form 903AA (for RCAs) or Form 903AB (for AACs);
- (b) all of the required supporting material in the required format; and
- (c) the application fee,

we will not start processing your application.

Note: We may refuse to register or receive your application if it is incomplete or contains errors or omissions.

RG 180.56 If you do not provide correctly certified copies of supporting material at first instance, we will return your application to you. We will not hold your application while you gather the necessary information or supporting material. However, you may reapply at a later date when you have all the necessary information.

Note: You may provide original documents rather than certified copies, but they will not be returned to you.

- RG 180.57 If you plan to reapply at a later date, we will hold the application fee and apply it to your new application when you reapply. If you do not plan to reapply at a later date, you can ask for a refund of the application fee.

### **Failure to provide correct information**

- RG 180.58 You must ensure that all the details in your application are correct. If your application contains incorrect information or omissions, it will be returned to you. You can reapply at a later date when you have corrected or included the relevant information.
- RG 180.59 We may verify at our discretion the information you provide in your application. For example, we may contact the police, relevant professional and industry bodies, and your supervisors, assessors or referees to verify the information you provide. We may contact both domestic and overseas authorities as appropriate. If necessary, you may be required to authorise us to obtain personal information for this purpose.
- RG 180.60 If we find during the assessment process that your application contains incorrect information, you may have to withdraw your application and resubmit it in the correct form. We will hold your supporting material and application fee and apply them to your corrected application when it is lodged. This ensures that our data and records are true and correct.
- RG 180.61 Under s1308 of the Corporations Act, there may be serious consequences if you provide, or authorise the provision of, a false, incomplete or misleading statement in a document lodged with us.

### **An aspect of the application is unusual**

- RG 180.62 If an aspect of your application is unusual for a particular reason, you should advise us in writing when you provide your supporting material so we can consider the matter before starting to process your application.
- RG 180.63 In particular, you should contact ASIC Infoline on 1300 300 630 for information about specific requirements. For example, you might cease work or plan to cease working as an auditor for the Commonwealth Auditor-General or the Auditor of a state or territory and wish to apply for registration as an RCA. In that case, your assessor or supervisor will generally be a person who is taken to be registered as an RCA under s1281 because they hold office as, or are for the time being exercising the powers and performing the duties of:
- (a) the Commonwealth Auditor-General; or
  - (b) the Auditor-General of a state or territory.

## Decision to grant or refuse registration

RG 180.64 We aim to form a view about whether to grant or refuse your application for registration within 4 weeks of receiving all the required information and documents. However, this time will be affected by:

- (a) whether we require further information from you about any aspect of your application; and
- (b) how quickly we receive confirmation we may request from third parties about information in your application.

Table 11 summarises the next steps in the registration process.

**Table 11: Next steps in the registration process**

If you satisfy the requirements	If you do not satisfy the requirements
<ul style="list-style-type: none"> <li>• If our view is that you satisfy the requirements in the Corporations Act, we will grant your application and register you as an RCA or an AAC.</li> <li>• We aim to register you and issue your certificate of registration within 5 business days of being satisfied that you meet the requirements.</li> <li>• We will write to you advising you that your application for registration has been successful and that you are registered as an RCA or an AAC.</li> <li>• If you provided an email address with your application, we will send you the letter and certificate of registration by email.</li> <li>• If you have not provided an email address with your application we will send you the letter and certificate of registration by post.</li> </ul>	<ul style="list-style-type: none"> <li>• If our view is that you do not satisfy the requirements in the Corporations Act in some material way, we will:               <ul style="list-style-type: none"> <li>– send you a requisition letter by post and/or email explaining why; and</li> <li>– give you an opportunity to provide further information.</li> </ul> </li> <li>• If you provide further information within 14 days of the date of the requisition letter, we will assess your application as originally submitted (including the further information).</li> <li>• If we are still of the view that we should refuse your application for registration, we must give you an opportunity to appear at a hearing to make submissions and give evidence in support of your application: s1280(8) and 1299C(4).</li> <li>• We will send you a letter:               <ul style="list-style-type: none"> <li>– stating that we propose to refuse your application for registration;</li> <li>– identifying the basis of our proposed refusal; and</li> <li>– asking you to notify us within a reasonable time, usually 14 days, whether you wish to appear at a hearing and make submissions and give evidence.</li> </ul> </li> <li>• We will refuse your application for registration if:               <ul style="list-style-type: none"> <li>– you do not wish to appear at a hearing; or</li> <li>– you fail to notify us within the required time that you wish to appear at a hearing; or</li> <li>– after holding the hearing, we are still of the view that you do not satisfy the requirements. If we refuse your application for registration, we must notify you in writing of the refusal and give our reasons: s1280(9) and 1299C(5).</li> </ul> </li> <li>• You may seek review of our decision by the AAT: s1317B.</li> </ul>

## Cancellation or suspension of registration

### Registered company auditors

RG 180.65 We do not have power under the Corporations Act to unilaterally cancel or suspend the registration of an RCA. We may cancel an RCA's registration at the request of the RCA: see s1290. We may apply to the Companies Auditors and Liquidators Disciplinary Board (CALDB), requesting that the CALDB cancel or suspend the registration of an RCA: see s1292.

Note: You can apply for deregistration as an RCA at any time: see Form 905 *Notification of ceasing to practise as, or change to details of, an auditor* at [www.asic.gov.au](http://www.asic.gov.au).

### Authorised audit companies

RG 180.66 We have power under the Corporations Act to cancel or suspend the registration of an AAC:

(a) at the request of the AAC (see s1299H); or

Note: You can apply for deregistration as an AAC at any time: see Form 905 *Notification of ceasing to practise as, or change to details of, an auditor* at [www.asic.gov.au](http://www.asic.gov.au).

(b) if the AAC ceases to be eligible to be registered or fails to comply with any conditions of registration (see s1299I).

Note: A particular condition on registration for AACs is that the AAC must notify us of any matter that makes it ineligible for registration: see Table 10.

RG 180.67 In deciding whether to cancel or suspend the registration of an AAC, we will consider:

- (a) the seriousness of the breach of any conditions or eligibility requirements;
- (b) whether the breach has been remedied;
- (c) the impact on audit clients and users of financial reports; and
- (d) any other matters we consider relevant.

## Applying for deregistration as a company

RG 180.68 An AAC that is applying for voluntary company deregistration under s601AA of the Corporations Act must also apply for deregistration as an AAC.

## E Approval of auditing competency standards

### Key points

Auditing competency standards provide an alternative means by which a person may satisfy us that they have sufficient skill to be registered as an RCA.

We have power under s1280A to approve an auditing competency standard if it meets specified requirements about:

- verification of the applicant's competency (see RG 180.69);
- consistency with other laws (see RG 180.70);
- the level of skills needed for registration (see RG 180.71-RG 180.74); and
- harmonisation with other standards (see RG 180.75–RG 180.76).

