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11 November 2021

**PRIVATE AND CONFIDENTIAL**

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Dear Julia,

**SPECIAL RATE FUNDS AUDIT - CHAPEL STREET PRECINCT ASSOCIATION**

We refer to our letter of engagement dated 13 August 2021, to provide services to the City of Stonnington (**Council**), in respect of a Special Rate Funds Audit of the Chapel Street Precinct Association (**CSPA**).

We enclose our report of factual findings for your consideration.

We would be pleased to meet with you to discuss our findings.

In the meantime, should you have any questions please do not hesitate to contact me direct on (03) 8663 6123 or 0416 280 708.

Yours sincerely  
GRANT THORNTON AUSTRALIA LIMITED



Katherine Shamai  
Partner - Grant Thornton Risk Consulting

## Special Rate Funds Audit - Chapel Street Precinct Association

### Report of Factual Findings

Private and Confidential

Issued to: Ms Julia Gallace  
Chief Financial Officer  
City of Stonnington

Prepared by: Grant Thornton: Risk Consulting

Date: 11 November 2021

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## Defined Terms

<b>AGM</b>	Annual General Meeting of the Board
<b>AIR Act</b>	Associations Incorporation Reforms Act 2012
<b>All in the Cloud</b>	All in the Cloud, current CSPA bookkeepers
<b>AMI</b>	Australian Marketing Institute
<b>AP Taxation</b>	AP Taxation Services, current CSPA accountants
<b>Bondi Vet</b>	The Bondi Vet YouTube Chanel
<b>Collins &amp; Co</b>	Collins & Co Audit Pty Ltd
<b>Council</b>	City of Stonnington
<b>CSPA/Association</b>	Chapel Street Precinct Association
<b>Grant Thornton/GT/we/us</b>	Grant Thornton Australia Limited
<b>Jamie Durie</b>	Jamie Durie's Groundswell Pty Ltd
<b>LG Act</b>	The Local Government Act 1989 (VIC)
<b>Mr Lanigan</b>	Mr. Matt Lanigan, CSPA Associate Board member
<b>Mr. Eksteen</b>	Mr Ryk Eksteen, Audit Principal, Collins & Co
<b>Mr. Gilbert</b>	Mr. John Gilbert, landlord of Precision Group and CSPA member
<b>Mr. Gratton</b>	Mr. Maxwell Gratton, former CSPA Vice- President & Treasurer
<b>Mr. Hall</b>	Mr. Jack Hall, CSPA Associate Board member & member of the Remuneration Committee
<b>Mr. Lotton</b>	Mr. John Lotton, former CSPA President

<b>Mr. Mazin</b>	Mr. Clive Mazin, All in the Cloud
<b>Mr. O'Donnell</b>	Mr. Justin O'Donnell, CSPA Executive Chairperson/President
<b>Mr. Papalexiou</b>	Mr. Papalexiou, AP Taxation Services
<b>Mr. Somers</b>	Mr. Jonathan Somers, CSPA General Board member
<b>Mr. Szoeki</b>	Mr. Andrew Szoeki, CSPA Secretary & member of the Remuneration Committee
<b>Mr. Voyias</b>	Mr. Chris Voyias, CSPA Vice-President
<b>Ms. Evans</b>	Ms. Bridget Evans, Small Business Accounts, previous CSPA bookkeeper
<b>Ms. Gallace/ CFO</b>	Ms Julia Gallace, Chief Financial Officer, City of Stonnington
<b>Ms. Glentis</b>	Ms. Melissa Glentis, CSPA General Board member
<b>Ms. Lansdown</b>	Ms. Carlie Lansdown, CSPA Treasurer
<b>Ms. Maus/ the General Manager</b>	Ms Chrissie Maus, General Manager CSPA
<b>Procurement Policy</b>	The CSPA Procurement Policy (revised from 2016 version)
<b>SGM</b>	Special General Meeting of the Board
<b>Small B Accounts</b>	Small Business Accounts, previous CSPA bookkeepers
<b>The Funding Agreement</b>	The 2019 - 2023 Special Rate Funding Agreement entered into between the City of Stonnington & the CSPA
<b>The Committee/the Board</b>	The CSPA Committee/Board
<b>The Constitution</b>	The Constitution of the Association (February 2019)
<b>The Rules</b>	The Rules of the Association (November 2017)
<b>WTFN</b>	WTFN Entertainment Pty Ltd
<b>Xero</b>	Xero on-line accounting software used by the CSPA

# 1. Executive Summary

## **Background**

- 1.1. Grant Thornton Australia Limited was appointed to provide services to the City of Stonnington, in respect of a Special Rate Funds Audit of the Chapel Street Precinct Association.
- 1.2. Our appointment is confirmed in our Letter of Engagement dated 13 August 2021.
- 1.3. The purpose of this engagement was to conduct an audit that will identify areas of concern and risk to Council, and to identify areas of possible training and support to be provided to CSPA.

## **Summary of Findings & Recommendations**

- 1.4. We provide our summary of findings and recommendations below:

	<b>1) Financial Management</b>	
	<b>Review of debit card expenditure, including process and sample testing</b>	
	<b>Issue</b>	<b>Recommendations</b>
1.	We received supporting documents for 26 of the 50 samples selected for testing and no supporting documents for the remaining 24 samples. However, only 12 of the 26 supporting documents included an invoice or receipt.	<ul style="list-style-type: none"> <li>The fixed monthly costs on the debit card be reviewed and reasons provided as to why certain fixed monthly costs fluctuate, and then approved by the Board.</li> <li>All debit card transactions must have supporting invoices, required for GST claiming purposes.</li> </ul>
2.	We identified a number of credit and debit transactions referenced to 'Chrissie Maus' during the period covered by our audit. These transactions appear to indicate that the General Manager was refunding monies she had spent using the CSPA Debit Card, that were for personal use. There are 35 transactions during the period 8 August 2019 and 20 April 2021 (i.e. 1 year and 8 months) consisting of 19 debits (repayments \$1,340.98) and 16 credits (spend \$845.95).	<ul style="list-style-type: none"> <li>The CSPA perform a complete, accurate and reliable reconciliation, of all debit card transactions where reference is made to 'Chrissie Maus' and other transactions that were for her benefit but without reference to 'Chrissie Maus', for the period 1 August 2019 and 30 April 2021. This would ensure that the correct amount has been reimbursed to CSPA, and any deficiency or excess be rectified shortly thereafter. Once completed, it should be submitted to the Board for consideration and approval, and reported in the next quarterly report to Council.</li> <li>The CSPA Debit Card is no longer used for personal use. The Procurement Policy does not provide for personal use of the CSPA Debit Card.</li> </ul>
3.	Staff reimbursements, on the face of it and based on the information provided, appear to comply with the	<ul style="list-style-type: none"> <li>The Procurement Policy be amended to include who is authorised to approve the General Manager's reimbursements.</li> </ul>

