Strategic initiatives

Relevance to members and stakeholders
> A differentiated segmentation strategy which delivers value to members throughout their life cycle
> Effective and valued interaction with members
> Ongoing development and revision of products and services to ensure value to members
> Mutually beneficial partnerships with leading industry bodies and stakeholder groups.

Leadership and competitive positioning
> A focused leadership strategy which ensures influence nationally, regionally and internationally
> Effective, visionary and well-publicised thought leadership initiatives which profoundly and positively impact business and the accounting profession
> A well-recognised and differentiated Chartered Accountants brand
> Continuing regard for the importance of discipline, ethics and conduct for the profession.

Global positioning
> Influencing the initiatives of the Global Accounting Alliance
> Thinking globally and acting locally
> Supporting the development of the profession globally
> Ensuring participation in Asia and international forums is relevant and targeted.

Ensuring the Institute is fit for the future
> A sound financial base to enable investment in key strategic issues
> Appropriate infrastructure and processes to be responsive to member needs
> A nimble governance structure
> Targeted and relevant committees providing quality input
> Strategic thinking which identifies and responds to emerging trends and markets.

People and culture
> A culture which is proactive, responsive and innovative with strong leadership
> Best practice in recruitment, retention and rewards
> Rigorous succession planning with high achievers identified and mentored for staff and committees
> Key people recognised as experts in their fields.

Growth to ensure a sustainable future for the Institute and Chartered Accountants
> Ongoing review of the Chartered Accountants Program to ensure relevance and pre-eminence
> Innovative and influential careers marketing to ensure the attractiveness of a professional career in chartered accounting
> Ongoing brand promotion to attract new members
> Addressing the skills shortage and ensuring ongoing recruitment and retention of members.

Ensuring the Institute is fit for the future via strategic thinking which identifies and responds to emerging trends and markets.

1920s
The early days of regulation

It’s 1925 and the Sydney Stock Exchange calls on companies to publish balance sheets and profit and loss accounts. A few years later the granting of a Royal Charter sees the Institute of Chartered Accountants begin operations at Currie Street, Adelaide.
Relevance to members and stakeholders
How we delivered in 2008

Interacting effectively with our members
The Institute interacts with members through events, conferences, roadshows, websites, print and broadcast media, e-Bulletins and technical newsletters, manuals, toolkits, guides, Charter magazine, Institute updates and training sessions.

During 2008 the Institute delivered some 700 workshops, forums, debates and events on issues such as ethics, differential auditing, extended performance reporting, legally enforceable auditing standards, standard legislative framework for tax agents and anti-money laundering.

More than 4700 accounting and business professionals across all major capital cities attended our popular Business Forums, while our Force of Law national roadshow events attracted more than 300 delegates.

The Institute’s Public Sector Forum, designed to present contemporary management issues to members who work in, or closely with, government was again well received. Initially targeted at middle management, the forum now attracts a broader audience from the public sector, with attendance averaging between 80 and 100 for the five-program event.

A combination of quality content and speakers, together with a robust marketing strategy and excellent teamwork contributed to the success of the Institute’s conferences this year.

A new Accounting Conference was introduced and held in Sydney, Melbourne, Brisbane and Perth, focusing on financial reporting and management accounting. It attracted 572 delegates, exceeding registration targets by 43 per cent and revenue targets by 30 per cent. The inaugural SMSFs Conference held in Sydney attracted 223 delegates, 50 per cent over registration targets and 30 per cent ahead of revenue targets.

Also successful were our Public Practice conferences, attendance at which nearly doubled this year.

Tools
The Institute recently launched an audit manual to help auditors, particularly those dealing with small to medium sized entities (SMEs), apply the current Australian Auditing Standards (ASAs).

The manual is based on the International Federation of Accountants (IFAC) Guide to using international standards. It is freely available on the Institute website and is supplemented by a toolkit, complete with forms, checklists and programs necessary for conducting an audit, and training sessions in several states. This has been widely accepted as a significant step in assisting practitioners to maintain consistently high auditing standards and practices.

To help Chartered Accountants find their way through the myriad of software choices available, the Institute introduced a Business Software Guide that provides information on 45 tailored business software solutions. This comprehensive tool, which allows members to cross-reference by industry and function, was distributed to all members with Charter magazine.

Publications
Charter magazine, e-Bulletins and other corporate communication channels provide useful tools to inform and update members, with 87 per cent of our membership claiming to be satisfied with the communications received.

The fortnightly e-Bulletins provide relevant information and news to members who work in the Big 4, public practice, business and government. Many topical issues were covered during the year including the implications of carbon emissions trading, the liability capping scheme, the launch of the new CPP tool, and regular lobbying updates. In addition, Chartered Accountants Local News, an essential tool used by members in all regions for local information and updates, was successfully relaunched.

The three technical e-newsletters, CA Tax Bulletin, Accounting and Assurance Today, and the relaunched Chartered Accountants Superannuation Bulletin, continue to provide relevant information to subscribers, and member satisfaction levels are high (88 per cent, 86 per cent and 85 per cent respectively).

