



The Accounting Podcast Series

S04E04: Nikole Gyles

Transcript

A Diverse Career in Accounting with a Focus on Standard Setting

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A: Welcome to TAPS, The Accounting Podcast Series. I'm Albie Brooks and working with me is Abbey Treloar. Today our guest is Nikole Gyles. Nikole is currently the Technical Director at the Australian Accounting Standards Board, or AASB as it's often referred. Previously, Nikole held appointments at the University of Tasmania, Deloitte, the AASB in an earlier timeframe, and here at Melbourne as an Enterprise Fellow. Nikole completed her BCom with First-Class Honours at the University of Tasmania, and is currently studying a Global Executive MBA at INSEAD. Let's find out more. Welcome to TAPS, Nikole.

N: Thanks, Albie.

A: Well, let's go back to the start. When you set out on your BCom, what attracted you to accounting as a major?

N: Thanks, Albie, and thank you for the invitation to join the podcast today. It's wonderful to be here. I guess, unlike most students, my journey to university wasn't directly from college or year 12. When I first finished my year 12 in Tasmania, my plan was to be a phys ed teacher, certainly not an accountant. I had been accepted into the University of Tasmania to study phys ed, but I decided to defer for a year to save up enough money to support my time at university. My parents weren't particularly well-off and I needed some funds to support me. During that year off, I was hired to be what was called a Dispatch and Debtors Officer at a small engineering company in Devonport, which is in the north of Tasmania, and my job at that time was to make sure that all the products were distributed to the right customers and to manage the payments and debtors' processes.

Now, it doesn't sound particularly glamorous or career-changing, but as part of that what I found is my boss was the accountant, and I reported directly to her. After about six weeks of working in the office, I decided I absolutely loved the office environment. I found the work really, really interesting. And even aspects of the work which I've never since repeated in my career, so stocktake, all the month-end processes, all of those parts of the role I absolutely loved. So after six weeks I changed my enrolment at university from being a phys ed teacher to a Bachelor of Commerce majoring in accounting and human resource management. And I guess, as you would say, the rest is history. But little did I know at that point in time that my future career as an accountant would have little or no resemblance to what I thought accounting was when I enrolled in the BCom. What initially attracted me to the profession is not at all what I do today, but it was certainly the start.

A: Well, it's amazing where we all start from, of course, and from phys ed to accounting is a nice little journey in itself, and clearly the significant impact of that first job looking after debtors. So you then finished up spending seven years at Deloitte, from where you headed off to the AASB. So what is it about accounting standard setting that now most attracts you?

N: I always refer to standard setting as my passion. Standard setting and policy development has been a consistent theme throughout my career, even back to my early university studies. I had lecturers and professors who were very strongly involved in accounting standard setting. One of my accounting lecturers, who was Kathy Gibson, at the time went so far as setting an assignment in my third year accounting subjects which was to send a submission to the AASB on the operating segments exposure draft. We dutifully did that as students, and for any students listening today you would probably understand that that was quite a big ask for a third-year student to read exposure drafts that were issued by the AASB and actually send in our own comments. It was a huge assignment.

Looking back on that, I really appreciate the experience that Kathy and the other lecturers were able to give us in being able to do that, and how they were trying to stretch us into thinking about the more practical applications of what we were studying at university. I moved into Honours, so I went on to study Honours in accounting. And one of my Honours professors was Professor Jayne Godfrey. At the time I was studying Honours, Jayne was a member of the AASB. So she would fly over to Melbourne every six to eight weeks to attend AASB meetings, and she'd invariably come back to our Honours classes the next day or the next week and start talking to us about the latest issues, all the topics that were being discussed and deliberated by the board. So it was live, it was real, and we could see standard setting as it was happening. As an Honours student, that experience I've never forgotten.

But if I'm going to step back and think about what I love about standard setting today now that I've spent almost 10 years in the standard setting environment, what I really love is that it sits in the intersection of academia and practice. So I've worked in academic, I've worked in practice, and what I love about standard setting is it brings both of those together in a really interesting way. I've spent a lot of time analysing, deliberating issues in depth, looking at academic research, and then using that knowledge to develop proposals and then going out and engaging with stakeholders in industry and practice to get feedback. I'm very passionate about improving the future of financial reporting, and I feel that standard setting is the ideal space in which we can achieve that.

