

The Institute of Chartered Accountants in Australia 2006 Report to Members

Including the concise financial statements





President's message

Looking back over the Institute's 78-year history, it is amazing to see how much our profession has advanced. Changing societal demands, new technological developments and an evolving global environment have impacted all levels of business and caused a shift in the Institute's core function.

We have seen the skill set of Chartered Accountants expand from the traditional services of accounting, auditing and taxation into new disciplines, such as financial planning, forensic accounting and business valuation, let alone the significant senior management, board and chairing roles our members hold.

Our diversity continues to expand, with 42 per cent of members now working in commerce and 39 per cent in public practice at locations throughout Australia and in 114 countries around the world (see page 5). Our remaining members fill positions in government, academia and elsewhere. At the same time, the responsibility for setting accounting and auditing standards has shifted to the government following the establishment of the Financial Reporting Council in 2001.

Today, the Institute's focus is to lead the profession by enhancing and promoting the reputation and role of Chartered Accountants and ensuring the highest professional quality of current and future members for the benefit of the business community and the public interest. However, inconsistencies and conflicts within our legislative and regulatory systems continue to cause significant and costly disruptions for Chartered Accountants and the organisations they service.

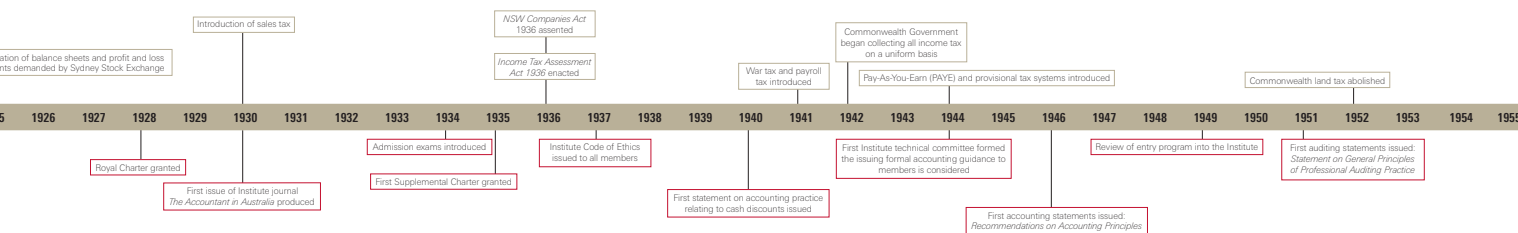
With an impressive 78-year history, the Institute has certainly stood the test of time. The challenge for the coming year and beyond is to make sure we are fit for the future.

Graham Meyer
Chief Executive Officer

The prior year has been one of significant achievement and inevitable change, with our founding role in the formation of the Global Accounting Alliance, a new CEO and a new building.

Neil Faulkner FCA
President

Regulatory change



Institute initiatives

Growing regulation and compliance burden

Over-regulation is one of the biggest challenges facing Australian businesses today. There are up to 600 regulatory bodies in Australia, and the volume of regulation at Commonwealth, state and territory levels has been growing at the unsustainable rate of close to 10 per cent each year.

The advent of globalisation has also played its part. As the pace of global business evolution accelerates in the 21st century, our international accounting, auditing and professional standard setters have stepped up their efforts for global convergence. Similarly, legislation – such as the global push for a stronger legislative regime around Anti-Money Laundering and Counter-Terrorism Financing, and the introduction of the Sarbanes-Oxley Act in the United States – is no longer restricted to national borders.

Financial reporting

While the long-term advantages of having accounting standards that are understood across the globe are clear, Australia's move to adopt international financial reporting standards (IFRS) from 1 January 2005 has placed immense demand on accounting professionals as they work to interpret and apply an entirely new set of rules in their trade.

It is expected that most of the work is in the first year's adoption of these standards. However, it is unlikely the workload will return to pre-IFRS levels – especially as we move into phase two, harmonisation with accounting standards in the United States, and start to see more exposure drafts come through from the International Accounting Standards Board.

Auditing standards

In the aftermath of the recent well-publicised global corporate collapses and financial scandals, we have seen a raft of legislation from governments around the world seeking to improve corporate governance and restore confidence in the audit function – including changes to Australia's Corporations Law post-CLERP 9.

This has had a particular impact on the area of audit, with amendments to audit risk standards in December 2004 and the Government's move to give audit standards the force of law in July 2006. As I know from my own day-to-day work, these changes have increased costs for audit firms, with ever-greater need for more documentation adding to the time and cost of each engagement.

The skills shortage

Perhaps it is a paradox, or perhaps cause and effect, but these extra pressures on accountants have arrived just as the profession has to work harder than ever before to refresh and replenish its ranks.

The added regulation and compliance burden has coincided with greater competition from other professions and careers. Consequently our profession is one of the hardest-hit by the skills shortage. We have too much demand and not enough accountants to meet it.

To react is not good enough

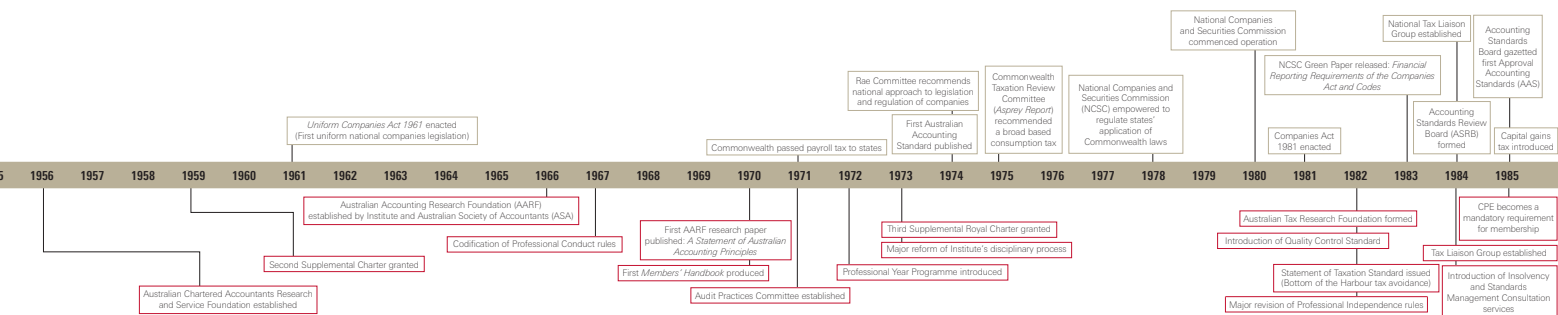
These issues are just some of those facing accountants today. However it is not enough to say that the Institute must be able to react to these changes more quickly. Instead of reacting we have to seek clear space ahead of the curve. That's where our defined and clear strategic direction is imperative. Our global position and relevance, as demonstrated by being a foundation member of the Global Accounting Alliance, our lobbying efforts and our ever-increasing thought leadership initiatives are evidence of our direction and success.

With this in mind, I would like to thank my fellow Board members, committee members and staff for their great work throughout the last year and acknowledge the considerable time and resources volunteered by members to support Institute initiatives. Can I also thank our past President, Stuart Black, and Robert Maple-Brown, who left the Board this year, and of course Stephen Harrison who led our organisation as CEO for the past 14 years. Each has made an invaluable contribution to both the Institute and the profession.

As I look around the Institute today I see an organisation that is strategically and operationally stronger than before – and we need to be. I look forward to the future as we continue to reshape the Institute to better serve our members.

Neil Faulkner
Neil Faulkner FCA
President

The rate of regulatory change: Of the 88 major regulatory initiatives in the past 81 years, 56 have occurred in the past 20 years. That's a five-fold increase from less than one regulatory change every two years to almost six every two years since 1986.



Maintaining our relevance: In light of this changing regulatory landscape, where the Government has largely taken over the profession's role in setting and enforcing accounting and auditing standards, the Institute has evolved to become a vanguard for the profession, working to enhance and promote the reputation and role of Chartered Accountants and ensure the highest professional quality of our current and future members.

CEO's message

In this, my first six months at the helm of the Institute, I have been impressed with the many facets that make up this great institution.

The accounting profession is a fundamental pillar of the global economy, and Chartered Accountants have cemented their place in its engine room. The exceptional powers of analysis, measurement, judgement and financial expertise, as demonstrated by our 44,315-strong membership, are in demand across all segments and all industries in 114 countries throughout the world.

The Chartered Accountants brand is more recognised than ever across the student market, and this is expected to fuel growth in admissions to our world-class postgraduate qualification. Currently we have 11,049 of Australia's best accounting graduates enrolled in the Chartered Accountants Program, bringing the reach of the Institute to some 55,500 of today's and tomorrow's business leaders.

I am equally impressed with the collegiate nature attached to the designation, and the willingness of Chartered Accountants to volunteer their time for the good of the profession. This includes members serving on our Board and advisory committees, lending their technical expertise to help with our lobbying efforts, assisting as focus session leaders for the Chartered Accountants Program or the thousands of mentors guiding candidates through their journey to becoming members.

I am also delighted to have inherited from my predecessor, Stephen Harrison, such a competent staff and sound management structure. As you will see on the ensuing pages, the combined efforts of this talented group of people and our members have achieved many great things in the last financial year.

We need to continue this momentum and have therefore put in place a range of initiatives to ensure the Institute is fit to tackle these issues moving forward.

Right people, right place

We now operate in a 'knowledge economy', where the productivity of our people is decisive in determining our performance. The Institute's organisational structure must be lean, highly adaptive and cost efficient, with streamlined workflows that break down functional barriers.

With this in mind, we conducted an organisation-wide restructure in April to make sure the right people are in the right place. We placed a lot of emphasis on getting resources into the areas that members use most, and have increased our focus on thought leadership, standards and international relations.

In addition, we have started a wide-ranging evaluation of internal processes to cut duplication, reduce costs and deliver better service to members, and have planned a similar review of our technology systems and strategies in the new financial year. These steps will help us maintain our leadership position and manage change more effectively.

We have continued to build a strong culture throughout the organisation, based on our PRIDE values. This is important because organisations with strong cultures, characterised by acceptance and belief in the organisation's core values, financially outperform those without strong cultures.

