



Speech by

Terry Rogers

MEMBER FOR REDCLIFFE

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AUDIT LEGISLATION AMENDMENT BILL

Mr ROGERS (Redcliffe—Lib) (4.16 pm): I rise to speak to the Audit Legislation Amendment Bill 2005. I state for the record that I am a fellow of the Institute of Chartered Accountants and hold a public practice certificate. The Audit Legislation Amendment Bill proposes to amend various pieces of legislation to stipulate the qualifications required for a person to conduct a financial audit. It proposes to amend the qualifications required in Queensland for a person to conduct a financial audit in order to make these qualifications consistent and equitable across all of the acts. A review of the legislation has revealed inconsistencies concerning the qualifications required for a person to undertake a financial audit. The current legislation does not always treat members of the National Institute of Accountants, the NIA, consistently with the members of the other two professional accounting bodies in Australia: the Australian Society of Certified Practising Accountants, otherwise known as CPA Australia—I believe we have some in the House—and the Institute of Chartered Accountants in Australia, the ICAA. We accept that the change must be made to update the current legislative requirements. The proposed amendments specify the required minimum level of membership for the three accounting bodies. It has been recognised in the amendment that currently a person may merely be required to be a member of the professional body and consequently qualifications for an appointed auditor are inconsistent.

The amendments will allow members of all three major professional accounting bodies—CPA Australia, ICAA and NIA—to be equally eligible for appointment as an auditor. The modifications will include NIA members to be on the same basis as members of the other professional accounting bodies who may conduct an audit. The legislation clarification means that members of the newer NIA body will be required to meet the same level of membership as those members of CPA Australia and ICAA who conduct audits. It is important that all members in the three major associations are treated equally. However, the association members must be categorised effectively and consistently in order to make these provisions work. Presently, CPA Australia has around 65,000 full members and the ICAA has roughly 43,000 members. The National Institute of Accountants, the NIA, which the amendment will be including to be recognised as a professional accounting body, currently has approximately 13,000 members. Competition for membership does exist between the bodies—that can be seen from strong advertising campaigns—but overall these major institutions are working together effectively and courteously within the accounting industry.

The bill seeks to amend the qualifications required for a person to conduct less complex financial audits on incorporated associations. There are over 20,000 incorporated associations in Queensland. Incorporated associations are often sporting clubs, parents and citizens associations, religious associations, charitable organisations, voluntary and community groups and, I might add, political branches. While some associations have negligible assets and few members, some have significant annual turnover each year and thousands of members.

Associations are principally required to submit a professionally audited annual statement setting out their income and expenses for the previous financial year. However, auditors have become reluctant to undertake annual audits of small associations because of the increase in auditors' insurance premiums. Consequently, smaller associations are finding it difficult to afford the cost of an audit. In fact, 80 per cent of

associations could fall into this category. Currently there is no consistency between the three major bodies with regard to membership attainment and qualification requirements. CPA Australia and ICAA require a prequalification postgraduate course to be completed before a recognised member can conduct audits. Further, to become a registered company auditor Corporations Law currently requires the person to only be a member of CPA Australia or the ICAA.

The cost of an audit is significant for many associations and I would like to see a system of tiered audits implemented. This would be a system where the audit requirement of an association is based on the level of its turnover. This would be very attractive to some of our smaller organisations. This system would require large turnover organisations to be audited by a registered company auditor. This differs to what is currently the case. The requirements for a registered company auditor are controlled by ASIC. Many small associations may have a turnover of less than \$1,000 and, believe it or not, the cost to audit such associations could well be \$500 or more. Whilst it is important that these associations are accountable, perhaps they could simply supply a statement of position instead of undergoing a costly audit.

The rest of the audits, that is those in the middle, could be performed as most are currently done, and that is by a certified practising accountant or a chartered accountant and now an NIA member who holds a public practice certificate. I believe the specifics required as the minimum level of entry to perform an audit is the key to future standards. Now is the time to stipulate qualification and training standards. Now is the time to create good policy regarding incorporated associations and tiered auditing requirements. Now is the time to ensure the standards are equal, reliable and definite across-the-board.

I recommend and commend the benefits of incorporating a sizeable and functioning accounting body such as the NIA and that these changes included in the Audit Legislation Amendment Bill are an inevitable fact. I have had discussions with the major professional accounting bodies. They see this as yet again the inevitable fact. I commend the bill to the House.