Annual Report on Professional Conduct
For the year ended 30 June 2011
The Institute of Chartered Accountants in Australia (the Institute) is the professional body representing Chartered Accountants in Australia. Our reach extends to around 70,000 of today’s and tomorrow’s business leaders, representing more than 57,000 Chartered Accountants and 13,000 of Australia’s best accounting graduates currently enrolled in our world-class Chartered Accountants postgraduate program.

Our members work in diverse roles across commerce and industry, academia, government and public practice throughout Australia and in 108 countries around the world.

We aim to lead the profession by delivering visionary leadership projects, setting the benchmark for the highest ethical, professional and educational standards, and enhancing and promoting the Chartered Accountants brand. We also represent the interests of members to government, industry, academia and the general public by engaging our membership and local and international bodies on public policy, government legislation and regulatory issues.

The Institute can leverage advantages for its members as a founding member of the Global Accounting Alliance (GAA), an international accounting coalition formed by the world’s premier accounting bodies. With a membership of over 800,000, the GAA promotes quality professional services, shares information, and collaborates on international accounting issues.

Established in 1928, the Institute is constituted by Royal Charter. For further information about the Institute, visit charteredaccountants.com.au
Contents

A message from the President ........................................................................................................ 4

Executive summary ....................................................................................................................... 5

Professional Conduct: background and context
- Professional Conduct function ........................................................................................................ 6
- Regulatory framework in Australia .................................................................................................. 6
- The co-regulatory framework ......................................................................................................... 7
- Professional Conduct Tribunal ........................................................................................................ 7
- How the Professional Conduct function works ............................................................................... 8
- Range of Professional Conduct Tribunal sanctions ......................................................................... 8
- The Institute’s role ........................................................................................................................... 9
- Professional Conduct cooperation and review ............................................................................... 9

2010–2011 recent trends and achievements
- High profile litigation .................................................................................................................. 10
- Media protocol ............................................................................................................................ 10
- Greater support during challenging times .................................................................................... 10

2010–2011 results
- Investigations and Tribunal hearings .......................................................................................... 12
- Appeal Tribunal ........................................................................................................................... 13
- Financial ........................................................................................................................................ 13

Moving into 2011–2011
- Ongoing areas of focus ................................................................................................................ 14
- Leadership ...................................................................................................................................... 14
- Appointments ............................................................................................................................... 14

Glossary of terms and websites .................................................................................................... 15
A message from the President

There is no greater test than to be judged by your professional peers. The Institute’s mandate to discipline its members is reinforced by the longstanding success of our professional compliance framework in maintaining the high standards of the Chartered Accounting profession.

We are all well aware, reputation takes a lifetime to build yet it can be destroyed in a moment. Discrediting the profession, whether inadvertently or deliberately, cuts deeper than the few individual cases that result in disciplinary sanctions each year – the reputation of the entire Chartered Accounting profession can be open to question.

At stake is the standing of our almost 70,000 members and candidates worldwide, and more than 80 years of established trust and confidence in Chartered Accountants to provide the highest levels of professional service and advice to clients, employers and stakeholders.

Our duty to both the profession and the public interest is why Chartered Accountants take the responsibility of maintaining their own reputation, and that of their peers, very seriously. It is also why the Institute’s strategic focus during 2011 has been on developing its framework of support for members in managing ethical and professional issues.

This Professional Conduct Annual Report explains how the Institute’s professional compliance framework – comprising our By-laws, professional and technical standards, compliance and training programs, and the Professional Conduct function – supports the wider co-regulatory regime for accountants in Australia.

To further demonstrate the rigour and transparency of our Professional Conduct function, this report also documents the results of investigations and cases heard by the Professional Conduct Tribunal in the year ended 30 June 2011.

Such a vested interest in the future of the Chartered Accounting profession is a strong motivator for life-long education and, I believe, makes self-regulation the most onerous and powerful means of discipline and deterrence.

Rachel Grimes FCA
President
The Institute of Chartered Accountants in Australia
The Institute’s Professional Conduct function enforces the high-level ethical, technical and professional standards that govern Chartered Accountants. Our disciplinary process exists to protect the public interest and uphold the integrity of the Chartered Accountants designation.

