



CFO Survey 2011

Corporate Governance Performance and Insights

ICAA in Asia

charteredaccountants.com.au



**The Institute of
Chartered Accountants
in Australia**

About this survey

Introduction

The Institute of Chartered Accountants in Australia (the Institute) commissioned Beaton Research & Consulting (a firm with specialist expertise in the profession) to conduct its *CFO Survey 2011: Corporate Governance Performance and Insights*.

This is the first in a series of surveys the Institute will conduct to gauge business sentiment of Chief Financial Officers (CFOs) and Financial Directors across Australia and the Asia region. In this 2011 survey, we focused on three key areas: financial reporting, the role of audit and managing the impacts of the global financial crisis.

Purpose and objectives

The purpose of this paper is to provide a succinct summary of the key findings generated from the survey. Not all graphs or findings are included but these can be provided upon request.

The key objectives of the study were to:

- > Determine how business reporting impacts the business community
- > Assess business commitment to non-financial reporting, such as corporate governance, social responsibility and sustainability
- > Analyse the role of external audit – does it add value to financial reports and do external auditors meet CFO expectations
- > Clarify how the global financial crisis impacted businesses and determine how governments could assist business during these economic times.

Interview method

Beaton Research & Consulting, partnering with Radar Global (a market research agency based in Hong Kong and ESOMAR member) interviewed 253 of the most senior financial decision makers in some of the top companies in the Asia region. Each interview lasted 10 minutes and took place from 31 January to 23 February 2011.

In total, 102 respondents participated in Australia; 51 participated in Singapore; 50 participated in Malaysia and 50 participated in Hong Kong.

Those interviewed were senior financial executives, including CFOs and Financial Directors, who are responsible for financial reporting in their company. Only the top companies listed on the local stock exchange were included in the research. The survey sample reflected the top companies in each country by revenue.

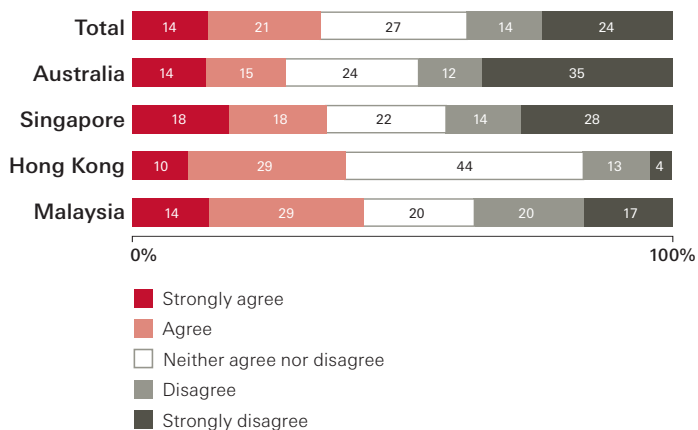
Note: Some respondents were Chartered Accountants but this was not part of the sampling criteria. All percentage results shown in this report have been rounded to one decimal point.

Corporate governance – key findings

Entrepreneurial activity

See below one of the questions asked on the topic of entrepreneurial activity.

Q: To what extent do you agree that the corporate governance in your company inhibits entrepreneurial business activity?



Findings

As shown in the graph, the levels of agreement were polarised across all countries:

- > 35% of respondents agree or strongly agree that increased emphasis on corporate governance has reduced entrepreneurial business activity
- > 38% disagreed or strongly disagreed, while the remaining 27% were reluctant to agree or disagree.