Delivering relevant products

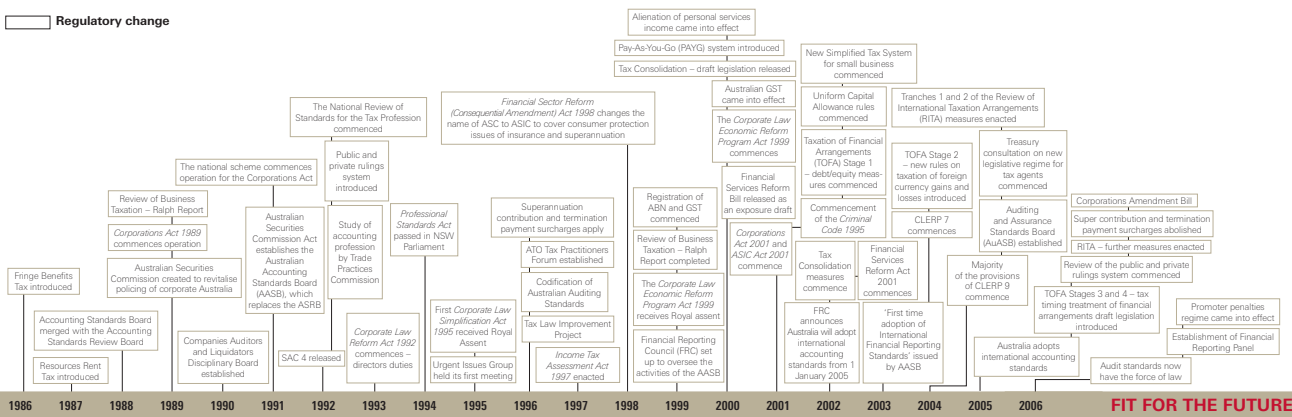
As Neil has already highlighted, the accounting profession has been hit hard by the current skills shortage, with dual pressures from a declining supply of appropriately trained accounting professionals and the increasing demand for accounting services due to increased regulation and compliance on a national and global scale.

The Chartered Accountants Program is renowned throughout the world for its rigour and ability to deliver work-ready candidates. To address the skills shortage now and into the future, the Institute must continue to make this program as competitive and appealing as possible to students and employers while maintaining our high educational standards.

To achieve this, we have continued to review this flagship product to ensure relevance and flexible entry. We have also deployed more resources into our careers marketing initiatives to ensure the benefits of the profession are clearly communicated to high school and university students.

The Chartered Accountants designation is a designation for life. The professional credibility earned by members through this program is

Regulatory change



FIT FOR THE FUTURE

Institute initiatives



sustained through ongoing training and development. As a provider of education, technical support, newsletters and publications, the Institute must ensure it remains relevant by removing redundant products and services and developing compelling new ones in areas where members need our help. With this in mind, we have initiated an audit of products and services.

A nimble governance structure

Our Supplemental Royal Charter and By-laws date back to 1928 – a time that was vastly different to where we are today. While there have been many amendments to these documents in the ensuing years, we have recognised a holistic review was required to bring them into the 21st century by making sure they remain relevant to members’ needs and allow for the growth essential for future economic prosperity. This review is currently under way.

Our new building

The Institute has been working out of 37 York Street for 21 years. When we bought the building we had 68 staff and our training efforts stretched across 15,000 members. Today we provide a much wider range of services to a membership base that has nearly tripled. We have outgrown our current premises and will be moving to a newly acquired building at 33 Erskine Street in 2007.

The decision to buy is obviously a major one, and one that was not taken lightly. We took expert advice and conducted an extensive

due diligence process and found a number of compelling operational and financial factors confirming this investment decision was the right one.

Owning freehold title removes the uncertainty of leasing premises, giving us a stable cost base and saving us the money and disruption involved in relocations in the future. The new building, which is part of the increasingly attractive King Street Wharf business precinct, can accommodate current staff and member needs, and also has an additional two floors leased to tenants. These floors offer us room for future growth and, as long-term owners, we expect to make a good return on the building.

The decision is financially sensible. Our return on invested funds is less than the cost of funds under any leasing arrangement. We tend to hold high cash levels at various times during the year and this cash can be best used minimising lease costs through funding property.

Buying freehold is tax-effective. As a mutual organisation, we bring in a lot of income that is untaxed – such as subscriptions and Training & Development revenues. However any interest or dividends on investments are taxable. As a result it makes more sense to invest spare cash in acquiring and occupying a building.

By selling our current property holding in one line, we have avoided the costs of ‘make good’. Over the term of this holding we enjoyed an annual return of over eight per cent on the funds invested.

The future

This is a great time to lead the Institute. In a progressive country such as ours, change is constant and inevitable and we are well placed to meet the challenges facing our profession moving forward. We are also working to make this organisation even more flexible and adaptable to meet new challenges sure to be thrown at us in the future.

In closing I’d like to thank our loyal and dedicated staff and all members of the Board, the regional councils, committees and volunteers who commit so much time to making this organisation what it is. I would also like to thank Stephen for his exceptional work in guiding the Institute to where it is today. Stephen’s service to the profession has been acknowledged through his appointment as CEO of the GAA and I am delighted to be able to continue working with him in this capacity.

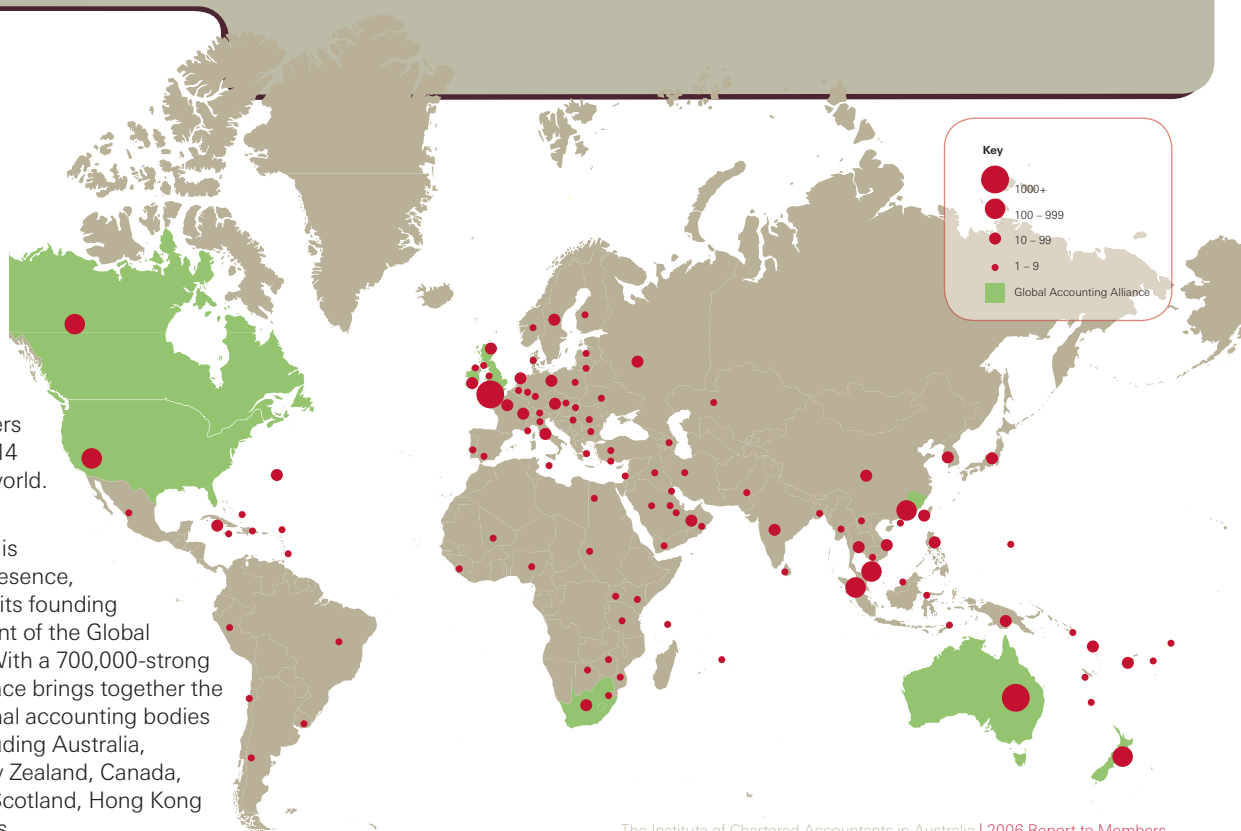


Graham Meyer
Chief Executive Officer

A global presence

Chartered Accountants have cemented their place in the engine room of the global economy, with members located in more than 114 countries around the world.

As this span continues to spread, the Institute is increasing its global presence, most recently through its founding role in the establishment of the Global Accounting Alliance. With a 700,000-strong membership, this alliance brings together the nine leading professional accounting bodies around the world, including Australia, the United States, New Zealand, Canada, South Africa, Ireland, Scotland, Hong Kong and England and Wales.



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Highlights

Global positioning

> Playing a founding role in the formation of the Global Accounting Alliance, representing some 700,000 professional members from the nine leading professional accounting bodies around the world (page 7).

Relevance to members and stakeholders

> Maintenance of high quality, targeted communications to members through the distribution of our highly regarded technical newsletters, *e-bulletins*, and *Charter* (page 9)

> Holding a total of 1,051 member and candidate events around the country, including Training & Development conferences and seminars, and careers marketing and member service events (page 9)

> Delivery of key products for members, including the accounting and auditing handbooks, *Practice structure guide*, *Succession planning toolkit* and *Auditor independence toolkit* (pages 9-10).

Leadership and competitive positioning

> Achievement of a number of lobbying wins across taxation, superannuation and AIFRS (page 11)

> Driving the profession forward through the launch of three thought leadership papers (page 13)

> Launch of our 'Number one in numbers' advertising campaign, which increased brand awareness in the student market by more than 15 per cent (page 11).

Growth to ensure a sustainable future

> Reaccreditation of our postgraduate accounting program as the Graduate Diploma of Chartered Accounting, making the Institute the largest higher education provider of accounting qualifications in Australia (page 15)

> Growth in new enrolments to our Chartered Accountants Program up by more than 13 per cent (page 14)

> Fast tracking changes to the Chartered Accountants Program, including the introduction of four new technical modules and a new business and ethics application module, new timetable, introduction of exemptions for in-house training and work towards a broader entry pathway (pages 14-15).

