



## The National Institute of Accountants

Submission to Productivity Commission on Bilateral and Regional Trade Agreements

February 2010



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## The National Institute of Accountants

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The National Institute of Accountants (NIA) welcomes the opportunity to make this submission to the Productivity Commission's study on the impact of bilateral and regional trade agreements on trade and investment barriers and on Australia's trade and economic performance.

The NIA is one of the three recognised professional accounting bodies in Australia, representing over 22,000 accountants, business advisers, academics and students throughout Australia and internationally. The NIA was first established in 1923. The NIA prides itself in not only representing the interests of its members but also the accounting profession in general as well as the public interest more broadly. Being a full member of the International Federation of Accountants (IFAC), the NIA is dedicated to promoting the development of the industry and profession. Members of the NIA work in all fields of accounting including in private practice, government, industry and academia. The NIA is actively involved in setting and enforcing professional standards and in reviewing and commenting on legislation at all levels. As a professional accounting body the NIA's key roles include:

- offering post-graduate study in accounting through the Professional Education Program – a Master of Commerce (Professional Accounting) degree from the University of New England;
- conducting quality reviews of members in public practice, instigating investigations and where necessary discipline against members who have breached the NIA's professional and ethical requirements;
- offering Continuing Professional Education for all members (and non-members);
- providing members with information about legislative, regulatory and other changes that are affecting or may affect them;
- advocating on behalf of members and the profession as a whole, on issues of national importance;
- liaising with regulatory bodies on issues affecting members, particularly in the areas of taxation, superannuation, financial services, Corporations Law and accounting and auditing standards;
- setting and enforcing professional and ethical standards; and
- promoting issues of importance in the accounting profession.

For more information on the NIA please visit our website: [www.nia.org.au](http://www.nia.org.au).

Our submission is made from both the perspective of our members and with regard to matters which affect the public interest.

If you have any queries or require further information with respect to our submission then please do not hesitate to contact Jane Gao on either (03) 8665 3147 or [jane.gao@nia.org.au](mailto:jane.gao@nia.org.au).

## Introduction

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The NIA supports the evaluation of existing bilateral and regional trade agreements. We believe it is a good opportunity for the Productivity Commission to identify current impediments to greater trade in services, review whether current agreements overcome such impediments and improve the process for future trade agreement negotiation. It is suggested that a Mutual Recognition Framework (MRF) on professional qualification recognition between Australia and relevant trade agreement parties should be pursued by the Australian Government including accounting qualifications. Such a Framework will improve market access and reduce impediments to the mobility between economies of accounting services providers as well as facilitate the transfer of knowledge and skills.

This submission identifies barriers to professional qualification recognition that exist in the implementation of recent trade agreements and makes suggestions in relation to a number of issues that should be considered in the implementation of establishing the MRF.



## Mutual Recognition Framework

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The NIA believes that, generally speaking, the current bilateral and regional trade agreements have benefitted the Australian economy as a whole and individual sectors in particular. However, Australia has not, we believe, forcefully engaged on the issue of reducing barriers to the service sector. We therefore recommend that the Australian Government continue to implement and further develop the current trade agreements and seek new agreements, with a particular focus on reducing trade distortions in the service sector.

However, while we believe the nation as a whole has benefitted in a macro sense, the NIA and our members have not enjoyed the benefits of such agreements. That is, while most current trade agreements have a MRF to support the recognition of professionals, including accountants in the other jurisdiction, it is our understanding that no framework for the recognition of accountants has yet been established. Therefore in spite of such trade agreements with a number of countries, the NIA has not seen any improvement in the ability of our members to work in such countries.

We therefore recommend that the Government work with the professional accounting bodies and the other parties to the trade agreements to establish a MRF for professional accounting and that such a framework be incorporated in all future trade agreements. Such a framework should aim to improve market access and reduce impediments to mobility between economies of accounting services providers as well as facilitate the transfer of knowledge and skills.

### *Behind-the-Border Measures*

While we recognise that differences in law, corporate structures, tax systems and to a lesser extent, accounting and auditing standards, require jurisdictions to regulate the provision of accounting services to an extent, these need not be excessive in scope and character. We currently find that even with trade agreements, regulation of the accounting profession by the other party (particularly in ASEAN member nations) is often (unnecessarily) parochial and fragmented across a number of government agencies. Such regulation often includes prohibiting entry into the market, limiting foreign equity participation or joint venture requirements, or the exercise of discretionary powers by Ministers and/or officials. Decision making is often characterized by a lack of both transparency and predictability.

