

CPA AUSTRALIA INDEPENDENT REVIEW

FINAL REPORT RECOMMENDATIONS AND
BOARD RESPONSE

15 DECEMBER 2017

BE HEARD.
BE RECOGNISED.



FINAL REPORT RECOMMENDATIONS

1. GOVERNANCE

	REVIEW PANEL'S FINAL RECOMMENDATION	BOARD SUPPORT	ACTION
1.	<p>Change the current Board composition and appointment model to strengthen a skills-based approach</p>		
1.1	<ul style="list-style-type: none"> The Constitution to be changed to require a minimum of two Directors to be non-member Directors 	Yes	Will require change to Constitution. Proposed changes to be included in Issues Paper for consideration by members.
1.2	<ul style="list-style-type: none"> The maximum number of Directors to be reduced from 12 to nine <p><i>(page 30 of report)</i></p>	For further consultation	<p>There are a range of perspectives about the ideal size of the Board of Directors.</p> <p><u>May</u> require change to Constitution, noting that under current Constitution board can determine number of directors up to 12 (min of six). Proposed changes to be included in Issues Paper for consideration by members.</p>
2.	<p>Change the Representative Council's (proposed Appointments Council) composition to reduce potential Board influence</p>		
2.1	<ul style="list-style-type: none"> A change in the name of the Representative Council to Appointments Council 	Yes	Will require change to Constitution and By-Laws. Proposed changes to be included in Issues Paper for consideration by members.
2.2	<ul style="list-style-type: none"> A change in the powers of the proposed Appointments Council to focus on the appointment of CPA Australia's Directors 	Yes	Will require change to Constitution and By-Laws. Proposed changes to be included in Issues Paper for consideration by members.
2.3	<ul style="list-style-type: none"> Expansion of Appointments Councillors (formerly Representative Councillors) to include one representative from each geographical location that has a Division or Branch Council 	Yes in principle	<p>Consideration needs to be given to the disproportionate number of members in different Division and Branch Councils. Consideration also needs to be given to overall Appointments Council size as the number of locations with a Division or Branch Council likely to expand over time. Any change will require change to Constitution and By-Laws. Proposed changes to be included in Issues Paper for consideration by members.</p>

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2.4	<ul style="list-style-type: none"> Removal of additional representatives from larger Divisions on the basis that the proposed Appointments Council exists to create a connection between members from different geographies and the mechanism to appoint the Board, rather than a body that reflects the membership's composition 	Yes in principle.	Refer to discussion as per 2.3.
2.5	<ul style="list-style-type: none"> Removal of Board appointees from the Appointments Council, with the exception of the Chair of the Board, who would be a non-voting member of the Appointments Council 	Yes	Will require change to Constitution. Proposed changes to be included in Issues Paper for consideration by members.
2.6	<ul style="list-style-type: none"> Appointment by the proposed Appointments Council of a Deputy Chair of its own number to assist the Chair 	Yes	Will require change to Constitution and By-Laws. Proposed changes to be included in Issues Paper for consideration by members.
2.7	<ul style="list-style-type: none"> The ability to convene an in-camera session without the Chair of the proposed Appointments Council 	Yes	Will require change to Constitution. Proposed changes to be included in Issues Paper for consideration by members.
2.8	<ul style="list-style-type: none"> Limitations on Appointments Councillors simultaneously acting as Appointments Councillors and Divisional or Branch Presidents 	For further consultation	Consideration needs to be given to the nature of the limitations. Any changes will require change to Constitution. Proposed changes to be included in Issues Paper for consideration by members.
2.9	<ul style="list-style-type: none"> Appointments Councillors undertaking to observe the strictest standards of confidentiality with respect to nominee information 	Yes	Will require changes to the By-Laws. Proposed changes to be included in Issues Paper for consideration by members.
2.10	<ul style="list-style-type: none"> Appointments Councillors to be featured on the CPA Australia website 	Yes	Should be reflected in the By-Laws. Proposed changes to be included in Issues Paper for consideration by members.
2.11	<ul style="list-style-type: none"> Secretariat support offered to the proposed Appointments Council <p><i>(page 32 of report)</i></p>	Yes	Secretariat support will be made available.

