

PRESS RELEASE

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NIA Proposes New Approach to Regulating Accounting & Auditing Professions

The National Institute of Accountants (NIA) in its submission to the Parliamentary Joint Committee of Public Accounts and Audit, gave its vision for the future of the accounting profession. The vision includes how the NIA believes the accounting profession, and within that, the auditing profession should be regulated and monitored.

The NIA CEO, Mr Roger Cotton said "This vision was drafted in light of the apparent failure of the accounting profession to safeguard the public interest in a number of high profile corporate collapses."

"Although the blame for such failures should not be placed exclusively on accountants and auditors, these events have caused the accounting and auditing profession, as with others, to review itself and consider where improvements, if any can be made.

"This self-analysis has been invigorating for the NIA and the profession. This review did tell us that the accounting profession is still working well and in the public interest, however there is room for the profession to improve. These improvements form the basis of our vision," Mr Cotton said.

Formation of a structure for co-regulation

The accounting profession is currently regulated by an *ad hoc* mix of government regulation in some areas, and self-regulation by the three Professional Bodies. There exists no formal structure to bring this together.

The NIA therefore believes that better coordination is necessary through co-regulation of the accounting profession. Such co-regulation can best be achieved through a peak or umbrella body involving the three professional bodies and government.

The vision the NIA has put to the Parliamentary Joint Committee is that this body be responsible for co-regulating the accounting profession by overseeing the development of professional and ethical standards for the accounting and auditing profession.

Mr Cotton said "This vision is the key improvement necessary to bring cohesion to the profession. Without such a change, accountants will continue to have to work under differing rules in different pieces of legislation both at a Federal and State level, and their professional body rules. Accountants need greater cooperation between the three professional bodies, all levels of Government and between Government departments."

Improvements in Auditing

Audit independence and other issues regarding the professionalism of auditors should be looked upon as an on-going issue. The formation of such a peak body will be a crucial element in ensuring these issues remain on the agenda and are dealt with effectively.

The standards of competence of registered company auditors also require review and constant attention. This peak body should also have an overseeing role in the formation of standards of competence for auditors, which should replace the outdated requirements of legislation to register as a company auditor and maintain such registration.

Mr Cotton in discussing this issue stated, "The NIA supports many of the recommendations in the Ramsay Report on audit independence. Our review has identified further improvements that could be made to auditing more generally, in particular updating the requirements for attaining and maintaining registration as a company auditor and greater consistency between State and Federal law as to when a registered company auditor is required."

Mr Cotton added, "The current regime for setting auditing standards is in need of improvement. Auditing standards do not have the force of law and are set by a private body with limited sources of funding. The Auditing and Assurance Standards Board should become a statutory body like the Australian Accounting Standards Board. The auditing standard setting process should receive funding from a wider variety of sources and most importantly auditing standards like accounting standards should have the force of law."

Improvements in the enforcement of legislative and professional standards

Currently, the three professional bodies have separate Disciplinary Committees that largely enforce the same professional standards. In addition to that, there are a number of disciplinary bodies established under legislation that review cases about the conduct of accountants in specific areas (the Company Auditors and Liquidators Disciplinary Board and the Tax Agents Board).

Mr Cotton stated, "There could be significant improvements in the enforcement of legislative and professional standards if there was just one Disciplinary Board for the entire accounting profession. The NIA calls on all key stakeholders to discuss this issue as part of an overall review of the accounting profession."

Mr Cotton, concluded, "The NIA sees that implementing this vision is important in making improvements to the accounting profession and to restoring the public's faith in accountants and auditors".

A copy of this submission can be obtained from the NIA.

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