

Version: 6 October 2018

CAANZ Leadership Issues and Unmet Members' Needs

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Introduction

CAANZ leadership continues its apparent oversight failure with many important member needs not being satisfied.

As a broad observation, the ethical values of integrity and trust, which are of core importance to the accounting profession, appear to have been neglected by CAANZ leaders. A number of issues are briefly illustrated in this document with some examples being:

- Two board members, including the chair (Murray Jack), have been directing members since 2009 and 2011 despite a clear intention in the by-laws that terms be limited to 6 years.
- CAANZ now has a CEO who is not bound by the accountants' ethical code and a history arguably inimical to the accounting profession.
- A mockery of the concept of good governance was made by the board commissioning a review for the board (as stewards) by a consultant not bound by an ethical code. The so-called "independent" review does not authorise stakeholders (ie members) to question significant failings evident in its recommendations (such as the CAANZ structure sharing the flaws which gave rise to the CPAA debacle).
- CAANZ forgets the reason for its existence by issuing accounts which do not allow any meaningful analysis. In recently acknowledging this failure in transparency and accountability, only vague promises to improve were made by the chair and president (Jane Stanton), with no sign of any shame or desire to investigate how such transgressions could occur under their stewardship.
- Mr Jack and Ms Stanton recently ratified figures which appear to exaggerate a key performance metric and hide drops in student numbers (contrasting with the portrayal in the 2017 annual report as "going from strength to strength").

The context for the matters mentioned in this document can be better appreciated by noting some extracts taken from the annual reports:

- *ethics is the currency of our market, underpinned by the principles of integrity, objectivity, competence, due care and professional behaviour*
- *our responsibility in the public interest is to promote financial integrity in our community*
- *we are led not by rules and regulations but by principles - "play it straight"*
- *the organising body's purpose is to serve its members and uphold high standards and principled leadership - member needs are at its core*
- *setting benchmarks for the highest ethical standards - ensuring our members act in the public interest*

Issues denied by CAANZ leadership

The following table illustrates some of the many ethical issues (in no particular order).

The CAANZ response column contains the responses by the chair, Murry Jack, and president, Jane Stanton unless indicated otherwise. The comments in the same column have been made by the author of this document - Gerald Jaworski. To save repetition, it is noted here that every issue remains outstanding and not satisfactorily addressed for the reasons given below which should be obvious to most members not associated with the leadership group or the organising body.

Mr Jack and Ms Stanton have stated that they consider their responses to be satisfactory and do not intend to re-visit these issues. Here is another quote to keep in mind as you contemplate the issues and responses narrated in the following pages:

"We are ever mindful that, as your member body, we are here for the sole purpose of serving your needs. So if you have any feedback on ...how we can be of better service to you, please get in touch with us." (M Jack, Chair, 2017 Annual Report).

Since my experience has been that messages via the service desk are not reliable, a suggested contact email to reach the leadership team is via the governance manager, wendy.zammit@charteredaccountantsanz.com

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	Issue - Incompatible circumstance	Unmet Needs	CAANZ Response/GJ Comments
		<i>C=Charter; GS=Governance Statement; GM=Governance Manual; AR=Annual Report ER=Ethical Rules (Indicative needs - not comprehensive)</i>	
1	<p>Appointment of a CEO (Rick Ellis) associated with the NZ Te Papa Museum accounts that during his term ceased disclosing inconvenient comparatives for a key performance metric. The accounts also state that remuneration is based on performance.</p> <p>Note that Mr Ellis' association with the Te Papa accounts is by virtue of his position as CEO. It is unknown to the public whether he was personally involved in preparing the accounts or whether he benefited in any way from the (non) disclosures.</p> <p>It is inappropriate for CAANZ to be placed in a position whereby considerable uncertainty surrounds accounts associated with its CEO. The apparent flaws in those accounts, however caused, are entirely at odds with CAANZ's reason for being and this presents a major issue for CAANZ.</p> <p>Another concern is that the associated risks were not shared or cleared with members.</p>	<p>Promote the standing of the accounting profession (C) Advance the theory and practice of accountancy (C) Prescribe high standards of practice and professional conduct (C) Advance the profession of accounting (C) Promote quality and integrity in the profession of accountancy (C) Promote the standing and usefulness of the profession of accountancy (C) Safeguard integrity in reporting (GS) Recognise and manage risk (GS) Duty of due care and diligence (GM) Act in best interests of CAANZ (GM) Not engage in any conduct that may bring discredit or disrepute upon CAANZ (GM) Professional competence and due care (ER) Professional behaviour (ER) Responsibility to act in the public interest (ER)</p>	<p>It is not appropriate for us to make comment on audited accounts of another organisation.</p> <p>We have carefully considered the issues you have raised regarding the appointment process of our CEO. As previously advised, we do not believe that there was any deficiency with this process. The process for the appointment of the CEO was rigorous, independent and in accordance with CA ANZ's constitutional requirements.</p> <p>Since July 2017, you have made a number of assertions regarding the New Zealand Te Papa accounts. Based on your correspondence, we understand that you brought your concerns to the New Zealand Auditor General's Office. In our view, this is the appropriate body to consider the matters you raised. We have contacted the New Zealand Auditor General's office and they have indicated there are no ongoing matters under consideration regarding the issues you have raised.</p> <p>In light of the above, we do not believe that there is any basis for concluding that there were any significant deficiencies with the Te Papa accounts</p>

