

5 March 2010

Annual Review of Regulatory Burdens on Business – Business and Consumer Services  
Productivity Commission  
GPO Box 1428  
CANBERRA ACT 2601

By email: [regulatoryburdens@pc.gov.au](mailto:regulatoryburdens@pc.gov.au)

Dear Sir/Madam

**Productivity Commission Annual Review of Regulatory Burdens on Business – *Business and Consumer Services***

CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) are committed to working with the Productivity Commission to ensure its recommendations enable reduced regulatory burdens and business compliance costs, and to help improve economic efficiency.

In this regard, we welcome the opportunity to contribute to the Productivity Commission 2010 Review. We think it important that the final Review Report provide sufficient specificity in detail and direction to Government for it to implement legislative change. Accordingly, we think it important that the Commission consult widely on this issue.

We make seven recommendations to reduce regulatory burdens, including recommendations that build on the single economic market initiative announcements of the Prime Ministers of Australia and New Zealand.

**Recommendation 1: The Australian Government continue to implement the 27 business regulation and competition areas identified by COAG under the National Reform Agenda**

The Australian Government (particularly through the Australian Taxation Office) has helped business (and especially small business) to manage through the Global Financial Crisis (GFC). However, there remains a possibility that the current signs of recovery from the GFC could prove misleading. It is therefore important that governments remain focused on reducing regulatory burdens on business, in particular the 27 business regulation and competition areas identified by the Council of Australian Governments (COAG) under the National Reform Agenda.

**Recommendation 2: The requirements for company auditor registration to include appropriate recognition of the foreign experience of accountants**

There is a shortage of Registered Company Auditors and the numbers continue to decline. One of the benefits of Australia's adoption of International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) is the desire to be, and be seen to be, adopting world's best practice. A benefit Australia is not reaping to the extent possible is to recognise the experience of foreign accountants who move to Australia from other jurisdictions that have adopted IFRS and ISAs and thereby reduce the complexity and time taken to register as an auditor in Australia.

**Representatives of the Australian Accounting Profession**



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### **Recommendation 3: The overlap in the inspection process for audit firms be reduced**

The inspection process for audit firms is now maturing. However, there is currently a great deal of overlap in this area. For example, in one year it is possible for one of the larger firms to undergo audit inspections and quality reviews by ASIC, the European Union, the United States Government's Public Company Accounting Oversight Board, the Institute, other international audit inspectors as well as the firm's own internal quality review teams. Each review consumes significant time and resource. Reduction of this overlap would be beneficial.

### **Recommendation 4: The current requirement to rotate off listed entity audits be reviewed**

Audit partner rotation – the requirement to rotate off listed entity audits – has now been in place since 2006, and feedback is that the five year period before having to rotate may not be the optimum period. We note that the United Kingdom is introducing some flexibility into rotation requirements and is permitting the five years to be extended to a maximum of seven years under certain conditions. We also note that there is some academic research which supports seven years as the optimum period before rotation should be required.

### **Recommendation 5: The Australian Government approach the New Zealand Government to seek agreement to establish a single accounting standard-setting body and a single auditing and assurance standard-setting body, and the Australian Government contribute towards the cost of such mergers**

As part of the Single Economic Market initiative of the governments of Australia and New Zealand, the respective governments should establish a single body to set accounting standards for both countries and another body to set auditing and assurance standards. Duplication dilutes the technical experience in accounting and auditing - an outcome not consistent with delivering enhanced quality of regulation. In an era of international convergence, sovereign rights are of less importance than quality concerns.

### **Recommendation 6: The setting of auditing and assurance requirements by Commonwealth, State and Territory, and local governments (and the New Zealand Government) be centralised to a single Auditing and Assurance Standards Board**

The Auditing and Assurance Standards Board should be explicitly tasked with developing standards for all audit and assurance requirements imposed by Commonwealth, State and Territory, and local governments (and the New Zealand Government). We see the current environment, where various government bodies such as the Department of Climate Change (in relation to greenhouse gas emissions) and some State agencies impose their own audit and assurance standards as wasteful and causes confusion in the community, especially around the audit expectations gap.

### **Recommendation 7: The acquittal process required of grantees by the governments of the Commonwealth, State and Territory, and local governments align with the grantee's statutory reporting obligations**

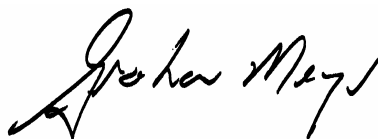
On occasions, government grantors have required acquittal reporting by not-for-profit grantee entities that is excessive when compared to statutory reporting requirements. The additional costs imposed by acquittal reporting are often significant. This is not a good outcome as an increasing portion of the grant is spent on the acquittal process and not for the purpose of the grant. We think it important that the acquittal process align with the grantee's statutory reporting obligations.

If you require further information on any of our recommendations, please contact Mark Shying, CPA Australia via email [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au) or Andrew Stringer, the Institute via email [andrew.stringer@charteredaccountants.com.au](mailto:andrew.stringer@charteredaccountants.com.au)

Yours sincerely



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