

Contact: Paul Doyle

Contact phone: [REDACTED]

2 August 2023

Dear Rebecca,

Thank for contacting us to seek more information on assurance services in Australia. The ACCC would like to hear further from BDO as an assurance service provider the ACCC would like to understand:

1. What does the market for assurance services look like in Australia? Who does BDO see as the key competitors in the market for assurance services?
2. Does the market for assurance services vary by industry (for example, are there particular assurance services firms that focus only on banking or do most firms work across several industries)?
3. What proportion of BDO's business is focused on providing assurance services in the banking industry?
4. How does BDO currently conduct assurance reviews of aggregators? Are there currently minimum industry-wide standards or requirements aggregators must meet?
5. How would BDO categorise the type of review as specified in the proposed Aggregator Assurance Program?

- 1. What does the market for assurance services look like in Australia? Who does BDO see as the key competitors in the market for assurance services?**

Assurance service providers supply independent and professional opinions that reduce information risk and increases confidence around reporting and disclosures to stakeholders. BDO has a strong and fast-growing Audit & Assurance practice and provides a broad range of assurance services in support of the effectiveness of internal controls, effectiveness of corporate reporting, regulatory reporting, and compliance issues, to support regulator engagement, independent expert services, and independent review of remediation and rectification outcomes by our clients.

We work with clients of varying sizes and complexity, however most of our assurance services are provided to large financial services clients including the large banks. BDO considers its main competitors in this market are the Big 4 consulting firms, where BDO brings an additional level of independence, competition and focus on assurance activity.

Assurance engagements (other than audits and reviews of historical financial information) are undertaken in accordance with the Australian Standards on Assurance Engagements (ASAEs).

ASAE 3000 - Assurance engagements other than audits or reviews of historical financial information

Assurance engagements include both attestation engagements, in which a party other than the assurance practitioner measures or evaluates the underlying subject matter against the criteria, and direct engagements, in which the assurance provider measures or evaluates the underlying subject matter against the criteria.

Examples of engagements that may be conducted under this ASAE include:

- Sustainability - An engagement on sustainability involves obtaining assurance on a report prepared by management or management's expert (the measurer or evaluator) on the sustainability performance of the entity.
- Compliance with law or regulation - An engagement on compliance with law or regulation involves obtaining assurance on a statement by another party (the measurer or evaluator) of compliance with the relevant law or regulation.

ASAE 3100 - Compliance engagements

Compliance engagements are assurance engagements where a conclusion is reached after evaluating an entity's compliance with the requirements as measured by specific criteria.

ASAE 3100 Compliance engagements applies to the performing and reporting on compliance engagements other than audits or reviews of historical financial reports. When conducting an engagement under ASAE 3100, compliance with ASAE 3000 Assurance engagements other than audits or reviews of historical financial information is also required as it is the foundation statement to the ASAE 3000 series of standards. ASAE 3000 provides general application to assurance engagements even though other ASAEs e.g. ASAE 3100 or ASAE 3500 may relate to specific topics, such as compliance or performance.

ASAE 3150 - Assurance engagements on Controls and ASAE 3402 Assurance Reports on Controls at a Service Organisation

ASAE 3150 Assurance Engagements on Controls and ASAE 3402 Assurance Reports on Controls at a Service Organisation, provide an assurance report on the suitability of the design of controls to achieve identified control objectives, and, if applicable, fair presentation of the description of the system, implementation of the controls as designed and/or operating effectiveness of controls as designed.

Compliance may be with externally and/or internally imposed requirements (e.g. through law and regulation, contractual arrangements, or company policies).

- 2. Does the market for assurance services vary by industry (for example, are there particular assurance services firms that focus only on banking or do most firms work across several industries)?**

Most assurance providers provide a range of assurance services, although their industry focus may be narrower or broader depending on their chosen markets and expertise. BDO offers a range of assurance services to several industry sectors including Banking and Financial Services. BDO has been providing Assurance services with a few of the large Banks in Australia related to compliance with a range of regulatory regimes including those regulated by ASIC and APRA.

- 3. What proportion of BDO's business is focused on providing assurance services in the banking industry?**

Our Audit and Assurance services represents an established and growing part of the BDO in Australia, and as of 2022 comprised approximately 25% of total fees for the firm. Please refer to the BDO in Australia Transparency Report for further details: <https://www.bdo.com.au/en-au/about/about-bdo-in-australia/transparency>

- 4. How does BDO currently conduct assurance reviews of aggregators? Are there currently minimum industry-wide standards or requirements aggregators must meet?**

As Aggregators are the intermediary between lenders and brokers, they play an important role in ensuring the best interests of consumers and they have a critical role in the regulatory compliance of brokers. Aggregators have governance and oversight obligations imposed contractually by

lenders, or as a licensee under NCCP Act (National Consumer Credit Protection Act). There are a range of regulatory guides issued by ASIC that provide guidance around best interests duty of brokers and for credit licensing covering important focus areas such as responsible lending, general conduct obligations, and competence and training. This helps explain the scope of the assurance reviews, as described in Sec 2.11 of “the Application” :

- Broker onboarding
- Broker accreditation
- Broker licensing and industry memberships
- Broker development and ongoing training
- Responsible lending and regulatory management
- Broker oversight and consequence management
- IT and System Access Controls
- Data security and privacy

BDO does not conduct assurance reviews of aggregators in Australia at this time and believe this may currently be concentrated with the Big 4 consulting firms. However, BDO is well positioned to conduct assurance reviews of aggregators due to our high level of independence and due to our experience in conducting independent expert reviews and assurance reviews that relate to other elements of the financial services ecosystem, including those regulated by ASIC and APRA.

5. How would BDO categorise the type of review as specified in the proposed Aggregator Assurance Program?

BDO considers the assurance engagements is likely to align with the Australian and Assurance Standards Board (AUASB) standards 3100 or 3150 as the review would seek to identify compliance gaps and the design and operating effectiveness of controls.

Yours sincerely,

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