	requirements of the Procurement Policy, in that they are reasonable and aligned to the Agreed Purpose.	<ul style="list-style-type: none"> <li>Records are retained for all staff reimbursements on Xero to reflect approval by the President or General Manager, and that a tax invoice is provided in support of the reimbursement and available for inspection if required.</li> </ul>
	<b>Review of procurement / Accounts Payable</b>	
4.	The CSPA provided us with a description of each transaction, as well as evidence of an invoice and relevant quotations where applicable, for each of the 50 samples of AP transactions made by the CSPA over the two-year audit period amounting to \$262,778.66.	<ul style="list-style-type: none"> <li>All supporting documents for payments remitted by the CSPA are to be accurately recorded digitally in the Xero, in accordance with the Procurement Policy, and the GST legislated requirements.</li> </ul>
5.	The Procurement Policy outlines the need for two quotations when making purchases over \$10,000 that are 'absolutely comparable'.	<ul style="list-style-type: none"> <li>The CSPA consider a review of the procurement thresholds to reduce the threshold of \$10,000 and align to Council's new Procurement Policy. Any approved exemptions are reported to the CSPA Board.</li> <li>Amend the Procurement Policy to further define the term 'absolutely comparable' and to provide typical examples of goods and services required by the CSPA that would not fit this definition.</li> <li>The Procurement Policy to record the date of issue and the updated/amended date/dates. We received two different versions of the Procurement Policy: one from Council; and an updated policy from the CSPA, neither of which is dated.</li> </ul>
6.	<p>20 payments amounting to \$53,863.20 were made to Print Express, a company linked to Mr. O'Donnell, during the period 28 October 2019 and 1 June 2021.</p> <p>The CSPA provided us with the names of 8 other printing companies that they have used in the two years subject to our audit, excluding Officeworks. Our examination of the AP data identified three of the eight companies received payments from the CSPA.</p>	<ul style="list-style-type: none"> <li>The cumulative annual amount spent in respect of the provision of printing services, be taken into consideration and that quotations are requested for the annual supply of printing. This will ensure the CSPA is delivering on the purpose of the Procurement Policy, namely 'acquiring goods and services through a process that is economical, effective and delivers value for money'. Currently, printing is being procured on a monthly or as and when required basis.</li> </ul>
7.	The CSPA entered into three 'Partnership' Agreements with EcoCaddy Pty Ltd, WTFN Entertainment for the Jamie Durie Groundswell project, and WTFN Entertainment for the Bondi Vet YouTube Channel. In these agreements, the CSPA paid the other parties for services rendered.	<ul style="list-style-type: none"> <li>Provide an explanation for the necessity of 'partnerships' in annual reports and disclose whether any funds have been received or spent as part of the relationship between such partners and the association, including in-kind partnerships.</li> <li>The CSPA should develop a framework for partnering/ partnerships/ sponsorships including</li> </ul>



	<p>WTFN Entertainment received 16 payments totalling \$233,447.36 during the period 30 August 2019 to 1 June 2021, being the highest paid CSPA creditor during this period. WTFN did not form part of our sample testing of invoices. EcoCaddy Pty Ltd received 6 payments totalling \$132,874.50 during the period 30 August 2019 to 1 June 2021. One payment of \$25,639.35 made to EcoCaddy on 10 December 2019, formed part of our sample testing of invoices. The invoice recorded that the payment was for various services provided by EcoCaddy relating to campaigning and ride services in Chapel Street. It is further reported on in more detail on page 29 of the Annual Report 2019:2020. The service appears to be for the benefit of the Traders and the Agreed Purpose.</p>	<p>the evaluation criteria for entering into partnerships.</p>
	<b>Comparative of the CSPA financial data</b>	
8.	<p>The financials submitted as part of the Q3 and Q4 Activity Reports by CSPA to Council were not complete or accurate. This is attributed to the financials being prepared and submitted to Council prior to balance date at the end of each quarter.</p>	<ul style="list-style-type: none"> <li>The CSPA only submit financial statements to Council that have been reviewed and confirmed to be correct by their accountants (AP Taxation), at the end of each Quarter after balance date. The Funding Agreement requires the CSPA, unless otherwise agreed by Council in writing, to have the financial statements included with the Activity Report, to be audited by a person who is registered as an accountant or is otherwise using a recognised accounting or financial software package.</li> <li>The CSPA create clear lines of communication between themselves and Council, that will facilitate their reporting requirements to Council and ensure they meet their responsibilities as provided for in the Funding Agreement. Whilst the Funding Agreement requires Council and the Association to work together in a collaborative relationship based on good faith and integrity, Council retains ultimate responsibility under the LG Act for the use of Scheme Funds (the funds collected under the Special Rate). The Association is responsible to ensure that Scheme Funds are spent in accordance with the LG Act, the Declaration and the Funding Agreement.</li> </ul>
9.	<p>The Financial Report 2020/2021 contained in the Annual Report differed substantially to the 30 June 2021 CSPA financials presented to Council due in the main to the recognition of pre-payments and calculating depreciation, which was only done at end of year.</p>	
10.	<p>A comparative of the profit &amp; loss included in the financials presented to Council in the Q4 Activity Report, and in the profit &amp; loss presented in the Annual Report, records that the Net Profit increased by \$29,103, from \$15,439 to \$44,542.</p>	
11.	<p>Mr. Eksteen, CSPA's auditor, confirmed preparing an Audit Adjustments Schedule (dated 14 July 2021), which includes a number of audit adjustments for marketing and events expenses, which were re-classified to prepayments. The adjustments amount to \$143,999.84.</p>	
12.	<p>Our examination of the quarterly Projected Draft/Cash Flow Budgets and the Draft Annual</p>	
		<ul style="list-style-type: none"> <li>The CSPA confirm with Council what information is required to be included in the Annual Budgets, and where applicable, quarterly budgets, and the</li> </ul>

	<p>Budget, revealed it is evident that the budgets were high level, containing minimal information. The Funding Agreement does not explicitly state that the budgets must be approved by Council. It was reported to us by the CSPA that Council requested the CSPA to simplify their ratified annual budgets, so they did so at Council's request. The CSPA provided us with a copy of their 2018/19 budget (for comparison) to show us what specifically Council asked the CSPA to simplify.</p>	<p>process/procedure to be followed in obtaining Council approval at the commencement of a budget period.</p> <ul style="list-style-type: none"> <li>Similarly, the CSPA confirm and agree with Council what information is required to be provided and submitted to Council with the Quarterly Activity Reports. We refer to the Checklist of Special Rate Reporting Requirements in Table 6 of this report, that we understand is the current arrangement, but that there is uncertainty in this regard.</li> </ul>
<b>Analysis of Accounts Payable and Debit Card transaction data</b>		
13.	<ul style="list-style-type: none"> <li>The AP for the second half of the calendar year 2019 was significantly higher than the AP for the full calendar year 2020 and the first six months of the calendar year 2021. The lower spend in 2020 and 2021 may be attributed to COVID-19 and the associated business closures.</li> <li>Similarly the quarterly comparatives for the corresponding calendar years, records a similar result; 2019 calendar year was significantly higher than 2020 and 2021 calendar years. It is noticeable however, that 2021 AP is slightly up for the corresponding period for the 2020 period.</li> <li>The Debit Card analysis however, reflected a significantly higher spend in the calendar year 2020, to the spend during the second half of the calendar year 2019, and the first six months of the calendar year 2021.</li> <li>Similarly the quarterly comparatives for the corresponding calendar years, records a similar result; 2020 calendar year was significantly higher than 2019 and 2021 calendar years. This is particularly noticeable in Q2, Q3 and Q4 for the calendar year 2020, and where it peaked in Q4 (October to December 2020) to \$33,548.35.</li> </ul>	<ul style="list-style-type: none"> <li>The CSPA Board perform an improved monitoring of and reporting in the monthly Board meetings as to the reasonableness of the CSPA Debit Card spend, and that it complies with the requirements of the Procurement Policy.</li> </ul>
<b>Additional Testing of transactions</b>		
14.	<p>A special resolution in November 2017 gave the CSPA board authority to determine a suitable honorarium for the President/Chairperson. This was introduced during the 2016/2017 AGM by former President Mr. Lotton to act as an incentive and to attract the most suitable candidate.</p>	<ul style="list-style-type: none"> <li>None</li> </ul>