Professional Conduct is part of the matrix of policies and programs that help promote, review and enforce the standards of behaviour and performance of members in their day-to-day work. Being part of the broader professional standards regime in Australia, the Institute takes its responsibility of managing the professional conduct of its members very seriously.

During 2011, we continued to see the impacts of the distressed financial and business sectors. High profile litigation involving various corporate collapses has led to increased scrutiny of all business and financial service providers, including the Chartered Accounting profession.

Due to the diverse nature of matters arising for disciplinary investigation by the Institute, it is not possible to ascertain particular trends. However, the current climate of heightened scrutiny has not resulted in an increase in the number of professional matters requiring hearing by the Professional Conduct Tribunal.

While not considered a trend, the two-speed economy has had some impact on the profession with a higher proportion of personal bankruptcies and insolvencies during the past few years.

The operating environment is certainly challenging, so in 2011 the Institute made a commitment to further assist members in managing difficult relationships and working through ethical decision-making. The Institute’s mediation service has also been established nationally, offering members an alternative dispute resolution mechanism. Members are encouraged to consider mediation, or utilise the Institute’s support services such as the confidential Chartered Accountants Advisory Group.

As a professional body with a clear mandate to maintain member standards, it is necessary to continually test our Professional Conduct function. Dedicated professionals, regulatory bodies and external stakeholders provide ongoing feedback on whether our disciplinary process satisfies the requirements of procedural fairness and meets the expectations of the profession and the wider community.

The Institute continues to forge close relationships with its overseas counterparts, including through the Global Accounting Alliance, which includes sharing intelligence and best-practice resources. Benchmarking the Institute’s Professional Conduct function with these international bodies also helps to ensure the Institute remains relevant and effective in protecting the reputation of the profession.
Professional Conduct: background and context

Professional Conduct function
The Institute has an obligation to ensure all members provide professional services in a manner befitting the Chartered Accountants designation. In alignment with the regulatory framework and the Accounting Professional & Ethical Standards Board (outlined below), the Institute’s By-laws and standards demand high ethical, technical and professional standards of conduct and performance.

Professional Conduct is the Institute’s disciplinary arm that enforces these standards. It protects the integrity of the Chartered Accountants designation by investigating complaints and other issues relating to members’ conduct. Where appropriate, matters are referred to the Professional Conduct Tribunal for determination, and the imposition of sanctions against those who breach the standards. It is necessary for the Institute to call members to account when issues of concern arise, in order to protect its own reputation and that of its members.

The approach of the Professional Conduct process is the protection of public interest and the reputation of the Institute, rather than to punish individual members.

Tribunal Chairman Jan West AM, FCA says an important point is that the profession’s disciplinary rules don’t mirror the court structure in the way cases are heard, in terms of following the rules of evidence etc. ‘Which means the Tribunal can take a broader view about an issue as it impacts the public interest and the profession, rather than possibly being perceived as favouring the member.’

The Institute is not a statutory authority, regulatory body, or a court of law. The Institute does not have legal power to order the payment of compensation or any other remedy seeking redress on behalf of the community, nor to punish offenders other than through membership-related sanctions.

Civil and criminal sanctions are the preserve of the regulators and the courts, which have wider powers, such as subpoenaing witnesses, compelling production of written evidence and providing financial compensation. The Institute investigates members who are the subject of adverse decisions by regulators and the courts, irrespective of whether a complaint has been lodged with the Institute.

Based on legal advice, the Institute’s disciplinary process must not commence until the regulatory and court processes have been finalised. Following initial investigation, relevant cases are referred to the Professional Conduct Tribunal for determination.

The Institute’s Professional Conduct function is a robust, transparent and integrated process, which delivers appropriate enforcement of standards, for the benefit of the general public and key stakeholders. Retaining respect and relevance in the eyes of Chartered Accountants is imperative to the Professional Conduct process. As always, the Institute strives to adhere strictly to the principles of natural justice, the Institute’s By-laws and the law itself.

Regulatory framework in Australia
There is no single body responsible for regulating the accounting profession in Australia. The bodies that are involved in the regulation of the various arms of the profession and other activities in which accountants may be engaged, are outlined in Table 1.