Charter, the Institute’s flagship publication, continues to attract new readers with circulation now totalling more than 48,000. The magazine’s quality, credibility and targeted reach also make it attractive to advertisers.
Relevance to members and stakeholders (continued)

Revising and developing our products and services
As a leading body in the financial services industry, the Institute delivers relevant educational products and services to keep members up to date with the evolving global environment.

The Institute’s library service was recently reviewed and updated. Now called the Knowledge Centre, it offers members and candidates the information they need, when and where they need it – online, via telephone or in person at our Sydney office. With access to some of the most comprehensive business and accounting hard copy and online resources available, the Knowledge Centre’s team takes information from around the world, and delivers it via desktop or in hard copy.

Changes included the addition of an online news articles service from the electronic journals provider EBSCO, available direct to members via the website. A team of dedicated experts is also available to complete searches for customers. The Knowledge Centre can be contacted on 1800 809 828 or knowledge@charteredaccountants.com.au

Training
The decision taken in 2007 to expand our in-house training has yielded positive results, with client engagement growing by an average of 89 per cent. The mix of clients now includes large corporations such as Seven Network, Medibank, Australian Capital Equity and additional federal and state government departments. We have also signed our first national contract with Grant Thornton for the delivery of tax training.

Of particular note was the launch of the full accounting and audit offering including Audit of SMSF, Audit Conference and DVD, Accounting and Auditing for Aged Care Industry, Audit Update for AFS Licensees Seminar, and Accounting for Income Tax workshops. With the large demand and high satisfaction from members and firms, the range will continue to expand.

Total registrations including events and in-house training

Graduate Development Program
The Institute has recognised and responded to a demand from members and developed a powerful and practical program to which candidates have responded favourably.

With a mix of soft skills and technical knowledge, this program was developed as a pilot with three firms in 2007 and provides an alternative product in the market to help candidates as they undertake the Chartered Accountants Program. The feedback to date has been positive.

A key benefit is the ability for candidates to tailor the program to suit non-traditional public practice firms such as insolvency, and merger and acquisition firms. It is also well placed to service firms that do not specialise in particular areas within the Chartered Accountants Program, such as audit firms needing extra help in the tax area.

The program will be fully launched in the third term of 2008 with the potential to offer a public program at the beginning of 2009.
Establishing mutually beneficial partnerships with industry and stakeholders

Engagement with both state and federal governments continues to be an ongoing focus for the Institute.

In partnership with the Department of Finance and Administration, we developed an interactive budget and financial essentials course to give members working in government agencies a deeper insight into the government’s financial framework so they can better understand their obligations and responsibilities under legislation.

Academic partnerships

The Institute has had a long and mutually beneficial relationship with the university sector for some years. Over time the relationship has been strengthened by our continued support as Platinum sponsors of the Accounting and Finance Association of Australia and New Zealand (AFAANZ). This support not only provides essential funds for the accounting and finance academics’ annual conference but in particular awards PhD scholarships to candidates whom the Institute has a role in selecting. The success of this scheme is demonstrated by the high number of scholarships that lead to PhD completion and, as importantly, give impetus to successful academic careers. Other contributions made during the year include direct funding of research and a significant involvement of Institute staff and members to projects aimed at improving the relevance of undergraduate accounting degrees.

Throughout the year, the Institute continued with the university accreditation process. As part of this we visited a number of universities, where interaction from vice chancellor level to front line accounting lecturers and students enables the alignment and articulation of learning objectives between undergraduate courses and the Chartered Accountants Program.

Business Leader Awards

In March, the Institute announced Leighton CEO Wal King as the 2008 Chartered Accountants Business Leader Award winner.

Now in its ninth year, the award attracted nominees representing a wealth of business talent in Australia who were judged on their ability to demonstrate visionary leadership, exhibit best practice, show innovation, take risks, foster positive employee relations and contribute to the community.

Michael Ullmer, Deputy Chief Executive Officer, National Australia Bank and winner of the Outstanding Chartered Accountant in Business award said: ‘Receiving the award was very much a surprise and a great honour. I think it is a really good initiative for the Institute to be seen to be reaching out to business, both in the context of recognising Chartered Accountants in business and as a good opportunity to host CFOs from key clients, who were pleased to participate in the event’.

Other winners on the night included Andrew Mohl, former Chief Executive Officer, AMP who won in the Banking and Finance sector and Owen Hegarty, Managing Director and Chief Executive Officer, Oxiana, who won the Mining and Resources sector.

The success of the PhD scholarship scheme is demonstrated by the high number of scholarships that lead to PhD completion.
The Income Tax Assessment Act 1936, weighing in at just 120 pages, heralds a new era of federal tax collections. The need to prepare statements spurs greater demand for accounting professionals. In response, the Institute issues its first Code of Ethics to all members and its first statement on accounting practice.
Leadership and competitive positioning
How we delivered in 2008

Leadership activities are designed to increase our influence with government and regulators and position the Institute as leaders in the profession and the wider business community. By partnering with key stakeholders in public practice, the corporate world and academia on joint leadership activities we build relationships and enhance our leadership positioning.