### Verification of competency

- RG 180.69 As a minimum, a competency standard should provide a mechanism for verification of competency of a person against each component of the competency standard.

### Consistency

- RG 180.70 In determining whether an inconsistency exists with the Corporations Act, we will focus on whether compliance with a provision in a competency standard would make it impossible to comply with the Corporations Act. In our view there is no relevant inconsistency where a competency standard requires a higher standard of conduct or practice than the Corporations Act, and compliance with that provision of the standard does not prevent compliance with the Corporations Act.

Note: An example of this may be where a competency standard requires educational qualifications additional to those in the Corporations Act.

### Skills

- RG 180.71 As a minimum, a competency standard should require evidence of the competent performance of tasks involving the ability to:
- (a) assess risk, plan an audit, review and assess internal controls, do substantive tests, and document and prepare conclusions on work performed;
  - (b) apply, in practice, knowledge of auditing standards, accounting standards, the Corporations Act and Australian tax law;
  - (c) supervise staff and manage an audit; and
  - (d) exercise independent decision making on financial reporting and other issues.

- RG 180.72 A competency standard should set out objective criteria to assess these matters. The standard should require evidence that the criteria are met.
- RG 180.73 In addition to basic audit competencies (such as planning an audit, control and substantive testing, forming opinions and so on), we would expect a competency standard to require assessment of the following considerations:
- (a) currency and continuity of the audit experience: for example, emphasis should be placed on audit experience within recent years, and experience over a continuous period; and
  - (b) supervision of audits: a person being assessed under a competency standard must have adequate experience in managing all aspects of an audit, including planning the audit, risk assessment, evidence gathering and evaluation, and opinion forming.
- RG 180.74 We will require any competency standard to provide guidance to the effect that the actual number of audits and period of time involved in meeting the standard will depend on the nature and complexity of the audit engagements. This guidance will highlight for the assessor that if all audits undertaken by a person being assessed were very straightforward or were conducted on only a limited number of companies, the experience gained might not be adequate.

## Harmonisation

- RG 180.75 To establish that the competency standard is harmonised with any existing approved competency standards, you should compare the standard with any existing approved standards.
- RG 180.76 We believe the interpretation of the requirement for harmonisation involves these main elements:
- (a) all approved competency standards must meet the requirements under the Corporations Act (see RG 180.4); and
  - (b) standards should be relatively consistent with other approved competency standards.

Where there are slight differences, it may still be appropriate to approve a competency standard that sets a higher standard of conduct or practice, or addresses issues not covered by existing approved competency standards.

## Competency standards we have approved

- RG 180.77 On 24 November 2004, we approved the competency standard produced by the CPAA and the ICAA (CPAA/ICAA audit competency standard). We have not approved any other competency standards as at 30 September 2007.

## F Lodging annual statements

### Key points

RCAs and AACs must submit an annual statement to us within one month of the anniversary of the RCA's or AAC's registration: see RG 180.78–RG 180.79.

In exceptional circumstances, we may grant an extension of time: see RG 180.80–RG 180.81.

### How to lodge your statement

- RG 180.78 You can lodge your annual statement with us electronically on our website. For the required content of the statement, see (for RCAs) Form 912A *Annual statement by an auditor* and (for AACs) reg 9.2A.03 and Form 912B *Annual statement by an authorised audit company* at [www.asic.gov.au](http://www.asic.gov.au).
- RG 180.79 We will use the information in annual statements to monitor the activities of RCAs and AACs after registration.

### Extensions of time

- RG 180.80 One of the purposes of the annual statement is to provide us with up-to-date information for monitoring purposes. Therefore, we will grant a time extension for lodgement of an annual statement only in exceptional circumstances outside the control of the RCA or AAC, such as injury or serious ill health.
- RG 180.81 We will not provide a time extension solely on the basis of:
- (a) unexpected heavy workload;
  - (b) adverse financial or personal circumstances;
  - (c) unavailability of company records; or
  - (d) unavailability of the auditor (e.g. because they were interstate or overseas).

## Appendix 1: What you must show (registered company auditor)

RG 180.82 Table 12–Table 17 summarise the information you must include with your application to show us that you meet the requirements in s1280 for registration as an RCA, and how we will assess this information.

**Table 12: How we will assess prescribed academic qualifications under s1280(2A)**

### What you need to have

- You must hold a degree, diploma or certificate from a prescribed university or another prescribed institution in Australia: see reg 9.2.02.

### AND

- Your degree, diploma or certificate must represent a course of study in:
  - accountancy (including auditing) of not less than 3 years duration; and
  - commercial law (including company law) of not less than 2 years duration.

### AND

- You must have completed a course in auditing prescribed by the Corporations Regulations: see reg 9.2.03.

### Supporting material you must provide

- A certified copy of your degree, diploma or certificate from the prescribed university or prescribed institution that has given you the qualification on which you rely: see reg 9.2.02.
- A certified copy of your statement of academic record from that university or institution which indicates:
  - the subjects you have undertaken for that qualification;
  - the results you obtained; and
  - a legend explaining what the results represent.
- A letter (s1280(2A) certificate) from an authorised person at the university or institution certifying to ASIC that you have passed examinations in such subjects as represents a course of study in:
  - accountancy (including auditing) of not less than 3 years duration; and
  - commercial law (including company law) of not less than 2 years duration.

Note: A statement of academic record is not a s1280(2A) certificate.
- A certified copy of a certificate or statement of academic record indicating that you have satisfactorily completed a course in auditing prescribed by reg 9.2.03.

### Degree diploma or certificate from a prescribed institution

If you have not completed a degree, diploma or certificate from a prescribed university or prescribed institution, you do not hold the prescribed qualifications for the purposes of s1280(2A). However, you can still apply based on equivalent qualifications and experience under s1280(2B): see Table 5 and 13.

### S1280(2A) certificate

If you do not have a s1280(2A) certificate, you do not hold the prescribed qualifications for the purposes of s1280(2A). However, you can still apply for registration based on equivalent qualifications and experience under s1280(2B): see Table 5 and 13.

### Auditing course

If you have not completed a prescribed course in auditing, you do not hold the prescribed qualifications for the purposes of s1280(2A). However, you can still apply based on equivalent qualifications and experience under s1280(2B): see Table 13.

Our view is that most people will not have the qualifications necessary for registration unless they have completed a prescribed course in auditing or an equivalent qualification after completing their degree.

**Table 13: How we will assess equivalent qualifications and experience under s1280(2B)****What you need to have**

- You may be eligible for registration if you can satisfy ASIC that you have qualifications **AND** experience equivalent to the requirements in s1280(2A).
- If you hold one, but not both prescribed qualifications under s1280(2A), we will assess your other qualifications and experience to see whether they are equivalent to the prescribed qualification that you do not hold.
- If you obtained your university or other qualifications overseas, we will assess your qualifications and experience to see whether they are equivalent to the prescribed qualifications.

