

3rd April 2017

Hi Members,

I would like to respond to the detailed memo of 16th March 2017 from the CPA Australia Board.

I also encourage members to read this carefully, have a look at the website we have established for all members to discuss these matters (cpamembers.org). This response is not to provide a 'comprehensive review' of CPA Australia. It is rather to answer the specific and fundamental issues that face CPA Australia because of a decade of neglect and misadventure by the leadership.

Factual matters: Let me say from the start that if there are any inaccuracies of fact on my part, then that is generally because CPA Australia are so minimal with their disclosure that we are often left to deduce and estimate. Only too happy to apologise for them where evident.

I would like to think they will do the same, but to date they have adopted an aggressive attitude, and absolutely refuse to do so. (I'll try to remember to point them out as we go through but Tyrone Carlins clearly false claim in his Directors Profile is one to keep an eye on. Perhaps in 2017 Annual Report?).

But it isn't in the factual matters that the real issues lay. Rather it is in the more fundamental areas of many of the assertions made. And on them I certainly do not recant, rather I am growing in my conviction that there needs to be a major overhaul of the Board and Senior Management at CPA Australia and the direction of our organisation. I shall address these as I see it, and allow others to add their 'two-bob's worth' as they wish.

Fundamental to it all is the belief that a small group of people have taken control of our organisation, have altered the constitution (with minimal votes by the members to comply with the law) to solidify their positions and approach. They have personally benefitted enormously (both in financial and public exposure terms), have used minimum disclosure rules, and an almost iron-fist approach to censorship of dissenting views, to not be open and transparent with the membership. In so doing they have strayed from the constitutional objects of CPA Australia and have devalued the profession and the CPA designation.

There needs to be a radical overhaul of CPA Australia and this needs to include an independent inquiry and review into the remuneration of the board and senior executive, the corporate governance and the marketing expenditure.

That is the context within which I believe this response needs to be read, and also the memo from the Board at CPA Australia.

Let us not be deluded into thinking these things can be covered up by an overpaid senior executive and board who are clearly fighting for their positions and in some case their reputations with a 16-page memo that reads like it is. A sales job.

Let's get real on these matters, and not pussy foot around the issues. Any questions on these matters go and discuss them freely with other members and comment on the website we have established.

Cheers

Brett

Brett Stevenson CPA BComm MDiv

Just an ordinary but concerned member on an income considerably less (very considerably less) than those who wrote the 16 page memo from head office, and done in my own time not CPA Australia's time.

N.B. I have added a couple of separate topics to keep the interest.

An Awards Night following the CPA Australia AGM held at the Vladivostok Social Club, and A Fly on the Wall Tale from a recent meeting (you guess the participants and the place).

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INTRODUCTION

I would like to start this response with a number of relevant quotes

1. “A distinguishing mark of the accountancy profession is its acceptance of the responsibility to *act in the public interest*. Therefore, a Member’s responsibility is not *exclusively to satisfy the needs of an individual client or employer*.”¹ If any of us are members of CPA Australia, or CAANZ, or IPA) this is mandatory for us. Some of the issues being raised by members, including myself, in relation to what is happening at CPA Australia touch on this distinctive of our professional obligations. I especially remind members who are CPA Australia staff, as well as directors, committee members, divisional councillors and other group leaders, just as I remind myself. There are some fundamental and principal issues involved here, and I would suggest that we all need to consider our approaches and responses as if these matters were subject to a closer independent review and investigation, which I am hoping will be the case on certain matters.
2. “As a professional body, with many of its members active in the governance of businesses, government and non-profit organisations in the community, CPA Australia must *operate and be seen to operate with great integrity and at the highest standards of governance for professional associations*. The governance framework must continuously improve along with those standards.”² This was the basis for the governance review done at CPA Australia in 2006. How far we have strayed from such a standard as we look at these issues. You just need to quickly read what two Professors from UTS Business School recently said to emphasise this. “...how ironic is it that the very profession charged with ensuring corporate transparency should themselves have for so long maintained disclosure practices that, while within the law, fall far short of those required in the corporate world?”³ “Not only with regard to their CEOs' pay, but with reference to every aspect of their activities and finances, these professional bodies should set themselves as models of continuous disclosure and transparency.”⁴
3. “The Enron affair illustrates just how quickly a company can go from good to bad when those at the top respect only nonethical values, such as power, wealth and fame, rather than the ethical values of honesty, integrity, and responsibility.”⁵ I would suggest CPA Australia has moved a long long way from its roots of serving the profession and its members. We have become a laughing stock in the public arena, and are now branded for all the wrong reasons.

¹ APESB 110 Code of Ethics for Professional Accountants p.12.

² CPA Australia Governance Review done by Cameron Ralph in 2006, p.23

³ AFR March 20th 2017 *Chartered Accountants, CPA should reveal all pay details*. Stephen Taylor. Professor of Accounting UTS Business School.

⁴ AFR March 23rd, 2017. Letters: *CPA hypocrisy too much to bear*. Professor Thomas Clarke, Director, Centre for Corporate Governance, UTS Business School.

⁵ Ethical Obligations and Decision Making in Accounting 4th Edition, Steven Mintz & Roselyn Morris, McGraw-Hill 2017 p.451.

4. "I have spent all my life under a Communist regime, and I will tell you that a society without any objective legal scale is a terrible one indeed. But a society with no other scale but the legal one is not quite worthy of man either."⁶ CPA Australia may well be compliant with the the letter of the law in relation to disclosure and governance matters but it is so far removed from the spirit of the law that it mocks the first item in the CPA Australia Directors Code of Conduct⁷ which says "A Director has an obligation to always comply with the spirit, as well as the letter, of the statute law." Their talk and their walk do not match on these issues.

Unless we as members are prepared to come out and speak openly on these matters, and force change, I fear that the CPA designation will be cheapened and the accounting profession will be denigrated. It is that serious. If we remain silent now we only have ourselves to blame for what is occurring, and what will continue to occur. I believe the leadership of CPA Australia at both Board and Senior Executive level have failed us badly, and we need to correct it.

My response to their memo is my attempt to start to do that. I shall put their memo in purple so you can easily distinguish.

CPA Australia has a long, proud history and it is with considerable pride that we can say our business has never been stronger and our reach has never been broader.

Our strategy of growing our brand and broadening the audience, providing access to knowledge and advocating on behalf of members, the profession and the public interest has been clearly articulated since 2009 and reported in every annual report since that time.

The strategy is built on member feedback on key matters of importance to them. Given we have more than 160,000 members there will always be diversity of views, however our strategy is built on feedback across the membership base gathered through multiple channels and these matters have remained consistent over time. Our focus on the delivery of our strategy has seen the organisation deliver combined surpluses of \$58.5m (actually this is overstated by \$6.6m, the total over the last 8 years was \$51.9m) over the past eight years compared to \$32.2m delivered in the preceding 122 years. It's helpful to keep in mind that the cash balance in 2009 roughly equalled the net assets then, just as it does today. So CPA Australia is a 'safe' organisation with most revenue almost guaranteed each year via membership fees, education and professional development and a very large 'bank' balance equal to our equity value. This has allowed us to continue to invest in the business to provide better service to members (I do not think so. Better service to members and the profession has not been a high priority. Rather it has been self promotion of the Alex Malley brand, and significant increases in remuneration to the board and senior management especially.)