Lobbying
The Institute focuses its lobbying efforts on advocating public policy that is not only in the interests of members and the accounting profession but also in the national interest. This year saw a change of federal government and the opportunity to engage with new ministers and political stakeholders on their policy priorities.

The government has initiated several major policy reviews which are still ongoing. Some of these, such as the Henry Review of Australia’s taxation system and the introduction of a carbon emissions trading scheme, have potentially wide-reaching and long-lasting impacts on our economy. The Institute is an active participant in these reviews and is also involved in the work that the government has initiated on the governance of SMSFs and the disclosure regime for not-for-profit organisations.

Liability capping schemes
Members received the good news that the schemes had received Commonwealth prescription in all states and territories except Tasmania. Commonwealth prescription makes the schemes effective in relation to claims under the Trade Practices Act 1974 (Cwlth), as well as in relation to any state-based claim, something that will give members and the public added peace of mind.

This represents the final stage in the establishment of an effective national framework for limitation of liability for the schemes in Queensland, Victoria, South Australia, the Northern Territory, Western Australia, New South Wales, and the Australian Capital Territory.

We will continue to lobby to achieve the legislative reform that will allow a consistent scheme to be approved in Tasmania.

Simplifying business for SMEs
In June 2008, the Minister for Small Business Craig Emerson announced that the government would consider two new measures to simplify taxation and reduce compliance costs for small business.

One, the entity flow-through (EFT) taxation regime, developed jointly by the Institute and Deloitte, has been referred to government as part of the Australia’s Future Tax System review, headed by Treasury Secretary Ken Henry.

This was a major win for the Institute, given that we have long advocated for the simplification of tax laws and easing of the compliance burden for small and medium enterprises (SMEs).

We have also been active on other fronts in the financial reporting area. Earlier in the year, we produced a report, in conjunction with CPA Australia and the National Institute of Accountants, calling on the International Accounting Standards Board (IASB) to further reduce the burden on SMEs in its Proposed International Financial Reporting Standards for SMEs.

The field tests of the proposed international SME standard, commissioned by the three bodies and conducted by mid-tier accounting firm Moore Stephens, actually reviewed three entities in Australia and converted them into the newly proposed Financial Reporting Standard for SMEs. The report summarised the outcome of these tests.

All three accounting bodies agree that the proposed IFRS for SMEs (or IFRS for private entities, as it is now known) raises issues for some enterprises who may not have the skills or capacity to transition to the proposed standard without some external assistance.

Raising our brand profile
During the year, the Institute invested in an advertising campaign designed to attract young people into the profession and address the skills shortage.

Through a multi-channel advertising campaign we were able to heavily promote our ‘Riddle’ advertisement which showcased the prestige of the Chartered Accountants brand. This was boosted by the launch of a new digital campaign.

Media coverage is another important method of growing our brand and profile. During the year, we achieved a record 1536 media hits, largely attributable to the stronger relationships we have developed with key journalists, particularly in the broadcast media, and the quality of our spokespeople who provided insightful commentary. The ongoing skills shortage debate in the press also gave us the opportunity to raise the profile of the Chartered Accountants Program.

Undertaking thought leadership initiatives
The benefits of our lobbying and thought leadership activities were in evidence this year with a number of important developments.
The field tests were conducted in addition to the separate submissions made earlier this year by each of the professional bodies to the IASB and the Australian Accounting Standards Board (AASB) with regard to the proposed standard, demonstrating the commitment of the Australian accounting profession to have a voice in the international and Australian debates.

These submissions, as well as the report based on the field tests, and our submission on the Australian differential reporting proposals, argue that the burden on SMEs will only be reduced if the proposed reporting standards significantly reduce the disclosure requirements.

Further activity on reducing the burden on small business has seen the Institute become involved in the government’s Standard Business Reporting (SBR) initiative; and in fact become a key member of the Business Advisory Forum. The Business Advisory Forum acts as a reality check on the activities of the SBR team, ensuring effective communication with the business community and ensuring it remains on track to meet its objective of reducing the reporting burden on business.

Carbon emissions trading

The release of an Institute leadership report shortly after year end calling for the inclusion of a global assurance framework for carbon emissions disclosures was the latest in a suite of leadership and lobbying initiatives we undertook in 2008 in the area of carbon emissions trading. The report, entitled The Benefits of Assuring Carbon Emission Disclosures, was produced in association with Professor Roger Simnett, Head of Accounting at the Australian School of Business, and argued for generally accepted international reporting criteria to ensure consistency between jurisdictions and facilitate understanding of the depth of the issues.

The Institute also hosted the first of two round table forums on the topic of ‘Assurance on Disclosures of Carbon Emissions Information’, which were conducted under the auspices of the International Auditing and Assurance Standards Board to hear from users, preparers and assurance providers. The intention is to inform the planned development of an International Standard or Practice Statement on assuring carbon emissions information.