**Supporting material you must provide**

- A statement setting out the qualifications **AND** experience you rely on for your knowledge of accountancy and commercial law (including company law); **AND**
- A statement setting out the reasons we should treat those qualifications and experience as equivalent to a qualification under s1280(2A).

Note: If you are relying on an overseas accounting and legal qualification, you may have to provide an assessment letter from an authorised assessing authority of the National Office of Overseas Skills Recognition (NOOSR). This letter should confirm the comparability of your qualifications and an Australian undergraduate degree in accounting and law from a prescribed university or institution: see [www.aei.dest.gov.au](http://www.aei.dest.gov.au).

- A certified copy of your degree, diploma or certificate from the university or institution that has given you the qualification on which you rely
- A certified copy of your statement of academic record from each university or institution that has given you a qualification on which you rely, which identifies the subjects you have undertaken for that qualification and explains your results.
- A certified copy of your certificate or statement of academic record indicating that you have satisfactorily completed a course that you rely on as being equivalent to a course in auditing prescribed by reg 9.2.03.

Note: If you are relying on an overseas auditing course, you may have to provide an assessment letter from one of the Australian bodies that conducts such courses in Australia, confirming the comparability of this course and the course conducted by the Australian body.

- A certified copy of your certificate of membership of one of the professional accounting bodies or other professional body.

**Equivalent qualifications and experience statements**

- You must state which subjects referred to in your academic record are:
  - accounting subjects;
  - legal subjects;**AND** the duration of each of those subjects (e.g. 1 semester or 1 year).
- You must identify which of the accounting subjects included auditing.
- You also must identify which of the legal subjects included company law.
- Do not refer to subjects that are not accounting subjects or legal subjects.

If you are relying on meeting an ASIC-approved competency standard to satisfy the skills requirement (see Table 14), you do not have to repeat details of your audit experience in your statement for this requirement where the details are already set out for the relevant competency standard (e.g. in a log book).

If you are relying on practical experience to satisfy the skills requirement (see Table 16), you do not have to repeat details of your practical experience in your statement for this requirement if you are also providing that information in Sample documents A, B and C in Appendix 2.

However, in both of the above cases, you must still give reasons in your statement for this requirement as to why we should treat the experience in your log book or in Sample documents A, B and C as being equivalent to the educational qualifications under s1280(2A).

**Statement format**

There is no preferred format for the statement. It may, for example, be in the form of a letter or in a table. However, it must be signed and dated.

**Overseas qualifications**

If you have overseas experience, you must comply with the requirements in RG 180.21.

Note: If you are relying on overseas qualifications you may have to complete an appropriate conversion course.

**Table 14: How we will assess compliance with an approved competency under s1280(2)(b)(i)**

Competency standard	Assessment period
<p>You must satisfy us that you meet all the components of an approved competency standard.</p>	<p>Because we approved the competency standard on 24 November 2004, this is the earliest date:</p>
<p>On 24 November 2004, we approved the competency standard produced by CPA Australia (CPAA) and The Institute of Chartered Accountants in Australia (ICAA). The CPAA/ICAA competency standard is the only standard we have approved at this time.</p>	<ul style="list-style-type: none"> <li>• your assessor could have accepted this role;</li> <li>• you could have started demonstrating competency in a task/context to your assessor (i.e. assuming you hold the prerequisites); and</li> <li>• your assessor could have assessed your competency in a task/context according to the competency standard.</li> </ul>
<p>You, your assessor and/or referee do not have to be members of the CPAA or the ICAA to rely on the CPAA/ICAA competency standard. However, your assessor and/or referee must be an RCA.</p>	<p>However, an assessor may take into account audit experience before the competency standard was approved or you started demonstrating competency under the standard: see 'Earlier audit work' below.</p>
<p>We will generally accept that you meet all components of the competency standard if:</p> <ul style="list-style-type: none"> <li>• you have been employed by an accounting firm for at least 5 years OR you have been admitted as a member of the CPAA/ICAA for at least 2 years;</li> </ul> <p>Note: You must provide a certified copy of your certificate of membership of one of the professional accounting bodies or other professional body.</p>	<p>Note: See Appendix V of the competency standard and ICAA information sheet 'Auditing Competency Standard for Registration as a Registered Company Auditor', 16 March 2005.</p>
<b>AND</b>	<p>The competency standard requires you to demonstrate auditing competency on a number of audit engagements over a 3–5 year period. We will generally take the earliest date on which you first demonstrate competency in one of the tasks/contexts as being the start of the 3–5 year period.</p>
<ul style="list-style-type: none"> <li>• your log book shows that you have demonstrated competency in all of the tasks/contexts to the satisfaction of your assessor on a continuous basis over a 3–5 year period starting on the first date you demonstrated competency in a task/context;</li> </ul>	<p>To ensure that your assessment was over a continuous 3–5 year period, we will look at the dates on which your assessor assessed you as being competent in each task/context. If you are also relying on earlier audit work, we will look at the earliest date your statement by referee indicates you gained competency in that task/context.</p>
<b>AND</b>	<p>If you last demonstrated competency in a task/context more than 5 years before applying for registration, you should submit a referee statement that you have acquired and retained the competencies necessary to perform those tasks, as well as the basis for this opinion.</p>
<ul style="list-style-type: none"> <li>• your assessor's statement and/or referee statement contain all relevant information required by the competency standard.</li> </ul>	<p>This is because your competency may have lapsed over time.</p>
<b>Employment or membership</b>	<p>Note: See paras 3.3–3.4, 3.6, 6.2 and Appendix V of the competency standard.</p>
<p>We will look at the documents you lodge with your application to confirm your employment by an accounting firm or membership of a professional body.</p>	
<p>In our view, most people will not have obtained sufficient knowledge and skills to begin demonstrating competence in any of the tasks/contexts within the first 5 years of their first employment by an accounting firm, or before being admitted as a member of a professional body for at least 2 years.</p>	
<p>During this period in their career, most people will generally still be acquiring the appropriate knowledge and skills necessary to competently perform the various tasks in the particular contexts.</p>	
<p>Note: See paras 3.3 and 3.6 of the competency standard and para 9 of the log book.</p>	

**Table 14 (continued)****Completing your log book**

The competency standard requires you to keep a log book, which lists 20 tasks/contexts you must perform, as well as the indicative sub-tasks.

Your log book must be a contemporaneous record over 3–5 years of when you first attained competency in and subsequently performed a task/context competently.

It is not acceptable to complete your entire log book on one particular date, as you must demonstrate competency over a continuous period of 3–5 years under formal assessment.