With a strong financial position, a global footprint of recognition and an internal culture of passion and integrity our business continues to thrive. I would challenge that description and say it has developed an internal culture of loyalty to Alex Malley and his acolytes who brook no criticism, and integrity is definitely not the word that comes to mind when I think of their less than open and transparent, and minimum disclosure adherence. Integrity is not the word that describes the personal and remuneration benefits many in the leadership clique at CPA Australia receive. I would call it the opposite.

Interest in our brand is unprecedented. From people who go to see The Australian Open which we sponsor for an undisclosed sum, or the NBL (of which Graeme Wade is Chairman – no conflict of interest, a commercial arms length transaction. Sure. See later) to whom we gave \$736,000 or who see Alex Malley plastered on billboards all around the country, or doing inane interviews with the likes of Henry Winkler on TV programs we pay for. I guess you could the interest in the CPA brand is unprecedented like the interest in the Kim Kardashian

⁶ From Alexander Solzhenitsyns Commencement Address at Harvard University 1978

⁷ CPA Australia Directors Code of Conduct.

brand is unprecedented. What the CPA Australia leadership have forgotten to emphasise is that a big part of branding is not just the name recognition but also what the brand means. And to many it is about as silly as seeing Alex Malley's face planted everywhere. Nothing to do with the accounting profession or the members. Its great branding for Alex Malley with CPA as a postscript of ridicule and scorn. More people are joining, joining from other bodies, and staying as members than ever before. This includes the sign-up of around 600 CAANZ members in recent times. Our staff, led by our chief executive and the executive leadership team, continues to deliver against the organisation's strategic objectives, as directed by the Board. And what exactly are those strategic objectives ('as directed by the Board', that's a subtle Graeme Wadeism to say 'leave it to us Alex, we'll take the heat on this'. Give me a break please – a 'foolish man endorses folly' is what comes to my mind)? Well they have been summarised in CPA Australia's first response to criticism on 2nd March 2017⁸. They are brand enhancement, drive advocacy and create/disseminate knowledge. If promoting Alex Malley is brand enhancement, and interviewing Henry Winkler is driving advocacy, and disseminating knowledge is promoting The Naked CEO, then they have succeeded beyond measure. Refer to my group email 6 of 5th March where I discussed this in more detail.

The questions recently raised make it clear that some people are, at best, taking a cursory glance at our annual reports or Notices of AGM. That's is crap. Cursory glance at minimal figures such as a one figure amount for remuneration of the 15 Key Management Personnel (12 of whom are directors), so we are left to deduce what they were paid. A cursory glance is all that is needed to see that CPA Australia have not given us full disclosure but compliant minimal disclosure to ensure anything more than a cursory glance reveals nothing.

I'm glad you mentioned the Notices of AGM because they will be dealt with in detail in showing the weak corporate governance model that we currently have, and the way CPA Australia have extended the board limit terms of three of the original directors (Wade, Petty, Ryan) back in 2007 from the then 6 year term maximum, to be still serving now (even now it's a heck of a lot more than the now maximum 9 years). The constitutional changes in 2012 and 2014 which we are told had overwhelming member support with supporting votes of 138, 147, 143, and 462. Those changes have been used to cement a tight-knit group of people in the leadership of CPA Australia.

None of this was revealed by a cursory glance at the annual reports. No most of it was revealed because we had to dig a lot deeper into areas which have displeased the CPA Australia leadership.

At the 2016 AGM the President explicitly addressed many of the issues that have been raised publicly including discussion of the quantum of marketing spend and the profile of the chief executive. The President's AGM address was made available on the CPA Australia website following the AGM. What you fail to mention is that when questions were asked by members at the AGM, President Wade provided aggressive rubbish answers (such as the reason for not disclosing KMP remuneration fully was because of the risk of them being poached!!) and that when the questions started to probe a little more deeply beyond the sales job speech, he closed the meeting as he had to attend a family members birthday party. The CPA Australia leadership come up with these 'all these matters subject to scrutiny at the AGM' excuses when in reality the probing questions are never allowed to be asked. This year they moved the AGM to Singapore to specifically avoid such scrutiny.

We encourage all members to read the information available on our website and in our annual reports for a comprehensive view of our performance. Here they fail to mention that CPA Australia leadership have dismantled much of the information on the website such as the names of the Representative and Divisional Councillors, and Discussion Group leaders, and the Find A CPA link, and censored the LinkedIn Discussion Group, and threatened and intimidated

⁸ Refer cpamembers.org website for copy of this memo.

members who ask questions on these issues. All to avoid discussion and airing of these matters among the wider membership. The annual report and the 16 page memo are sales jobs to ‘push their own barrow’ and certainly not to be open and transparent with the membership.

The facts (be a little sceptical of their use of the word facts, as you will see as you read through) relating to the matters raised are laid out in the following sections and cover:

You will note I have changed the order somewhat and highlighted some as main topics rather than sub-headings. See my contents summary above.

- Governance
- Strategic focus
- Value to members
- Fiscal responsibility
- Sports sponsorship
- Social media and website access
- Responding to media

EXECUTIVE AND BOARD REMUNERATION

I regard this as the litmus test of the integrity and credibility of the leadership at CPA Australia. And for the following good reasons. I have written in detail on this in my group emails so rather than traversing the same ground can I refer you to them, especially numbers 3,6,11,11a,12. Just have a quick look at the below summary based on the 2016 Annual Report. These levels of remuneration should horrify all of us into asking what is really going on at CPA Australia.

CPA Australia				
Excessive Remuneration of Key Management Personnel (KMP)				
Lets look at 2016 as an example				
Auditor General of Australia's Salary Package in 2015				\$705,030
Total Remuneration of Key M'ment Personnel at CPA (note 18, 2016 a/r)				\$5,508,000
This comprises payment to:		1. The Board of Directors		President
				Deputy Presidents
				Directors
		2. Three Senior Managers		CEO - Alex Malley
				COO - Jeff Hughes
				COO - Adam Awty
CPA Australia refuse to provide any more detail on the breakdown than this one total amount.				
We can determine the max. directors can be paid as it is laid down in the constitution (clause 45)				
Thus the maximum directors fess that can be paid is		Individually	Total	No. of Directors
President	60% of A-G salary above)	\$423,018	\$423,018	1
Deputy President	25% of A-G salary above)	\$176,258	\$352,515	2
Directors	15% of A-G salary above)	\$105,755	\$951,791	9
			\$1,727,324	
Thus of the \$5,808,000 paid to KMP the max. for directors was \$1,727,000.				
Thus the three senior managers were paid a minimum of \$3,781,000				
That is an average salary for each of the 3 senior executives of \$1,260,000				
The obvious question is how was it divvied up? How much was Alex Malley as CEO paid?				
These amounts (for directors and executives) irrespective how they are divvied up to individuals are OUTRAGEOUS				
For directors because				
up until A Malley's reign at CPA all directors were voluntary (except for Pres).				
if they are not getting the maximum, what % are they getting? Is it 95% of 15% of the maximum?				
for the President to be receiving this amount is obscene				
the total quantum on directors is more suited to a bluechip company				
For senior managers because				
the minimum average is over \$1.2 million each. The divvied amounts would horrify us esp. to Alex Malley.				
for a membership organisation that is both obscene and outrageous.				
What if the directors were not paid the maximum, which we are told they are not?				
well the difference would go to the three senior managers				
e.g. if the directors in total were only paid \$1,200,000 then the three senior				
managers would have been paid \$4,308,000 between them That's an average of over \$1.4 million each.				
Words cannot describe the obscenity of that level of remuneration.				
Refer the history of the Nominations and Remuneration Committee to see why I believe this				
involves a major corporate governance issue at CPA Australia and touches on some basic issues				
Two of the three directors who have served on the board well past the normal 9 year term limits have				
been on this committee the whole time (Petty and Ryan, except for 2014 for Ryan), and the other long				
serving director (Graeme Wade) is currently the Chairman of the committee.				
This committee is the all powerful board committee in terms of remuneration and board appointments				
The N&R Committee charter provides the three senior managers (CEO, two COO's) almost 'red flag'				
access and influence with this committee.				

