

26 November 2013



Mr Tony Shepherd, AO  
Chair  
National Commission of Audit

By email: [submissions@ncoa.gov.au](mailto:submissions@ncoa.gov.au)

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Dear Mr Shepherd

As with any business, government must be responsible and accountable for the appropriate management and use of their finances, to plan ahead, and be bold going into a rapidly changing and often uncertain future.

It is in this context that CPA Australia welcomes the National Commission of Audit. It is a pivotal national stocktake necessary to inform the decisions we need to take to secure our place in the Asian Century.

Australia is in many ways encumbered by a federated system of government that is now over a century old. Despite serving Australia well in many respects it also often works against achieving the most efficient and effective outcomes possible. It is therefore incumbent on all levels of government to constantly seek to improve processes, standards, and the efficient delivery of services to all Australians.

We make the following comments and recommendations that CPA Australia believes should be considered as part of this review:

### **Australia's competitiveness**

Australia is at a crossroads. We have started to see the end of the mining boom, a decade or more of incredible growth and demand from China, as well as the fallout and tentative economic recovery following the global financial crisis. What is not so certain is where Australia will be placed going into the Asian Century, nor exactly where Australia's drivers of economic growth will come from over the next five, ten or even twenty years.

Our recent [Asia Pacific Small Business Survey 2013](#) showed confidence returning to the small business sector following the change in federal government earlier this year and indications that Australia is entering a new and welcome era of political stability. One in five Australian small businesses expect to employ more people in 2014 and a significant proportion expect to invest in growth and new assets over the next 12 months. These are the best results in the history of our five year, longitudinal study.

However, as the experience of our neighbours in the region shows, while stability and sure-footedness at home is vital, the sector is not immune from global economic volatility. The ramifications of that are severely impacting small business confidence in markets including Hong Kong and Malaysia and these ill-winds have the potential to act as a destabilising force at home.

It is through that prism that CPA Australia has called for competitiveness to be the foundation stone for all government policy decisions related to Australian business. The strength of our small business sector, Australia's future investments in infrastructure, our ability to attract international investment and our ability to support and grow Australian businesses in a global marketplace all depend on the ability of Australian businesses to become globally competitive. With this imperative in place Australian government policy and decision-making will not only target the right drivers but will be well placed to make sound and considered decisions for Australia's future.

CPA Australia's landmark policy publication titled *Australia's Competitiveness: From Lucky Country to Competitive Country* is the most comprehensive study our country has seen on its international competitiveness.

It captures the insights of more than 6,000 leading decision makers in both Australia and overseas, and analyses 76 key attributes of the Australia economy and specific industry sectors that contribute to our competitiveness.

The findings are rigorous and free of any agenda. And while the book is unprecedented in scope in and of itself, there are more than a million competitiveness data points across sectors as diverse as manufacturing, agriculture and vocational education, that can be further analysed and inform a compelling framework for policy discussion and formulation. CPA Australia looks forward to working with the Government to develop sound policies based on verifiable data which have been tested by the business community and resonate with the general community.

Depending on our ability to step up and deal with the competitive challenges ahead, the four realistic scenarios for Australia's future will see:

- Resource wealth invested in a diversified economy
- Australian innovation exported to the world
- Business and cultural integration with the Asia-Pacific region
- Australian advantages in education, innovation, IT will see the world turn to Australia

Details of this publication are available online at <http://www.cpaaustralia.com.au/media/australias-competitiveness>

### **Efficiency and effectiveness**

#### **Improved operations and service delivery**

It is incumbent on all government agencies to be fully accountable for the taxpayer funds with which they have been entrusted. Not only is it expected that these agencies will be effective in meeting the tasks they are charged with, but also that they are efficient in doing so.

CPA Australia encourages the Commission of Audit to examine the effectiveness of the existing delivery system of all government functions and services across Australia. This includes both alternative delivery mechanisms such as using private sector providers, as well as examining innovative ways to remove duplication in the existing structure at both a State and Commonwealth level.

For example, the review should consider whether either the Commonwealth Government, or even perhaps one of the states on behalf of all states, should take on some of the responsibilities of revenue collection currently duplicated in every state. Another area is the duplication of the various help lines, such as the Small Business Help line which is provided by some states as well as by the Commonwealth Government. These are just two of a number of public sector functions that may benefit from consolidation and should form part of this review.

CPA Australia has also provided a detailed submission into the Performance of the Australian Securities and Investment Commission (ASIC) which highlights areas of significant concern regarding ASIC's delivery of its current mandate. CPA Australia will also be making submissions to the Financial Services Review and Tax White Papers, which will be prepared over the coming year, in this regard.

CPA Australia recognises that these reviews go beyond the scope of the Terms of Reference for the Commission of Audit but they are equally important and will have significant implications for the Commission's findings and should be referenced as part of your considerations.