REVIEW PANEL'S FINAL RECOMMENDATION		BOARD SUPPORT	ACTION
3.	Change the Nomination and Remuneration Committee's composition and function		
3.1	<ul style="list-style-type: none"> The Nomination and Remuneration Committee to be split into two distinct bodies, the Board Nomination Committee and the Remuneration Committee 	Yes	Will require change to the Constitution. The Remuneration Committee to become the People, Culture and Remuneration Committee. New Charters will be required for Board Nomination Committee and People, Culture and Remuneration Committee. Proposed changes to be included in Issues Paper for consideration by members.
3.2	<ul style="list-style-type: none"> The Board Nomination Committee to act as a joint committee of the Board and the Appointments Council 	For further consultation	Note: only the Board can delegate its powers but desired outcome can be achieved by amending the Constitution for committee membership. This would need to be reflected in relevant Charter. Appropriate method to manage this included in Issues Paper for consideration by members.
3.3	<ul style="list-style-type: none"> Composition of the Board Nomination Committee to include two Board Directors, two appointees from the Appointments Council and two non-members 	For further consultation	Relates to 3.2. Will require change to Constitution and will need to be reflected in the Charter for the Board Nomination Committee. Proposed changes to be included in Issues Paper for consideration by members.
3.4	<ul style="list-style-type: none"> The Remuneration Committee to act as a Board committee <p><i>(page 36 of report)</i></p>	Yes	Will need to be reflected in the Charter for the People, Culture and Remuneration Committee. Proposed changes to be included in Issues Paper for consideration by members.
4.	Modify nomination and appointment practices to give the Representative Council (proposed Appointments Council) greater oversight		
4.1	<ul style="list-style-type: none"> The Board Nomination Committee and Appointments Council encourage potential candidates of significant professional standing to apply for nomination 	For further consultation	Subject to no conflict of interest and high alignment with the skills matrix. Will require change to the By-Laws and will need to be reflected in the relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
4.2	<ul style="list-style-type: none"> The Board Nomination Committee provides a framework for Board appointments to the Appointments Council for comment, prior to finalisation by the Board 	Yes	Will require change to the By-Laws and will need to be reflected in the relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.

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4.3	<ul style="list-style-type: none"> The Board Nomination Committee develops the Board skills matrix and skills gaps assessment and provides it to the Appointments Council for comment, prior to finalisation by the Board 	Yes	Will require change to the By-Laws and will need to be reflected in the relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
4.4	<ul style="list-style-type: none"> The Board Nomination Committee provides an update to the Appointments Council after the formation of the long and shortlist of candidates 	Yes	Will require change to the By-Laws and will need to be reflected in the relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
4.5	<ul style="list-style-type: none"> All representatives from the Board Nomination Committee make themselves available to discuss shortlisted candidates with the Appointments Council prior to the Appointments Council's deliberation on the final candidates 	Yes	Will require change to the By-Laws and will need to be reflected in the relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
4.6	<ul style="list-style-type: none"> A quorum of the Board Nomination Committee includes a Director, an appointee from the Appointments Council and a non-member committee member <p><i>(page 40 of report)</i></p>	For further consultation	Relates to 3.2. Will require change to the By-Laws and will need to be reflected in the relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
5.	<p>Retain current Directors' terms, including number of reappointments</p> <ul style="list-style-type: none"> Reappointment should be a rigorous process. In particular, a third term should only be granted where the candidate has strongly performed and weight should be given to the overall composition of the Board with emphasis on balancing the need for continuity with the need for continual refreshment of talent and thinking <p><i>(page 41 of report)</i></p>	Yes in principle	If yes, no major changes required to Constitution. Consequential changes, ie removal / amendment to transitional provisions, will be included in the Issues Paper for consideration by members.
6.	<p>Increase the President's term from one to two years with potential for a third</p> <p><i>(page 42 of report)</i></p>	Yes	Will require change to the Constitution. Proposed changes to be included in Issues Paper for consideration by members.

