



## The Accounting Podcast Series

S05E02: Tom Ravlic

*Transcript*

### *Accounting, corporate governance and journalism: insights from the trenches*

A: Albie Brooks

T: Tom Ravlic

Albie: Welcome to TAPS, The Accounting Podcast Series. I'm Albie Brooks and working with me is Abbey Treloar. Today our guest is Tom Ravlic. Tom completed his undergraduate studies at RMIT University and a number of postgraduate programs at Charles Sturt University. Tom has been involved in accounting and tax regulatory matters over many years. Currently he's an investigative journalist who, among other things, is a commentator on financial and corporate governance matters and has been busy with the publication of two recent books: *Vulture City*, which relates to the outcomes of the Banking Royal Commission, and *Crown: Playing in the Shadows*, emanating from the Royal Commission into the Crown Casino license. Let's find out more. Welcome to TAPS, Tom.

Tom: Thanks for having me, Albie.

A: So how did you get started in the field of investigative journalism, particularly around financial and corporate governance matters?

T: Okay. It goes back to 1995, and it is a career accident. I completed a journalism degree in 1992 at RMIT, and then spent something like 18 months out in the wilderness unemployed doing various things, including working in what was then the Oakleigh library system. So I'd be shuffling between Oakleigh Library and Clayton Library doing the shelving and issuing books, getting myself into a bit of strife because I spoke a bit too long and too much to people coming through at the front desk, but that was okay. So after about 13 months of that, which was a short-term contract, I end up getting a lead that there was work likely to be available at Information Australia, a company run by Michael Wilkinson. And at that time he acquired accounting newsletters. So there was one called ChartAcc Accountancy News and another one called ChartAcc Tax Planning. I came into Michael's sphere of contact at the time he was looking for someone to edit ChartAcc Accountancy News, so from October of 1995 I started a journey in becoming a subject matter expert in the accounting profession, the Big Four and all that sort of stuff. And it hasn't stopped since.

So from ChartAcc I then went out into freelancing for myself. I appeared in CFO Magazine, a publication – it no longer exists – but was published by BRW Media. I appeared in The Age, Sydney Morning Herald, and the various professional journals like the company director from the AICD Charter, as it used to be called, for the Chartered Accountants. And then in 2004 I happened to be tapped on the shoulder during the National Institute of Accountants, now the Institute of Public Accountants. So from writing extensively about the profession, writing about accounting controversies and boards and things like sale and lease back transactions conducted by major listed companies. The accounting body bureaucracy took me from the NIA after eight years, into Taxpayers Australia for another four, where I had the unique experience of being a company secretary for a registered tax agent association, relevant now given the controversy surrounding the Tax Practitioners Board and the way it deals with disciplinary matters.

In 2016 I departed Taxpayers and started on stint of casual sessional teaching. I did a short stint at Melbourne University and then spent a couple of years doing that sort of work with Deakin Uni. COVID hits, the academic work dries up but the journalistic work for different organisations like the Mandarin and Crikey, published by private media, continues. And that's where you find me today. In the middle of all that, though, they were – I decided to complete two master's degrees back to back as well as write three books, two of which you've mentioned – Vulture City and Crown: Playing in the Shadows – plus another one called Rorts and Rip-Offs. So three books in four years, two Masters qualifications in four years, and the rebuilding of a freelance writing business looking at politics, broad crime, all that sort of stuff.

A: Certainly a very diverse and interesting background that leads us to this particular point. Now, Tom, we've both mentioned some of your books, so turning to your most recent book relating to Crown and the proceedings and outcomes from the Royal Commission and what was a bit of an interest in this whole thing around money laundering. I'd like to ask you first about the concept of money laundering and how it actually occurs, say in settings like a casino, but it could be other settings where this becomes possible. So the concept of money laundering, could you help us out there with our general understanding of how that takes place?

T: Okay, yeah. Money laundering is a kind of fancy term. It is jargon, and anyone involved in the accounting world is used to jargon; they deal with it a lot. But money laundering at its very core is the methods used by people to take what are illicit funds, that is monies that have been obtained through doing things that are naughty, and to try and get them through the normal financial system so that it becomes tougher to track in terms of the proceeds from a naughty activity being visible to law enforcement. And that's what we're essentially talking about. Now, if we take a couple of the examples that came up in Crown, which still bemused me, what we saw in Crown was direct money laundering efforts where people brought bags of cash in to put them through the internal system at Crown. Now, that's one form of money laundering.

The other method that became apparent was the method of processing transactions through bank accounts of subsidiaries and then redirecting them to the accounts of the gambling establishment itself, so it's money laundering if you look at it in a very simple way. If we said the money starts at Point A and you've got a destination, let's call that Point B, there are any number of ways people can attempt to try and get the dollar amount they're wanting to shift from Point A to Point B. And that is essentially what we see happen with money laundering, things that are obtained through illegal activity moving from point A to point B, possibly Point C even, so the origin is obscured.

