

Dear Senate Standing Committees on Economics;

I have been a member of Chartered Accountants Australia and New Zealand ('CAANZ') since 1983. This correspondence is in that capacity.

Introduction

The Senate Standing Committees on Economics ('Committee') is currently inquiring into the Corporations Amendment (Modernisation of Members Registration) Bill 2017 ('Bill'). The Bill proposes to amend section 169 of the Corporations Act 2001 (Cth) ('Corporations Act') to include an email address as information that must be contained in the register of members of a company. Currently, section 169 only requires a register to contain the member's name and address.

As Senator Nick Xenophon's 'second reading speech' explains, the rationale and public policy imperative for this bill is essentially linked to the challenges experienced by Mr Brett Stevenson in his efforts to communicate with fellow members of his professional accounting body, CPA Australia ('CPAA'), in relation to concerns around the governance of CPAA. These issues have been well documented in the media during calendar 2017.

Governance

Australia's professional bodies seek, quite rightly, to influence Governments about legislation and policy. Further, because of the credibility associated with these professional bodies, the Commonwealth Government has accepted membership as a key criteria for registration as, by way of example, a company auditor (Corporations Regulations 2001 – Reg. 9.2.03) and tax agent (<https://www.tpb.gov.au/recognised-professional-associations>). In being granted this privilege by Parliament, it is not unreasonable to expect that these professional bodies adopt the highest standards in the governance of their organisations.

Senator Xenophon noted the following 'second reading speech': "CPA Australia has a convoluted board appointment process whereby the members don't directly vote for the directors, their recent AGM was in Singapore and members have been forced to rely on powers under the Corporations Act 2001 in order to get access to the members register in order to communicate with CPA Australia's 155,000 members." (Emphasis added).

The directors of an entity establish the governance framework for the organisation and become accountable for its implementation, monitoring and effectiveness. The directors are, in turn, accountable to their shareholders (in companies) or members (in professional bodies) for their conduct – typically, shareholders/members can remove directors (the ultimate sanction for inappropriate behaviour or underperformance).

Professional Bodies

As Senator Xenophon noted above, members of CPAA are unable to elect their board of directors.

The “Corporate Governance Principles and Recommendations” produced by the ASX Corporate Governance Council ASX set out: “.....recommended corporate governance practices for entities listed on the ASX that, in the Council’s view, are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations.”

While professional bodies are not ASX listed, the influence they seek and the privilege granted to them by Parliaments invite substantial public interest in their governance.

ASX Principle and Recommendation 6 is “Respect the rights of security holders”. As the ‘Commentary’ notes: “A fundamental underpinning of the corporate governance framework for listed entities is that security holders should be able to hold the board and, through the board, management to account for the entity’s performance. For this to occur, a listed entity needs to engage with its security holders and provide them with appropriate information and facilities to allow them to exercise their rights as security holders effectively.” (Emphasis added).

Election of Board Members

My research reveals that Australia’s two other peak professional accounting bodies, CAANZ and the Institute of Public Accountants (‘IPA’), do not permit all of their members to elect their own board of directors. The Taxation Institute of Australia’s (‘TIA’) highest governance body is its ‘National Council’ – again all members are not granted the right to elect the appointees to this body. While I have not researched the governance structure of the other peak professional bodies in Australia, I’m concerned that the Committee’s sole focus on CPAA risks ignoring a potentially systemic issue across the sector.

For the Committee's information, I have enclosed the following:

- 'Governance Statement' for CAANZ
- Constitution for the IPA
- Constitution for the TIA.

Conclusion

I'm writing to the Committee to respectfully request that it consider broadening the terms of their current inquiry into the governance of the nation's peak professional bodies, such as CPAA, CAANZ, IPA, Australian Institute of Company Directors, Governance Institute, TIA and the Financial Services Institute of Australasia etc.

While the current inquiry may ultimately lead to an improvement in the ease of members communicating with each other, it is unlikely to enhance the overarching governance of professional bodies.

I recommend that the Committee consider directing its inquiries to evaluate the governance of the nation's peak professional bodies, with a particular focus on the accountability of directors to their memberships. In this regard, I encourage the Committee to consider requiring the boards of the other peak professional bodies to attend its hearings and address how they ensure that their accountability to members is authentic and straightforward.

Sincerely,

Con Abbott FCA