I love working in practice, I love working in academia, but more than that I love bringing those things together to actually make a difference. As a standard setter, we can do that. And that's not just within Australia; it's also internationally. So our role as an Australian standard setter is – a very big part of that is international influence, and that's international influence up to bodies such as the International Accounting Standards Board, and also the International Sustainability Standards Board. So it's quite a broad group of people that we interact with. And I guess also in terms of teams and colleagues that I work with in a standard setting environment, they really are the smartest people in the room. They are an amazing group of people to work with, and the diversity and range of projects.

So one minute we might be talking about something to do with climate change or sustainability, and then 20 minutes later I might be talking about disclosure of audit fees in a particular section of the annual report. Just that diversity in projects and topics and even across sectors, so between not-for-profit, the private sector, and public sector means there's never a dull moment in the standard setting world. Not to say I haven't enjoyed working directly on advisory and consulting projects. I loved that as part of my time in Big Four, and also in terms of research and teaching in financial reporting at university. But standard setting absolutely for me is my passion and where I see – I guess if I'm still going to call myself an accountant, which I don't very often these days – is where I see all those things come together and we can make the biggest difference.

A: That's fantastic. I think the other thing – and this comes up often with other podcast guests as well – is the importance and relevance of other people that we interact with who have influence over our careers and

decisions that we might take and directions that our career might move in. You're in exactly the same situation with some fantastic people that have had the opportunity of interacting with in those early days.

N: Absolutely.

A: So where does the initiative for a new accounting standard emerge? Where do these things come from? How do they sort of bubble up, if you like?

N: It's a good question, and something that may be in the broader accounting and reporting environment that people are unaware of where these ideas come from or how we actually start the standard setting process. And there's a few different starting points for a new accounting standard. Probably most often or commonly, there could be an issue arising in practice. It could be something that's highlighted by regulators, by preparers, auditors, or even users. They may come to us and say, "We've got this gap in the literature," or, "There's a particular issue that we're dealing with in practice that we don't think the current standards are dealing with either at all or adequately," and often it's a question in terms of clarification or trying to understand how to account for particular issues. It could be something that's very narrow in scope, or it could be something that's much more fundamental.

Often we don't know that when the question is first asked, but as we start researching and trying to understand the issue in more detail, that comes to light. So these days we've got quite a broad range of accounting standards already in existence. So a lot of the issues will either be rewrites of existing standards or amendments to standards. But, that said, the work of standard setting is never done. There are always new issues to be dealt with. A good example of a recent rewrite would be, for example, the leasing standard. We've had a leasing standard in Australia and internationally since the mid-70s. People have been well aware of leasing, and there's been requirements for many, many years, but it was very evident over time that those requirements in terms of splitting operating leases and finance leases was no longer fit for purpose in the modern environment.

So over a number of years, a new model of accounting was proposed which would bring all leases on balance sheet rather than distinguishing between the types of leases. So that's something where we'd say, well, there was already a standard in existence, however over time there needed to be changes. But that project overall took around about 15 years to complete. It was extremely complex at the international level and also within Australia. Not all projects will be that big, but that's a really good example of one that was quite extensive. Other ways the issues come to the surface is through academic research. We're very connected into the academic community and we do have a research team that works directly with the AASB.

A good example we're currently investigating at the AASB is the intangible asset standard and whether the intangible asset standard is striking the right balance between recognising intangibles, disclosing intangibles, or otherwise expensing things that would otherwise be intangibles as the amounts are incurred. Much of the initial thinking that we're doing at the moment is being driven by academic evidence on the impact of intangible reporting by firms. If you look at what's happening in practice, there's not much to see because the information isn't there. And what we're looking at is what's missing. Why is it missing? What do users need to make their decisions, and how can we close that gap as standard setters?

We're working very closely with the academic community to look at evidence that we might need to develop some of these reporting alternatives, to start developing some proposals for future standard setting. And we're also working in that project internationally, so we're working with other national standard setters internationally because, aside from being collaborative and really enjoying that process, the different perspectives you get from other organisations is really invaluable to understanding some of the alternatives that we might start to consider for future standard setting. So that's a really fun project and something that hopefully in the future we'll see some improvement to the intangibles reporting.

