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Jobs and Skills Australia  
Department of Employment and Workplace Relations  
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Submitted online: <https://www.jobsandskills.gov.au/topics/migration-strategy/draft-core-skills-occupations-list-csol-consultation>

### **Draft Core Skills Occupations List for Consultation**

The Australian Public Policy Committee (APPC) appreciates the opportunity to contribute to Jobs and Skills Australia's consultation on the draft Core Skills Occupations List (CSOL). Our submission focuses on the occupation of External Auditor, which is on the targeted for consultation list.

The APPC comprises the six largest professional services firms in Australia being, BDO, Deloitte, EY, Grant Thornton, KPMG and PwC as well as the professional accounting bodies Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia. Our objective is to promote positive public policy outcomes in respect of audit, accounting and related regulated services. In 2022, the firms collectively provided audit services to over 95% of Australia's 200 largest ASX listed companies<sup>1</sup> and are the largest employers of external auditors in Australia.

The audit profession is an industry that is fundamental to the operation of capital markets and critical to the Australian economy, particularly as it forms part of the legislative requirements to be met by Australian corporations. However, there continues to be a critical shortage of suitably skilled and experienced external auditors in Australia. Given the circumstances, we request that the ANZSCO occupation of External Auditor (ANZSCO code 221213) be included in the CSOL, to continue enabling employer sponsorship of auditors for skilled visas.

A detailed submission supporting this request is set out on the following pages, with an executive summary below.

#### **Executive Summary**

- There are significant mandatory legislative and regulatory audit requirements imposed on companies, government organisations and other entities.
- These audits must be fulfilled by competent and professionally skilled auditors if trust and confidence in capital markets is to be upheld. The role of audit is intrinsically embedded in all facets of the Australian economy.
- The criticality of the role of audit has been highlighted by key stakeholders including the Parliamentary Joint Committee on Corporations and Financial Services, the Treasury and the Australian Institute of Company Directors.
- The APPC member firms are significant employers of Australian graduates, investing heavily in training graduate employees, and ongoing training and development, retention and

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<sup>1</sup> Audit Market Structure, Concentration, and Competition in Australia 2019-2022, Sarawar Hossein and Gary Monroe UNSW, 2022, page 3

recruitment initiatives to ensure auditors maintain the skill level required to undertake this technical and specialised role in a regulated environment.

- Historically international markets have been a significant source of audit talent to fill vacancies for experienced auditors due to the unavailability of sufficient numbers of experienced candidates domestically. This submission demonstrates the average annual volume of international recruitment on which the audit firms rely.
- In April this year, there were approximately 310 vacancies for experienced External Auditors among the APPC member firms alone. Vacancy fill rates were typically high (67% and above), largely due to the use of employer sponsored visas, without which the proportion of vacancies filled would likely be in the moderate to low range. These roles are proving difficult to fill with domestic talent despite significant recruitment effort.
- The APPC member firms have collectively recruited an estimated 674 External Auditors on employer sponsored skilled visas over the past 12 months and currently have around 1,631 employed on such visas.
- It is not possible to simply 'audit less' or to audit with a lower skillset. On the contrary, with the introduction of Australian Sustainability Reporting Standards (ASRS), the specialised skills required will broaden and the volume of qualified auditors must increase.

## **1. Mandatory legislative requirements for audits and assurance**

Section 286 of the *Corporations Act 2001* (Cth) (the Act) sets out the requirements for companies to be independently audited, and Section 319 of the Act sets out the deadlines that must be met for audited financial statements to be lodged with the Australian Securities and Investments Commission (ASIC).

This audit requirement, whilst broader in its coverage, does apply to all entities listed on the Australian Stock Exchange (ASX). The audits of ASX listed entities must be completed within even stricter deadlines than those set out in the *Corporations Act* generally for all companies required to be audited. The objective of the independent audit is to provide confidence in the quality and accuracy of financial reports.

Additionally, the upcoming mandatory climate-related financial disclosure regime governed by ASRS, which is pending Parliament approval and expected to take effect from 1 January 2025, will require financial statement auditors to also provide assurance over mandatory climate-related disclosures with support from technical climate and sustainability experts. This will place further burden on a skillset and workforce already facing a significant shortage.

## **2. Benefit to the Australian economy**

The trust provided in audited financial statements is fundamental to the operation of the capital markets and hence, the operation of the Australian economy. Accordingly, the audit profession is an industry that is critical to the Australian economy, particularly as it forms part of the legislative requirements to be met by Australian corporations.

Audit professionals play a critical role in ensuring that Australian investors can be confident and informed when making investment decisions. High-quality audits enable investors to rely on the auditor's independent assessment of financial reports and enable informed capital raising assessments and debt financing opportunities. Financial audits uphold the integrity of the Australian economy as the process ensures the credibility of financial statements produced by Australian corporations, resulting in informed capital raising assessments and debt financing opportunities.

