

POWERED BY RESEARCH CORPORATE BREAKFAST SEMINAR

PRESENTED BY THE
DISCIPLINE OF ACCOUNTING

FACULTY OF
ECONOMICS
& BUSINESS



THE UNIVERSITY OF
SYDNEY

WELCOME FROM THE ASSOCIATE DEAN (RESEARCH)

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I am delighted that my recent appointment as Associate Dean (Research) in the Faculty of Economics and Business coincides with the second Powered By Research corporate breakfast for 2010.

Over the last 18 months this series has developed into an important vehicle for members of the faculty to promote their latest research and highlight how their work is making a significant contribution in the world of business, professional policy and practice.

The breakfast series has also further strengthened our engagement with the business community and has provided the platform for some exciting new cross-disciplinary projects.

This is also, yet another example of how the faculty continues to build on its international reputation for outstanding scholarship and is committed to enriching the teaching and professionalism in the faculty.

The latest corporate breakfast features the latest research from Professor Graeme Dean - Chair of The Discipline of Accounting and pre-eminent scholar in his field of corporate accounting. His most recent research looks at the role of accounting in some of Australia's most talked about corporate failures and how we need to have greater trust in the auditing process.

The seminar also enables us to showcase a range of activities and insights from across the Discipline of Accounting. Aside from Professor Dean's work, I encourage you to look closely at the work being done by Professors Stewart Jones - on the impact of the proposed government-imposed carbon emissions trading scheme - and John Roberts on the important public policy issue of corporate governance.

In the pages that follow we examine some of the industry-focused projects we are working on in the faculty and look forward to engaging with you in the near future about other exciting research our talented academics are generating.

We also encourage you to explore the pages of our website for more information on everything the University of Sydney has to offer.

ASSOCIATE PROFESSOR RICHARD HALL
ASSOCIATE DEAN (RESEARCH)

We place immense importance on fostering an environment that values research and ultimately delivers economic, social and cultural benefits to the community. Through our research we strive to help business, industry and government overcome the challenges they face. Research-led teaching benefits our students and fulfils our overarching commitment to intellectual discovery and development.



OUR RESEARCH EXCELLENCE

The Faculty of Economics and Business has enjoyed a rich history of outstanding scholarship since its founding in 1920. As one of the region's premier learning centres in economics and business related disciplines, we've established a reputation for excellence in teaching and quality research.

Our vibrant and international learning community incorporates academics, students, corporate partners, governments, schools, and other universities and research institutions. Central to this community is an understanding that research is the foundation of everything we do and the platform from which future learning and development can grow and flourish.

HIGH PERFORMING SCHOLARS AND STUDENTS

Many members of our faculty are distinguished scholars who have been elected fellows of

the Academies of the Social Sciences and Humanities in Australia in recognition of their outstanding contributions to research and scholarship. Many are regarded as experts in Australia and the media frequently call upon them to contribute to public debate.

As our reputation as a research-intensive university grows, so too does our ability to attract and retain high-performing staff and outstanding research students.

Our postgraduate research programs attract an increasingly large number of domestic and international students each year. More than 200 doctoral candidates are currently enrolled.

Over the last nine years we have tripled the number of professors in our Faculty in a bid to substantially strengthen our intellectual capacity. In 2009 alone we appointed 10 new full professors from Australia and around the world and additional professorial appointments are underway.

A STRONG RESEARCH PRESENCE

Inside the academic arena we have a significant research presence, with over 1600 contributions to DEEWR* audited publications between 2004 and 2008. Over half of these were peer reviewed journal articles.

We host 17 in-house journals where faculty members occupy senior editorial positions. Many of our faculty members also sit on editorial boards of high profile international research journals. Their commercially published work has resulted in a presence outside of the academic arena.

This strong research presence will undoubtedly continue into the future, thanks to our success in attracting competitive research funding. Faculty staff currently holds 21 Australian Research Council grants, and over the last 10 years we have received more than \$30 million in research income.

MAKING A MEANINGFUL CONTRIBUTION

In addition to contributions to publications, our effectiveness as a faculty is measured by the impact of our research and scholarship. Our priority is to conduct research projects that genuinely advance knowledge and can be applied to meet the challenges faced by business, industry and government.

Our focus is on research that influences practice, policy and regulation both nationally and internationally. Staff are regularly engaged in consulting projects and deliver applied research for major international bodies, governments, industry groups and individual companies.

INTERDISCIPLINARY AND COLLABORATIVE

A distinguishing feature of our faculty is our dedication to producing research that crosses disciplines and borders. Collaboration brings context and depth to the research we undertake and leads to research with broader industry relevance.

We place a high value on collaborative research and development across disciplines, between faculties and through partnerships with business, industry, government, nongovernmental and international agencies, and with other universities. Research groups such as the Graduate School of Government and the Behavioural Choice Group are expressions of this approach.

We actively promote the transfer of knowledge to the public and private sectors, through the commissioned research and research-related consultancies we undertake for business, government and professional organisations.

Our scholarly expertise is international in scope and the outcomes of our research are disseminated widely. Both staff and students have been active in presenting at international and national conferences and a number have been invited to take up prestigious visiting positions at overseas institutions.