For each task/context, you must record:

- the name of the audit engagement(s) during which the task was performed;
- the name of the auditor, audit firm or authorised audit company responsible for the engagement(s);
- the name of your assessor or the name of the person who reviewed or supervised your work; and
- the dates (months and year) you performed the task.

You must record all audit engagements over the 3–5 year period where you demonstrated competency in a task/context to your assessor, and subsequently performed the task/context competently.

When you are competent in a task/context, your assessor should sign the assessor's statement for that task/context. You should also indicate in the comments section for that audit engagement, the basis of your assessor's assessment.

Note: See para 5.4 of the competency standard for methodologies.

After your assessor has certified your competency in a task/context, they need not sign the statement again for that task/context. However, you must continue to record in your log book other audit engagements where you perform that task/context competently.

We will look at your log book to see that you have demonstrated competency in a task/context on several occasions over the 3–5 year period: see Table 15.

The number of entries will obviously depend on how often your employer can assign you to audit engagements. However, it is generally insufficient to record only one audit engagement for a task/context over the 3–5 year period, as this does not demonstrate competency on a continuous basis. When naming an audit engagement, include the ACN/ARSN (if the entity is a company) or the entity's ABN and a description of the type of entity or audit (e.g. incorporated association, self-managed super fund).

Your log book must be typed to ensure legibility. Handwritten log books will be returned. If your log book is incorrectly completed, you may have to resubmit it, or we may refuse your application.

Note: See para 3.5 of the competency standard.

**Earlier audit work**

If you are relying on audit experience before 24 November 2004, or before you formally started assessment under the competency standard, you should include in your log book:

- details of the particular audit;
- the date you performed the task/context; and
- a note in the comments section stating that the audit is 'pre-assessment' and giving the name of the relevant referee.

You must also provide a referee statement that:

- confirms your competency in the particular task/context; and
- verifies that the earlier audits you are relying on are relevant to the task/context by either:
  - naming each audit engagement covered by the statement; or
  - if you attach a copy of your log book to the statement with details of earlier audits, confirming that each of these audits is covered by the statement.

Note: See para 5 in Appendix V of the competency standard for full requirements for the statement by referee.

Your assessor should review the referee statement to ensure that it complies with all these requirements before they sign the competency verification on the last page of the assessor's statement.

Note: See 'Verification of competency' below.

Table 14 (continued)

**Types of audits**

You may rely on Corporations Act or other audits to demonstrate competency under the competency standard where the task/context permits.

This includes audits of non-reporting entities (e.g. self-managed super funds, solicitor's trust accounts, real estate agency trust accounts and incorporated associations).

However, we consider that it will be very difficult for you to demonstrate competency in all tasks/contexts if you have not undertaken any Corporations Act audits, or only a small number of audits generally, or you have not identified any reasonably complex audit issues in your capability report: see Table 17.

If this is the case, you or your assessor may have to provide more information about how your competency was assessed.

**Assessors**

Your application must include details of your assessor. If these details are incorrect, we may treat your application as incorrect: see RG 180.60. The competency standard explains an assessor's obligations. Before they take on this role, an assessor should make sure they have a strategy in place for your assessment generally over a continuous period of 3–5 years. They must plan and document the assessment process and methods.

Note: See Section 5 of the competency standard (particularly para 5.4) and para 7 of the ICAA information sheet 'Auditing Competency Standard for Registration as a Registered Company Auditor', 16 March 2005.

In some cases, we may ask you or your assessor to provide details of the assessment process and methods (e.g. where you rely heavily on non-Corporations Act audits).

Under the competency standard, you can have only one assessor *at any one time*. If you have more than one assessor over the 3–5 year period, each assessor should:

- ensure that your log book is correctly completed during the course of their assessment; and
- sign-off on your competency of a task/context where required.

**Verification of competency**

When you have demonstrated and performed all task/contexts competently to the satisfaction of your assessor over a continuous 3–5 year period, your assessor at the relevant time should complete the competency verification on the last page of the assessor's statement.

If you are relying on earlier audit work, you must give your assessor a referee statement from each RCA or other person who supervised your work during this period, before they complete the competency verification.

If your assessor supervised any of this earlier audit work, they must also provide a statement by referee.

Note: See 'Earlier audit work' above.

If you were self-employed for the last 5 years, you will not have an assessor and will not have undertaken any Corporations Act audits. In this case, you must:

- complete your log book providing details of audit engagements over a 3–5 year period where you have performed each of the tasks/contexts;
- provide a statement by referee in relation to any pre-competency standard experience, in particular, Corporations Act audit experience; and
- provide us with any further information we may require.

Note: See 'Earlier audit work' above for requirements for the statement by referee. See also para 7 of the ICAA information sheet 'Auditing Competency Standard for Registration as a Registered Company Auditor', 16 March 2005.

However, we consider that it will be very difficult for you to demonstrate competency in all tasks/contexts if you have not undertaken any Corporations Act audits, or only a small number of audits generally, or you have not identified any reasonably complex audit issues in your capability report: see Table 17.

**Overseas experience**

If you have overseas auditing experience, you must comply with the requirements in RG 180.21.

You may only be assessed under the competency standard for audits undertaken in Australia.

However, you may still rely on your overseas experience in the same way as you would if you were relying on earlier audit work.

Note: See 'Earlier audit work' above for requirements.

**Table 15: Example—recording competency in a task/context**

1 January 2005	1 March 2005	1 April 2005
<p>You first perform Task 1.1 'Planning in the Client acceptance/retention context' on 1 January 2005 for an audit of Company X.</p> <p>However, you cannot demonstrate competency in performing the task.</p> <p>You should not record the audit engagement in your log book as you are still attaining competency.</p>	<p>You perform Task 1.1 on 1 March 2005 for an audit of Company Y. Your assessor determines you demonstrate competency in performing the task. At this time:</p> <ul style="list-style-type: none"> <li>• you should record details of Company Y and the date you performed the task; and</li> <li>• your assessor should also sign and date the section in the assessor's statement for the task/context.</li> </ul>	<p>You again perform Task 1.1 'on 1 April 2005 for an audit of Company Z. At this time:</p> <ul style="list-style-type: none"> <li>• you should record details of Company Z and the date you performed the task in your log book;</li> <li>• however, your assessor need not sign and date the assessor's statement for this task/context for Company Z, as this was already done for Company Y.</li> </ul>

**Table 16: How we will assess practical experience under s1280(2)(b)(ii)****5 years' practical experience: reg 9.2.01(a)**

You must satisfy us that during the 5 years immediately before the date of your application, you have undertaken at least 3000 hours of audit work under the direction of an RCA, including:

- appraising the operations of companies and forming opinions on matters specified in s307, 308 and 309 of the Corporations Act; **AND**
- spending at least 750 hours supervising audits of companies.

For the preferred format for this information, see Sample document A of Appendix 2.