The development of new technologies and significant increases in the volume of data have had a dramatic impact on the business landscape. These have affected the role and relevance of corporate reporting and the audit of that reporting with demands for greater transparency regarding financial data, internal controls and business operations.

These factors demand that the firms continually evolve and innovate their services through agile and intelligent use of both technology and data to increase the integrity of clients' reporting.

The importance of audit has been highlighted by the Parliamentary Joint Committee on Corporations and Financial Services as part of its inquiry into the Regulation of Auditing in Australia. The Committee in its final report issued in November 2020 took the view that *“independent and accurate external auditing is more critical than ever in helping determine efficient and effective capital allocation”*<sup>2</sup>.

The Australian Institute of Company Directors (AICD) has acknowledged that *“audit quality is vitally important to stakeholder and investor confidence in financial reporting and the operation of capital markets”*<sup>3</sup>. The Treasury in its submission to the Parliamentary Joint Committee on Corporations and Financial Services’ current inquiry into Ethics and Professional Accountability: Structure Challenges in the Audit, Assurance and Consulting Industry stated:

*“Audit is a significant element of the broader financial reporting system. It is significant because it constitutes the principal independent, external check on the integrity and reliability of companies’ financial reporting. Audits add credibility to companies’ financial statements and increase the confidence that users, including potential investors, creditors, and shareholders, place in those statements.*

*Confidence in the quality of audit and the accounting profession is an important part of the effectiveness of the financial reporting framework in Australia and key to fostering confidence in the integrity of our markets.”*

### **3. External Auditor skills requirement**

Companies can only be audited by highly skilled individuals who hold the necessary tertiary qualifications, and professional memberships, and have relevant employment experience as a statutory auditor within a reputable professional service firm.

This calibre of experience is essential as the role requires the auditor to understand and examine the complex transactions that are undertaken by leading organisations to ensure the audit is proficiently completed.

We submit that this is a skilled occupation that requires specific qualifications and employment experience to competently meet the expectations of the role.

### **4. Expand ANZSCO definition to sustainability skills**

Given the CSOL is benchmarked to the latest ANZSCO, it is important that the ANZSCO occupation definition of External Auditor is updated to reflect the broader skill set that is demanded and expected of present-day external auditors. As noted above, financial statement auditors will soon be required to provide assurance over mandatory climate-related financial disclosures under the Corporations Act. In coming years, this mandatory reporting regime is likely to be expanded to cover other sustainability topics such as biodiversity and human capital.

The importance of the sustainability skill set to the contemporary role of an auditor is illustrated by CA ANZ including ‘sustainability for accountants’ as an elective module in their CA qualification, and CPA Australia including ‘future of natural resource management’ within its contemporary business issues elective module. Furthermore, given the deep expertise required, audit firms with the capacity and capability to provide assurance over climate-related financial disclosures and other sustainability disclosures will be required to include individuals with deep expertise in this area if the quality of audit and trust and confidence in the capital markets is to be upheld.

We therefore recommend that the ANZSCO External Auditor (221213) descriptor is revised by adding the below underlined text.

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<sup>2</sup> Parliamentary Joint Committee on Corporations and Financial Services- Regulation of Auditing in Australia: Final Report. Page 1

<sup>3</sup> AICD and Australian Accounting Standards Board (AASB) - Periodic Comprehensive Review of the External Auditor, September 2022, Page 4

“Designs and operates information and reporting systems, procedures and controls to meet external financial or sustainability reporting or assurance requirements. Registrations or licensing may be required.”

Industry needs clearer guidance that the External Auditor role covers the external assessment of ‘non-financial’ information as well as ‘financial’ information. This clearer guidance also needs to acknowledge that the ‘Environmental consultant’ role does not reflect the activities of a person engaging in external sustainability assurance. The key role of an external sustainability assurer is providing external assurance over non-financial information. Ensuring that external sustainability assurers can access a skilled migration pathway is critical for the achievement of the Federal Government’s proposed climate related financial discourse assurance road map.

## **5. External Auditor skills shortage**

CA ANZ has recently surveyed the APPC member firms and found that combined, the firms have an estimated 310 vacant External Auditor roles for which they are recruiting as at April this year.

Most of the APPC member firms have said that their proportion of External Auditor vacancies filled is high (67% or above). However, the firms have advised that this is largely due to the vast majority of their vacancies being filled using employer sponsored skilled visas, particularly the Temporary Skill Shortage visa. If the occupation of External Auditor is not included on the CSOL then the firms estimate their fill rates will likely be in the range of moderate (51 to 66%) to low (50% or below).