** Australian Government Department of Education, Employment and Workplace Relations*

RESEARCH HIGHLIGHTS

MISSION IMPOSSIBLE...STRUCTURING AND AUDITING AUSTRALIAN CORPORATE GROUPS

BY PROFESSOR GRAEME DEAN

For nearly 35 years, my research has comprised three main areas: (i) an analysis of corporate failures and the role of accounting in those failures, as well as (ii) an analysis of optimal distributions in liquidations; and (iii) examining issues related to accounting for inflation.

My latest major work (with my colleague Professor Frank Clarke) called *Indecent Disclosure: Gilding the Corporate Lily* (CUP 2007) was shortlisted for the prestigious Blake Dawson Business Literature Prize for 2007. It extends earlier works in the same area (with Clarke and Kyle Oliver), including *Corporate Collapse: Accounting Regulatory and Ethical Failure*, published by Cambridge University Press.

These books draw upon ideas developed previously, including more than 30 journal articles and books of readings. They endorse the case that the accounting industry is in chaos and in particular, that creative accounting is more the consequence of complying with the prescribed Accounting Standards than deviating from them.

TREASURY AUDIT QUALITY REVIEW (AQR)

Specifically, in my most recent research, I have looked at the evidence and conclusions in the Federal Treasury's March 2010 *Audit Quality in Australia: A Strategic Review (AQR)*. I have drawn upon the role of accounting and company failures, as well as the function of accounting generally in informing capital markets. Issues related to the accounting and auditing of Australia's unique ASIC Class Order Deed of Cross Guarantee, are also considered. The latest evidence in that area has resulted primarily from research undertaken by a University of Sydney PhD graduate, Sandra van der Laan (2009).

Four key areas are noted as follows.

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BY PROFESSOR GRAEME DEAN

1. CONSOLIDATION ACCOUNTING – OBFUSCATION PAR EXCELLENCE

For many decades, members of the *Sydney School of Accounting Thought* have published research based on accounting in practice. This observed evidence has led, inter alia, to reforms of the law of company accounts, especially as it applies to corporate groups. The proposed reforms are predicated on auditing and accounting being integrally connected. But, whereas much of the AQR is directed at corporate group activities, it fails to address the problematic reporting issues related to groups.

As most, subtitles of the following books imply the serviceability of the current accounting for corporate groups is contestable - from *Chambers' Accounting in Disarray: Reform of the Law of Corporate Accounts* (1973, 1980) and Professor Bob Walker's *Consolidated Statements: A history and analysis* (1978), to more recently, Clarke, Dean and Oliver's *Corporate Collapse: Accounting, Regulatory and Ethical Failure* and Clarke and Dean's (2007) *Indecent Disclosure: Gilding the Corporate Lily*.

This book proposes a fully-worked, alternative group accounting proposal. Without changes such as those proposed, observed deficiencies in audited accounting information for corporate groups will likely persist; with those who rely on it, most likely grossly misled. Recent parent entity reporting legislation in this area is misdirected.

2. AUDITING CORPORATE GROUPS – MISSION IMPOSSIBLE?

Findings in the Treasury's AQR (see 'Treasury raise the ante for auditors', *AFR* 8 March 2010) evokes questions about whether the amounts paid to Australia's listed companies for their statutory audits represents 'value for money'.

In an economy Australia's size, it equates to big money. ASX listed companies pay, for example, more than half a billion dollars for their annual statutory audits.

The AQR provides observations on several pertinent issues. One is of particular relevance. It regards the gap between what the public appears to expect from an audit and what they, in fact, receive. Overall, the AQR implies that the expectation that auditors should detect most frauds is unreasonable, and that Treasury subscribes to the 'investor-hostile' view of this expectations gap.

Similarly, the AQR considers the notion of what constitutes audit independence and the use of common 'qualifications' regarding the auditor's role in assessing the solvency of an entity. It notes that the profession has turned to the use of an 'emphasis of matter' versus a 'qualified' audit opinion when uncertainty exists. Such emphases of matter opinions are described as 'modified' but not 'qualified' – but are they 'clean' – opinions? Indecent Disclosure contests such use of loose terminology. This is not a trivial matter.

It seems that Treasury's future direction lies in attempting to educate the public that their expectations are unreasonable, rather than to turning-up the performance-heat on auditors and regulators. This regulatory strategy (response) has a long history which dates back to the 1930s USA and leading practitioner, GO May's 'Limitations of Accounts' mantra.

But why should this be? Is it allowed to persist in other professions – such as medicine, engineering or law? Consider the following areas where specific tensions exist for accountants/auditors and users.

RESEARCH HIGHLIGHTS

MISSION IMPOSSIBLE...STRUCTURING AND AUDITING AUSTRALIAN CORPORATE GROUPS

BY PROFESSOR GRAEME DEAN

a. Accounting and structural complexity within corporate groups

Presumably here tension arises because of the complexity of modern commerce, transaction complexity and related reporting costs that (we are told) shareholders are unwilling to bear. This contention is rather limp.