Board remuneration and chief executive remuneration is in line with the market (that is a bald-faced lie because we are paying our key management personnel on average (because that is the only definite figure we have to work with) double what comparative organisations are doing, and compared to public companies we are way way over the top.

REMUNERATION - Professional Organisations in Australia						
Key Management Personnel(KMP)				Based on 2016 Annual Reports		
Organisation	Board Number of people ('FTE')	Executive	Board Remuneration	Executive Remuneration	Average Remuneration of KMP/per person	Reference
CPA Australia	12	3	\$5,508,000		\$367,200	p.89-90, Note 18
CAANZ	12	8	\$3,792,000		\$189,600	p.87-88. Note 20
IPA	12	not disclosed	\$ 64,350	not disclosed	can't calculate accurately	
Engineers Australia	6	15	\$3,649,000		\$173,762	p.36-37, Note 25
AMA	12	not disclosed	\$2,501,000		can't calculate accurately	p.62, Note 23

CPA Australia Director Remuneration						
Lets Get Some Perspective Schedule						
Organisation	Non-Executives					
	Annual Revenue	Chairman	Deputy Chairman	Directors Average	Total Directors	Total Board Fees
CPA Australia	\$170 million	\$420,000	\$175,000	\$105,000	12	\$1,715,000
Harvey Norman	\$1,800 million			\$120,000	4	\$480,000
CBA	\$23,500 million	\$850,000		\$300,000	10	\$3,850,000
Super Retail Group	\$2,400 million	\$300,000		\$137,000	6	\$986,000
Lend Lease	\$15,100 million	\$700,000		\$270,000	8	\$2,860,000
RCG Corporation	\$438 million	\$170,000		\$75,000	4	\$405,000
Nufarm	\$2,800 million	\$330,000		\$160,000	7	\$1,290,000

Looking at the total non-executive board fees in relationship to the annual revenue across organisations helps gain perspective. It is not a perfect 'benchmark' but it sure does provide a 'ball park' indicator that CPA directors are grossly over-remunerated currently.

, based on regular advice obtained from independent remuneration consultants. I think the Board had best tell us who these “independent remuneration consultants” are because we are heading into Enron scale rip-off territory here. Additionally, the chief executive remuneration is also recommended by the Nomination and Remuneration Committee and approved by the Board. And who is on this committee? In 2016 it was Graeme Wade as Chairman (he was the immediate past president of CPA Australia), Tyrone Carlin (the current President), Kerry Ryan (who has served on this committee for 8 of the last 9 years), and Jim Dickson, replacing Richard Petty who had served on this committee for the previous 6 years as Chairman. Wade, Petty and Ryan have been directors ever since Malley became CEO, and have had their terms extended by special constitutional amendment beyond the normal 9 year maximum term. We have read of the close connections of Malley, Carlin and Petty at Macquarie University back in 2006, and the alleged sacking of Malley by the university. When you put all this together, along with the power of the Nominations and Remuneration Committee, and the exorbitant levels of these remunerations we have to ask some serious questions. Should this be referred to ASIC for starters? Surely we cannot allow this close-knit group to almost determine their own exorbitant levels of remuneration without any form of redress from the membership. We cannot vote at the AGM on remuneration, we cannot vote directors off at the AGM. Our organisation is moving into dangerous territory. I suggest we need an independent inquiry into remuneration at CPA Australia.

Similarly, staff remuneration is also regularly benchmarked by external remuneration specialists. Well, we have seen what that means for the three senior executives. This is horrendous. I would suggest the external remuneration specialists you have used should hide their heads in shame just as the board and three senior executives should.

Remuneration includes performance payments based on achieving Board-approved key long-term incentive and

short-term incentive performance indicators linked to the company's strategic objectives. CPA Australia employs a broad-banded classification structure and remuneration strategy. That is just management speak to excise these exorbitant salary levels.

CPA Australia is a company limited by guarantee and as such our key management personnel reporting requirements are governed by the Corporations Act 2001 Section 300B paragraph 3 and AASB 124 Related Party Disclosure. Together the Corporations Act 2001 and AASB 124 do not require companies to report remuneration for key management personnel on a banded (individual) basis. They do require that aggregate remuneration be split into five nominated components. CPA Australia has complied with this. AASB 124.17 states that an entity shall disclose key management personnel compensation in total and for each of the following categories:

1. short-term employee benefits
2. post-employment benefits
3. other long-term benefits
4. termination benefits, and
5. share-based benefits

This is the sort of minimum compliance excuse with meaningless information excuse.

The Chartered Accountants Australia and New Zealand (CAANZ) remuneration of key management personal annual report disclosure is consistent with CPA Australia, as is that of the Australian Institute of Company Directors, Engineers Australia, and the Institute of Public Accountants.

And this is a big issue with all membership organisations who purport to establish standards for their professions yet exhibit the bare minimum themselves. It is a big issue with the AICD, CANZ currently, as with others. But whichever one you look at they pale into insignificance compared to what CPA Australia is paying. We are paying an average of double. This is almost criminal.

Changes to Article 45 of the Constitution, which deals with Director remuneration, were approved by members at the 2012 AGM.

The amendments, detailed as Special Resolution 2 in the Notice of AGM, changed the remuneration provisions for Directors to remove the need to pay Directors (including the President and Deputy Presidents) a minimum percentage of the Auditor-General of Australia's total salary package, if the minimum exceeded market rates. Under what is allowed in the Constitution and taking into account the organisation's capacity to pay, neither Directors nor staff are remunerated excessively to the detriment of the organisation. The office-bearers have not received a remuneration increase in three years, and no Director is remunerated at the maximum allowed under the Constitution. Until you tell us what % of the Auditor Generals salary they directors are being paid these sorts of statements are meaningless.

The role of the President and Chairman is multifaceted. In addition to traditional governance requirements, the role includes significant international ambassadorial functions, with commitments to member engagement activity and advocating with international bodies, regulators and governments across our various geographies. Well let's take a look at the what the Governance Review said about the president and the justification for the increase in his remuneration to 60% from 40% of the Auditor-Generals salary, and the subtle change to the constitution that enabled directors to be paid directly rather than to their employer.

