



*Institute of Chartered Accountants in Australia*

*Presentation of Certificates Ceremony*

The Hon Wayne Martin  
Chief Justice of Western Australia

22 February 2007  
Perth Convention Exhibit Centre

I would first like to acknowledge the traditional custodians of these lands - the Nyoongar people, and pay my respects to their Elders.

It is an honour and a pleasure to have been asked to address this gathering of the Institute of Chartered Accountants in Australia, and in particular, to welcome and congratulate those who have been granted membership of the Institute and who will shortly receive their certificates acknowledging that important achievement.

It is an achievement in which you are entitled to take great pride. In order to gain the recognition of your professional peers, acknowledged by your admission to membership of this important professional organization, you have had to demonstrate your technical competency in the field of accounting, you have had to complete the required practical experience, and, most importantly, you have been mentored by a chartered accountant. Each of these three critical components of your programme of qualification is indispensable. By completing each of those aspects of your qualification, you have demonstrated competence, gained experience, and very importantly, gained insight and have seen first hand what it means to undertake the practice of a profession - a subject to which I will return.

The pre-requisites for membership of the Institute are consistent with its important aims and objectives. Those objectives include leadership of "the profession by delivering visionary thought, leadership projects, setting the benchmark for the highest ethical, professional and educational standards and enhancing and promoting the Chartered

Accountant brand". Your Institute achieves those objectives by "promoting and advancing the theory and practice of accounting by education, training and maintaining a high standard of professional conduct in public practice, commerce and industry".

Its success in achieving these objectives is evident from the fact that since its commencement in 1928, it has grown to the point where it now represents approximately 43,000 chartered accountants around Australia and elsewhere. 11,000 accounting graduates are currently enrolled in its post-graduate programme. Its members work in diverse roles across commerce, industry, academia, government and public practice throughout Australia and in 107 countries around the world.

Your Institute is one of the premier professional organizations in this country. I have had the benefit of long experience with a number of professional organizations in my own field, including The Law Society of Western Australia, the WA Bar Association, the Law Council of Australia, and the Australian Bar Association. Professional organisations like these, and your Institute, have at least one common characteristic, in that they serve to reinforce to their members and to the public what it means to carry on a profession, as compared to a business.

And if there is one point I would like you to take away from my address this evening, it is the vital distinction between a profession, which is what you have now joined, and a business. A business is carried on for the benefit of the proprietor. Its primary objective is the derivation of profit. A profession on the other hand is primarily carried on for the purpose of serving the community. This is, of course, not to say that professionals are expected to live on love or the smell of an oily rag. Happily, you will

find that service to the community has its rewards, both financial and in terms of your sense of wellbeing. In my profession, the Latin expression "*pro bono publico*" has been abbreviated to the two words "*pro bono*" to designate the provision of free legal services. That is an important contribution to the community, but, of course, the Latin expression means "for the public good" and provides a much more generally applicable description of why we carry on professions. I will come back to some specific ways in which you might consider serving your community a little later in these remarks.

With some professions, the means by which they serve the community is obvious - for example, medicine, dentistry or teaching. Engineers serve our community because a society in which bridges or buildings are at risk of collapse is not a very happy place to live.

In the case of my own profession - the law, the public benefit may be a little less obvious. In fact, I suspect there are many members of our community and perhaps even some of you who think lawyers are a blight on our community - a bit like a plague of cockroaches or locusts. I fear this perception reflects a failure on the part of our professional organisations to convey to the public the importance of the rule of law in a democracy such as ours. Our legal system could not operate without lawyers. And without a legal system, we would not live in a fair and just society. Our legal system exists essentially to prevent those who have power, either political or financial, from oppressing those who don't. One need only look at any of the distressingly large number of countries in the world which do not have the benefit of the rule of law to see the oppression, injustice and unfairness which follows if there is no effective

legal system. We lawyers have signally failed to convey to the public the constitutional and democratic significance of our profession.

And I'm not sure that all members of our community have a full appreciation of the public benefit which derives from the profession of accounting. The somewhat pejorative expression "bean counters" which is often used to describe your noble profession suggests that the public may not have an entirely sophisticated understanding of just what it is that you do.

Of course, there is an aspect of counting things in the preparation of a set of accounts, but a set of accounts is more than just a tally. Whatever be the form of the economy - whether it be a market economy or a State regulated economy, any form of economic efficiency requires a mechanism for monitoring the costs and outcomes of the conduct of any particular activity.

And, of course, there is much more to accounting than just preparing sets of accounts. Auditing now has a number of important facets - not only involving accounts, but also general performance audits. Without effective auditing of accounts, neither the proprietors of the enterprise, nor persons dealing with that enterprise can have confidence that the accounts accurately depict its financial health. And performance auditing has evolved across government and commerce as an invaluable tool for the improvement of efficiency - for the public good.

And without the services of accountants in the field of taxation, Australia's self-assessment system of revenue collection would collapse,

and with it, government and all the infrastructure which government provides to our community.

Business mergers and acquisitions improve the efficiency of our market-based economy. Without accountants to advise in relation to those transactions, and to undertake the due diligence inquiries which are a vital aspect of them, those efficiencies would not be gained. And when businesses fail to prosper, the provision of insolvency and reconstruction services by accountants plays a vital role in minimising the harm suffered and hopefully resurrecting something from the ashes. And without the now established field of forensic accounting, our courts would be much less efficient in arriving at the truth, which is obviously not in the public interest.

So, after a moment's thought, the public benefit to be derived from these various aspects of your profession is quite clearly apparent.