As the largest employers of external auditors in Australia, our six firms have heavily invested in recruiting, onboarding, training and developing auditors within Australia over several decades, yet there remains a critical shortage of auditors within the Australian labour market.

While our firms provide a world-class training program for Australian graduates and junior professionals, there remains a significant gap in the supply of external auditors in Australia when compared to the demand for these critical positions. The development of the audit function, and the importance of the role of financial audits in Australia’s financial market, has resulted in the increased demand for these roles, with no sign of this trend slowing or reversing.

The upcoming mandatory climate-related financial disclosure regime will further increase the need for external auditors and assurance professionals. It will require blended assurance teams with financial audit as well as climate and sustainability skillsets. Ultimately, the financial statement auditor will need to provide an assurance opinion on the climate and other required sustainability disclosures.

A joint report from ACCA and CA ANZ, *“Attract, engage, retain: Insights and recommendations for audit talent success”*, was published 26 March 2024. The report discusses the issue of audit talent scarcity and explores the persistent talent, attraction and retention challenges faced by audit firms worldwide.

On the same day, the ASIC and the UK Financial Reporting Council (FRC) announced a Memorandum of Understanding on Reciprocal Arrangements (MOURA), making it easier for auditors to work between both countries. The agreement provides one solution to the ongoing global shortage of statutory auditors by making it easier for qualified auditors in either the UK or Australia to apply for recognition of their qualification and audit rights in the other nation. The MOURA is expected to increase the supply of experienced auditors in both countries and help drive audit quality. This is critical given the declining audit talent pipeline and the domestic and global shortage of audit professionals.

A search of Seek.com showed 956 vacant positions for auditors being advertised in Australia on 18 April 2024 on this recruitment platform alone.

Jobs and Skills Australia’s *Skills Priority List, 2023 (ANZSCO 2022)*<sup>4</sup> report also recognises that external auditors are in shortage nationally and in every state and territory in Australia.

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<sup>4</sup> Jobs and Skills Australia, Skills Priority List, September 2023 (ANZSCO 2022) (2023 SPL (ANZSCO 2022) tab row 142)

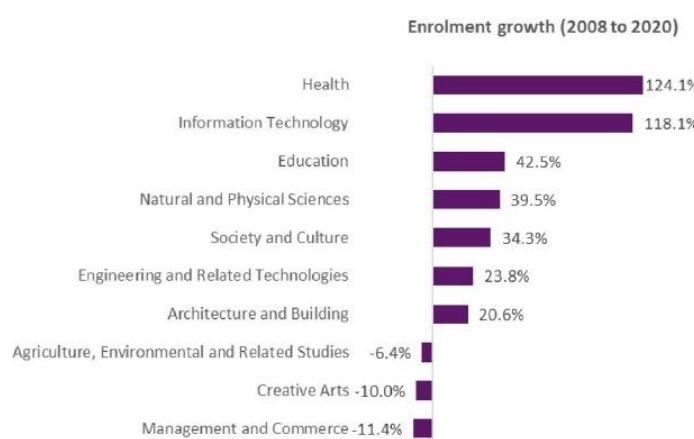
In the detailed occupation employment projections, modelled by Victoria University in 2023, employment in accounting occupations is forecast to grow by 8.5% in the 5 years to May 2028 and 16.8% in the 10 years to May 2033<sup>5</sup>. This forecast growth ranks in the top 30% of all occupations in the model.

There is an ongoing shortage of auditors within the Australian labour market, and the demand for these skills is forecast to continue in the foreseeable future. This shortage is being exacerbated by the drastic decline in the number of enrolments in accounting-related qualifying tertiary courses.

## 6. Declining talent pipeline

In a 2022 study *Declining University Enrolments - Issues for the accounting profession*, CA ANZ identified a range of factors that have resulted in a decade of declining student enrolments in undergraduate courses at Australian universities, in accounting related subjects such as commerce, and business management.

In June 2022, Universities Australia reported<sup>6</sup> that whilst domestic enrolment in some subjects has more than doubled in recent years, enrolment in management and commerce subjects essential to the qualification of External Auditors has had the largest decline, of 11.4 per cent.



The professional accounting bodies are continually working to ensure the declining talent pipeline is being addressed in numerous different ways. Examples include the flexibility in the CPA Australia program to recognise where possible previous qualifications and experience of CPA applicants, and the recent launch by CA ANZ of a specific pathway for school leavers. The APPC member firms work closely with the professional bodies on these and other mechanisms to address the declining talent pipeline domestically, and, to open socially equitable pathways into the profession.

