

2009 report to members

Including full financial statements

Fostering a staff culture based on values of respect, teamwork, innovation and winning results. Growing the next generation of Australia's business leaders. Supporting members in their careers, every step of the way. Upholding the integrity of the Chartered Accountants brand. Riding out the economic storm by taking a series of visionary steps. Visionary thought leadership that will serve the accounting profession of tomorrow. Talking to government and stakeholders, to represent the interests of members, business and the community. Fostering a staff culture based on values of respect, teamwork, innovation and winning results. Growing the next generation of Australia's business leaders. Supporting members in their careers, every step of the way. Upholding the integrity of the Chartered Accountants brand. Riding out the economic storm by taking a series of visionary steps. Visionary thought leadership that will serve the accounting profession of tomorrow. Talking to government and stakeholders, to represent the interests of members, business and the community.

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The Institute of
Chartered Accountants
in Australia

About the Institute

The Institute of Chartered Accountants in Australia (the Institute) is the professional body representing Chartered Accountants in Australia. Our reach extends to more than 60,000 of today's and tomorrow's business leaders, representing more than 51,000 Chartered Accountants and 12,000 of Australia's best accounting graduates currently enrolled in our world-class Chartered Accountants postgraduate program.

Our members work in diverse roles across commerce and industry, academia, government and public practice throughout Australia and in 114 countries around the world.

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

The Institute can leverage advantages for its members as a founding member of the Global Accounting Alliance (GAA), an international accounting coalition formed by the world's premier accounting bodies. With a membership of around 775,000, the GAA promotes quality professional services, shares information, and collaborates on international accounting issues.

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

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President's message

the view from the top



The last 12 months have presented an incredible challenge for the global economy. Business needs strong leadership now more than ever – and that's where Chartered Accountants come in. Here and overseas, our members have played an integral role in guiding their clients, businesses and employers through the downturn.

The Institute has been helping members in this task by providing a range of resources, such as a suite of factsheets that tackle some of the key issues for businesses today. Practical support like this will continue into the new financial year, and can be found at www.economyinfoocus.com

The global financial situation has also brought challenges for the wider accounting profession itself. The last year has been all about reacting to those issues while keeping an eye on the long term.

First, let's look at the issues that have arisen in the wake of the economic downturn.

Financial statements are now being questioned like never before. We have a set of 'international' accounting standards (IFRS) which have not been adopted by all the major markets (the US being a notable absentee). Meanwhile, due to an increased focus on domestic affairs, some of the markets that have signed up to IFRS are beginning to question their position.

Are we, as a global community, still committed to IFRS? I think we should be. Globalisation cannot be reversed, so it's important we don't go backwards ourselves. My hope and expectation is that the US will opt in to IFRS, but the process may be more prolonged now.

In the wake of the financial downturn, the complexity of IFRS has also been under the spotlight. While we have greater disclosure, it is harder for shareholders, and others, to understand financial statements and value assets and liabilities. Increasingly, they are turning to analyst presentation packs to make sense of it all.

Understandably, a great deal of energy is expended on producing these packs – and shareholders are making major decisions based on them.

The problem is: analyst presentation packs are not audited.

In the short term, I would like to see the analyst presentation packs issue addressed by the domestic and international accounting standards boards. In the medium term, the focus needs to be on the relevance of the financial statements themselves.

These challenges have been raised, or exacerbated, by the economic downturn, but there are a number of others that exist regardless. As Chartered Accountants of today, we must take a lead on these issues, because they will shape the profession of tomorrow.

“The global financial situation has also brought challenges for the wider accounting profession itself. The last year has been all about reacting to those issues while keeping an eye on the long term.”

Take non-financial reporting, for example. We've almost reached the tipping point where this is as important as the financial statements. Shareholders are more and more interested in how a company is performing in areas such as sustainability.

This year, the Institute produced Broad Based Business Reporting guidance for not-for-profit entities and businesses (see page 16). The next focus must be to bring to life the requirements for disclosure of these non-financial measures, and then make it a requirement to have an appropriate level of sign-off from an auditor. We've made a good start,

actively lobbying government to ensure that the proposed Carbon Pollution Reduction Scheme includes such a requirement. Moving forward, we'll continue that approach in other areas of sustainability, such as water.

I am constantly impressed and encouraged by the calibre of Chartered Accountants who participate in boards, councils and committees both here and overseas.

Another issue we remain firmly committed to tackling is the skills shortage. While some businesses have been shedding staff during the recent economic downturn, long-term employment forecasts still predict that by around 2020 there will be more accountants retiring than there will be accountants entering the profession. The Institute is working relentlessly to try and curb this, with a strategy that encompasses engagement with students, schools and universities while talking to government about the increasing number of overseas students studying here and then disappearing back overseas.

On top of that, the scheme to attract non-accounting graduates into the Chartered Accountants Program – via a conversion course with Deakin University – is starting to bear fruit. In the last year, almost 100 graduates from the Deakin program have commenced the Chartered Accountants Program, and their results have matched that of their accounting graduate peers. I believe there is potential to establish similar schemes elsewhere in Australia, and that could have a significant impact long term.

So yes, there have been some notable achievements this year. But the hard work has really only just begun.

I'm confident that the Institute is up to the challenge. This year, the Board approved a range of cost-saving measures that saw us return a healthy surplus – which we need to ride out the economic downturn. The cost savings do not mark a major departure from our strategic thinking.

The Board and management simply took a look at the Institute (a mostly fixed-cost business) and asked if the emphasis of the strategy needed to be adjusted in light of the economic downturn. You can read more on this in the CEO's introduction on page six.

Speaking of the CEO, I'd like to thank Graham Meyer for the results he has delivered. In his three years to date, Graham has injected energy and openness into the organisation. Backed by outstanding staff and a capable management team, he's managed the balance sheet exceptionally well and steered the Institute into a position where we can face the uncertain economic environment with confidence.

First and foremost, the Institute is built on the foundation of its members. In this regard, too, I can report that the profession is in good hands. I am constantly impressed and encouraged by the calibre of Chartered Accountants who participate in boards, councils and committees both here and overseas. I would like to thank each and every member who has helped the profession rise to the challenges of the last year. I am relishing the prospect of what lies ahead.



Richard Deutsch
President

beyondblue

The Board takes a holistic approach to its work on behalf of members. Recent research shows that the accounting profession is fourth highest in terms of risk factors for depression in Australia (behind lawyers, doctors and dentists). With the help of the Victorian Regional Council, we have established a partnership with beyondblue which, in the coming months and years, will help raise awareness about depression and anxiety in the accounting sector and reduce the associated stigma. Armed with the facts, Australia's accounting workplaces will be better equipped to recognise the early warning signs and to assist colleagues to seek support or professional help.

CEO's message

from the inside out



Like most businesses, one thing dominated our agenda this year: the economic slowdown. We took a series of measured steps to address its impact while ensuring that we continued to deliver on our mandate to support members and lead the accounting profession.

It's very important that, over a three-year period, we generate cash so that we can meet the needs of our membership. Ironically, to generate *positive* cash flows we started by speculating about *negative* scenarios. We considered the impact of potential downturns in student numbers, membership renewals, training revenue and sponsorship revenue.

This modelling told us that we would need to batten down the hatches. But before we decided on any change, we committed to three guiding principles:

1. Members and candidates would not see a difference in quality of service, products or benefits
2. Staff would continue to feel that they were valued
3. Nothing must adversely affect the long-term viability of the Institute.

From there, we agreed on a series of measures to see us through. Firstly, we went through our expenses in great detail. No stone was left unturned as we tightened up supplier contracts and asked all our staff to focus on the total cost of buying goods and services.

Next, we took a careful look at our organisational structure to ensure we had the right combination to deliver our strategy. This led us to a more streamlined structure, shifting from nine divisions down to six, with a clear focus on accountability.

These measures delivered significant savings that are already flowing into our bottom line.

In a normal year, we would aim to deliver a surplus of approximately 2.5% of revenue, and a return on member

funds of 6 – 7%. The above activities have helped us exceed those targets this year – and we hope to do so next year as well.

This resulting surplus will not only help us ride out the economic storm. It also puts us in a position to invest in some key strategic areas: leadership work with academia and universities, support for members working in the corporate sector, and support for members working in regional and rural Australia.

“We agreed on a series of measured steps to see us through the economic downturn, while continuing to support members and lead the accounting profession.”

Equally importantly, we now have capital that could be invested in a much-needed overhaul of our IT systems. The scale of this issue cannot be underestimated. Our current systems and structures are not only inflexible but outdated. Left untouched, they will seriously undermine our ongoing ability to deliver relevant, timely and high-quality services for members.

Going forward, we have proposed a two-year strategy to overhaul our computer systems, which requires a significant investment. This would allow us to communicate better with members (by upgrading our current customer database) and customise products and services (our website being an obvious example) to make them as relevant as possible for members.

Clearly, a lot of this year has focused on getting our own numbers right, and lining up our strategic plan to reflect member needs. But there have been some impressive, more externally focused results this year too.

Cognisant of the increasing engagement between Australia and the Asia-Pacific region, we embarked on a strategy to help build the exposure and influence of Australian Chartered Accountants within Asia.