If business is so complex that the current auditors cannot cope, perhaps they lack the necessary technical expertise. If so, they should simply opt out. Only those who can rise to the challenges ought to practice. As they so often say in business 'if you can't stand the heat, get out of the kitchen!'

In the unlikely scenario that the relevant expertise does not exist, then arguably, as proposed in *Indecent Disclosure*, those complex business structures and practices should be prohibited.

Effective audits (and their costs) are a critical element of our regulatory framework. Recall 'audit' was the perceived quid pro quo for general incorporation in the 1844 UK Companies Act. Audit reports therefore serve the interests of the investing public and society at large. This is a view we canvassed in *Indecent Disclosure*.

b. Complexity and fraud detection

The current perception of some preparers seems to be that auditors are not considered responsible for detecting anything other than routine frauds – those which are likely to be uncovered in a well-planned and executed audit.

This watchdog, rather than bloodhound distinction, was drawn from the 1896 Kingston Cotton Mills case. This pervading idea – whereby an auditor should not be held

responsible for uncovering ingenious schemes of fraud – is now considerably outdated for several reasons.

The fact is, auditing technology (the means of enquiry and analysis) in 1896 was undeniably primitive in comparison to today's technology. Arguably, very few schemes nowadays are truly ingenious: deceitful – yes, cunning – yes, devious – yes, perhaps carefully schemed – yes. But rarely so clever that it is unreasonable to expect a competent, skeptical professional to be duped.

Why shouldn't auditors be held responsible for detecting fraud when they are regarded and demand to be paid as experts on business affairs? Recent corporate collapses, the latest superannuation scams, and the capers evidenced in the global financial crisis, all point to corporate malevolence being a major source of investment loss.

Finding 22 of Treasury's AQR states that it is unreasonable for the public to expect an auditor to detect anything other than routine schemes of fraud. We are told that CEO, CFO and director declarations that the financials are standards compliant and present a true and fair view of the company's financial performance and financial position, are incentives embedded in the Corporations Act to limit the scope for fraud. Little has changed on this count, even in recent decades.

Perhaps in contrast to Finding 22, we can legitimately conclude that the recurring theme is the need to educate the public that audited financial statements are a wealth hazard.

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BY PROFESSOR GRAEME DEAN

3. ASIC AND THE REGULATORY CORPORATE CROSS GUARANTEE MYTH

My collaborative research in this area has included work with Dr Erne Houghton, Professors Clarke and Mike Bradbury – and most recently with panelist Dr Sandra van der Laan and Dr Demetris Christodoulou.

It has entailed two parts – (i) identifying in a group liquidation of companies how administrators and creditors unravel the implication for creditor and other distributions of the existence of class order cross guarantees; and (ii) the implications of those cross guarantees for interested parties of ongoing companies within a corporate group.

In the former, the findings have been drawn upon in court cases, such as Westmex in Liquidation, where the court accepted the idea of a notional liquidation allowing for an algorithmic benchmark solution. Whilst in the latter area, we have found that conventional wisdom regarding why Deeds exist are problematic. As a by-product of that research, some insights into the audit fee model have emerged.

4. TRUE AND FAIR VIEW VERSUS MANDATED STANDARDS COMPLIANCE – WHITHER PROFESSIONALISM?

An upside to the global financial crisis (GFC) is that it starkly illustrated the need for commerce to have justified trust in the audited accounting information. 'Sydney School' members have written consistently that without that trust, there is a fine line between order and chaos.

Consider, for example, the following infamous corporate dilemmas. What do they all have in common? The GFC's 'toxic assets'; American International Group (AIG) alleged 'capers';

Lehmann's' alleged use of repos' to put a healthier look to their balance sheets; the 'solvency dilemmas' at Bells Banks; One.Tel and (say) Sons of Gwalia; the James Hardie 'asbestos conundrum'; and the proposed mining 'resource super profits tax'.

The answer? They have all entailed contestable (though audited) accounting data and produced commercial chaos.

An apt analogy is with the butcher's scales and the customers' trust in the scales' disclosed weights. Users are not interested in the process underpinning the weighing - nor of the process of accounting and audit. But, rather, the serviceability of the system's outputs is critical – that is, that the scales accurately capture the object's weight and, similarly, the verifiability of the data in published financial statements by other than those who prepared them. Hence, in the latter case the data best 'tells it how it is' – that they provide indications of an entity's financial health, wealth and progress.

In that regard, the observations made almost 20 years ago by RJ Chambers (1991, 'Accounting and Corporate Mortality – the Ethical Cringe', *Journal of Corporate Law*, September, p19) are still apt: "Corporate [audited] accounting does not do violence to the truth occasionally, and trivially, but comprehensively, systematically and universally, annually and perennially."



**FACILITATOR –
ADJUNCT
PROFESSOR
WAYNE LONERGAN**

Adjunct Professor Wayne Lonergan was a Corporate Finance Partner at Coopers & Lybrand (now PricewaterhouseCoopers) for 23 years, prior to setting up an independent valuation practice on 1 January 2001. He has had over 35 years experience in Corporate Finance and Valuations.