The Governance Review done by Cameron Ralph in 2006 recommended that the Presidents remuneration be increased as per above based on him/her putting in 3 to 4 days work per week on CPA Australia⁹. Putting aside the whole matter of the current President being a full time employee as Deputy Vice Chancellor at Sydney University, and their attitude to this (which really does need some sort of clarification) it does raise the question of just how can he do this, and hoe he can justify whatever remuneration he receives. He is also serving as Director on CPA Australia Advice which raises even more questions given that those

⁹ "We advocate more realistic compensatory remuneration for both the President and Deputy and a limited arrangement of remuneration for the other Board Directors. The intention is simply to recognise the actual required workload involved in these positions today. We suggest that the President is remunerated on the same basis as currently, but that the total possible amount reflect the reality that Presidents are spending 3-4 days per week, including weekends, on CPA Australia business – not the 1 ½ - 2 days envisaged by the current formula."

directors are also remunerated separately. More on CPA Australia Advice next.

The KMP cost for 2016 includes additional payments made to the Directors of the new CPA Australia Advice subsidiary. The subsidiary has four Directors from the parent, one external Director and four executives from the parent. Now this is where we have concerns. Three of the four directors (Carlin, Wade, Petty) and three of the senior executives (Malley, Awty, Hughes) all are major players in the above excessive remuneration summary, and 5 of the 6 have been in their positions at CPA Australia at least since Alex Malley became CEO (if not before). That should be a concern to most members. We have been told in Note 18 that the \$5,508,000 includes CPA Australia and its subsidiaries, so it includes directors fees paid by CPA Australia Advice, and we have been told in this memo. That no director has been paid more than the maximum allowable, so we can deduce that the chart above which shows the maximum paid to directors is correct. You cannot now say these directors were paid above the maximum because of what CPA Australia Advice paid.

That is why we believe the remuneration at CPA Australia requires an independent inquiry and that the current board need to go. You may fight it, but at these levels this is a rort, and this is being run like a fiefdom for the benefit of a few in leadership.

GOVERNANCE - Part 1

I shall try to keep this brief, but it's hard to do that without being superficial and treating this matter with the seriousness it deserves.

This is in three parts – a brief summary(A), a more detailed response (B) and finally specific responses to their 16th March memo (C). I have attached schedules of the Board Committees and the Representative Council memberships at the end (pages 23 & 24).

A. Summary

If you want a quick summary, this is it – CPA members do not elect the directors and they cannot remove them.

The Representative Council is a rubber stamp to the decisions of the Nominations and Remuneration Committee which effectively selects directors.

CPAA has very few and very poor checks and balances from a corporate governance perspective such that members have lost control of the organisation to a select few who have benefitted enormously both reputationally and financially.

The CPA board and senior executive run a very tight ship (I would say in almost dictatorial fashion) such that a select few being Malley, Awty and Hughes as the senior executives, and Wade, Petty and Carlin in particular on the board, have wielded an unhealthy influence on the governance controls of the organisation over the last decade that we are now seeing the consequences of that in excessive (scandalously so) remuneration levels to the Key Management Personnel, very unhealthy minimum disclosure on critical aspects of our organisation, a very thin skin to criticism or questions by members on these matters, much wasted expenditure both in quantum and strategic direction, a lack of attention to the needs of the profession and the members, and an overall denigration of the CPA professional standard.

There are so many corporate governance red flags flying at the CPAA that when all this is finally exposed the question the general public will be asking is why were you so blind to the obvious and why did you let this go on for so long? Why would we use you if you cannot even govern your own organisation to acceptable standards?

This is why this needs to be exposed now.

Ignore what the current CPA leadership say about threatening legal action against the AFR and in particular Joe Aston, or of telling members my emails are the ravings of a rogue member. Look at the issues and ask whether the saying 'the truth hurts' is perhaps being lived out in our organisation as these matters are being exposed.

I suggest the proper response from us should be to send a note to Michael Stutchbury as Editor of the AFR, or to Joe Aston, thanking them for exposing what we should have done ourselves.

B. A more detailed response

If you want more detail, read on.

Context is critical in looking at this.

It is **foolish** for us to not keep in view some obvious realities. These things did not occur out of nowhere. The fertile ground was provided by the weak corporate governance regime.

The Context necessary to understand governance weaknesses at CPAA

1. **Three of the current directors served on the board when Malley began as President (Oct 2007) then as CEO (Oct 2009).**

These being Wade, Petty and Ryan.
They have been his key supporters.

2. At the time Malleys reign began directors terms were a maximum of 6 years, that was extended to 9 years and for these three specific directors (Wade, Petty and Ryan) it was extended to 11 plus years.

And they are still there.

Why? “to provide a ‘reasonable time for knowledge transfer and succession planning’ (refer Explanatory Memorandum Notice of AGM 2014).

In other words after not just 6 years, nor 9 years, these three were still needed because other capable directors could not be found.

Really. In an organisation with a membership of close to 155,000 no suitable directors could be found?

If you believe that then you need to start seriously looking out your window to see if there are pigs flying past.

3. Over this period Petty and Ryan have been on the all important/powerful Nomination and Remuneration Committee.

Ryan in all years apart from 2014. Petty the same except for 2016. And importantly Petty was Chairman from 2010 to 2015.

And guess who the replacement chairman was in 2016?

Yes, you got it in one - Graeme Wade.

That’s enough to not only have red flags waving but should be a warning of grave danger ahead.

But they pressed on regardless and are still defending it as being okay.

We have been foolish to allow this to occur, but the board especially need a good dose of ‘what the blooming hell were you thinking?’

4. The current three senior executives have also served in this whole period and have grown their remuneration to scandalous levels (refer separate emails).

The board has moved from being a predominantly voluntary role to being a very generously reimbursed one.

5. The main ‘advocates and sellers’ of the current Malley regime to questioning members are Wade (director) and Hughes (COO) - refer separate emails detailing this.

6. Some of the chief characteristics of this Malley regime period that have been cause for concern are as follows

the focus on **promoting Alex Malley rather than CPA** - think The Naked CEO book, tv program, billboards etc. Most members will have queries/concerns on this.

the focus on **growth rather than the profession and the members** - just read the Annual Report to pick up on this. Our stated constitutional objective to lift the profession and members has been relegated behind growth.

the focus on **global reach to usurp rather than align** with international accounting bodies - just ask yourself why are we trying to establish offices in London or NY?

the **excessive remuneration of key management personnel** upon which there is minimum disclosure while at scandalous levels - refer separate email on this.

sponsoring the NBL with a gift of \$736,000 when Wade is Chairman of the NBL - a conflict of interest that needs closer investigation.

the dictatorial censorship from CPA leadership to any criticism or questions - dismantling Find A CPA, threatening group and committee leaders/convenors,
In effect **no expenditure is seen as irrelevant** - overseas trips for staff and board, sponsorships of NBL and Tennis, billboards with no mention of CPA, CEO self promotion etc

Ask yourself what has happened to the professional standing of CPA while this is going on?

7. Marry this with the **refusal of the board to fully disclose** (as opposed to compliance/minimum disclosure) on the above contentious areas - refer separate emails, but remuneration of board and senior executives would have to be the classic example of avoiding disclosure because it is covering up a scandal.

8. **The constitutional changes which have allowed these things to happen have been passed with minimal votes in favour** (2012 it was 138, 147 and 143, and in 2014 it was 462 after 300 proxies were used to swing the vote).