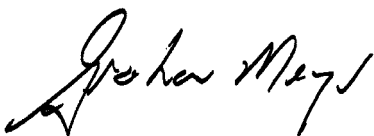
Many Asian countries want to enhance their accounting and auditing standards but lack the resources to do so. The Institute is equipped with the core expertise (namely education and training) to help fill that gap.

We have, for example, established mutually beneficial relationships in Malaysia. An arrangement with the Malaysian Institute of Certified Public Accountants has been put in place to facilitate offering the Chartered Accountants Program in Malaysia. This will open the door for successful graduates to work as Chartered Accountants in Australia. Meanwhile, our *Audit Manual* has been customised for the Malaysian Institute of Accountants. Similar arrangements in other Asian countries are on our agenda.

Another remarkable achievement this year was the continued expansion of our Live Online Training. From their desktops, members can participate in a training session from any broadband internet connection in the world. A virtual training room gives members the chance to ask questions throughout the session, share ideas and communicate directly with the presenter and other delegates.

The feedback from members has been overwhelmingly positive (particularly in regional and rural areas). Since launching in August, we have run more than 80 Live Online Training sessions, attracting more than 3500 delegates. To meet demand, we will extend this service further in 2009 – 2010.

It's been a challenging – and highly productive – year. We have a lot to be proud of. Even if the economy deteriorates more than we expect, the Institute will remain extremely viable. This is testament to the vision of our Board, to the leadership of our management team and to the determination of our staff. I'd like to thank them all. With their combined expertise, members can be confident that the Institute is equipped to prosper into 2009 – 2010 and beyond.



Graham Meyer
CEO

Other milestones in 2008 – 2009

- > Module enrolments in the Chartered Accountants Program broke the 19,000 mark, cementing our position as the pre-eminent pathway for graduates and practitioners to enter the profession. Read more on page 18.
- > We secured substantial regulatory change for members through sustained lobbying activities. More than 170 submissions were made to government and other bodies. Read more on page 15.
- > Our biennial staff culture survey secured a 96% response rate. The results showed notable improvements since the last survey in 2006, and indicated that staff believe in the Institute's overall purpose and have a strong team ethic. This justifies all we have done to engender a proactive and supportive culture in recent years. Read more on page 24.
- > A total of 11 thought leadership papers were published, helping to shape the future of the accounting profession. Read more on page 16.
- > For the first time in our 81-year history, our total membership passed the 50,000 mark.

Through its leadership, the Institute 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.

This is our core purpose.

Vision: leading the profession

The Institute of Chartered Accountants in Australia will be:

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

Each year, in July and August, strategic thinking sessions are held with the Institute's regional councils and advisory committees. This provides input into the Board's own review of the strategic plan in October. Following that, a strategic thinking session takes place at each Board meeting during the year, focusing on one of the six strategic objectives in the plan. To review the strategic plan in detail, visit charteredaccountants.com.au/strategicplan
This is our process to develop the strategic plan.

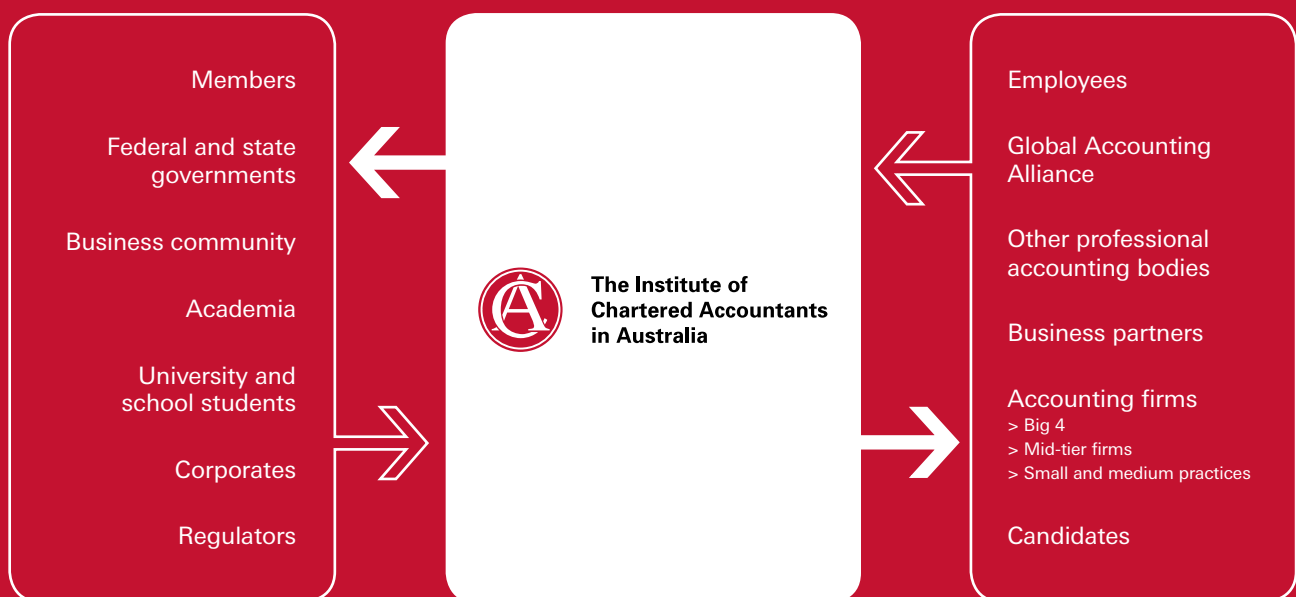
Strategic plan 2009 – 2011

Strategic issues

- > Relevance to members and stakeholders
- > Leadership and competitive positioning of the Institute
- > Growth to ensure a sustainable future for the Institute and Chartered Accountants
- > Global positioning
- > Ensuring the Institute is fit for the future
- > People and culture.

P Play it straight **R** Respect builds success **I** Improve and innovate
D Deliver to win together **E** Expect the best.
These are our core values.

Stakeholder engagement



Rising to meet economic challenges and seizing the initiative to lead business through the financial turbulence.

This was the Institute in 2008 – 2009.

The year in review

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Relevance to members and stakeholders

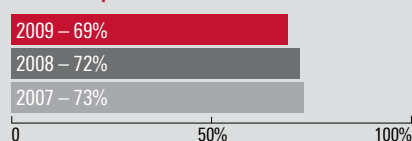
you are number one

Objectives

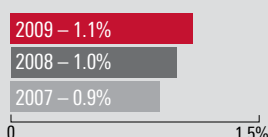
- > A differentiated customer segmentation strategy which delivers value to members throughout their life
- > Effective and valued interaction with members
- > Ongoing development and revision of products and services to ensure value to members
- > Mutually beneficial partnerships with leading industry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

Measurement

Membership satisfaction



Membership attrition



Membership distribution by branch

Branch	2009 (%)
ACT	2%
NSW	36%
NT	<1%
Overseas	14%
Qld	12%
SA	5%
Tas	1%
Vic	22%
WA	8%

Membership by business segment

Business Segment	2009 (%)
Practice	38%
Commerce (including government and academia)	35%
Overseas	14%
Other	13%

Membership by age band

Age Band	2009 (%)
40 and under	52%
41 – 65	42%
Over 65	5%

Membership by gender

Gender	2009 (%)
Female	33%
Male	67%

Comments

The member satisfaction rating is based on research conducted annually by an independent organisation. The 2009 member satisfaction rating has not changed beyond the +/-4% variance that is statistically significant. In order to improve member satisfaction, the Institute is undertaking a range of activities, as described further below.

Member attrition has increased slightly since last year, but this is more than offset by the increase in overall membership numbers to a record high for the Institute. The Institute will continue to monitor attrition rates closely, particularly during the global economic downturn.

Key activities

To ensure that it continues to meet the needs of members, the Institute undertook a review to clarify the value proposition for each member segment. Central to this was a series of in-depth research interviews with a cross-section of members.

The Institute interacts with members through events, conferences, roadshows, the web, print and broadcast media, e-newsletters, manuals, toolkits, guides, *Charter* magazine and training sessions.

During 2009, the Institute delivered some 700 workshops, forums, debates and other events on issues such as

superannuation, income tax, business valuations, legally enforceable auditing standards, and the future role of the CFO. Meanwhile, more than 4000 accounting and business professionals across all major capital cities attended the popular Business Forums.

This year the Institute, like many other professional bodies, did see a downturn in attendance figures brought on by the prevailing economic climate. However, the combination of quality content and speakers, together with a robust marketing strategy, contributed to the overall success of the Institute's conferences.

The Institute provides members with a range of ways to access training. A combination of face-to-face, in-house

and online delivery methods allows members to choose the delivery channel that suits them best. The Institute is committed to providing a comprehensive range of training for members.

Notable successes this year included major Audit Conferences in April (307 delegates attended in Sydney and 193 in Melbourne) and a suite of self-managed superannuation fund (SMSF) resources. This included an SMSF conference which was opened by Senator Nick Sherry and successful training activities on the audit of SMSFs and other technical superannuation issues.

In August, the Institute piloted a new way for members to access training online. Since then, more than 80 Live Online Training sessions have attracted delegates in droves, with an average of more than 40 delegates per session.

📌 **The popularity of Live Online Training has grown and grown. The first monthly online Tax Update in August 2008 attracted 20 delegates. It now it regularly attracts an average of 145.** 📌

The popularity of Live Online Training has grown and grown. The first monthly online Tax Update in August 2008 attracted 20 delegates. It now it regularly attracts an average of 145 delegates and continues to grow. Meanwhile, two complimentary trial sessions on standard business reporting (a government initiative to reduce the regulatory burden on business) secured 200 registrations within 15 minutes.