**Equivalent experience: reg 9.2.01(b)**

If you cannot satisfy reg 9.2.01(a), you may be able to satisfy us that you have practical experience equivalent to these requirements. We will consider a broader range of audits under reg 9.2.01(b).

If you are relying on overseas auditing experience, we will assess your experience to see whether it is equivalent to these requirements.

You must still have undertaken at least 3000 hours of audit work under the direction of an RCA (or equivalent) during the 5 years immediately before the date of your application, including 750 hours supervising audits.

For the preferred format for this information, see Sample document B of Appendix 2.

**Audits under reg 9.2.01(a)**

You can rely only on audits of entities that must have their financial report for a financial year audited under s301 of the Corporations Act, namely:

- disclosing entities;
- public companies;
- large proprietary companies;
- registered schemes;
- small proprietary companies that have been directed under s293 and 294 of the Corporations Act to prepare a financial report and have it audited; and
- small proprietary companies that are or have been controlled by a foreign company and that must prepare a financial report under s292(2) of the Corporations Act.

For the preferred format for this information, see Sample document A of Appendix 2.

If you include audits of other entities, we may treat your application as incorrect: see RG 180.60. You cannot rely on overseas audit experience for the purposes of reg 9.2.01(a).

Note: Do not include overseas audit experience in your Sample document A.

**Audits under reg 9.2.01(b)**

We may consider that you satisfy this requirement if you have, for example, 2500 hours experience that meets the requirements in reg 9.2.01(a) and 500 hours in equivalent practical experience.

We will not generally consider as equivalent:

- practical experience undertaken more than 5 years before the date of your application; or
- accounting experience.

Experience we have previously, or may, recognise as equivalent includes:

- audits of proprietary limited companies done at management's request (not s293 direction);
- audits other than s302 audits, but that are still required to be performed under the Corporations Act (e.g. audits of AFS licensees);
- expert reports provided for the purposes of court proceedings; and
- audits of other reporting entities that are not companies but have significant gross operating revenue, substantial gross assets, and/or a large number of employees.

If you include these audits, we will need to decide whether to count them or not. You may have to provide more information, for example:

- the basis on which the entity is considered a reporting entity under Statement of Accounting Concepts SAC 1 'Definition of the reporting entity';
- the legislation requiring the audit; and
- the complexity of the particular audit.

Experience we have previously *not*, and generally will *not*, recognise as equivalent includes:

- solicitors' trust account audits;
- real estate agents' trust account audits;
- self-managed super fund audits;
- incorporated association audits for non-reporting entities that have insignificant gross operating revenue, insubstantial gross assets, and/or a small number of employees; and
- compliance audits (including of compliance plans of managed investment schemes).

**Table 16 (continued)**

Legal decisions have established that experience in these audits is not equivalent to the experience required by law: see *Re Bird: Bird v NCSC* (1985) 3 ACLC 24, *Re Murphy: Murphy v ASIC* [2004] AATA 1371. This is because the scope of this audit work is generally much more narrow than audits under the Corporations Act.

**Work under previous laws: reg 9.2.01(c)**

We consider that only in rare circumstances would an applicant rely on work of the kind and duration in reg 9.2.01(c) done under previous laws corresponding to s307, 308 and 309 of the Corporations Act. If you wish to rely on this option, please contact us before lodging your application.

**Supervisory experience**

The supervisory requirement of 750 hours relates only to audits of companies (not registered schemes or disclosing entities that are not companies): see reg 9.2.01(a).

If you include audits of entities other than companies, we may treat your application as incorrect: see RG 180.60.

However, you can include audits other than those required under s301 of the Corporations Act (e.g. audits of small proprietary companies undertaken by resolution of the board of directors).

In our view, supervisory experience must involve supervising other professional members of the audit team: see s324AE. This excludes supervision of non-professional persons who may perform other functions for the audit.

For the preferred format for this information, see Sample document C in Appendix 2.

**Direction of a registered company auditor**

You can only rely on auditing work undertaken under the direction of an RCA. This means that the auditor has:

- provided instruction about how the audit is to be undertaken; and
- actively supervised, reviewed and monitored your work on a continuous basis during the audit.

**Supervisor declaration**

To satisfy us that you have the required practical experience under either reg 9.2.01(a) or 9.2.01(b), you must provide a supervisor declaration from each RCA who supervised your work, verifying the information you have provided about the audit(s).

We will generally only consider practical experience for the purposes of our assessment if it is verified by a supervisor declaration.

For the preferred declaration format, see Sample document D in Appendix 2.

If you are relying on overseas auditing experience, you must still provide supervisor declarations from your overseas supervisor in a form acceptable to us.

Note: You may need to contact ASIC to discuss what modifications, if any, you should make to the declaration in Sample document D.

**Table 17: How we will assess 'capability' and 'fit and proper' under s1280(2)(c)**

<b>Capability</b>	<b>Fit and proper</b>
<p>We consider that a person is 'capable' of performing duties as an individual auditor if they can perform their duties in a manner that is not negligent: see RG 180.23–RG 180.24.</p>	<p>In your application you must state whether you have ever been found to have committed (or have proceedings pending for) any criminal offences, any acts of dishonest, such as theft or fraud, or any professional misconduct: see RG 180.25–RG 180.29 and Section 9 of Form 903AA.</p>
<p><b>Capability report</b></p>	<p><b>If you answer 'no'</b></p>
<p>You should prepare a capability report to explain the scope and complexity of your audit experience: see Sample document E in Appendix 2. You must give a copy of your capability report to ASIC.</p>	<p>If you answer 'no' to all of the questions in Section 9 of Form 903AA, you do not need to provide any further information.</p>
<p>In this report you should describe your role and work in 3 of the most significant audits you worked on under the supervision of the RCA who is providing a supervisor declaration, or who assessed you under the competency standard.</p>	<p><b>If you answer 'yes'</b></p>
<p>You must also provide details of the continuing professional development activities relating to auditing (including quality assurance) that you have undertaken in the 5 years immediately prior to the date of your application.</p>	<p>If you answer 'yes' to any of the questions in Section 9 of Form 903AA, you must provide a signed statement containing details of any:</p>
<p><b>Capability declaration</b></p>	<ul style="list-style-type: none"> <li>• previous disqualifications;</li> <li>• disciplinary action taken;</li> <li>• litigation matter;</li> <li>• administration;</li> <li>• conviction;</li> <li>• previous application for registration; or</li> <li>• resignation or removal.</li> </ul>
<p>Your supervisor or assessor for the audits described in your capability report should sign a declaration to verify that you are capable of performing the duties of an auditor and are a fit and proper person: see Sample document F in Appendix 2.</p>	<p>We may contact you and ask you to provide further information about the relevant matter if we think it is necessary.</p>
<p>If you are relying on overseas auditing experience, you must still provide capability declarations from your overseas supervisor or assessor in a form acceptable to us.</p>	<p><b>Final checks: fit and proper</b></p>
<p>Note: You may need to contact ASIC to discuss what modifications, if any, you should make to the declaration in Sample document F.</p>	<p>We will generally be satisfied that you are a fit and proper person if:</p>
<p><b>Final checks: capability</b></p>	<ul style="list-style-type: none"> <li>• you have provided sufficient information in response to the questions in Section 9 of Form 903AA;</li> <li>• our background checks are satisfactory; and</li> <li>• you have provided a satisfactory capability declaration.</li> </ul>
<p>We may contact you, or your supervisor, assessor or referee, for further information if we do not think you have satisfactorily demonstrated your capability to perform the duties of an RCA.</p>	

## Appendix 2: Sample documents (registered company auditor)

RG 180.83 The following sample documents should be used when completing your application for registration as an RCA. However, sample documents A, B, C and D will generally not be required if you are relying on the CPAA/ICAA competency standard.