15.	The Board placed Mr. O'Donnell into the acting Executive Chairperson/President role on 5 December 2018. It appears that subsequent to this the CSPA Board decided to ratify the short-term agreement and pay Mr. O'Donnell in arrears for the period of 5 December 2018 to 13 March 2019. As Acting Executive Chairperson/President Mr. O'Donnell was to be paid an honorarium of \$52,000/per annum (inclusive of superannuation).	<ul style="list-style-type: none"> <li>CSPA Board consider benchmarking the remuneration of key management personnel against similar rate payer funded entities.</li> </ul>
16.	A copy of the CSPA Honorarium Agreement dated 16 September 2020, records that the CSPA has offered Mr. O'Donnell the 're-appointment' to the Executive Chairperson/President. It records that Mr. O'Donnell was to be paid \$2,770.38 per month, equal to \$52,000/per annum (inclusive of superannuation). It further records that this is the maximum amount allowed to be paid as voted and ratified by the CSPA in the 2016-2017 AGM.	
17.	Ms. Maus was presented with an offer of appointment on 21 June 2016 in the position of Marketing and Events Director of the CSPA. She had a probation period of 6 months during which time her performance would be assessed against the key performance indicators. The said letter of appointment/employment contract stipulates that Ms. Maus would be entitled to leave (e.g. annual leave, personal leave, carers leave, compassionate leave, parental leave, community service leave and long service leave) in accordance with the National Employment Standards.	<ul style="list-style-type: none"> <li>None</li> </ul>
18.	Ms. Maus successfully completed her probation period and her continued permanent employment was confirmed in a Letter of Contract Amendment dated 30 January 2017.	
19.	In the 12 August 2020 board minutes (120820), Mr. Gratton (then the head of the Remuneration Committee) announced that the Remuneration Committee had met and approved an additional five days' leave per year to Ms. Maus' employment agreement.	

<b>2) Governance</b>		
<b>Review of governance arrangements including Board composition, sub-committees, interaction/engagement between management and Board</b>		
	<b>Issue</b>	<b>Recommendations</b>
1.	The current edition of the Constitution and its changes were ratified by special resolution at a special general meeting on 13 February 2019, two months after Mr. O'Donnell became President of the CSPA. Previously the Constitution was known as the 'Rules of Association' and was in use during the tenure of Mr. Lotton as CSPA President.	<ul style="list-style-type: none"> <li>None</li> </ul>
2.	The current Constitution was updated to clarify some key constitutional matters relating to CSPA membership: representation, data collection, code of conduct documentation, the removal of contradictions, and the Executive Chairperson/President's role and honorarium. It further clarified the difference between a CSPA member and a special rate payer; stating that special rate payers are not automatically members of the association and must sign a form to opt-in and be added to the member database. Another distinctive change was the removal of the 'executive committee' and creation of the office-bearer roles	<ul style="list-style-type: none"> <li>None</li> </ul>
3.	The CSPA Code of Conduct outlines the responsibilities and expectations of Directors and members. All individuals applying to become members of the CSPA must agree to the code upon application. It exists separately to the Constitution; however, the Constitution contains instructions related to adherence to the code.	<ul style="list-style-type: none"> <li>Ensure that office-bearers have been on the Board for more than 12 months and, preferably, have experience in a related field to their title. The Treasurer position would be best suited to someone with more of a finance background for example. This includes providing evidence of the 'skills-matrix' that is undertaken when filling office-bearer positions and for the Board to ratify it, thus ensuring that the Board has a set procedure in filling positions with the most capable individuals.</li> </ul>
4.	In terms of formal training, the CSPA has advised us that they do not keep a formal Training Policy or register. The reasoning given was that as two full-time staff only run the Association, the Board do not feel it necessary for an organisation of such size to have a Training Policy or register.	<ul style="list-style-type: none"> <li>The creation and maintenance of a Training Policy and Register and a more formal training program for Board members. The Association makes the argument that such a policy/register is not required due to the small size of the CSPA (only 2 full time employees). However, due to the significant amount of ratepayers monies paid to the CSPA, as well as its responsibility over a large and important business precinct, relevant training for Board members is crucial. This would</li> </ul>

		positively contribute to the Association fulfilling its responsibilities to its members as well as the Agreement.
5.	During the audit period, we identified six board members who had resigned. Some details on the resignations/dismissal were outlined in the Board minutes. One Board member Ms. Katherine Sampson was stood down as a result of various breaches of the Constitution in May 2020.	<ul style="list-style-type: none"> <li>None</li> </ul>
	<b>Review of Board artefacts</b>	
6.	The Board Pack is distributed by the General Manager via email to all Directors in advance of the Board meeting and Board papers tracked through Campaign Monitor. The Constitution requires at least 14 days' notice of a board meeting or 21 days if a special resolution is to be passed. The email provides for access to the Board Agenda and papers (for pre-reading). It further includes a link to the LIVE CSPA publicity media coverage tracker. The said LIVE tracker includes a tab for New CSPA Media Clips in 2021 and Old CSPA Media Clips in 2020.	<ul style="list-style-type: none"> <li>None</li> </ul>
7.	Our examination of the Board artefacts referred to above, revealed timely and detailed information was being provided to all members and that these were closely monitored and managed by the General Manager. This was confirmed in our interviews with Board members.	<ul style="list-style-type: none"> <li>None</li> </ul>
	<b>Observation at the Annual General Meeting</b>	
8.	We attended the AGM 2020/2021 via Zoom on 9 September 2021 at 5.30pm. We confirm the notice of the meeting, quorum and minutes of the meeting were complied with as provided for in the Constitution.	<ul style="list-style-type: none"> <li>None</li> </ul>
	<b>Lobbying &amp; use of Scheme Funds for prohibited purposes</b>	
9.	In terms of Clause 8.5 of the Funding Agreement the Association must not, in using Scheme Funds paid to it under the Agreement for Prohibited Purposes:	<ul style="list-style-type: none"> <li>The CSPA obtain confirmation from Council in respect of compliance/non-compliance with Clause 8.5 of the Funding Agreement, including Lobbying and Legal Fees. We have however, not</li> </ul>