Wayne is an internationally distinguished practitioner who is widely recognised both within and beyond Australia as a leading expert in the field of corporate and business valuations. In addition to his extensive practical experience, he has also been a regular influential contributor to professional literature in the area of his expertise, having published the leading valuation texts; *The Valuation of Businesses, Shares and Other Equity*, *The Valuation of Mining Assets* and over 100 technical papers.

Wayne's memberships of several national and international accounting policy and standard setting committees are further evidence of the high value placed on his professional advice and expertise. Wayne is also a valued member of the Board of Advice at the Faculty of Economics and Business, University of Sydney.



**PRESENTER –
PROFESSOR
GRAEME DEAN**

For nearly thirty five years, Professor Graeme Dean's research has comprised three main areas: an analysis of corporate failures and the role of accounting in those failures - as well as an analysis of optimal distributions in liquidations, public sector accounting and accounting for inflation. His latest major work (with Professor Frank Clarke) *Indecent Disclosure: Gilding the Corporate Lily* (CUP 2007) was shortlisted for the prestigious Blake Dawson Business Literature Prize for 2007.

A 2002 ARC Large Grant (with Professors Walker and Jones and Mr Edwards) was awarded in the area of the financial viability of local councils - a topical political issue with the move to merge councils across Australia.

Graeme Dean edited the Australian-based, ISI-listed accounting journal *ABACUS* from 1994-2009, acknowledged as one of the world's leading international accounting journals. He is currently a consultant editor.



**JOYCELYN
MORTON**

Joycelyn Morton is a Fellow of CPA Australia, The Chartered Institute of Company Secretaries in Australia and the Institute of Chartered Accountants in Australia.

Her impressive career spans more than 30 years including positions as Vice President - Accounting Services, Shell International BV (2002-2005); General Manager - Taxation & Country Finance Lead, The Shell Company of Australia (1998-2002); Group Taxation Manager, Woolworths Limited (1987-1998) and Audit and Taxation Divisions, Coopers & Lybrand (1980-1987).

Joycelyn was elected to the board of the International Federation of Accountants Council (IFAC) in 2005 and has recently been re-elected for a further 3 years. She was appointed a Non-Executive Director of Count Financial Limited in 2002 and was appointed a Non-Executive Director of retail fashion chain Noni B Limited in 2009. She was also appointed Chair of the Audit and Risk Management Committee and is a member of the Remuneration Committee. She was National President of CPA Australia in 2000 and has served on many other committees and councils.



**CHARLES
LITRELL**

Charles Littrell is Executive General Manager, Policy, Research and Statistics, at the Australian Prudential Regulation Authority (APRA). Prior to joining APRA, Charles was an executive at Westpac Banking Corporation, where among other things he was responsible for Group Strategy, the Australian retail deposits business, and Westpac's capital management.

Charles is a member of the Council of Financial Regulators, comprising agency heads and a senior staff member from APRA, the Reserve Bank of Australia, Australian Securities and Investment Commission (ASIC), and the Australian Treasury. Charles is also a member of the Advisory Board for the Faculty of Economics and Business at the University of Sydney, and a board member at SIRCA, the Securities Industry Research Centre of Asia-Pacific Ltd.

Charles's qualifications include a Bachelor of Arts (Economics) degree from Yale University, where he was a National Merit Scholar and a Master of Economics (First Class Honours) degree from the University of Sydney.



**STUART
WASHINGTON**

Stuart Washington has worked as a journalist for more than 20 years, including time with the Australian Financial Review, BRW and the Sydney Morning Herald.

Stuart has won awards including the Citigroup Excellence in Journalism Award and, most recently, a full-year fellowship to study business journalism at the Graduate School of Journalism at Columbia University in New York.

During the recent financial crisis Stuart reported from New York about the depths of the meltdown after the collapse of Lehman Brothers and the central role the US Federal Reserve played in restoring confidence in global markets.

Since returning to the Sydney Morning Herald in mid-2009, Stuart has reported extensively on the collapse of Storm Financial and the implications of the losses from the Albury-based fund manager, Trio Capital.



**SANDRA
VAN DER LAAN**

Sandra van der Laan is a Senior Lecturer in the Discipline of Accounting at the University of Sydney, an external member of Wollongong City Council's Audit Committee, a CPA and a graduate member of the Australian Institute of Company Directors.

Sandra's research is concerned with corporate groups and corporate group manifestations, along with an active interest in the social and institutional aspects of accounting. She received her PhD from the University of Sydney.

Sandra regularly contributes to a variety of academic accounting and business journals, as well as contributing to public debate through the financial press and media. Sandra has published her research in high profile international journals such as the *Journal of Business Ethics* and *Accounting, Auditing & Accountability Journal*; and is currently working on a research grant funded by the UK professional body, Association of Chartered Certified Accountants (ACCA), on accounting for contingent liabilities.

DR JANE ANDREW

Jane Andrew's research interests include social and environmental accounting and public accountability. Jane is particularly interested in carbon disclosure practices and emerging domestic and international carbon accounting regulation, having completed her PhD in 2000 from the University of Wollongong on the Kyoto Protocol and international carbon accounting policies. Jane is currently working on a research project that looks at the underlying carbon accounting methodologies adopted by global companies when disclosing carbon related information.