### **Government needs to capitalise on its own innovations to create efficiencies**

It is important when looking at the efficiency of service delivery for the government to capitalise on its own innovations to create efficiencies.

One example is that different government bodies operate separate policy levers in order to manage skilled migration, when the opportunity is to have one single, sophisticated and nuanced policy lever.

One government body is the Australian Workforce and Productivity Agency (AWPA). Each year the AWPA reviews the Skilled Occupations List (SOL). The SOL facilitates the entry of workers, independent of employers, if they are one of the listed eligible occupations. The annual review process may result in some occupations coming off that list and others being added depending on expected labour market conditions for those occupations. This is a blunt approach that creates uncertainties for potential migrants and businesses alike. Such an annual review process that seeks input from impacted stakeholders is also inefficient.

The other government body is the Department of Immigration and Border Protection (DIBP). On 1 July 2012 the predecessor of DIBP introduced SkillSelect, an online service that has introduced efficiencies into the skilled visa application process. SkillSelect allows DIBP to adjust the threshold number of points that a potential migrant must score in order to be submit an expression of interest to migrate. Currently the threshold is adjusted in order to meet an annual migration target.

The opportunity here is for one government body to adjust one policy lever - the threshold pass mark via SkillSelect which can be altered to reflect changes in labour market conditions, the migration target and any other relevant factors.

Such a common sense change would reduce red tape, improve efficiency and facilitate greater market certainty. These are the lessons that need to be learnt and implemented to create efficiencies.

## **We need to ensure that politics does not over-ride good policy**

It is important in this review to be mindful of the sunk costs for government, business and taxpayers in establishing various government agencies. One example would be the recent establishment of the Australian Charities and Not-for-Profit Commission (ACNC).

Following more than a decade of enquiry into the not-for-profit sector, one of the driving objectives of the ACNC legislation was the reduction of unnecessary regulatory obligations on the sector by introducing concepts including the 'charity passport', 'one-stop-shop' and 'report once use often' concept. These are designed to allow other State, Territory or Commonwealth regulators to satisfy their own information needs for regulatory and other purposes by accessing information collected by the ACNC and made freely available through an online portal.

We note the potential benefits of reduced duplication and red tape and greater simplicity for operators across the country, leading to more effective delivery of services to the community, and that these benefits closely align with the Government's aggressive red tape reduction agenda.

Consideration of the continued roll-out of reforms and efficiencies in the charities and not-for-profit sector by the Commission may provide insights that can be more broadly applied.

## **Commonwealth finances and medium-term budget risks**

### ***Base erosion and government spending***

Australia's tax base is shrinking, as is the case for many developed countries around the world with an ageing population. At the same time Australia is faced with growing demands on government services including healthcare, aged benefits and an increasing need to invest in National infrastructure.

It is in this context that CPA Australia calls for this review to make the necessary decisions and to prepare Australia's Public Sector for the future demands which we know it, and the Australian public, will need to face in the coming decade.

CPA Australia believes a root and branch national savings policy review is an important step in the task. Such a review should be broader than, but include, a review of our compulsory retirement savings model. With \$1.6 trillion dollars invested in superannuation, ensuring that we have the settings right for the future will be vital to meeting the needs of an ageing population and to reducing demand on government in the future. This is an area where the Commission's findings can have both relevance and influence in this vital policy area.

The Australian Government must also make sure that it is responsible and transparent in its funding decisions and that it makes sure, as with any business, that it can meet and service its debt commitments.

CPA Australia has long argued that a responsible government should not artificially rush to return the Commonwealth budget to surplus, just for a surplus' sake. Rather, we have argued that a more appropriate approach is to develop a suite of measures that help stimulate broad-based economic growth which will deliver a surplus over the short to medium term.

As noted above, while the Tax White Paper is outside the terms of reference for the Commission of Audit, we nonetheless believe that the Commission should at least reference the importance of a full review of the base and rate of the GST as a means to deliver sustainability to the budget while also eliminating inefficient state taxes. Additionally, with 127 taxes of which ten account for 90 per cent of tax revenue, there is considerable scope to introduce greater simplicity to the current tax system.

A future looking budget focused on the betterment of households, business and Australia's international competitiveness - now and into the future – must be the priority of Australia's government, with a long-term plan at the very core of that task.

***Going forward – the next steps...***

Australia faces an uncertain future. This is the time when Australia must look at what it is doing, clearly determine its direction and examine and openly discuss the list of barriers it will face going forward.

Our challenge is to facilitate a transition to a knowledge-based economy: one that is versatile, agile and able to create the high paying jobs of the future.

Only by undertaking a root and branch review of where our nation stands in this early part of the Asian Century can we truly chart a sustainable path forward to ensure we are competitive, in every sense of the word.

CPA Australia is committed to this important debate for Australia's future and we look forward to furthering our contribution during your consultation.

Yours sincerely

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Chief Executive

cc:  : General Manager External Positioning