Changing and evolving role

> Development of a clear and comprehensive strategic plan (page 16)

> Implementation of recommendations from a major governance review (page 16)

> Review of strategy, operations and capability of our technology systems, including the delivery of online membership and voting (page 16).

People and culture

> Continued implementation of the Institute's organisational values to ensure a strong constructive culture within the Institute (page 17).

Strategic plan

Vision: Leading the profession

Core purpose:

Through its leadership, the Institute of Chartered Accountants in Australia enhances and promotes the reputation and role of Chartered Accountants, both individually and collectively, and ensures the highest professional quality of its current and future members, for the benefit of the business community and the public interest.

Organisational values:

P lay it Straight

R espect Builds Success

I mprove and Innovate

D eliver to Win Together

E xpect the Best

The Institute of Chartered Accountants in Australia will be:

- > A visionary organisation with respected thought leadership and key business partners
- > Setting the benchmark for the highest ethical and educational standards
- > Providing a Chartered Accountants brand which is the passport for total career success
- > Representing and leading the profession nationally and influencing regionally and globally.

2006-08 strategic issues

Relevance to members and stakeholders

Leadership and competitive positioning of the Institute of Chartered Accountants in Australia

Growth to ensure a sustainable future for the Institute of Chartered Accountants and Chartered Accountants in Australia

Global positioning

Changing and evolving role of the Institute of Chartered Accountants in Australia

People and culture



'The Chartered Accountant designation has helped me earn a seat at the table in today's global marketplace – from the senior management forums of ANZ, to the Board of ING Australia, to the Standards Advisory Committee of the International Accounting Standards Board.'

Judith Downes CA
Chief Financial Officer & Chief Operating Officer
Institutional, ANZ

Global positioning

We operate in an evolving global marketplace that offers tremendous opportunities for businesses that embrace change, but threatens weak performance for those that do not. The Institute is committed to engage with these opportunities by thinking globally and acting locally to better service the interests of members and the Australian business community – a community that has already proved its readiness to compete in a global market.

Thinking globally, acting locally

The Chartered Accountants Program is one of the most rigorous postgraduate accounting qualifications in the world. As the only professional accounting designation **accredited as a higher education graduate diploma** in Australia and among the major accounting institutes around the world, it is well regarded both at home and in global capital markets. This puts our members in a unique position, with strong demand for Australian Chartered Accountants spread far and wide – from Australian-based organisations to international businesses in the major commercial centres around the world.

A presence on the international stage

In October 2005, the Institute was a key sponsor of the International Financial Reporting Standards Regional Policy Forum. The forum was an initiative of the Trans-Tasman Accounting Standards Advisory Group, which was established by the Australian and New Zealand governments to explore ways for greater cooperation in relation to accounting standards between the two countries. The forum attracted more than 60 representatives from accounting standard setting and oversight bodies, professional accounting bodies, central banks and government officials in the Asia-Oceania region. This comes at an important time, with the International Accounting Standards Board's (IASB) new constitution – which has increased the number of Asia-Oceania trustee positions from four to six – now in effect.

The Institute is also well represented on the international front, with members on the International Federation of Accountants (IFAC) Board and key committees, including:

- > Professional Accountants in Business Committee
- > International Accounting Education Standards Board
- > International Auditing and Assurance Board
- > International Ethics Standards Board for Accountants
- > International Public Sector Accounting Standards Board.

The Institute is also represented on the International Financial Reporting Interpretations Committee (IFRIC), the Standards Advisory Committee (SAC) and the International Innovation Network.

Australian and New Zealand partnership

To better service our members based abroad, in 2004 the Institute entered into a **strategic partnership** with the New Zealand Institute of Chartered Accountants to pilot initiatives to support our growing list of overseas members and gain economies of scale across relevant products and services.

The partnership's biggest achievement was its founding role in forming the **Global Accounting Alliance (GAA)**. Other achievements included a project trialled in Melbourne to link New Zealand Chartered Accountants with their Australian counterparts. So far the results have been positive, and the Institute is now expanding this program across the GAA.

Global Accounting Alliance

The GAA brings together the nine pre-eminent professional accounting member bodies in Australia, the United States, New Zealand, Canada, South Africa, Ireland, Scotland, Hong Kong and England and Wales. We are well represented, with former Institute CEO, Stephen Harrison as the GAA CEO, the New Zealand Institute's CEO, Garry Muriwai as the chairperson and our current CEO, Graham Meyer, a founding board member.

Established in May 2006, the alliance aims to develop a global approach to the standards, ethics, operation and growth of the profession in major capital markets. It cements the Institute's position as **Australia's leading accounting body** and provides a powerful vehicle to promote the growth of the profession internationally.

It connects the Institute to a group committed to thought leadership, research and advocacy in accounting and business. This aligns with the Institute's strategic plan and enhances our ability to share in the world's best thinking on these issues. The Institute can also participate in the unified relationships the GAA builds with global regulators.

Membership of the GAA also increases the Institute's ability to support its members in overseas markets through invitations to networking opportunities, training and development and access to websites and publications – all at member rates – therefore providing members with a professional 'home away from home'.

AS and Defence

Implementation issues

Management of assets

Financial instruments

Public sector disclosures



‘Staying abreast of the myriad of regulatory changes impacting the profession can be a challenge at the best of times. The Institute’s In-House training offered a viable solution – enhancing our peoples’ understanding of the audit process and deepening their understanding of AIFRS.’

Josephine Stevens FCA
Director
Financial Remediation – Inventory
Department of Defence

Relevance to members and stakeholders

The Chartered Accountant designation is a qualification for life. From big business, academia and government to partnerships across small, medium and Big 4 practices, the CA that follows members’ names offers a stamp of integrity for the millions of people they service. It demonstrates a technical competence and professional credibility that is continually reinforced throughout a member’s lifespan.

The Institute plays a vital role – ensuring effective and valued communications and delivery of relevant educational products and services to keep members up to date with the evolving global environment.

Communication

We know our members are time poor while, at the same time, continually flooded with new information to digest. As a result, we place great emphasis on making sure communications are targeted, relevant and easily accessible.

Our *e-bulletins* offer concise, timely and relevant updates on key developments affecting the profession. Targeted for members and the wider business community working in the Big 4, business, government and practice or living overseas, the *e-bulletins* boast a subscription base of more than 60,000. They have been well received by the membership, with satisfaction rating at more than 80 per cent throughout the year.

Demand for our highly popular **technical e-newsletters** continues to grow, with close to 29,000 subscribers between the weekly *Chartered Accountants Tax Bulletin* and *Accounting and Audit News Today* and fortnightly *Retirement Alert Today*. Member satisfaction with these products is impressive, rating at 94, 91 and 93 per cent respectively. These e-newsletters complement our *e-bulletins* by providing detailed technical updates on developments relating to tax, accounting, audit, superannuation, financial planning and professional standards, among other issues.

Charter was relaunched during the year with the aim of better meeting member needs. The magazine continues to be rated by members as the most essential product the Institute should provide, enjoying a high satisfaction of 88 per cent. While the strong focus on technical issues remains, there is an added emphasis on lifestyle pieces identified as interesting by the readership.

A review of printed collateral resulted in a more targeted brochure suite. This includes the development of a **new member welcome kit**, which recognises the ambition and eager desire for achievement common to our membership. So far more than 2,500 new members have received this kit since its launch in July 2005. A **candidate welcome pack** was designed to inform and educate new candidates and officially welcome them to the Institute. The launch of the pack in January 2006 saw immediate results, with candidate satisfaction with communications from the Chartered Accountants Program jumping from 56 to 74 per cent.

Our **relationship management strategy** continued to make inroads in improving communication between members and the Institute. The service has expanded from the core segments of large corporates, mid-tier practice and Big 4 to include small and medium sized practices, government and academia. Relationship managers have promoted the Institute's lobbying and thought leadership initiatives while actively collecting member feedback on issues affecting the profession.

Chartered Accountants Advisory Group

The Chartered Accountants Advisory Group provides confidential free counselling support from trusted, experienced Chartered Accountants for members who are experiencing unfamiliar ethical or professional situations. Formed in 2003 following a review of the national Members Ethical Counselling Service, it was based on the successful Queensland model, which was established in 1999. The service is a valued function of the Institute, with 85 per cent of members rating it as an essential service. Since its inception, the group has assisted more than 440 members across the country.

Educating our members

Training and development is a key Institute service, meeting the need to continually refresh members' skills while also generating a significant income stream to reinvest and support further Institute initiatives. Member support continues to rise, with 79 per cent of users satisfied and more than a third of the membership using these products and services.

We launched a new product development model in February 2006. Programs are now segmented to ensure **relevant offerings that are transferable to the workplace**.

This range is customised to public practice and business, as well as three career stages within these segments. This coincided with the renaming of our former CPE division to Training & Development.

The Standards & Public Affairs team also provided **free technical support** across key issues affecting members.

Members in commerce

The introduction of Australian equivalents to international financial reporting standards (AIFRS) was the single biggest issue affecting members in commerce in the last financial year. The Institute launched a range of educational offerings to ease the transition into this new regulatory regime.

This included some **41 AIFRS-focused training sessions** around Australia throughout the year, which attracted more than 2,000 delegates.

We updated our **Business practice guide** to help smaller businesses produce financial statements that meet users' needs, without the complexity involved for listed companies. This 'plain English' document provides non-mandatory financial reporting guidance for substantial privately held businesses, such as trusts, partnerships and non-reporting proprietary companies, and is free to download from the Institute's website.

Members were also kept up to date with **free technical updates**, including our comprehensive standard-by-standard online resource – providing a summary of AIFRS requirements, comparisons with pre-2005 and international accounting standards, article references and detailed questions and answers – as well as regular articles in *Charter*, our technical newsletters and the *e-bulletins*.

Demand for the Institute's **accounting and auditing handbooks** also reflected members' hunger for more information on standards as a result of the move to AIFRS. Sales of the *Financial reporting handbook* were up by 91 per cent and demand for the *Auditing and assurance handbook* up 44 per cent on the previous year.

Members in commerce also benefited from a number of new, more relevant programs, including internal audit, project management, change management and business writing.

Members in practice

The Institute plays a crucial role in maintaining the quality of service provided by Chartered Accountant firms in public practice.

