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# LEADERSHIP & ADVOCACY POLICY POSITIONING

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CHARTERED ACCOUNTANTS™  
AUSTRALIA + NEW ZEALAND





## Policy Principles

Good public policy plays an important role contributing to a nation's prosperity. It determines the shape and future for our citizens, companies, organisations and governments. Chartered Accountants Australia and New Zealand is an organisation that acts firstly in the public interest provides different perspectives on public policy and stimulates thinking and conversation on what can be done to meet the challenges ahead. Our policy positioning comes from the Leadership and Advocacy team with input from our members. We provide policy, thought leadership and commentary on emerging issues in the business world.

The positions are formed and guided by the following principles:

- Chartered Accountants act in the public interest as dictated by the ethical standards which apply to the profession right around the world.
- Policies should be apolitical and evidence based
- We advocate on issues that are relevant to the profession and the business community.
- Focused on the long term prosperity of our nations, looking to the next 30 years, not just 3 years.

- Policies should be equitable and fair to both current and future stakeholders.
- Policies should be framed around the following four pillars which support prosperity of our nations:
  - Fiscal sustainability
  - International competitiveness
  - Boosting productivity
  - Effectiveness and stability of financial markets.

Policy positions are advocated through ongoing advice to governments, regulators and standard-setters and by speaking out on issues where the profession's expertise is highly-relevant.

Leadership through our *future[inc]* series provides high quality in-depth discussion and debate on key business policy issues that will significantly impact our economic future and our place in the world. We work closely with business, industry, governments, regulators, politicians, academia, the community and our members to research and articulate fresh perspectives. To download the publications and see more *future[inc]* thinking visit [charteredaccountantsanz.com/futureinc](http://charteredaccountantsanz.com/futureinc)

# Key policy positions

## Liability capping

We support the policy principles underpinning Australian professional standards and proportionate liability legislation which can be best implemented through consistent legislation in all jurisdictions which includes the prohibition on contracting out. In the interests of closer economic relations, we also support the extension of these key elements of liability reform to the New Zealand jurisdiction.

## Australian Tax

### Tax base sustainability

Australia needs tax reform which will build a sustainable tax base for the nation's future needs. Lowering the company tax rate is key to Australia's competitiveness and job creation, although this may come at a cost in terms of tax concessions currently enjoyed. GST base broadening and rate increase must be part of the mix as the population ages.

### Digitalisation and e-government

The digitalisation of forms and information has largely been achieved. However, more difficult decisions will need to be made in order to improve service quality and achieve efficiencies in public service delivery and compliance cost savings to citizens. Greater alignment of common definitions (such as employment and small business) across all relevant legislation and better information sharing between governments, along with appropriate privacy safeguards, is needed.

### Simplifying the tax system

Australia's tax system is overly complex and needs to be simplified, streamlined and modernised in order to reduce compliance costs and achieve greater efficiencies, including through integrating digital technology. There is a danger that 'quick' fixes to the taxation system will just add another layer of complexity to an already complex tax system. We support simplification and streamlining of Australia's tax system including minimising the frequency and regularity of tax changes. Strong consideration should be given in the tax reform process to reducing the difference in the tax treatment of various entities, income and expenses.

## Superannuation

### Review of retirement incomes policy

Chartered Accountants ANZ are supportive of a wholesale review of Australia's retirement incomes policy including the interaction between superannuation and aged pension. With an aging population, a sustainable system is needed for the long term that will enable Australians to live comfortably and be self-sufficient in their retirement. In ensuring a sustainable system, we must be careful to have a stable one to instil consumer trust and confidence. Tax and budgetary changes on an ongoing basis should be minimised, as constant tinkering to date has greatly undermined confidence in the system.

### A flexible, incentives based retirement income system

Australia's retirement income system needs to be flexible with the ability to tailor for individual circumstances. It will be a long time before we have a mature super system in which Australians have spent their entire working lives with 12% super guarantee. Until that time, community expectations, beliefs and needs will vary greatly. We need to encourage product innovation to address these issues and provide better levels of affordable, quality advice and education for consumers. The best outcomes will be achieved by incentivising rather than mandating behaviour.

### Borrowing in Super

While borrowing in super is still at relatively modest levels, we believe a review of these arrangements in Australia should take place as was suggested in the Cooper Review in 2010. It is not only important to determine whether borrowing in super is appropriate (or not) but if it is deemed to be so, then ensure we have the right legislative and regulatory framework around it. We do not support the Financial Systems Inquiry recommendation for an outright ban on direct borrowing.