Publications

Members can choose from a range of regular Institute e-newsletters to best suit their individual circumstances. These e-newsletters focus on technical updates, tools, thought leadership and issues facing the accounting profession. Following readership surveys, several publications have been enhanced this year with improved formats and new features such as podcasts, polls and member interviews. A new e-newsletter, tailored to the needs of members in regional and rural Australia was also launched (for details, visit charteredaccountants.com.au/ebulletin).

Charter, the Institute's monthly magazine, is circulated to more than 50,000 recipients. The magazine's quality, credibility and targeted reach also make it attractive to advertisers and, while the economic downturn has impacted advertising revenues, the Institute is pleased with its ability to maintain its advertising contracts. Read the magazine at www.chartermagazine.com.au

Products and services review

During the year, the Institute reviewed the products and services delivered through the Member Benefits Program. This included:

- > A thorough examination of the performance of the products, based on value and/or volume of sales
- > The fit with the Institute's overall strategy and direction
- > Feedback from members, including the annual member survey.

The results indicated that the focus should be on the development of products, services and partner alliances that capitalise on the core technical competencies of members, and that new personal offerings around work/life balance should be limited. In response to this, the Institute formed a business partnership with Thomson Reuters to provide content for the tax training program and to publish a hard-copy version of the *Australian Auditing Manual* for the academic market. Since it launched in July 2008, the Institute's online *Australian Auditing Manual* has been downloaded more than 1200 times. Meanwhile, the supplementary *Australian Auditing Toolkit* has enjoyed sales of more than 500 this year. For details, visit charteredaccountants.com.au/auditmanual

As the economic downturn took hold, the Institute provided a range of support for members. This included the launch of a dedicated global economic downturn resource website (economyinfocus.com), as well as fortnightly technical factsheets distributed via the *eBulletin* e-newsletter. Meanwhile, the Institute's 'Managing Your Personal and Professional Risk' campaign reminded members of the ING and HCF insurance offers that the Institute had negotiated for members.

Academic partnerships

The Institute has a mutually beneficial relationship with the university sector and is now a platinum sponsor of the Accounting and Finance Association of Australia and New Zealand. This support not only provides essential funds for the accounting and finance academics' annual conference; it also awards PhD scholarships to give impetus to successful academic careers. The Institute and its members have also provided significant input into university projects that aim to improve the relevance of undergraduate accounting degrees. In addition, the Institute has funded academic research in the accounting and finance sector.

Leadership and competitive positioning

there is no second best

Objectives

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

Measurement

Overall performance	score out of 10	Providing leadership	score out of 10	Quality reviews	
2009	6.52	2009	6.78	Professional conduct investigations	290
2008	6.51	2008	6.83	Professional conduct tribunals	13

Comments

Over the past two years, the Institute has participated in the Annual Business and Professions Survey, conducted by Beaton Consulting, which measures performance and provides a ranking against other professional bodies. The Institute's overall performance increased from 2008 and the Institute was ranked sixteenth out of the 21 associations benchmarked. The median score for overall performance for all organisations was 6.89 out of 10. The Institute continues to focus on improving its overall performance, as described further in this section.

The Institute's score in providing leadership in the field was higher than the mean score of 6.66, ranking it seventh out of its benchmarking group of 21 professional bodies. An increased focus on thought leadership and government relations is intended to build on these scores in the years ahead.

Brand positioning

The Institute also undertakes independent tracking research to measure brand performance, but this is not being disclosed because this is commercially sensitive information.

Professional conduct tribunals

This year, the Institute began investigating 290 formal complaints (or other conduct issues involving members, such as regulator or court action). The investigations led to 13 members being called to appear before the Professional Conduct Tribunal. The numbers of investigations rose from 259 the previous year (although down from 317 in 2006 – 2007). The number of tribunal cases varies each year because of the timing of individual hearings, but has averaged around 20 cases annually over the last five years.

These incidence of conduct issues is very small, given that the Institute's membership exceeds 50,000, and given the huge number of engagements and tasks undertaken each year by Chartered Accountants on behalf of their clients and employers. Where the tribunal finds a case established against a member, a report is published in the Institute's monthly magazine and website. The member's name is stated, regardless of the severity of the sanctions imposed.

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

Key activities

Competitive positioning

The Institute continues to promote and position the Chartered Accountants brand as the pre-eminent professional accounting qualification and helps attract young people to the profession. Together, the 'Riddle' television campaign and the online Student Challenge generated awareness and preference in target markets, such as university students. More details about competitive positioning in the student market can be read on page 18.

This year also saw a focus on the business community, with an extensive advertising campaign entitled 'The spirit of being number one'. The message that Chartered Accountants are the pinnacle of the accounting profession was displayed in outdoor, press and print advertisements. The advertising expressed the sentiment that the spirit of a Chartered Accountant is the spirit of 'no second best', and that Chartered Accountants are the kind of people who take on the biggest challenges to achieve the highest rewards, and promoted the benefits of using the services of Chartered Accountants. For details, visit charteredaccountants.com.au/spirit

Influencing government

The Institute advocates public policy that is not only in the interests of members and the accounting profession, but also in the national interest.

Leadership activities are designed to increase influence with government and regulators and position Chartered Accountants as leaders in the profession and the wider business community. By partnering with key stakeholders in public practice, the corporate world and academia on joint activities, the Institute builds relationships and enhances its leadership position.

The government has started several major policy reviews which are still ongoing. Some of these, such as the proposed Carbon Pollution Reduction Scheme and the Review of Australia's Future Tax System, have major potential economic impacts. The Institute has been actively involved in these reviews and many others, including:

- > The governance of SMSFs
- > The disclosure regime for not-for-profit organisations
- > The Bradley Review of Australian Higher Education
- > The development of anti-money laundering legislation
- > The Wallace Enquiry into a broad range of superannuation issues.

Submissions to government

Throughout the year, the Institute closely monitored and influenced regulatory change that may affect the accounting profession. More than 170 submissions were lodged with regulators and standards setters, on everything from audit and superannuation to reporting and taxation.

In the area of standard business reporting, the Institute played a leading role on the issue of streamlining business-to-government reporting, providing input to government on this process and enabling direct member involvement.

Meanwhile, the Institute lodged two submissions to the Review of Australia's Future Tax System, the first being developed with KPMG. The Institute also produced reports for government in the areas of the proposed Carbon Pollution Reduction Scheme and entity flow-through taxation for small and medium-sized businesses (the latter in collaboration with Deloitte).

And when the federal budget comes round, the Institute is always at the front of the pack. Following pre-budget submissions to government, the Institute's representatives followed up by attending the budget lockup in Canberra and conducting media interviews. So, shortly afterwards, when the government decided to revise the policy on employee share schemes, the Institute was perfectly positioned to be a leading commentator and influencer on the issue.

Elsewhere, the Institute influenced the AUASB's *Guidance Statement GS 009 Auditing Self Managed Superannuation Funds* and had a say in many other issues, including *Optional CGT Roll Over for Complying Superannuation Funds* with Capital Losses, the Australian retirement income system, facilitating online financial services disclosures, superannuation clearing house and lost accounts, as well as temporary residents and superannuation.

The Institute also worked alongside the other professional accounting bodies on leadership activities, such as developing an overarching financial advisory services framework. In recent years the Institute has been very vocal in advocating a fee-for-service approach in the financial advisory services industry to improve transparency for clients. Although this stance was initially unpopular with many, opinion has started to sway. The Institute's persistence is paying off.

Leadership and competitive positioning (continued)

Thought leadership

The Institute developed a Broad Based Business Reporting paper in conjunction with an advisory panel from KPMG, PwC, Regnan and the Australasian Investor Relations Association. The paper promotes a mechanism for businesses to better meet the information needs of key stakeholders and is designed to stimulate awareness and discussion. Broad Based Business Reporting was the theme of the 2009 Business Leader Series (see below), and the advisory panel also discussed the topic at the 2009 Chartered Accountants Business Forum.

The principles of Broad Based Business Reporting also flowed through into the revisions and updates of the Institute's not-for-profit annual and financial reporting paper. This paper was then used as a framework for the judging of the Institute-sponsored PwC Transparency Awards.

Leadership activities increase influence with government and regulators and position Chartered Accountants as leaders in the profession and the wider business community.

Climate change was very much on the thought leadership agenda this year. The Institute published a paper (prepared by Professor Roger Simnett from UNSW) entitled *The Benefits of Assuring Carbon Emissions* and has been working closely with the Department of Climate Change regarding the need for mandatory assurance of emissions reports (in accordance with the Auditing and Assurance Standards Board (AUASB) Assurance Framework). The Institute has also made submissions to the government on the proposed Carbon Pollution Reduction Scheme regarding tax, reporting and assurance aspects.

Making a noise in the media

Many of these positive leadership results were assisted by sustained media campaigns. This year, a strategic focus on leadership positioning resulted in a higher level of media coverage on key issues in target media (eg. 20% of all media coverage was secured in the *Australian Financial Review*). The Institute's proactive media strategy for the federal budget and ensuing issues secured 80 appearances in the media. Meanwhile, proactive media activity on the proposed Carbon Pollution Reduction Scheme, Broad Based Business Reporting, Review of Australia's Future Tax System and governance of SMSFs reaped 76 appearances in the media. The long shelf life of the previous years' leadership topics also helped to sustain media interest (in areas such as reinventing financial planning, tax treatment of carbon emissions, the future role of the CFO and tax entity flowthrough for SMEs).