We responded to the Garnaut Report with a submission in April and in the same month released a leadership paper, produced jointly with Ernst & Young, on the tax treatment of carbon emissions trading.

This paper argued that the existing regime would not properly deal with an emissions trading scheme. Consideration should be given to amending legislation relating to income tax, the GST, Petroleum Resources Rent Tax, state stamp duties and other taxes and charges. It also identified potential tax incentives to reduce the burden on business of the significant capital expenditures and adjustments that will be required following the introduction of mandatory targets and an emissions trading scheme.

Financial planning industry

In July, the Institute released a white paper following a financial planning industry forum we facilitated to discuss Reinventing financial planning, a paper we had commissioned. The forum brought together industry associations, consumer advocates, regulators, product manufacturers, ‘dealer’ groups and practitioners.

We believe the adoption of a genuine, non-product-based fee-for-service model would improve the professionalism of the financial planning industry and the trust between financial advisers and their clients. This in turn would lead to less prescriptive legislation, lower costs for advice, and wider access to affordable, independent advice.

Sub-prime mortgage market and international reporting standards

In April, the Institute released a report on the Collapse of the United States sub-prime mortgage market and the impacts under International Financial Reporting Standards (IFRS).

The report detailed how the collapse occurred and affected the financial statements of banks, other financial institutions and investors in mortgage-backed securities around the world. A number of lessons can be learned from the experience in areas of regulation and legislation, financial reporting, bank lending practices, indebtedness of individuals and in the area of investment decision making. Discussions are already in progress at both the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) to improve financial reporting and disclosures in the areas impacted by the credit crisis.

Anti-money laundering

The latest in a number of meetings between the Institute and government took place in May this year. These discussions are helping to shape the second tranche of anti-money laundering legislation, which should be released later this year.

©The Institute of Chartered Accountants in Australia
2008 Report to members
Leadership and competitive positioning  (continued)

Government procurement
The Institute instigated and drove the development of a submission to address ongoing procurement issues within government. We hosted several roundtable events attended by senior government officials, key stakeholders and members in the Big 4. The submission was presented to the Department of Finance and Administration in November 2007. The Department has acknowledged receipt of the submission and negotiations are continuing.

Governance of superannuation funds
A survey undertaken by the Institute and Deloitte between October and December 2007 to understand the governance of super funds and recommend further improvements, found most industry experts believe governance practices and standards had improved.

The drive for continuous improvement in governance practices is important given that funds under management have almost doubled in three years, growing from $631bn in July 2004 to $1,187bn towards the end of 2007 when the survey was initiated.

Moreover, the forecast is for this figure to more than triple by 2021, reaching in excess of $4,600bn. An Institute report based on the survey, The Governance of Superannuation Funds – three years on from trustee licensing, identified three areas where training was required: the need to understand the difference between directing and managing; alternative investments; and the value of risk management.

Self-managed superannuation funds (SMSFs)
The self-managed funds industry has enjoyed significant growth over the past year. There are now 372,000 SMSFs in Australia representing the interests of 718,000 individuals. Assets grew to $300.2bn in the last year alone.

In February this year, the Institute, in association with CPA Australia Limited and the National Institute of Accountants, developed and released a set of competency requirements that clarify the skills auditors need to ensure trustees are fulfilling their legal obligations.

These requirements prescribe the competencies for members of the three professional accounting bodies who audit SMSFs. They provide clarification, guidance and assistance to auditors of SMSFs, and are expected to contribute greatly to the assurance that trustees, beneficiaries and the regulator gain.

This was followed in April by a forum which discussed the key recommendations made in a discussion paper entitled Review of the existing regulatory and governance framework. We used the issues raised at the forum, and in the discussion paper, to develop policy positions in a submission to Senator the Hon Nick Sherry in the same month. The submission also included data collected from a recent member questionnaire.

Legislative Instruments Act
In May this year, the Institute, with the other professional accounting bodies, lodged a joint submission on the review of the Legislative Instruments Act 2003. Since the Australian Auditing Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB) standards are legislative instruments, this review affects those involved in financial reporting and assurance.

The submission suggested ways of streamlining the process of reviewing legislative instruments to provide certainty for those wishing to adopt standards based on international equivalents earlier than their mandatory applicable date. The review is still in progress.

Threshold for unlisted public companies
We continue to hold talks with Treasury on the subject of introducing a threshold for financial reporting and auditing requirements for unlisted public companies, including companies limited by guarantee, similar to that used for proprietary companies. Last year, the Institute, with the other professional accounting bodies, made a submission to Treasury supporting a reduction in red tape in this area.

The submission supported the introduction of differential lodgment which would eliminate the need for entities under a prescribed threshold to prepare general purpose financial reports. However, it also encouraged Treasury to set up a governance structure for these smaller unlisted public companies to maintain public accountability.