Table 1: Regulatory framework

<table>
<thead>
<tr>
<th>Regulatory body</th>
<th>Who they regulate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Securities and Investments Commission (ASIC)</td>
<td>&gt; Auditors and liquidators&lt;br&gt; – through the Companies Auditors and Liquidators Disciplinary Board (CALDB) &lt;br&gt; &gt; Financial planners&lt;br&gt; &gt; Company directors</td>
</tr>
<tr>
<td>Tax Practitioners Board</td>
<td>&gt; Tax practitioners</td>
</tr>
<tr>
<td>Australian Prudential Regulation Authority (APRA)</td>
<td>&gt; Auditors/trustees of superannuation funds&lt;br&gt; &gt; Directors and senior managers of insurance companies</td>
</tr>
<tr>
<td>Insolvency Trustee Service Australia (ITSA)</td>
<td>&gt; Trustees in bankruptcy</td>
</tr>
</tbody>
</table>
The co-regulatory framework
Ethics is fundamental to the accountability of the profession and its mandate to self-regulate within the broader co-regulatory regime in Australia. How does it piece together?

The co-regulatory environment comprises the regulators, standard-setting bodies and the three professional accounting bodies; the Institute, CPA Australia and the Institute of Public Accountants.

Independent, national standard-setting bodies set benchmarks for members in terms of their required levels of technical skill and operation, as well as their professional conduct.

Leading with the Code of Ethics – APES 110 Code of Ethics for Professional Accountants – the overarching professional standards are set by the Accounting Professional & Ethical Standards Board (APESB).

In 2011, the APESB reissued APES 110 incorporating amendments to the international standard, Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA). The purpose was to realign the standards after revisions to the IESBA code in 2009.

The Code of Ethics is important because the heart of the Chartered Accounting designation is a responsibility to act in the public interest. This is akin to a social contract that pledges ethical practice, underpinned by the principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Institute President, Rachel Grimes, says this commitment to the public interest defines the profession and sets the Institute apart from other member bodies and industries. ‘Ethics is the foundation attribute of our very being and it’s critical to protect that. It takes a lifetime to build reputation, yet it can be destroyed in a moment – and often that’s a decision-point on an ethical basis.’

The Code of Ethics is one of the standards and regulations that contain the mandatory ethical and professional requirements of all members of the Institute. These professional standards also require members to conform to additional technical standards set by the Australian Accounting Standards Board and the Auditing and Assurance Standards Board.

As with the technical standard-setting bodies, the Institute engages with the APESB and makes submissions on the development and review of standards, to ensure they align with best practice, relevant global standards and regulatory developments.

Professional Conduct Tribunal
The Institute’s disciplinary process is fair, rigorous and independent. Serious breaches, including ethical breaches, of the Institute’s By-laws and Regulations are subject to independent hearings by the Professional Conduct Tribunal. If either the member against whom a finding has been made, or the Institute President, is dissatisfied with the decision, he/she can appeal to a separate Appeal Tribunal.

Tribunal hearing determinations, where a case is found to be established, are published in the printed and online versions of the Institute’s Charter magazine, and in the Professional Conduct section of the Institute website. This helps educate other members, as well as demonstrating that the disciplinary process is transparent. In significant cases, the Tribunal may also publish reasons for its decisions.

Both Tribunals must meet strict professional guidelines when hearing cases, including a Code of Conduct. Under the Institute’s By-laws, Tribunal members, who are appointed by the Board, comprise both senior members of the Institute and non-members to represent the public interest.

‘Members of the Tribunal are very well informed and are selected on a case-by-case basis for their expertise, having worked in the same roles in their practice or activities. They are experts in their field and know what should have been done in the appropriate circumstances. It’s much more rigorous than I imagine any court would be in terms of the deep-dive investigation. Not that I would say a jury system is random, but these are very well informed people who understand what should have occurred.’

Rachel Grimes, President

Institute members appointed to serve on the Tribunals represent all aspects of the profession, including large, medium and small firms, and members in finance, practice, business and academia.

When a panel is selected to hear an individual case involving technical issues, care is taken to ensure that at least one panel member has expertise in that particular area of practice or specialisation.

Lay representatives were introduced around 20 years ago and come from a wide variety of business and professional backgrounds, including lawyers, company directors, stockbrokers and academics.
How the Professional Conduct function works

Table 2 shows the Institute’s Professional Conduct function and where it fits within the overall legal and regulatory framework.