Business Leader Series

This year, the Institute launched its Business Leader Series (along with a video-based website, www.business-leader.tv), aligning leadership topics such as Broad Based Business Reporting with the Business Leader Awards to create an ongoing program of activity.

In March, the Institute announced Origin Energy Managing Director Grant King as the 2009 Chartered Accountants Business Leader of the Year. The accolade for the Most Outstanding Chartered Accountant in Business went to Tom Pockett, Finance Director of Woolworths Ltd.

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



Professional conduct

To regulate and govern the work of Chartered Accountants, the Institute works closely with other bodies, such as the Financial Reporting Council, the Australian Securities & Investments Commission (ASIC) and the Companies Auditors and Liquidators Disciplinary Board. This year, the Institute raised awareness of professional conduct activities by speaking at a meeting of the Accounting Professional and Ethical Standards Board (APESB), helping the Insolvency Practitioners Association of Australia to develop its disciplinary process, and initiating a dialogue with the NSW Law Society on the interaction between legal ethics and accounting ethics.

The Institute has published full details of its professional conduct findings and activities in these areas in the *2009 Professional Conduct Annual Report*, available online at charteredaccountants.com.au/professional_conduct/annual_reports

Quality review

The Institute's Quality Review Program assesses whether members in practice have the appropriate quality control policies and procedures in place to ensure that their work complies with professional standards and regulatory requirements.

This year, the *Quality Control Guide* was updated to help members in practices meet the quality control standards in *APES 320: Quality Control for Firms*.

The Institute also released practical guidance to address the significant issues and areas that preparers, audit committees and auditors need to consider when undertaking their professional responsibilities for the 30 June 2009 financial year-end. This highlighted three issues of particular relevance which require the exercise of significant professional judgement: going concern, asset impairment and fair values.

The Institute has published full details of its quality review findings and activities in the *Annual Report on the Quality Review Program* for the year ended 30 June 2009, available online at charteredaccountants.com.au/qualityreview

The year in review

Growth to ensure a sustainable future

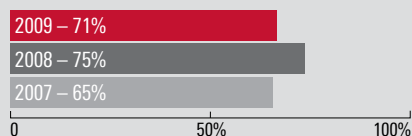
strength in numbers

Objectives

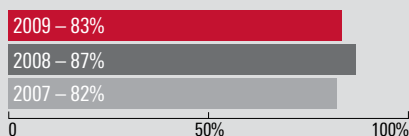
- > Ongoing review of the Chartered Accountants Program to ensure relevance and pre-eminence
- > Innovative and influential careers marketing to ensure the attractiveness of a professional career in Chartered Accounting
- > Ongoing brand promotion to attract new members
- > Ensuring ongoing recruitment, development and retention of members.

Measurement

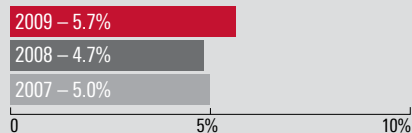
Candidate satisfaction



Employer satisfaction



Net member growth



Comments

Candidate satisfaction has shown a steady increase since 2007 and, though it dropped 4% in 2009, remains within the standard variance range of +/-4%. In response to the decline in candidate satisfaction with communication, the Institute is working closely with a communications specialist to ensure this result turns around in future. Employer satisfaction decreased 4% from 2008 after increasing 5% from 2007. We have since made changes to provide greater choice and flexibility for employers.

Net member growth is a pleasing result for 2009. It includes growth in affiliate members (partners in chartered firms who are not Chartered Accountants) and throughput from increased enrolments in the Chartered Accountants Program.

The Institute also measures and reports to the Board on initial and continuing enrolments in the Chartered Accountants Program and conversion to membership, but this is not disclosed in this report as it is commercially sensitive information.

Key activities

The Institute conducts a range of marketing activities that promote careers in Chartered Accounting, to attract quality recruits into the profession. The results this year were impressive.

Total student registrations through the Institute's student website (charteredaccountants.com.au/students) grew significantly, while record attendances were achieved nationwide at graduate employment evenings.

Academics are significant stakeholders for the Institute and so a series of vodcasts (online video clips) for teaching purposes was developed. The vodcasts were available on USBs and were well received by key academics.

The student section of the Institute website was enhanced this year with Chartered Accountant profiles, vodcasts and a student quiz. There are plans to improve interactivity even further next year.

Reaching non-accounting graduates

The Institute believes the Chartered Accountant qualification should be available to all high-achieving graduates who wish to qualify as accountants, rather than being limited only to high-achieving accounting graduates. To this end, the Institute has continued to broaden the pathways into the profession to allow non-accounting graduates to qualify for the Chartered Accountants Program. This represents a

significant step forward for the profession in Australia and is in alignment with global best practice.

The Institute has partnered with Deakin University to offer the Graduate Certificate of Chartered Accounting Foundations (GCCAF) course, which meets all the academic entry requirements of the Institute. The results from current GCCAF graduates match those of their accounting graduate peers.

Reaching international graduates

The Institute, with the other professional accounting bodies, was commissioned by the federal government to design a training program to support international graduates in transitioning to the Australian workforce.

To date, the joint accounting bodies have approved 12 training providers nationally to deliver the Skilled Migration Internship Program – Accounting (SMIPA) to international accounting graduates across all states, and 349 graduates have commenced an approved SMIPA program.

Greater flexibility for employers

To assist candidates and firms in the current economic environment, the 26-week entry requirements for candidates already in employment was suspended for a 12-month trial from May 2009 to June 2010. This provides greater choice and flexibility for employers to determine when new employees are ready to commence the Chartered Accountants Program.

Candidates still need to meet the academic entry requirements of the Chartered Accountants Program, and must still accrue three years of full-time mentored service and achieve all required practical experience competencies before being admitted to membership of the Institute.

Postgraduate credits

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

Research has found that many members intend to undertake postgraduate study, so this year CA Plus Pathways was launched. This offers Chartered Accountants Program graduates credits into postgraduate courses in streamed study areas of relevance to members – finance, financial planning, taxation and MBA.

In collaboration with universities across Australia, the Institute has negotiated subject credits for qualified Chartered Accountants to undertake a Graduate Diploma

or Masters in Business Administration, Taxation, Financial Planning and/or Finance. Some universities have agreed to offer credits for up to half the subjects required to complete the course, significantly accelerating course completion while saving members money.

Review of assessment framework

To ensure the ongoing rigour and relevance of the Chartered Accountants Program, the Institute's Education Board commissioned a review of the Program's assessment procedure.

The review was conducted by an external education expert and resulted in changes to the assessment framework of the Program, including improving security, removing complexity and streamlining assessment to address candidate workload. It also resulted in changes to assessment in the four technical modules of the Program.

📌 **Net member growth of 5.7% is a pleasing result. It includes growth in affiliate members and throughput from increased enrolments in the Chartered Accountants Program.**

Candidates will now be able to direct their resources and time to the core assessment components and, with their employers, have more control in planning for the demands of postgraduate study.

Reviewing the technical modules

Following concerns about the level of difficulty and complexity in the Chartered Accountants Program, a comprehensive independent review was conducted. This included a review of the prerequisite knowledge assumed in the current modules and a gap analysis between this and the standard coverage at university. It also covered a review of the overall breadth and depth of content in the current modules and a report on topic coverage, overall quantum of knowledge with reference to the accepted level of learning hours in postgraduate courses, and comparison with the entry-level standard set by international peers. The outcomes of the review will be acted upon in 2010 to ensure the Chartered Accountants Program remains pre-eminent.

The year in review

Global positioning

地区领导地位

Objectives

- > Influencing the initiatives of the Global Accounting Alliance
- > Thinking globally and acting locally
- > Supporting the development of the profession globally
- > Ensuring participation in international forums is relevant and targeted
- > Broadening reach and influence in Asia to support development of the profession.

Measurement

No quantitative measures.

Comments

There are no quantitative measures for this strategic objective, but the Board makes an annual qualitative appraisal of the Institute's success in this area based on qualitative results throughout the year.

The Institute is dedicated to supporting the profession and increasing benefits to its members in Australia and globally. For example, the recent joint venture with the Malaysian Institute of Certified Public Accountants enables the Institute of Chartered Accountants in Australia to increase its profile and influence in the region while promoting high-level standards for education and continuous training across national borders.

Key activities

As a founding member of the Global Accounting Alliance (GAA), the Institute continues to work closely with other pre-eminent international professional accounting bodies to shape the profession globally.

Fourteen per cent of the Institute's members live overseas (spanning 114 countries, from Azerbaijan to Zimbabwe), and many of them can take advantage of the growing benefits that GAA membership offers.

A global passport

The GAA passport for member services has been well received around the world. The passport allows most of our 6982 members residing overseas in a GAA jurisdiction to gain access to most of the member services of the local institute.