<b>Document A: Practical experience—Audits under s301 of the Corporations Act</b>	Documents A–C give details of your practical experience in auditing.  They must be completed and signed by you.
<b>Document B: Equivalent practical experience—Audits not under s301 of the Corporations Act</b>	They must be completed and signed by you.
<b>Document C: Supervisory experience</b>	They must be completed and signed by you.
<b>Document D: Supervisor declaration</b>	Document D verifies your practical auditing experience.  It must be signed by your supervisor.
<b>Document E: Capability report</b>	Document E gives 3 examples that demonstrate your capabilities in auditing.  It must be completed and signed by you.
<b>Document F: Capability declaration</b>	Document F verifies the examples you have given showing your capability.  It must be signed by your supervisor or your assessor under the CPAA/ICAA competency standard.



**Table A2: Entity details<sup>5</sup>**

No. <sup>6</sup>	Your role each year <sup>7</sup>					Your hours per year <sup>8</sup>						Your hours as % of total hours spent on audit engagement by all professional members of audit team <sup>9</sup>				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Year 1	Year 2	Year 3	Year 4	Year 5
	Total hours															

Supervisor's signature		Date
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Witness' signature		Date
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**Notes to Document A: Practical experience—Audits under s301 of the Corporations Act (see also Table 16 of Appendix 1 in Regulatory Guide 180)**

- <sup>1</sup> Attach a signed and witnessed copy of Document A to each Supervisor Declaration, as required. Insert additional rows as required.
- <sup>2</sup> If the entity you have performed audit work for is part of a group, provide the name of the parent entity followed by the name of any relevant group entity. Do not provide details for the parent entity itself (except its name), unless you actually performed audit work for the parent entity. Only include entities that are required to be audited under s301 in this table. For example, if you have performed audit work for a small proprietary company that is a subsidiary of a public company, but you did not perform audit work for the public company itself, include this information in Document B rather than Document A. Please insert blank rows before and after groups of entities to distinguish them from other non-related entities.
- <sup>3</sup> Provide ARBN if the entity is not a company.
- <sup>4</sup> Provide relevant types:
- |       |                   |      |   |
|-------|-------------------|------|---|
| Disc  | Disclosing entity | Mis  | Registered managed investment scheme    |
| Pub   | Public company    | Lpty | Large proprietary                       |
| Lis   | Listed            | 293  | Small proprietary—shareholder direction |
| Unlis | Unlisted          | 294  | Small proprietary—ASIC direction        |
| Hol   | Holding company   | Sub  | Subsidiary                              |
- <sup>5</sup> Insert additional rows as required.
- <sup>6</sup> The details provided for each item should correspond with the item number and entity in Table A1.
- <sup>7</sup> Provide your official title in relation to your role in the audit engagement or an appropriate description commensurate with the level of your duties.
- <sup>8</sup> Your hours per year are based on the 5-year period immediately before the date of your application. Each year will not be a calendar year unless you apply on 1 January. You must determine each year of the 5-year period by reference to the date of your application. Your hours must be based on contemporaneous time records kept in relation to each audit engagement at the relevant time. If you do not have contemporaneous time records then your supervisor may provide an estimate of the number of hours you have spent and must disclose that in the Supervisor declaration.
- <sup>9</sup> Calculate your hours as a percentage of the total hours spent by all professional members of the audit team for the relevant year and audit engagement.
- <sup>10</sup> Insert additional rows as required.
- <sup>11</sup> The details provided for each item should correspond with the item number and entity in Table A1.
- <sup>12</sup> Provide the auditor registration number of the lead auditor for the relevant audit engagement. See s324AF of the Corporations Act for the meaning of 'lead auditor'.
- <sup>13</sup> Provide the auditor registration number of your supervisor for the relevant audit engagement. This information should correspond with supervisor details in your Form 903AA application for registration as an auditor.
- <sup>14</sup> Provide the number of professional members of the audit team for the relevant audit engagement. For group entities provide the numbers for each individual entity as mentioned above. See s324AE of the Corporations Act for the meaning of 'professional members of the audit team'.



**Table B2: Role and hours for each entity<sup>6</sup>**

No. <sup>7</sup>	Your role each year <sup>8</sup>					Your hours per year <sup>9</sup>						Your hours as % of total hours spent on audit engagement by all professional members of audit team <sup>10</sup>				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Year 1	Year 2	Year 3	Year 4	Year 5
	Total hours															

Supervisor's signature		Date
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Witness' signature		Date
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**Notes to Document B: Equivalent experience—Audits not under s301 of the Corporations Act (see also Table 16 of Appendix 1 in Regulatory Guide 180)**

- 1 Attach a signed and witnessed copy of Document C to each Supervisor Declaration, as required. Insert additional rows as required.
- 2 If the entity you have performed audit work for is part of a group, provide the name of the parent entity followed by the name of any relevant group entity. Do not provide details for the parent entity itself (except its name), unless you actually performed audit work for the parent entity. **Only include entities that are not required to be audited under s301 in this table.** For example, if you have performed audit work for a small proprietary company that is a subsidiary of a public company, but you did not perform audit work for the public company itself, include this information in Document B rather than Document A. Please insert blank rows before and after groups of entities to distinguish them from other non-related entities.
- 3 Provide ARBN if the entity is not a company.
- 4 Provide a description of entity (e.g. 'Pty' for 'small proprietary').
- 5 Indicate whether or not the entity is a reporting entity with a 'Y' or 'N'.
- 6 Insert additional rows as required.
- 7 The details provided for each item should correspond with the item number and entity in Table B1.
- 8 Provide your official title in relation to your role in the audit engagement or an appropriate description commensurate with the level of your duties.
- 9 Your hours per year are based on the 5-year period immediately before the date of your application. Each year will not be a calendar year unless you apply on January 1. You must determine each year of the 5-year period by reference to the date of your application. Your hours must be based on contemporaneous time records kept in relation to each audit engagement at the relevant time. If you do not have contemporaneous time records then your supervisor may provide an estimate of the number of hours you have spent and must disclose that in the Supervisor declaration.
- 10 Calculate your hours as a percentage of the total hours spent by all professional members of the audit team for the relevant year and audit engagement.
- 11 Insert additional rows as required.
- 12 The details provided for each item should correspond with the item number and entity in Table B1.
- 13 Provide the auditor registration number of lead auditor for the relevant audit engagement. See s324AF of the Corporations Act for the meaning of 'lead auditor'.
- 14 Provide the auditor registration number of your supervisor for the relevant audit engagement. This information should correspond with supervisor details in your Form 903AA application for registration as an auditor.
- 15 Provide the number of professional members of the audit team for the relevant audit engagement. For group entities provide the numbers for each individual entity as mentioned above. See s324AE of the Corporations Act for the meaning of 'professional members of the audit team'.
- 16 Provide details of any other practical experience that you consider equivalent (e.g. providing experts reports).







