

19 November 2017

PO Box 1002

Epping NSW 1710

T: 02 9876 8552 | M: 0412 504 828

E: andrew.north@nfsaccountants.com.au

W: www.nfsaccountants.com.au

Mr Peter Wilson
President and Chairman
CPA Australia Ltd
Level 20, 28 Freshwater Place
Southbank Victoria 3006

The Board of CPA Australia
CPA Australia Ltd
Level 20, 28 Freshwater Place
Southbank Victoria 3006

Director Andrew North CPA

By email to: peter.s.wilson@cpaaustralia.com.au

Cc: Andrew.Kaynes@cpaaustralia.com.au;
boardofdirectors@cpaaustralia.com.au

Dear Peter and the Board,

The following is the substance of my personal representations to the IRP, given in person to Ian McPhee and Su McCluskey, post release of the preliminary report.

The IRP have compromised their independence by intervening in the informal changes to the director selection and election process. Ian McPhee said he was happy to wear the fact he facilitated this breach. These changes adopted by the old Board were informal and unapproved by members. You should disclose this to members ASAP as a proper corporate governance matter of note.

Firstly, the above breach questions the legitimacy of the new Board.

Secondly, this has completely removed the "Independent" tag used by the committee. Stop using the word "Independent". You should disclose this to members ASAP as a proper corporate governance matter of note.

Thirdly, the IRP should be closed down immediately.

I now move on to the preliminary findings report of the IRP:

1. The CPA advice remuneration double dipping has not been dealt with strongly enough, nor the financial motivation of the executive and certain board members
2. Deloitte, being the auditor since 2009, needs to be replaced. They have been complicit in the section 202B corporations law breach. They failed to raise a going concern disclosure in the 2016 Financial Statements re CPA Advice.
3. The word "brand" is used 116 times, whilst "integrity" is mentioned 3 times and transparency 35.
If you hold up the behaviour of the old board and the executive to the word "integrity" the findings should become much stronger. Discussions about "brand" should come after consideration of "integrity", in regards to the actions of the board and the executive. Clearly transparency did not exist.
4. The IRP have missed the point on section 202B. CPA has been in breach of the corporations Law and still are. A new section 202B has been requested.
5. The behaviour of the old board and executive has been deliberately whitewashed. Censorship, spin, threatening members at discussion groups and on radio, closing find a member etc. all not mentioned.

6. Regarding the policy for minimum standards of appropriate professional behaviour in relationship to the organisation. This seems to be directed at members. I find that offensive and cutely derived from the executive/old board perpetrators. It was the old board and the executive whose behaviour instigated member disgust.
7. The history of the origin of CPA Advice is incorrect factually. The report has errors to be corrected. I have researched what actually happened.
8. No mention is made of the 7,900 public practitioners, refer to page 14. Are numbers increasing or decreasing, over what period? Why? Also the fact that Chartered have 28,000 public practitioners is not mentioned. Demonstrating the decay and neglect of public practitioners.
9. The fact the CEO alone set the executive salaries of the COO's is not fully disclosed and condemned as it should be. No wonder the executive worked together so closely promoting non-disclosure and non-transparent activities. The COO's were CONFLICTED/DOMINATED/CONTROLLED in their service to MEMBERS by the CEO. And Adam Awty was the Company Secretary and CFO as well making it even worse.
10. Adam Awty has withheld members correspondence from the old Board. The IRP need to investigate. If not the New Board should investigate.
11. No mention is made of the non-disclosure of member demographics including the number of voting members over the whole 9 years of the Malley CEO term in office. Why was that?
12. Page 52, Malley CEO contract, the board must disclose terms of contractual agreement to the members and it is unacceptable for the IRP not to obtain the contract. The New Board should investigate and disclose to members ASAP.
13. Section 8.2.5, I find remarkable. Looking at the totality of the communications between the executive, board and members there is fault on both sides. It was CPA who initiated bad behaviour, non-disclosure, obstruction, censorship, threats at discussion groups, radio shows baiting members, spin, non-response to letters, withholding correspondence from the board (by the executive).
14. 9.1, the intent of CPA Advice includes integrity and transparency? It started badly with non-disclosure of remuneration breaches and later lodgement (deliberately?) of the section 388. The poor performance of CPA Advice was deliberately hidden from members prior to the AGM, refer to the late section 388 issue. Was that the executive or the board deliberately withholding information?
15. Not seeking member approval to spend \$20 million in 18 months. Absolute disgrace. Where are we up to now?
16. Page 103. Completely disagree with the statement a likely buyer would be vertically integrated and not independent. I am a member of an independent financial services license group not vertically integrated. The statement is incorrect.
17. IRP considers there is no evidence to suggest there were motives for the establishment of CPA Advice, but what about the increased remuneration received by executives and directors and increased CPD expenditure by advisers? Two obvious motivations not mentioned
18. Page 105, professional standards scheme, disagree with the introductory paragraph. This appears to be defending the actions of the executive. Executives (Malley/Hughes) are entirely responsible for stuffing this scheme up. I have written an overview of what happened with the professional standards scheme.
19. Page 106, concluding remarks, if the business case projected a loss greater than \$20 million, then this obviously should have been approved by members before it went ahead. Where is

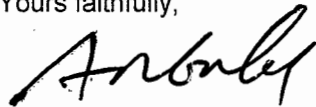
the IRP finding relative to this breach of good corporate governance? Disclosure?
Transparency?

20. There should be a finding to recommend a Members advocacy role, executive level reporting to the board.
21. There should be a Public Practitioners advocacy role, external focus dealing with regulators and issues pertinent to public practitioners.
22. There should be "Whistleblower" provisions for staff, executive, directors and members.

Not surprisingly only one item of the above list read out by myself in the meeting with the IRP created any indication it was new and useful to the IRP and could potentially be included. All the rest were seemingly unwelcome to the considerations of the IRP.

The whole IRP exercise is unfortunately discredited and a whitewash.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Andrew North', written in a cursive style.

Andrew North CPA 9183766
Public Practitioner
CPA for 17 years