	<ul style="list-style-type: none"> <li>• The personal interests of any member or employee of the Association, unless these interest are consistent with the Permitted Purpose.</li> <li>• The personal interests of any member or employee of the Association, unless these interest are consistent with the Permitted Purpose.</li> <li>• Investments or financial agreement enduring beyond the life of the Scheme.</li> <li>• Legal fees, unless such fees are necessary for the Declared Purpose, to Council's satisfaction. All legal fees must be disclosed and explained in full in the Quarterly Reporting provided by the Association.</li> </ul>	<p>reviewed the Q1 2021/2022 Report to Council or confirmed Studio Legal have received payment from the CSPA, which relates to Legal Fees.</p>
10.	<p>We conducted a review in order to determine whether the Association may have been acting in contravention of Clause 8.5. We became aware of an example of lobbying in a publication on 24 August 2021.</p>	
11.	<p>Ms. Maus informed us and provided us with information relevant to two other instances in which Council allegedly encouraged the Association to engage in Lobbying. On 17 March 2020, the CSPA received an email from Mr. Eddy Boscariol from Council in response to a request to advocate landlords to drop or suspend rent during lockdowns. On a second occasion in a Council meeting held on 7 June 2021, in which Mr. O'Donnell speaks on the Council proposed budget. Ms. Maus indicated that Councillor Melina Sehr told Mr. O'Donnell that the CSPA needs to lobby state / fed gov. This is confirmed in the link provided to us.</p>	
12.	<p>We determined that Ms. Maus regularly presents on commercial radio stations, as the CSPA General Manager. Ms. Maus confirmed this to be correct and that she writes a column for Seven West Media. She confirmed further that this done to promote and market the precinct and that there is no related financial benefit to her.</p>	
13.	<p>We were informed by Ms. Maus that a payment had been made to Studio Legal in the new financial year 2021:2022 (which falls outside of our audit period). She added that the Clause 8.5.4 of the Funding Agreement was not fair or fit for purpose, given the</p>	

	risk appetite of the business of the CSPA. Further, the CSPA does not adhere to the said clause and that this has taken this up with Council many times.	
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	<b>3) Membership</b>	
	<b>Obtained an understanding of CSPA membership base and types of membership</b>	
	<b>Issue</b>	<b>Recommendations</b>
1.	Clause 8 of the Constitution provides for the CSPA membership base and types of membership. All applicants are required to complete an application form, which is referred to the Board as soon as possible after receipt, for Board consideration. The Board must, by a majority, vote to determine whether to approve or reject the application.	<ul style="list-style-type: none"> <li>The CSPA to include in the Appendix to the Board minutes, where new membership is approved, details of the type of membership i.e. full membership or Associate membership and a summary of the total number of members, types of members and number of members per type of membership. This information will then flow through to Council with the Activity Reports.</li> </ul>
2.	The CSPA Member Register - Application Form provides information about the CSPA being a NFP membership based Incorporated Association that represents over 2,200+ commercial properties and businesses on Melbourne's Chapel Street Precinct. It further provides details as to the eligibility to opt-in and become a CSPA member, consistent with the Constitution.	
3.	The minutes of the Board meetings for the period covered by our audit, includes in the Agenda (where applicable) the Ratification of New Members. An Appendix detailing New CSPA Membership Applications is referred to and attached in the minutes.	
4.	We determined from Ms. Maus that there are exceptions to the membership rules regarding the special rates area. It was revealed that if a business sits just outside of the special rates area, and is determined by the board to 'bring visitation' to the precinct, then they are often actively promoted by the Association despite not officially meeting the requirements of membership.	<ul style="list-style-type: none"> <li>The CSPA to inform Council of the CSPA procedure in respect of businesses that fall outside of the Special Rates area that are accepted as CSPA members, and seeking Council approval, as this type of membership is not provided for in the Funding Agreement.</li> </ul>
	<b>Process around member engagement</b>	

5.	The Association regularly engages with members through EDMs, campaign invitations and meetings. The Association also provides an email address (admin@chapelstreet.com.au) that members can use to organise meetings with the CSPA to discuss marketing and events they can be involved with and well as general concerns.	<ul style="list-style-type: none"><li>None</li></ul>
6.	The CSPA website contains a number of forms of how the CSPA engages with and provides information to members	
7.	Ms. Maus informed us that the Association considers the Chapel Street precinct in more of a broad sense than the zone defined by Council, and that the lines on the special rates map are 'blurred'. As such businesses that are relevant to the precinct, but sit outside of the defined area, could still be involved in EDMs sent out by the Association.	
<b>Walkthrough of a member survey</b>		
8.	A 'member advocacy', EDM took place in May/June 2021 regarding a proposed increase to rates of 3.5% as well as an increase to parking costs at Prahran Square. These two measures were proposed as part of the City of Stonnington's 2021/2022 Draft Budget.	<ul style="list-style-type: none"><li>The CSPA provide Council with the details regarding the results of the EDM, including total number of responses received, as the lack of any specifics means that it could be perceived to not be representative of the members.</li></ul>
9.	The following questions were included in the above sampled EDM: <ul style="list-style-type: none"><li>Do you agree with the potential Stonnington rates increase of 3.5%?; and</li><li>Do you think the \$1 for 2 hours parking should be extended at Prahran Square?</li></ul>	
10.	The number of responses received is not explicitly stated/recorded in documentation provided to us. CSPA sent a letter to Council dated 20 May 2021 on behalf of their members. The purpose was to provide feedback on the draft 2021/22 budget, specifically relating to a potential rate increase of 3.5% and increase in parking rates. The following is recorded: 'The CSPA wanted to make sure all our members were consulted and part of this important decision' and 'not one of our 2,200+ CSPA members agreed	