International collaboration

This year, the GAA focused on breaking down barriers to international mobility for accountants and auditors; recognition of the differing needs between small and large entities; and an exhaustive range of other best practice and information-sharing issues. Meanwhile, the GAA underlined the importance of sustainability by joining the Prince of Wales' Accounting for Sustainability Forum. The forum

held an international symposium at St James's Palace in London to promote cooperation within the profession.

This year also saw the Japanese Institute of Certified Public Accountants secure membership of the GAA.

The GAA has provided a platform for the Institute to showcase some of the ways in which the Australian accounting profession is playing a leading role. This has included sharing best practice around Australia's liability capping schemes and the role of accountants in the financial planning industry.

“The Global Accounting Alliance has provided a platform for the Institute to showcase some of the ways in which the Australian accounting profession is playing a leading role.”

Also this year, following a thorough review of professional entry requirements and programs, GAA institutes agreed to recognise each other's continuing professional development compliance regimes, and a protocol has been developed so that joint submissions can be prepared on issues of common concern.

The *GAA Accounting Journal* was launched this year, bringing together articles of international interest from the member institutes' existing publications. Access to this online newsletter is free via www.gaaaccounting.com

About the Global Accounting Alliance

The GAA, formed in November 2005, is an alliance between:

- > Institute of Chartered Accountants in Australia
- > American Institute of Certified Public Accountants
- > Canadian Institute of Chartered Accountants
- > Hong Kong Institute of Certified Public Accountants
- > Institute of Chartered Accountants in England and Wales
- > Institute of Chartered Accountants in Ireland
- > Institute of Chartered Accountants of Scotland
- > New Zealand Institute of Chartered Accountants
- > South African Institute of Chartered Accountants
- > Japanese Institute of Certified Public Accountants.

Delivering the Chartered Accountants Program in Malaysia

The environment and platform for reporting is increasingly universal, and so the Institute's international collaboration extends beyond the GAA as well. In Asia, for example, it is important to encourage high levels of education and continuous training to help the profession meet the challenges of globalisation.

This year, the Institute reached an arrangement with the Malaysian Institute of Certified Public Accountants (MICPA) to facilitate delivery of the Chartered Accountants Program in Malaysia from September 2009.

The agreement aligns with the Institute's drive to engage with Asia, increasing global reach and influence. The agreement also enhances MICPA's brand positioning by offering the pre-eminent Chartered Accountant qualification in Malaysia in association with the Institute in Australia.

Upon completion of the Chartered Accountants Program via MICPA, candidates will be eligible to apply for membership with both the Malaysian and Australian institutes.

Ensuring the Institute is fit for the future

it all adds up

Objectives

- > A sound financial base to enable investment in key strategic issues
- > Appropriate infrastructure and processes to be responsive to member needs and promote sustainability
- > A nimble governance structure
- > Targeted and relevant committees providing quality input
- > Strategic thinking which identifies and responds to emerging trends and markets.

Measurement

Greenhouse gas emissions

2009	2,871 CO ₂ e tonnes
2008	2,839 CO ₂ e tonnes

(CO₂e = carbon dioxide equivalent)

CO₂e emissions in tonnes

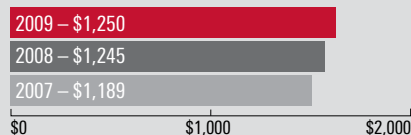
Purchased electricity NSW	1940
Purchased electricity Vic	129
Purchased electricity Qld	128
Purchased electricity WA	36
Purchased electricity SA	42
Purchased electricity ACT	31
Travel – flights	524
Paper consumption	38
Water supply and discharge	3

The guiding premises for quantifying and reporting on carbon emissions were based on *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard*, published by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

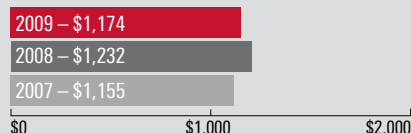
Ratio of staff : members/candidates

2009	1 : 233
2008	1 : 213
2007	1 : 204

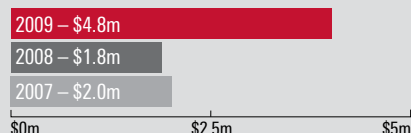
Revenue per member and candidate



Cost per member and candidate



Net profit



Comments

Greenhouse gas emissions cover use of electricity, water, paper and flights and were first measured by an external consultancy in 2008. This was followed up with a second report in 2009. Emissions this year increased by 1% compared to the previous financial year. The main cause of this was an increase in the commercial hiring of space in the Sydney head office to third parties (mainly for the staging of events). This caused an increase in electricity consumption, which therefore increased overall emissions.

The Institute achieved a surplus of \$4.8m for the year (in 2008 the surplus was \$1.8m).

Revenue increased by 5% while expenses increased by 1.3%. The main drivers behind the increased revenue were strong membership growth (5.7%) and a 19% increase in new student enrolments (other elements of Institute revenue reflected decreases or minor increases).

Key activities

Sound financial position in the economic downturn

In response to the global economic downturn, the Institute undertook a review of its business model. A thorough cost-saving initiative, coupled with an organisational restructure, has resulted in expenditure for the year being lower than originally anticipated.

The resulting surplus could enable the Institute to embark on much-needed IT system investment over the next two years (see below). Furthermore, should market-driven revenue such as training and development, advertising or sponsorship be adversely impacted in the year ahead, the Institute is in a much better financial position to continue to invest in key strategic initiatives.

For further details on the financial result, see page 38.

Transforming the Institute's IT systems

The Institute's IT systems are not just an internal issue that is 'behind the scenes'. From delivering events and education to e-commerce and accounts receivable, they affect almost everything the Institute does for members.

In 2008, consultants from Deloitte strongly recommended that the Institute replace its existing core technology (customer relationship management system and content management systems). The current systems are outdated, highly customised and difficult to upgrade.

↳ A thorough cost-saving initiative, coupled with an organisational restructure, has resulted in expenditure for the year being lower than originally anticipated. ↴

Replacing this technology would require significant investment, but would allow the Institute to deliver products and services in a far more flexible, convenient and relevant way for members. One of many notable improvements would be the Institute's website. This contains a wealth of information and resources for members, and replacing the technology that sits behind it would allow the Institute to tailor the website to individual member needs.

Furthermore, replacing the existing systems would deliver savings in the long term, making the Institute more efficient.

This year, the Institute started the journey to replace these systems by conducting a thorough review of potential solutions. Considering the level of investment required, this first step had to be rigorous and carefully thought out. By the end of 2009, the Institute will have the right platform to build from, making it possible for a computer systems replacement program to start in 2010.

Committee input

In 2009 a new Regional Australia Advisory Committee was established to provide input on issues affecting regional Australia, with a focus on policy formulation and thought leadership. As part of the development of the 2009 – 2011 strategic plan, a series of strategic thinking sessions was held with regional councils and board advisory committees across Australia. The focus was on the profession and the Institute in 2020. The outcomes of the sessions were provided to the Board as input to its strategic planning retreat in October.

The year in review

People and culture

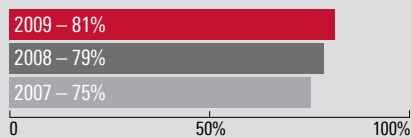
every fraction is part of the whole

Objectives

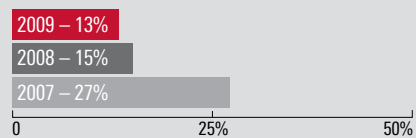
- > A culture which is proactive, responsive and innovative, with strong leadership
- > Best practice in recruitment, retention and rewards
- > Rigorous succession planning, with high achievers identified and mentored
- > Key people recognised as experts in their fields.

Measurement

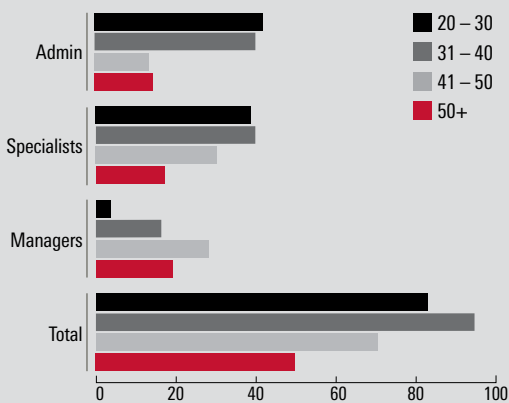
Employee satisfaction



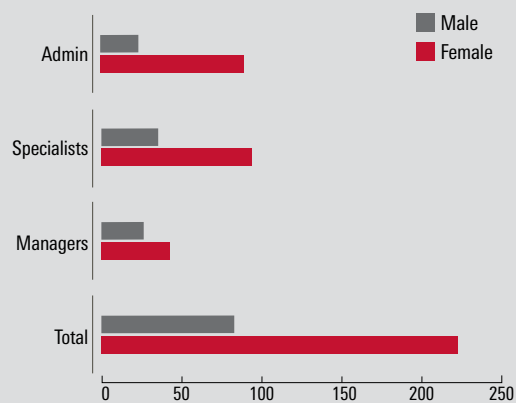
Regretted employee turnover



Employees by age and role



Employees by gender and role



Comments

Employee satisfaction has increased over the past three years. This is measured through biennial culture and staff satisfaction surveys administered by independent agencies. Regretted employee turnover has declined over the past three years.