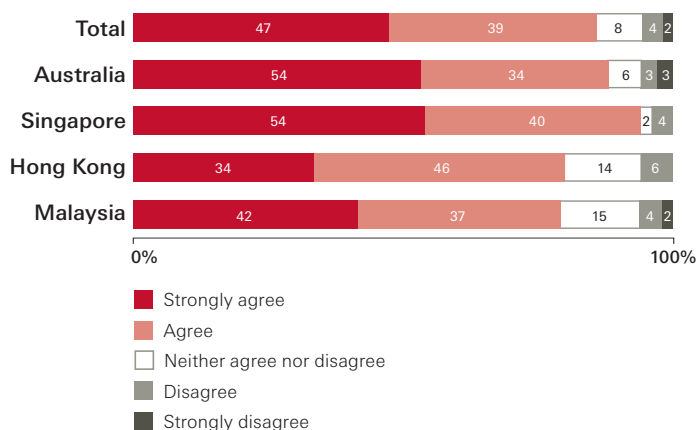
Insights

- > This tends to suggest that corporate governance requirements were having some impact on risk taking but that the impact might not be as significant as some directors and commentators had indicated
- > A further breakdown by country indicated that a higher proportion of respondents in Hong Kong were particularly ambivalent with 44% reluctant to agree or disagree. In Australia, almost half of respondents did not believe corporate governance requirements were having an impact on risk taking.

Role of the external auditor

See below one of the questions asked on the role of external auditing within companies.

Q: To what extent do you agree external auditors demonstrate sufficient professional scepticism?



Findings

> As shown in the graph, 86% of respondents agreed or strongly agreed that auditors demonstrated sufficient levels of professional scepticism.

Other findings

- > A further 66% agreed or strongly agreed that auditors vigorously challenge management assumptions. It was:
 - Higher in Singapore (76%)
 - Lower in Hong Kong (46%)
- > 57% agree or strongly agree that auditors 'vigorously challenge management projections'.
- > However, 20% of respondents disagreed or strongly disagreed with this statement.

Insights

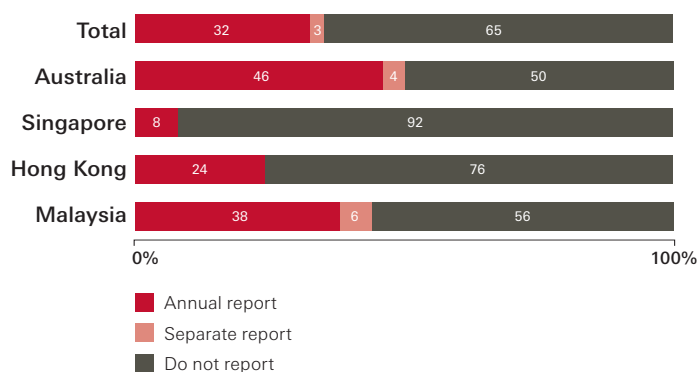
> These findings are encouraging to the Institute in its attempts to improve audit quality in the region. However, inter-country comparisons indicated that more work was still necessary.

Integrated reporting

See below one of the questions asked on the issue of integrated reporting.

Q: Which non-financial information does your company also report on, either in your annual report or as a separate report to stakeholders?

Environmental sustainability



Findings

> As shown in the graph, 65% of respondents advised that their company did not report on Environmental Sustainability. The majority attributed this to the fact that reporting on this and other aspects of Corporate Social Responsibility (CSR) was not a mandatory requirement.

Other findings

- > A further 34% of respondents indicated that reporting on CSR or Environmental Sustainability was not relevant
- > The failure to recognise emerging demand for this information was further emphasised by the fact that of respondents currently not reporting on these areas, 54% indicated they had no intention to do so in the next 12 months
- > Also, 48% of respondents in Hong Kong and 56% in Malaysia noted that the financial reporting requirements impacted the ability to report on non-financial information.

