



MEMO

To: Board of Directors
From: Company Secretary
Subject: **AUDITOR'S REGISTRATION CANCELLED**

We have been advised by ASIC that they have cancelled the registration of our auditor, so we will have to find and appoint a replacement auditor within 1 month.

As I have indicated to you on several occasions – even though I am only the Company Secretary and am not a practising accountant – that I was of the opinion that he was not competent to be the auditor of a public company. He did not appear to know basic accounting issues, nor what was required of an auditor, let alone the relevant provisions of the Corporations Act.

Auditors & Liquidators Disciplinary Board

ASIC have also made a public pronouncement about cancellation of the auditor's registration by the Companies Auditors & Liquidators Disciplinary Board (CALDB).

The CALDB found that the auditor had failed to carry out or perform adequately and properly his duties as an auditor under s1292 of the Corporations Act. The cancellation of the registration highlights the need for auditors to ensure they comply with their duties and obligations under the Corporations Act.

The decision in this case follows an ASIC investigation and the allegation that the auditor failed to carry out his duties in relation to the audit of the company's financial reports for the 2005 and 2006 financial years. ASIC also alleged that he failed in his duties in relation to the audit of another public company's financial report for the 2006 financial year.

Background

An auditor (or liquidator) who has had their registration cancelled cannot legally practise as a registered auditor (or liquidator).

The CALDB is an independent statutory body given functions and powers under the Corporations Act. The CALDB's disciplinary responsibilities under the Corporations Act are intended to provide an incentive to registered auditors (and liquidators) to maintain high professional standards. The CALDB also has a public protective and educative role by virtue of its jurisdiction to cancel or suspend the registration of an auditor (or a liquidator).

ASIC conducts regular compliance programs to ensure that auditors (and liquidators) comply with the duties and obligations under the Corporations Act.



Replacement Auditor

To replace the auditor the board will have to find a suitable firm and then appoint them now (well, within the next month). However, before appointing him you will need to obtain his consent in writing – Sec. 328A(1).

Then, at the next AGM the shareholders will have to ratify the new auditor appointment, and before convening the AGM (ie, prior to sending out the Notice) a shareholder will have to formally nominate the replacement auditor in writing as required by Sec. 328B(1) of the Act, with such nomination to accompany the Notice of Meeting – Sec. 328B(3).

DISCLAIMER

The comments in this memo reflect some commercial aspects and observations on the matter experienced or observed by the writer in practice as he understands them. The information is given as a guide only and does not represent a definitive or legal view of any of the issues raised, covered or referred to and the reader is urged to seek his own professional advice on all aspects of, or pertaining to, this and any related matter.