### Alleged breach or wrongdoing

**Legal process**
- ASIC and other bodies including ATO, APRA and police

**Non-legal process**
- Complaint instigated in three ways:
  - Complaint lodged with the Institute
  - The Institute identifies improper behaviour
  - Adverse finding from court or regulator.

- Investigation commences

**Regulators and the court system have wide statutory powers including:**
  - Power to subpoena
  - Take evidence under oath
  - Initiate court proceedings.

**Adverse findings from proceedings may include:**
  - Custodial sentence
  - Banning order
  - Fine.

**Determination of whether matter is referred to the Professional Conduct Tribunal**

**Professional Conduct Tribunal hearing in which Tribunal considers if case established**

**Appeal lodged (optional)**

**Sanctions imposed by the Institute include:**
  - Exclusion from membership, thereby preventing members from calling themselves Chartered Accountants
  - Issuing fines, reprimands and imposing remedial sanctions such as training.

**Range of Professional Conduct Tribunal sanctions**
Sanctions are designed to reflect the impact of the member’s actions on the reputation of the Institute and its members, rather than to punish the individual member. They are also determined by the facts of a particular case. The Professional Conduct Tribunal may impose one or more of a range of sanctions, including:

- Exclusion from membership of the Institute (removing the right to be a Chartered Accountant), which is the ultimate sanction. This is appropriate if the member has demonstrated that he/she is no longer fit and proper to be a Chartered Accountant and that continued membership would bring discredit on all other members and the Institute.

- Cancellation of membership for a period of up to five years

- Withdrawal of the member’s right to engage in public practice

- Imposition of fines of up to $100,000

- Reprimands and severe reprimands

- Imposition of other sanctions, such as remedial training or a targeted ‘quality review’ of the member’s practice, focusing on the issue that gave rise to the disciplinary action.
The Institute’s role
Under the Australian professional and regulatory framework any individual can provide accountancy services. A licence is required from a regulatory body to provide specific services, such as company audits or acting as a tax agent, but a professional membership is not mandatory.

If a member is excluded from membership of the Institute of Chartered Accountants in Australia, that individual can no longer use the Chartered Accountants designation, but can continue to provide accountancy services. Only action by the Australian Securities and Investment Commission (ASIC) or the Tax Practitioners Board, which cancels their registration, will prevent members from practicing as company auditors, liquidators, or tax agents.

The Institute investigates members who are the subject of adverse decisions by regulators and the courts, irrespective of whether anyone has lodged a complaint with the Institute. Given the Institute is not a statutory authority, regulatory body, or a court of law, its policy regarding the timing of Professional Conduct investigations is based on independent legal advice. That is, the Institute awaits the completion of any investigation by a regulator, statutory body or commission, and any subsequent disciplinary or legal action, before taking disciplinary action itself.

The Institute does not have legal power to order the payment of compensation or any other remedy seeking redress on behalf of the community, nor to punish offenders other than through membership-related sanctions.

Professional Conduct cooperation and review
Within the co-regulatory environment, the Institute increasingly works with regulators and other stakeholders to uphold members’ legal and professional requirements.

Compliance with the Institute’s By-laws and technical and professional standards is extremely important for all members.

The courts, the Companies Auditors and Liquidators Disciplinary Board (CALDB) and the Institute all play a role in enforcing the spirit and the letter of APES 110 Code of Ethics for Professional Accountants and other standards issued by the APESB.

Cooperation and communication with regulators and other stakeholders continues to improve. The Institute regularly meets with ASIC, the Financial Reporting Council (FRC), the Australian Taxation Office (ATO) and other bodies in relation to improving the co-regulatory framework and facilitating understanding of the interdependency between regulators and the Institute’s disciplinary processes.

The FRC is tasked with monitoring the effectiveness of auditor independence in Australia and continues to review the Institute’s Professional Conduct process, along with those of the other professional accounting bodies.

‘On the basis of information provided by the professional accounting bodies, the FRC did not become aware of any deficiencies in either the systems or processes used by the bodies for planning and performing quality reviews of audit work, or in the overall adequacy of the professional accounting bodies’ investigation and disciplinary procedures,’ (FRC 2009–10 Annual Report).