So, despite Alex Malley and Graeme Wades constant refrain that these things have overwhelming membership support, I suggest otherwise. Take with a grain of salt I suggest. But we members have only ourselves to blame for our disinterest to have allowed this to happen. But we can correct it now.

9. **Members never directly vote for board members.** This effectively takes away one of the main powers members have at AGM's to vote for, and remove, directors.

10. **The thin-skinned' and aggressive approach by CPA leadership to these matters being aired freely and discussed members** - Find a CPA dismantled, LinkedIn shuts off discussion, threaten members at discussion groups, take down details of Representative Council and Divisional Councillors from website, categorising members according to their agreement with the Malley regime approach, providing response with considerable 'holes' - refer separate emails.

11. **Major questions regarding connections from Macquarie University days for at least three of the leadership (CEO Malley, President Carlin and director Petty)** - refer AFR media reports, and question marks over Malley's background from Macquarie (sacked?) and his appointment as CEO (not advertised? Petty on Nom and Rem Committee at time, what was and was not disclosed?) - refer media reports and emails.

So let's just look at a few of the areas of the Corporate Governance which have allowed the above to occur while we have been blissfully assuming all was okay.

You can verify all this by referring to the **constitution (esp articles 61-64), the charters for N&R Committee and Representative Council, and the By-Laws of CPAA (esp. 6.5).**

Refer to **Group Email 6**, and also the **LinkedIn discussion (in corporate governance forum)** since removed by CPAA from their website, which are both on our website at cpamembers.org.

These will give you some idea of the issues with the Nomination and Remuneration Committee, and also the Representative Council.

Let me answer with some obvious questions

The Representative Council

Why don't we vote directly for the board?

Because that right has been taken away from us because of the use of the Representative Council which now appoints directors.

In theory we elect the Representative Council but that's just theory and not the practice. Also the appointment of directors by the Representative Council is also theory because in practice that whole process (and selection) is controlled by the board through the powerful Nominations and Remunerations Committee.

One of the major powers members normally have is to elect directors (and possibly remove them) at the AGM.

Not so with CPA Australia, hence why the AGM is a bit of a waste of time for us in that respect.

Just ask yourself what can I do if am displeased with the current board or individual directors?

I would suggest very very little without going through the process we are going through now with the entrenched opposition of the current leadership of CPA Australia fighting us all the way.

Normally you could show your displeasure by voting accordingly at the AGM, but that is no longer an option for CPA Australia members.

That's an automatic red flag if ever I saw one.

Who is on the Representative Council?

It comprises normally 20 to 23 members including the President of CPA Australia who also chairs the council.

Think about that last one a bit to see the obvious red flag.

1. Over 50% of the councillors need to be as divisional representatives (normally elected by the divisions which are effectively geographic areas of members).

These divisions are (to the best of our knowledge because CPA have taken down the details from the website and do not identify them in the annual report.

NSW (2), Vic (2), SA, WA, Qld, Tas, ACT, Greater China, Singapore, Malaysia - **that totals 12**

2. The balance (has to be less than 50%) comprise other groups or committees that the board deem representative in some way of the membership to add to the geographic representation.

I call these demographic representatives, but note that these groups are selected by the board. These comprise groups such as Mature Members, Academics, Past Presidents, Young Members, Staffed Branches (NT, NZ, Europe), Public Sector, Public Practice Sector, NFP Sector, Corporate Sector, SME Sector, International) - **that totals 11**. It cannot be more than 12 so that 11 is the current maximum.

The councillors from these groups are selected by the group (however they want to do that) or the board.

The Representative Council has no power to remove directors.

So what is so wrong with that, it sounds pretty good?

Let me identify some obvious red flags (and we will see some more when we look at role of the Nominations and Remuneration Committee in this process)

1. Can theoretically appoint directors but cannot remove them. Only the board can do that. Recipe for a dictatorship I should think.

A critical aspect of all corporate governance is to ensure checks and balances are there to prevent just that - a controlling clique or poor boards.

We have no such check and balance once board members are in place. We have lost that control.

2. The board approve and select the other groups (virtually 50%). It is their control. They can decide the group and if applicable in any year.

3. How the other groups select their councillors is a dogs breakfast and is open to question as to just who selects them.

So, for example, the mature members sector is represented theoretically by Richard Blakeman who volunteered himself, the board accepted him and so he represents mature members.

Just ask how were any of the groups representatives selected. Were all academics canvassed with an selection? How about all young members? how about all members in the SME sector?

Were all the members who belonged to these groups sent a ballot paper with the nominations for directors and asked to vote?

No, they weren't.

Well, the board has the power to determine how they are selected which effectively says they can determine who the representatives are.

"Look, that mature members group/person in Sydney is always asking questions about executive remuneration, I reckon we should ignore them and lets take this guy from Victoria who volunteered .

He's a real keen supporter of ours?"

How about he past president's representative. Since John Cahill finished his term as director on the board he has been this groups representative.

That's what I call the benefit of continuity.

Richard Mifsud has been the public sector rep ever since 2011. Just more continuity I guess.

Ditto for Ian Raspin the Public Practice Sector representative.

Staffed Branches has had Anne Cutting since 2013.

Prior to Richard Blakeman moving from Vic rep to mature member rep in 2017, it was Lindsay Doig from 2011 to 2016.

It would seem Albert Ho has virtual monopoly rights on the Corporate sector rep position, since 2011.

As does John Horder on the SME sector going back even further to 2010.

How were all these demographic group representatives selected?

Certainly not a lot of variety in the selected representatives even though they may all be very capable and good. But the perception is not good.

I suggest a big big red flag goes up here in terms of the board really controlling the selection of the groups and the representatives.

Thats close to 50% of the Representative Council.

4. Just ask yourself is this a fair representation of the CPA membership?

What is a mature member? Why does this one person who volunteers have the same say as all the Qld members who only have one divisional rep?

I'm an academic, or an SME member, or a public practice member, and I have never seen a ballot paper asking me to vote for this representative?

Why are the same people in these positions year in year out?

5. Then ask yourself how do these representative councillors decide on which directors to appoint?

Then ask why is it that they can appoint but not remove? Who then can remove directors? Therein lies some big red flags.

6. Why is the President of the Board the Chairman of this Representative Council? Surely it would be good to keep some distance from the board to ensure no conflict of interest?

Another big red flag I say.

How does the Representative Council appoint directors to the Board?

Well that is pretty simple to answer.

They do it on the basis of the recommendations and selections of the Remuneration and Nominations Committee.

In effect they just rubber stamp what the R and N Committee put to them.

Forget the lovely theory written about in the charter and constitution. This is what happens in reality.

Has the R&N Committee ever knocked back or added directors to the list provided to them?

Does the Rep Council have the time to go through and do a selection if nominations go to the R&N Committee?

I think we all now the answers to those questions are no.

So, who do you think decides who the directors for the board are in practice?

Yes, that's right it is the current board via the N&R Committee to which we shall now turn our attention

Reflect for a moment:

But just reflect on this and perhaps you can see why three of the current directors have served terms much greater than 9 years, and why I contend there is a very powerful clique who control our organisation, and have done so for a long time.