Key activities

In analysing the likely impact of the global economic downturn on the Institute, a number of decisions were taken to limit this impact. This included a range of cost-saving and process improvement measures, and the introduction of more flexible staffing arrangements to assist with an anticipated reduction in business activity. A change to the organisational structure was implemented in March to improve cross-unit cooperation and reduce the number of divisions in the Institute. This led to 23 positions being identified as redundant.

The Institute implemented best practice recommendations in managing the redundancy program, providing ongoing communication of business activities, counselling and outplacement for adversely affected staff, and a series of change management workshops for remaining staff. The guiding principles of the restructure were to:

- > Minimise the negative impact change can have on all staff
- > Ensure that service levels were maintained for members and candidates
- > Protect the long-term interest of the Institute.

A program of ongoing activity to support staff engagement/ re-engagement and process improvements was put in place to ensure that changes were sustainable.

A new human resources information system now provides online access to manager and employee information for all staff. This facility has dramatically reduced paperwork and reduced staff levels by allowing leave applications and payslips to be managed online.

The annual staff survey enjoyed a very positive response rate of 96% – a record for an Institute staff survey. Overall, the results were encouraging. As well as a strong teamwork ethic, strengths lie in the staff's belief in the Institute's overall purpose and values and the work it does. The results showed significant improvements since 2006 and helped identify areas of priority going forward.

📌 The annual staff survey enjoyed a very positive response rate of 96% – a record for an Institute staff survey – and the overall results were encouraging. 📌

Programs are already in place to address priority areas and will continue to be monitored over the next year.

This year, the staff rewards and recognition program was reviewed and refocused to provide one significant annual award to recognise outstanding performance and a 'thank you' scheme to promote cross-unit cooperation.

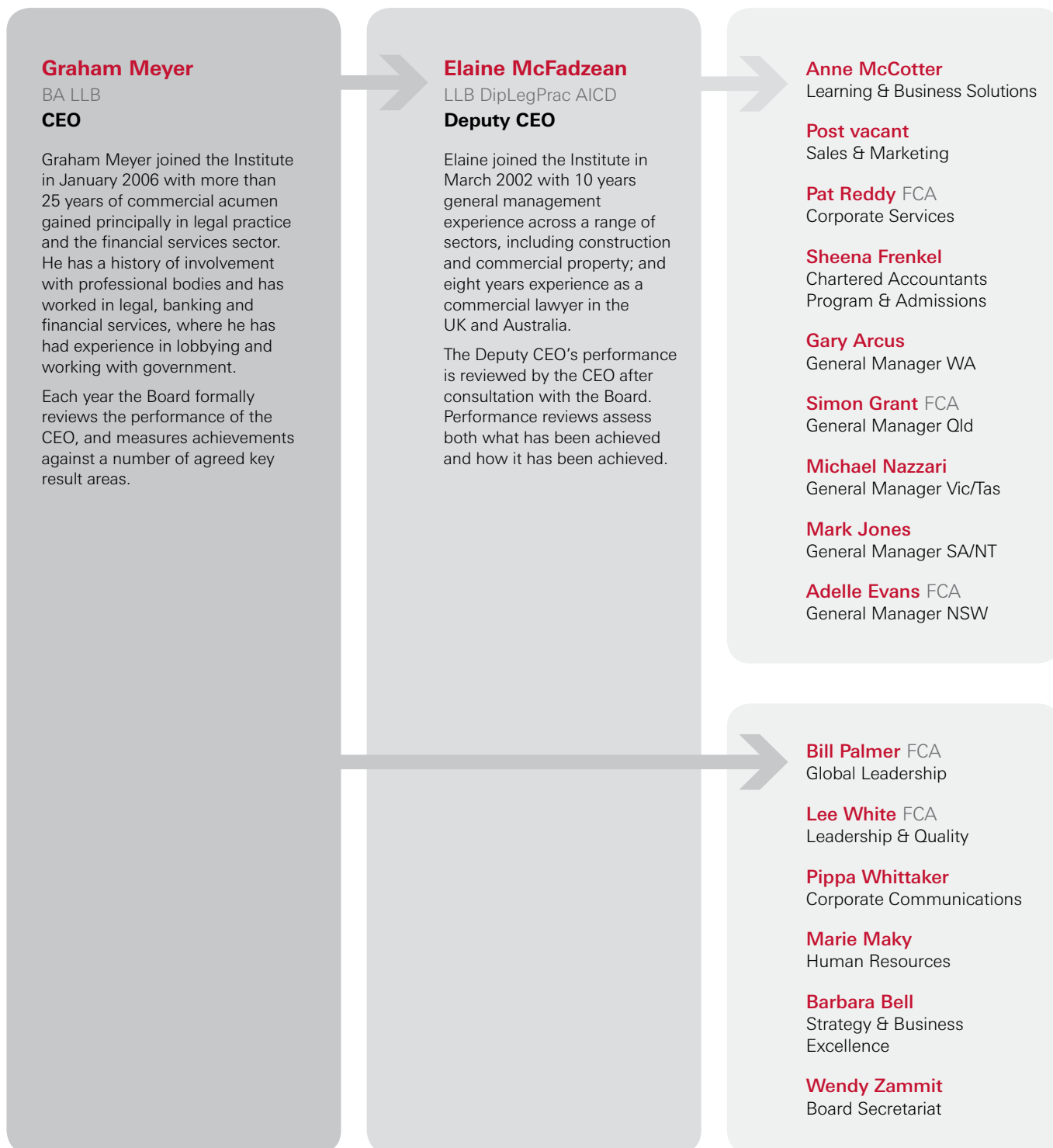
Meanwhile, staff participated in a number of internal and external training programs, with an average spend per staff member of \$1,100.

Everybody Counts

The Institute gives back to the community through its Everybody Counts program, partnering with organisations nationally and locally. Since the program commenced in 2006, staff have contributed more than \$70,000 to the nominated charity partners (Alzheimer's Australia, the Cancer Council, Camp Quality, the RSPCA, the Smith Family and Sane Australia), not to mention providing voluntary and pro bono assistance.

This year, the program was extended to include member firms, with LBW & Partners and Walker Wayland participating in pilots. It is hoped that more member firms will be involved in 2010.

Organisational chart



While not having the same level of structural complexity as listed companies, the Institute still leads by example in corporate governance. Its administration is based on rigorous systems of control and accountability.

This is how we check our numbers.

Corporate governance

The Board	28
Board and committee meetings	31
Governance/corporate governance statement	32
Committees and councils	35

The Board

checking the numbers

President

Richard Deutsch FCA BEc

Richard is a partner of PricewaterhouseCoopers Australia and is the firm's national assurance 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 and is currently a member of the Nominations Committee, Joint Accounting Bodies (joint chair) and Executive Review Committee (chair). He was appointed deputy president on 1 January 2008 and then president on 1 January 2009.



Deputy President

Michael Spinks FCA

BCom (Acc) GDipAppFin F Fin

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 appointed a director in 2006 and is currently a member of the Nominations Committee, Joint Accounting Bodies, Executive Review Committee and Chartered Accountants Program Review Subcommittee (chair).



Rachel Grimes FCA BBus (Acc)



Rachel is a director in the Mergers and Acquisition Team at Westpac. She has 20 years' experience across the financial services sector, working in commerce with Westpac/BT Financial Group

for 11 years as well as in the Big 4 with Price Waterhouse.

Rachel was the state chairperson of the NSW regional council in 2004, and was appointed a director in 2006. She is chair of the Audit and Risk Committee and a member of the Joint Accounting Bodies, Executive Review Committee and the ICT Steering Committee.

Fiona Bennett FCA
BA (Hons) FAICD FAIM MIIA

Fiona is a business consultant and a director of a number of boards, including Alfred Health, WPC Group Limited, V/Line Passenger Corporation and the Legal Services Board (Victoria). She has more than 30 years' experience in commercial and financial management, governance, risk management and audit. She has held senior executive positions at BHP Billiton Limited and Coles Group Limited, and has previously been the chief financial officer of several organisations in the health sector.

Fiona was appointed a director in 2007, is currently a member of the Audit and Risk Committee, and monitors the activities of the Corporate Advisory Committee on behalf of the Board.



Peter Green PhD FCA FACS

Peter is a professor at the University of Queensland (UQ) Business School. He has spent 18 years as an academic, in the School of Accountancy at the Queensland University of Technology (QUT), the UQ Department of Commerce and now the UQ Business School. Prior to becoming an academic, he worked as the systems support manager for a major electricity board and as a management consultant.

Peter joined the Institute in 1997. He was state chair of the Queensland Regional Council in 2006. He was appointed a director in January 2009,



is currently a member of the Governance Committee, and monitors the activities of the Education Board on behalf of the Board.

Craig Farrow FCA
BEc DipFP CPMgr SA Fin FAICD

Craig is a partner in Brentnalls SA, Chartered Accountants and former national chair of the Brentnalls National Affiliation of Accounting Firms. His focus is on business advisory and board services, particularly in agribusiness and professional organisations. He is non-executive chair of M2 Telecommunications Group Limited (ASX, MTU) and Tonkin Consulting Engineers.

Craig is a fellow of the Governor's Leadership Foundation and was awarded the Institute of Chartered Accountants in Australia 1999 National President's Award for services to the Institute and the profession, as well as the 2006 South Australian Outstanding Service to the Profession Award. He was chair of the Institute's National Public Practice Committee for four years to the end of 2007, and was appointed a director in



2008. He is chair of the Governance Committee, a member of the ICT Steering Committee and a member of the Chartered Accountants Program Review Sub-committee.