<p>See appendices below for extracts from the Te Papa accounts indicating the fudges. These details are taken from submission #13 to the Senate inquiry arising from the CPAA disenfranchisement issue: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/MembersRegistrationBill/Submissions)</p> <p>As background, it is relevant to note that the leadership issues were only raised through the public Senate inquiry because all of the initial communications were seemingly ignored by the board. The board subsequently apologised for CAANZ having somehow lost those communications.</p>	<p>The intended outcomes of the NOCLAR rules include placing the focus for accountants on the public interest and that they should not turn a blind eye to circumstances which point to potential fraud.</p> <p><i>"As a board, it is our responsibility to find the best possible CEO to lead our organisation." M Jack 27/8/2017</i></p> <p><i>"We take pride in our rigorous standards ... maintaining the integrity of our profession and brand." (M Jack, Chair, 2017 Annual Report).</i></p> <p><i>"Its very clear that we are part of an organisation that has its members' interests at its heart", (C Crowley, President, 2017 Annual Report).</i></p>	<p>GJ comments:</p> <ol style="list-style-type: none"> 1) Members would expect the board to be aware that auditors are humans and unfortunately often make mistakes (ASIC in 2017 reported a 25% error rate in key audit areas). 2) It is impossible for auditors to be considered impartial when defending the quality of their work and therefore the NZAG's comments cannot be relied upon by a rational person. 3) The NZAG's claim is incorrect since it remains for the NZAG to provide details of any accounting principle which justifies not reporting comparative figures for a key performance metric. 4) The NZAG has not confirmed that its work would uncover any possibility of fraud.
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2	<p>Appointment of CEO where he was apparently unable to fulfil his prior CEO role giving reasons such as:</p> <p><i>"I have a sort of windows [sic] of opportunity in the family space that gets narrower as time goes by. When you get to my age, you realise you won't live forever."</i></p> <p><i>"Part of the family commitments I have is to progress some family projects we have up there [in Rarotonga, Cook Islands]."</i></p> <p>The Te Papa chair stated that the board respected "his decision to focus on family at this time in his life."</p> <p>The New Zealand media reported that:</p> <p><i>"He plans to shift to Rarotonga mid-year, where his wife, Sandy, is originally from."</i></p> <p>In announcing his appointment, despite the fact that Mr Ellis cut short his former CEO role early for the above reasons given by him relating to his age and family commitments in Rarotonga, the CAANZ chair (Murray Jack) and president (Cassandra Crowley) portrayed Mr Ellis as being someone to be excited about and who would help create a dynamic future for the profession.</p>	<p>Promote quality and integrity in the profession of accountancy (C)</p> <p>Safeguard integrity in reporting (GS)</p> <p>Duty of due care and diligence (GM)</p> <p>Act in best interests of CAANZ (GM)</p> <p>Professional competence and due care (ER)</p> <p>Professional behaviour (ER)</p> <p><i>"As a board, it is our responsibility to find the best possible CEO to lead our organisation." M Jack 27/8/2017</i></p>	<p>We have carefully considered the issues you have raised regarding the appointment process of our CEO. As previously advised, we do not believe that there was any deficiency with this process. The process for the appointment of the CEO was rigorous, independent and in accordance with CA ANZ's constitutional requirements.</p> <p>In your correspondence, you suggest that our CEO was unable to fulfil his prior CEO role and that he left the role early. Our CEO served 2.5 years of his 3-year term and in that period, as was stated in the media release at the time, "initiated major renewal of Te Papa". As was also stated in the media statement, he opted to put family commitments first with his family based in Australia and the Cook Islands. Taking up the role as CEO of CA ANZ, and locating to Sydney, has allowed him to be with family. There is no evidence to suggest that our CEO failed to fulfil the requirements of his previous CEO role.</p> <p>GJ comments:</p> <p>1) The fact that Mr Ellis may have a relative in Sydney does not appear to account for his early termination from his Te Papa CEO role. Mr Ellis stated Rarotonga (where his wife is from) as being the location where he had to progress his family projects. From a base in Wellington, Rarotonga is considerably further away than Sydney and also in the opposite direction.</p> <p>2) Even assuming his pressing family projects in Rarotonga which necessitated an early termination somehow disappeared, it remains unexplained how Mr Ellis, "having gotten to his age", could reasonably be expected to meet his family needs while attempting to learn and satisfy the challenges of a CEO role in a complex industry of which he has no prior experience. How could his new CAANZ role be less demanding?</p>
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3	Appointment of CEO with no background in accounting.	<p>Advance the theory and practice of accountancy (C) Promote quality and integrity in the profession of accountancy (C) Duty of due care and diligence (GM) Act in best interests of CAANZ (GM) Professional competence and due care (ER) Professional behaviour (ER)</p> <p><i>"As a board, it is our responsibility to find the best possible CEO to lead our organisation." Murray Jack 27/8/2017</i></p>	<p>You have raised concerns regarding the Board's appointment of our CEO on the basis that he is not a Chartered Accountant. Being a CA is not a requirement, or prerequisite for the role, of CEO of CA ANZ. Set out in the table below [not copied here since irrelevant] is a history of the organisation's past CEOs. This organisation has been managed by non-CAs for a total period of approximately 53 years over the last 89 years.</p> <p>GJ comments:</p> <p>1) Members would expect the board to be aware that the governance structure has changed significantly after the amalgamation since directors are no longer appointed directly by members. Since that time, the CEO has been a CA until Mr Ellis joined.</p> <p>2) The complexity of a CA's role has also changed significantly in more recent times. For example, it is unlikely that a CA CEO would have required assistance from outside consultants to conduct a strategic review. Nor is it likely that such a review would have required 100 workshops and over 1000 people, only to come up with objectives that are either obvious or have long existed. Nor would that review have missed several key factors such as the ethical considerations around governance.</p> <p>Also see 5.</p>
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4	Appointment of CEO who is not bound by the ethical code in the same way as CAs.	<p>Promote integrity in the profession of accountancy (C) Safeguard integrity in reporting (GS) Duty of due care and diligence (GM) Act in best interests of CAANZ (GM) Not engage in any conduct that may bring discredit or disrepute upon CAANZ (GM) Professional competence and due care (ER) Professional behaviour (ER) <i>"As a board, it is our responsibility to find the best possible CEO to lead our organisation." Murray Jack 27/8/2017</i></p>	<p>For the majority of the last 89 years, our organisation has been under the management and direction of non-CAs. As the CEO, Mr Ellis is bound to act in accordance with all applicable laws including the requirements of the Corporations Act 2001 (Cth), and is bound to act in accordance with CA ANZ's Charter, By-laws and associated regulations.</p> <p>GJ comments; 1) No explanation has been given as to how he may be impartially reviewed by members or sanctioned to the extent of expulsion from a profession. 2) Members would expect the board to be aware of the current importance for CAs to demonstrate high ethical standards in the community as reflected in reviews such as the royal commission.</p>
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5	<p>Appointment of CEO with questionable performance history and a record of premature departures after a short term.</p> <p>Digital Media - extracts from a 5-minute Google search:</p> <p><i>"At the end of the day, my job is to lead a business that is going to grow – and grow dramatically," says [Rick Ellis], who has been head of Telstra Media for just over a year.</i></p> <p><i>"Yet, barely 12 months later, Ellis had suddenly exited from the company: ... the media unit's financial performance has dragged as the rot infecting Telstra's once revenue-rich Sensis business continued. In the 12 months to June 30, revenue at Telstra's Media business fell 7.8 per cent</i></p> <p><i>"Clearly, Ellis's track record at Telstra was a mixed bag, at best. Some would say the same of his two separate stints at TVNZ, during which TVNZ – partly as a result of political decisions beyond Ellis' control – clearly lost the battle with Sky for dominance of New Zealand's digital TV market. What was really striking about Ellis' initial term (1998-2002) at TVNZ was the steep rise in top executive salaries that occurred on his watch.</i></p> <p><i>"On joining Te Papa: Given his track record then, there are good reasons for concern that Ellis is likely to become part of the problem, rather than part of the solution.</i></p> <p><i>"Ellis may well embody yesterday's solutions for tomorrow's problems.</i></p> <p>End of extracts.</p>	<p>Advance the theory and practice of accountancy (C)</p> <p>Prescribe high standards(C)</p> <p>Duty of due care and diligence (GM)</p> <p>Act in best interests of CAANZ (GM)</p> <p>Professional competence and due care (ER)</p> <p><i>"As a board, it is our responsibility to find the best possible CEO to lead our organisation." Murray Jack 27/8/2017</i></p>	<p>As previously advised, the selection process for the CEO was independent, in accordance with CA ANZ's constitutional requirements and in line with the ASX Governance Guidelines.</p> <p>Thorough independent checks were conducted in relation to all of the candidates, including Mr Ellis. In addition, the references our CEO received from his previous roles were exemplary.</p> <p>GJ comment:</p> <p>1) Members would expect the board to be aware that the outcomes prove the quality of a process and not the other way around - claiming a process was rigorous etc is irrelevant and contradictory when the outcomes of the process are manifestly flawed.</p> <p>2) No details have been provided of the process nor its claimed 'independence' For example, it is unknown whether the party providing the background checks is the same party that is being rewarded for presenting the candidate.</p>
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<p>Mr Ellis accepted credit for turning around the Te Papa museum whereas the significant attendance improvements were due to exhibitions created by his predecessor (there is a significant lag between inception and delivery). The reported attendance drop of 13% in 2017 points to poor operational performance during Mr Ellis' tenure.</p> <p>For 2016, relevant revenue also dropped 11% and the operating deficit increased by 25%. The deficit of \$5.8m compares with a surplus of \$2.2m which Te Papa expected to arise in a forward plan developed after an earlier review by KPMG (ie before any changes implemented by Mr Ellis).[see Museum Association Journal 6/5/2014]. This also points to poor financial performance.</p> <p>These factors raise questions as to who is able to legitimately claim credit for a "turnaround". The point is not to deny that Mr Ellis may have some fine qualities, but rather to highlight that material existed in the public domain at the time of his appointment which points to questions around his past performance and suitability for CAANZ.</p> <p>Since joining CAANZ, there are significant question-marks around his performance such as his significant use of external consultants to outsource his functional responsibilities. Also, his decision to use a shot-gun approach for a strategic review - involving 1,000 plus members in 100 plus workshops - may be considered manifestly excessive. This is especially when the results missed key strategic issues and the disclosed main findings were obvious (ie CA program improvements regularly surface as a key objective and the first thing the CPAA rebels implemented was a community hub).</p>		
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6	<p>CEO remuneration manifestly excessive at \$750,000 plus a \$250,000 bonus.</p> <p>Despite CAANZ being a small non-profit member organisation with 117,000 members and staff around 500 (recent figures inexplicably not disclosed), he stands to earn almost double the Australian Prime Minister (on \$520,000) and more than the base salary of the head of Macquarie Bank \$818,000 (staff around 14,000 and profits around \$2.5 billion).</p> <p>The basis for determining bonus KPI's remain hidden from members. Are they even audited? The benchmarking details used by CAANZ also remain hidden from members.</p> <p>The remuneration for a CEO of similar organisations and similar responsibilities such as a city council is around \$400,000 (it is also arguable that council CEO tasks are more varied and challenging).</p> <p>For a member organisation, bonus incentive are inappropriate for numerous reasons including:</p> <ol style="list-style-type: none"> 1) risk of distorted priorities driven by inflexible monetary incentive 2) enhanced risk of manipulated reporting 3) unnecessary complications and distractions since loss of job or generous base salary should be sufficient motivation for ethical employees 4) unethical due to attracting persons motivated by money rather than job satisfaction - pride in achievement (genuine values not selfish wants) 5) inability to clearly link outcomes with CEO input (ie risk of rewarding the wrong person and losing good staff) 6) moral hazard whereby CEO derives reward for risks but suffers no consequence for failure 7) risk of pay inflation by normalising higher amounts and distorting relativities 8) detrimental effect on corporate culture (see banking royal commission). 	<p>Promote responsible decision making (GS)</p> <p>Remunerate fairly and responsibly(GS)</p> <p>Duty of due care and diligence (GM)</p> <p>Act in best interests of CAANZ (GM)</p> <p>Professional competence and due care (ER)</p>	<p>The CEO's remuneration was negotiated on a market-based approach and is consistent with CA ANZ's governance policies and By-laws and approved by the Board. Any "at risk" component is assessed by the Executive Remuneration Committee of the Board and a recommendation submitted to the Board for consideration and if deemed appropriate approved.</p> <p>GJ comment: The excessive salary has not been justified and members remain in the dark.</p>
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7	<p>Issuance of financial statements that do not allow for any meaningful analysis.</p> <p>The accounts compare unfavourably to CPA Australia and other similar bodies such as city councils.</p> <p>The board's subsequent admission and vague promise of improvement, after member and media pressure, is not an adequate response for a failing that strikes to the core of CAANZ's reason for being.</p>	<p>Advance the theory and practice of accountancy (C) Prescribe high standards of practice and professional conduct (C) Advance the profession of accounting (C) Promote quality and integrity in the profession of accountancy (C) Promote the standing and usefulness of the profession of accountancy (C) Safeguard integrity in reporting (GS) Duty of due care and diligence (GM) Act in best interests of CAANZ (GM) It is in the interests of CAANZ to be open and transparent in its reporting (GM) Professional competence and due care (ER) Professional behaviour (ER)</p> <p><i>"CAANZ has a long tradition of setting, and meeting, high standards around corporate governance and transparency. Those standards are both expected by you, and applied by you every day in your work with business and the community." M Jack & C Crowley, 27/6/2017</i></p>	<p>You have raised a concern regarding the level of transparency and disclosure contained in CA ANZ's Annual Reports. Last year the Board decided to improve the disclosure and transparency of the CA ANZ Annual Report. This decision was not as a result of member and media pressure. In fact, this decision to improve transparency and disclosure in our Annual Reports was made in December 2017 (i.e. prior to you raising the matter with CA ANZ).</p> <p>GJ comment: The board's response is disturbing not only for its lack of apology for failing to uphold high standards of transparency but also because it takes pains to deny that it was not responding to member concerns and media pressure. No mention of its mea culpa was mentioned in formal correspondence on this issue in February and April - see item 12 below. Why was this kept hidden from an enquiring member until after media exposure?</p>
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8	<p>Head of Members issuing false and misleading statements to member, chair, president and Vic council chair.</p> <p>Asserting precedent exists for CEO's of accounting bodies with no background in accounting (in letter of 19/2/18).</p>	<p>Prescribe high standards of practice and professional conduct (C) Safeguard integrity in reporting (GS) Respect the rights of members (GS) Recognise and manage risk (GS) Duty of due care and diligence (GM) Professional competence and due care (ER) Professional behaviour (ER)</p> <p><i>"Trust is not just synonymous with our role, it's symbiotic, in that if it doesn't exist then we cannot do our job or make our contribution." "...trust in our profession has been called into question of late, and it is up to us to work together to rectify that,..." "We need to work together to rebuild 'brand accountant' to the status of trusted advisor, and guardians of corporate governance and integrity." Simon Grant, CAANZ website, 27/10/2017</i></p>	<p>You are correct in highlighting that a mistake was made in a piece of correspondence from our Head of Members. We understand that he apologised personally to you for the error as well as letting you know that he informed the President, Chair and CEO of this error. We can confirm that this took place.</p> <p>GJ comment: 1) The "apology" acknowledged the error and was made long after the damage had been done. Also see the more serious issue 11 below relating to the board's ratification of the false assertion when the truth was placed before it. 2) it remains unexplained how the misstatement arose and nor how members can have any confidence that it will not recur.</p>
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9	<p>Chair (M Jack) public portrayal of legitimate member concerns as a personal attack in his response to the Senate inquiry dated 29/8/2017.</p> <p>Mr Jack portrayed the criticism around the CEO appointment as a personal attack in an apparent attempt to deflect attention from the board's apparent mistake.</p> <p>Mr Jack had ample opportunity to consult with the member before making his response.</p> <p>As background, it is relevant to note that the leadership issues were only raised through the public Senate inquiry process because all the initial communications were seemingly ignored by the board. The board subsequently apologised for CAANZ having somehow lost those communications.</p>	<p>Prescribe high standards of practice and professional conduct (C)</p> <p>Safeguard integrity in reporting (GS)</p> <p>Respect the rights of members (GS)</p> <p>Recognise and manage risk (GS)</p> <p>Promote ethical and responsible decision making (GS)</p> <p>Duty of due care and diligence (GM)</p> <p>Primary responsibility is to members (GM)</p> <p>Obligation to be independent in judgement and actions (GM)</p> <p>Not take improper advantage of position (GM)</p> <p>Must use powers for a proper purpose (GM)</p> <p>Treat colleagues with respect, courtesy, honesty and fairness (GM)</p> <p>Properly manage any conflict (real or perceived) with the interests of CAANZ (GM)</p> <p>Professional competence and due care (ER)</p> <p>Professional behaviour (ER)</p> <p>Not allow bias or conflict of interest to override professional or business judgement (ER)</p> <p>Straightforward and honest dealings (ER)</p> <p>Also see ER 110,110.2,120</p>	<p>In your correspondence to the Australian Senate Committee Hearing you refer to our CEO as being associated with “dubious (non) disclosure”. You further state, “....we have what appears to be an ageing man with family commitments, no CA qualifications, nor a background in accounting (apart from the aforementioned dubious accounts)....”We maintain that these are unfounded personal attacks on our CEO.</p> <p>GJ comments</p> <ol style="list-style-type: none"> 1) how can repeating Mr Ellis' own remarks about himself constitute a personal attack? 2) how can the circumstances apparent from the published Te Papa accounts and NZ media reports be considered as not founding the assertions? 3) the focus of the issue raised was on the board's decision and hence Mr Ellis was deliberately not mentioned by name except by Mr Jack in his public response. 4) rather than taking the opportunity to clear any misconceptions around the facts giving rise to the issues, Mr Jack instead chose to ignore them. This leaves significant question-marks around the acceptability of the (non) disclosures in the Te Papa accounts and also whether Mr Ellis personally benefited from them. 5) Since the allegations stand uncorrected, then by Mr Jack's own admission they reflect adversely on Mr Ellis and his suitability to the role of CEO.
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10	<p>Head of Members broken promises.</p> <p>Mr Grant made many unfilled promises on 12/9/2017 (see details below) around rectifying the disclosures of car benefits which are presently hidden in a 'lifestyle' web page.</p> <p>The main members benefits web page does not have any mention of car benefits.</p> <p>The Feb/Mar and Apr/May 2018 editions of Acuity carry 2-page colour spreads on Lifestyle benefits without mentioning what that marketing term includes.</p> <p>The most recent emails on the Affinity program dated 28/3/18 and 15/12/17 do not mention any car benefits.</p> <p>Also Mr Grant's indication on 6/11/2017 that contact details of state councillors would be provided on the website has not been fulfilled. [GJ note - after a long delay, LinkedIn links are available for the majority except ACT, however email addresses are required to ensure accessible to all members]</p> <p>Simon Grant as Head of Members stated as follows on 12/9/2017:</p>	<p>Promote ethical and responsible decision making (GS) Duty of due care and diligence (GM) Primary responsibility is to members (GM) Professional competence and due care (ER) Professional behaviour (ER)</p> <p><i>"Trust is not just synonymous with our role, it's symbiotic, in that if it doesn't exist then we cannot do our job or make our contribution."</i></p> <p><i>"...trust in our profession has been called into question of late, and it is up to us to work together to rectify that,..."</i></p> <p><i>"We need to work together to rebuild 'brand accountant' to the status of trusted advisor, and guardians of corporate governance and integrity."</i></p> <p><i>Simon Grant, CAANZ website, 27/10/2017</i></p>	<p>We do not accept your assertion that car benefits have been deliberately "hidden" from members. They are outlined on the CA ANZ website - https://www.charteredaccountantsanz.com/memberservices/member-benefits/affinity-lifestyle</p> <p>They have also been advertised and editorialised in the members' Acuity Magazine on several occasions.</p> <p>This is not to say there is no room for improvement. We can assure you they will be further highlighted in the future.</p> <p>GJ comments:</p> <ol style="list-style-type: none"> 1) the car benefits in question have been and continue to be deliberately concealed from view by members on the main members benefits page. The statement by the chair and president is contradicted by the facts and Mr Grant's acknowledgement. 2) the car benefits could be discovered by a very patient member on a subsidiary 'lifestyle' page but who would spend time looking for something that they don't even know exists? 3) the situation has recently been made more bizarre by the disclosure of such benefits on the members' benefits page for one manufacturer but deliberately leaving members in the dark on the same benefits
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<p>"We will review the descriptive text associated with the "Affinity Lifestyle" link on our website to make it more clear what sort of benefits are contained within this section of the program (i.e. make specific mention of car benefits)</p> <p>Based on your feedback we will review how we can more clearly include reference to the existence of car benefits within these email communications.</p> <p>Based on your feedback we will review how we can give more prominence to the existence of car benefits in these advertisements, so thank you for this feedback.</p> <p>As noted above we will review how we describe our Affinity Lifestyle program through our various channels to make the sorts of benefits contained within clearer."</p> <p>Also see 22 below</p>		<p>for the vast majority of car manufacturers (see 33).</p> <p>4) the implication is that commercial considerations may have trumped members' best interests, however such a policy has previously been denied by the Head of Members (see 33).</p>
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11	<p>Board, council and regional council ratifying false and misleading statements when the truth was placed before them.</p> <p>Ms Stanton confirmed on 9/4/2018 that after considering my letter of 27/2/2018, the board, council and regional council had determined that nothing needed to be added to the response previously provided to me. This is in the face of that response containing a false assertion made by the head of members which were clearly unmasked in my letter with sufficient detail to confirm the truth if any doubt existed.</p> <p>Mr Grant's subsequent apology on 13/4/2018 confirmed the falsity of his assertion.</p> <p>No comment was subsequently forthcoming from the board, council or regional council to explain their combined ratification and any remedial action that may be appropriate.</p>	<p>Prescribe high standards of practice and professional conduct (C)</p> <p>Safeguard integrity in reporting (GS)</p> <p>Respect the rights of members (GS)</p> <p>Recognise and manage risk (GS)</p> <p>Duty of due care and diligence (GM)</p> <p>Obligation to be independent in judgement and actions (GM)</p> <p>Professional competence and due care (ER)</p> <p>Professional behaviour (ER)</p> <p>Not allow bias or conflict of interest to override professional or business judgement (ER) (esp 110.2)</p>	<p>Please refer to our response in relation to issue eight, above. On behalf of the Board and the Councils, we again apologise for the inaccuracy in his correspondence.</p> <p>GJ comments:</p> <ol style="list-style-type: none"> 1) The chair and president ignore the question and attempt to place the entire blame for their mistake at the feet of Simon Grant. 2) How could the board, the council and Vic council all be duped by a false assertion when the truth was placed before them? 3) What does this say about all of the other decisions they've made?
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12	<p>Board, council, regional council ratifying no improvements required to CAANZ financial statements on 9/4/2018 but later advising members that the board had previously decided transparency improvements were required at its December 2017 meeting.</p> <p>How could CAANZ not be aware in both February and April of the transparency improvements they said had been decided in the prior December? Why was this kept hidden from members until after media exposure?</p>	<p>Prescribe high standards of practice and professional conduct (C)</p> <p>Safeguard integrity in reporting (GS)</p> <p>Respect the rights of members (GS)</p> <p>Recognise and manage risk (GS)</p> <p>Duty of due care and diligence (GM)</p> <p>Obligation to be independent in judgement and actions (GM)</p> <p>Professional competence and due care (ER)</p> <p>Professional behaviour (ER)</p> <p>Not allow bias or conflict of interest to override professional or business judgement (ER)</p>	<p>Our financial statements have complied with Australian accounting standards as these apply to not-forprofit entities – which is what we must comply with. They have been audited by a big 4 firm and unqualified audit opinions issued. The financial statements were approved by the Board at a regular Board meeting in September 2017. At a subsequent Board meeting later in 2017, the Board directed the executive to consider greater voluntary levels of disclosure in the 2018 financial statements.</p> <p>GJ comments:</p> <ol style="list-style-type: none"> 1) As noted in 7 above, the question has been ignored by the chair and president. The significant concern is if the board recognised it's mistake in December, why did it not issue a mea culpa in either the following February or April in its responses to a specific member enquiry on the manifest inadequacies of the accounts? Why was the admission concealed from members and only made public much later after media exposure? 2) Given the magnitude of this error for an accounting organisation that claims pre-eminent status, why has no apology been issued? Why has no independent inquiry been commissioned? How can members be assured that such fundamental errors won't be repeated? How can the board believe the error can be dismissed by placing the entire blame on the executive and making a vague request for it to do better next time? 3) How can leaders of the accounting profession take the view that it's obligations of accountability and transparency can in any way be considered "voluntary"? Is this not a failure to recognise the core purpose of accounting? What are accountants if they don't account? 4) See 24 regarding lack of audit tender and high audit fees and hence increased risk that auditor may not safeguard member best interests.