Two of the three senior executives (Awty and Hughes) have been on the train since Malley's reign began first as President in 2007, then as CEO in 2009, with Malley making up the third executive position.

Three of the current directors (Wade, Ryan and Petty) ditto, and Carlin since 2011 make up a pretty powerful supporting act.

I contend they have all been very well remunerated and blessed with many benefits from CPA in that time, and have been the main advocates and defenders of the Malley reign at CPA Australia through the positions they have held (Chairs of Board Committees (Petty, Wade, Carlin), Presidents (Petty, Wade, Carlin) as well as being Chairmen of the Representative Council while Presidents of CPA Australia.

This is why governance at CPA Australia stinks to high heaven.

Add to this the fact that the company secretary (Adam Awty) who is also the COO (who is excessively remunerated I contend) is also secretary to the Representative Council, and controls the agenda and related papers in liaison with the Chairman (who also happens to be the President/Chairman of the Board).

Wow.

What role does the Nominations and Remuneration Committee play in selecting directors for the board?

I suggest to you that this committee is the real playmaker when it comes to determining who the directors are that sit on the board.

In ordinary circumstances with most public companies this would be okay but where the members do not vote for the directors nor can they remove them, this is a **MAJOR MAJOR RED FLAG** - I would say it is more scarlet in colour.

Add to that the fact that the Chairmen of this committee has been monopolised by Richard Petty (2010-2015), and is now under Graeme Wade.

That makes it even more laughable to suggest tis is all 'above board'.

Well lets look at this committee in a little more detail

The Nominations and Remunerations Committee

Here we are just looking at the nominations role of this board committee.

The remuneration role they fulfil is amply shown as being a joke if you look at the current excessive remunerations paid.

But you need to refer to episode 1 of my response to fully appreciate this failure.

It comprises 3(min) to 6 (max) directors, one of whom has to be an external director.

Their role is to select suitable and recommended candidates to become directors and provide that to the Representative Council.

They also make recommendations to the Board for the appointments to Advisory and Member Compliance Committees.

In effect they are the committee that serves as the gatekeeper for board and committee appointments.

I suggest, no I contend, that this committee effectively decides who the directors are to be on the board and the Representative Council just rubber stamps their selections.

In the same way they effectively decide the membership of the advisory and member compliance committees.

The Representative Council rarely meets, and relies upon this committee to do the selection for them.

And it is from the various membership and advisory committees that the directors are selected in effect.

So, you can see this committee has a powerful and long term impact and influence on the makeup of the board.

Members who would ask questions or query anything that challenged the status quo would be quickly weeded out and not selected.

It's interesting, in view of the poor governance structures at CPAA and the pretty heavy censorship and intimidation being used by the CPA leadership currently to close down any discussion of these major issues, that the members of these committees and of the board are *"individuals who are best able to discharge their responsibilities as directors and committee members, having regard to the law, **the highest standards of governance and the diversity of the membership**".(1.4a)*

If members cannot see the hypocrisy in this then I'm not sure you are reading with your eyes open and your brain in gear.

Remember that this Committee has had Ryan and Petty as almost constant members since Malley's reign began, with Petty as Chairman for most of those years, and now Wade replacing him in that role.

These are the three long serving directors who are into their 11 plus years on the board. So special are they that constitutional amendments were made (without specifically naming them but they could only have applied to these three persons) to extend their terms of service because there were no other suitable candidates to be found.

Can you believe that?

I don't and regard this as just a small group protecting their turf.

And what do you think the other board members in 2014 said when this arose? Nothing.

And who were these silent directors - Carlin (surprise surprise) , Dickson, Ong, Ebbeck, Dowling, Trebilcock, Gray, Foo and Egan.

When you look at the N&R Committee Charter you need to look for the escape clauses and ultimate decision makers, and it falls back to this committee to 'call the shots'.

Then consider that the CEO (Malley) and the two COO's (Hughes and Awty) have direct access to the committee, attend all meetings, receive all committee papers before the meeting (agenda and related papers), and then to top it off the Company Secretary and COO (Awty) is also the secretary of this committee.

You don't think this is all a bit too close in the context of the three senior executives (Malley, Hughes and Awty) currently receiving scandalous levels of remuneration (at least \$3.8 million between them in 2016, probably considerably more).

And to top it off, have a look at the confidentiality clause at 7 which says "*the members of the Committee are required to keep Committee discussions, committee papers and deliberations confidential*", after the papers have been distributed widely to the committee members, the CEO, the COO's, other members of the management team (and there are heaps of these if you refer to the annual report) as well as the board directors if they request them (refer 4.4).

Can you see the irony in this?

Certainly the Representative Council can be assured that a lot of people have checked out the deliberations and selection processes of directors well before they get a say.

Even the CPA management have their input into the process before the purportedly member representatives.

I suggest to members that you cannot be naive about the power and influence of this committee and the power these few people have held over it and the influence it has had on our organisation for the last decade.

The results and consequences speak for themselves of the major weakness this has become in our organisation.

This small group of three senior executives (Malley, Hughes and Awty) and long serving directors (Wade, Petty, Ryan and Carlin in particular) have had and wielded enormous control and influence such that the Key Management Personnel (which of course includes them) are excessively remunerated (to a scandalous level) which they refuse to fully disclose for obvious reasons, and they have extended the directors tenures from 6 to 9 years and for the chosen three to 11 plus years to maintain this grip. They effectively select all new directors under the pretence of it being done by the Representative Council which effectively rubber stamps their selections.

And while all this is going on the other directors just seem to remain silent even though I have been told they have all done the AICD Company Directors Course. All I can assume if that is the case, is that they were asleep during it.

I have been surprised at this area especially because governance is a 'growth' area for accounting and consulting work, yet our organisation 'takes the cake' for being such a poor example.

And unfortunately some of the members seem to have followed along 'lemming like' and danced to the CPA Leadership's tune rather than confronting the reality of what is going on. This is a scandal and needs to be exposed for what it is.

I suggest members who are asked to delete these emails as the ravings of a 'rogue member' should consider that the signatures of over 100 members on a special resolution to reduce directors fees by 50% was obtained within 3 days and the \$2500 required to obtain the members register was raised within 1 day. Look at the issues I suggest.

C. What about the Boards response of March 16th to these questions of governance?

I have attached it here and made relevant responses as I did with the first episode. CPAA's memo is in purple so you can easily distinguish

MEMBER VOTING MECHANISMS

Since the establishment of the Representative Council following the EGM in 2006, a clear process has existed for the nomination and appointment of Directors.

Up until 2007, only Divisional Councillors could be elected to the Board. Key changes approved at the 2006 EGM allowed for 'external' or 'non-member Directors' (to bring a different perspective and skill mix to the Board). A further change in 2012 saw the introduction of a 'Best of the Best' model for Director Appointments (Special Resolution 1, approved at the 2012 AGM), moving away from appointments being linked to geographic locations, being divisions.

They are referring here to the other half of the Representative Council. This group cannot be more than the divisional representatives but it is generally just one person less so what they have done is virtually equated a membership representative (from divisions) who are elected by the members with a membership representative from a group the board approves and can be selected in various ways and generally not elected. For example the current mature sector member volunteered himself and that was accepted by the board. So this person has the same representation as the person elected by all the members in Queensland for example. Ditto for all the other groups, and most are not elected. You might call that best of the best. I wouldn't. Taken together, these changes mean that today, any eligible member from anywhere in the world is able to seek election to the Board every year and we call for these nominations openly and transparently through member channels and public advertisements.