	<i>with the rate increase and 88% voted for the parking rates at Prahran Square not to be increased'.</i>	
<b>Comparative between the Register of Members and special rate payers</b>		
11.	We did not perform a comparison of the Register of Members and special ratepayers for commonality and total population of unique members, as we were not able to gain access to the Register of Members. Our expectation was to receive a list of CSPA members from the Association in order to compare the two lists.	<ul style="list-style-type: none"><li>• The CSPA provide Council with access to the Register of Members in order to determine the number of members and types of membership, and that a comparative may be performed against Councils list of Special Ratepayers.</li><li>• The CSPA provide Council with an edited version of the Register of Members, removing information of a personal nature that may be subject to privacy. This edited list of members is submitted to Council with the Activity reports.</li></ul>
12.	CSPA informed us, as communicated to Council, that their legal advice is that under no circumstances is CSPA allowed to share the Register of Members digitally.	
13.	Clause 14.2 of the Funding Agreement authorises Council to appoint a person to investigate or audit the Association's compliance with the Agreement. Clause 14.3 continues, and records that if Council appoints a person under clause 14.2, the Association must on request, promptly provide access to any premises or any books of account, documents or other material in the possession, custody or control of the Association, and to provide all reasonable cooperation and assistance.	
<b>Review of businesses and how they are promoted</b>		
14.	Based on information obtained from interviews, businesses who do more to leverage their own branding feature more often in CSPA promotions. The Association communicates to business owners that if they supply their own branding in specific formats it can be very easily shared through the CSPA's promotional platforms. The CSPA does not have the appropriate staffing to produce promotional material from scratch without businesses providing the information first.	<ul style="list-style-type: none"><li>• None</li></ul>
15.	The Association provides businesses with listicles (short form of writing used in journalism & blogging)	

	where they specify articles that are required to involve them in promotions.	
16.	As outlined in the CSPA Strategic Plan 2019/2023, members are also provided the opportunity to set up a time to meet with the CSPA and discuss how they can collaborate on events and marketing ideas by sending an email to <a href="mailto:admin@chapelstreet.com.au">admin@chapelstreet.com.au</a> .	
17.	Substantial marketing campaigns are one of the primary ways that the CSPA promotes the precinct. During the planning process, these campaigns go through what is known as a decision-making framework where the Association determines set parameters such as how the campaign will support the vision/purpose of the CSPA as well as the deliverables and KPIs. This is presented to the Board for feedback. The KPIs are further reviewed in a post campaign report to assess the performance of the campaign. KPIs include such things as an increase in social media followers and audience engagement.	

## 2. Introduction

- 2.1. Grant Thornton Australia Limited (**Grant Thornton**) was appointed to provide services to the City of Stonnington (**Council**), in respect of a Special Rate Funds Audit of the Chapel Street Precinct Association (**CSPA**).
- 2.2. Our appointment is confirmed in our Letter of Engagement dated 13 August 2021.

### **Background**

- 2.3. Council collects Special Rate funds from commercial premises in five activity precincts and remits these funds via funding agreements to five Incorporated Business Associations; CSPA is one of the five Incorporated Business Associations.
- 2.4. Across the Associations, there is a blend of paid staff but most are volunteers. Each of these Associations manage a yearly allocation of Special Rate funding on behalf of Council. The pools of funding ranges from approx. \$1.2m per year to \$180K per annum. The funds are remitted to each Association via a signed and binding Special Rate Funding Agreement. Council is the statutory body ultimately responsible for these Special Rate funds and must ensure that the funds are being managed and expended under Best Practice fiscal management by each of the Associations.
- 2.5. Council required an audit of CSPA at the CSPA office situated at 2/27 Izett St, Prahran. However, due to current COVID-19 work restrictions, the audit could not be performed on site, and had to therefore be performed remotely. The objective is to review and determine the adequacy and effectiveness of the Association's governance, fiscal management processes, engagement with stakeholders and representation of members

### **Purpose**

- 2.6. The purpose of this engagement was to conduct an audit that will identify areas of concern and risk to Council, and to identify areas of possible training and support to be provided to CSPA (**the agreed purpose**).

### **Scope and approach**

- 2.7. The Scope and approach to this engagement is recorded below:

### **Objective**

- 2.8. The procedures performed during this audit was limited exclusively to those related to the engagement and does not constitute an audit in accordance with Australian Auditing Standards and accordingly, no assurances are expressed.
  - 2.8.1. Financial Management: A full and thorough assessment of CSPA's financial management of the Special Rate funds. This includes identifying and informing Council of any risks to Council with the current management of the funds.
  - 2.8.2. Governance and Risk Management: A full and thorough assessment of CSPA's governances and risk management processes in relation to the management of the Special Rate funds.

- 2.8.3. Member Engagement: A full and thorough assessment of Member Engagement, including: the survey of members and survey results, against the membership list being special rates payers; methodology of the survey; and the number of responses received

### **Approach**

- 2.9. Our Approach to the 3 areas of the audit for the 2 year period 1 July 2019 to 31 July 2021 is as follows:

#### Financial management:

- 2.9.1. Review of debit card expenditure, including process and sample testing.
- 2.9.2. Review of procurement / Accounts Payable, including process and sample testing.
- 2.9.3. Determined whether expenditure is aligned to the requirements in the Local Government Act and consistent with the Funding Agreement.
- 2.9.4. Performed a comparative of the financial data provided by CSPA to Grant Thornton and the financial reports provided to Council by CSPA.
- 2.9.5. Performed data analytics of spend by type of expenditure, supplier, date of transaction, or unusual narration.
- 2.9.6. Conducted testing of transactions, which will be sampled based on the data analytics results and traced back to invoice. We conducted interviews where required, to determine answers to any questions as a result of the testing.
- 2.9.7. Conducted interviews of matters identified across the financial management audit. This included interviewing the previous and current CSPA bookkeeper, Accountant and Auditor.

#### Governance:

- 2.9.8. Review of Board artefacts, including but not limited to agendas, minutes, charters, and board packs.
- 2.9.9. Review of governance arrangements including Board composition, sub-committees, interaction/engagement between management and Board.
- 2.9.10. Observation at the Annual General Meeting (AGM).
- 2.9.11. Conducted interviews with Board members, within reason, to clarify any issues identified during our review and, where applicable, our observations at the AGM.

#### Member Engagement:

- 2.9.12. Obtained an understanding of CSPA membership base and types of membership.

2.9.13. Obtained an understanding of the process around member engagement.

2.9.14. Performed a walkthrough test using a sample case study that included a member survey, responses from members, and the resulting report. Reviewed the process undertaken, reminders and the report compiled. However, our work did not include a quality review of the survey question from a community engagement perspective.

2.9.15. Conducted a review of business promoted in publicly available data sources to identify special rate payers being promoted on CSPA's social media and marketing channels, and understand how businesses are selected for promotions as well as any tracking mechanisms in place to ensure an equitable rotation.

2.9.16. Conducted interviews with two members of CSPA, as requested by the CSPA.

2.10. Our findings are based on the following sources of information:

- Documentation and information provided to us by Ms. Chrissie Maus (**Ms. Maus**), General Manager of the CSPA. All documentation referred to and discussed in this report was obtained from CSPA unless otherwise stated.
- Documentation and information provided to us by Council.
- Documentation and information provided by the CSPA auditors, bookkeeper and accountant, during interviews we conducted with them.
- Interviews that we conducted with Board members and members of the Association.
- Information obtained by us from publicly available records, including the CSPA website.