Auditing standards and registration
The IAASB is on track with its upcoming ‘Clarity Project’, which entails revising and reissuing all of the International Auditing Standards using the new clarified drafting style by December 2008. We maintain regular communication with the AUASB regarding changes to Australian Standards, which are planned to be effective for financial reporting periods from 1 January 2010. We are also engaged in discussions on auditor registration with relevant government stakeholders and will keep members informed as meetings progress.
**Leadership and competitive positioning (continued)**

**Highlighting the importance of discipline, ethics and conduct**

The Institute educates and continually updates members about their ethical and professional obligations.

**Quality Review Program**

During the year we completed 480 reviews of different sized practices under our Quality Review Program. This program is a key feature of the co-regulatory framework. It was established to ensure members in practice have quality control policies and procedures in place to comply with accounting, auditing and professional standards.

As reported in our 2008 Annual Report on the Quality Review Program, particular attention was paid to practices’ implementation of APES 320, a standard making it mandatory for every firm to adopt a quality control system. Compliance with ‘force of law’ auditing standards was also a focus.

The comprehensive, interactive Quality Control Guide (issued by the Institute to help members adapt to these new and updated quality control standards) met with a favourable response.

Of the 480 reviews undertaken, 29 per cent were practices that conduct audits which are subject to the Corporations Act 2001 (Cwlth) (Corporations Act). As at 30 June 2008, another 510 practices were under review.

During the year, the following reports were issued:

> No departures from professional standards: 16.5 per cent
> Departure(s) from professional standards, not classified as serious: 72 per cent
> Follow-up review required: 11 per cent
> Referral to the Institute’s disciplinary processes for investigation: 0.5 per cent.

Results have been analysed and are available in the 2008 Annual Report on the Quality Review Program.

<table>
<thead>
<tr>
<th>Number of reviews completed</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>480</td>
<td>478</td>
<td>482</td>
<td>480</td>
<td>472</td>
</tr>
</tbody>
</table>

**Professional conduct**

In addition to reviewing the quality control policies and procedures of practices, we also rigorously enforce the ethical, technical and professional obligations of members by investigating complaints and, where necessary, imposing sanctions.

In the year to 30 June 2008, the Institute undertook 259 investigations into formal complaints or other issues concerning the conduct of members. Of these, 27 members were called to appear before the Professional Conduct Tribunal, which imposed sanctions ranging from expulsion from membership to a mandated quality review.

More information is available in our 2008 Annual Report on Professional Conduct.

<table>
<thead>
<tr>
<th>Investigations into formal complaints or other issues concerning members’ conduct</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>259</td>
<td>317</td>
<td>298</td>
<td>407</td>
<td>394</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27</td>
<td>11</td>
<td>31</td>
<td>21</td>
<td>44</td>
</tr>
</tbody>
</table>
1940s
War and taxes

New war and payroll taxes roll out during the 1940s while the Commonwealth begins collecting all income tax on a uniform basis. Pay-As-You-Earn and provisional tax systems come into effect and the Institute begins issuing formal accounting guidance to its members.
Growth to ensure a sustainable future
How we delivered in 2008

Uniquely among professional accounting bodies, the Institute is an accredited higher education provider. This means that the Chartered Accountants Program earns candidates a Graduate Diploma of Chartered Accounting – a qualification that can be used to gain exemptions to Masters degrees offered by universities around Australia.

Ensuring the relevance of the Chartered Accountants Program
In 2008 the Institute successfully gained re-accreditation of the Graduate Diploma of Chartered Accounting in all Australian states.

A new approach to practical experience
In consultation with candidates, mentors and employers, the Institute redesigned the practical experience component of the Chartered Accountants pathway. This meets international standards set by the International Federation of Accountants requiring a competency-based, structured approach to developing professional knowledge and skills in the workplace.

Another reason for the redesign was to fulfil candidate and mentor requests for more information and guidance on their roles and responsibilities during the three-year practical experience period.

The new Practical Experience Program came into effect for all candidates who commenced their first module from the third term of 2007.

Addressing the skills shortage
The Institute is a leader in enabling non-accounting graduates to enter the profession. The broadening of the entry pathway is providing solutions for addressing the skills shortage.

Broadening the pathway to enter the Program retains the quality and standing of Chartered Accountants, while extending the pool of talent available to employers who have found it challenging in recent years to fill accounting roles.

More importantly, this also realises the Institute’s long-held view that a Chartered Accountant qualification should be available to all high achieving graduates who wish to qualify as accountants, rather than being available only to high achieving accounting graduates who wish to qualify as accountants. This represents a significant step forward for the profession in Australia and is in alignment with global practice.

From 2007, prospective candidates from non-accounting degrees are offered two additional pathways.

Graduate Certificate of Chartered Accounting Foundations (GCCAF)
The Graduate Certificate of Chartered Accounting Foundations offered by Deakin University meets all the academic entry requirements of the Institute. Strong support for the GCCAF has come from all segments of the membership. More than 416 students enrolled in the eight unit online course this year. The Graduate Certificate enables students to acquire a basic grounding in financial accounting, management accounting, finance, taxation, audits and corporations law, so that they are eligible to enrol in the Chartered Accountants Program.

