

CURRENT AFFAIRS IN AUDITING — OCTOBER

For the latter part of the period covering September/October's commentary on the media's reporting on auditing, the author has been overseas. Thus, this month's edition will concentrate upon the reactions to the Federal Government's discussion paper on reforms proposed for auditing and the Joint Standing Committee on Public Accountant and Audit's report. Before reading this month's edition of Current Affairs in Auditing, it would be wise to review last month's edition, noting the various proposals included in the Federal Government's discussion paper.

Before commenting upon these reports, an interesting remark was made by Dick Warburton, a Reserve Bank board member and Chairman of the boards of directors of David Jones and Caltex. He made the following statement in relation to corporate collapses:

I think what you are seeing is a ...ten year cycle where corporate governance comes in and then things go quite well, complacency breeds up, greed starts to roll in and then all of sudden the balloon bursts (Gorden 2002, p. 6).

These thoughts are consistent with the beliefs of the eminent US economist John Kenneth Galbraith who stated that the collective memory of a market is ten years. Events in Australia support this theory as there were several corporate collapses in the late 1980s and early 1990s and another round of collapses in 2001.

Reference

Gorden, J. 2002, 'Corporate scandals force executives to mend their ways', *The Age*, 30 September, p. 6.