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On 31 December each year, commercial radio and commercial television licensees are required to pay to the Commonwealth a licence fee based on their gross earnings. This requirement is contained in the *Radio Licence Fees Act 1964* and the *Television Licence Fees Act 1964*, respectively.

It is also a condition of licence, under the *Broadcasting Services Act 1992*, that commercial radio and commercial television licensees provide financial documents to the ABA on 31 December each year.

In a self-regulatory environment, licensees calculate, according to stipulated formula, the amount of licence fees payable. The amounts payable are accepted at face value by the ABA and no further checks are made. As a result, the ABA decided

to embark on a licensee audit project to ascertain the level of compliance in these two industry sectors. This project will run for at least three years.

In 1999, the ABA had advised the Federation of Australian Commercial Television Stations (FACTS) and the Federation of Australian Radio Broadcasters (FARB) that it intended to commence licensee audits early in 2000. However, as representations were made to defer the project, the ABA agreed to a postponement.

The ABA has now decided that the licensee audit project should commence in 2001/02. In this regard, an auditor has been appointed, and the person is scheduled to take up his position on 22 October 2001.

Following a period of briefing, the ABA auditor will conduct a risk assessment and sample selection. A total of 10 commercial radio and commercial television licensees will be selected for audit, which will be implemented according to an

audit framework and methodology.

The audits will be conducted in accordance with Australian Auditing Standards, and wherever possible, issues will be resolved at the time of discovery. Each audit will be concluded with a "findings and recommendations" meeting between licensee management and the ABA auditor. At the meeting, licensee management would have the opportunity to seek clarification on any of the findings or recommendations, including responding to any adverse findings. In this way, licensees that are audited would have prior warning of unresolved issues and they would be aware of matters that the ABA auditor intends to provide in his report to the Authority.

It is expected that licensees selected for audit will provide the usual support to the ABA auditor as they would to auditors in any audit exercise. Support would include the nomination of an employee as the contact, who will provide the day-to-day

liaison. This person should be in a position to assist the ABA auditor by providing the necessary documentation and introducing the auditor to other staff who may be required to supply information.

