

28 June 2024

Ms Deepti Paton
Director
Corporate Conduct and Analysis Unit
Market Conduct and Digital Division
Treasury
Langton Cres
Parkes ACT 2600

Via website: CCAUI@treasury.gov.au

Dear Ms Paton,

Submission – regulation of accounting, auditing and consulting firms in Australia

Thank you for the opportunity to provide a submission on the consultation paper relating to the regulation of accounting, auditing and consulting firms in Australia.

Consult Australia is the industry association representing businesses in design, advisory and engineering consulting. Our members, ranging from Australia's most innovative small and medium-sized firms to global corporations, deliver the solutions to the nation's most complex challenges helping shape, create and sustain our built and natural environment.

Our industry provides technical services through over 300 occupations across engineering, architecture, design, quantity surveying, community engagement, environmental services and sustainability, project management, strategy, planning, urban design, and landscape architecture. Our members' services are critical to the conception, planning, delivery and operation of both public and private sector infrastructure and construction nation-wide. These technical consulting services, required to support government priorities, should be understood as distinct from the broader advisory services often referred to more generically under the label of 'consulting'.

Whilst Consult Australia anticipates that the services offered by our members are not necessarily intended to be captured by the regulation being considered by Treasury, we appreciate the opportunity to provide input on issues, if in fact the regulation reaches further into the technical businesses we represent.

Consult Australia agrees with Treasury that self-regulation is likely to be more successful when practitioner interests align with broader industry incentives in relation to setting and upholding standards, and where competitive pressures hold the self-regulated entity to the desired standard of conduct.

We believe these conditions do hold true for Consult Australia and its membership, and that self-regulation through Consult Australia via our code of ethics and code of conduct are fully effective.

Ethical standards

Treasury raises concerns about the absence of legislatively enforceable ethical standards for partners of multi-disciplinary and consulting firms that are not working in the regulated industries of audit, insolvency, financial services and tax.

When it comes to technical consultants, for many of the disciplines relevant to our members there are a myriad of legislative standards for individuals (and sometimes businesses). For example, through the registration of engineers, individuals must meet state/territory standards as well as obligations of Engineers Australia as the institute for that profession. We hold that these regulatory and professional requirements 'do the job' and therefore additional legislative ethical standards are not required for such professions. Further, Consult Australia does not see evidence of systemic issues that would require legislative enforceable requirements for businesses that we represent, because of the strong commitment to the [Consult Australia Code of Ethics](#).

It is important to note that businesses that join Consult Australia are committed to our Code of Ethics and the accompanying complaints and disciplinary procedure. This commitment attracts to every individual within the business, including management. This is a significant point of difference with, say the 'Big 4' – and should be considered by Treasury.

We would argue that industry can lead in this space by maintaining and enforcing ethical requirements. Consult Australia refreshed our Code of Ethics in 2021 and our complaints procedure in 2023. Members are frequently reminded of their obligations to clients, the community and each other under the Code of Ethics. The Code is underpinned by three core principles:

- Collaboration – sharing ideas, skills, experience and building relationships to achieve shared goals
- Fairness – treating everyone with respect, consistency and acting equitably
- Integrity – acting honestly, authentically and being accountable.

Further, the competitive environment of the industry, in which our members operate, incentivises and reinforces the desired standard of conduct.

Competition

Treasury raises concerns about barriers to entry limiting competition and impacts on the resilience of the audit services market, and questions if there are similar competition issues in consulting services provided by the accounting firms.

Our industry is competitive, comprising close to 60,000 businesses across Australia and including some of Australia's top 500 companies and many small businesses (97%). Our members provide solutions for individual consumers through to major companies in the private sector and across all tiers of government. Our industry directly employs over 285,000 people providing technical services including through over 300 occupations as discussed above.

The businesses that we represent are not experiencing similar competition issues to the audit services market. The main barrier to entry for our industry is meeting legislative and regulatory requirements. The competitive market of engineering and design services is provided through businesses of all sizes, from sole traders to global corporations.

Rather than limited competition, the resilience of our industry is tested by the risks created through increasingly complex projects and delivery models. These risks must be carefully managed to ensure the sustainability of the markets both for construction and the enabling professional services.

Increasing pressure on the availability and cost of Professional Indemnity (PI) insurance reflects how our members services are procured and the effective management of risk through that procurement. The cost of PI insurance is now one of the top business expenses for consulting businesses, often second only to salaries and wages. The risks captured through the PI insurance market for our members' services reflects the unique nature of these services and must be carefully managed to ensure markets remain insurable. These risks also point to the nature of these services as they are different to other professional services – a fact clearly established more broadly through Australian Consumer Law.

Consult Australia would be pleased to expand further on any of the above points above to assist your consultation and strengthen the understanding of the unique nature of our members' services.

Yours sincerely,

Kristine Banks

National Policy Manager