



Thursday, 28 August 2025

Queensland Productivity Commission
PO Box 12078
George Street
Brisbane QLD 4003

Submission via [Queensland Productivity Commission](#)

Dear Sir/Madam

Interim Report – Opportunities to Improve Construction Industry Productivity

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide feedback to the Queensland Productivity Commission's inquiry into productivity in the construction industry, and to its Interim Report *Opportunities to Improve Construction Industry Productivity* (the IR). We make this submission on behalf of our members and in the public interest.

In responding to the IR, we have focused our comments on:

- Preliminary Recommendation 13 – Minimum Financial Requirements (MFR), and
- Preliminary Recommendation 14 – Trust Account Framework.

We support Recommendation 13 to withdraw the MFR regime, as it has proven ineffective, costly, and overly complex.

Our members have consistently reported confusion and inconsistent interpretations of the MFR regime. CA ANZ's efforts to clarify the requirements and support members, including work leading to [changes to QBCC MFR regime for smaller entities](#) were considerable. We welcome and appreciate the Queensland Building and Construction Commission's (QBCC) willingness to engage with the profession and to address frequent complexities, uncertainties and inconsistencies arising in implementing the MFR regime, particularly in recent years. In our experience, the volume of issues has been unusually high over the life of the MFR regime (including before its repeal in 2014, and after reintroduction in 2019). In our view, the nature and volume of issues is more indicative overall of a problematic underlying policy construct than it is a fault of implementation. The February 2025 reform to scale back the regime was welcomed, since in our view the MFR regime was not delivering a cost-effective solution for managing insolvency across licensee categories.

We support Recommendation 14 to pause further rollout of the trust account framework until a regulatory impact study is completed.

Our members' experience shows the framework is complex, resource-intensive, and expensive, particularly for large public sector projects. Extending it to the private sector or

local government would impose further cost burden without clear benefits. While the trust account framework may improve business confidence, its inconsistent drafting has caused widespread confusion, especially around audit requirements. The shortage of registered company auditors, particularly in regional areas, compounds these issues. We welcomed the 2023 decision to slow the implementation of the trust account framework, and the February 2025 reform to pause the further rollout of the trust account framework. CA ANZ continues to advocate for clearer guidance, better education, and cost-effective software solutions.

Our more detailed responses to specific questions on these recommendations in the IR is contained in **Appendix A**, while **Appendix B** provides more information about CA ANZ. Should you have any queries about the matters in this submission, or wish to discuss them in further detail, please contact Amir Ghandar, Reporting and Assurance Leader by email;

[REDACTED]

Sincerely

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Amir Ghandar FCA
Reporting and Assurance Leader

Appendix A

Responses to specific questions

Recommendation 13 Request for Information – MFR

The Commission is seeking evidence on:

- **stakeholders' experience of complying with minimum financial requirements in Queensland and the time and resources involved**
- **whether minimum financial requirements remain well-targeted following the recent removal of reporting requirements for the majority of licensees**
- **whether minimum financial requirements provide benefits not considered by the Commission and whether these benefits justify their retention.**

As set out in our cover letter, **we support Recommendation 13 to withdraw the MFR regime, as it has proven ineffective, costly, and overly complex.**

Evidence contributing to our recommendation is as follows:

- The increased legislative MFR reporting requirement for Categories 1 to 3 licensees to prepare general purpose financial reports (GPFR) was significant and disproportionate. With sustained advocacy efforts from the accounting profession, this was subsequently changed in February 2024 to allow for special purpose financial reports (SPFR) which better accommodated this group of licensees. However, significant MFR reporting remains with all applicable recognition and measurement requirements including the application of the lease accounting standard AASB 16 *Leases*. While SPFR is a better fit for Categories 1 to 3 licensees, concerns remain that the requirements are still not well-targeted given the smaller scale of the licensees' operations and available resources.
- Over time, we have frequently identified aspects of MFR forms and assurance requirements that are not consistent with the requirements of the relevant Australian Auditing Standards as issued by the relevant Federal Government entity, the Australian Auditing and Assurance Standards Board (AUASB). Although the QBCC and AUASB have been open and engaged with the sector to address these issues, the frequency does point more to problems in the underlying policy approach rather than how it has been implemented. In addition, the assurance requirements for MFR purposes are not clear as to what level of assurance applies.
- From its inception until February 2025 when the MFR regime was wound back, our members experienced confusion with the complex requirements that led to significant efforts to resolve the concerns. Some examples are:

