

MEDIA RELEASE
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NIA Welcomes CLERP 9

- Government catching up with the accounting profession

The National Institute of Accountants (NIA), one of Australia's three professional accounting bodies, has welcomed the release of the Federal Government's latest corporate reform proposals.

The NIA's National President, Klaus Zimmermann, said the CLERP 9 report, *Corporate Disclosure: Strengthening the Financial Reporting Framework*, provides a fundamental reform to financial reporting in Australia. He believes it will help to ensure that Australian auditors continue to be regarded as providers of "world's best practice".

Mr Zimmermann said, "The accounting profession has been very proactive in dealing with many of the issues covered by CLERP 9. The profession has not waited to see what the Government view would be, instead it has acted to raise even higher the standards of the profession in Australia."

The three professional accounting bodies (NIA, CPA Australia and the Institute of Chartered Accountants in Australia) have undertaken internal reviews of the rules and requirements of their members. The NIA has recently finalised a major review of the Code of Ethics for its members, and the two other bodies have released the Professional Statement F1 on professional independence.

Mr Zimmermann said, "Australia's accounting bodies have lobbied the Government vigorously in relation financial reporting reform and are happy to see that the Government has finally caught up with the profession on many of these issues".

The NIA in its response to the Ramsay report in May 2002, and in subsequent lobbying, called on the government to:

- Give Auditing Standards the force of law in the same way as the Accounting Standards;
- Amend the Corporation's Act (the Law) to require auditors to make an annual statement of audit independence;
- Restrict the provision of certain non-audit services by audit firms to their audit clients;
- Require a statement in annual reports about the provision of non-audit services by the auditor;
- Require the establishment of audit committees; and
- Require the rotation of senior audit staff.

Mr Zimmermann said, "The NIA is pleased that the Government has taken on board many of our suggestions in CLERP 9. However, as always, the devil will be in the details.

“The NIA is pleased to see that CLERP 9 also focuses on others who play a role in financial reporting in Australia. Measures to address analyst independence and the quality of the advice provided by analysts will be very important in ensuring that shareholders and others are provided quality and relevant advice.

“The NIA has been concerned about the unfair emphasis placed on the audit profession in the recent spate of corporate collapses. While auditors are an important element in negating corporate fraud, they can only work with the information provided to them. It is now time for others to also raise their bar.

“The NIA believes that the most important ingredient to avoid corporate excess is to ensure that important decision makers are people of the highest moral and ethical character. Such characteristics can not be legislated into being; they are nurtured by the environment around them and the quality and strength of corporate leaders. New rules may make certain activities more difficult, but they can not change a culture that seeks to avoid and manipulate existing rules. Thankfully in Australia, instances of such behaviour have been few and far between,” Mr Zimmermann said.

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