	REVIEW PANEL'S FINAL RECOMMENDATION	BOARD SUPPORT	ACTION
7.	Continually review and improve the Board skills matrix and professional development		
7.1	<ul style="list-style-type: none"> The Board Appointment Council should continually review CPA Australia's current skills matrix, performance assessment and continuing professional development requirements 	Yes	Relates to 4.3. Will require change to the By-Laws. Proposed changes to be included in Issues Paper for consideration by members.
7.2	<ul style="list-style-type: none"> The Board Nomination Committee develops the Board skills matrix and skills gaps assessment and provides to the Appointments Council for comment, prior to approval by the Board 	Yes	Will require change to the By-Laws and will need to be reflected in the relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
7.3	<ul style="list-style-type: none"> The public call for applications should highlight the skills that are desired or are in short supply on the current Board, so that applicants are clear on what roles the CPA Australia's Board is seeking to fill 	Yes	Will require change to the By-Laws and will need to be reflected in the relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
7.4	<ul style="list-style-type: none"> A similar skills-based approach is developed for CPA Australia's subsidiaries <p><i>(page 43 of report)</i></p>	Yes	Will require change to the By-Laws and will need to be reflected in the relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
8.	Review the current executive structure <p><i>(page 43 of report)</i></p>	Yes	An Executive Team has been established and is meeting regularly. Process to review corporate strategy underway. Revision of organisational structure, including most appropriate executive structure, will follow.
9.	Review approach to issues management <p><i>(page 44 of report)</i></p>	Yes	Process to review corporate strategy underway and will include review of CPA Australia's communications framework.
10.	Establish a Review Implementation Committee <p><i>(page 45 of report)</i></p>	Yes	<p>At the October Board meeting the Board resolved to establish an Independent Review Implementation Committee. This was communicated to members in the Board's communication of 10 October. Membership of the Committee was communicated to members in the Board's communication of 15 December.</p> <p>The Committee consists of:</p>

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			<ul style="list-style-type: none"> • Peter Wilson AM FCPA, President and Chairman of the Board • Merran Kelsall FCPA, Deputy President • Chin Aik Wong FCPA, Deputy President • Dale Pinto FCPA, President-elect 2018 WA Division • Shabnam Amirbeaggi FCPA, President-elect 2018 NSW Division • Ivan Au FCPA, President Greater China Division
11.	<p>Ensure in-camera sessions are built into the Board's agenda</p> <ul style="list-style-type: none"> • Amendments to Board Charter to allow CPA Australia's Directors to consider issues without the CEO or executive management present <p><i>(page 45 of report)</i></p>	Yes	<p>The President and Chairman has agreed this as a standard part of board agendas going forward. In-camera sessions are also being held for all Board committees.</p> <p>Presently the Constitution provides for the CEO being entitled to attend Board meetings with no right to vote.</p> <p>Board will seek to revise this to reflect CEO being invited to attend, not entitled to attend Board meetings.</p> <p>Will require change to the Constitution. Proposed changes to be included in Issues Paper for consideration by members.</p>