The story so far is a good one – our members represent an overwhelming majority in *BRW's* 2006 Top 100 Accountants survey, with 80 of the top 100 being Chartered Accountant firms. To ensure this momentum continues, the Institute redeveloped its **Public Practice Program** into an eight-week self-directed learning program that culminates in an intensive two-day workshop. Developed in conjunction with members, the program has been receiving satisfaction levels ranging from 85 to 97 per cent.

We also developed and distributed a free online **Practice structure guide** for members. It is a valuable tool for members considering entering public practice, or firms looking to review their practice structures, and enables better succession planning and minimises liability risks.

Relevance to members and stakeholders (continued)

To further assist members with their practice structures, and following the Australian Taxation Office's (ATO) ruling on service entities, the Institute delivered a national roadshow entitled **Service entities and the ATO approach**. More than 300 people attended events in Sydney, Melbourne, Brisbane, Perth and Adelaide. Members received a first-hand account of outcomes from the ruling, with the same members and staff that headed up the Institute's lobbying campaign also presenting the seminars.

The Institute worked with the Canadian Institute of Chartered Accountants to develop a **Succession planning toolkit**. The toolkit covers the main issues of succession planning for both members and the business community and has been in high demand since its release in March 2006. An **Auditor independence toolkit** was also launched mid-2005 to help members comply with new independence regulations in the audit area.

The growth in the **self-managed super funds** market has created a demand for technical information to help Chartered Accountants maintain their premier position in this field. The Institute launched the *Monthly superannuation update* technical paper series in February 2006 and more than 200 subscriptions have been sold to date.

Tailored training

Training & Development broadened the scope of in-house training, covering more technical areas as well as general business and people skills. It is available in major cities and regional centres around Australia. Visit charteredaccountants.com.au/training/inhouse for more information. The Institute's move to tailor training to meet the specific needs of individual businesses has proven successful, with member satisfaction rating at a high 92 per cent.

'The Institute's In-House Training service is very good and it has allowed us to access some of the training that has been available in Sydney but was not feasible for us to attend. The presenter was a most informative speaker and the content and presentation of the topics fulfilled the expectations of all who attended.'

Trevor Graham

Wappetts Chartered Accountants

Information and research service

Members have taken advantage of the online resources provided and sourced by the Institute's Information and Research Service. The **knowledge packs** provide members with current information on topics as diverse as business valuations and Sarbanes-Oxley. Members can also access an online database of journals, electronic directories and newsletters anywhere and at any time through the Institute's online database.

Career development

To help members manage their careers more effectively, the Institute worked with the New Zealand Institute of Chartered Accountants to build the *MINT career development website* (charteredaccountants.com.au/mint). More than 4,000 members have opened a MINT account to assist them in exploring their career opportunities.

Member benefits

Our size and status give us the ability to source a number of exceptional member benefits from high-quality suppliers. This year we were able to extend the member benefits program to include special offers from Qantas Club, CCH, Optus, Corporate Express, Starwood Hotels, ING, Hilton, Chartered Accountants Electrical and Electronics and American Express.

The new Chartered Accountants Business Partner Program captures both member benefits and sponsorship support for the Institute. Two new business partners were introduced during the year – Optus/Allphones Business (telecommunications) and CCH Australia (business publishing). An additional two partners will be added to the program in 2007.

Key partnerships

As part of our ongoing improvement of the **Chartered Accountants Program**, the Institute regularly engages with members, candidates, the business community and academics. In the last year, a new industry advisory body was formed to capture business and employer views on the program curriculum, and the program's advisory module groups were strengthened to include representation from across member segments. The program also benefited from the development of four new technical modules and a refocus of the final module on ethics, corporate governance and business application.

Candidate survey results demonstrate these changes have led to increased satisfaction of technical content, with 80 per cent of candidates indicating they would recommend the program. Employer satisfaction has remained high at 82 per cent.

The Institute has continued to forge an alliance with the Chartered Institute of Management Accountants (CIMA), enabling the delivery of a range of joint seminars and practical educational toolkits for members in business.

The Institute has maintained its strong relationships with **leading industry bodies** and stakeholder groups. It has a seat at the table of the:

- > Regulatory Discussion Group, dealing with matters affecting financial reporting and auditing
- > Australian Stock Exchange Corporate Governance Council
- > Australian Institute of Company Directors Financial Reporting Committee
- > Business Coalition for Tax Reform
- > all major ATO, the Inspector General of Taxation and Treasury taxation forums
- > Trans-Tasman Accounting Standards Advisory Group.

Institute representatives also meet regularly with stakeholders across government, Treasury, the Financial Reporting Council (FRC), Australian Auditing Standards Board (AuASB), Australian Accounting Standards Board (AASB), Australian Securities and Investments Commission (ASIC) and Australian Prudential Regulation Authority (APRA), offering guidance on the practical implications of regulation and legislation.

The Institute is also represented on the **Chairs Committee**, which comprises ASIC and the CEOs of the Big 4 and professional accounting bodies. It aims to achieve better liaison between the profession and ASIC, with the Institute representing the interests of members outside the Big 4.

Leadership and competitive positioning

Five modules, seven hundred hours of study, a thousand opportunities – one designation. The path to becoming a Chartered Accountant is not for the faint-hearted. This intense learning experience stretches the intellectual boundaries of aspiring members, arming them with technical knowledge, judgement and practical experience to ensure they are well positioned to tackle the increasingly complex environment of today's global marketplace.

The Institute's commitment to developing a well recognised and differentiated brand serves many purposes. It pays homage to the professional standing and expertise of Chartered Accountants, symbolising the efforts they have made to build their professional career. It also positions the Institute as a leader within the global business community. Most importantly, it helps the Institute adequately supply work-ready accountants for the growth of the profession into the future.

Well recognised Chartered Accountants brand

The Institute operates in a competitive environment, where **differentiation is fundamental to ensure growth**. Past research indicated the wider community was not sufficiently aware that there was more than one accounting body within the Australian business community. This meant a proportion of our advertising efforts had been wrongly attributed to competitors and causing confusion among our target markets. To address this misattribution, the Institute launched an extensive advertising campaign in July last year – 'Number one in numbers'. This was accompanied by the implementation of a 'mono' brand strategy, which made 'Chartered Accountants' the Institute's primary promotional brand and dissolved all other 'sub-brands'.

The combined impact has been impressive, with misattribution of our brand being dramatically reduced from 33 per cent in 2004 to nine per cent in 2005. Not only does this mean the Institute gets greater value for money in its advertising activities, it is also expected to have a dramatic impact on Chartered Accountants Program enrolments. We are already seeing evidence of this, with brand awareness among the student market increasing by more than 15 per cent.

Business leaders

In 2005 **Allan Moss AO**, Managing Director & CEO of Macquarie Bank, joined the distinguished list of winners for the Chartered Accountants Business Leader Awards.

Nicholas Moore FCA, Executive Director Investment Banking Group, Macquarie Bank was awarded the Outstanding Chartered Accountant in Business Award for 2005.

In its seventh year, the awards recognise the exceptional achievements of key business leaders. This high profile event strongly aligns

with our vision to lead the profession by making a strong connection between the Chartered Accountant brand and the business elite – as demonstrated by the high calibre and profile of both the judging panel and nominees.

The awards honoured five categories of business leaders, from which the overall business leader was selected. This included:

- > Geoff Dixon, Chief Executive Officer, Qantas (Services – Airline)
- > Elmo de Alwis, Chief Executive Officer, Sigma Pharmaceuticals (Services – Healthcare)
- > Allan Moss AO, Managing Director & Chief Executive Officer, Macquarie Bank (Banking and Finance)
- > Frank O'Halloran, Chief Executive Officer, QBE Insurance (Insurance)
- > Leigh Clifford, Chief Executive Officer, Rio Tinto (Manufacturing, Mining & Agriculture).

Business Forums

The Institute's Business Forum is the most **wide-ranging finance forum** for senior managers, accountants and directors. Held across all major capital cities, more than 4,500 accounting and business professionals attended the 2006 events.

This year delegates were inspired by Australia's leading economists, futurists, technical experts and social commentators, who delivered the latest technical developments and management thinking on topical issues affecting the profession. This ranged from Australian equivalents to international financial reporting standards to Anti-Money Laundering and Counter-Terrorism Financing reform to the current skill shortage. Speakers included Nigel Marsh, Don Meij, Bernard Salt and Saul Eslake, with all sessions very positively received.

President's prize

An annual award recognising the valuable contribution made by young members to both the Institute and the profession, this year's President's Prize was awarded to **Jane Stanton FCA**. An Associate Director at Macquarie Bank, Jane has been actively involved with the Chartered Accountants Program for the past five years. She also plays an active role in the local community, using her skills effectively for the benefit of others.

Growing our leadership and influence

The Institute's role has changed considerably throughout our 78-year history, with a gradual shift in the setting and enforcing of accounting and auditing standards away from the profession and into the hands of government. This change, as illustrated in the timeline on pages 2 to 4, combined with the changing dynamics of today's global economy, has **widened the Institute's circle of influence** on a national, regional and international scale.

In the last year, the Institute continued to focus on broad-based stakeholder consultation to highlight unintended adverse consequences of draft legislation and regulation in its early stages through confidential negotiations and submissions.

Lobbying

Lobbying the Government on important issues that affect our members is one of the highest priorities for the Institute.

A major lobbying initiative involved an Australian Taxation Office (ATO) ruling on **service entities** in early 2005. Through our ongoing representations during the year, the threat of retrospective application of the ruling was avoided and, on a prospective basis, the so-called 'safe harbours' were somewhat improved. The Institute also conducted an Australia-wide roadshow and produced a *Practice structure guide* (see page 9) to help members understand and adapt to the new rules.

Our lobbying efforts on administrative issues regarding **Division 7A** of the *Income Tax Assessment Act 1936* have led the ATO to propose a program of rulings and determinations to deal with the matter. The Institute is continuing to work with the Government on legislative solutions.

As a direct result of our lobbying efforts, a number of tax reforms were announced in the Federal Budget 2006 to support small business arrangements. This includes **alignment of the criteria for various small business concessions**, reforms to **capital gains tax concessions** and **family trust elections**. Other major areas where success was achieved include tax treatment of business **blackhole expenditure**, less harsh treatment under the **promoter penalties** regime, measures relating to the **tax consequences of AIFRS** and a number of international tax reforms.