Jane's interest in social and environmental accountability has expanded to include research into government accountability. In 2009, she co-authored a book with Professor Warwick Funnel and Dr Robert Jupe titled *In Government We Trust: Market Failure and the Delusions of Privatisation* (UNSW Press). She has written extensively on public accountability and prison privatisation. As a result of this work, she was invited to participate in the 2009 NSW Parliamentary Inquiry into Prison Privatisation. She is currently working on an interdisciplinary project that focuses on prison privatisations in NSW and the role of accounting information in privatisation policy design and decision making.

DR RODNEY COYTE

Rodney specialises in research combining strategy and the management of resource development and deployment in organisations. His PhD examined how teamwork structures affected organisational resource management and the effectiveness of strategic change. Rodney's recent research explores:

organisational structure and change factors enhancing situated learning and its effect on intellectual capital development in both large organisations and small-medium enterprises; the effect of performance evaluation systems on knowledge sharing behaviour and strategic alignment; and processes affecting change in management accounting practices. Rodney publishes on empowered teams and resource management, shareholder value measurement techniques, knowledge development processes and management accounting change.

Rodney has managed operations as an Information Technology Manager and conducted strategic and operational planning as a Business Planning Manager with the Mars Corporation. He also has extensive experience in information technology and management consulting to a diverse range of organisations in Australia and South East Asia.

MATTHEW EGAN

Matthew's current research questions whether seven large Sydney based food and beverage producing organisations have begun to develop water management practices and what the drivers are in response to the water supplies in Australia have been threatened by drought in recent decades. To 2009 only two of the seven organisations had developed a comprehensive approach to water efficiency. Accountants remained largely absent from those practices. Those two 'leaders' explained that a sense that their longer term access to this scarce resource was threatened drove them to demonstrating good resource stewardship. Staff in the other five organisations did not sense that same longer term threat and so were undertaking only some isolated water management processes.

To 2009 a comprehensive focus on water efficiency across the entire field had not developed because the current arguments for the importance of water management were weak. To support these theoretical and practical developments, fuller water pricing is also critical.

ASSOCIATE PROFESSOR LINDA ENGLISH

Linda was recently awarded a CPA Global Perspectives research grant and is currently undertaking a year-long case study into the functioning and system-wide effects of introducing a private prison (Acacia) in WA.*

To date, accounting research on Public Private Partnerships (PPPs) has been dominated by ideological debates around the desirability of private sector involvement in service provision. Her latest research examines the role of accounting information and key performance indicators in maintaining accountability and managing performance in relation to contracted Value For Money (VFM) outcomes.

It is hoped her findings will contribute to a deeper appreciation of how disparate parties negotiate and manage the delivery of contracted services in regards to PPPs. In addition, the research will shed light on the role of accounting in driving and supporting social reform. As the provision of quality prison services is an important political and social objective, she and her team also anticipate reporting on whether, and if so how, performance management can inform the accomplishment of these broader objectives.

* This research is carried out in conjunction with Dr Paul Andon and Associate Professor Jane Baxter from UNSW.

ASSOCIATE PROFESSOR GEOFF FROST

Geoff's current research falls within the field of sustainability management and accounting focusing on the role of accounting and accountants in sustainable management, development of integrated sustainable management systems and the measurement and reporting of non-financial performance. Geoff has been awarded over \$500,000 in competitive research funding from CPA Australia, CIMA (UK), Institute of Chartered Accountants of Scotland, ARC Linkage and ARC Discovery Grants. Prior research has been published in both domestic and international refereed accounting and environmental management journals including: *ABACUS; Accounting, Auditing & Accountability Journal; Accounting Forum; Australian Accounting Review; Business Strategy and the Environment; Eco-Management and Auditing; Financial Accountability & Management and Journal of Business Ethics.*

DR ISABEL GORDON

Isabel's research is in the areas of financial accounting, auditing, and superannuation/pensions. An overarching theme of Isabel's research concerns the social function of accounting reports. For example, Isabel's research on pensions focuses on linking the social and institutional contexts of superannuation/pensions in various jurisdictions to the accounting regulations.

To this extent, Isabel's research helps explain why and how differing accounting rules emerge across the globe. This research is also relevant in the current global standard setting context. Isabel is also interested in

management's reporting incentives, and so her research on equity accounting and pension accounting by the sponsor investigates earnings management. In addition, Isabel's auditing research investigates how increased accounting complexity at the time of wholesale adoption of International Financial Reporting Standards (IFRS) by large listed Australian companies affects audit fees. As an active contributor to government reviews and accounting exposure drafts in her chosen areas, Isabel's practical experience informs her research.

PROFESSOR STEWART JONES

Stewart's specialist area in research is corporate financial reporting. Over the past decade he has published over 100 scholarly research pieces in financial reporting/accounting, including nearly sixty refereed articles, ten books, and numerous book chapters, working papers and short monographs. Stewart's most recent books are *Advances in Credit Risk Modelling and Corporate Bankruptcy Prediction* published by the Cambridge University Press (UK) and the third edition of *Financial Accounting Theory* (Cengage Learning, Sydney). Stewart's research interests cover such topics as credit risk and corporate distress analysis, accounting theory, standard setting, international standards harmonisation, financial analysis and research methodology (with a particular interest in discrete choice modelling and stated preference experiments). He has been very successful in acquiring numerous research grants from competitive grant schemes, including five ARC grants over the past four years, totalling more than \$2M. Stewart is currently Editor-in-Chief of the prestigious international quarterly, *ABACUS*.