Mel Ashton FCA
BCom FAICD

Mel is a business consultant and a director of Mentoring Services for Business. He is chair of a number of

ASX-listed companies and director of two large private companies.

Mel joined the Institute in 1984 and advanced to Fellowship in 1994. He has been a member of Western Australia Regional Council since 2001, served as vice chair in 2005 and was elected chair in 2006. He was appointed a director in January 2009, is currently a member of the Audit and Risk Committee, and monitors the activities of the Public Practice Advisory Committee on behalf of the Board.



Andrea Waters FCA

Andrea is a partner at KPMG Melbourne, specialising in audit.

She joined the Institute in 1987 and advanced to

Fellowship in 2008. She is a member of the Governance Committee and monitors the activities of the Audit Advisory Committee on behalf of the Board. She was appointed a director in January 2009.



Michael Watson FCA

Michael is an executive board member in the Australian National Audit Office. He jointly heads the audit

and assurance area in the ANAO. He has more than 35 years' experience specialising in public sector auditing, and has direct audit responsibilities for government business entities and major public sector entities.

Michael was an ACT regional councillor for six years and was chair for part of 2007. He is a member of the Audit and Risk Committee and was appointed a director in 2008.

The Board (continued)

The Board 2008

These members retired from the Board during this financial year.

Immediate Past President

Andrew Arkell FCA BCom GDipAppFin FAICD FCIS F Fin

Andrew is a business relationship manager assigned to the Global Real Estate business of QIC. Until recently, he was the company secretary and head of corporate & advisory services at QIC. Since he joined QIC in 1994, Andrew's responsibilities have included financial control, tax, legal, company secretarial, risk management, investment compliance and facility services. He has worked across a number of segments, including the Big 4, small practice, government and in commerce with QIC.



Andrew was appointed a director in 2004 and was president from January to December 2008.

Margaret Parker FCA BEd GDip (Acc) FTIA

Margaret resigned as a partner of Hayes Knight Melbourne on 31 December 2008, after serving as a partner for 13 years specialising in tax and business services



for medium enterprises and high net worth individuals. She has extensive experience in people management, business and finance, and serves as a director for Chunky Move Contemporary Dance Company, the Jean Hailes Foundation and Storage & Warehousing Services.

A past Victorian state chair, Margaret became a director in 2005 and retired as a director in December 2008.

Derek Parkin FCA BCom CTA FAICD

Derek is a professor of accounting 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 Andersen and Ernst & Young in Australia. His current corporate roles involve both board and audit committee positions in the resources, shipbuilding and building products sectors.

A past state chair for the Western Australian Council, Derek served on council for 12 years. He was appointed a director in 2003 and retired as a director in December 2008.

Corporate governance

Board and committee meetings

checking the numbers

Director attendance for 1 July 2008 to 30 June 2009

Board Meetings

	Attended	Held
Andrew Arkell	3	3
Mel Ashton	4	4
Fiona Bennett	7	7
Richard Deutsch	6	7
Craig Farrow	6	7
Peter Green	4	4
Rachel Grimes	7	7
Derek Parkin	3	3
Margaret Parker	3	3
Michael Spinks	7	7
Andrea Waters	3	4
Michael Watson	6	7

Audit & Risk Committee Meetings

	Attended	Held
Mel Ashton	1	2
Fiona Bennett	5	5
Rachel Grimes	4	5
Michael Watson	4	5

Governance Committee Meetings

	Attended	Held
Craig Farrow	3	3
Peter Green	2	2
Michael Spinks	1	1
Andrea Waters	2	2

Nominations Committee Meetings

	Attended	Held
Andrew Arkell	2	2
Richard Deutsch	2	2
Rob DiMonte	1	1
Michael Spinks	1	1

Executive Review Meetings

	Attended	Held
Andrew Arkell	1	1
Richard Deutsch	2	2
Rachel Grimes	1	1
Michael Spinks	2	2

Corporate governance

Governance/corporate governance statement

checking the numbers

The Institute of Chartered Accountants in Australia is a leading advocate of high standards of corporate governance. It is committed to best practice through its representation on the Australian Stock Exchange Corporate Governance Council and its efforts to adhere to the highest standards in regulating its own affairs and complying with relevant Commonwealth and state legislation.

The Institute occupies a unique position as a reporting entity. As a not-for-profit membership organisation, it does not have the same level of structural complexity as listed companies. However, in line with its vision to lead the profession, the Institute has adopted rigorous systems of control and accountability as the basis of the administration of corporate governance.

These systems are clearly outlined in the Institute's supplemental Royal Charter, by-laws, governance manual and code of conduct, which are available at charteredaccountants.com.au

A solid foundation for management oversight

Board of directors

The Institute's Board comprises entirely non-executive directors. Non-executive directors or past presidents chair all four committees of the Board.

The Board and its committees operate in accordance with Charters, which are reviewed annually to ensure alignment with the Institute's strategic objectives.

The Board meets at least seven times a year for scheduled meetings, and has the facility to meet without the CEO if required. The Board is committed to holding at least two of these meetings interstate, with the balance held at the Institute's head office in Sydney. A register of disclosures for each director is tabled at every Board meeting.

Every three years, the Board and management establish a three-year strategic plan and corporate strategy, and each year a detailed annual business plan is established to set the priorities, direction and performance targets for the organisation.

Day-to-day management of the organisation's affairs and implementation of corporate strategy and policy initiatives are the responsibility of the CEO and management.

Chief executive officer

The CEO's responsibilities include advising the Board on strategic direction, ensuring business activities are in alignment with the Institute's strategic plan, ensuring the

organisation conducts its affairs within the law, and keeping the Board informed of all major business proposals and developments through regular reports.

Board composition

The Board comprises seven members, who are elected by Chartered Accountants on regional registers. Up to four additional members can be Board-appointed. Directors serve a maximum of two terms of three years each. Each year the Board elects a president and deputy president.

All directors must comply with the Board's code of conduct and accompanying guidelines. This code covers issues such as the requirement to act in good faith, duties of due care and diligence, conflict of interest, issues of improper use of power and information, independence, confidentiality and the obligation to uphold the law.

Board meeting attendance is shown on page 31.

Board committees

There are four committees of the Board: Audit and Risk, Governance, Nominations, and Executive Review (for attendance of meetings see page 31). Membership of these committees comprises directors, the CEO and past presidents. There are a further four advisory committees – Corporate, Public Practice, Regional Australia, and the Education Board – along with six regional councils and five overseas member groups. These committees report to the Board and meet regularly throughout the year (see pages 35 – 36).

Indemnification and insurance for directors and officers

The Institute's by-laws provide for an indemnity to each person who is or has been a director, councillor or committee member or officer against any liability which results from any act or deed done in the discharge of the individual's duties.

The Institute's insurance policy serves to indemnify the directors, councillors, committee members and officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising out of the performance of their normal duties for the Institute.

Adding value through board structure and ethical and responsible decision-making.

The Board and its committees provide visionary leadership to the organisation and its global operations to ensure that the Institute sets and achieves strategic objectives and operates effectively and efficiently. Under the Institute's by-laws, the Board is given power over:

- > Maintaining and controlling the Institute's affairs
- > The appointment, removal and remuneration of the CEO

- > The promotion of improvements in laws affecting the accounting profession
- > The promulgation of regulations, including regulations prescribing rulings
- > Providing guidance on standards of practice and professional conduct, including technical standards.

The Board governs the Institute by:

- > Setting strategic direction
- > Approving and monitoring delivery of the strategic plan
- > Liaising with stakeholders
- > Ensuring compliance with statutory obligations
- > Managing risk
- > Monitoring organisational performance
- > Monitoring the financial position.

This Board structure comprises both member-elected and Board-elected directors. This balance ensures the Board comprises directors with appropriate skills, experience and attributes for the organisation and its business. The directors' skills and expertise relevant to their position and their terms of office are described on pages 28 – 30.

Governance Committee

The Governance Committee assists the Board with the oversight of matters relating to the Royal Charter and by-laws and general corporate governance. The review of existing policy initiatives and the development of new policy initiatives and related issues, plus ethical guidelines and professional conduct for the Board and Board committees, are also the responsibility of this committee.

Nominations Committee

The Institute has a separate Nominations Committee. It assists the Board in identifying potential candidates for appointment and removal as members of committees and other appointments. While the Nominations Committee is not able to formally make appointments to the Board, it can identify skills gaps and work with the Board to address these gaps. The members of this committee are listed on page 35.

Ethical and responsible decision-making

Members and staff are required to meet high standards of honesty and integrity, as outlined in the Institute's code of conduct. New employees are provided with a comprehensive information kit and induction program which outline standards of behaviour expected of all employees. All staff also participate in the Institute's two-day cultural program, PRIDE, and staff performance reviews; the development process includes behavioural expectations in alignment with PRIDE values (see page 10).

Risk management and audit

Audit and Risk Committee

The Audit and Risk Committee comprises three Board members. In accordance with its Charter, the committee assists the Board in discharging its responsibility for financial reports, application of accounting policies, internal control systems and the operation of enterprise risk management processes.

External auditors

Ernst & Young is the Institute's external auditor. The external auditor's performance is reviewed annually.