Professor Jack Flanagan CA
University of Notre Dame Australia, Sydney

Professor Wai Fong Chua FCA
School of Accounting, UNSW
The University of New South Wales

'In much the same way that academia acts as a vanguard in looking forward and exploring future issues, the Institute has a demonstrated commitment to intellectual rigour and the pursuit of knowledge through its thought leadership initiatives.'

Leadership and competitive positioning (continued)

We were also successful in reducing the regulation and compliance burden for small business following a major submission to the Government's Taskforce on Reducing the Regulatory Burden on Business as well as numerous representations to key stakeholders. The Government is considering the Institute's recommendation to **increase the threshold tests** so that a greater number of smaller businesses are no longer obliged to produce financial statements.

The Institute successfully lobbied the Government on the taxation of **superannuation contributions and benefits**. Following our ongoing representations, significant improvements to the regime were announced in the Federal Budget 2006. This included the removal of age-based contribution limits and extending the benefits of full tax-deductibility of the Government's co-contribution to the self-employed.

Standards

The Institute's focus on maintaining high professional standards reflects its responsibilities both to members and the wider community, where it is seen as a guardian of the highest standards of ethics and competence.

In October 2005, the Institute released a joint **professional standard for financial planning**. The standard, APS 12, took effect on 1 November 2005 and advocated a fee for service approach and an improved disclosure regime in an environment of increasing public concern about financial planner independence and remuneration practices.

In February 2006 the Institute and CPA Australia launched the **Accounting Professional and Ethical Standards Board (APESB)**. This moved the consideration and issuance of professional standards to an independent board, comprising experienced and reputable professionals across the many disciplines within the profession and the wider business community.

Since its inception, the Board has released three revised professional standards:

- > Quality Control for Firms
- > Conformity with Auditing and Assurance standards
- > Code of Ethics for Professional Accountants.

Quality Review Program

The Institute educates and continually updates members about their ethical and professional obligations. This is reinforced through our Quality Review Program, a key feature of the Institute's co-regulatory framework that was established to ensure members in practice have quality control policies and procedures in place to comply with accounting, auditing and professional standards.

During the year, 482 reviews were completed. Of these, 29 were of practices that audit publicly listed companies, including the Big 4 and a number of mid-tier practices. Eighty-five per cent of practices had adequate quality control policies and procedures, where either no further action was required or minor breaches were found. Where breaches are



Dr Neil Warren

Associate Professor of Economics
Head of School
Australian School of Taxation (Atax)
The University of New South Wales

identified, the Institute monitors practices to ensure action is taken. Member feedback supports the program, with 89 per cent of participants believing the review enhances their quality control systems and 99 per cent agreeing their reviews were conducted in a professional manner.

During the year, the Institute conducted a **strategic review of the program**, involving a study of similar programs in the United States, the United Kingdom, New Zealand and Canada. The study confirmed that our program meets global best practice, and identified some potential enhancements that are now being evaluated. A comprehensive self-assessment confirmed that our program meets the standards outlined in the International Federation of Accountants (IFAC) statement of membership obligations – SMO 1: Quality Assurance.

Further details on the 2005-06 activities are available in the **Annual Report on the Quality Review Program**, which can be downloaded at charteredaccountants.com.au

Professional conduct

The Institute's Professional Conduct function works with the Quality Review Program to ensure the high standards of the Chartered Accountant designation are upheld. This function rigorously enforces the ethical, technical and professional obligations of members through investigations of complaints and other issues and, where necessary, imposing disciplinary sanctions.

In the year to 30 June 2006, the Institute investigated 298 matters concerning the conduct of members. Of these, 31 were referred to the Professional Conduct Tribunal, which imposed sanctions ranging from expulsion from membership to a mandated Quality Review. These results are encouraging, considering they represent a tiny fraction of the many thousands of tasks carried out by our 44,315-strong membership.

As reported in our 2006 **Annual Report on Professional Conduct**, a number of initiatives were delivered during the year. This includes benchmarking Institute processes against major overseas professional accounting bodies, which indicated our processes meet global best practice. The Institute's By-laws were also amended to deliver greater transparency during disciplinary investigations. More detail on the professional conduct function is available in the annual report at charteredaccountants.com.au

Thought leadership initiatives

The Institute has a mandate to mould the future to ensure the profession maintains its relevance and influence moving forward. We do this through a concept coined 'thought leadership'. These activities take many forms – from discussion papers to industry forums – and aim to stretch the boundaries of current thinking to influence the landscape of our profession tomorrow. During the year, the Institute commissioned a range of research papers and reports that are already having an impact.



Extended performance reporting: an overview of techniques provides a rich insight into extended reporting techniques from around the world. Authored by Professor

Wai Fong Chua FCA, the paper was released in February 2006 in response to a gradual extension of reporting requirements for businesses – from the traditional financial statements to a need to capture performance information on the value of intangibles as well as corporate socially responsible and sustainable strategies. It is the first in a series of four and essential reading for members interested in this emerging business issue.



Research and recommendations on the definition of small business, released in February 2006, and **Fringe benefit tax design: decision time**,

released in March 2006, were commissioned by the Institute and written by Atax, under the leadership of Associate Professor Neil Warren.

The first paper aims to reduce the regulatory burden of our complex tax system by recommending a single definition of small business across a number of different tax concessions for small business. The second paper makes 11 recommendations through three major reforms to Australia's fringe benefit tax system. Both papers have been successful in raising the Government's awareness of ways to reduce the compliance burden. In particular, the Government favourably responded to the first paper in this year's Federal Budget (see page 11).



The first Chartered Accountant **Ethics Forum** was held in June 2006. This think-tank involved 20 influential stakeholders from the major regulatory bodies, ethicists and representatives

from business and the accounting profession. A paper commissioned by the Institute and written specifically for the forum by Professor Jack Flanagan CA, *Values, codes of ethics and the law*, provided a rich basis for discussion and ensured a valuable insight into community expectations of ethical issues and the accounting profession. A white paper is being prepared to provide further discussion of the issue.

These papers are available on the thought leadership section of the Institute's website, charteredaccountants.com.au/thoughtleadership

Growth to ensure a sustainable future

Many commentators have acknowledged the skills shortage as the single biggest threat to Australia's continued economic growth. The accounting profession is by no means an isolated case; other professions and trades are also feeling the resource pinch. However, it is certainly one of the hardest-hit, with dual pressures from a declining supply of appropriately trained accounting professionals and the increasing demand for accounting skills due to a growing regulation and compliance burden.

This makes the Institute's efforts to continuously strengthen and enhance the profession by supplying work-ready accountants one of our most important roles. To that end, we place significant emphasis on the quality of our flagship postgraduate accounting program, careers marketing and branding initiatives.

New trends, new challenges

The global trend of an ageing population has seen an upward shift in the average age of members to 42.3. At the same time, the gender balance has continued to shift with close to a third of the membership female. This trend is expected to continue, with almost half of our current Chartered Accountant Program candidates female. We have also seen a shift away from public practice (39.1 per cent) with more members now working in commerce (41.7 per cent) and academia, government or other (19.2 per cent).

Addressing the skills shortage

Despite this changing environment, the Institute's **growth in new enrolments** has continued at healthy levels, with initial Chartered Accountants Program enrolments up by 13.3 per cent, bringing the total number of candidates to 11,049.

This highlights the success of recent improvements to the curriculum and targeted promotion of the Chartered Accountants Program. This is further illustrated by an 18 per cent increase in overall candidate satisfaction since 2004, with 80 per cent of candidates saying they would recommend the program.

The Migration Assessment Service

The Chartered Accountants Migration Assessment Service performs qualification assessments for skilled migrants and overseas graduates. The Institute's ability to quickly deliver quality assessments enables an increased flow of skilled accountants into Australia. This helps the profession deal with the skills shortage and **eases the burden** on individual accountants. It has also generated significant revenue for the Institute, with assessment applications up 53 per cent in 2006 and revenue up 84 per cent to close to one million dollars.

'The number one issue for us is turnaround time. That's why we prefer to deal with the Institute of Chartered Accountants in Australia. They're fast, efficient and great to deal with. In fact, we recommend to every eligible student that they go through the Institute for their skill assessment.'

Ben Willis

Australian Migration and Visa Lawyers

Evolution of the Chartered Accountants Program

The Institute has always emphasised the need to keep the Chartered Accountants Program relevant to candidates and employers. The skills shortage in accounting has added to this focus.

During the 2005-06 financial year, the new-look Chartered Accountants Program was fast tracked, with many changes brought forward. The new program continues the tradition of **educational innovation by learning design** to promote greater autonomy in both study and self-assessment.

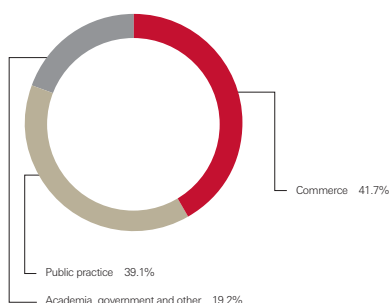


The **redesign of the program** with four technical modules and a new *Ethics & Business Application* module was a major achievement in the last financial year. Already the changes appear to be well received, with a record enrolment in the taxation technical module of some 4,000 candidates. A **new timetable** was also established, which introduced trimester study periods to accommodate the peaks and troughs of the accounting cycle as well as shorten the amount of time it takes to complete the program.

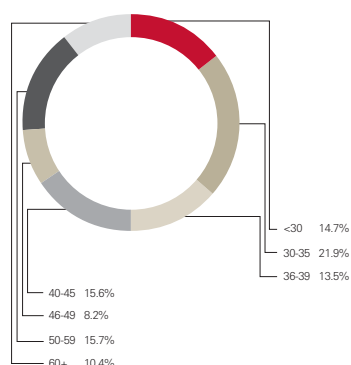
Exemptions for in-house training

The exemptions for postgraduate taxation subjects and accreditation for in-house tax training has been a significant policy change for the Institute. Despite a short timeframe, the Institute has successfully implemented

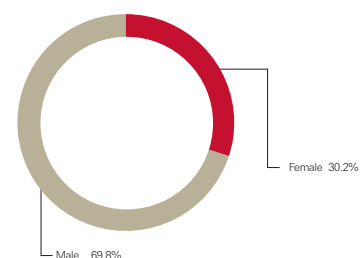
Members by field of employment



Members by age



Members by gender



Institute membership as at 30 June 2006



'As the leading professional services firm, PricewaterhouseCoopers recognises the quality and rigor of the Chartered Accountants Program. It is an important starting point for graduates, leading to a diverse and rewarding future in this great profession.'

