

Australian laws weak to enforce good financial accounting practices - Example of large strata plan audits through Economos Auditors

PPpov3

Dec '21

On 13 September 2021, the Public Company Accounting Oversight Board (PCAOB) of the US made an order that (1) censures KPMG Australia; (2) fines KPMG Australia \$450,000; and (3) requires KPMG Australia to undertake remedial actions. (Edit: Reference: [US watchdog fines KPMG Australia over 'widespread' cheating on online training tests | Business | The Guardian](#))

The board's website explains that its mission is to oversee audits of public companies in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports. This body investigates and, if necessary, disciplines registered public accounting firms and their associated persons for violations of specified laws, rules, or professional standards.

The board found that from at least 2016 until 2020, KPMG Australia failed to identify that more than 1100 firm personnel, including more than 250 auditors, were involved in cheating on tests for mandatory training courses that included professional independence, auditing, and accounting. The cheating involved improper answer sharing including the giving and receiving of answers relevant to the tests.

However, based on a MWM search (www.michaelwest.com.au) of the relevant websites, there doesn't appear to be anything out there from ASIC (Australian Securities and Investments Commission), CAANZ (Chartered Accountants Australia and New Zealand) or CPA Australia. There does not appear to have been any comment from the Treasurer or Treasury, the Financial Reporting Council, the accounting/audit professors at Australian Universities, the Accounting Professional & Ethics Standards Board or the Australian Auditing and Assurance Standards Board.

That matches nicely with other experiences that we would like to share in regards to accounting practices in smaller segment of industry: strata complexes. Four please for help were sent over last three years to Economos, who audit financials for large strata plan in Sydney. A reply was never received.

Here is an example, which also contain irrefutable figures of obvious accounting errors (took less than 10 minutes to find them) and even non-compliant audit 12 days after the general meeting:

<https://www.nswstratasleuth.id.au/Third-inquiry-sent-to-Economos-on-22Dec2019-regarding-alleged-strata-plan-SP52948-audit-on-18October2018.html>

<https://www.nswstratasleuth.id.au/SP52948-fourth-request-to-Economos-to-help-NCAT-case-and-provide-evidence-20Dec2020.html>

Economos was warned about this and failed to respond:

Audit requirements are prescribed by the Strata Schemes Management Act and Regulation – large schemes and those with a budget exceeding \$250k (budget defined under regulations):

STRATA SCHEMES MANAGEMENT ACT 2015 – SECT 95

STRATA SCHEMES MANAGEMENT REGULATION 2016 – REG 21

The first problem is with KPMG, an international accounting firm, was about their internal training. The second problem with Economos is about a particular strata audit. I presume Economos did the audit that you say is flawed. Other than both being about accounting firms I am not sure what the connection is.

What is your role in this strata audit?

Do you have a role in the web site <https://www.nswstratasleuth.id.au/> ?

That web page that you linked to seems to be a copy of an email but it is hard to follow and without context when you don't know who the author is or what they are doing. Perhaps you could explain why this is important. I am having trouble working out what your expectations are.

PPpov3

9 Jan

You are correct. KPMG issue relates to trustworthiness of financial audits or credibility of auditors in general.

Economos issue is different. It was listed as an example of a company that believes that it is enough to give public promise of quality of services, but when they are questioned, they simply ignore it:

<https://www.economos.com.au/about/>

Our extracts from emails are direct example of company ignoring irrefutable evidence of their failures to act in accordance with law. Trust through verification.

Why are strata audits of special interest:

- 2020 statistics shows that nationally, nine percent of the population lives in apartments, or 15 percent of households. NSW had the highest proportion of apartment-dwellers at 15 percent of its population (22 percent of households).
- Apartment dwellers are overwhelmingly Millennials and Gen Z, with 50 percent aged between 20–39 years old.

Without going into details what we do and where we work, our role is to uphold laws of the land and question/verify everything that does not pass the reasonable tests.

We have checked number of audits for various strata complexes in NSW: most of them were not worth the paper they were written on. The "good thing" is: most owners and investors do not have knowledge or time to investigate where their funds go, so they live in "happiness" (there is a saying "ignorance is a bliss").

Best wishes and may knowledge or right to obtain knowledge help everyone.

PPpov3

15h

Fun continues. Public can make their own conclusions.

And before you might ask any questions, yes, courts were aware of this and took no actions. Economos declined to respond to previous messages.

In our large strata complex, we had negative balance of \$202,014.85 in Admin Fund (that is more than

in our large strata complex, we had negative balance of \$203,914.85 in Admin Fund (that is more than two hundred thousand dollars!) on the day of Annual General Meeting on 27 October 2022, without disclosure to owners.