Stewart's industry experience includes the interpretation of accounting standards; financial analysis and regulation; credit risk modelling and corporate performance analysis.

DR GARY R OLIVER

Gary's current program of research investigates the embedding and exploitation of business-relevant knowledge from the twin points of view of intention and action. A behavioural lens examines the factors that promote and inhibit information sharing to compare and contrast profit seeking businesses with other forms of association - including co-operatives and teams (small groups). Results suggest that sharing (or withholding) knowledge where factors such as trust are of lesser importance can be best understood by considering social complexity. Another project uses a modified Delphi approach to identify assumed business knowledge. A project with Professor Bob Walker uses experiments to examine the impact of information on decisions by senior management to capitalise or expense costs in projects. Results indicate that additional information sharing mediates the tension between short-term profit and any potential write-downs in the event of the project experiencing difficulties. The background research has been published in *ABACUS*.

PROFESSOR JOHN ROBERTS

John Roberts' recent research has focused on corporate governance and, in particular, on understanding the dynamics of roles and relationships both within boards and between boards and institutional investors. He is a qualitative researcher who typically uses interview based research with executive and non-executive directors, CEO's and chairmen in in Britain's FTSE companies, as well as with fund managers and investors to explore the actual processes through which corporate governance is effected and effective. He has published widely from this work both in academic journals and practitioner reports. His wider research interests include corporate social responsibility, organisational processes of control and accountability, narcissism and ethics.

ASSOCIATE PROFESSOR NONNA MARTINOV-BENNIE

Nonna's research covers inter-related themes of audit methodology, materiality, auditor independence, ethics and corporate governance including specific focus on audit committees and internal audit function. She has also published research investigating the impact of audit firms' quality controls on auditor judgements and the impact of the introduction of the legally enforceable Australian Auditing Standards (ASAs) on the profession. She is continuing research in this area and is currently examining the impact of ASAs on different size auditing firms. Her more recent research interest extends into the emerging area of sustainability assurance with focus on the Australian public sector as well as the National Greenhouse and Energy Reporting (NGER) legislation.

Nonna has published her research in a number of top ranking international and Australian journals including *Auditing: A Journal of Practice and Theory*; *International Journal of Auditing*; *Journal of Business Ethics*; *Managerial Auditing Journal*; *Public Management Review* and *Australian Accounting Review*.

ASSOCIATE PROFESSOR SUE NEWBERRY

Sue's research interests focus on financial accounting and accounting standard-setting. The financial accounting interests encompass both the public sector and business sector and focus in particular on the points at which public policy and financial accounting meet. Current research projects include whole of government accounting; and government policy towards child care with a particular focus on the growth and collapse of ABC Learning Ltd. Her work has been published in several leading journals including *ABACUS*; *Accounting, Auditing & Accountability Journal*; *Accounting and Business Research*; *Critical Perspectives on Accounting*; and *Financial Accountability and Management*. She has twice won the John Perrin prize for the best article of the year published in *Financial Accountability and Management* (for 2002 and 2005), and, along with PhD student Ronita Singh, is to receive a Literati Network Outstanding Author Contribution Award for 2010 for a chapter published in *Research in Accounting in Emerging Economies*.

ASSOCIATE PROFESSOR CHRIS POULLAOS

Chris's historical research has tracked the dynamic interaction of key players in different parts of the UK and beyond, as they slowly forged an imperial accountancy arena in which British accountants could not totally dominate those in the colonial periphery; while the latter, nevertheless, could not reinvent the 'professional accountant' anew. The interaction created a vision of the professional accountant that was reasonably similar across large distances; and set the stage for today's attempts to create global training and practice regimes. His work (sole authored and joint-authored with Wai Fong Chua, Maria Dyball and Suki Sian) has appeared in *ABACUS; Accounting, Auditing & Accountability Journal; Accounting Organizations and Society; Critical Perspectives on Accounting* and in various monographs the most recent being *Accountancy and Empire: The British Legacy of Professional Organization* (ed. Poullaos & Sian, Routledge, 2010) and *Accounting Education at a Crossroad in 2010* (ed. Evans, Burritt & Guthrie, ICAA, 2010).

DR RAVI SEETHAMRAJU

Ravi's main focus of research is in business processes which are tightly linked with information resources, expert knowledge, automation applications, organisational structures, business rules and organisational culture, in organisations. Traditionally these processes are relatively static and least responsive to the changing needs of agility, control, compliance and sustainability.

Ravi investigates the influence of various IT-enabled innovations such as enterprise

systems, service oriented architecture, business intelligence, business process management and business activity monitoring software tools on business processes and the way accounting and non-accounting information is presented and used in organisations as well as in supply chains.