An example the NIA has encountered is in the Malaysian market. The NIA has sought mutual recognition by the Malaysian Institute of Accountants (MIA) since March 2006. The MIA has the sole statutory power to determine recognition of accountants in Malaysia (while at the same time being the largest accounting body in Malaysia). The application has been “on hold” for a number of reasons. One of the reasons for the delay has been that the NIA had to await translation of the Halatuju 2 report into accounting education requirements for Malaysia. This report was to bring Malaysian accounting education in line with requirements set by the International Federation of Accountants (IFAC). However, the NIA is already a full IFAC member and all our members meet or exceed these requirements. Then in mid 2008 the NIA was informed it had been deferred once more due to reviews of the *Accountants Act*. The provision of regulatory power to a market participant ensures that non-Malaysian accounting bodies can be blocked from fair market participation.

Education and legal differences are often promulgated as reasons to limit the ability of non-native accountants to operate in other jurisdictions. However, the harmonisation of international accounting standards (which is meant to help facilitate capital flows) reduces the difficulty for accountants working in different jurisdictions, and hence should increase the mobility of accountants. If anything, the greater

exposure of Australian accountants to such international standards should make them attractive to nations that are only now introducing these to their domestic sphere. Many accountants, particularly those working in ASEAN member nations, have been educated in Australia, which is proof that Australian educated accountants can apply their knowledge in different jurisdictions. Australian accountants have been headhunted for work in nations ranging from the UK, the US and EU. Despite their abilities, the use of behind-the-border measures are the biggest factor, in our experience, that Australian accountants find limiting their ability to grow business overseas, particularly in the ASEAN and North Asian markets.

We believe that unnecessary behind-the-border restrictions on Australian accountants providing services in countries Australia has trade agreements with not only unfairly restricts the mobility of the profession but also the transfer of accounting knowledge and skills needed by those nations. Given the critical role that accountants play in business decision making, these behind-the-border restrictions impede the development of trade and investment.

Australia has garnered a good reputation in financial regulation as a result of our relatively good financial position as the Global Financial Crisis (GFC) contagion swept the world. The ability of Australia to exploit this situation and the ability of other nations to learn from us are inhibited by the lack of emphasis Australia has shown to date to bring down barriers in services such as accounting.

We therefore recommend that negotiations under the auspices of existing agreements on implementing MRFs for accounting qualifications be initiated as a priority.

To achieve the objective of a MRF in accounting, the NIA recommends the following:

- Where negotiations on the recognition of accounting qualifications under a trade agreement have not yet begun, the Government should initiate such negotiation as a priority. This should include developing schedules and an implementation plan for recognition negotiations.
- The Australian Government work with the three recognised professional accounting bodies, that is, the NIA, CPA Australia and the Institute of Chartered Accountants in Australia (ICAA) to develop a framework for the recognition of accounting professional qualifications.
- To facilitate the conclusion of such a framework, the relevant Australian government agencies must be directly involved in such negotiations with their counterparts.
- The Australian Government (rather than the professional accounting bodies) should provide information explaining the regulatory environment for accountants in Australia (which is often very different to other jurisdictions and hence often misunderstood). Included in such information should be a summary of where accounting services are regulated, and who can undertake such work.
- Reference should be made in such agreements to international standards, such as those issued by IFAC and the International Accounting Standards Board (IASB), to ensure both consistency in application and dilution of domestic related concerns.

For such a framework to be successful, it will require participation of all the various parties (both governmental and professional). Where a participating economy has more than one recognised professional accounting body, the Framework must be adopted in a way that is consistent with all of those recognised bodies. Inclusion of all relevant stakeholders in this process would ensure that all accounting bodies (and members of those bodies) within a jurisdiction receive equal treatment.

## Conclusion

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It is recommended that a MRF on professional accounting qualifications should be initiated in existing agreements to improve recognition of professional accountants. Such a framework should form the basis of future trade agreements. Given the critical role accountants play in making decisions on trade and investment by business, the NIA believes both Australia and the other party to the trade agreement will benefit from such a framework.

The NIA welcomes the opportunity to work with relevant government authorities and other professional accounting bodies on this worthwhile endeavour.



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For enquiries within Australia call 1800 625 625. International enquiries can be directed in the first instance to the NIA head office.

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