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13	<p>The Victorian regional council on 28/3/2018 ratified the decisions of the board and council in relation to the concerns raised in my letter of 27/2/2018 despite having previously escalated these concerns to a national register for consideration by the main council.</p> <p>No reasons have been provided for this turnaround which includes the ratification of a false statement when it had been unmasked in my letter.</p>	<p>Prescribe high standards of practice and professional conduct (C) Safeguard integrity in reporting (GS) Respect the rights of members (GS) Recognise and manage risk (GS) Duty of due care and diligence (GM) Obligation to be independent in judgement and actions (GM) Professional competence and due care (ER) Professional behaviour (ER) Not allow bias or conflict of interest to override professional or business judgement (ER)</p>	<p>As noted above, we have previously apologised for the inaccuracy in the correspondence to you from our Head of Members (see Issue Eight & Eleven above). To clarify, the issues you raised were submitted to the Council for consideration by the Victorian Regional Council as is the process. The Council, along with the Board, considered the issues that you raised and decided that they had been responded to appropriately as outlined in the letter from Jane Stanton dated 9th April, 2018.</p> <p>GJ comments: 1) Again, the issue has been ignored and deflected by the chair and president attempting to lay the entire blame on Simon Grant. 2) See appendices below for copies of later correspondence which illustrates how the Vic council continues to ignore repeated requests to explain its position.</p>
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14	<p>Chair apparently able to breach ethical code with impunity.</p> <p>Mr Jack's response on 29/8/2017 to the Senate Committee of inquiry is clearly conflicted, and yet no sanctions appear to have been taken.</p>	<p>Prescribe high standards of practice and professional conduct (C)</p> <p>Safeguard integrity in reporting (GS)</p> <p>Duty of due care and diligence (GM)</p> <p>Obligation to be independent in judgement and actions (GM)</p> <p>Professional competence and due care (ER)</p> <p>Professional behaviour (ER)</p> <p>Not allow bias or conflict of interest to override professional or business judgement (ER)</p>	<p>You state that the response given by the Chairman to the Senate was conflicted. The Senate wrote to the CEO asking for his response. We do not agree with your assessment that the Chairman's response was conflicted. Given much of the material you presented in the correspondence to the Senate Committee concerned him, Mr Ellis felt that it would have been inappropriate for him to respond. Therefore, the Chairman wrote to the Senate Committee on CA ANZ's behalf.</p> <p>GJ comments: The response evades answering the question through obfuscation. The key issues raised in the Senate inquiry relate to seeming incompetence on the part of the board. It is impossible for the chair to be considered impartial in defending his reputation. By making his response to the Senators, he appears to breach the clear provisions of the ethical code which require members to not place themselves in positions of conflict. The obvious requirement in his circumstance was to have the matter considered by persons who could be viewed as being impartial as far as acting in the best interests of members is concerned. (Also see issues 15-16 below).</p>
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15	<p>Directors and councillors apparently able to breach ethical code with impunity.</p> <p>The president's response dated 9/4/2018 clearly reflects conflicted opinions and yet no sanctions appear to have been taken.</p>	<p>Prescribe high standards of practice and professional conduct (C) Safeguard integrity in reporting (GS) Duty of due care and diligence (GM) Obligation to be independent in judgement and actions (GM) Professional competence and due care (ER) Professional behaviour (ER) Not allow bias or conflict of interest to override professional or business judgement (ER)</p>	<p>You refer to the President's response dated 9/4/2018. In our view, the Board and Council have not breached ethical boundaries.</p> <p>GJ comments: 1) How can the board and council appear oblivious to core requirements in the ethical code (see 14 above)? Are their views framed by the issue raised at item 16? 2) The code of ethics requires accountants to avoid placing themselves in positions of conflict. The issues in question have a potentially significant impact on their careers and therefore they cannot be considered impartial in defending their stance. Members would expect a genuinely impartial review in these circumstances.</p>
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16	<p>Directors not able to be impartially reviewed for professional misconduct.</p> <p>Every person involved in the review process has been appointed by the board, thus making it impossible for an impartial review of a director referred to such a review.</p> <p>Other hindrances also exist such as the requirement to provide waivers and agree to gag conditions.</p> <p>Repeated requests for contact details of the chair of the Professional Conduct Oversight Committee to discuss this have not been satisfied.</p>	<p>Prescribe disciplinary procedures and sanctions (C)</p> <p>Duty of due care and diligence (GM)</p> <p>Obligation to be independent in judgement and actions (GM)</p> <p>Professional competence and due care (ER)</p> <p>Professional behaviour (ER)</p> <p>Not allow bias or conflict of interest to override professional or business judgement (ER)</p>	<p>You have stated that Directors cannot be reviewed for professional misconduct. In fact, the Professional Conduct Oversight Committee (PCOC) has the power and the ability to consider matters concerning member Directors of CA ANZ including professional misconduct. The fact that the PCOC is appointed by the Board does not mean that the members of the committee could not impartially consider a Director's conduct.</p> <p>GJ comment:</p> <p>1) The chair and president assert that PCOC members can be viewed as being impartial in reviewing the conduct of the persons appointing them. How is it possible for a person to be considered impartial when reviewing their appointer or boss?</p> <p>2) Why have multiple requests for contact details of the PCOC chair been refused - why are directors seemingly reluctant to have the lack of independence of their reviewers properly considered?</p>
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17	<p>Board's portrayal of governance review as being independent when the facts indicate it was performed for the board (ie the stewards) and the reviewer was not authorised to account for significant irregularities to the members (ie stakeholders).</p>	<p>Lay solid foundation for management and oversight (GS) Promote ethical and responsible decision making (GS) Safeguard integrity (GS) Respect the rights of members (GS) Recognise and manage risk (GS) Duty of care and diligence (GM) Obligation to be independent in judgement and actions (GM) Avoid any situations which may give rise to a conflict of interest (real or perceived) GM Professional competence and due care (ER) Professional behaviour (ER) Not allow bias or conflict of interest to override professional or business judgement (ER)</p>	<p>You refer to the Governance Review process not being independent because it was ordered by the Board. It is normal practice for the Board to order such reviews and oversee the progression of the process. As part of the review members were provided with the opportunity to participate in the process as well as our Regional Councils and Committees were engaged in the process. As has already been communicated to you, the Board appointed an independent governance review consultant as was promised under the merger conditions in 2013. When the review was submitted to the Board a committee of members was established to review the recommendations and develop a path forward which was then considered by the Council for approval.</p> <p>GJ comments:</p> <ol style="list-style-type: none"> 1) The chair and president appear unable or unwilling to understand that for a governance review to be considered 'independent', it needs to be free from any influence by the stewards (ie the board and council). In this regard, what is relevant is who selects the reviewer and to whom does the reviewer report to. 2) The so-called independent reviewer appointed by the board refuses to answer legitimate member queries around obvious shortcomings in his report on the basis that he is only accountable to the board. How is it possible to claim that his review has the required independence from the board? 3) The review process has also so far been characterised by a lack of transparency. For example, the 2017 accounts refer to recommendations made to improve governance, and yet details of these have not been shared with all members. 4) The expected unfavourable outcomes of such major oversights is illustrated by the many issues noted in this document.
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18	<p>Failure to remedy the significant flaws in governance structure exposed by the CPA Australia debacle despite CAANZ sharing essentially the same flawed structure.</p> <p><i>(This document does not cover the all of the specific governance structure issues however see an outline below including issues such as members no longer being able to vote directly for directors and also being denied a practical means of sharing governance concerns with their fellow members - also see 35).</i></p>	<p>Lay solid foundation for management and oversight (GS) Promote ethical and responsible decision making (GS) Safeguard integrity (GS) Respect the rights of members (GS) Recognise and manage risk (GS) Duty of care and diligence (GM) Obligation to be independent in judgement and actions (GM) Avoid any situations which may give rise to a conflict of interest (real or perceived) GM Professional competence and due care (ER) Professional behaviour (ER) Not allow bias or conflict of interest to override professional or business judgement (ER)</p> <p><i>"CAANZ has a long tradition of setting, and meeting, high standards around corporate governance and transparency. Those standards are both expected by you, and applied by you every day in your work with business and the community." M Jack and C Crowley, 27/6/2017</i></p>	<p>You have mentioned on many occasions that the CA ANZ and CPA Governance structures are the same. The two Governance structures, until the recent CPA member vote, were not the same. We do not accept that our governance structure has any deficiencies that may have been present in the CPA's previous governance structure. We have a Council that provides greater member governance. The recent vote by CPA members to adjust some of their governance system to reflect the process instituted by CA ANZ is a good indication of the robustness of the CA ANZ governance system.</p> <p>GJ comments;</p> <p>1) Members would expect the board and council to be aware of the essential similarities between CAANZ and CPAA that gave rise to the latter's widely reported implosion. In essence, these similarities arise from multiple unnecessary layers of separation between members and directors resulting in disenfranchisement for members.</p> <p>2) Claiming that the council provides greater member governance is contradicted by the facts. The many issues illustrated in this document point to the council being incapable of holding the board to account. The president seems unable to recognise the conflicted position she occupies in attempting to police the board she herself is part of. How can anyone be expected to sanction against themselves?</p> <p>3) To a rational member observing the fate of CPAA members, any move by that body to emulate any part of CAANZ would raise red flags about its disenfranchising characteristics. The fact that CAANZ leadership views it as being a "good indicator" begs the question as to whose interests are being served?</p>
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19	<p>Apparent attempt by Mr Jack and Ms Stanton to hide declines in student numbers by omissions and convoluted reporting.</p> <p>Due to failing to disclose relevant details, apparent drops in student numbers are not revealed.</p> <p>The CA program is described in the 2017 annual report as "going from strength to strength"</p> <p>The provisional members for 2015 was reported as 20,102 and for 2017 was 16,390. The implication from other reports is that the unreported figure for 2016 is around 17,500 which would represent a drop of around 6.3% in 2017.</p> <p>Also see item 20 below.</p>	<p>Recruit, educate and train a body of members (C)</p> <p>Advance the theory and practice of accountancy (C)</p> <p>Prescribe high standards of practice and professional conduct (C)</p> <p>Advance the profession of accounting (C)</p> <p>Promote quality and integrity in the profession of accountancy (C)</p> <p>Promote the standing and usefulness of the profession of accountancy (C)</p> <p>Safeguard integrity in reporting (GS)</p> <p>Recognise and manage risk (GS)</p> <p>Duty of due care and diligence (GM)</p> <p>Act in best interests of CAANZ (GM)</p> <p>Professional competence and due care (ER)</p> <p>Professional behaviour (ER)</p>	<p>Student numbers do vary from year to year as we determine from time to time who is genuinely progressing through the program. They have up to eight years to complete the program and for a variety of reasons they may not progress or take substantial breaks in their studies depending on their life stages during that eight-year period. To say we deliberately overstate these numbers is not correct as we have had a steady increase in full membership over the years which also indicates that we have good growth in these student numbers in prior years. We will look to provide more clarity in our member numbers in our Annual Report this financial year.</p> <p>GJ comments: The response evades answering the question through obfuscation. On a consistent like-for-like basis from the time of the merger, what are the student numbers and did they increase as implied in the 2017 annual report to members?</p>
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20	<p>Attempt by Mr Jack and Ms Stanton to portray a 2.2% increase in member numbers where real increase is apparently either 1.6% adjusting only for what appears to be a mathematical error or only 0.1% if the prior period overstatement is taken into account (noting that such overstatement appears to be the sole basis for claiming a current year increase).</p> <p>Apart from a mathematical error exaggerating performance, the chair and president appear to be creating an illusion based on double-counting an overstatement in a prior year.</p> <p>Here is the "clarification" statement: "CA ANZ membership numbers for 2016/17 were reported as 117,112 as at the end of June. This number represents all classes of membership including those studying which are classified as "Provisional" members. The 2016/17 numbers excluded those Provisional members who failed to progress their studies. When applying the same methodology to the 2015/16 numbers, our total membership was 115,279. Therefore, your membership organisation grew by 2.2% when comparing 2016/17 over 2015/16." (M Jack & J Stanton 24/4/18)</p> <p>Also see 19 above.</p>	<p>Recruit, educate and train a body of members (C) Advance the theory and practice of accountancy (C) Prescribe high standards of practice and professional conduct (C) Advance the profession of accounting (C) Promote quality and integrity in the profession of accountancy (C) Promote the standing and usefulness of the profession of accountancy (C) Safeguard integrity in reporting (GS) Recognise and manage risk (GS) Duty of due care and diligence (GM) Act in best interests of CAANZ (GM) Professional competence and due care (ER) Professional behaviour (ER)</p>	<p>The increase when comparing "like for like" in member numbers was 2.2% comparing financial year 2016 and financial year 2017. Adjustments to the base financial year 2016 were made to account for provisional members (i.e. students) for either non-payment or for failure to progress. These adjustments are appropriate and were made later in the 2017 financial year. The full member numbers highlight the direction of membership growth year on year. As noted, student numbers vary depending on how quickly they progress through the program with the upper limit being eight years to complete the program. The details of this subsequent adjustment were clarified in our direct communication to Members and posted on our website on 24 April 2018. Again, we will look to provide more clarity in our member numbers in our Annual Report this financial year.</p> <p>GJ comments: 1) The response evades answering the question through obfuscation. On a consistent like-for-like basis from the time of the merger, what are the numbers and did they increase as described in the 2017 annual report to members? 2) Simple arithmetic indicates that the claimed 2.2% should be 1.6% (ie 117,112 =1.6% x 115,279)- what is the maths supporting 2.2%? 3) What is the overstatement in 2016 that must be acknowledged to support a claimed 2017 increase? In fairness, should the increase not be offset by the matching overstatement?</p>
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21	<p>Low-income member fee concessions are only available prospectively. The policy precludes members claiming for prior years, even where the only reason for not applying was a lack of awareness due to CAANZ not highlighting its availability in prior years.</p> <p>It is unethical for CAANZ to fund a \$1 million CEO salary using funds from low income fee concessions that are unreasonably withheld.</p> <p>The policy should be changed retrospectively and highlighted to all members where it can be readily discerned ie prominently on the invoice.</p>	<p>Assisting members in need (C) Promote ethical decision making (GS) Respect the rights of members (GS) Act honestly and in good faith (GM) Treat colleagues with respect, courtesy and honesty (GM) Straightforward and honesty in all dealings (ER)</p>	<p>Concession fees are available to members and highlighted on the website and members are directed to the information in the annual subscription letter. You are correct in saying they are available prospectively and that has been the policy for some time. The Board considers that the policy is appropriate. However, in future we will also highlight the availability of concession fees to members at renewal times so that members can assess their eligibility at that time. This has been made clear in this year's renewal process.</p> <p>GJ comments: 1) The chair and president appear to believe that because the policy has been in place for some time, it somehow makes it morally correct. This also ignores the catch-22 that no-one would have been aware of such a policy since the availability of the concession was not highlighted. 2) Again, the issue has been ignored - what is the moral justification for denying low income members a fee concession for want of the making of an application at a particular time when all the substantive requirements are satisfied (especially when the only reason for the delay is due to CAANZ not drawing sufficient attention to the concession)?</p>
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22	<p>Despite being by far the most dominant benefit by number (and also likely by value to members), car benefits have been hidden from members.</p> <p>They do not appear on the main members' benefits page of the website but are instead included on a separate subsidiary page described as "Lifestyle".</p> <p>There are no indications on the main member's benefits page that Lifestyle benefits could include car benefits. Nor do recent emails or adverts for Lifestyle benefits in <i>acuity</i> mention that they include car benefits.</p> <p>This is despite this failing being drawn to the attention of senior management around a year ago and promises being made that it would be rectified.</p>	<p>Respect the rights of members (GS) Safeguard integrity in reporting (GS) Represent members' interests (GM) Act honestly and in good faith (GM) Straightforward and honesty in all dealings (ER)</p>	<p>As mentioned under Issue Ten, we do not consider that car benefits were deliberately hidden from members. Under the Affinity Lifestyle section of member benefits, the motor vehicle benefits are clearly disclosed as per the following link - https://www.charteredaccountantsanz.com/memberservices/member-benefits/affinity-lifestyle</p> <p>GJ comments (in addition to the comments at item 10):</p> <ol style="list-style-type: none"> 1) The board was aware of this issue as early as August 2017 and has done nothing since then except deny its existence. 2) Asserting that such benefits can be discovered on a "lifestyle" pages misses the point of the question - who would spend any time looking for something that they don't even know exists? 3) The chair and president's response also conflicts with the following statement made by the Head of Members: <p>"We are grateful to you for bringing to our attention improvements that we could make to benefit our members.</p> <p>This feedback has been provided to the Chair and the broader Leadership Team, and has allowed us to update our website and clarify certain information, including how partner benefits are communicated to our members."(S Grant 19/2/18)</p>
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23	<p>Despite a clear intention in the by-laws that members should not be directed by any particular person for more than 6 years based on sound long-standing principles of good governance, two directors, including the chair, have exceeded this period by a considerable margin.</p> <p>Michael Blake is reported to have commenced directing members on 1/1/2011. Murray Jack is reported to have commenced directing members in July 2009.</p> <p>Despite an amalgamation with NZ based members since 31/12/2014, the original body with a changed name continued through a Supplemental Royal Charter as it has previously done on eight separate occasions since its formation in 1928 (ie a new charter was not issued and a new body was not formed). Even if a new body was considered to be formed in a technical sense, the substance and practice is that the original body continued under a new name with changes to reflect the</p>	<p>Promote integrity in the profession (C) Promote high standards of professional conduct (C) Lay solid foundation for management & oversight (GS) Promote ethical decision making (GS) Respect the rights of members (GC) Recognise and manage risk (GS) Act honestly & in good faith (GM) Duty to use due care & diligence (GM) Make sound decisions (GM) Not take improper advantage of position (GM) Properly manage any impartiality (GM) Not engage in any conduct that may bring discredit or disrepute upon CAANZ (GM) Represent members' interests (GM) Establish and monitor robust governance processes (GM) The board must ensure that CAANZ adheres to high standards of ethics (GM) The board aspires to excellence in governance standards (GM)</p>	<p>You have also raised concerns regarding the length of time that Mr Blake and Mr Jack have been directors. That is, your correspondence states that Mr Blake and Mr Jack have been directors of CA ANZ for longer than 6 years. [GJ - this was not stated by me - see below]</p> <p>Mr Jack Mr Jack was previously a director of the New Zealand Institute of Chartered Accountants (NZICA). Despite the merger, NZICA is a distinct and separate legal entity to CA ANZ. Mr Jack was not appointed as a director of CA ANZ until 1 January 2015. Consequently, Mr Jack's initial tenure commenced on 1 January 2015. Accordingly, Mr Jack has only been a director of CA ANZ for 3 years and 5 months.</p> <p>Mr Blake Prior to his reappointment as a director on 1 January 2016, Mr Blake served 2 terms as a director. One of these terms was as a director of the former Institute of Chartered Accountants in Australia (ICAA). In addition, Mr Blake served a further 1 year term as a director of CA ANZ from 1 January 2015. Under By-Law 108C(c), a CA ANZ director can only be reappointed for one further 3-year term. However, this By-law only applies to CA ANZ directors that were appointed by Council under By-Law 108. Mr Blake's initial appointment as a director of ICAA was not made pursuant to By-Law 108. Rather, it was made pursuant to the previous By-Law 108A, which has subsequently been deleted. By-Law 108C therefore does not apply to Mr Blake's initial term as a director of ICAA.</p>
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	<p>inclusion of NZ based members - such changes would not require an extension of director's terms by stealth.</p>	<p>By-Law 108C: A Director appointed under By-Law 108:</p> <ul style="list-style-type: none"> (b) must have been nominated by the Nominations and Governance Committee. (c) shall, subject to these By-Laws, continue in office as a Director for an initial period of 3 years from the date of his or her appointment and shall be eligible for reappointment by the Council under By-Law 108 for one further period of 3 years; (d) may be removed from office by a resolution of the Council passed at a meeting convened with notice of its purpose; 	<p>GJ comments:</p> <ol style="list-style-type: none"> 1) my question has been misconstrued - seemingly to cater for a response which is highly technical and convoluted. There are around 24,000 members in NZ who have been directed by Mr Jack since July 2009 - why are they not afforded the same protection as Australian based members? 2) the central issue remains unanswered ie how are the principles of good governance consistent with any person directing members for longer than the 6 year term clearly intended in the By-laws and board charter? 3) it appears that the highly technical argument allegedly supporting Mr Blaike's position relies on a deleted By-law 108A, the contents of which is not accessible by members despite repeated requests.
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24	<p>The audit firm has not been changed for at least the last 10 years and nor is there any record of a public tender for such auditing services.</p> <p>The latest 2017 accounts disclose auditor's remuneration at \$333,210 which is significantly greater than other organisations of similar size and complexity. For example, the Moroondah city council is similarly sized and has 2017 financial statements considerably more complex (69 pages compared with 33 for CAANZ) which shows auditor's remuneration of only \$64,000.</p>	<p>Promote integrity in the profession (C) Promote high standards of professional conduct (C) Lay solid foundation for management & oversight (GS) Promote ethical decision making (GS) Respect the rights of members (GC) Recognise and manage risk (GS) Duty to use due care & diligence (GM) Make sound decisions (GM) Properly manage any impartiality (GM) Represent members' interests (GM) Establish and monitor robust governance processes (GM) The board must ensure that CAANZ adheres to high standards of ethics (GM) The board aspires to excellence in governance standards (GM)</p>	<p>CA ANZ follow the rules set out under the Corporations Act 2001 which sets out under section 324DA (1) and (2) for the rotation of any auditor that plays a significant role in the audit of an entity. Accordingly, the audit partner is rotated every five years as per the Corporations Act.</p> <p>The business model of Chartered Accountants Australia and New Zealand is likely to be very different to that of a local council, and we are unable to comment any further on their business model.</p> <p>GJ comments: 1) The response evades answering the question through obfuscation. In the absence of a public tender process after untold years and prima-facie evidence of grossly excessive fees, there is a high risk that the auditor may not be providing the safeguards that stakeholders expect and demand. 2) It is disturbing that directors and councillors appear to be unable or unwilling to accept these fundamental concepts of good governance.</p>
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25	<p>An offer was made by president Jane Stanton to meet with her, Mr McNeill (Vic council chair) and a senior member from Victoria but was withdrawn after the offer was accepted.</p> <p>A substitute offer was later made to meet with her and a spin doctor as part of a "mediation" process governed by a legal mediator and subject to a mandatory confidentiality order. This meeting was refused because the gag condition would have prevented other members from being made aware of these concerns.</p>		<p>As you know, we have offered to go to mediation on the matters you have raised. However, you did not wish to enter into such a process because, as we understand it, you did not wish to enter into a confidentiality agreement. We do not agree with the suggestion that we have tried to gag you. Confidentiality agreements are standard in mediation processes and are intended to protect all parties involved, including yourself.</p> <p>GJ comments:</p> <ol style="list-style-type: none"> 1) The "confidentiality" condition would have prevented other members from being made aware of these concerns and the dissemination of documents such as this. It has the same practical effect as a gag order. 2) It remains unexplained why CAANZ requires any 'protection' and nor why a member should require any protection in the context of a meeting with the president. 3) It remains unexplained why the president and Vic council chair felt unable to discuss these serious issues personally with a member in an open and transparent way.
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Issues so far ignored by CAANZ leadership *(dates of raising each issue are shown individually)*