**Notes to Document C: Supervisory experience (see also Table 16 of Appendix 1 in Regulatory Guide 180)**

- <sup>1</sup> Attach a signed and witnessed copy of Document C to each Supervisor Declaration, as required. Insert additional rows in each table as required.
- <sup>2</sup> Number each item consecutively.
- <sup>3</sup> You may only rely on hours spent supervising auditing of companies. This may include small proprietary companies that are not listed in Document A.
- <sup>4</sup> If the company is also included in Table A1 or B1, include the item (row) number for that entity.
- <sup>5</sup> You may only rely on hours spent supervising other professional members of the audit team. It does not include supervising persons who are not professional members of the audit team.
- <sup>6</sup> If you did not spend 100% of your time supervising other professional members of the audit team, you must specify your hours supervising as a percentage of your total hours spent on the engagement: see Table A2 in Document A.
- <sup>7</sup> Number each item consecutively.
- <sup>8</sup> You may only rely on hours spent supervising auditing of companies. This may include small proprietary companies that are not listed in Document A.
- <sup>9</sup> If the entity is also included in Table B1, include the item (row) number for that entity.
- <sup>10</sup> You may only rely on hours spent supervising other professional members of the audit team. It does not include supervising persons who are not professional members of the audit team.
- <sup>11</sup> If you did not spend 100% of your time supervising other professional members of the audit team, you must specify your hours supervising as a percentage of your total hours spent on the engagement: see Table B2 in Document B.
- <sup>12</sup> Number each item consecutively.
- <sup>13</sup> If the entity is also included in Table A1 or B1, include the item (row) number for that entity.
- <sup>14</sup> Provide the full name of each professional member of the audit team that you supervised for the particular entity.

**Document D: Supervisor declaration**

Applicant:
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**COMMONWEALTH OF AUSTRALIA— STATUTORY DECLARATION****Statutory Declarations Act 1959**

*Insert the name, address and occupation of person making the declaration*

I,

make the following declaration under the *Statutory Declarations Act 1959*.

*Set out the matter declared to in numbered paragraphs*

1. I have read the Form 903AA application for registration as a registered company auditor signed by *[insert name of applicant]* (the 'Applicant') and dated *[insert date of application]*.
2. I am a supervisor referred to in the Form 903AA.
3. I am not aware of any matter or circumstance which would indicate that the information contained in the Form 903AA is incorrect or misleading.
4. I have read and signed *[Document A, B and C as applicable]* completed by the Applicant in support of their application for registration as an auditor.
5. For the audit engagements where I supervised the Applicant, I declare that the information in the Form 903AA and *[Document A, B and C as applicable]* about those audit engagements is true and correct.
6. True and correct copies of *[Document A, B and C as applicable]* are attached to this declaration.
7. I have never been excluded from practise as an auditor, had my registration as a registered company auditor suspended or been subject to any other disciplinary action by any of the following bodies:
  - ASIC
  - The Companies Auditors and Liquidators Disciplinary Board
  - APRA
  - The Institute of Chartered Accountants in Australia
  - CPA Australia
  - The National Institute of Accountants
  - The Tax Agents Board
  - Any other body having authority in Australia or elsewhere relating to the registration or disciplining of auditors or liquidators.

I understand that a person who intentionally makes a false statement in a statutory declaration is guilty of an offence under section 11 of the Statutory Declarations Act 1959, and I believe that the statements in this declaration are true in every particular.

*Signature of person making the declaration*

*Insert place, day, month and year*

Declared at  
on                      of

Signature of person      Before me,  
before whom the  
declaration is made

Print full name,  
qualification and  
address of person  
before whom the  
declaration is made

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#### **Notes to Document D: Supervisor declaration**

- <sup>1</sup> A person who intentionally makes a false statement in a statutory declaration is guilty of an offence, the punishment for which is imprisonment for a term of 4 years: see s11 of the *Statutory Declarations Act 1959*.
- <sup>2</sup> Attachments to the statutory declaration must be signed by the Justice(s) of the Peace (or other person(s) as the case may be) before whom the declaration was made.
- <sup>3</sup> Chapter 2 of the Criminal Code applies to all offences against the *Statutory Declarations Act 1959*: see s5A of the *Statutory Declarations Act 1959*.
- <sup>4</sup> You may reformat the declaration by deleting delete the margin notes or unnecessary lines or spaces, so that it will fit on one page, where possible. If the declaration is more than one page in length, each page of the declaration must be signed by the declarant and witness. You should insert an additional signature block in the footer of each page in that case.

## Document E: Capability report

Applicant:

*Explain the scope and complexity of your audit experience for 3 of the entities referred to in Table A1 of your Document A or your Log Book, as applicable. Do not identify the entities. Use as much space as you require.*

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**Example 1**

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**Example 2**

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**Example 3**

Supervisor's signature		Date	Witness' signature		Date
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**Document F: Capability declaration**

Applicant:
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**COMMONWEALTH OF AUSTRALIA— STATUTORY DECLARATION****Statutory Declarations Act 1959**

*Insert the name, address and occupation of person making the declaration*

I,

make the following declaration under the *Statutory Declarations Act 1959*.