Members are involved at all stages of the election process, which starts with members belonging to a Divisional Council in the state, territory or country where they live. Those members elect their Divisional Councils (Article 65(a)). Divisional Councils then elect a number of their members to the Representative Council (Article 62(a)), with the Representative Council electing the Board (Articles 44(a) and 61(a)), from the applications submitted by voting members.

That paragraph is misleading to the point of being a lie. Members are involved in the election process for half the representatives through the divisions not the other half through the other groups. The above gives the impression that members are involved in electing all the representatives. They have used tricky wording but it conveys a very wrong impression.

Clever but mischievous I would suggest. Others might say a bit of a lie.

Ultimately, the Directors are elected by the Representative Council. Whilst the Representative Council may have regard to the Nomination and Remuneration Committee's Report recommending various candidates, the Representative Council ultimately can decide to disregard this Report and elect to the Board any member who

has submitted an application (By-Law 6.8 (n)).

Now let's be realistic here. Has that ever happened?

It is the N&R Committee that does all the investigating, selecting and recommending of potential directors to the Representative Council. Can you imagine when the council gets together that they are in the position to say no, send it back, we want others. The selection process is pretty much what the N&R Committee does. Have a look at their charter. In practice the Representative Council merely rubber stamps their recommendations for the board to say they appointed them.

C'mon, lets get real here.

The other obvious exclusion is that the members never directly vote for the directors. That is regarded in Corporations Law as one of the few and most fundamental rights members have. But CPAA have managed to rake that way and have the temerity to call it 'best of the best'. You think I exaggerate, well go and ask any legal person or any person who has a skerrick of knowledge of corporate governance.

Please, this is where the CPAA leadership diminishes us before the watching world.

I would go so far as to say that if any CPA member recommended this voting structure for any organisation such that the members or shareholders never directly voted for the board, they perhaps should consider some more professional development might not go astray.

Consistent with ASX principles, including diversity, in limited circumstances (not in respect of the election of Directors to the Board), the Board may appoint a member(s) to the Representative Council to ensure diversity. The Board can, if it determines that there should be a person on the Representative Council from any group to reflect membership diversity, request that relevant group, body or committee to elect a person to the Representative Council.

In other words the board can, and has, selected up to just less than 50% of the groups to have Representative Councillors, and they can actually appoint members to the Representative Council as they deem appropriate. Presumably that was the case with the current Mature sector member who volunteered himself and the board did not say lets have an election of all the mature members (or some mature members groups) but rather they just said yes we will have you to improve the diversity on the Council, even though that sector had been represented for years before by one person. I call that a twisting of the truth ('may appoint to ensure diversity'). The diversity was already there you just used this power to make sure you appointed who you wanted. There are some mature member groups I know that would have brilliant and very important past CPA members that you could have asked. But no, this volunteer was the way to go.

Currently our Board is comprised of seven men and five women, with two Directors residing in Asia, reflecting the diversity of our membership and adherence to the ASX principles.

I think it behoves all members to have a read of the ASX Corporate Governance Principles with the CPAA model in view and you will see the weaknesses we have immediately. Try 1.2 about the election of directors by the members (security holders). That is just an assumed given in the ASX Principles but somehow we have missed the elephant in the room – we do not allow members to vote for directors. No mention of that in their memo eh?

Divisional Councils must always have a majority of seats on the Representative Council.

For completeness, the full process is set out below:

Representative Council

- The Representative Council's responsibility under the Constitution is that it must hold an election in accordance with the By-Laws to appoint Directors for a three year term, commencing on 1 October of that year

- Procedures regarding the appointment of Directors and the election process to be undertaken are located in Article 44 of the Constitution and Part 6 of the By-Laws

Composition of the Representative Council

- Under Article 62(a), one Divisional Councillor from each Division is appointed by the respective Divisional Council

- If any Division to which there are attached more than 20 per cent of the total number of members, an additional Divisional Councillor is appointed

- The Board has delegated to the Nomination and Remuneration Council (under Article 62(a)), the power to select and appoint suitable members from “Other Groups” to the Representative Council
- Article 62(b) of the Constitution states that, Divisional Council appointments must not be less than or equal to 50 per cent of the total Council members

In effect saying we have 12 divisional representatives, so can only have less than that in Board selected and approved other groups. Of course they are as close as possible to the 12 as they can get. Usually 10 or 11. Need to maximise that board control eh?

Nomination and Remuneration Committee

- The Nomination and Remuneration Committee has four members, all of whom are Directors of the Board
- By-Law 6.8(m) allows for the Nomination and Remuneration Committee to review all Board applications, including review of any supporting material, conducting reference checks, undertaking interviews and making final recommendations to the Representative Council. The Nomination and Remuneration Committee may also provide a recommended ballot list for the Representative Council’s approval

In other words it is this committee that does all the sifting through the board applications and is the gatekeeper.

- The Nomination and Remuneration Committee Charter allows for CPA Australia to engage professional advisers or consultants to conduct interviews and communications to assist with the functions of the Committee

They very conveniently left out of that employees of CPA Australia can also be used. Let me quote the relevant section in full (1.5(b))

(b) is entitled to rely on employees of the Company or professional advisers or consultants engaged by the Company where:

(i) there are reasonable grounds to believe that the employee, adviser or consultant is reliable and competent; and

(ii) the reliance was made in good faith and after making an independent assessment of the information.

Just think about that one a bit. Amazing eh!

A bit too close and chummy for my liking. But then again this is CPAA and its all about preserving and protecting the status quo eh?

- The selection criteria for Director positions are reviewed by the Nomination and Remuneration Committee prior to each round of Director appointments to ensure that they are still appropriate and aligned with CPA Australia’s corporate plan
- Following recommendations by the Nomination and Remuneration Committee, the selection criteria are approved by the Board
- The assessment of candidates is undertaken using a typical Executive Search process using independent external consultants
- CPA Australia has appointed Pacific Search Partners as the “executive search partner” to assist with the appointment of Directors process
- If an incumbent Director is eligible for a further term and elects to re-apply they must compete against all other applicants and go through exactly the same process as all other applicants. Since the inception of this process there have been incumbent Directors that have applied for further terms but have been unsuccessful in being reappointed to the Board.

But it has never happened to Petty, Wade, Ryan and Carlin. So unique are these individuals that even Pacific Search with all its expertise cannot find suitable replacements such that they have stayed on for not just 6 years but 9 years and then past 11 years.

I think we can pretty safely say all the above sentences are pure crap. Some might say a pigs ear dressed up as a pearl. Or perhaps say a pig dressed up as a princess. Or perhaps as a Malley Loyalist dressed up as an independent director. You take your pick, but you catch the drift.

Either Pacific Search Partners are not up to their job, or the N&R Committee is playing footloose and free with the facts. I tend toward the latter.