A: Excellent, excellent. Now, for the uninitiated, you've briefly summarised the process of the development of a new accounting standard. So what's the process from start to finish?

N: Sure. We have what's called due process, and I guess it's important to distinguish between domestic and international requirements. So if I first focus on what would be a domestic or Australian-based standard. Say,

for example, a new standard on not-for-profit entities. We've got a framework within Australia which outlines the process for standard setting and how we go about working through developments, and that gives us our guidelines for when and how we can develop things for not-for-profit entities in Australia. Now, that's really important for us as a standard setter, because the standards we set in Australia are legislation.

So ensuring that we have adequate and transparent due process is critical to ensure there's trust and confidence in what we're actually developing for entities to apply. But to answer your question, Albie, the first thing we do when we're looking at the process is ourselves as AASB staff. We identify research and define the issue. So that's a lot of the behind-the-scenes stuff. At that point we haven't got the board involved; it's really at a staff level to say, well, what do we think the scope of the issue is and what's the problem we're trying to solve? Once we've got a handle around what the problem is we're trying to solve, we'll then bring that issue to a AASB board meeting or meetings for discussion and deliberation with our board members.

And it's probably worth noting for those who aren't familiar with the AASB, our board members are very senior financial reporting and sustainability experts. So I'm talking senior partners in Big Four, senior partners in second-tier reporting firms, leaders of industry, professors, and highly-experienced users. All the discussion that we have at the board table is public. All technical deliberations are done in public. So for anyone who's interested, you can dial in to any of our board meetings and hear the board discuss these issues. From a transparency perspective, that's absolutely critical to our process. How long those deliberations go for will really vary depending on the complexity of the topic. It could be months. It could be years, like in the leasing example. We try not to make it 15 years; that is a little bit extreme even in standard setting terms.

But more often than not, it's more than one meeting to get to a point where everyone's comfortable that we've got a proposal that we can then send out to the marketplace. If I take a step back as a standard setter, one of the really important virtues is to be very patient. There are no quick answers to many of these issues. If there was a quick answer, people probably wouldn't have asked us the question in the first place. They would have sorted it out themselves. But once the board has finished deliberating, our next phase is to move to consultation. And this is when we issue something to the public, so either as a discussion paper, which is a document where we provide some of the board's initial thinking – not always absolute direction on a topic, so more about soliciting direction and ideas from the broader stakeholder group – or we'll directly go to an exposure draft where we include our proposals and what the board thinks is the right solution to the issue.

The ED or DP – exposure draft or discussion paper – is then issued for comment, usually for three to six months. And during that consultation phase is when we have staff not just sit down and wait for people to come back and send us comment letters and see what people think; that's when we go out and actively engage with all of our stakeholders. So we are out having one-on-one meetings, presentations, round tables, trying to solicit as much feedback from as many interested parties as possible. And personally for me, that's one of the parts of the role I really enjoy the most, going out and talking to stakeholders about what they think about our proposals. We'll often also discuss these internationally as well. Particularly in the not-for-profit sector, currently what we find is there's some really strong international interest in a lot of the leading work we're doing in the not-for-profit space. Australia is very much seen as one of the leading standard setters for not-for-profit entities, so there's a lot of international interest in what we're doing there.

What we do following getting all that feedback is trying to bring it all together, analyse it, and create some consistent themes for our board members. I mentioned who our board members are; they're extremely busy people. They don't have time to sit and work through everything we've done as staff, so one of our really key jobs is to synthesise all of that information so the board members are then able to get the information they need to make their decisions. As staff, we need to balance the different views. It's very, very rare if everybody is in agreement on our proposals; it's very often that there's more than one view. So as staff we need to balance those different views and then provide recommendations to the board. The board, when they're discussing those recommendations and the feedback, one of the key things they do is then take a step back and consider whether there's any amendments needed to be made to the proposals.

Sometimes those proposals will need to go back out for comment, so if they're substantive changes they'll need to go back out for comment.