26	<p>Where can members access information detailing the promised benefits that would arise from the amalgamation? (ie the commitments referred to in the chair and president's backgrounder to members of 24 April 2018) <i>(14 May 2018)</i></p> <p>GJ additional comments:</p> <ol style="list-style-type: none">1. This document is focussed on ethical issues which in this case is the apparent concealment of poor operational results compared with the results promised by the amalgamation. Accordingly, the results are mentioned in a broad/sketch format to indicate the potential issue. It is not intended to substitute for a proper independent reconciliation of operational results to the promises made, but to highlight the absence of such a report and its significance to members.2. The claimed A\$25 million subscription savings has not been detailed and does not appear to align with the figures justified in the original promise - how does its calculation reconcile with the original calculations which justify its portrayal as a genuine "saving"?3. There appears to be a shortfall in operational performance of around \$26.4 million as at 30/6/2017 compared with the scenario promised to members in support of the amalgamation. The known reported losses for 2016 and 2017 amount to \$14.9 million, thus leaving an apparent unexplained shortfall compared with expectations of around \$11.5 million. <p>The following is a broad analysis supporting this query based on limited information issued by CAANZ (all figures A\$m):</p> <p><u>59.9</u> Original combined NTA at 30/6/2013 (exc. NZ capitalised merger costs) (12.9) Reduction for one-off merger costs not reflected in 2013 NTA (18.1) Fee reductions as per promised basis and including additional in 2016 (4.0) IT upgrade anticipated at time of amalgamation 39.5 Promised steady-state savings from 1/12/2015 14.5 Net results from 2013 to 2017 reasonably anticipated by averaging results for 3 years prior to amalgamation <u>17.3</u> Net increase in asset revaluation reserve 96.2 NTA reasonably expected based on the amalgamation promises <u>69.8</u> Actual NTA as at 30/6/2017 (26.4) Apparent shortfall from operational results following the amalgamation as at 30/6/2017</p>
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27	<p>What is the reasoning and support for the geographic representation that has arisen since the amalgamation?</p> <p>For example using 2017 numbers, the ratio of NZ to Australian members is around 38% (32% at the time of amalgamation). The ratio of NZ/Australian council members can vary in the range 55% to 75% (75% for 2017). The ratio for the board in 2017 was 71%. The ratio for the three most powerful positions of CEO, chair and president in 2017 varied from 200% to infinity (ie all 3 NZ). <i>(14 May 2018)</i></p> <p>GJ additional comment: The point here is not to imply any competence issues around New Zealand based personnel but merely to question the basis for a method of geographic representation which results in such grossly disproportionate outcomes discriminatory to Australians. If there is any justification for the geographical representations adopted by CAANZ, then why are the outcomes so distorted compared with what most members would expect and consider reasonable?</p>
28	<p>What are the parameters and principles approved by members in relation to remuneration? <i>(14 May 2018)</i></p> <p>GJ additional comment: The constitutional documents anticipate and provide for this but evidence of its implementation by leadership appears lacking. The absence of a response by leadership tends to confirm the suspicion that member rights have been denied in an area significantly connected to the self-interests of leadership.</p>
29	<p>On what grounds are members better represented through the current multiple layers of separation between members and directors compared with the direct voting of the majority of directors by members under the pre amalgamation structure? <i>(14 May 2018)</i></p> <p>GJ additional comment: See comments below on flaws in governance structure.</p>