The Institute’s relationship with the ATO has also been strengthened in the past two years. Commissioner of Taxation Michael D’Ascenzo says the ATO has a strong focus on the regulation of the SMSF sector and the appropriate practices of auditors.

‘The ATO is working with the Institute in relation to referrals of conduct matters and we appreciate the cooperation and support of the Institute and its work on professional standards and disciplinary processes in this area,’ the Commissioner commented.

One of the issues that arise in the SMSF sector is a failure to understand the independence requirements of being an auditor of a SMSF. Accountants cannot audit a fund where they have also prepared the financial statements, nor can they audit a fund in which they have a financial interest.

Through the Professional Conduct process there have been several Professional Conduct Tribunal decisions in this area, resulting in sanctions being imposed.

The ATO also promotes adherence to professional and technical standards in its good governance publications.

Ethics and professional and technical standards are further enforced within the co-regulatory environment through the disciplinary processes of the regulators and courts. Standards, including the Code of Ethics, are used as benchmarks in case arguments and in the determinations of courts, ASIC and the CALDB.

Public references in pleadings and determinations are then able to be applied by the Institute’s Professional Conduct team in developing cases for hearing by the Professional Conduct Tribunal, reinforcing the role of the standards as the appropriate benchmark of technical performance and professional conduct.

Through ongoing review and intelligence sharing between regulators, professional bodies and other relevant stakeholders in Australia and internationally, the Institute is able to consistently evaluate its performance in promoting and upholding the highest technical, professional and ethical standards.
2010 – 2011 recent trends and achievements

High profile litigation
As the uneven global recovery continued throughout 2011, there has been greater focus on strategic decision-making and governance in the business and financial sectors. The repercussions of the global financial crisis and various corporate collapses continue to be felt.

As well as an erosion of trust and confidence, there has been an increase in regulatory and legal scrutiny of these sectors – in some cases highlighting the roles of business leaders and professionals, including Chartered Accountants.

On the periphery, this environment of caution and review has tested the profession, in terms of meeting the expectations of the community, investors, regulators and other stakeholders. Market research from BT Financial Group suggests the profession, as a whole, has come through this period strongly, with accountants now considered the most trusted advisors in the market.

This heightened scrutiny has also served as an opportunity to demonstrate the rigour of our professional compliance framework within the co-regulatory environment in Australia, which combines regulation with our By-laws and the professional and technical standards independently set by standard-setting bodies. Within this framework, the Institute has a mandate to enforce these standards to protect the public interest and uphold the reputation of the profession.

Media protocol
The Institute is sometimes contacted by media seeking comment regarding members who may have been identified through media coverage on an issue, high profile investigations or legal cases brought by a regulatory body.

Under the Institute’s By-laws, all information relating to Professional Conduct matters is confidential. The Institute may issue a public statement where the circumstances of an alleged breach of conduct is brought to the media’s attention and/or is in the public interest. The Institute’s policy is to confirm that a complaint against a member has been received and whether the matter is under investigation. The Institute generally does not provide further information.

The Institute does not comment on investigations or legal proceedings undertaken by regulatory bodies. In such cases where the media contacts the Institute, or it is in the public interest, we may issue a media statement confirming the jurisdiction of the Institute within the co-regulatory framework, and advise that a case is being monitored. However, to ensure the Institute is not in contempt of court, we must await the outcome of all other regulatory and court processes before conducting a Professional Conduct investigation.

From time to time, the Institute will engage with the media to discuss the role of the Professional Conduct function in disciplining members (and its jurisdiction according to the By-laws) within the broader co-regulatory framework.

If an investigation leads to a Professional Conduct Tribunal hearing in which a case against a member is found to be established, the Tribunal’s determination and any sanctions imposed are made public.

Greater support during challenging times
One of the benefits of self-regulation is closing the loop around upholding standards, identifying problems, appropriate penalties, learning lessons, and feeding back into the Institute’s training and support for members.

Feedback to the Institute from the Professional Conduct Tribunal this year concerned smaller practitioners failing in their commitment to meet the expectations of their clients in relation to service due to work pressure. ‘This is a societal issue of increasing pressure, regulation, and members not necessarily asking for guidance,’ said Tribunal chairman Jan West.