But by referring to these different aspects of the profession of accountancy, I do not mean to suggest that the practice of your profession can be segmented or compartmentalised. On the contrary, the recent emphasis which has been placed upon an holistic approach to the conduct of your profession, and to training for your profession, seems to me to be entirely appropriate and most desirable.

I gained very direct experience of the consequences of a systemic failure in a number of aspects of accounting systems in the course of my duties as Counsel Assisting the Royal Commission into the collapse of the HIH Group of Companies. Although the causes of that collapse were many and complex, a common thread was the failure of accounting systems,

and those responsible for their operation, to think beyond the particular activity in which they were engaged, and to look, holistically, at the "big picture". There was a conspicuous failure to put any particular commercial activity in its overall context and to bring a moral component to bear upon the business and accounting decisions being taken.

From a community perspective, the consequences of those failures were profound. Because the companies involved had a major share of the builders' liability market, when the companies collapsed, building work around the country stopped for up to 2 months, putting many people out of work. People who depended upon the insurers for their sustenance were put out of houses and on to welfare. Even people who had no direct dealings with the insurer were disadvantaged, if the party against whom they had a claim lacked the capacity to pay that claim without access to insurance. These profound community consequences show that you should never underestimate the importance of what you are doing as accountants or financial advisors, even if, at the time, it might seem menial and perhaps even insignificant.

And that is also why you must bring an holistic approach to bear on your future practice as accountants. You must put what you are doing in its context, and look at the consequences and ramifications for each step you are considering. You must not confine your advice or your processes of thought to technical principles. You must take a broader view. Substance must triumph over form. Regulation and technicality are means to an end, not ends in themselves.

The needs and interests of your clients and employers are not compartmentalised in little boxes. For individuals, tax is related to

superannuation which is related to wealth creation which is related to financial security. None can be considered in isolation. For corporations, any aspect of its activity, any transaction in which it is engaged can have profound consequences for other aspects of the enterprise. Those consequences must not be overlooked. To take just one recent example, the decision of James Hardie to relocate overseas, had obvious advantages viewed from some perspectives, but has had a profound impact upon the commercial standing and future of the company for a variety of other reasons. Unless an holistic approach is taken to assessment of these issues, mistakes will be made.

It is therefore pleasing to note that the advantages of an holistic approach to the education of accountants are now well documented in the recent academic literature. Alam and Kelly have persuasively argued the case for a less scientific and more behavioural science oriented approach to the education of accountants. In the context of teaching accounting at university, they write:

"A university should be concerning itself with helping students develop into confident critics of society rather than as upholders of the status quo. Graduates must have developed the confidence to allow them to invoke, and tolerate, change rather than seek to argue for the wholesale maintenance of an outmoded status quo in our fast changing world. The first responsibility of academics is to encourage students to fully develop as citizens, irrespective of the subject in which they choose to major. Many leading managers in the United Kingdom, including partners in the largest accounting firms, did not major in business studies at university. They studied classics at Oxbridge, and developed as confident thinking individuals. ... Students should be encouraged to realise that, when

a tried method of reasoning produces outcomes which offend against their holistic appreciation of what is right, then the method must be reviewed (not used to persuade others that what appears "wrong" might be "right")."

They argue that people must be educated, not just trained. Kathy Spencer has made the related point that a holistic educational experience will provide a basis for self-development - which enables students to learn how to learn, which will in turn enable a continuing programme of professional development throughout their careers. This is, of course, just the application of the old adage about the difference between giving a man a fish and teaching him how to catch fish.

My admittedly imperfect understanding of your profession is that these notions are now generally embraced, not only by educators but by managers within firms and enterprises. This approach will enable accountants to continue to serve our community most effectively.

Which brings me back to the public good. The qualification you have earned will open many doors - in government, finance, business and in the private profession. And it will also open doors into not for profit organisations which are so important in our community.

With the greatest of respect to government, and I am now the head of one of the three branches of government, there are a lot of areas in which community services can be more effectively provided by non-government organisations. Our community is structured on that assumption. My three small children were all born in a not for profit hospital which is an extremely efficient deliverer of services. It also has a significant moral

and ethical component to its activities which I think is very important when you are dealing with sick people. My children attend a not for profit school which has the same attributes. There are more than 200 such schools in our State. If those privately operated schools and hospitals stopped tomorrow, government would be unable to cope, and simply could not provide the services that would be required.

All these organisations have councils and governing bodies. They need professional advice and assistance from a variety of disciplines. Accounting is critical to their success and efficient operation. Members of your profession have been conspicuous in their provision of assistance to such important organisations, and the time will come for you to do your bit. You should embrace that opportunity, not only because it's the right thing to do, but also because it will be good for you - not only in terms of your sense of wellbeing, but also by putting you into contact with people who will bring profitable business to you.

Charities and service clubs all need accounting advice and assistance which I am sure you will provide. And it doesn't stop at our national boundaries. Within our region there are many fledgling countries that need support and assistance in a variety of disciplines, including financial services. Countries like Timor-Leste (formerly East Timor) need all the assistance they can get in the development of infrastructure and efficient industry and that needs accountants. When Aceh was flooded by the tsunami, of course they needed doctors and builders, but they also needed accountants to record what was happening and provide basic financial services that are essential to the conduct of any organised activity - such as rebuilding a society.

So the opportunities for you to serve your community are many and varied. I am sure you will make the most of them. Congratulations once again on your achievement, and best wishes in all your future endeavours.