- MFR reporting was required for a range of occurrences that are not consistent with the objectives of the MFR e.g., a change in a director could be routine with no indication of insolvency.
- The MFR reporting requirements were different from the annual reporting process, raising questions about the need for such differences, especially when licensees need to adapt or extend their existing reporting processes.
- Compliance with MFR obligations often requires a professional accountant even when the licensee did not previously engage one, therefore incurring additional and disproportionate costs on the smaller licensees.
- Different financial reporting requirements apply for different business structures; often with legislative modifications to the financial reporting requirements; for example, the MFR reporting applies the Australian Accounting Standards, but in certain circumstances – specific MFR legislative requirements override this.
- Unintended outcomes could occur when reporting on a closed group in accordance with its deed of cross guarantee. When a financial report is required for the closed group, this could exclude some entities controlled by the parent company. This causes non-compliance with AASB 10 *Consolidated Financial Statements*, and consequently are no longer regarded as GPFR, as required for a Category 4, 5, 6 or 7 licensee.
- Some calculations for MFR net tangible assets purposes are not consistent with the Australian Accounting Standards, therefore the recognition and measurement requirements of the standards are not applied.

We note the IR's analysis of standardised changes in insolvency rates by jurisdiction. The trend supports the Productivity Commission's observations that the level of insolvency in the construction sector followed a similar trend as states without a comparable MFR regime. In addition, there is statistical evidence of no significant change in insolvencies when the MFR regime was repealed in 2014 and reintroduced in 2019. Based on feedback we have heard, there are no clear net benefits arising from the MFR reporting.

Recommendation 14 Request for Information – Trust Account Framework

The Commission would like to test its understanding of the costs and benefits associated with trust account obligations in Queensland, in particular:

- **stakeholders' experience of complying with trust account obligations in Queensland and the time and resources involved**
- **how impacts differ across projects of different sizes (for example, contracts valued above/below \$10 million)**

- **whether stakeholders have observed reductions in contract pricing that could be attributed to the presence of trust accounts and a lower risk of delayed or non-payment**
- **whether trust account regulation is a significant impediment to undertaking construction projects in Queensland (including case studies or examples).**

The Commission is seeking further information on:

- **whether trust accounts have been effective in reducing cases of non-payment in the Queensland construction industry**
- **how trust accounts affect the way stakeholders operate and manage their finances (for example, cash flow)**
- **the adequacy of existing alternatives available under the security of payment framework**
- **availability of technological solutions to meet trust account obligations.**

CA ANZ recognises the objective of protecting payments to sub-contractors, however, feedback suggests the trust account framework as presently designed has not been effective. Key issues have included the complexity and onerousness of the trust account framework, alongside more specific issues, that overall result in a costly compliance exercise, rather than a well targeted protective mechanism. We therefore welcomed both the July 2024 amendments in the [Building Industry Fairness \(Security of Payment\) and Other Legislation Amendment Act 2024](#) (BIFOLA) and associated [regulation](#) to clarify and simplify the trust account framework, and the February 2025 Building Regulation Renovation reforms which paused the staged rollout. In our view, both these decisions were necessary to attempt to address the significant implementation issues that were becoming apparent.

However, significant issues remain unresolved and so **we support Recommendation 14 to pause further rollout of the trust account framework until a regulatory impact study is completed.**

Evidence contributing to our recommendation is as follows:

- Based on our members' experience, the regime is complex to implement and comes at a significant cost to participants. We recognise that there are initiatives to simplify what records need to be kept, but the lack of appropriate affordable and field-tested software for this purpose makes this a challenge. Participants also face challenges obtaining trust account products and services at a reasonable cost, particularly in regional areas.
- Stakeholders encountered practical difficulties understanding whether trustees can claim the input tax on GST amounts at the point when the amounts are deposited into the retention trust account. We appreciate the Department sought specialist tax advice, but given the extensive impact on all transactions, such an issue should have been resolved before the rollout to avoid major inefficiencies.

- The lack of clarity about record keeping requirements also makes it difficult for auditors to provide the necessary assurance. More challenges arose when auditors were expected to provide audit opinions that were not consistent with the Australian Auditing Standards, which is not appropriate. More clarity, guidance and training on the requirements are essential if the audit framework is to be implemented effectively, including information on reporting deadlines.
- We also remind decision-makers that the previous requirement prior to the BIFOLA amendments for a registered company auditor to conduct trust account audits and reviews remains not feasible. Given the limited pool of registered company auditors, especially in regional areas, this requirement is onerous. There are other options for specifying the appropriate level of audit expertise for the assurance practitioner.

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 140,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.