A: Okay, excellent. Of course, we often see money laundering feature in a lot of TV programs, movies and so on, and what people are trying to do with it is interesting when we're confronted with it in such a visible and observable way as you've just outlined. So from there, what sort of risk management protocol is that – there are things – we know that there are regulations in place to try and bring alerts to these kinds of activities, but what sort of risk management protocols do you think should be the priority for the organisations, say like casinos but it could be others, regarding money laundering?

T: Well, procedures is one thing, but let's begin at a very base level. What sort of behavioural culture have the executives encouraged in an organisation? We often hear in the world of corporate governance the conversation about setting the tone from the top, whether it's an accounting firm, whether it's a miner, whether it's a pharmaceutical company, whether it's a casino. What is the tone at the top? What is the vibe that management is setting? What is the vibe that the board is setting? What are the things that they have in place? One of the issues that came up in both of the books to which you referred in the introduction was what was the notion of performance incentives? What are the performance incentives that exist in a corporate? Is it indication of a bank – you know, evidence of sales? Does that mean somebody gets the ability to take their family to Hawaii if they sell more product? If that's the case, then that would be the incentive that drives some individuals to behave in a particular way.

So a corporate would need to review its incentives to ensure that those incentives don't skew the behaviour in such a manner that it becomes inappropriate, in such a manner that it becomes behaviour that exploits vulnerable individuals. If we then go on to some policy areas in a casino, for example, well, how do you stop

money laundering? Well, one of the areas you hear a lot about in discussion from people like Tim Costello and others is the need to have the cashless cards. That is, cards that are preloaded with the dollar value and that becomes the limit that somebody has in a casino rather than be able to gamble with raw cash. So then that method stops certain kinds of individuals being able to money launder. So that's a way of shaping the transactional behaviour to try and make it less attractive to the criminal element to use a casino that way.

The other thing that's important is what are the sanctions against staff that might be involved in having contact with people that might be inclined to engage in criminal activity? Is there a cost to individuals for behaving inappropriately within a corporate setting? If people observe individuals being sanctioned, they're being sacked or given a warning for inappropriate behaviour, then that discourages people from experimenting with it. We've covered several things. One is tone from the top. Two is how you set the system up for transactions so that you discourage certain individuals from entering into the venue or using it for a particular thing, and also what is the punishment for those people that misbehave in the corporate? In other words, why should somebody care about behaving well if they see that poor behaviour goes unpunished?

A: Excellent point. Thanks for that. Now, look, there's some in the community who think accounting is relatively boring, but I'm wondering how you see the role of forensic accounting which, to me, might well be viewed as a pretty exciting – if I could use that word – sort of sub-discipline of accounting. So what do you see as the role for forensic accounting within this broader context of what we've been talking about? Is it potentially an exciting area for accountants to be?

T: Well, if we talk about forensic accounting, which means let's go and find out what somebody did and what they did wrong and how they did it, the thing with forensic accounting – and this is the same with accounting issues more generally – is you've actually got to understand how the system works first. So when we're talking about the way in which somebody might seek to exploit an accounting system, somebody that is involved in forensic accounting needs to understand how it is possible for somebody to misbehave. So that takes us back to the fundamentals that people are taught at places like the University of Melbourne in how accounts are set up – you know, your debits, your credits, et cetera – so that once someone's got that in their mind they're then able to dismantle the actions of the various characters in a forensic setting.

But you can't do that without actually having, firstly, understood the basics, secondly, establish the level of curiosity as to how accounting reflects human behaviour. And that involves appropriate behaviour, but it also involves inappropriate behaviour, whether it be a case of an entity overvaluing an asset against the wishes of a regulator or being non-compliant with accounting standards or, as has been the case over the years when somebody in an accounting function in an entity mischaracterises transactions and accounts but what's actually happened is they've defrauded the entity themselves. So coming back to the key point in all of this, which is we're in a position to be forensic accountants when we understand how the system works and what laws are broken when people engage in certain behaviour. Going back to the basics first.

A: In that sense, then, forensic accounting is not just for the regulators to investigate subsequent to actions. There's certainly a role for the notion of forensic accounting in-house, if you like, within organisations which – we might not use the term “forensic accounting”, but it seems to me that's some of the work that probably needs to be undertaken within organisations as well as by the regulators once events have actually occurred.

T: It's even more fundamental than that. I mean, we've got a little function that people have called an internal audit, right? So you step back and you say, “Well, what's an internal audit if it isn't some form of forensic work?” What's going on in the entity? How are people behaving? How are new systems being implemented? Are we seeing people try and push things through the accounts department that don't meet authorisation rules within the entity? Why is somebody buying an extra amount of stationery? Has it been approved and, if not, why hasn't it been approved? What level of dollar amount has somebody transacted this month and why? I mean, even terrorist organisations, Al Qaeda, have their own internal auditing processes. Back in the day when people raided office of Al Qaeda they discovered that Al Qaeda had a forensic accounting capacity that went around asking individual cells why certain products were being bought. Clearly, yes, they're in the business of blowing things up, but they're also in the business of making sure they don't waste money.