30	<p>Were NZ board members bound by the principle of limited terms in the same way as Australian directors? (14 May 2018)</p>
31	<p>How are main councillors appointed and where are the by-laws etc that govern this? (16 May, 26 June 2018)</p> <p>GJ additional comment: Although councillors come from a body of representatives elected by members, members have no say in relation to who from the elected body of state councillors should represent them on the main council. This disenfranchisement is exacerbated by the seeming absence of any formal procedure which governs the appointment process for main councillors.</p>
32	<p>1) Why did the board engage a non-CA spin-doctor to investigate the Te Papa accounting issue, and</p> <p>2) Does the president believe it appropriate that the spin-doctor intervenes in member communications with CAANZ leadership (as he did on 18 May)?</p> <p>In relation to the Te Papa accounts, if CAANZ leadership believes the issues raised are unjustified, then it is incumbent to provide an impartial opinion from a CA supporting the non disclosure of the comparative figures being somehow consistent with the accounting standards which the profession seeks to uphold (ie with sound supporting reasons). (21 May 2018)</p> <p>GJ additional comments: 1. Why would any ethical board consider engaging the services of a spin-doctor to support their stance? How can directors justify using member funds against members' best interests? 2. Why would the board engage a spin-doctor not bound by the ethical code to 'research' the issues apparent in the Tapa Accounts instead of a properly qualified CA (ideally independent of the organising body)?</p>

