



CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006
Australia
GPO Box 2820
Melbourne VIC 3001
Australia
Phone 1300 737 373
Outside Aust +613 9606 9677
Website cpaaustralia.com.au

25 October 2013

Steve Davies MP
Chair
Finance and Administration Committee
Parliament House
George Street
Brisbane Qld 4000

003

Via email: fac@parliament.qld.gov.au

Dear Mr Davies

Finance and Administration Committee – Inquiry into the legislative arrangements assuring the Queensland Auditor-General's independence

CPA Australia thanks the Finance and Administration Committee (the Committee) for its invitation and welcomes the opportunity to provide input in this inquiry. We make this submission in the public interest and on behalf of our members who represent more than 144,000 professionals in finance, accounting and business.

CPA Australia recognises the steps taken toward enhancing legislative arrangements regarding the Queensland Auditor-General's independence in recent years. Relevant legislative changes have enhanced core aspects of independence including duration of appointments, declaration and management of conflicts of interest, changes to mandate, strategic planning and reporting.

A comparative study, undertaken this year, of Australian and New Zealand legislation concerning the independence of auditors-general, commissioned by the Victorian Auditor-General's office (see also Appendix 1), recognised these changes as having a "substantial effect on independence". This study showed an increase in Queensland's "independence factor score", which is an aggregate measure taking into account a range of factors impacting on auditor-general independence, from 246 in 2009 to 320 in 2013 (the highest ranked jurisdiction was New Zealand with a score of 338 in both years).

Effectiveness of section 56 of the Auditor-General Act 2009

The Committee's invitation highlights for comment the effectiveness of section 56 of the Auditor-General Act 2009, which is concerned with audit fees charged by the Queensland Auditor-General. It is generally accepted that the process by which auditor-general remuneration or fees are determined, and in particular the role and influence of the executive, are fundamental aspects of independence.

Section 56(3) of the Auditor-General Act 2009 states "the auditor-general may, under the Treasurer's approval, decide the basic rates of fees". We are of the opinion that a more effective protection of auditor-general financial independence would exist where such fees were set by the auditor-general in consultation with an appropriate body of the parliament (for instance the Committee), which could draw on advice from Treasury, rather than the fees being set "under the Treasurer's approval".

Legislative arrangements overall and comparison with Australia, New Zealand and internationally

We attach for the Committee's reference, in Appendix 1, the study commissioned by the Victorian Auditor-General's office: "Independence of Auditors General: A 2013 update of a survey of Australian and New Zealand legislation". This recent study rates highly Queensland's legislative framework for auditor general independence, in comparison to other Australian states, the Australian Commonwealth and New Zealand. As noted above, legislative changes enacted in Queensland, since the previous comparable study in 2009, have resulted in substantial impact on Queensland's independence factor score.

The 2013 study places Queensland fourth of ten jurisdictions (all Australian states and territories, Commonwealth and New Zealand), which is a substantial improvement from a ranking of eighth in the previous comparable study in 2009.

We trust that this information will be useful for the Committee in its inquiry and would be pleased to provide any further input that the Committee may desire. If you have any questions regarding this submission, please do not hesitate to contact [REDACTED]

Yours sincerely



Paul Drum FCPA
Head of Policy

Appendix 1 – Independence of Auditors General: A 2013 update of a survey of Australian and New Zealand legislation

<http://www.acag.org.au/Independence-of-Auditors-General-in-ANZ-2013.pdf>