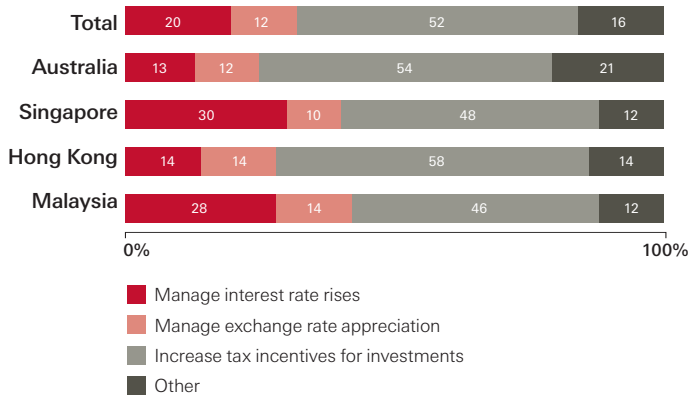
Insights

> These responses suggest there is still a long way to go in companies recognising their accountability to stakeholders in relation to environmental and social impacts. However, companies will need to change, as these issues are becoming increasingly important to stakeholders and the general public.

Managing the business environment

See below one of the questions asked about the business and global economic environment.

Q1: Which of the following is the single most important thing the government could do to help your business in the current economic climate?



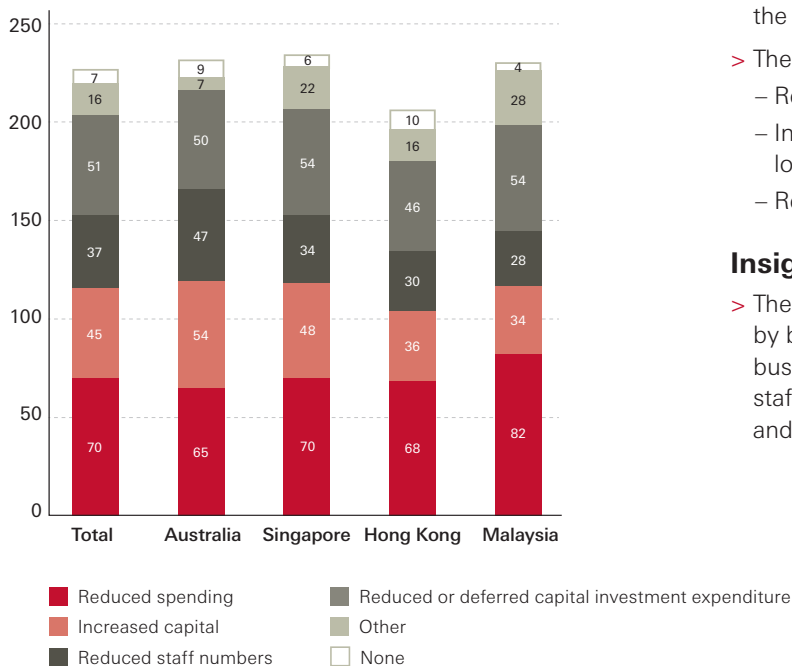
Findings

- > Just over half (52%) of respondents reported the government could 'increase tax incentives for investments' to help their business in the current economic climate
- > 20% of respondents reported 'manage interest rate rises'
 - Higher in Singapore (30%) and Malaysia (28%)
 - Lower in Australia (13%)
- > 12% of respondents reported 'manage exchange rate appreciation'.

Insights

- > Providing tax concessions appears to be a more effective way of encouraging investment than lower interest rates. This may assist governments in the Asia region with controlling inflation, without killing off investment in key areas of the economy.

Q2: Which of the following business decisions has your company made as a result of the global financial crisis?



Findings

- > As shown in the graph, the majority (70%) of companies across all countries reported reduced spending as a result of the global financial crisis. This was higher in Malaysia (82%)
- > The graph also indicates:
 - Reduced or deferred capital expenditure (51%)
 - Increased capital (45%), higher in Australia (54%) and lower in Malaysia (34%)
 - Reduced staff numbers (37%), higher in Australia (47%).

Insights

- > The results indicate that similar strategies were adopted by businesses throughout the region although Australian businesses appear to have placed a stronger emphasis on staff levels than their counterparts in Malaysia, Hong Kong and Singapore.

ICAA in Asia: Further information

The Institute of Chartered Accountants in Australia

Web charteredaccountants.com.au

Email service@charteredaccountants.com.au

Phone +61 1300 137 322



The Institute of Chartered Accountants in Australia