Entrance exam
The entrance exam is targeted at non-accounting graduates currently employed by an Institute-approved employer who have extensive on-the-job experience. The entrance exam assesses a candidate’s readiness for the Program and identifies any further study they may need. A total of 60 applicants sat the entrance exam in the first 12 months, a number of whom immediately enrolled in the Program.

Skilled Migration Internship Program – Accounting
In a further move designed to ease the current skills shortage in accounting, the Institute, with other accounting bodies, responded to a request from the Department of Immigration and Citizenship (DIAC) to develop a Skilled Migration Internship Program.

The objective of the Program is to help international accounting graduates gain the business communication skills required for the Australian workplace. It will be delivered by existing educational institutions with the professional bodies taking responsibility for approving suitable providers and overseeing the provision of the Program.

Enrolments
A relatively modest increase (2.9 per cent) in new enrolments this year partly reflects static growth in domestic students graduating from accounting degrees. To address this and increase the available pool of talent, we expect the broadened entry pathway to the Chartered Accountants Program to make an impact from next year.

Candidate and employer satisfaction
Candidate and employer satisfaction with the Chartered Accountants Program is at an all-time high, with candidates at 75 per cent in December 2007 and employers at 87 per cent in June 2008. Advocacy, defined as ‘likely to’ or ‘proactively to’ recommend the Chartered Accountants Program, is also at a very high level: employers at 94 per cent and candidates at 86 per cent.
Growth to ensure a sustainable future (continued)

Candidate program satisfaction ratings 2006 – 2008 (latest measure as at December 2007)

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall satisfaction %</th>
<th>Would recommend %</th>
<th>Advocacy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/2007</td>
<td>65</td>
<td>88</td>
<td>71</td>
</tr>
<tr>
<td>2007/2008</td>
<td>75</td>
<td>86</td>
<td>70</td>
</tr>
</tbody>
</table>

Employer program satisfaction ratings 2006 – 2008 (latest measure as at June 2008)

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall satisfaction %</th>
<th>Advocacy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/2007</td>
<td>79</td>
<td>88</td>
</tr>
<tr>
<td>2007/2008</td>
<td>87</td>
<td>94</td>
</tr>
</tbody>
</table>

Attracting new members and recruits to the profession

The skills shortage in the accounting profession is an ongoing issue that continues to be felt by practices and commerce nationwide. The Institute has been working to ensure students recognise the Chartered Accountant brand as the pre-eminent accounting designation in Australia.

Brand campaign

One of the more high profile initiatives was a brand campaign, developed out of student focus groups, which used multiple channels including television and a dedicated online program to reach our target audience.

The television campaign targeted key programs viewed by our youth demographic and showcased the career opportunities that can be achieved through a career as a Chartered Accountant. This annual television campaign was coupled with a three-phase online campaign.

The online campaign commenced with a social networking site on Facebook, and was designed to engage students in a deeper conversation around their career choice and the brand. It emphasised how a quality qualification can help them achieve success in their careers. Phase two involved the launch of an online application (calendar) for students and phase three saw the launch of a student challenge.

In a series of three challenges, the competition allowed students to develop real-life business solutions for three global not-for-profit organisations, introducing them to practical Chartered Accounting at a critical time in their career decision process.

The online challenges were exceptionally well received with over 11,100 visitors to the site.

Recent research has shown that we have positioned the Chartered Accountants brand as the ‘preferred postgraduate accounting qualification’ and ‘the qualification best for your career’ with the target student community.

Careers marketing

Careers marketing events and initiatives were used to great effect during the year to promote accounting as a career and ‘Chartered Accountant’ as the premier designation of choice to university and school students and such key influencers as academics, employers, career advisors and teachers.

Initiatives included the recruitment of 11 student brand champs who worked on campus to help secure registrations, and the launch of the Day in the Life interactive DVD targeted at high school students, teachers and careers advisors, and which profiles five Chartered Accountants working in diverse industries.

Events included the Chartered Accountants Employment Evening and Achiever Work Experience programs, as well as the Chartered Accountants Cadetship evening and Chartered Accountants Vacation Evening in New South Wales, Victoria, Western Australia and Queensland. Overall, as at July 2008 student engagement stood at an impressive 19,423 compared with 9828 at the same time last year.

Chartered Accountants Employment Evening

Employment evenings are aimed at third-year university students. The event was held for the first time in the Australian Capital Territory. This year, in Western Australia attendance numbers were up, but in all other states there was a decrease, reflecting changing recruitment practices by employers.

Achiever Work Experience

This year 210 first-year students secured places in more than 100 accounting organisations during the 2007/2008 summer break as part of our Achiever Work Experience, the Institute’s annual initiative that recognises outstanding up and coming accounting talent across Australia.

The program helps many students chasing work experience opportunities and employers attempting to secure new accounting talent early on in their development so they are less reliant on competitive graduate recruitment periods. The placements are from two to 12 weeks with Institute-accredited firms ranging from the Big 4, small to mid tier public practice firms, government and commerce organisations.
Growth to ensure a sustainable future (continued)

Chartered Accountants Cadetship Evening
Queensland held its first cadetship evening this year and achieved a healthy student attendance, while in New South Wales and Victoria the evenings were standout events, with attendance increasing by 14 per cent.