33	<p>It seems that member's best interests are not being served by misdescribing and hiding the majority of car benefits under a vague "Lifestyle" label. This is especially the case when abundant opportunities to inform members of what the term "Lifestyle" actually means are wasted, including full colour two-page spreads in acuity magazine.</p> <p>Simon Grant previously advised that:</p> <p>"CA ANZ does not have a policy discouraging the promotion of member benefits that do not have a commercial return to CA ANZ. If such a policy existed ten years ago, we can confirm that it no longer exists."</p> <p>This assertion seems to be contradicted by the facts. Lexus who appears to be providing a commercial return to CAANZ appears on the members benefits page but others offering essentially the same benefits to members continue to be concealed from view and relegated to a subsidiary web page under a heading bearing little or no relationship to the benefits on offer with no clues provided as to their existence on that page.</p> <p>Why is Lexus featured on the members benefits web page while BMW, Mercedes, Audi etc are all hidden on the Lifestyle page when as far as members are concerned they are all offering essentially the same benefits to members under their corporate programs? <i>(1 June 2018)</i></p>
34	<p>Why are the accounts for 2012 and 2014 missing from the website? Please supply copies, together with the EM for the amalgamation. <i>(26 June 2018)</i></p> <p>GJ additional comment: Why would leadership of an accounting body deny members access to its own financial accounts?</p>