## Superannuation – *continued*

### Superannuation Trustee Boards

Chartered Accountants ANZ is primarily supportive of super trustee boards that collectively have the right skill sets to ensure members best interests are looked after. We believe the equal representation model is no longer relevant but a full independent board would not necessarily meet members' best interests either. Boards must have flexibility in appointing members to meet skill requirements. We are supportive of the Australian Government's proposal for 1/3, 1/3, 1/3 model for trustee boards. Board chairs however should be independent and boards should have limited tenure with some discretionary powers to extend.

## Financial Advisory Services

### Financial literacy

We believe all Australians and New Zealanders should have an appropriate level of financial literacy to ensure they can make informed decisions in their financial life. The value of financial literacy is important across a wide range of demographics in Australia and New Zealand from children attending school, to everyday money matters through to company directors. We support overarching national financial literacy strategies and importantly believe in embedding financial literacy skills and understanding into secondary school curriculums.

### Key drivers for the provision of quality Financial Advisory services

There continues to be a lack of trust and confidence in the financial services industry and the provision of financial advice. Australians' financial needs continue to grow, with greater wealth in superannuation and the increasing complexities around areas such as aged care, the need for affordable, accessible quality financial advisory services is becoming more vital. The drivers to enhance the delivery of quality financial advice requires a combination of a stronger technical level of expertise, addressing conflicts of interest and importantly imbedding practical behavioural attributes such as a fundamental ethical framework.

### Reduce regulatory complexity within the financial services industry

The financial services sector has gone through considerable regulatory change over the last 10 years and more change is inevitable. We support the need to holistically review the overarching regulatory framework of those who operate in the financial services sector, in particular small businesses. The ongoing regulatory change increases the cost (both compliance and financial) of doing business with potentially 2 main outcomes – individuals and businesses being unable to receive affordable and accessible advice and small businesses being unable to continue to operate viably due to regulatory and compliance costs. Both outcomes have significant economic implications.

## New Zealand Tax

### Tax base sustainability

New Zealand needs to have a robust debate about the sustainability of the current tax base and whether there is a need to change the current tax policy settings. Options for broadening the tax base will take on more importance as the population ages and in the absence of changes to retirement income policies.

### Tax administration

The New Zealand Government has embarked on an ambitious plan to make tax simpler and to create a world-class 21st century tax administration system. The objectives are sound but the project will require a careful balancing of the needs for fairness, certainty, efficiency and transparency. We aim to ensure the changes benefit taxpayers and business and that the project does not merely shift compliance costs from the Government to the private sector.

### Tax simplification

The complex nature of the tax obligations imposed on businesses needs to be addressed. Tax complexity leads to high compliance costs, inefficiencies and loss of productivity. Tax simplification should be an integral part of the Inland Revenue's Business Transformation project. Policy makers need to be open to bold ideas and fresh thinking as to how to simplify tax.

## Reporting

### International - Meaningful disclosure

Excessive volume and technical jargon used in financial statements limits relevance and functionality. Increasingly complex financial markets, enhanced directors' responsibilities and the litigious environment in which auditors now operate have all resulted in an "if in doubt then disclose" mentality. Chartered Accountants Australia and New Zealand is committed to facilitating a cross-stakeholder solution to ensure compliance and communication objectives of financial statements are simultaneously achieved.

### International - Integrated Reporting

We have long advocated for reporting that is more meaningful for a broad range of stakeholders and that demonstrates the links between strategy and the business model. We encourage wider adoption of integrated reporting by organisations. We do not support integrated reporting being mandated.

### Australia - Simplify the reporting framework for private companies and not-for-profit entities

The current financial reporting framework in Australia would benefit from simplification. The assessment of whether an entity is reporting or non-reporting under Statement of Accounting Concepts 1 (SAC 1) requires a significant amount of judgement, as does the decision as to which accounting standards are most appropriate for the users. Chartered Accountants Australia and New Zealand considers a simpler reporting framework could better match each type of entity to its reporting obligations.

### Australia - Increase reporting thresholds

The thresholds for determining what constitutes a large and small proprietary company under the Corporations Act 2001 should be reviewed and potentially increased from \$25million and \$12.5million for revenue and assets respectively. Consideration should also be given to increasing the revenue thresholds for companies limited by guarantee under Section 285A of the Corporations Act 2001.