Chartered Accountants Vacation Evening
Vacation Employment evenings give second and third year university students the opportunity to find paid work experience during the summer holidays, which can lead to an opportunity to secure graduate employment. The Vacation Employment is a simple, cost-efficient way for employers from public practice, government and commerce to meet large numbers of potential recruits in a targeted manner.

Meet the Business Leader
Meet the Business Leader is another excellent and cost-effective way to promote accounting, this time to secondary school students. It gives students the opportunity to meet, network and talk with leaders from across public practice and business about their careers. The objective is to highlight to students the broad range of opportunities and career paths available to professional accountants, from stockbroking or forensic accounting to working as the chief financial officer of a listed corporation.

1950s
Post-war boom
The Menzies Government abolishes land tax, and taxes decline generally in the middle of the century. The Institute issues its first auditing statements and establishes the Australian Chartered Accountants Research and Service Foundation (later, the AARF).

The Institute has been working to ensure students recognise the Chartered Accountant brand as the pre-eminent accounting designation in Australia.
Global positioning
How we delivered in 2008

As a founding member of the Global Accounting Alliance (GAA), we continue to work closely with other pre-eminent international professional accounting bodies to shape the profession on a global scale.

Of the Institute’s 48,000 Chartered Accountants, 14 per cent are presently living overseas, spanning 119 countries from Canada to Kazakhstan.

As working overseas and connecting globally becomes an increasingly important part of everyday business, our GAA membership is delivering more and more opportunities for our members.

This year, for example, we gained recognition for our Chartered Accountants Program and reciprocal membership with eight institutes in Canada, Hong Kong, South Africa, England and Wales, Ireland, Scotland and South Africa. This means members do not have to undertake bridging courses such as tax and company law to have their qualification recognised, or become reciprocal members of these institutes, when they move to a GAA country.

An Institute survey conducted during the year showed that 43 per cent of young accountants intended to travel overseas in the next two years. Of those, just less than half were younger than 25 years old. The results were similar to those of the 2006 survey.

The latest survey polled 680 of the 12,400 young accountants presently studying the Chartered Accountants Program.

The most popular destination at 66 per cent remained the UK, again the same as the 2006 survey. However, the second most popular destination was found to be Asia, pushing last year’s second choice, USA, to third place.

For GAA members living in Australia, we aim to provide home-away-from-home benefits that make the transition to working here seamless. To date, the Institute has received more than 2500 registrations from other GAA institute members to receive services from us.

The GAA’s focus for 2008 was on leadership and issues of convergence, in particular in the capital markets. We shared information, research and strategies on issues of relevance to the profession and collaborated on solutions for common challenges.

Individually and through the GAA we also continue to contribute to the International Federation of Accountants.

The GAA, formed in April 2006, is an alliance between:

> American Institute of Certified Public Accountants (AICPA)
> Canadian Institute of Chartered Accountants (CICA)
> Hong Kong Institute of Certified Public Accountants (HKICPA)
> Institute of Chartered Accountants in Australia (ICAA)
> Institute of Chartered Accountants in England and Wales (ICAEW)
> Institute of Chartered Accountants in Ireland (ICAI)
> Institute of Chartered Accountants of Scotland (ICAS)
> New Zealand Institute of Chartered Accountants (NZICA)
> South African Institute of Chartered Accountants (SAICA).

1960s
A period of consolidation

The government introduces the first uniform national companies legislation in 1961. The Institute professionalises with the codification of Professional Conduct rules and the publication of the first Members’ Handbook. The first AARF research paper is published in A Statement of Australian Accounting Principles.
A global presence

Key
- Global Accounting Alliance
- Institute members
Ensuring the Institute is fit for the future
How we delivered in 2008

Fiscal year 2008 was a busy and active year for the Institute. We established a new customer service division, which included the creation of a national service centre with improved service standards. We merged teams, implemented new practices and procedures, improved turnaround times for migration assessments and organised more than 700 events during a period of significant change.

We successfully completed the sale of our York Street premises, relocated to Erskine Street in Sydney and negotiated new leases of our premises in Brisbane and Canberra. We implemented service level agreements to ensure a quality customer experience, increased the use of multimedia in our Chartered Accountants Program to enhance the learning environment and improved our risk management systems.

Providing a sound financial base
The Institute achieved a surplus of $1.82m for the year compared with last year’s $1.99m. Revenue rose by $6.01m thanks to a growth in membership revenue (7.8 per cent), Chartered Accountants Program revenue (14.7 per cent) and growth in other revenue as a result of the initial Professional Standards Council levy being charged nationally, which produced additional revenue of $1.1m. Expenses increased by 9.1 per cent compared to last year.