35	<p>Will the community hub due for release to all members in early 2019 allow governance concerns to be discussed by members? (31 Aug 2018)</p> <p>GJ additional comment:</p> <p>1) A Senate committee of inquiry in 2017 went to great lengths in an attempt to remedy the governance failings widely publicised following the CPAA debacle. This centred around providing a practical means of allowing members to share any concerns around governance (like all the issues appearing in this document). Members could reasonably expect the board and council to be aware that CAANZ shares these governance shortcomings and yet there is no sign that remediation will be seen by members any-time soon. Whose interests are being served?</p> <p>2) Also see below "Governance structural issues"</p>
	<p><i>NB international issues not included here.</i></p>

Governance structural issues - broad outline and suggestions

The ethical issues outlined in this document arguably stem from a governance structure that is by definition significantly flawed.

The board arranged for a governance review to be conducted by a person apparently not bound by an ethical code and who stated was not answerable to members (ie the people whom the structure is meant to safeguard from malefic behaviour by the board) . This so-called review was portrayed by the directors as being "independent" and members were advised that the structure was "sound". This is despite the fact that CAANZ shares essentially the same governance disenfranchising characteristics as CPAA which imploded around the time of the review.

The need for a sound structure stems from an empirically derived fundamental law of organisational behaviour to which CAANZ has succumbed. This law provides that in time, every organising body will prioritise its own self interests over those of the people it purports to represent.

Some of the structural flaws evident in CAANZ may be described as follows.

Unnecessary tiers of separation between members and directors

1. There exists two unnecessary tiers separating members from the board which holds executive power. Members may only appoint regional councillors and are led to believe that through this and a further diluting tier (the main council) they somehow control the board. The reality appears closer to the complete opposite - the structure ensures that the board has oversight of the regional councils and that they report to and are accountable to the board. Also telling is that contact details for the elected representatives were for a long period not disclosed to members, despite repeated requests. More recently, LinkedIn links are available for the majority except ACT, however LinkedIn does not allow all ordinary members to make contact in the same way that an email addresses would.

It should be highlighted that the structure in place for ICAA prior to the amalgamation allowed members to vote directly for their choice of board members. Provision was made for the elected directors to appoint a minority in the event that additional skills were needed to balance those gained through election.

Flawed main council tier

2. The concept of a main council appears to have been inherited from the former New Zealand arm of the merged body. The idea portrayed to members is that the main council represents members and not only appoints the board but also holds directors accountable. Significant flaws in this theory appear in practice.

For example, the president of the council is also a board member, and the council vice-presidents (ie wannabe board members) also take part in board meetings. How can the president be immune from the group-think cognitive bias that psychologists have demonstrated all humans are susceptible to? How is it possible for the council president to hold herself (and her VPs) to account as a board member?

Another example is the treatment of minutes. The council which is meant to control the board is obliged to provide minutes to the board but the supposedly controlled board is not obliged to issue minutes to the council. In the meantime, the body of regional councils supposedly directly representing members are kept in the dark - only receiving what the other bodies believe they need to know. The regional councils are obliged to provide their minutes not to members but to the CEO.

In addition, the CEO is entitled to receive all papers that a director is entitled to receive and is also empowered to attend meetings such as board meetings and meetings of the all-powerful NGC (see below). Even the CPAA board was compelled to recognise that providing the CEO with such undue powers is contrary to member best interests and CPA members approved the necessary changes. In the case of CPAA, Alex Malley was bound by the ethical code however the new CAANZ CEO is not so constrained.

Another notable 'feature' of the main council is that the by-laws required for the appointment of its members have not been communicated to members despite repeated requests and are apparently unwritten. How are the councillors selected/appointed? All we know for certain is that members have no say in who is selected as a councillor except indirectly through the regional council which is overseen by the board.

The fact that the concept of an intervening council tier has been partly embraced by the widely ridiculed CPAA board is further confirmation of its dubious characteristics.

Flawed concept of nominations and governance committee

3. Another fiction portrayed to members is that the powerful nominations and governance committee is controlled by the main council (ie in theory therefore controlled by members). The reality is that the NGC appears to be dominated by directors or wannabe directors. Thus we have a group of directors with significant power to ensure that only people they nominate can be appointed in the role of fellow director (see by-law 108C(b) in item 23 above). The NGC also oversees governance processes including nominations and succession for councillors. This apparently director dominated committee also "advises" council on director remuneration and performance reviews. Is it possible to have greater conflicts built into a structure?

Lack of feedback on coal-face events

4. Another feature lacking in the current structure is a means for members to gain a direct appreciation of what is really happening at the coal face of the organising body. At present, the CEO (who was chosen by the board and is not bound by the ethical code) reports to the board and the board reports to councillors who then provide "highlights" to regional councillors and these may or may not ever reach members (also see Appendix 2 below).

Lack of a practical means for members to share governance concerns

5. This issue has been described above and should be self-evident to most members not associated with the current leadership team. There needs to exist a practical way for members to share details of significant organisational issues such as those detailed in this document. With the advent of inexpensive digital technologies such as web based forums and email, there is no acceptable reason for its absence in a membership based organisation such as CAANZ.

Lack of a safeguards against CPAA-like capture

6. The CAANZ constitutional documents were drafted in an era where the possibility of its capture by persons motivated by self-interest was beyond anyone's imagination. Even CPAA is afforded protections against oppressive or unjust behaviour such as those contained in the corporations law s461 and these played an important role in curtailing the shenanigans. CAANZ members are deprived of such protection and safeguards are long overdue.

Suggestions

A logical change is for the structure to revert back to that used by ICAA prior to the amalgamation whereby directors are appointed directly by members.

It is suggested that this could be enhanced by including a new position (which can be termed "President") which is a full-time role within the organisation to ensure that the organising body retains its focus on meeting member needs at the coal face. The new role of "President" would be appointed by, and report directly to members and would operate in partnership with a Chief Operations Officer. The new role of President could also encompass responsibilities held by the existing president in representing the organisation at important functions and events. It would be essential for the new President to be an experienced member and bound by the ethical code.

The CEO role could be replaced by a Chief Operations Officer who is appointed by, and reports to the board with a focus on managerial responsibility rather than executive power which would be controlled by the board appointed directly by the members and overseen full-time at the coal-face by the new role of President (who reports direct to the members and would not be responsible to the board).

Given the exposure CAANZ has to a CPAA-like experience, appropriate safeguards should be considered for inclusion in its constitutional documents.

As part of a transition process, it is suggested that a genuinely independent panel of inquiry be formed and empowered to investigate the issues identified and effect the necessary remediation.

These practical suggestions, combined with member forums and email capabilities to share member concerns around governance, would be a good start towards achieving pre-eminent status in the area of governance.

Appendices

1. Extracts relevant to the apparent fudges in the Te Papa Museum accounts

WHAT SUCCESS LOOKS LIKE

BY THE NUMBERS:

- ◆ Increased visitation to Te Papa and touring exhibitions

Remuneration, recognition and conditions

- Our remuneration reward and review policy remains based on market and performance principles, not length of service, seniority or cost of living adjustments.

Extracts from accounts for Museum of New Zealand Te Papa Tongarewa

Illustration of selective disclosure which highlight beneficial outcomes and hides unsatisfactory results (ie "inconvenient" comparative figures have been omitted from the 2015 and 2016 reports)

2015 Accounts

	2015	2014	Change	%
Visitors - Museum	1,556,164	1,289,353	266,811	20.7
Visitors - Domestic Touring	157,511	189,524	(32,013)	(16.9)
Total visitors (exc overseas and digital)	1,713,675	1,478,877	234,798	15.9

Comparative for touring not disclosed, thus hiding drop of 16.9%
Reported increase of 20.7% exaggerates true increase (of 15.9%) by 30%

2016 Accounts

	2016	2015	Change	%
Visitors - Museum	1,784,934	1,556,164	228,770	14.7
Visitors - Domestic Touring	77,715	157,511	(79,796)	(50.7)
Total visitors (exc overseas and digital)	1,862,649	1,713,675	148,974	8.7

Comparative for touring not disclosed, thus hiding drop of 50.7%
Reported increase of 14.7% exaggerates true increase (of 8.7%) by 69%

Note that the accounts for 2014 fully disclose all relevant comparatives

The new standard introduces the ability for accountants to set aside the duty of confidentiality under the Code in order to disclose NOCLAR to appropriate public authorities where there is a strong public interest reason. This will contribute to raising the reputation of, and the value society places on the profession.

15/9/2016 [CAANZ website](#)

2. Copy of communication to Victorian regional council indicative of its inaction, including its response

4 July 2018

To Victorian regional councillors
cc Chair - Nominations and Governance committee

CAANZ Leadership Issues

We've recently seen how the CAANZ chair and president used your ratification as a shield against legitimate member complaints. Your ratification of the board and main council's views without explanation points to a lack of independence that appears to stem from your being under the control and regulation of the board that you should be holding accountable.

My comments below illustrates how the multiplicity of ethical issues points to a leadership prejudicial to its members. As member representatives, you are called upon to act on these matters.