An analysis of fees paid to the external auditors, including a breakdown of any non-audit fees, is provided in Note 16 of the financial report. It is the policy of the external auditors to provide an annual declaration of independence to the Audit and Risk Committee (see page 35). All proposed non-audit work by the external auditor is required to be approved by the Audit and Risk Committee prior to being undertaken.

The Audit and Risk Committee undertakes a full review of the audit engagement before deciding to reappoint the existing audit firm or seek tenders on the open market.

Auditor independence and non-audit services

The directors received a declaration from the auditor of the Institute, as printed on page 34.

Non-audit services

The non-audit services provided by the auditor, Sean Van Gorp, or his firm, Ernst & Young, are set out in Note 16, Auditors' Remuneration. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Risk management

The Institute's Executive Business Risk Management Committee is charged with identifying, assessing, monitoring and managing risk and compliance across the organisation. The committee reports to the Audit and Risk Committee on an ongoing basis.

The Institute's approach to risk management is an integral part of the management processes and culture and underpins the success of business activities.

The Executive Business Risk Management Committee implements the framework to identify, assess, monitor and manage risk and compliance across the organisation. The committee is made up of the CEO, Deputy CEO and executive management team.

Financial reporting

The Board presents to members a report, signed by the president and deputy president, that the financial statements of the Institute for the full financial year give a true and fair view of the organisation's financial position and operational results, and comply with accounting standards in Australia.

Respecting the rights of members, and timely and balanced disclosure

Enhanced performance

The Board completes a formal evaluation process annually. The results are provided to the governance and nominations committees for review and consideration, with a recommendation being provided to the Board.

Fair and responsible remuneration

The Board has an Executive Remuneration Review Committee that monitors the terms and conditions of employment of staff and staff remuneration. The committee considers

the remuneration of the chief executive officer and senior management, agrees the remuneration strategy and structure, and approves the annual remuneration budget. The five highest-paid executives (non-directors) are paid within the salary range of A\$225,000 to A\$491,000.

No director of the Institute has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments disclosed in Note 21, director and executive disclosures, in the Notes to the Financial Statements) by reason of a contract made by the Institute with a director or with a firm of which the director is a member, or with any entity in which the director has a substantial financial interest except as set out in Notes 20 and 21, related parties, in the Notes to the Financial Statements.

Recognise the legitimate interest of stakeholders

Directors are considered to be independent insofar as membership does not imply or constitute a relationship that would lead to material interference with their ability to act objectively and in the best interests of the Institute.

Directors whose firms undertake work for the Institute do not participate in negotiations or discussions around such work at Institute Board meetings, and abstain from any decisions that relate to their organisation. No director or their organisation is a material supplier to the Institute, although their organisations may be substantial customers.

Declaration of independence by the Institute's auditor

Sean Van Gorp FCA
C/- Level 49, 680 George Street
Sydney NSW 2000

Auditor's independence declaration to the directors of the Institute of Chartered Accountants in Australia

In relation to my audit of the financial report of the Institute of Chartered Accountants in Australia for the year ended 30 June 2009, to the best of my knowledge and belief, there has been no contravention of the auditor independence requirements of any applicable code of professional conduct.



Sean Van Gorp FCA
Auditor
Sydney

Tuesday, 25 August 2009

Liability Limited by a scheme approved under Professional Standards Legislation.

Corporate governance

Committees and councils

checking the numbers

Joint Accounting Bodies Committee

Institute members:

Richard Deutsch FCA (joint chair)

Michael Spinks FCA

Rachel Grimes FCA

Andrew Arkell FCA (joint chair 2008)

There are also three committee members from the other professional accounting bodies.

Audit and Risk Committee

Rachel Grimes FCA (chair)

Mel Ashton FCA

Fiona Bennett FCA

Michael Watson FCA

Richard Deutsch (chair 2008)

Governance Committee

Craig Farrow FCA (chair)

Andrea Waters FCA

Peter Green FCA

Michael Spinks (chair 2008)

Executive Review Committee

Richard Deutsch FCA (chair)

Michael Spinks FCA

Rachel Grimes FCA

Andrew Arkell FCA (chair 2008)

Nominations Committee

Andrew Arkell FCA (chair)

Richard Deutsch FCA

Michael Spinks FCA

Robert DiMonte FCA (chair 2008)

Education Board

Professor Stewart Leech FCA (chair)

Professor Anne Wyatt CA

Professor Chris Evans CA

Professor Allen Craswell CA

Professor Anne Lillis CA

Les Jones CA

Jenny Parker FCA

Jeffrey Bye CA

Frank Newman CA

Professor Peter Green FCA
(Board representative)

**Professor Derek Parkin FCA
(Board representative, retired)**

Jacqueline McManus (retired)

Corporate Advisory Committee

Peter King FCA (chair)

Peter Bourke CA

Michael Cottier FCA

Yvonne Sneddon FCA

Thomas Gribble FCA

Jo-Ann Long FCA

Paul Urquhart FCA

Matt Harrington FCA

**Fiona Bennett FCA
(Board representative)**

Alison Harrop FCA (retired)

Public Practice Advisory Committee

Darryl Jess CA (chair)

Rob Atkinson FCA

Dianne Azoor Hughes FCA

Peter Beames CA

Michael Burnett FCA

Peter Hansen FCA

Brad Hellen FCA

Arthur Kirk FCA

Robert Mayberry FCA

Natalie Miller CA

James Orchard CA

Mel Ashton FCA (Board representative)

**Margaret Parker FCA
(Board representative, retired)**

Audit Advisory Committee

Tony Whitfield FCA (chair)

Julian Bishop CA

Robert Forbes FCA

Barry Jameson FCA

Dr Nonna Martinov-Bennie FCA

Tiernan O'Rourke CA

Dennis Robertson FCA

Graeme Rodda FCA

Rod Smith FCA

Andrea Waters FCA
(Board representative)

**Professor Derek Parkin FCA
(Board representative, retired)**

Regional Australia Advisory Committee

Bill Sheehan FCA (chair)

Mary Boydell FCA

Jonathan Forrest FCA

Ben Jordan CA

Committees and councils (continued)

New South Wales Council 2009

Jason Phillips FCA (chair)

Bruce Gleeson CA (vice chair)

Andrew Archer FCA

Peter King FCA

Georgina Gausson CA

Ian Rodrigues FCA

Jonathan Tyler CA

Lee White FCA (retired)

Chris George FCA

(chair 2008 – retired 2009)

Australian Capital Territory Council 2009

Lisa Stone FCA (chair)

Steven McDonnell FCA
(chair 2008 – vice chair 2009)

Kelly Fenner FCA

Josephine Stevens FCA

Chris Ikin FCA

Jodi George CA

Stephen Holmes CA

Greg Field FCA

Adrian King CA

David Black FCA (retired)

Richard Stewart FCA (retired)

Tasmania Council 2009

Yvonne Rundle FCA (chair)

Rod Whitehead CA (vice chair)

Mike Blake FCA (chair 2008)

Ben Coull FCA

Tracy Matthews FCA

Sarah Merridew FCA

Tim Maddock FCA (retired)

Victoria Council 2009

Annette Kimmitt FCA (chair)

Gary Dickson FCA (vice chair)

Penny Hutchinson FCA (chair 2008)

Mark Davies FCA

Bill Edge FCA

Timothy Holden FCA

Professor Philomena Leung CA

Matthew Pringle CA

Martin Sammut FCA

Malcolm Simister FCA (retired)

Kevin Neville FCA (retired)

South Australia/Northern Territory Council 2009

Ben Miels FCA (chair)

Todd Roberts FCA (vice chair)

Garry Whitelock FCA (chair 2008)

Lisa Powell FCA

Lynda Townsend CA

Nigel Stevenson CA

Thea Eszenyi FCA

Darren Ball CA

Mark Coleman FCA

Andrew Daniels CA

Horace Bila FCA (retired)

Mark Phelps CA (retired)

Yvonne Sneddon FCA (retired)

Western Australia Council 2009

Tony Bevan FCA (chair)

Nick Henry CA (vice chair)

Judy Vos FCA (chair 2008)

Andrea Hall FCA

Peter Hansen FCA

Jo-Ann Long FCA

Marie-Louise Martin CA

John Palermo CA

Glenda Scully CA

Ashok Desai FCA (retired)

Mel Ashton FCA (retired)

Queensland Council 2009

Peter Catterson FCA (chair)

William Sheehan FCA (vice chair)

Mary Boydell FCA (chair 2008)

Andrew Arkeil FCA

Simon Crane FCA

Adam Dierselhuis CA

Desley Grundy FCA

Julie Walker CA

Brendan Worrall FCA

Paula McLuskie CA (retired)

Overseas Member Group chairs

Hong Kong – Mason Wu CA

Malaysia – Peter Lim FCA

Singapore – Jonathan Chi FCA

United Kingdom – Peter Wilson FCA

Overseas Joint Committee representatives

Joycelyn Morton FCA

International Federation of Accountants Board

Brian Blood FCA

Confederation of Asian and Pacific Accountants

Peter Batten FCA

International Public Sector Accounting Standards Board

Alice McCleary FCA

International Ethics and Standards Board for Accountants

Professor Kim Langfield-Smith FCA

International Accounting Education Standards Board

Jim Dickson FCA

Compliance Advisory Panel

Stuart Black FCA

Small and Medium Practices Committee