- The executive search partner will review all applications against the approved selection criteria
- The executive search partner will create a ‘long list’ of candidates who best fit the selection criteria and will interview and further assess each of those candidates
- The executive search partner will present a detailed report on each of the candidates on the ‘long list’ to the Nomination and Remuneration Committee, along with recommendations for further consideration
- The Nomination and Remuneration Committee will discuss the outcomes of the executive search partner’s

review and will create a 'short list' of candidates for the Nomination and Remuneration Committee to interview and further assess

- The Nomination and Remuneration Committee will consider the outcomes of those interviews and will present a final assessment and recommendations to the Representative Council
- Approximately one week before the election of Directors, Representative Councillors are sent meeting papers, which will include candidate reports and supporting material for candidates who were shortlisted and interviewed by the Nomination and Remuneration Committee
- At the meeting in August, the Representative Council will be presented with the names of all applicants (including those on the shortlist, long list and those who did not meet the selection criteria)
- The candidates on the shortlist will be ranked against the approved selection criteria
- The Chair of the Nomination and Remuneration Committee will present the Nomination and Remuneration Committee's recommendations at the meeting in August, including the candidates recommended for appointment to the Board, and the recommended names for the ballot paper
- The executive search partner will be present at the meeting in August to provide further details of any candidate (including those who were not shortlisted)

To summarise all the above – all the searching, selecting, interviewing, shortlisting, recommending etc is done by the N&R Committee (in liaison with Pacific Search Partners). In other words the Representative Council do not do any of the detailed work to get an idea of the potential directors. They are totally reliant upon the N&R Committee selections.

- The procedures for the election are set out in Part 6 of the By-Laws, in particular By-Law 6.8

Determining Ballot Paper

- By-Law 6.8(f) provides the structure for the ballot papers to be used and the way in which Representative Council members can vote
- There will be one ballot paper used to elect three Member Directors and one Non-Member Director
- The ballot paper will contain the names of no more than three times the number of positions vacant
- The Nomination and Remuneration Committee will recommend which names should go on the ballot paper

There you have it. The N&R Committee select who the choices are.

“We certainly do not put on the list that member from Newcastle who dared to ask about executive remuneration even though he is a board member of BHP Billiton. Capable and qualified but hardly Malley Loyalist material.

We must ensure his name never goes on the ballot paper. The best thing to do is just have three names on the ballot paper for the three vacant positions. That will make the voting by the Representative Council pretty easy eh.”

- The Representative Council will approve by resolution the list of names on the ballot paper at the meeting in August

What does this mean? The N&R Committee selects the members to go on the ballot paper and then the Representative Council approve those selections before they vote for them. How many times do you think the RC will have not approved the selections made by the N&R Committee on the ballot paper. I would say NIL times. That is what I call 'gilding the lily'.

Voting Process

- Representative Councillors must be present either in person or by proxy to participate in the election. They may only give their proxy to another member of the Representative Council
- Once the ballot papers have been approved they will be handed to each member of the Council who will cast their vote by placing a tick next to the names of no more than three member candidates and one nonmember candidate
- The Councillors will hand their ballot papers back to the Company Secretary who will act as Returning Officer

There he is again Adam Awty – COO, Company Secretary, Secretary to the N&R Committee, Secretary to the Representative Council – really how many hats does this guy have to wear to remove those conflicts of interest. I reckon some days he gets totally confused.

- By-Law 6.8(k) states that: “The candidates, in order of highest vote, corresponding to the number of positions to be filled are elected. For example, if there are four vacancies then the first four candidates with the highest votes are elected”
- In the event that two candidates receive the same number of votes, the President of the Board or his or her nominee shall have the casting vote to determine who is elected.

CPA Australia Board Committees during the Malley Decade of Decline						
2008	2009	2010	2011	2012	2013	2014
Audit and Risk Committee						
Penny Egan FCPA (Chair) Professor Richard Petty FCPA Kerry Ryan Bruce Trebilcock FCPA Graeme Wade FCPA	Penny Egan FCPA (Chair) Mark Grey Kerry Ryan Bruce Trebilcock FCPA Graeme Wade FCPA	Penny Egan FCPA, Chair Mark Grey Kerry Ryan Bruce Trebilcock FCPA	Graeme Wade FCPA, Chair Mark Grey Kerry Ryan Bruce Trebilcock FCPA	Graeme Wade FCPA, Chair Mark Grey Kerry Ryan Bruce Trebilcock FCPA	Peter Dowling AM FCPA, Chair Mark Grey Deborah Ong FCPA Kerry Ryan	Peter Dowling AM FCPA, Chair David Spang FCPA Deborah Ong FCPA Kerry Ryan
Finance Committee						
Paul Cooper FCPA (Chair) John Cahill FCPA Steve Chapman FCPA Christina Foo FCPA Low Weng Keong FCPA	Paul Cooper FCPA (Chair) Simon Bird FCPA John Cahill FCPA Steve Chapman FCPA Christina Foo FCPA Low Weng Keong FCPA	John Cahill FCPA, Chair Simon Bird FCPA Christina Foo FCPA Mark Grey	Penny Egan FCPA, Chair Christina Foo FCPA Mark Grey Graeme Wade FCPA	Penny Egan FCPA, Chair Christina Foo FCPA Mark Grey Graeme Wade FCPA	Graeme Wade FCPA, Chair Peter Dowling AM FCPA Christina Foo FCPA Mark Grey	Tyrone Carlin FCPA, Chair Jim Dickson FCPA Michele Dolin FCPA Richard Alston Jenny Lang FCPA Sharon Portelli FCPA David Spang FCPA
Nomination & Remuneration						
Paul Meiklejohn FCPA (Non-Br Chair) John Cahill FCPA Low Weng Keong FCPA Professor Richard Petty FCPA Kerry Ryan	Low Weng Keong FCPA (Chair) John Cahill FCPA Christina Foo FCPA Mark Grey Prof Richard Petty FCPA Kerry Ryan	Prof Richard Petty FCPA, Chair John Cahill FCPA Low Weng Keong FCPA Kerry Ryan	Richard Petty FCPA, Chair John Cahill FCPA Penny Egan FCPA Kerry Ryan	Richard Petty FCPA, Chair John Cahill FCPA Penny Egan FCPA Kerry Ryan	Richard Petty FCPA, Chair Jim Dickson FCPA Penny Egan FCPA Kerry Ryan Graeme Wade FCPA	Richard Petty FCPA, Chair Richard Alston Tyrone Carlin FCPA Deborah Ong FCPA Richard Alston
Policy Governance Committee						
Graeme Wade FCPA (Chair) Christina Foo FCPA Mark Grey Bruce Trebilcock FCPA	Graeme Wade FCPA (Chair) Simon Bird FCPA Christina Foo FCPA Mark Grey Bruce Trebilcock FCPA	Graeme Wade FCPA, Chair Jim Dickson FCPA Peter Dowling AM FCPA Bruce Trebilcock FCPA	Peter Dowling AM FCPA, Chair Tyrone Carlin FCPA Jim Dickson FCPA Bruce Trebilcock FCPA	Peter Dowling AM FCPA, Chair Tyrone Carlin FCPA Jim Dickson FCPA Bruce Trebilcock FCPA	Tyrone Carlin FCPA, Chair Jim Dickson FCPA Tyrone Carlin FCPA Tim Ebbeck FCPA Bruce Trebilcock FCPA	Jim Dickson FCPA, Chair Michele Dolin FCPA Tim Ebbeck FCPA Penny Egan FCPA

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