And then assuming everybody then gets on the same page and is happy with the proposals, then they can be finalised. Very occasionally, we put something out for comment and the feedback comes back as, "This is not what the market needs. This is not solving the problem that you thought you were solving," so sometimes projects are dropped and that's the end of a particular project. It doesn't happen very often, but when it does happen there's a lot of learning that can be done in those processes. But again, as a standard setter we need to be very aware of the fact that listening to the feedback and understanding where people are at doesn't always necessarily align with what we thought and be ready to pivot and change our thinking depending on what the external people are also thinking. But hopefully, and in most cases, we do finalise our proposals as a standard; we issue it.

But we still have a role after the issuance of the standard. We don't just hand it over to the world and say, "That's it; our job is done." We then have a role in educating our stakeholders on the new requirements, so again we go out, we do webinars, presentations, and issue the snapshots and all other sort of summary documents so that people in practice are able implement our proposals and understand them. And then people go out and actually apply the standards. A few years later – so usually three years after the implementation process – we then go back out again as a post-implementation review and ask our constituents again, "Are these proposals working in practice?" So this is what we thought was going to happen; this is what was intended. But is it actually working as we thought it was going to work? So that's called a post-implementation review.

Depending on the feedback we get from that, we may need to then do some more amendments to the standards as part of our process. So as I said at the beginning, the jobs of standard setters are never done. It's a good and a bad thing, but they're very iterative in nature, so it's not just the standards that change over time. It's also practice and the challenges that are faced by entities in the environment. If you think of the changes in technology, all of those things happening over time mean that our standards need to stay current. We're always looking at how they can be improved.

I guess to close off on the process – I probably made that sound a little bit more complicated than it actually is. It is actually a very structured process and something that I find very useful as a standard setter to know where we're at. All of our decisions are public, and we're very conscious of the fact that what we do actually creates a real cost for preparers. There's huge benefits to our standard setting process, but there are also costs to preparers in terms of implementing. So our key role, I guess, obviously overall is to make sure that the standards that we're developing are fit for purpose, and that's a role that we take very seriously at the AASB.

A: Excellent. So what are some of the present challenges from where you sit that are facing accounting and accounting standards?

N: So many. No shortage of challenges in standard setting, and I guess for the profession generally currently. I see that as a positive thing; there's no shortage of opportunities. So I've been working in accounting and standard setting over 20 years or so, and the role of accountants generally has evolved so much over that time. Over the next few years, I expect that to change again, probably inasmuch significance as it has over the last 20 years in the next two to three. Financial reporting has been a source of criticism over the last few years or over many years as lacking relevance or somehow declining in relevance.

And we could talk all day about that as a whole other topic, but I think the evidence in terms of the very high demand for accountants across so many different fields and levels at the moment means that one of our biggest challenges is actually currently having enough staff with the right skills just to be able to complete the work. And that's a skill gap not just in Australia, but it's also internationally. So the challenge is an opportunity for particularly people currently thinking about enrolling in accounting moving in two or three years down the track, accounting – coming back to my first comment – is not what you think it is. It is so much broader; there's so much opportunity, and the boundaries of what you might have previously called accounting 20 years ago have changed so much.

The journey's never finished in standard setting but also in accounting generally. It's part of the fun of standard setting. There's always new topics, new issues to address. One of my key challenges just generally is prioritising our work and prioritising how we go about addressing those. We don't have an infinite number of resources and budget to deal with all of those potential issues and they're all fun and interesting. We need to be able to prioritise what's urgent and what's most important, and making sure we're able to deliver those projects. Also if I go back to standard setting more specifically, for ourselves as the AASB we also need to be very conscious of the fact that we work across three different sectors.

We work across for-profit, public sector, and not-for-profit. So we don't just need to balance those challenges across projects; it's also across sectors as well, which is not an easy thing to do year-on-year, but over time that is our aim. So I guess I'd say there's no shortage of challenges, but if I wanted to summarise the main one, it's most definitely making sure we have enough resources, enough really highly-skilled people, to be able to work in the field and create and work on the topics that need these solutions. And, as I say, it's not just in standard setting. It's actually across the board in the profession.

A: Yeah. So given all of that, what are you currently working on?