Sumanth Prakash CA
PricewaterhouseCoopers
Partner – Assurance

Belle Bly
PricewaterhouseCoopers
Accountant – Assurance

a system to handle applications for exemptions, with a number of the large firms already accredited. This flexible approach to training recognises a candidate's prior learning and is a considerable cost saving for all involved. It is also intended to encourage more tax specialists to undertake our flagship program.

The Institute has made significant inroads in its plan to **broaden the entry pathway** for non-accountants. Working in consultation with key stakeholders, the Institute is currently developing an entrance exam and training program to ensure a coordinated and fair approach for talented graduates to enter the program.

These changes to the program have been well received, with employer satisfaction at a high 82 per cent, candidate satisfaction with technical content rating at 80 per cent and 78 per cent of candidates rating the new content as relevant to their careers.

At the same time, the program has again won the independent quality benchmark of reaccreditation of its **Graduate Diploma of Chartered Accountancy**. This makes the Institute the largest higher education provider of accountancy qualifications in Australia and unique among the major professional accounting bodies around the world. This is a valuable attribute to have, with 74 per cent of candidates valuing the graduate diploma status. It also offers graduates a strong platform for specialisation post qualifying via **exemptions into more than 60 masters courses** around the country.

Careers marketing

The Institute's careers marketing efforts are based around our unrivalled ability to bring together students, employers, academics and careers advisors – whether that be in person, at events such as Employment Evenings, or online at flyhigher.com. This marketing strategy has benefits for all parties and our employer and student events are widely regarded as the most effective at connecting students with employers in the accounting arena.

High school

An increased focus on high school cadet programs proved a significant success during the year. **Cadetship Evenings** in Sydney attracted more high quality students than ever before and this program will be launched in Melbourne in 2007. The success of this year's cadet program has further clarified the Institute's careers marketing high school strategy.

Cadetships are proving an increasingly important recruitment opportunity for employers. They are also highly effective candidate funnels for the Chartered Accountants Program. The success of cadet programs is helping to reduce the emphasis of both the Institute and the profession on recruiting final year graduates. Cadets are shown to have developed strong employer loyalty and are a cost effective part of the recruitment strategy for employers.

Tertiary

The skills shortage means competition for graduates is increasing. The Institute has a **highly visible presence** at each stage of a student's career progression: choice of major, vacation work and graduate employment. The marketing activities highlighted above have proven to be a sound investment for employers and a clear pathway into the Chartered Accountants Program. During the year there was increased diversity among the employers who participated in the Institute's careers marketing initiatives, with more interest from blue-chip firms like Qantas and a greater government presence.

Chartered Accountants Speakers Program

During the year the Institute trained more than 100 Chartered Accountants Program candidates in presentation skills and in the Institute's key careers marketing messages under the Chartered Accountants Speakers Program. By sending these speakers to promote Institute events, a cadre of young advocates was created, whose experience of the Institute is real and recent. Employers were highly supportive of the program as it improved their employees' presentation skills and helped promote their organisations to potential staff.

'The Public Practice Advisory committee is a vital part of the Institute's governance structure, acting as a two-way conduit between practitioners in small, sole and mid-tier firms and the Institute's Board and management team.'



Changing and evolving role

The rate of regulatory change in the past 81 years has been phenomenal. Of the 88 major regulatory initiatives affecting our profession, 56 have occurred in the past 20 years – that is a five fold increase from less than one every two years to almost six every two years since 1986. In light of this, the Institute has refocused to ensure it is fit for the future.

A nimble governance structure

Our Supplemental Royal Charter and By-laws date back to 1928 – a time that was vastly different to where we are today.

The Institute has recognised the need to bring its governance structure into the 21st century by making sure it remains relevant to members' needs and allows for growth, which is essential for future economic prosperity.

We have continued to implement recommendations from a major governance review in 2004. The review made a number of changes to the Board's structure to strengthen its governance. This included the removal of the overseas Board member position and restricting election of members for each geographical region to one. Provision was also made for four directors (including two non-Chartered Accountants) to be appointed to ensure the Board represents the diversity of our membership and demonstrates good corporate governance. In addition the Institute is currently conducting a comprehensive review of our By-laws.

Strategic plan

The public interest demands accountability and a strategic planning process that offers a detailed record of previous decisions and a comprehensive situation analysis provides a degree of comfort for stakeholders. At the same time, this planning offers a strategic compass for the Institute to navigate through the changing environment and set the direction and context for our future.

With this in mind, the Institute's Board and management engaged in a comprehensive strategic planning process during 2005. This involved careful assessment of the issues confronting the Institute and the profession and involved extensive consultation with members and external stakeholders. As a result, we now have a clear plan that incorporates a vision and core purpose and outlines the Institute's focus for the next three years.

Responding to emerging trends and markets

During the year, the Institute completed a review of the strategy, operations and capability of our technology systems. This included a focus on improving the Institute's systems by using technology to make interaction with the Institute easier and more effective.

One example of this focus was the development of online membership applications. Since their introduction in August 2005, nearly 50 per cent of applications have been processed online, saving members' time and resulting in considerable savings for the Institute. The Institute also successfully moved to online voting, with some 90 per cent of votes in various Institute elections now cast online.

Technology improvements were also achieved in the Chartered Accountants Program, with enhancements to our online applications and the introduction of an electronic document management system.



The Institute also continued to roll out our new finance management system during the financial year. The system increases accountability of staff members, improves forecasting abilities of the Institute and streamlines processing requirements of the accounts department.

Pictured above (left to right):

Alan Max CA, Director
Commercial & Financial Consulting
Chartered Accountant

Bruce Bailey FCA, Director
Saccasan Bailey Partners
Former member of the Public Practice
Advisory Committee

Jennifer Lewis FCA, Senior Manager –
Business Services, Grant Thornton
Member of the Public Practice
Advisory Committee

Cameron Johnstone CA, Partner
Weston Woodley & Robertson
Chartered Accountant

Craig Farrow FCA, Partner
Brentnalls SA Chartered Accountants
Chair of the Institute's Public Practice
Advisory Committee

People and culture

Influencing opinion leaders to represent the interests of members and the wider business community; protecting the integrity and brand of our high quality designation; helping our members deal with the growing regulation and compliance burden through ongoing education and communication; and securing and nurturing a future generation of Chartered Accountants through a world-class postgraduate accounting program. It is all in a day's work for the talented, committed and passionate people that make up the Institute's staff.

Our culture

Exceptional performance, employee commitment and a focus on service are all outcomes of a robust organisational culture. During the year, the Institute continued on its journey to developing this culture through our PRIDE values, building on strong leadership skills to ensure proactive, responsive and innovative behaviours among staff. These values are at the heart of our internal communications and staff development programs, and integrated into activities such as recruitment, performance planning and reward and recognition structures.

Our organisational values:

- > Through **Play it Straight**, we take responsibility for open, honest and direct two-way communication, and operate with the 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 in all activities 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'.

The ongoing roll-out of our *PRIDE in Performance* workshops continued during the year. The workshops enable our staff to reflect on their personal values and how they align to the Institute's PRIDE values. It ensures a clear understanding of expected behaviour and strong cultural fit among Institute employees.

We reinforced these values through the **Living PRIDE** awards, which encourage and motivate employees to behave in a manner that supports our organisational values. Held every six months, the awards attracted more than 40 individual and 17 team nominations in 2005-06.

Improved employee communication

The Institute introduced a number of initiatives to improve communication across the organisation.

Our fortnightly internal e-newsletter was reviewed and revamped to better disseminate business knowledge, key initiatives and organisational values among employees.

We launched a **new intranet site**, aimed at improving the dissemination of organisational intelligence. The project met with instant success, with a 100 per cent take-up and 87 per cent of staff agreeing the new tool delivered information to help them accomplish their job. We also introduced **Unchartered Hour** – a monthly, one-hour information exchange between the Institute's executive management team and staff.

Leadership

Our culture is developed through the leadership behaviours demonstrated by our people. Through our ongoing Leadership Development Program, we ensure leaders are identified, developed and armed with the appropriate tools to drive the Institute forward.

Best practice in recruitment and retention

During 2005-06, the Institute put significant effort into its recruitment, retention and rewards policies to ensure members are served by highly-skilled and motivated staff. This included key managers attending a retention skills workshop, development of an employee referral program to encourage staff to use their professional networks to source high quality staff, and implementation of a project to ensure our remuneration and reward policies follow best practice.

Together, these broad-ranging initiatives have positively impacted employee turnover, which has fallen from 23.3 per cent in 2004-05 to 16.3 per cent in 2005-06. We expect this declining trend to be maintained as our PRIDE values become fully ingrained within our organisational culture.

Your representative members

Board profiles*



Neil Faulkner BBus FCA
President

Neil is an Audit & Advisory partner with KPMG specialising in the provision of audit and advisory services to the consumer and industrial markets. His advisory roles have been in both the public and private sectors.

He has served on audit committees for the Institute and Victorian Government departments.

Neil was appointed a director in 2002.



Robert DiMonte BA (Acc) CMC MAICD FCA
Deputy President

Rob is the Managing Partner for Deloitte in Adelaide specialising in management advisory services. He leads management consulting activities in South Australia for clients ranging from large corporations to small to medium enterprises.

He has more than 24 years' experience in small and large accounting practices, working in the key areas of audit, tax and business services. Rob was appointed as a director in January 2004.



Andrew Arkell BCom (Acc) GDip
(Applied Finance & Investment) FAICD FCIS
F FIN FCA

Andrew is the Corporate Secretary and Head of Corporate & Advisory Services at Queensland Investment Corporation (QIC), with responsibilities covering accounting policy, tax, legal compliance, risk management, company secretariat and facilities management.

He has worked across a number of segments, including the Big 4, small practice, government and more than 10 years in commerce with QIC. Andrew currently serves on the Queensland regional council and has been a director since 2004.



Richard Deutsch BEd FCA

Richard is a member of the Firm Leadership Team of PricewaterhouseCoopers Australia and is the firm's Institutional Markets Leader.