Audit requirements are prescribed by the Strata Schemes Management Act and Regulation – large schemes and those with a budget exceeding \$250k (budget defined under regulations) must complete financial audits before general meetings:

STRATA SCHEMES MANAGEMENT ACT 2015 – SECT 95

STRATA SCHEMES MANAGEMENT REGULATION 2016 – REG 21

So, when did Economos complete the audit? On 7 December 2022, 41 days after the general meeting.

Even more, there was earning in amount of \$5,000.00 which was listed in Income & Expenditure statement until mid-August 2022 and then disappeared. Amount of \$5,000.00 for alleged Solicitor's legal expenses was paid into Admin Fund by two parties, one of them being insurance company (double dipping). On 5 March 2022 revenue from insurance claims for legal costs was \$19,758.14 in Income & Expenditure Report.

If you want evidence, go to nswstratasleuth.info website for comprehensive examples of strata (mis)management.

mark_m Consumer Defender

1h

PPpov3:

So, when did Economos complete the audit? On 7 December 2022, 41 days after the general meeting.

It would assist greatly @PPpov3 if you would share which Strata Title and OC the accusations relate to. Previously naming the Manager is of little value.

Note this discussion is specific to NSW.

Does the Strata Property have an Owners Corporation?

Is there a Committee and elected representative positions?

Is the responsibility for ensuring the manager appointed meets regulations also the responsibility of the elected Owners Corp committee members?

What has been the response of the OC Committee to the circumstances alleged?



Who's who in strata

Understand the roles of the owners corporation and strata committee, strata manager and building manager.

PPpov3:

And before you might ask any questions, yes, courts were aware of this and took no actions.

How were the courts aware if this? Which court? Does it not require an application for a hearing or action brought in accordance with the law and due process? 'Taking no action' suggests a court either rejected an application for a hearing or the hearing made no adverse findings or directions.

Hi Mark,

Your questions are valid and easy to answer:

a) Note this discussion is specific to NSW.

Correct, this applies to NSW.

b) Does the Strata Property have an Owners Corporation?

Of course. Strata plan SP52948 with 218 properties.

c) Is there a Committee and elected representative positions?

Yes, there is a committee. In many previous years, two or three committee members were unfinancial to vote or be elected, but owners were not allowed to have such information.

d) Is the responsibility for ensuring the manager appointed meets regulations also the responsibility of the elected Owners Corp committee members?

No, roles of Treasurer, Chairperson, and Secretary are typically fully delegated to strata manager.

e) How were the courts aware if this? Which court? Does it not require an application for a hearing or action brought in accordance with the law and due process? 'Taking no action' suggests a court either rejected an application for a hearing or the hearing made no adverse findings or directions.

These parties were made fully aware of the events:

NCAT

Supreme Court

District Court

Office of Legal Services Commissioner

For more details, see below.

f) What has been the response of the OC Committee to the circumstances alleged?

No responses, apart from eight attempts (Police events) to scare my family and myself through stalking, intimidation, exposure to ridicule, and threats. Strata manager and committee members even refused to provide CCTV evidence to Police and us.

Strata manager and committee members also failed to attend Hearing in NCAT case SC 20/33352 (same like in CTTT case SCS 12/32675) in spite of having three months of advance notice. Tribunal member made this decision, amongst the others (the paragraph is verbatim from the decisions):

Paragraph 38: The Tribunal did not investigate any of the links provided by the Applicant as it would have been clearly procedurally unfair to the owners corporation for the Tribunal to view material which had not been filed and served in the proceedings and which the owners corporation could not see at the hearing as the hearing was conducted by telephone.

<https://www.nswstratasleuth.info/SP52948-statutory-declaration-for-NCAT-case-20-33352-which-Waratah-Strata-Management-refused-to-provide-to-owners-Aug2020.pdf>

Note that no owner received details of the Hearing, and all members of the committee, strata manager, and NCAT had special access to secure web site with unredacted evidence prepared by us (it was even requested by the Tribunal at Directions Hearing). And then, at the Hearing, Tribunal ignored its own

requested by the Tribunal at Directions Hearing). And then, at the hearing, Tribunal ignored its own decision to use that evidence.

Basically, the Tribunal created dangerous precedence in two CTTT/NCAT cases (SCS 12/32675 and SC 20/33352) which, based on Australian legal system, allow other parties to use as valid defense (legal precedents). CTTT/NCAT fully co-operated with the Solicitor and effectively rendered NSW strata laws useless, and even allowed Solicitor's representation of large strata plan SP52948 without having any evidence of being approved by owners corporation (in fact, Solicitor was not approved at any legally-convened meeting).

<https://www.nswstratasleuth.info/NSW-Civil-Tribunal-failing-to-deliver-services.html>

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