Corporate reporting needs constant improvement

In his address to members of the Institute and the Institute of Chartered Accountants at a luncheon on 6 August, 2002, the Prime Minister of Australia, John Howard, made it very clear that corporate Australia cannot afford to relax its standards of corporate governance and disclosure.

“We think a capitalist society operating in an ethical, competitive fashion is the best way to generate wealth. In fact the experience of the last 20 to 30 years suggests that it’s really the only way to continually generate national wealth over any sustained period of time. And the reason that corporate governance as an issue and the quality of it is so tremendously important is that it is part of the process which has produced and will continue to underpin the success of competitive capitalism,” says the Prime Minister.

However, the Prime Minister made it clear that Australia’s regulatory regime and corporate governance practices are working despite recent corporate collapses and he does not advocate more black letter law.

“There are laws against fraud and misbehaviour of other kinds and they should be vigorously enforced. But it’s also important that we don’t overreact,” he said.

He did however point out that the Australian community’s expectation is that business leaders “must meet the highest levels of ethical behaviour, and that those corporate leaders as a matter of routine should continually review their governance practices and let their customers and their shareholders know that they are doing this”.

The Prime Minister also told Institute members at the lunch that the Government would release a discussion paper or on CLERP 9 at the end of August. The Institute welcomes this initiative and the opportunity it provides to address various issues relating to corporate reporting and disclosure. The Institute is also examining the ASX Exposure Draft on “Enhanced Disclosure”.

In early August, the ASX announced the establishment of a Corporate Governance Council and invited the Institute to be a member. The Council will develop an agreed set of corporate best practice governance standards.

The Asian Securities Analysts Federation (ASAF) Advocacy Committee, chaired by the Institute’s past president, Mike Willis, is also reviewing research on corporate disclosure practices submitted by ASAF member societies and undertaking a detailed analysis of existing disclosure policies.

A draft paper highlighting best practices and principles was distributed to ASAF member societies and will form the basis for a proposed regional standard on disclosure.

**ADVOCACY**

A submission to the Trade Practices Act Review is under discussion and will focus on the merger provisions of the Act and their administration, and will emphasise the need for transparency, accountability and timeliness in the ACCC’s informal pre-merger notification process.

Following strong advocacy by the Institute and other key Industry bodies, a Bill introducing capital gains tax (CGT) rollover relief for company demergers (spin-offs and reconstructions) was introduced into Parliament at the end of June 2002.

A politicians induction program will be held in Canberra in September with the support of Senator Grant Chapman, chair of the Parliamentary Joint
A new discussion initiative, known as the President’s Forum, was introduced in July, and is designed to bring together industry representatives for a frank and open discussion with the Institute on topical industry issues. The first Forum looked at how the Institute could raise the awareness and adoption of the Best Practice Guidelines for Research Integrity, and the second, held in mid-August, considered analyst independence and objectivity issues from an investor relations manager’s perspective.

PROFESSIONAL DEVELOPMENT

Successful seminars have been held around the country on Advice and Anti-Hawking (FSRA Update), and both NSW and Victoria successfully offered “Sustainability and corporate governance risk—how do companies rate?” with good press coverage. August saw workshops on Indices (with Standard and Poor’s), strategies in a low returns marketplace and emerging global investment opportunities.

A range of topics is being researched for future seminars including FSRA updates on Licensing and Know Your Client, bonds, credit derivatives, insurance and accounting standards.

MEMBERSHIP

The move to accept advertising in JASSA has attracted quality advertisers such as Fairfax, Thomson (Westlaw), CCH and AusIndustry. Members are reminded of the Fairfax offer for AFR/BRW/CFO Magazine for a six-month period at $70 per month.

The Institute’s IT Team developed an online membership renewal capability for the 2002-2003 financial year using secure sockets layer (SSL) technology. Members are encouraged to use this method to renew their membership in future.

STRATEGIC PLANNING PROCESS

Institute management and executive staff took part in a strategic planning workshop during May which began a three-year strategic planning cycle for 2003-2005. The recommendations of the workshop have been considered by National Council, and the outcomes of the process will guide the operations of the Institute.

REACCREDITATION OF INSTITUTE EDUCATION PROGRAMS

All of the Institute’s postgraduate programs are due for reaccreditation under the Higher Education Act 2001. The NSW Department of Education and Training and other states’ accrediting authorities received the Institute’s submission for the 2003-2008 period for all postgraduate programs.

The Assessment Committee met in August and comprises representatives of all the states and territories where the Institute delivers programs as well as three representatives of the Vice Chancellors’ Council.

The timeframe for completion is December 2002. The Institute was also required to meet the standards under the new Australian Quality Training Framework (AQTF) for registering for Registered Training Organisation status (RTO).

This registration allows immediate listings on the ASIC register as well as supporting the delivery of nationally recognised qualifications and Training Packages. Submissions for both of these purposes were completed in June.

A new Financial Services Training Package (Financial Planning) and Open Entry Program will be introduced for 2003. Preparation is underway for the smooth rollout of these programs with clear pathways for students in the process of transition from current programs.

Under the AQTF arrangements, stable articulation and cross recognition pathways are being established for students of other programs.

An overall goal is the maintenance of high quality assessment practices to support a ‘fair, valid and reliable’ assessment environment.

The Institute has recently made commentary on a consultation round to the Higher Education Review being conducted by the Commonwealth Department of Education Science and Training (DEST) on behalf of the Minister, Dr Brendan Nelson.