- A: Let's turn to the broader issue of corporate governance. You touched on this initially. In the contemporary environment across the economic and organisational landscape, what do you see as the sort of central features of sound corporate governance systems?
- T: An honest board and an honest management, if we start from there. I know it sounds trite, but the board has to be aware and alert using all of the relevant experience that board members have in order to properly govern an entity, in order to ask the right questions of management. And you need to have management that's prepared to front up to mistakes and not bury them and not manage the board upwards to not ask questions about where things might be going poorly. So the fundamental question is "what is the ethical fibre of the organisation?" before you even get to "has somebody allowed money launderers in the building, would that be possible?" That is, allowing criminal elements into the building to do what they wish if the moral fibre and the ethical fibre, if you like, of the organisation was set up appropriately from top to bottom? Clearly there were questions in the case of Crown when it came to a range of things. Equally clearly, there were questions in relation to the various banking incentive programs that were exposed during the Hayne Royal Commission.
- A: So let's briefly chat about the current student. What advice would you have for any student looking to a career in finance? For example, financial-based journalism, which is not something we often think about as a career choice, or forensic accounting or that internal audit function that you referred to. What's your advice for modern-day commerce business students with an accounting bent, if you like?
- T: One of the things that I found most useful in my time has been to remain curious, and that means have a degree of curiosity about the discipline that goes beyond what you might have to do in the curriculum to get the very expensive piece of paper that people strive for. For example, one of the things I did before I even undertook the graduate certificate in accounting and financial management with Charles Sturt, I – because of my contact with various people in the standard setting realm – started to read the work of Alan Barton, started to read the work of – we're going into accounting archaeology here – the work of people like Peyton and Littleton whether it be the structured accounting theory or an introduction to corporate accounting standards or even, as I did most recently, to look for something to anchor myself to in writing about the more current sagas involving PwC and others, an edition of the Accountants Handbook, published in 1934 and edited by W.A. Patent.

All of that material builds your knowledge and your understanding, so being curious about a discipline, understanding its history, understanding that not everything somebody says in a media interview about current cost accounting or historic cost accounting is new or novel. There's not that much that is new or novel in the accounting world. People have been banging heads around this space for a long time. So understanding that it has a history is vital to making things work.

The other thing is be prepared for your career to move from one thing to another. I started writing about accounting in 1995. I had no idea that by 2005 I would be in a technical policy role because my understanding of the accounting profession and technical audit and accounting matters led me down that pathway. I was a technical policy advisor with a very unconventional pathway into an accounting body. Did people find that difficult to take? Oh, bloody oath they did. But the reality is you need to be prepared for your career to shift. So for eight years I was involved in dealing with federal treasury, dealing with the offices the politicians, dealing with members of an accounting body, dealing with the provision of technical advice. I was on working parties for the Accountants Professional and Ethical Standards Board.

I did all that work, but it wouldn't have been possible had I not had that career accident of writing about accounting from the first instance and then realizing I needed to do more work to get a mastery of the subject matter, because I was interviewing people who were senior technical partners in accounting firms. And one of the most fascinating discussions I had – and it remains one of the one of the most fascinating interventions of a practitioner ever – was interviewing Kevin Stevenson, who was a head technical partner at the time at Coopers & Lybrand. So what did Kevin do? I walk in there to talk to him about the conceptual framework and reporting entities – eyes must have been glazed over – and he basically said, "You're probably not here for this, but you need to understand this before you can understand what's going on." He

opens up the Coopers & Lybrand notepad and starts to draw the triangles of the then conceptual framework from the statements of accounting concepts.

And from that point on I started to realize that there's a lot more depth to the analysis and history than I initially thought, because journalism tends to be about people running around seeking talking heads and shoving microphones in people's faces rather than necessarily using the head of their own that they've got sitting on their shoulders. So that becomes critical: maintain curiosity. Where necessary, you know, delve further into the literature and then be prepared for your career to shift. Who knows where my career will end up in the remaining productive working life I've got? I certainly don't.

A: I think your point about curiosity is fantastic. I think that's definitely a key for our students, all students, to sort of think beyond just that particular piece of content that they might be trying to deal with at the time. Although that's important, there's this curiosity about the context of that and the sort of broader financial landscape that exists around us and how that interacts with organisational activity.

T: Absolutely, but there's another point that people have to remember. Not every piece of critical or important knowledge is going to be tested in the exam. And that's the key. The shift that people have to make in their mind is, well, is it in the exam? No? Is it important? It may well be very important for you, but you need to understand that that is entirely possible.

A: Excellent point, excellent point. Wow, Tom. Fabulous insights. Thanks for joining us here at TAPS, it's very much appreciated. It's been a lot of fun. We wish you well in your current and future endeavours, and keep up that really good angle on the investigative journalism. It's been a pleasure to have you on board here at TAPS.

T: Thank you for having me on board, and all the best with the students and the academics listening.

A: Thank you.