## 7. Recruitment efforts

Whilst each APPC firm has tailored approaches, our approach to recruiting auditors to address the skills shortage may include wide ranging activities including but not limited to:

- Advertising widely online on recruitment, job boards, social media, and social media platforms
- Graduate recruitment event and programs
- Targeted selection, such as market mapping on LinkedIn to identify talent to headhunt
- Employee referral programs
- Engaging external recruitment agencies
- Virtual workforce arrangements where skilled auditors cannot be sourced from within Australia
- Seconding people from elsewhere in our firms to work on company audits
- Increasing workplace flexibility

<sup>5</sup> Victoria University Employment Projects – May 2023 to May 2033

<sup>6</sup> 2022 Higher Education Facts and Figures, Universities Australia, June 2022, page 40

- Upskilling and education support, such as offering study leave and financial support for completing CA ANZ or CPA Australia programs
- Promoting the audit profession and a career in professional services (e.g. job security and satisfaction, career progression and opportunities).

Historically international markets have also been a significant source of audit talent to fill vacancies for experienced auditors due to the unavailability of sufficient suitable candidates domestically. The APPC member firms have collectively recruited approximately 674 External Auditors on employer sponsored skilled visas over the past 12 months and currently have around 1,631 employed on employer sponsored visas.

## **8. Commitment to training Australian staff**

As part of our commitment to meet statutory requirements around quality and independence, the APPC member firms provide structured learning to audit staff that includes development of current and future skills. Each of the firms have structured curricula that focus on developing skills in a virtual classroom, face to face classroom (where current regulations permit) and through simulated case studies led by experienced audit professionals.

Internal training curriculums cover areas such as:

- Audit training
- Accounting training
- Quality and risk management training
- Digital and analytics training
- Identifying and addressing fraud
- Sustainability and climate reporting and assurance.

The ongoing training, development and investment in staff is extensive. Both CA ANZ and CPA require a minimum of 120 hours of continuing professional development be undertaken over a 3-year period. Transparency reporting by APPC member firms shows in many cases the investment made is significantly above this minimum requirement.

## **9. Recruitment and retention challenges**

In addition to extensive graduate recruitment activities, the APPC member firms' recruitment teams are always recruiting for experienced auditors. However, there are very few local candidates with the required skillset and up to 90% of applicants are located overseas. The local market does not provide enough experienced auditor applicants to satisfy the current staff shortages experienced by the firms. It is critical to the ongoing operation of our auditing and assurance services that the occupation of External Auditor is included on the CSOL so we can continue to supplement our Australian workforce with external auditors from the global talent pool.

Our preference is to source candidates with strong audit experience that have worked in similarly sized large firms as these staff typically have the skills required to apply structured audit methodologies and understand regulatory reporting requirements. However, candidates are currently less likely to consider a job move due to the economic and job uncertainty. The MOURA entered into between ASIC and the UK FRC is significant but will only realise the intended benefits if the migration regime facilitates this, and includes External Auditor on the CSOL.

We note the announcement in the 2024-25 Federal Budget that the Temporary Skill Shortage visa work experience requirement will be reduced from two years to one year from 23 November 2024. From this date, applicants will be required to have one year of full-time relevant work experience before they can be sponsored by an employer. This change will likely result in greater numbers of applicants. Please note however that employers using sponsored visas are generally looking for accounting and audit professionals with at least two to three years of relevant work experience.

With all the firms recruiting from within an extremely limited pool of local skilled talent, it has been challenging to sufficiently resource audit teams to meet clients' statutory reporting deadlines. Without access to offshore talent, this trend will exacerbate once the mandatory climate-related financial

disclosure regime commences as the climate reporting deadlines are the same as existing financial reporting deadlines.

## 10. Impact on Australian companies of audit skills shortages

A shortage of skilled and qualified independent auditors presents risk to businesses as well as to the wider Australian economy.

The potential risks of not meeting company statutory obligations include:

- Audit firms being selective in accepting new audit clients due to resourcing shortages resulting in companies experiencing difficulty meeting their statutory reporting obligations under the Corporations Act.
- Company suspension from trading on the ASX. This means that shareholders are unable to buy/sell shares until the reason for suspension is resolved. Suspension from the ASX can have significant ramifications for companies and result in breaches of bank arrangements.
- Fines and actions against the Directors of the Company
- Loss of confidence from stakeholders such as shareholders, suppliers, employees, governments and lenders.

## 11. Conclusion

Given the critical auditor skills shortage faced by the APPC member firms and the potential impact on the Australian capital markets, we trust that you will favourably consider our submission to request the inclusion of the ANZSCO occupation of External Auditors on the CSOL.

Should you have any questions or require additional information, please contact the APPC Chair.

Thank you for the opportunity to provide this submission to JSA. We look forward to hearing from you.

Yours sincerely



Shaun Kendrigan  
APPC Chair



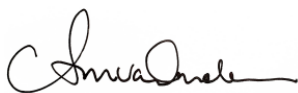
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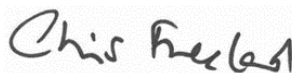
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