2. REMUNERATION

REVIEW PANEL'S FINAL RECOMMENDATION		BOARD SUPPORT	ACTION
12.	<p>Amend CPA Australia's Constitution to clarify the position as to remuneration for CPA Australia's subsidiaries</p> <p><i>(page 58 of report)</i></p>	Yes	Will be revised as part of revision of overall remuneration clauses in the Constitution. Proposed changes to be included in Issues Paper for consideration by members.
13.	<p>Make changes to Board remuneration to align with member expectations and peer organisations</p>		
13.1	<ul style="list-style-type: none"> Remove benchmarks to the Auditor-General's salary from the CPA Australia Constitution 	Yes	Will require change to Constitution. Proposed changes to be included in Issues Paper for consideration by members.
13.2	<ul style="list-style-type: none"> Replace benchmark to the Auditor-General's salary with either a more appropriate benchmark, an indexed maximum for director remuneration, or a series of principles approved by CPA members 	For further consultation	Following removal of benchmarking to Auditor-General's salary, consideration need to be given as to what it is replaced with. Will require change to Constitution. Proposed changes to be included in Issues Paper for consideration by members.
13.3	<ul style="list-style-type: none"> Continue remuneration benchmarking, but include member-based organisations in the comparators <p><i>(page 59 of report)</i></p>	Yes	<p>In its 10 October communication to members, the Board stated it had approved independent benchmarking for Director remuneration.</p> <p>Changes will need to be reflected in relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.</p>
14.	<p>Set CEO remuneration to be competitive but comparable to similar organisations</p>		
14.1	<ul style="list-style-type: none"> Benchmark CEO salary with comparable member-based organisations 	Yes	Will require changes to relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
14.2	<ul style="list-style-type: none"> Limit CEO notice periods to be conservative 	Yes	Will require changes to relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
14.3	<ul style="list-style-type: none"> Have a linkage between CEO salary and a balanced scorecard of organisational metrics 	Yes	Will require changes to relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.

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	<i>(page 59 of report)</i>		
15.	<p>Balance attractiveness and comparability to set senior executive remuneration</p> <ul style="list-style-type: none"> Make the Nomination and Remuneration Committee (proposed People, Culture and Remuneration Committee¹) responsible for recommending KMP and senior executive salaries Continue remuneration benchmarking, but include member-based organisations in the comparators <p><i>(page 60 of report)</i></p>	Yes	Will require changes to relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
16.	<p>Disclose individual KMP remuneration to improve transparency to members</p> <p><i>(page 61 of report)</i></p>	Yes	In its 10 October communication to members, the Board stated it had committed to ongoing transparency in remuneration reporting in its annual report each year.

¹ IRP recommends name changed to Remuneration Committee. CPA Australia Board will establish a People, Culture and Remuneration Committee. Refer 3.1.

3. MARKETING STRATEGY AND EXPENDITURE

	REVIEW PANEL'S FINAL RECOMMENDATION	BOARD SUPPORT	ACTION
<p>17.</p> <p>17.1</p> <p>17.2</p> <p>17.3</p> <p><i>(page 69 of report)</i></p>	<p>Align marketing investments with an appropriately set corporate strategy and execute accordingly</p> <ul style="list-style-type: none"> Develop a consolidated marketing strategy that fits within the corporate strategy so that marketing investments are directed towards achieving the overall organisations' goals Identify key performance metrics for all significant marketing investments and processes to track, measure and report on these over time Implement periodic reviews of brand equity to ensure long-term brand building investments are achieving target performance metrics and the pursuit of strategic objectives 	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>Process to review corporate strategy underway. Consolidated marketing strategy that fits within corporate strategy to be developed.</p> <p>Metrics and tracking processes to be developed as part of consolidated marketing strategy.</p> <p>Brand perception research currently underway. Will provide baseline data to allow tracking of future performance. Framework for regular review to be included as part of consolidated marketing strategy.</p>
<p>18.</p> <p><i>(page 70 of report)</i></p>	<p>Maintain marketing activities that differentiate CPA Australia, with proper oversight and caution</p> <ul style="list-style-type: none"> Strengthen the business case development process for large scale and prominent marketing activities to include a proper focus on risk identification and mitigation 	<p>Yes</p>	<p>Business case development process to be strengthened. Agreed framework to be developed.</p>
<p>19.</p> <p>19.1</p>	<p>Centre future brand building activities on CPA Australia and its members rather than individual employees</p> <ul style="list-style-type: none"> Have CPA Australia as the master or primary brand for all marketing activities and assets 	<p>Yes</p>	<p>In its 10 October communication to members, the Board stated the previous strategy of personalising the leadership through branding the CEO role is over. Going forward the CPA Australia brand will be the primary brand.</p>