An APRA-approved auditor, he has more than 15 years' experience specialising in insurance and investment management. He is also the lead engagement partner on external audits for a number of major listed Australian companies and provides due diligence support to clients looking at potential acquisitions in the insurance and investment management industry.

Richard was appointed a director in 2004.



Rachel Grimes BBus (Acc) FCA

Rachel is the head of Distribution for Westpac Life Insurance. She has 17 years' experience across the financial services sector, working in commerce with BT Financial Group for eight years as well as in the Big 4 with PricewaterhouseCoopers.

Rachel was the state chairperson of the NSW regional council in 2004 and was made a director in 2006.



Jenny Morison BEc FCA

Jenny is currently director of Morison Consulting and is also an independent member of a number of ACT and Commonwealth audit committees, deputy chairperson of the ACT Land Development Agency and board member of the Growth Centres Commission (Sydney).

She has some 25 years' experience with three of the Big 4 accounting firms in the areas of audit, tax, management consulting and accounting for government. Jenny is a leading specialist in the area of public sector financial management reform, having led teams for both the ACT and Commonwealth governments in implementing accrual output based budgeting reforms. Jenny has served as an ACT councillor and was made a director in 2003.



Margaret Parker BEc GDip (Acc) FTIA FCA

Margaret is a Partner at INPACT McDonald Carter, specialising in tax and business services for medium sized enterprises and high net worth individuals for the past 11 years.

She has demonstrated experience in people management, business and finance and serves as a director for Chunky Move Contemporary Dance Company and Storage & Warehousing Services. She was former Treasurer for Women's Chief's of Enterprises International in Victoria. A past Victorian State Chairperson, Margaret became a director in 2005.



Derek Parkin BCom CTA FAICD FCA

Derek is the Professor of Accounting and Associate Dean of Business at the University of Notre Dame Australia, Fremantle. His professional career has spanned four continents during the past three decades, beginning with Price Waterhouse in South Africa and moving to roles as partner at both Arthur Anderson and Ernst & Young in Australia. Derek's current

corporate roles involve both board and audit committee positions.

He served on the Western Australian council for 12 years and was elected a director in 2003.



Michael Spinks BCom (Acc) GDip
(Applied Finance & Investment) F FIN FCA

Michael is a Principal at Collins SBA, specialising in business structures, superannuation, wealth management and financial planning. He has more than 15 years' experience in financial services, previously being a Director of the financial planning group Garrisons. He has also served with the Royal Australian Navy, receiving an Active Service Medal for deployment in the Persian Gulf.

Michael was made a director in 2006.

* Board current as at signing of financial statements, 4 September 2006.

The Institute of Chartered Accountants in Australia

Financial commentary

Concise financial report for the year ended 30 June 2006

Principal activities

The principal activities of the organisation in the course of the year were the provision of education and training to members, potential members and the broader business community, and the provision of member services. There were no significant changes in the nature of activities of the Institute during the year.

Financial results and review of operations

The Institute achieved a surplus of \$450,000 for the year (2005 \$4,023,000). Revenue increased by 7.1 per cent to \$61,879,000 while, due to a number of planned strategic initiatives introduced, expenses increased by 14.3 per cent to \$61,429,000 compared to 2005.

During the year, the Institute purchased new premises in Erskine Street, Sydney to allow for its expanding operations. It also entered into a conditional sale agreement for its current strata property at York Street, Sydney.

Revenue and expenditure

The major movements in revenue were:

- > Growth in membership numbers of 4.4 per cent combined with an increase in subscription rates of 3.3 per cent produced \$2,175,000 increased income from member fees
- > Growth in the Training & Development business of 14.6 per cent due to increased attendance at Institute Training & Development events and growth in the In-House business
- > The Chartered Accountants Program recorded increased initial enrolments of 3,500 students from the previous year. However, the increased revenue was offset by an amount of \$3,600,000 deferred for the Tax module to the 2006/2007 financial year. This module would have been included in 2006 income as it had been in 2005, had the timing not changed

- > Growth in the overseas qualifications assessment fees by 84 per cent to \$981,000
- > An increase in rental of 134 per cent due to tenancy at Erskine Street, Sydney
- > A decrease in interest received due to a decline in cash position as a result of the purchase of the Erskine Street property.

Funds were channelled into a number of activities, increasing expenditure as follows:

- > Investment in and the development of new Training & Development products and services of \$1,700,000
- > The Chartered Accountants Program costs increased by 8.7 per cent or \$1,022,000, with significant investment in the development and improvement of the program to better meet the needs of the employers and candidates
- > The Institute commissioned a number of academics and professional firms to produce thought leadership papers and guides or toolkits to assist members
- > Member relationship management and support increased with the formation of a new NSW team, including the employment of a new unit manager
- > Increase in Finance and Administration, primarily in the area of consultancy and legal costs, with \$425,000 incurred in identifying new premises, depreciation expense on Erskine Street premises of \$220,000 and costs of \$428,000 for the impairment of furniture, fixtures and fittings of York Street premises
- > The Institute engaged a research consultancy firm during the year to research a number of areas including the Institute brand, member needs, training and development, advertising concepts and recruitment in the profession.

Capital expenditure

The major capital costs incurred during the year related to the purchase of premises at 33 Erskine Street, Sydney in February 2006 for \$34,273,000. A program of renovation and refurbishment will commence in September 2006 and is due for completion in March 2007.

Other capital expenditure included a program of refurbishment at the leasehold branch in Perth.

Cash flow and liquidity

The Institute maintained its strong cash position throughout the first half of the financial year. In February 2006 the Institute purchased a new building in Erskine Street, Sydney and borrowed funds. At balance date the borrowings were \$1.8m, which was repaid in July 2006.

The refurbishment of premises at Erskine Street, Sydney during the 2006-07 financial year will cause the Institute to move into a net debt position. It is anticipated that borrowings will maximise at approximately \$21.7m during the year, with interest payable increasing to approximately \$750,000. Based upon current earning projections, it is anticipated that borrowings will be repaid by 2010.

In addition, the Institute entered into a conditional sales agreement to dispose of the property at 37 York Street, Sydney for \$14m. The sale is being conducted through a Put and Call Deed, with the Institute nominating execution between 1 February and 31 May 2007. These sale proceeds will be used in reducing part of the Institute's debt.

The Institute of Chartered Accountants in Australia

Income statement

for the year ended 30 June 2006

Continuing Operations	2006 Revenue \$'000	2006 (Expense) \$'000	2006 Net Revenue/ (Net Expense) \$'000	2005 Revenue \$'000	2005 (Expense) \$'000	2005 Net Revenue/ (Net Expense) \$'000
Relevance to Members and Stakeholders						
Training & Development	9,522	(9,072)	450	8,303	(7,571)	732
Member Groups, Product Development and Support	1,239	(2,885)	(1,646)	1,347	(2,276)	(929)
Member Specialisation and Segmentation	347	(490)	(143)	322	(441)	(119)
Journal Charter	1,971	(2,699)	(728)	1,784	(2,505)	(721)
Congresses and Functions	645	(825)	(180)	605	(881)	(276)
Libraries and Bookshops	14	(859)	(845)	19	(852)	(833)
Website	17	(599)	(582)	12	(703)	(691)
Members' Handbook	73	(247)	(174)	45	(312)	(267)
	13,828	(17,676)	(3,848)	12,437	(15,541)	(3,104)
Leadership and Competitive Positioning						
Government Relations	–	(142)	(142)	–	(137)	(137)
Taxation	–	(969)	(969)	–	(829)	(829)
Technical Standards and Superannuation	–	(480)	(480)	–	(461)	(461)
Financial Reporting and Auditing Standards	–	(786)	(786)	–	(728)	(728)
International Standards Setting	–	(435)	(435)	–	(411)	(411)
Ethics Development, Compliance and Support	4	(1,039)	(1,035)	65	(715)	(650)
Quality Control	1,195	(1,479)	(284)	1,083	(1,353)	(270)
Disciplinary Activities	60	(623)	(563)	76	(399)	(323)
Professional Entry, Development and Ethics	981	(315)	666	533	(216)	317
Marketing	169	(6,816)	(6,647)	165	(6,407)	(6,242)
Public Relations	–	(1,005)	(1,005)	–	(973)	(973)
	2,409	(14,089)	(11,680)	1,922	(12,629)	(10,707)
Growth to Ensure a Sustainable Future						
Chartered Accountants Program	13,577	(12,678)	899	13,791	(11,656)	2,135
Careers Marketing	102	(1,515)	(1,413)	107	(1,554)	(1,447)
	13,679	(14,193)	(514)	13,898	(13,210)	688
Global Positioning						
Global Accounting Alliance	–	(109)	(109)	–	(8)	(8)
	–	(109)	(109)	–	(8)	(8)
Changing and Evolving Role						
National Board, Committees and Executive Management	27	(3,232)	(3,205)	15	(2,743)	(2,728)
Research	–	(486)	(486)	–	(270)	(270)
	27	(3,718)	(3,691)	15	(3,013)	(2,998)
People and Culture						
Human Resources and Training	–	(836)	(836)	–	(636)	(636)
	–	(836)	(836)	–	(636)	(636)
Administration						
Information Technology	–	(2,783)	(2,783)	–	(2,630)	(2,630)
Finance and Administration	866	(4,878)	(4,012)	202	(3,211)	(3,009)
State Branch Administration	136	(2,451)	(2,315)	114	(2,364)	(2,250)
	1,002	(10,112)	(9,110)	316	(8,205)	(7,889)
Member Fees, Interest and Other Revenue						
Member Fees	29,685	(465)	29,220	27,510	(465)	27,045
Interest	1,249	(231)	1,108	1,632	–	1,632
	30,934	(696)	30,238	29,142	(465)	28,677
Total from Ordinary Activities	61,879	(61,429)	450	57,730	(53,707)	4,023

