Overview of the Brydon Review Report Recommendations vs current Australia requirements

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Issue	Current Australian Requirements	Brydon Recommendations	
Fraud	Auditor to be aware of the risk of fraud and design audit procedures to address the risk. Directors must ensure financial reports are true and fair, which includes not misstated through fraud or error. The Corporations Act prohibits fraudulent conduct but no specific regulation of how companies manage and report on fraud risk.	Greater clarity that auditor must endeavour to detect material fraud in all reasonable ways. Directors should report on the actions they have taken to fulfil their obligations to prevent and detect material fraud (auditor to report if they disagree). Targeted training for auditors on fraud detection.	# # #
Non-financial risk	Auditors must understand the entity's risks, including how management assesses risks, in planning the audit work to be performed. They report on areas of key focus and if there are any inconsistencies on statements made by directors/management in the information that accompanies included in the financial report. The annual report contains some discussion of risks. No regulation for management of business risks other than in certain industries which may be subject to regulation in relation to key risks (e.g. capital management for banks).	Companies should have internal processes to allow reporting of concerns around risks and audit. Auditors to report any enhanced risk they identify to the company.	
Internal controls	Auditors must understand the internal controls relevant to the financial report but do not provide an opinion on their effectiveness. Material weaknesses identified are communicated to the board and management. Companies must have such internal controls as allow them to prepare true and fair financial reports. Certain industries that	CFO/CEO should give a signed declaration to the board that internal controls over financial reporting have been evaluated and are effective. Auditors to report on how management have addressed deficiencies identified in prior years.	# #

	are subject to regulation that imposed mandatory controls in some areas. In listed companies, the CEO/CFO provide a declaration to the board that the financial records are correct and that the financial report complies with accounting standards and provides a true and fair view.		
Corporate misconduct	Misconduct that has a material impact on the audit is within the scope of an audit. Auditors have ethical obligations to address suspected or actual non-compliance with laws and regulation that they become aware of. Directors have duties to act with care, diligence and good faith.	Directors should make an explicit statement about how they have discharged their public interest duties. Auditors to report on any discrepancies in what directors say about corporate culture and what is observed. Extension of whistle blower protections to others who have a direct economic relationship with an entity.	# #
Corporate collapses	Directors must ensure companies do not trade while insolvent and sign off that they believe the company can continue to operate for the 12 months following the date of the financial report. Auditors must conclude whether they agree with the directors' assessment of the company's ability to continue to operate in the next twelve months.	The UK already has additional reporting on business viability. Brydon recommends going further with a resilience statement that reports on short term, medium term and long-term business resilience. Auditors would have to report to the board if they've encountered information that would lead them to have concerns about the resilience of the business not discussed in this report.	#
Conflicts of interest	Auditor must comply with code of ethics and auditing standards which prohibit some services to audit clients and set out principles on how to evaluate and respond to other potential conflicts.	Enhancements to management of the audit for companies. No specific recommendations for managing conflicts of interest by audit firms but a general	# #

	ASX recommends boards review/ approve all non-audit services provided by the auditor.	recommendation for review of standards and requirements and enhancement of the audit profession. Strengthening of requirements/reporting around fee setting, partner remuneration, audit tenders etc.	
Multi-disciplinary firms	Firms must comply with ethical and auditing standards requirements for operation of their audit business but no prohibition on multi-disciplinary firms.	No recommendation to prohibit multi-disciplinary firms. Strengthening of requirements/reporting around fee setting, partner remuneration, audit tenders etc.	#

Similar recommendations included in CA ANZ's 15-point plan for audit submitted to the Joint Parliamentary Inquiry into Audit