2.11. We will during the course of this report refer to the CSPA Board and CSPA staff who we interviewed and/or who we will refer to. For ease of reference we list the Board members and two CSPA staff members as at 30 June 2021 in **Table 1** below:

**Table 1**

	Name	Business name	Position
1	Mr. Justin O'Donnell	Print Express	Executive Chairperson/ President (authorised signatory)
2	Mr. Chris Voyias	Delphi Bank	Vice- President
3	Mr. Andrew Szoeki	Studio Legal- representing night time trade, bars & clubs	Secretary (authorised signatory) & member of the Remuneration Committee
4	Ms. Carlie Lansdown	Soak Bar & Beauty- representing the CSP beauty sector	Treasurer (authorised signatory)
5	Melissa Glentis	Dilly Daly (representing Forrest Hill Precinct, South Yarra & day-time hospitality sector)	General Board member

6	Mr. Jonathan Somers	Next Practice Prahran	General Board member
7	Mr. Jack Hall	Representing Thorne Harbour Health	Associate Board member & member of the Remuneration Committee
8	Mr. Matt Lanigan	Lucky Penny Café (closed March 2021)- representing the hospitality sector	Associate Board member
9	Ms. Chrissie Maus	CSPA	General Manager
10	Ms. Michelle Fifi	CSPA	Marketing Project Manager & Executive Assistant to GM

### 3. Legislative and Policy framework/ background

- 3.1. The CSPA website includes the following, which provides some context to the Association, who they are and their governance framework:
- 3.2. *'The Chapel Street Precinct Association (CSPA) is an independent membership-based, not for profit, destination marketing incorporated association. We are an advocacy and marketing body that represents over 2,200 commercial properties and businesses in the iconic Melbourne suburbs of South Yarra, Windsor and Prahran. It is important to note that the CSPA is an independent organisation from the City of Stonnington'.*
- 3.3. *'The operations of the CSPA are run by only two full-time staff governed by a member-elected board of directors who volunteer their time to steer the direction of Australia's most well-known urban metropolis'.* The website lists the current Board members of the CSPA.
- 3.4. The CSPA website contains significant additional information that we will refer to where necessary in this report, that includes (but not limited to):
- A map outlining the precinct and that funds for the CSPA are primarily raised through a Special Rate collected by the City of Stonnington. The rate is then provided to the CSPA to market and promote the precinct.
  - Marketing campaigns.
  - Becoming a CSPA member.
  - Victoria's roadmap- out of COVID-19 and the easing of thresholds.
  - Registration as a Supplier to the City of Stonnington.
  - CSPA's response the City of Stonnington's proposed rates increase.
  - Chapel Champion Awards 2022.
  - Paw-on-the door.
  - Business Eco-friendly.
  - Collaborate.
  - Digital Advertising Billboards.
  - Follow us (CSPA) on Facebook, Instagram and Twitter.
  - The CSPA Constitution.
  - Providing feedback.
  - Various Press releases.
  - Promotion of different types of businesses located in the precinct.
- 3.5. We refer to the Special Rate Funding Agreement, relevant authority and CSPA policies below. Where necessary, we only refer to sections that relate to the matters subject to our audit, when discussing each of the three areas of our audit.

### **2019 - 2023 Special Rate Funding Agreement**

- 3.6. The 2019 - 2023 Special Rate Funding Agreement (**the Funding Agreement**) was entered into between the Council and the Association on 20 August 2019.
- 3.7. In terms thereof the following is recorded and applies:
- 3.7.1. On 24 June 2019 Council declared the Chapel Street Precinct Special Rate under s163(1) of the Local Government Act for a four year period from 1 July 2019 to 30 June 2023 on the terms detailed in the Resolution. (The Resolution is appended as Attachment 1 to the Agreement).
- 3.7.2. The Special Rate was declared for the Declared Purpose, being the purpose of defraying expenses relating to the encouragement of commerce in the Precinct.
- 3.7.3. Council has agreed to use the Scheme Funds by remitting those funds to the Association so that the Association may use those Funds:
- a. For the declared purpose;
  - b. For the benefit only of persons who own or occupy land within the special rated Precinct;
  - c. In a manner that does not discriminate between Members and persons who are not Members but pay the special rate;
  - d. For the benefit for the Precinct as a whole and in a manner that encourages participation and involvement by all businesses irrespective of their location or industry
  - e. In Accordance with the Association's Yearly Action Plan and additional reporting submitted to Council;
  - f. In accordance with the Association's Rules, to the extent the Rules are not inconsistent with any other provision of the Agreement. (The Rules of the association is appended as Attachment 2 to the Agreement);
  - g. In accordance with the Association's Procurement Policy; and
  - h. In accordance with all applicable requirements under law, including but not limited to the *Planning and Environmental Act 1989* and the *Liquor Control Reform Act 1998*.
  - i. The parties have agreed to record the agreement in writing.
  - j. The parties acknowledge that the agreement is entered into in a spirit of cooperation and collaboration with the shared goal of achieving the Declared Purpose.
- 3.7.4. The following definitions are relevant as we refer to them during the course of this report:
- Committee means the Committee of the Association as defined under the Associations Incorporation Reform Act 2012 (**AIR Act**). (The Committee is also referred to as the Board).
  - Declared Purpose means the encouragement of commerce in the Precinct.
  - Permitted Purpose means the purposes described at clause 8.1 of the Agreement.



- Procurement Policy means the Procurement policy adopted by the Association in accordance with clause 11.4 of the Agreement.
- Prohibited Purpose means any of the purposes listed as clause 8.5 of the Agreement.
- Rules means the Rules of the Association as attached to the Agreement at Attachment 2.
- Scheme Funds means the funds collected under the Special Rate.
- Special Rate means the 2019-2023 Chapel Street Precinct Special Rate declared at the ordinary meeting of Council on 24 June 2019.

### ***The Rules of the Association***

- 3.8. The Rules of the Association (**the Rules**) appended as Attachment 2 to the Funding Agreement records the Rules as of November 2016. We previously reported the Funding Agreement was effective 20 August 2019. However, Council provided us a copy of the Rules of the association as of November 2017. In terms thereof, changes to the Rules of the Association were passed by Special Resolution at the 2017 CSPA Annual General Meeting.
- 3.9. The changes to the Rules of the Association related to the appointment of the President/Chairperson, previously referred to as the President/Executive Secretary or the Chairperson, as provided for in clauses 41(a), 43, 46, and 49.
- 3.10. Of significance is that the President/Chairperson may be appointed by the CSPA Committee and can be sourced from either the member base of the CSPA or the general population. Previously the President/Executive Secretary was an elected position at the Annual General Meeting (**AGM**) of the CSPA. Further, the appointed person must exhibit several key skills: have suitable work experience; business and political contacts, as determined by the committee at the time. This is not an elected position. The Committee also now has authority to determine a level of remuneration suitable for the position of CSPA President/Chairperson.

### ***The Constitution of the Association***

- 3.11. The Association provided us with the Constitution of the Association (**the Constitution**) as of February 2019. In terms thereof, changes to the Constitution were passed by Special Resolution at a Special General Meeting on 13 February 2019. It is our understanding that the Constitution and the Rules are one and the same, and the Constitution is the current binding authority.
- 3.12. These changes were made to clarify key critical constitutional matters pertaining to CSPA membership, proxies, data collection, code of conduct and the Executive Chairperson/President's role and honorarium.
- 3.13. The Constitution can be found on the CSPA website, as well as the minutes of the Special General Meeting on 13 February 2019. It further records that the changes to the Constitution have been submitted to Consumer Affairs Victoria (**CAV**) and noted that the changes taking place from 13 February 2019. It is a requirement in terms of Section 50 of the *Associations Incorporation Reform Act 2012*, that all changes to the Rules are approved by the Registrar. It was reported to us by CSPA that the changes were approved as prescribed.