<table>
<thead>
<tr>
<th></th>
<th>2008 $’000</th>
<th>2007 $’000</th>
<th>2006 $’000</th>
<th>2005 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>operating activities</td>
<td>73,985</td>
<td>68,070</td>
<td>59,508</td>
<td>55,516</td>
</tr>
<tr>
<td>Revenue from</td>
<td>1,612</td>
<td>1,519</td>
<td>2,371</td>
<td>2,214</td>
</tr>
<tr>
<td>non-operating</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>75,597</strong></td>
<td><strong>69,589</strong></td>
<td><strong>61,879</strong></td>
<td><strong>57,730</strong></td>
</tr>
<tr>
<td>Service expenses</td>
<td>17,859</td>
<td>20,175</td>
<td>14,820</td>
<td>13,445</td>
</tr>
<tr>
<td>Marketing, promotion</td>
<td>2,998</td>
<td>3,599</td>
<td>4,289</td>
<td>4,213</td>
</tr>
<tr>
<td>and publications</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupancy expenses</td>
<td>4,657</td>
<td>4,157</td>
<td>3,795</td>
<td>2,559</td>
</tr>
<tr>
<td>Administration</td>
<td>38,858</td>
<td>31,970</td>
<td>29,642</td>
<td>25,879</td>
</tr>
<tr>
<td>expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>9,401</td>
<td>7,699</td>
<td>8,883</td>
<td>7,611</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>73,773</strong></td>
<td><strong>67,600</strong></td>
<td><strong>61,429</strong></td>
<td><strong>53,707</strong></td>
</tr>
<tr>
<td>Surplus from</td>
<td>1,824</td>
<td>1,989</td>
<td>450</td>
<td>4,023</td>
</tr>
<tr>
<td>ordinary activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For further details see the financial commentary on page 45.
Ensuring the Institute is fit for the future (continued)

Building appropriate infrastructure and processes

Facilities
The new Canberra office fit out was completed on time and within budget.

Risk management
A review of the Institute’s risk management procedures and systems by Ernst & Young produced a report that was, in the main, positive. The majority of recommendations from a previous report have been adopted. The latest review provides a new platform for improvement: recommendations to enhance reporting and identify risks by business objectives instead of function have already been incorporated in the risk updates now being completed.

Risk updates are completed every six months with all divisional managers. A meeting with each division’s general manager is then held to agree and sign-off on risks identified.

Significant risks are discussed at divisional risk workshops. These not only engage all staff in the risk management process, but are also helping to embed an understanding of risk across the Institute.

During the year a Business Continuity and Disaster Recovery Plan was developed and communicated to staff. The plan resides on the intranet for easy access.

Technology
A review by Deloitte of the Institute’s technology has prioritised current needs, evaluated future needs and recommended programs and activities. The review has given the Institute a starting point to standardise equipment and processes and create a solid foundation for the future. An upgrade of our systems this year has provided faster internet access, the opportunity to evaluate traffic usage and costs and the capacity to undertake more detailed research and analysis of members’ needs.

Responding to emerging trends and markets
The Institute’s business intelligence unit monitors the environment and provides information and analysis to the rest of the organisation on emerging trends and key business issues. This is used by the Board and the leadership team in strategic and operational decision making. Key information on the skills shortage and the supply of, and demand for, accounting students which helps to drive the careers marketing strategy has been generated by this area.

To improve strategic thinking, the Board has dedicated part of each meeting to a session dealing with one of the six issues in the strategic plan. This enables it to consider emerging issues and respond to them more rapidly.
People and culture

How we delivered in 2008

During the year we renewed efforts to embed our PRIDE values into our organisational DNA so we can continue to build strong leadership and ensure proactive, responsive and innovative behaviours among staff.

These values are at the heart of our internal communications and staff development programs and inform our recruitment processes, performance planning and reward and recognition structures.

Attracting, recruiting and retaining staff

During the year we successfully recruited additional key roles in our Standards and Public Affairs division including Head of Audit, Head of Reporting and Manager Chartered Accountants in Business, as well as a General Manager Membership Marketing to increase our focus on member value proposition and growth.

Our organisational PRIDE values:

> We play it straight by taking responsibility for open, honest and direct two-way communication and operate with utmost integrity in interactions with members, fellow staff and other stakeholders

> Respect builds success within the Institute as we engage and support each other and capitalise on our internal expertise and talents to provide the best service and information for members

> We constantly strive to improve and innovate. To grow with our members and other stakeholders, we must anticipate and lead change and look for improvements across our business

> We deliver to win together through developing and delivering the best quality tools and solutions to members that support both their personal and business success

> We set our standards high and expect the best results across all operations. We strive to be the best in all markets we operate in and set ourselves ‘stretch goals’.

1970s

A national approach to regulation

The Commonwealth passes payroll tax to the states. The Rae Committee recommends a national approach to legislation and regulation of companies. The first Australian Accounting Standard is published. Hot on the heels of the standard, the Asprey Report recommends a broad-based consumption tax. The National Companies and Securities Commission (NCSC) begins operating and Sydney hosts the International Congress of Accountants.