Chartered Accountants Advisory Group
Members are welcome to discuss any professional or personal matters with their peers on the Chartered Accountants Advisory Group (CAAG). This group consists of a panel of senior Institute members with vast experience across public practice and business. Members can contact the CAAG through their regional office.

Mediation service
It’s a fact that despite the best intentions to build and maintain strong client relationships, discrepancies and disputes arise. The Institute’s mediation service was established nationally in 2011, providing a confidential and safe way for parties to explore solutions to disputes, as an alternative to the legal process. Based on positive feedback and interest in the service from Chartered Accountants and members of the public, the service is now available in Sydney, Brisbane, Perth, Adelaide and Melbourne.

One of the benefits of the mediation service over the court system is that any material produced or things said during the course of mediation cannot be the subject of a subpoena.

Members can choose their own mediator from an independent expert panel, which means greater certainty for the parties. Also, the service is completely voluntary and flexible giving parties control over the process.

The Institute believes that the mediation service could assist parties in resolving significant matters before they develop into serious legal issues or breaches of professional conduct requiring disciplinary action. Indeed, through
the expertise of the Institute’s Professional Conduct team managing the service, a number of matters have been resolved in the preliminary stages of the process, without requiring mediation.

**Ethical and professional practice**

In 2011, the Institute further developed its framework of support to help raise awareness of ethical and professional practice. This included conducting a series of master-classes with the Board, regional councils, key advisory committees and the management leadership team. These workshops were practical conversations to steer thinking in ethical leadership and build confidence in evaluating ethical dilemmas. The Board Directors and regional council and committee members are available to assist members.
Investigations and Tribunal hearings

During the year ended 30 June 2011, the Professional Conduct team dealt with 250 formal complaints or other issues concerning the conduct of members which came to the Institute’s attention, for example, as a result of action by regulators or the courts. The number of investigations was down from the previous two years, 291 and 290 respectively.

Table 3: Cases heard

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New South Wales (includes ACT and overseas)</td>
<td>2</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Queensland</td>
<td>–</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>South Australia / Northern Territory</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Tasmania</td>
<td>1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Victoria</td>
<td>5</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Western Australia</td>
<td>3</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>20</td>
<td>13</td>
</tr>
</tbody>
</table>

Following these investigations, 13 members were called to appear before the Professional Conduct Tribunal. The number of cases heard by the Tribunal varies from year to year because of the timing of individual hearings, but has averaged around 19 cases each year during the past five years.

The scheduling of hearings has to take into account the availability of Tribunal members, who are all volunteers, and the need to ensure that the panel selected includes members with relevant experience in any technical issues involved. Members appearing before the Tribunal are entitled to have legal or other representation. Therefore, occasionally hearings have been deferred because these representatives are committed elsewhere.

These figures are very small when compared with the current Institute membership of around 57,000 and the countless number of engagements and tasks undertaken each year by Chartered Accountants on behalf of their clients and employers.

Where the Tribunal finds a case established against a member, a report is published in both the printed and online versions of the Institute’s monthly magazine, Charter, and on the Institute website. This report includes the member’s name regardless of the severity of the sanctions imposed.

As well as being a mark of the transparency of the Professional Conduct function, these reports serve as a warning to other members about the importance of complying with both the letter and spirit of the Institute’s standards, including the Code of Ethics.

2010 – 2011 results
Table 4: Nature of allegations

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Failure to observe proper standard of professional care skill and competence</td>
<td>5</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Criminal conviction</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Guilty of statutory offence bringing discredit on member, Institute or profession</td>
<td>–</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Adverse finding in relation to professional or business conduct by court,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>statutory, regulatory or professional body</td>
<td>2</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Breach of Institute Charter, By-laws or Regulations (including ethical and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>professional standards)</td>
<td>4</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Failure to comply with direction by the Institute (including failure to respond</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to correspondence)</td>
<td>3</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Member’s insolvency</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Conduct bringing discredit on member, the Institute or the profession</td>
<td>–</td>
<td>6</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 5: Sanctions imposed

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclusion from membership</td>
<td>–</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Cancellation of membership for up to five years</td>
<td>5</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Cancellation of Certificate of Public Practice (CPP) and/or declared ineligible to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>hold a CPP</td>
<td>2</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Fine</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Severe reprimand</td>
<td>5</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Reprimand</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Practice review</td>
<td>6</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>Attending specified training and development courses</td>
<td>1</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>No sanctions imposed</td>
<td>–</td>
<td>1</td>
<td>–</td>
</tr>
</tbody>
</table>

