

Mr Gary Banks
Chairman,
Regulation Taskforce

28 November 2005

Dear Mr Banks

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Taskforce on reducing the regulatory burden on business

Thank you for your invitation to comment on practical options for alleviating the compliance burden on business.

PricewaterhouseCoopers provides industry-focused assurance, tax and advisory services for public and private clients. Our clients include 90 of the ASX top 100 listed companies and 609 companies of the IBIS top 1,000. This places us in a unique position to comment authoritatively on the direct impact of regulatory burdens on Australian businesses.

On behalf of PricewaterhouseCoopers, I would like to applaud the Federal Government for its commitment to identifying areas where regulatory reform can provide significant, immediate gains to business. We also note that as the regulation taskforce undertakes its work, government agencies and bodies are looking to impose further burdens on business where the benefits have not been justified.

In our view there are four urgent matters to which we would like to draw to the Taskforce's attention:

1. A single tax regulator

Taxation is a fundamental consideration in providing the right environment for Australian business. How companies are taxed impacts on a vast array of business decisions and consequently the efficiency and effectiveness of the system has a significant impact on Australia's long-term prosperity.

Many companies operate in more than one State or Territory and have to deal with multiple State Revenue Offices and the associated rules and regulations thereof. In addition, they have to meet the requirements of the Federal Regulator (the ATO). It would be more efficient if Australia had a single tax regulator for overseeing both Federal and State taxes.

While the prospect of a single regulator is perhaps a long-term goal, we would submit that the current Taskforce investigates mechanisms that ensure a greater level of harmonisation between Federal and State tax collection and administration authorities,

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thereby relieving much of the compliance burden on Australian businesses.

2. Auditing standards and the force of law

We have already made extensive submissions to Government, both directly and through the relevant professional bodies, regarding the appropriateness of giving auditing standards the force of law. Our key points are as follows:

- While accounting standards tend to prescribe defined methods of preparing and presenting financial statements, auditing standards differ in that they are subject to parameters within which auditors must exercise their professional judgement. We would be concerned that if auditing standards became too prescriptive and mechanical, the quality of audits would be adversely impacted.
- A quality audit requires the ability to plan and conduct an audit in accordance with established professional standards in audit methodologies. These methodologies are continually influenced by changing business conditions and international auditing standards. To make auditing standards more prescriptive would risk making them less adaptable to these changes.
- Common law remedies (i.e. for breach of contract or in tort) already provide adequate enforcement of auditing standards.
- There is no evidence to suggest that giving auditing standards the force of law would deliver benefits to businesses, shareholders and consumers. This view is supported by the fact that no other country has moved to give auditing standards the force of law.

While no clear benefits would accrue from these proposed measures, it is also important to recognise the significant costs they would incur both in terms of Australian Auditing and Assurance Standards Board time and the impact on the quality of the audit. For all of these reasons, we continue to press for the removal of these provisions.

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3. Proposals to refine ASIC's audit inspection powers

In brief, we believe harmonisation of Australian and overseas systems for regulation of audit can be progressed within the current framework, and without additional costs being imposed on practitioners and Australian business.

We further believe the proposals in the consultation paper for audit inspection reform would unduly increase the cost of audit through an unnecessary overlay of regulations from other jurisdictions.

4. Ongoing regulatory review process

Finally, we submit that there should be an ongoing regulatory review process to ensure that new regulations face a proper evaluation and assessment before implementation and also that there be regular review of the regulatory burden on business.

I hope these contributions are helpful to you in considering your deliberations. We look forward to the Regulation Taskforce's report at the end of January 2006.

Should you require further elaboration on any of the above four matters, we would be happy to assist.

Please do not hesitate to call me on 02 8266 3317.

Regards



Tony Harrington
Chief Executive, PricewaterhouseCoopers