N: So for the last few years I've been leading the technical team as the Technical Director, and most recently I've been promoted to Acting Group Technical Director. What that represents is the fact that the AASB has recently taken on responsibility for setting standards for sustainability reporting as well as financial reporting. Where traditionally I would have just looked after the financial reporting side of standard setting, I'm now responsible for both teams, so financial reporting standard setting and also sustainability financial reporting standard setting. It's a significant change in financial reporting in Australia, not just at the standard setting level, but I think also just more broadly for preparers as well.

A: Yeah. I must say, your enthusiasm for financial reporting and accounting standard setting is, I'm guessing, close to unmatched, so it's very exciting. It's an area that I'm not as familiar with, so the goings-on and the work that the organisation confronts – and I think the responsibility that comes with all of that is just huge in terms of trying to meet, as you've indicated, Nikole, the needs of all sorts of different stakeholders and trying to meet those needs as best as you possibly can within the restraints of resources and so on. Just one more before we finish. If you were to put your advisory hat on, what is your advice to, say, current undergraduate students or maybe someone who hasn't even started an undergraduate degree, particularly those contemplating a career in accounting, and in particular financial accounting? What advice would you offer?

N: Good question. I say just go for it. Accounting I very much see as a label and, as I've mentioned, it's such a broad area and I'm not sure that "accounting" as a single term is enough to actually capture what it is that accountants can do. But your career as a student, as you graduate – your career is what you make it. It's what you craft from what you learn at university and what you learn going through your career. These days, I don't generally refer to myself as an accountant. I generally refer to myself as working in policy development or standard setting. But I can think of no better training than accounting and an accounting major or a degree at both an undergraduate and postgraduate level.

It's something I'm extremely grateful for all those years ago I made the change to actually do the accounting major and study the BCom, because the skills that I've gained, even though a lot of those on a day-to-day basis now I don't use, the foundation and those fundamentals have stayed with me all of those years later. And even as those who are looking to graduate now and are thinking about what's next at a postgraduate level, moving into and studying something like CPA and CA to round out your undergraduate training I see as a really critical step to gain those really strong technical skills, the analytical skills, the critical thinking skills that are in demand across the board. For any student that goes, "Well, I don't want to be an accountant," I guess I would say I'm not sure you actually understand what an accountant is, because I certainly didn't understand what an accountant is or what an accountant does even when I thought it was going to be a fun thing to do as a job.

Regardless, I would say it's a fantastic base for most careers. But for those students with a particular interest in financial accounting and maybe even for those who don't think they're interested in financial accounting,

there's such a broad area of careers that are possible with those foundational skills. Choose your own adventure, choose your own career, but get the foundation. It's not all spreadsheets and month-end reconciliations, and for me it's never spreadsheets and month-end reconciliations. I've only just recently purchased a calculator; I haven't owned one for about 20 years, and that was only so I could study my exec MBA.

For anyone who's uncertain or for all students, I'd actually encourage you to reach out to alumni, people who've been through the journey, people already working in the area, so practice, audit, preparers. Find out what they really do. Grab a coffee. What is it they do day-to-day? Ask the questions. "What does your job involve? What do you love?" And then sit back and ask yourself, well, what do you want to do? What do you want your career to look like? Obviously, as I said, I do love my job. I love what I do. Working in financial accounting has given me so many different opportunities, and they're not just career opportunities, but opportunities to travel, live overseas, meet so many interesting people.

That's another part of, say, for example, financial accounting I would spruik because our financial accounting language is international, it's IFRS. There's a lot of different opportunities that that opens up even with starting with a base in Australia and moving overseas. Those opportunities exist very much because we've got that common language. So I guess overall I'd say I'm very grateful for those opportunities that I've had and I'm grateful for the fact that choosing to study the BCom with accounting all those years ago has led me on a probably less obvious path for accounting, but something that I love and enjoy going to work every day.

A: Great advice, Nikole. I think we can say that phys ed teaching's loss is the accounting profession's gain, so all the better for us. This has been a pleasure. Thanks for joining us here at TAPS, Nikole. Fascinating insight into financial reporting and accounting standard setting and your role within all of that and having an insight into your career journey. It's been a lot of fun and we wish you well in your current and future endeavours. Thanks for joining us here at TAPS.

N: Thanks, Albie. Thanks for having me.