Appeal Tribunal

During the year, the Appeal Tribunal heard four appeals by members against decisions of the Professional Conduct Tribunal; two involving cases where the original hearing had been held in 2009-2010. In all cases the Appeal Tribunal confirmed the finding by the Professional Conduct Tribunal that the cases had been established. In two cases the Appeal Tribunal confirmed the sanctions imposed, and varied the sanctions imposed in the other cases. When hearing an appeal the Tribunal not only reviews the evidence put before the Professional Conduct Tribunal, but can also take into account any other information which may have become available since the first hearing.

Financial

In the financial year ended 30 June 2011, the Institute’s expenditure on Professional Conduct activities, net of cost recoveries imposed by the Tribunals was $218,206. This included all personnel, professional and general office expenses. A considerable part of this expenditure relates to the investigation of those matters which were not referred to the Professional Conduct Tribunal.
Moving into 2011 – 2012

Ongoing areas of focus
To uphold the highest standards of service and conduct, and build confidence in the accounting profession, the Institute focuses on continually improving its monitoring programs, disciplinary process, and its stakeholder engagement.

Areas of focus in 2011 – 2012 include:

> Member awareness and support regarding compliance with the revised APES 110 Code of Ethics for Professional Accountants and other relevant standards
> Development, monitoring and promotion of the national mediation service
> Quality of presentations to the Professional Conduct and Appeal Tribunals, particularly on increased engagement in debate in an effort to foster better outcomes in Tribunal decisions
> Helping members identify situations where they may be subject to a Professional Conduct investigation, and providing appropriate feedback to members
> Promote a more integrated investigative and disciplinary framework through closer communication and liaison with the other professional accounting bodies, major stakeholders and regulators, including the:
  – Australian Securities and Investment Commission
  – Companies Auditors and Liquidators Disciplinary Board
  – Australian Taxation Office
  – Tax Practitioners Board
  – Australian Prudential Regulation Authority
  – Insolvency Practitioners Association
> Monitoring the effectiveness and transparency of the Institute’s disciplinary procedures, including:
  – Sharing relevant information on disciplinary processes, issues and trends with our counterparts in the GAA
  – Ensuring we meet our obligations under the International Federation of Accountants – Statement of Membership SMO 6: Investigation and Discipline
  – Working with a variety of regulators and stakeholders to ensure that the overall regulatory and professional framework continues to meet the needs of business and the broader community
  – Working closely with the New Zealand Institute of Chartered Accountants.

Leadership
For more than 80 years the Chartered Accountants designation has been well regarded in Australia and internationally. Chartered Accountants demonstrate the highest standards of professionalism, ethics and conduct in the delivery of their services, whether it is in private practice, in business, in the public sector, or across other professions and industries.

A first in Australia, in 2010 the Institute established a mediation service for resolving disputes relating to Chartered Accountants. This year the Institute committed to operate the service nationally. The Institute expects that the legal and regulatory consequences of the global financial crisis will continue for some time. Having complementary processes of Professional Conduct investigation and independent mediation provides the Institute with a comprehensive system of complaints handling, which ensures the public interest is being served.

Appointments
Both the Professional Conduct and Appeal Tribunals comprise Institute members from around Australia and also lay representatives (non-accountants). The inclusion of lay representatives demonstrates the Institute’s commitment to the broader public interest by ensuring that the deliberations of the Tribunals include external and independent perspectives. Ten appointments were made to the Tribunals during 2011 and two long-standing members resigned from the Tribunal.

The Institute extends its gratitude to all members serving on the Tribunals, for their considered expertise, knowledge and insights, which are fundamental to maintaining the profession’s strong standing in society.
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<tr>
<th>Abbreviation/acronym</th>
<th>Name</th>
<th>Website (where applicable)</th>
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<tr>
<td>AASB</td>
<td>Australian Accounting Standards Board</td>
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<td><a href="http://www.itsa.gov.au">www.itsa.gov.au</a></td>
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<td>SMO</td>
<td>Statement of Membership Obligations</td>
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