Unexplained ratifications

I was advised that after debating the earlier issues last year, you decided to escalate them to a national register. Yet with no meaningful explanation justifying the CAANZ stance on any of the many significant issues, you decided to ratify the CAANZ position.

This included the board and council decisions to ratify false and misleading statements made to us by the head of members when the truth was plainly placed before them. Long after that decision, Simon Grant apologised to me for making the false assertion, so there is no question around its falsity.

The key issue here is not the false assertion itself, unsatisfactory as that is from a member's perspective. Much more significant to members is that no reasons have issued from the board or council for ratifying that false assertion.

How is it possible to trust any decision made by those bodies when they cannot discern a false assertion from the truth which was plainly put before them? Was the matter too difficult for them, or did they simply not give it due care and attention?

Also relevant is that after the falsity was exposed, those bodies accepted it without explaining how it arose, leaving open the possibility that the falsification was part of a deliberate spin-doctoring exercise. How did Simon Grant come by the false material?

Despite all these questions, you chose to ratify the CAANZ stance which points to incompetence (or worse) for no reasons shared with the member raising the issues. This points to you adopting an unquestioning 'party-line' when your role is to represent members to ensure that the board is serving members' best interests. Perhaps you can dispel that impression, especially in relation to the treatment of the false assertion?

Lack of straightforwardness

When issues are raised by members, the expectation is that they'll be answered in a straightforward way. The honesty and diligence reflected in a response is often more important than the issue giving rise to it since the integrity of the response points to the integrity of the people and organisation behind it. All people and organisations constantly face challenges: their response to those challenges shapes their character and is a means to develop and evolve. It also gives fulfilment and meaning to their existence.

How disappointing is it then to find that a member organisation which is meant to uphold the highest standards of integrity is instead led by people who appear to exhibit the exact opposite characteristics. Instead of straightforwardness, members receive spin-doctored portrayals defending leadership's positions on significant issues that most members would regard as untenable. Transparency has been replaced with denial, obfuscation and disingenuity on dozens of significant issues.

A spin doctor, not qualified as an accountant and nor bound by our ethical code, was employed by the board to portray its inconvenient positions in the best possible light as well as interfere with my communications with CAANZ (he communicated direct to the Victorian regional manager seeking to stop one of my communications to CAANZ). Is this an appropriate use of members funds in an organisation whose purpose is to promote transparency and integrity (especially when the nature of the board's expenditure is kept hidden from members)?

The president invited me to meet with her, together with the Victorian regional council chair and a senior member from Victoria. She later cancelled the meeting and replaced it with a suggested 'mediation' meeting with her and a spin doctor. Neither the mediator nor his organising body could explain the objective of such a meeting in the context of CAANZ.

The president has refused to explain the purpose of a 'mediation' in the context of her role being to represent members' best interest and nor why it is necessary for me to be bound by a confidentiality order which would prevent me from sharing the issues raised with my fellow members. The chair and president state that confidentiality would provide me with "protection", which begs the question as to why a member meeting with the president would require any protection?

Indicative new issues

I understand that you've been made aware of the many issues raised since I last wrote to you which, for the sake of brevity, I won't fully list here except to note that they include matters such as:

- Allowing the chair to continue directing members since 2009 despite a clear intention in the by-laws to limit directors' terms to 6 years. Michael Blake is in a similar position. This is in an organisation whose board's charter requires it to aspire to excellence in governance standards. How would this satisfy community expectations let alone members best interests? Should members now contemplate the spectacle of Murray Jack attempting to defend the legitimacy of his position to the world accounting media at the forthcoming congress? Limited director terms is a foundation-stone principle of good governance. Its flagrant breach at the highest level of the organisation is consistent with the dozens of ethical issues we now experience.
- The chair and president turning a blind eye to the fudges pointed out in the accounts of the Te Papa museum during Rick Ellis' tenure as CEO. This is in an organisation whose sole purpose is to promote accounting. How is this consistent with the highest standard of integrity and ethical behaviour?
- The chair and president, after acknowledging disclosure and transparency failings in CAANZ's own accounts, stated that they regard the missing disclosures as being "voluntary" in nature rather than being required to fulfil their stewardship duty to be accountable to members. Again, they somehow consider this as being consistent with promoting the accounting profession. It is also notable that despite the board claiming to be aware of the need for improvements in December, it kept this fact hidden when responding to specific members concerns on the lack of transparency in the accounts in April and only subsequently acknowledged this issue to members after media exposure. It is also notable that no apology has been made nor any investigation of how this can occur in an organisation which should be setting the gold standard for transparency and accountability.

- The chair making statements denying culpability to a Senate committee of inquiry in circumstances where his reputation was at stake. This is in an organisation bound by ethical rules requiring objectivity. It seems directors may ignore the ethical rules with impunity.
- The chair and president stating that directors can be impartially reviewed by persons who were appointed by them. How is it possible for any person to be considered to be objective if asked to review their boss?

Hidden car benefits

I'd like to highlight the present ludicrous status on an issue not previously drawn to your attention by me but which originally alerted me to the culture of belligerent denial that is evident in CAANZ leadership.

Car benefits are the single largest category of member benefits by far and yet are not mentioned on the member benefits page of the CAANZ web site. Such benefits have been hidden from view on that page, seemingly deliberately.

The chair and president have stated that those benefits are not hidden since they may be discovered by members on a subsidiary web page which is named "lifestyle". Apart from contradicting the dictionary meaning of 'hide', their view implies that members are in the habit of spending their time exploring web pages in the hope that they may discover car benefits which they don't even know exist.

The view expressed by the chair and president also conflicts with the views expressed by the head of members that the non-disclosures should and would be rectified. Despite long standing complaints starting over a year ago, none of the promises for improvement have been fulfilled. For example, at least the last three issues (and likely many more) of Acuity contain 2-page colour spreads advertising 'lifestyle' member benefits without disclosing that the only benefits under that vacuous name are car benefits from numerous manufacturers and a single Qantas club benefit.

The mystery surrounding the concealment of car benefits deepened with the recent appearance on the member benefits page of car benefits offered by a Japanese manufacturer. Thus we presently have those benefits properly disclosed, but the existence of essentially the same long standing car benefits provided by many Germanic manufacturers are still concealed from view on the member benefits page (ie the longstanding Germanic offerings remain hidden by relegation to the subsidiary 'lifestyle' page).

This begs many questions such as:

- a) why would the chair and president contradict the view of the head of members on this point and also deny the common meaning of the word "hidden" when it is plain that such benefits have been concealed from view on the member benefits page?
- b) why do the chair and president believe that relegating the largest category of member benefits to a subsidiary "lifestyle" page would be in members' best interest when members have no way of knowing that such benefits exist (other than perhaps those members (if any) blessed with a photographic memory of the entire contents of the few historic affinity emails and editions of Acuity that mention such discovery is possible)?
- c) why do we have the present position discriminating against Germanic manufacturers (and members who prefer such vehicles)? Is this discrimination based on racial grounds? Maybe it is based on religious grounds? All we know is that it is likely not based on commercial considerations since Simon Grant is on record as stating that: "*CA ANZ does not have a policy discouraging the promotion of member benefits that do not have a commercial return to CA ANZ.*" (unless this was yet another false assertion).
- d) Every member I'm aware of who knows about this issue and who is not affiliated with the CAANZ organisation believes this to be a 'no-brainer' - all car benefits should be mentioned on the member benefits page. Why then has CAANZ leadership gone to extraordinary lengths to continue concealing car benefits offered by Germanic manufacturers from the member benefits page and relegating them to the 'lifestyles' page? Whose best interests are being served by this bizarre treatment?

A similar analysis could be applied to dozens of ethical issues which have emerged from a basic external review of leadership actions and inactions.

Governance structural flaws

As mentioned above, addressing the issues in an honest and straightforward way is vital to safeguarding members' best interests and in pursuing the goals of CAANZ. My view repeatedly expressed is that the issues I've raised have not been addressed in a manner consistent with a governance structure that safeguards members' best interests. The actions of CAANZ leadership are arguably oppressive and prejudicial to its members.

The CAANZ chair and president assert that CPAA directors pushing to adopt some of the flaws in the CAANZ structure is a good indication of its robustness. Given that CPAA has been widely pilloried in the media for its significant governance flaws, their directors favouring a particular governance 'feature' is likely an indication of its potential to further disenfranchise CPAA members by copying CAANZ's insertion of an unnecessary second degree of separation between members and directors (as if inserting one unnecessary degree of separation were not enough).

As you're aware, I've previously highlighted some of the many significant flaws that presently exist with the CAANZ governance structure which underlie the numerous ethical issues which have arisen.

Concluding comments

The president is comforted by the fact that her CA colleagues "all think the same". This group-think trait is a cognitive dissonance, long recognised by psychologists, which is undesirable in the governance arena since it can lead to outcomes such as the dozens of issues I've identified.

This also indicates that the main council is not up to the job of holding the board to account. Members have to wonder how that could even be possible when the main council leader is also a member of the board - how is it possible for her to be able to hold herself to account? Why is she unable to recognise this?

How is it possible that the near ideal governance structure enjoyed by ICAA prior to the merger has turned into a diabolical disgrace which seems designed to benefit the personal interests of directors in every possible way?

Your being under the control and regulation of the board that you should be holding accountable should not prevent you from doing something to rectify these issues on behalf of the members you represent, which I hope you're inclined to do.

Copy of response from the Victorian council



Mr G Jarwoski

By email:

31 August 2018

Dear Mr Jarwoski

Re: Your email to Chartered Accountants Australia and New Zealand (CA ANZ) dated 4 July 2018

As previously advised, your email was put to the Victorian Regional Council at their meeting of 9 August 2018. The Council were satisfied that no new issues were raised and that your concerns have been addressed in previous correspondence.

As notified to you in June 2018, we do not intend to re-visit these issues.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Duncan Pittard".

Duncan Pittard

**Regional Manager – Victoria & Tasmania
Chartered Accountants Australia & New Zealand**