### **CSPA Procurement Policy and Payment Guidelines**

- 3.14. The CSPA Procurement Policy and Payment Guidelines (**the Procurement Policy**) is undated. It appears to be an updated version of 'Procurement Policy Guide– Revised from 2016 version', which we received from Council. It provides for the following:
- Purpose and Scope.
  - Conflicts of Interest.
  - Human Resources.
  - Director Remuneration.
  - Good and Services.
  - Supplier Evaluation Criteria Guidelines.
  - Approving Payments and Expenses.
  - Director and Staff Reimbursements.
  - CSPA Non-Salary Administration Expenses Guidelines (Scope).
- 3.15. We will comment and discuss the Procurement Policy in more detail in the Financial and Governance sections of the audit later in this report, and where it applies to items forming the basis of our mandate.

### **Local Government Act 1989**

- 3.16. *The Local Government Act 1989 (LG Act) Section 163 (1): Special rate and special charge*
- (1) *A Council may declare a special rate, a special charge or a combination of both only for the purposes of—*
- (a) *defraying any expenses; or*
- (b) *repaying (with interest) any advance made to or debt incurred or loan raised by the Council—*
- in relation to the performance of a function or the exercise of a power of the Council, if the Council considers that the performance of the function or the exercise of the power is or will be of special benefit to the persons required to pay the special rate or special charge.*

### **Associations Incorporation Reform Act 2012**

- 3.17. *The Associations Incorporation Reform Act 2012 (AIR Act):*
- Purposes*
- The main purposes of this Act are—*
- a) *to establish a scheme for the incorporation and registration of voluntary associations and for the registration of other registrable bodies as incorporated associations; and*
- b) *to make provision for the corporate governance, financial accountability and other matters relating to the rules and membership of associations registered under that scheme.*
- 3.18. The following is relevant to our audit:
- Section 48 Rules of an Incorporated Association.

- Section 51 Membership of an Incorporated Association.
- Section 56 Register of members.
- Section 89 Obligation to keep financial records.
- Section 98 Obligation to prepare financial statements (Tier 3 Associations).
- Section 99 Audit of Financial Statements.
- Section 100 Submission of financial statements to annual general meeting.
- Division 5 General requirements relating to financial statements.

## 4. Findings

### Financial Management

#### *Background*

- 4.1. Prior to discussing individual items per our letter of engagement, we deem it necessary to refer to the appointment of the CSPA Auditor, Accountant and Bookkeepers, as they are relevant to a number of the items subject to our audit and provide further insight into the financial operations of the Association.
- 4.2. Collins and Co Audit Pty Ltd (**Collins & Co**) was appointed by Mr John Lotton (**Mr. Lotton**), the previous President of the Association on 9 August 2016, to conduct the annual CSPA audit. The email communications between the parties records that the appointment was confirmed by the Executive Committee of the CSPA (we will refer to this later in this report, when discussing the Board and that the Executive Committee no longer exists). The communications further record Mr Ryk Eksteen (**Mr Eksteen**), CA, Audit Principal, represented Collins & Co.
- 4.3. Small Business Accounts (**Small B Accounts**) operated by Ms Bridget Evans (**Ms Evans**), we understand, was appointed in January 2020. In an email from the General Manager to Small B Accounts dated 12 August 2021, Small B Accounts has been notified of the termination of their services effective August 2021. It is recorded that CSPA's need will be better met elsewhere given the cost and additional requirements, and most importantly in order to meet their new procurement policy. We confirmed that the monthly fee paid to Small B Accounts was \$660 incl. GST per the accounts payable (AP) data provided to us.
- 4.4. It was reported to us by Ms Maus, that due to the issues encountered with Small B Accounts and acting on the independent audit feedback (from Collins & Co in a letter appended to the financials as at 30 June 2020, to be discussed later in this report), the Association took a decision to appoint All in the Cloud Pty Ltd (**All in the Cloud**) as their new bookkeepers in August 2021.
- 4.5. All in the Cloud was appointed by the Association effective 2 September 2021. The scope of services as recorded in their proposal is to provide ongoing monthly bookkeeping, as follows:
  - General bookkeeping and data entry.
  - Bank/ Credit Card Reconciliations – to be completed 48 hours after month end.
  - Paperless Payables – Supplier invoices and receipts imported via online software.
  - Bill and Payroll payments uploaded to Internet Banking for quick authorisation.
  - Telephone/Email/Zoom support.
  - Quarterly BAS.
  - Monthly IAS lodgement.
  - Management Reporting – Monthly (working with accountants).
  - Year-end-work-papers for accountant.
  - Payroll – 2 Employees.
  - Superannuation Compliance.
  - Supplier/Creditor Management.

- 4.6. The cost of the services provided by All in the Cloud is \$650 per month excl. GST.
- 4.7. AP Taxation Services (**AP Taxation**) was appointed by the Association on 9 August 2021 to provide accounting services. The scope of services as recorded in their letter of engagement dated 28 June 2021, is as follows:
- Preparation of custom monthly financial reports required, to be provided to the General Manager for Board Papers.
  - Preparation of custom quarterly financial reports required, to be provided to the General Manager for Council special rate arrangement reports.
  - Provide assistance with the preparation of yearly budgets and liaising with the Associations bookkeeper and other stakeholders as and where required.
  - Analyse, discuss and provide advice in relation to the above and any other general business matters as requested by the Association.
- 4.8. The fees to be charged by AP Taxation is based on time and the degree of skill and acumen required to complete the required tasks. The rates by staff level is listed below:

	Staff level	Rate per hour
1	Managing Principal (Consulting)	\$250
2	Managing Principal (Compliance)	\$200
3	Intermediate and senior accounting staff	\$140- \$190
4	Administration staff	\$60

- 4.9. In an email from AP Taxation to CSPA dated 23 August 2021, AP Taxation have advised that in terms of their services as provided in their letter of engagement, their fee for the preparation of quarterly reports would be \$700 excl. GST per quarter. However, AP Taxation has suggested this be performed on a monthly basis, for at least the next 6 months, in order to closer examine CSPA's accounts, and in doing so lead the way in financial oversight and setting the benchmark for the NFP Industry. The fee for monthly preparation would be \$350 excl. GST per month.

***Review of debit card expenditure, including process and sample testing***

- 4.10. We determined from the CSPA that they held two bank accounts as at 30 June 2021: an Every Day bank account; and a Debit Card bank account at Westpac. They held a third Community Solutions bank account during the period 23 September 2019 and 6 December 2019. However, no payments were made from this account, \$50,000 was transferred into the account on 23 September 2019 from the Every Day account, and then transferred back on 12 November 2019. They have recently opened a Reserve Policy bank account which we understand will be disclosed to Council in their Q1 2021/2022 Activity Report. The current signatories to the Every Day account are the Executive Chairperson/President, Treasurer, Secretary and one other General Board member. The newly elected Vice-President is still to be added as an authorised signatory.
- 4.11. Our scope required us to review credit card expenditure, including process and sample testing. We were advised by the Association that no Directors or staff of CSPA hold company credit cards and that this was a financial risk mitigated by the Board in 2016. Further, only one debit card is used by the CSPA General Manager (Ms Maus) and that some approved fixed monthly costs are paid from/using the debit card.