His research provides insights into the enabling role of IT infrastructure on information and process visibility, cost management and integration and highlights the potential benefits and obstacles that may place further demands on accountability of managers' actions and decisions. In particular, his research helps in understanding the organisational implications for control, risk management and in the adoption of management accounting technologies.

RESEARCH HIGHLIGHTS

THE IMPORTANCE OF CORPORATE GOVERNANCE

BY PROFESSOR JOHN ROBERTS

The emergence of corporate governance as an important public policy issue only transpired early last decade. Its elevation was sparked by a series of corporate failures in the UK, the setting up of the Cadbury Committee on the Financial Aspects of Corporate Governance and the subsequent publication of the UK Code of Best Practice.



While most of the academic research on this issue has concentrated on economics and typically takes the form of the testing of theory against large data sets, I have devoted much of the past 15 years to comprehensive, qualitative research into its importance.

My most recent work has focused on seeking to understand the role of corporate governance within the realm of the global financial crisis.

In a formal review of corporate governance in failed financial institutions, Sir David Walker suggests that formal compliance with the Code was not a reliable predictor of actual effectiveness; as all institutions were compliant with the letter of the Code. What differentiated effective and ineffective boards was, rather, how they complied – that is, both individual conduct and board culture were the real drivers of effectiveness.

In failed institutions, compliance involved dull-minded, box-ticking conformity with the letter of the Code. Critically, there was a failure by non-executives to challenge executive strategy and, therefore, a lack of understanding at board level of firm-wide risks. When this situation was coupled with strong investor pressure for

short-term performance and equally short-term incentive structures, the result was excessive risk-taking that – with the advent of the crisis – proved fatal.

In contrast, surviving institutions were characterised by the proactive and intelligent engagement by the board with executive strategy and implementation. They were therefore better able to avoid excessive risk-taking or begin to alleviate this trend in the early stages of the crisis.

This new official focus on the importance of behaviour and culture as determinants of board effectiveness echoes the findings of my own earlier qualitative corporate governance research.

For instance, one of the Cadbury Committee's key recommendations was the need to separate the chairman and chief executive roles. It was argued that this separation of responsibilities would justifiably avoid one person having "unfettered powers of decision" making within a board.

My detailed research on the effects of the separation pointed to the positive potentials

RESEARCH HIGHLIGHTS

THE IMPORTANCE OF CORPORATE GOVERNANCE

BY PROFESSOR JOHN ROBERTS

of a 'complementary' relationship between a chief executive and chairman. However, like any relationship, it takes considerable time and effort to establish a constructive, positive working partnership.

Subsequently, my background research for the UK Government sponsored Higgs Review - following the infamous Enron and Worldcom scandals - examined the pivotal role of the non-executive director in creating the conditions for board effectiveness.

An important conclusion from this study was that the focus of Code provisions on board structure and procedures can, at best, condition rather than determine board effectiveness. The study found that effectiveness is, in fact, the direct consequence of both the skill and will of individual directors and the method in which both are combined and developed into a culture of openness and challenge between executive and non-executive directors.

The dilemma for the future development of corporate governance codes is that the behaviour and culture that are, essentially, at the heart of actual board effectiveness are almost impossible to codify. Furthermore, attempts to do so may prove counterproductive by encouraging directors to confuse compliance with effectiveness.

However, there are several encouraging developments that point to how this quandary may be better managed in the future. In the UK, for instance, the Financial Reporting Council is currently proposing a restructuring of the Code, with an emphasis on the spirit of Code principals, rather than rule-like provisions. Also given due prominence will be: the importance

of the chairman's role in providing board leadership; the critical importance of non-executive challenges to executive strategy proposals; and enhanced risk scrutiny and risk appetite.

Concurrently, the Financial Reporting Council is proposing to develop a new Stewardship Code for large investors. Until recently, the focus of corporate governance policy and research has been on boards and directors. However, the global financial crisis has highlighted the fact that much of the excessive risk-taking was driven by pressure from investors for short-term financial performance. This was, in turn, reinforced by executive incentives that rewarded share price management over longer-term wealth creation.

In short, it can no longer be assumed that investors can be relied upon to act as responsible owners. This raises an entirely new area of research into the work of institutional investors, with the overall objective of informing the better exercise of their very considerable powers.

RESEARCH HIGHLIGHTS

RISING TO THE CARBON CHALLENGE

BY PROFESSOR STEWART JONES

The introduction of the planned market-based, government-imposed carbon emissions trading scheme (ETS) in 2013 will impact many organisations and have an immediate and substantial impact on the cost of doing business in this country.



Carbon-intensive goods, technologies and processes will all incur considerable and, in many cases, sudden cost increases, placing pressure on profit margins and confronting organisations with a distorted competitive environment. Organisations have never before been carbon-constrained. Therefore, this proposed new regulation could radically change the cost structure, risk profile and business model of every affected organisation.

The complex task of integrating associated costs into decision-making models at both the external reporting and operational levels will require a significant change in conventional frameworks. Therefore, both education and training is required to ensure that accountants have the necessary new skills to minimise the cost-shock disruption to Australian business - and therefore the economy as a whole - as they confront the challenges of a carbon-strained economy.