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19.2	<ul style="list-style-type: none"> CPA Australia brand and brand building activities to reflect the diversity of the organisation and its membership 	Yes	Noted and agreed.
19.3	<ul style="list-style-type: none"> Personalisation of branding to generally be avoided <p><i>(page 70 of report)</i></p>	Yes	Noted and agreed.
20.	<p>Develop and assess marketing activities based on an identified value proposition to all member segments</p> <ul style="list-style-type: none"> Assess marketing investments based on a distinct value proposition to each member segment, building on the journey mapping processes currently underway <p><i>(page 71 of report)</i></p>	Yes	Opportunities exist for robust member segmentation work to be undertaken. Customer Journey Mapping for Australian market has been completed and is being embedded into current activities.
21.	<p>Utilise existing engagement mechanisms to ensure members better understand marketing strategies and activities</p>		
21.1	<ul style="list-style-type: none"> Utilise existing engagement mechanisms to ensure members better understand the marketing activities, investments and their rationale, with a focus on innovative activities that depart from expected practice 	Yes	Ensure communications strategy developed to assist with better member understanding of key marketing activities and their strategic intent.
21.2	<ul style="list-style-type: none"> Continue to treat specific marketing activities as operational decisions for CPA Australia with appropriate commercial confidence and sensitivity <p><i>(page 71 of report)</i></p>	Yes	Noted and agreed.
22.	<p>Review the organisation structure of marketing related business units to improve effectiveness and oversight</p> <p><i>(page 71 of report)</i></p>	Yes	Process to review corporate strategy underway. Consolidated marketing strategy that fits within corporate strategy to be developed. Revision of organisational structure, including marketing related business units, will follow.

4. STRATEGY AND PERFORMANCE OF MEMBER SERVICES AND ENGAGEMENT

	REVIEW PANEL'S FINAL RECOMMENDATION	BOARD SUPPORT	ACTION
23.	Establish a Council of Presidents to improve member ability to engage meaningfully with the Board on CPA Australia's strategy		
23.1	<ul style="list-style-type: none"> Establish a Council of Presidents (Divisional and Branch) to provide advice to the Board on strategic issues and opportunities in an ongoing way with an emphasis on sharing the views and preferences of the membership (not just for the development of the 3-year Corporate Plan) 	Yes	This could be achieved by the Board establishing an advisory committee which would not require changes to the Constitution. If the Board establishes a Board committee changes to the Constitution may be necessary to reflect required committee membership. In both circumstances a Charter would need to be developed. Secretariat support will be provided to Council of Presidents. Proposed changes included in the Issues Paper for consideration by members.
23.2	<ul style="list-style-type: none"> Set the responsibility of the Council of Presidents to engage in two-way discussions with Divisional and Branch Councils and the CPA Australia Board 	Yes	Will require changes to relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
23.3	<ul style="list-style-type: none"> Set the composition of the Council of Presidents to include all Divisional and Branch Council Presidents 	Yes	Will require changes to relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
23.4	<ul style="list-style-type: none"> Set a mechanism for the Council of Presidents to self-select its Chair 	Yes	Will require changes to relevant Charters. Proposed changes to be included in Issues Paper for consideration by members.
	<i>(page 82 of report)</i>		
24.	Enable Divisions and Divisional Councils to better engage with members		
24.1	<ul style="list-style-type: none"> Explore options to link members in all locations with an existing Branch or Division to ensure representation in currently unrepresented geographies. Such options should take into account the cost implications that can flow from the international locations of some members 	Yes	Options to link members with existing Branch or Division to be explored.

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27.	<p>Periodically review costs of member services and how membership value is communicated</p> <p><i>(page 85 of report)</i></p>	Yes	Costs of member services and how membership value is communicated to be reviewed.

5. STRATEGY AND PERFORMANCE OF CPA ADVICE

	REVIEW PANEL'S FINAL RECOMMENDATION	BOARD SUPPORT	ACTION
28.	Carry out a comprehensive post-implementation evaluation of CPA Australia Advice <i>(page 94 of report)</i>	Yes	Board has committed to carrying out this review.
29.	Develop a skills matrix for CPA Australia Advice's Board <i>(page 95 of report)</i>	Yes	Requires changes to Board Charter.