*Set out the matter declared to in numbered paragraphs*

1. I have read the Form 903AA application for registration as a registered company auditor signed by *[insert name of applicant]* (the 'Applicant') and dated *[insert date of application]*.
2. I am a *[supervisor, assessor or referee as applicable]* referred to in the Form 903AA.
3. I have known the applicant for *[insert period of time during which declarant has known the applicant]*.
4. I have read the Capability Report (Document E) made by the Applicant in support of their application for registration as an auditor.
5. For the audit engagements where I *[supervised, assessed or have provided a referee statement for]* the Applicant, I declare that the information in the Capability Report is true and correct.
6. A true and correct copy of the Capability Report is attached to this declaration.
7. I am not aware of any matter, fact or circumstance which the Applicant has not disclosed to ASIC and which might lead me or ASIC to believe that the applicant is not capable of performing the duties of a registered company auditor or is not a fit and proper person to be registered as a registered company auditor.
8. I have never been excluded from practise as an auditor, had my resignation as a registered company auditor suspended or been subject to any other disciplinary action by any of the following bodies:
  - ASIC
  - The Companies Auditors and Liquidators Disciplinary Board
  - APRA
  - The Institute of Chartered Accountants in Australia
  - CPA Australia
  - The National Institute of Accountants
  - The Tax Agents Board
  - Any other body having authority in Australia or elsewhere relating to the registration or disciplining of auditors or liquidators.

I understand that a person who intentionally makes a false statement in a statutory declaration is guilty of an offence under section 11 of the *Statutory Declarations Act 1959*, and I believe that the statements in this declaration are true in every particular.

*Signature of person making the declaration*



## Key terms

Term	Meaning in this document
1997 scheme	The Accountants' Limitation of Liability Scheme (NSW), in force from 9 October 1997 until 7 October 2001
2001 NSW scheme	The Accountants Scheme (approved under the <i>Professional Standards Act 1994</i> (NSW)), in force from 8 October 2001 until 7 October 2007
AAC	An authorised audit company
aggregate	The total amount of coverage that the insured has under the insurance policy, irrespective of the number of separate claims that may occur
appropriate conversion course	A course that is offered by a prescribed university or institution under s1280(2A) of the Corporations Act, and that includes subjects in Australian company law, tax law, and Australian accounting and auditing standards
APRA-regulated insurer	An entity permitted by the <i>Insurance Act 1973</i> to write insurance business in Australia
ASIC	The Australian Securities and Investments Commission
assessor	A registered company auditor who has sufficient personal knowledge of the applicant's work to be able to verify the applicant's performance against each component of an auditing competency standard
audit clients	An audit client is the entity being audited
auditing competency standard	An auditing competency standard approved by ASIC under s1280A of the Corporations Act
certified copy	A copy of an original document that is certified to be a true and correct copy of the original. The certification must be by a person legally qualified to administer oaths in your state or territory (e.g. a solicitor or a Justice of the Peace). It must: <ul style="list-style-type: none"> <li>(a) be original (i.e. written or stamped onto a copy of the document);</li> <li>(b) state the document is a true and correct copy of the original;</li> <li>(c) state the full name and qualifications of the person giving the certification; and</li> <li>(d) be signed and dated.</li> </ul>
claims-made contract	A contract that provides cover for claims made against the insured during the period of cover, though these may have arisen from conduct of the insured before acquisition of the policy
CLERP 9 Bill	The Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Bill 2003
Corporations Act	The <i>Corporations Act 2001</i> (Cth)

Term	Meaning in this document
Corporations Act audit	An audit: <ul style="list-style-type: none"> <li>(a) of a company, registered scheme or disclosing entity under a provision of the Corporations Act;</li> <li>(b) required under a condition of or otherwise conducted to obtain the benefit of ASIC relief in relation to the Corporations Act; or</li> <li>(c) conducted in accordance with the operating rules of a licensed financial market</li> </ul>
Corporations Regulations	The Corporations Regulations 2001 (Cth)
CPAA	CPA Australia
CPAA/ICAA competency standard	<i>Auditing Competency Standard for Registered Company Auditors</i> approved by ASIC on 24 November 2004
deductible or excess	The first part of a loss which is borne by the insured. The insured is responsible for the loss up to the deductible amount and the insurer pays the remainder of the loss, up to the policy limit
ICAA	Institute of Chartered Accountants in Australia
ICAA information sheet	<i>Auditing Competency Standard for Registration as a Registered Company Auditor</i> , 16 March 2005
Limitation amount	The maximum liability for damages arising out of a cause of action for occupational liability that may be awarded against a person.
NIA	National Institute of Accountants
NTA	Tangible assets (being monetary assets and assets with physical substance) less all liabilities. Assets and liabilities must be determined in accordance with the accounting standards that would have applied to the Company, if the Company was required to report under Ch 2M of the Corporations Act and had a financial year of 12 months ending on the date the policy commences.
professional accounting bodies	CPA, the ICAA, and the NIA
RCA	A registered company auditor
reg 9.2.01	A regulation of the Corporations Regulations (in this example numbered 9.2.01)
run-off cover	Cover for claims made after the insurance policy has ended, which have arisen from the acts or omissions of the insured during the period of insurance cover
s1280A (for example)	A section of the Corporations Act (in this example, numbered s1280A)

## Related information

### Headnotes

Adequacy, annual statements, application, application fee, appropriateness, auditing, auditing competency standard, auditor registration, authorised audit company (AAC), cancel, CLERP 9 Bill, competency, deed, equivalent, fit and proper, practical experience, professional indemnity insurance, qualifications, quantum, registered company auditor (RCA), run-off cover, suspend

### Pro formas

[PF 215] *Company auditor registration conditions*

[PF 216] *Authorised audit company registration conditions*

[PF 217] *Deed: Authorised audit company run-off insurance cover*

### Legislation

Corporations Act 2001 (Cth), Pts 2D.6, 9.2 and 9.2A, s292, 293, 294, 301, 302, 307, 308, 309, 324AC(2), 324AE, 324AF, 327B, 331AAA, 601AA, 793C, 1280, 1280(2), 1280(2A), 1280(2B), 1280(3), 1280A, 1281, 1287A, 1289A, 1290, 1292, 1299B, 1299C, 1299D, 1299F, 1299G, 1299H, 1299I, 1308, 1317B; Corporations Regulations 2001 (Cth), reg 9.2.01, 9.2.02, 9.2.03, 9.2.08, 9.2A.01, 9.2A.03; Statutory Declarations Act 1959 (Cth); Professional Standards Act 1994 (NSW)

### Cases

*Re Bird: Bird v NCSC* (1985) 3 ACLC 24, *Re Murphy: Murphy v ASIC* [2004] AATA 1371

### Media and information releases

[IR 04/60] *ASIC approves CPA/ICAA auditing competency standard*

[IR 04/58] *New online lodgement facilities for auditors and authorised audit companies*

[IR 04/29] *ASIC issues four CLERP 9 policies*

[IR 04/23] *ASIC issues draft guidance paper on CLERP 9*

[IR 04/13] *ASIC seeks comment on draft CLERP 9 guidance*

[MR 04/029] *Proposed ASIC CLERP 9 policy papers timeline*

## **ASIC forms**

Form 903AA *Application for registration as an auditor*

Form 903AB *Application for registration as an authorised audit company*

Form 905 *Notification of ceasing to practise as, or change to details of, an auditor*

Form 912A *Annual statement by an auditor*

Form 912B *Annual statement by an authorised audit company*