Our current major research initiative – titled Transforming the Australian Accounting Profession for the Carbon Challenge – is a national first, generously funded by an Australian Research Council linkage grant and in collaboration with industry partner CPA Australia.

This important study aims to deliver the knowledge required for the imminent revolution in accounting frameworks, techniques and systems. Due to the government's impending legislation on the ETS, the accounting profession needs to think proactively. They face significant transformation without prior knowledge of the consequences, and with limited access to professionals with relevant expertise.

Our research partnership has the capacity to deliver innovative practices not only to the profession itself, but also to the broader economy. Our university researchers have comprehensive expertise in the areas of sustainability accounting and corporate governance and its relationship to management systems; and will provide expertise in research and determining emergent skill-sets.

In turn, CPA Australia, as the country's largest professional accounting body (with some 117,000 members) has the capacity to bring about change in the training and continuing professional development of its members. CPA Australia will also use data from this project to inform its active engagement in public policy debates that affect accountants and the wider business environment.

Our three-year study will address two significant challenges a carbon emissions trading scheme will impose on accounting professionals. The first challenge is the form in which the emissions data is extracted and presented. A multi-disciplinary approach is essential, to ensure that information is measured, collated and reported in both non-financial and financial terms.

The second challenge is tracing emissions data to economic activity. This will require the enhancement of non-financial skills and processes in order to work in this multi-disciplinary context. To enable both effective and efficient decision-making on carbon management, the current technology used to support organisation management needs to be adapted in order to identify the carbon intensity of goods, technologies and processes.

Therefore, the key objectives of our anticipatory study will be to identify:

- measurement challenges (associated with meeting new external reporting requirements) and their implications;
- new strategic choices (the role of accounting information in shaping decision-making);
- new carbon accounting systems (integrating them with existing management control and performance management systems); and
- new skill sets for accountants (to maximise efficiency and effectiveness).

This empirical study will comprise three stages. The first will involve an annual survey (over three years) of the external reporting practices of 100 listed organisations captured in the first phase of The National Greenhouse and Energy Reporting Scheme (those required to report

for the year ending 30 June 2009). A content analysis will be undertaken to determine the importance of performance measures, the development of management systems and changes in processes. This data will be used to better understand internal changes that may result from a shift to a carbon-constrained economy.

The second stage will involve comprehensive interviews with some 40 management accountants identified as meeting compliance with the new regulations. These interviews aim to determine their professional role in a company's strategic management of carbon emissions; their company's data collection and analysis processes; and the design and support of their management and control systems.

The third stage will comprise six in-depth case studies with companies considered to represent best practice in managing the changes that have resulted, and are expected to result, from the new legislation. Our team will employ semi-structured interviews to examine three facets of organisational change – that is, integration and strategic alignment; reporting processes; and management accounting and control systems.

The Discipline of Accounting is an established leader in teaching and research in the field of accounting. It has an outstanding international reputation in research, learning and development of educational resources.

As well as active engagement with professional practice, the Discipline is home to three well known and highly rated international journals: *ABACUS: Accounting, Auditing & Accountability Journal*; and *Australian Accounting Review*.

Accounting was first taught at the University of Sydney in 1907 and was available as a component of a Bachelor of Arts degree. In 1920, the Faculty of Economics was established, with a Bachelor of Economics being the first degree offered.

In 1953, the option to undertake a full program of accounting commenced. Seven years later, a separate 'Department of Accounting' was established and Professor RJ Chambers was appointed as the foundation Chair of Accounting.

In 2003, the department was renamed a discipline within the Faculty of Economics and Business. In recent years, the discipline has specialised in research covering public sector accounting and social and environmental reporting.

Many of our graduates have distinguished themselves in the profession as senior partners in major international and Australian accounting firms; as well as in executive positions in national and international commerce, industry, arts and public sector organisations. In addition, several graduates have become nationally and internationally recognised academics.

Since the mid-1970s fifteen of the discipline's PhD graduates, have been appointed to Chairs in Accounting in Australia, New Zealand, the United Kingdom, and the United States. Two discipline

staff have served as the President of the 'Australian Society of Accountants' (predecessor of CPA Australia); while a recent CEO of The Institute of Chartered Accountants in Australia is one of our esteemed graduates.

ACCOUNTING FOUNDATION

The Accounting Foundation within the University of Sydney was established in 1982.

The objectives of the Foundation are to assist the Senate and the Vice-Chancellor on matters associated with the study of accounting and finance. Most importantly the foundation provides an organisation and a mechanism to assist accountants from the University to work in practice and vice versa, to enable a widening of experience and skills by both parties to assist, where appropriate, accountants from Australia to study abroad.

PACIOLI SOCIETY

The Pacioli Society operates under the auspices of the Accounting Foundation and provides a valuable contact between academics from Sydney, other universities and the business community. It aims to provide a forum on matters related to accounting, business and finance, and to foster the expression of both academic and professional views on topical issues based on informed opinion and debate.

RJ CHAMBERS COLLECTION

The digitised and hard copies of the RJ Chambers Collection are available online at: sydney.edu.au/business/chambers/archive

NOTES

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