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Mutual Recognition Review
Productivity Commission
LB2 Collins Street East
Melbourne Vic 8003
AUSTRALIA

Review of Mutual Recognition Schemes

The Institute of Chartered Accountants of New Zealand ('the Institute') welcomes the opportunity to comment on the Australian Productivity Commission ('the Commission') Draft Research Report 'Review of Mutual Recognition Schemes' ('Draft Report').

The Institute congratulates the Commission on the quality and thoroughness of the Draft Report. The Commission's efforts to further reduce barriers to trade in goods and the flow of labour between the two countries is strongly supported by the Institute. This, together with proposals to reduce uncertainty and costs in the operation of the scheme should realise benefits to both countries.

The Institute's key focus in the review has been on co-regulation.

Co-regulation

The Institute agrees with the Commission's draft finding (5.1) that:

"... coregulation arrangements appear likely to fall within the coverage of the mutual recognition schemes if the elements required for mutual recognition (authorisation under legislation conferred by a local registration authority) are present."

And draft finding 5.6:

"Some Australian regulations constrain provision of services to people with very specific characteristics – for example, membership of one Australian professional body. This approach has the potential to create registered occupations in the meaning of mutual recognition."

One of the specific examples used in the report, company auditors, is particularly illustrative. By extrapolation, we believe it would also mean other auditing and wider accounting services would also be covered. For example, in regard to the audit of a Self Managed Superannuation Fund, section 35c of the Superannuation Industry (Supervision) Act 1993 (SIS Act) refers to the SIS regulations. Regulation 1.042(2) of

the SIS Regulations defines an 'approved auditor' of a self managed superannuation fund as:

- a registered company auditor
- a member of CPA Australia Limited
- a member of The Institute of Chartered Accountants in Australia
- a member of the National Institute of Accountants
- a member or fellow of the Association of Taxation and Management Accountants
- a fellow of the National Tax and Accountants Association Ltd, or
- the Auditor-General of the Commonwealth, a State or Territory.

Our understanding had been that members of the New Zealand Institute of Chartered Accountants are ineligible to undertake the Audit of a Self Managed Superannuation Fund. This is despite NZICA members being able to carry out such audits to a standard equivalent to Australian auditors.

However, according to the interpretation of TTMRA in the Draft Report, this appears incorrect. In essence, according to the Draft Report, membership of the Australian and New Zealand accounting bodies would, under the TTMRA, be viewed as equivalent, and membership of those bodies would constitute the necessary registration for being permitted to provide the specific service. This is a constructive finding, and one the Institute would look forward to seeing confirmed in the final report.

While the example provided here is Australian, there are many similar examples in New Zealand regulation that, independent of TTMRA consideration, give New Zealand Institute members similar exclusive rights. In some cases, such restrictions have been introduced against the advice of the Institute, which has argued for more permissive provision.

Ongoing requirements

One of the issues that will need to be worked through carefully, however, is that of the ongoing requirements for professionals who have become qualified in other jurisdictions.

The Institute notes from the round table discussion with the Productivity Commission in Wellington on 26 November 2008 that the Commission may recommend removal of the existing anomaly that ongoing registration requirements that apply to locally qualified members of a profession do not currently apply to members who were qualified elsewhere. Removal of this anomaly is appropriate. However, in doing so, two issues arise.

First, just as entry into a profession controlled by a professional body in another jurisdiction needs to be accepted for mutual recognition to work, so to will delivery and enforcement of ongoing standards and requirements. This will mean, for example, that the Institute's enforcement of its Code of Ethics and professional standards will need to be accepted as broadly comparable with the equivalent professional bodies enforcement of their own standards on their members (and vice-versa with respect to Australian qualified accountants practicing here).

Second, with respect to co-regulation it is not uncommon for professional bodies not to enforce ongoing requirements on those of their members practicing in other jurisdictions. This would need to be monitored to ensure broadly equivalent standards were being adhered to by both locally qualified professionals and professionals qualified elsewhere.

The Institute looks forward to the final report, and once again congratulates the Commission on a very thorough and well drafted document.

Yours faithfully



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