The Institute of Chartered Accountants in Australia

Balance Sheet

As at 30 June 2006

	2006 \$'000	2005 \$'000
Current Assets		
Cash and cash equivalents	2,328	33,488
Trade and other receivables	4,959	5,274
	<u>7,287</u>	<u>38,762</u>
Assets available for sale	13,900	–
Total Current Assets	<u>21,187</u>	<u>38,762</u>
Non-Current Assets		
Property, plant and equipment	36,680	16,978
Intangible assets	105	35
Total Non-Current Assets	<u>36,785</u>	<u>17,013</u>
Total Assets	<u>57,972</u>	<u>55,775</u>
Current Liabilities		
Receipts in advance	21,038	19,609
Trade and other payables	6,253	7,309
Interest bearing loans and borrowings	14	139
Provisions	1,556	1,463
Total Current Liabilities	<u>28,861</u>	<u>28,520</u>
Non-Current Liabilities		
Interest bearing loans and borrowings	1,927	–
Provisions	533	606
Total Non-Current Liabilities	<u>2,460</u>	<u>606</u>
Total Liabilities	<u>31,321</u>	<u>29,126</u>
Net Assets	<u>26,651</u>	<u>26,649</u>
Members' Funds		
Reserves	7,367	7,815
Retained earnings	19,284	18,834
Total Members' Funds	<u>26,651</u>	<u>26,649</u>

The Institute of Chartered Accountants in Australia

Cash Flow Statement

For the year ended 30 June 2006

	2006 \$'000 Inflows/ (Outflows)	2005 \$'000 Inflows/ (Outflows)
Cash flows from operating activities		
Receipts from members' subscriptions*	29,551	32,366
Receipts from Institute activities	33,704	28,812
Payments to suppliers and employees	(61,473)	(56,061)
Net cash inflow from operating activities	1,782	5,117
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	147	113
Purchase of property, plant and equipment	(35,909)	(1,213)
Interest received	1,249	1,632
Net cash (outflow)/inflow from investing activities	(34,513)	532
Cash flows from financing activities		
Proceeds from borrowings	1,941	139
Repayment of borrowings	(139)	–
Interest paid	(231)	–
Net cash inflow from financing activities	1,571	139
Net (decrease)/increase in cash and cash equivalents	(31,160)	5,788
Cash and cash equivalents at beginning of year	33,488	27,700
Cash and cash equivalents at end of year	2,328	33,488

* Members' annual subscription notices are sent out shortly before balance date each year. Variations each year in the actual date of despatch can have a significant impact upon actual cash inflows from this source – refer Note 10.

The Institute of Chartered Accountants in Australia

Statement of Recognised Income and Expense

For the year ended 30 June 2006

	2006 \$'000	2005 \$'000
Fair value revaluation of land and buildings		
– recognised directly in members' funds	(448)	1
Profit for the year	450	4,023
Total recognised income and expense for the year	2	4,024
Total recognised income and expense for the year is attributable to:		
Members of the Institute	2	4,024

Notes to the Financial Statements

For the year ended 30 June 2006

1. Basis of preparation

This concise financial report has been prepared in accordance with Accounting Standard AASB 1039 'Concise Financial Reports'.

All amounts are presented in Australian dollars.

This is the first concise financial report prepared on AIFRS and comparatives for the year ended 30 June 2005 to have been restated accordingly.

Reconciliations of AIFRS equity and profit for 30 June 2005 to balances reported in the 30 June 2005 concise financial report and at transition to AIFRS are detailed in Note 4.

A full description of the accounting policies adopted by the Institute is provided in the 2006 financial statements which form part of the full financial report.

Revenue and Expenses from Continuing Operations	2006 \$'000	2005 \$'000
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2. Revenue

Revenue from operating activities:

Subscriptions and related revenue	29,685	27,510
Revenue from education and other services	29,823	28,006
Total revenue from operating activities	59,508	55,516

Revenue from non-operating activities:

Rent	851	364
Royalties	124	105
Interest from other persons	1,249	1,632
Proceeds on sale of property, plant and equipment	147	113
Total revenue from non-operating activities	2,371	2,214
Total Revenue	61,879	57,730

3. Segment information

The Institute operates predominantly in Australia and in one business segment delivering member and education services to accounting professionals. The Income Statement discloses the revenue derived from this segment for each of these services.

Notes to the Financial Statements (continued)

For the year ended 30 June 2006

4. Explanation of transition of Australian equivalents to AIFRS

For all periods up to and including the year ended 30 June 2005, the Institute prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Institute is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). Accordingly, the Institute has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in Note 2. In preparing these financial statements, the Institute has started from an opening Balance Sheet as at 1 July 2004, the Institute's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 First-time adoption of AIFRS. This note explains the principal adjustments made by the Institute in restating its AGAAP Balance Sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Reconciliation of equity at 1 July 2004

	Notes	AGAAP \$'000	AIFRS Impact \$'000	AIFRS \$'000
Current Assets				
Cash assets		27,700	–	27,700
Receivables		4,052	–	4,052
Total Current Assets		31,752	–	31,752
Non-Current Assets				
Property, plant and equipment	(b)	16,943	57	17,000
Total Non-Current Assets		16,943	57	17,000
Total Assets		48,695	57	48,752
Current Liabilities				
Receipts in advance		18,030	–	18,030
Payables	(a)	6,083	110	6,193
Interest bearing loans and borrowings		–	–	–
Provisions		1,468	–	1,468
Total Current Liabilities		25,581	110	25,691
Non-Current Liabilities				
Provisions	(b)	268	168	436
Total Non-Current Liabilities		268	168	436
Total Liabilities		25,849	278	26,127
Net Assets		22,846	(221)	22,625
Members' Funds				
Reserves		7,814	–	7,814
Retained earnings	(a),(b)	15,032	(221)	14,811
Total Members' Funds		22,846	(221)	22,625

The Institute of Chartered Accountants in Australia

Notes to the Financial Statements (continued)

For the year ended 30 June 2006

4. Explanation of transition of Australian equivalents to AIFRS (continued)

Reconciliation of equity at 30 June 2005

	Notes	AGAAP \$'000	AIFRS Impact \$'000	AIFRS \$'000
Current Assets				
Cash assets		33,488	–	33,488
Receivables		5,274	–	5,274
Total Current Assets		38,762	–	38,762
Non-Current Assets				
Property, plant and equipment	(b)	16,929	49	16,978
Intangible assets	(c)	–	35	35
Total Non-Current Assets		16,929	84	17,013
Total Assets		55,691	84	55,775
Current Liabilities				
Receipts in advance		19,609	–	19,609
Payables	(a)	7,179	130	7,309
Interest bearing loans and borrowings		139	–	139
Provisions		1,463	–	1,463
Total Current Liabilities		28,390	130	28,520
Non-Current Liabilities				
Provisions	(b)	375	231	606
Total Non-Current Liabilities		375	231	606
Total Liabilities		28,765	361	29,126
Net Assets		26,926	(277)	26,649
Members' Funds				
Reserves		7,815	–	7,815
Retained earnings	(a),(b)	19,111	(277)	18,834
Total Members' Funds		26,926	(277)	26,649

Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

The Institute of Chartered Accountants in Australia

Notes to the Financial Statements (continued)

For the year ended 30 June 2006

4. Explanation of transition of Australian equivalents to AIFRS (continued)

Reconciliation of profit for the year ended 30 June 2005

	Note	AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Revenue from ordinary activities		57,730	–	57,730
Expenses from ordinary activities		(53,651)	–	(53,651)
Operating leases	(a)	–	(20)	(20)
Discount on make good provisions	(b)	–	(15)	(11)
Amortisation of decommissioning asset	(b)	–	(21)	(25)
Profit before Income Tax		4,079	(56)	4,023
Income tax benefit/(expense)		–	–	–
Profit from Ordinary Activities		4,079	(56)	4,023
Profit attributable to The Institute of Chartered Accountants in Australia		4,079	(56)	4,023

Notes to the reconciliations

Outlined below are the areas impacted upon adoption of AIFRS.

(a) Operating Leases

AIFRS requires operating lease expenses to be recognised on a straight line basis over the term of the lease. An AIFRS transition adjustment is therefore required for leases with a predetermined rent escalation. At the date of transition an increase in lease liability of \$110,000 and consequential decrease in retained earnings of the same amount is recognised. At 30 June 2005 an increase in lease liability of \$130,000 and consequential decrease in retained earnings for the same amount is recognised. Application of AIFRS to leases for the financial year ended 30 June 2005 results in a \$20,000 reduction to net surplus before tax.

(b) Make Good Provisions

In accordance with the lease agreements with various third parties, the Institute must restore leased premises in several locations to their original condition at the cessation of the various lease terms.

Application of AIFRS at the date of transition results in an increase to property, plant and equipment of \$57,000, decrease to retained earnings of \$111,000 and recognition of a provision of \$168,000.

Application of AIFRS to the financial year ended 30 June 2005 results in an increase to property, plant and equipment and intangibles of \$84,000, decrease to retained earnings of \$147,000 and recognition of a provision of \$231,000. Application of AIFRS has decreased profit by \$36,000 due to unwinding the discount on the provision and the additional amortisation.

(c) Intangible Assets

This is made up of computer software which is now separately recognised in accordance with the application of AIFRS.

Directors' declaration

The directors declare that:

- the attached financial statements and notes thereto comply with Accounting Standard AASB 1039 'Concise Financial Reports'; and
- the attached financial statements and notes thereto have been derived from the full financial report of the Institute.



N T Faulkner FCA
President



R DiMonte FCA
Vice President

Melbourne, 4 September 2006

The Institute of Chartered Accountants in Australia

Independent audit report

To members of the Institute of Chartered Accountants in Australia

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the balance sheet, income statement, statement of recognised income and expense, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Institute of Chartered Accountants in Australia (the Institute), for the year ended 30 June 2006.

The directors of the Institute are responsible for preparing a concise financial report that complies with Accounting Standard AASB 1039 *Concise Financial Reports*, in accordance with the By-laws of the Institute. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach

I conducted an independent audit on the concise financial report in order to express an opinion to the members of the Institute. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the concise financial is presented fairly in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*.

I formed my audit opinion on the basis of these procedures, which included:

- > examining, on a test basis, information to provide evidence supporting that the amounts and disclosures in the concise financial report are consistent with the full financial report; and
- > examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report.

I have also performed an independent audit of the full financial report of the Institute for the year ended 30 June 2006. My audit report on the full financial report was signed on 4 September 2006, and was not subject to any qualification. For a better understanding of my approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

Independence

I am independent of the Institute, and have met the independence requirements of Australian professional ethical pronouncements.

Audit opinion

In my opinion, the concise financial report of the Institute of Chartered Accountants in Australia complies with Accounting Standard AASB 1039 *Concise Financial Reports*.



S Van Gorp FCA

Auditor

Sydney

Date: 4 September 2006

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