### New Zealand - Supporting the implementation of the new financial reporting framework

New Zealand has undergone major financial reporting reform, with significant changes being made to both the statutory reporting requirements and the accounting standards framework for a variety of entity types. It will be important to assess the ongoing impact of financial reporting requirements for key sectors, including registered charities preparing general purpose financial reports under the new reporting standards for the first time. Compliance costs need to be proportionate to ensure the public interest benefit is realised.

## Audit

### Audit quality debates need to focus on enhancing value for users

Users of financial information are looking for information that is relevant, timely and reliable. Audit is an integral part to achieve that aim as it enhances the degree of confidence in the reliability of the information. Debates on audit quality often get theoretical or tied up in subsidiary issues instead of focusing on quality. Both countries have strong legislative & regulatory frameworks that support the provision of quality, independent, ethical audit services. We support the adoption, un-altered, of international standards to maintain this strong framework.

### Professional scepticism is a cornerstone

Professional scepticism is embedded in training, standards and accountability. It's application is high on the profession's agenda but difficult to demonstrate. We believe that the concept of professional scepticism needs to be better understood by stakeholders, as well as enhancing the consistent application throughout the audit. Chartered Accountants ANZ will develop innovative solutions to advance the application of this trait and show principled leadership internationally.

### The role of audit committees is vital and can be enhanced

Audit involves a considerable degree of professional judgement and cannot be assessed at a single point in time. The quality of audit work can only be measured through ongoing dialogue, understanding, context and experience. Audit committees consist of non-executive directors who are independent of management but have access to the company and to the auditors. They play a unique and vital role in overseeing and appraising the financial reporting process and the auditor's part in that process. In general terms, the audit committee is accountable to the board and has limited transparency outside of the boardroom. We support informed and practical enhancements to the role of the audit committee.

### Transparency through-out the financial reporting supply chain needs to be improved

Transparency is one of the three key factors of a strong framework – the other two being standards and accountability. The balance of accountability and transparency in the capital market supply chain needs to be realigned so that all players have appropriate standards, accountability and transparency. This will improve governance and responsibility for more effective markets.

### Enhancements to the auditors' report are welcomed

Substantial changes to the form of the auditors' public report have been established internationally. We welcome these changes and are actively promoting the changes and the value they can bring if appropriately adopted.

## Insolvency

### Law reform for insolvency is necessary

Effective insolvency regimes are vital to the good health of business and economies. A holistic review of effective process is required to enhance the core structure and effectiveness of legislation.

## Business Issues

### Climate Change

We support a market based mechanism to price carbon, as this is the most economically efficient method. We encourage all major political parties to work together to develop a bi-partisan long term plan for emissions reduction for Australia.

We recommend that the Australian Government take a holistic approach to climate change and embed these commitments in their policies in other areas of the economy. For example, investment in carbon intensive projects will not provide longevity of outcomes and could actually increase Australia's emissions reduction challenge. We see a significant opportunity to use the R&D tax incentive as a lever to help create new industries and technologies in Australia that are fit for purpose in a carbon constrained world.

Chartered Accountants ANZ will also continue to advocate for appropriate disclosure of climate risk and participate in consultations from the FSB's taskforce on climate related financial disclosures.

### Corporate Governance

A principles based approach should be applied to matters of governance, through the corporate governance principles set by the ASX Corporate Governance Council and the New Zealand Financial Markets Authority.

### Workforce Participation

Gender equity in the labour market. We are committed to supporting women to either remain in work or return to work following career breaks. We are committed to gender pay equity. We are committed to pay equity being addressed in gender diversity policies and pay gap audits.

### Cyber security

We recommend that Australia and New Zealand's national cyber security strategies be rapidly implemented and regularly updated, in order to secure our nations' continuing security, stability and prosperity. As cyber threats are rapidly changing and evolving, the government must continue to work closely with industry and the owners of infrastructure assets to establish a cohesive national cyber security plan and to keep our cyber security strategy and policies up to date

Further, a framework for cyber security information sharing and threat response should be developed, given that cyber threats are continuously evolving. This will require coordination across all sectors, particularly with the owners of significant cyber infrastructure in the private sector, such as in the telecommunications and financial sectors. It is also important that information about cyber-attacks is shared between industry and government in order to combat future threats.

### Bribery and Corruption

Australia and New Zealand should strengthen their anti-corruption and bribery regime to help address the growing threat of corruption and cybercrime in the region, to repair the damage to our international reputation and rankings for corruption, and to send a clear message that we do not tolerate bribery and corruption. To support, the government should properly resource and provide a clear mandate to all bodies involved in our nations' anti corruption and bribery regime.



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