***Procurement Policy - use of Debit Card***

- 4.12. The Procurement Policy in the section titled 'Director & Staff Reimbursements' provides for the use of debit cards and in terms thereof the following applies:
- To cover incidental expenses or items where suppliers only take this means of payment.
  - When EFT payment is not an option and a limit of \$2,000 (unallocated funds) is the maximum that can be deposited onto a CSPA debit card.
  - The CSPA debit card is reconciled each month and a full transaction list is provided to CSPA directors in the monthly board papers in arrears.
- 4.13. It further provides for Staff Reimbursements:
- CSPA directors and staff can (from time to time) purchase goods and services on behalf of the CSPA using their own money, then be reimbursed for those expenses as long as the cost is known and approved by the President or General Manager prior (to being expensed), and a tax invoice is provided. There is no specific provisioning for the approval of the General Manager's reimbursements.
  - CSPA directors and staff will never receive reimbursement in cash, only via a direct EFT deposit into a nominated bank account.
  - Reimbursements are approved by the General Manager in line with the Annual budget and signed off in Westpac by two approved CSPA Director signatories.
  - The CSPA will make Council aware of any reimbursements that are made to CSPA Directors or staff. These will be itemised in the transaction list sent to Council in the quarterly activity reports.
- 4.14. The Procurement Policy in the Section titled 'CSPA Non-Salary Administrative Expenses Guidelines (Scope)' provides for one of the following criteria to be met before non-salary administrative expenses are reimbursed:
- The cost is relating to marketing purposes and cannot be paid by EFT;

- The cost is identifiable to a project or major tactic budget allocation;
- The expense is deemed reasonable by the CSPA Board of Directors;
- The expense is allocated for within the annual budget;
- The expense is related to approved subscriptions or membership fees;
- The expense is related to staff amenities or other approved or reasonable employment-related expenses;
- The expense is a reasonable meeting related cost for member, stakeholder or staff engagement
- The expense is for a reason that aligns with the CSPA purpose (as denoted in the Constitution).

#### ***Debit Card Fixed Cost Transactions***

- 4.15. We were provided with a CSPA Debit Card Fixed Cost Transactions list, prepared by Small B Accounts from 1 July 2021. In terms thereof 13 transactions amounting to \$1,536.58 per month are attributed to fixed costs, the majority of which relate to media and communications, one staff car park at Prahran Square Car Park amounting to \$160 per month, and stationery purchased from Officeworks.
- 4.16. The Officeworks costs however, differ from month to month and there are not purchases every month from Officeworks; as such they do not appear to be fixed monthly costs. We note that in terms of Ms. Maus' CSPA Letter of Appointment dated 21 June 2016, to be discussed in more detail later in this report, Ms. Maus is entitled to the 'provision of a car park for personal use'. This was confirmed with Ms. Maus and she further noted that this is necessary as they require a car to transport items needed for the marketing and advertising events and campaigns. The CSPA's previous rental agreement included the provision of a car park; however this was not included in the new rental agreement. The CSPA negotiated a reduced rental as a result, which exceeds the \$160 per month now paid at Prahran Square Car Park. The most significant recurring payment is to Facebook for the CSPA Facebook and Instagram accounts costing \$820 per month.
- 4.17. We requested copies of documents that provides evidence that these payments are for the Agreed Purpose, e.g. agreement/contracts/invoices etc. where applicable. CSPA informed us that the majority of these payments related to subscriptions and that CSPA would simply cancel the subscriptions should they no longer be required, and hence no agreements or contracts as such. We received copies of invoices and covering emails where applicable for the 13 fixed cost transactions that reasonably match the amounts recorded on the Debit Card Fixed Cost Transactions list, apart from the payment made to Facebook where the amount was significantly less than that provided on the transactions list. It is apparent that certain fixed costs may fluctuate from month to month, including Officeworks and Facebook. We understand that Facebook charges a rate based on how many people are exposed to the advertisement and that budgets are flexible depending on the particular advertisement.

#### ***Debit Card sample testing***

- 4.18. We selected 50 debit card payment transactions during the period 26 August 2019 and 16 June 2021, amounting to \$7,936.74: the highest transaction payment to Ikea amounted to \$788.82; and the lowest transaction payment to Netflix amounted to \$10.99. The Netflix

payment was a personal transaction of Ms. Maus on 16 December 2019, which was repaid by her on 22 January 2020.

- 4.19. We requested copies of all supporting payment documents in respect of the 50 samples. We received supporting documents for 26 of the 50 samples and no supporting documents for the remaining 24 samples. CSPA provided us with additional information being details of the reason for the transaction for all 50 samples. On the face of it, based on the additional information provided, these appear to be payments made for the benefit of CSPA and the Agreed Purpose. We are however, not able to independently verify this as we were not provided with all supporting documents.
- 4.20. CSPA further informed us that in respect of 22 of the 24 samples where no supporting documents were provided to us, and where the amounts were (in the case of the debit card testing transactions) \$81.20 or less, that the supporting documents were available. However, it would take a significant amount of time and effort to source these from Xero, an on-line accounting software used by the CSPA.
- 4.21. We received an invoice or receipt for only 12 of the 50 debit card samples as recorded in the **Table 2** below:

**Table 2**

	Description	Result/Findings
1	Samples selected	50
2	'Supporting documents' received:	26
	Invoice/order/receipt confirmation	12
	Screenshot of Xero transaction	10
	Screenshot of on-line payment transfer	1
	Incorrect payment details (date & amount differ from sample transaction)	1
	Documents are Instagram photos & shipping details & date cannot be verified	2
3	No supporting documents received	24

- 4.22. We received and confirmed that a Bank Reconciliation Summary for the CSPA Debit Card was prepared for the 24-month period, 1 July 2019 to 30 June 2021 subject to our audit. We confirmed that the said reconciliation is included in the monthly financials that is sent out to all Board members in the Board Packs by the General Manager.
- 4.23. We received and confirmed that a full transaction list for the debit card was provided in the quarterly reports, for the respective 3-month period and submitted to Council, for the 24-month period, 1 July 2019 to 30 June 2021 subject to our audit.
- 4.24. We comment further on the Debit Card usage when discussing Staff Reimbursements below.



### **Staff Reimbursements**

- 4.25. We received a Reimbursement Transactions listing for the periods ended 30 June 2020 and 30 June 2021 prepared by AP Taxation. We note that these would have been prepared by AP Taxation post their appointment on 9 August 2021, and for purposes of our audit as requested by us. The said listing includes: the date of the transaction; source; description of transaction; reference; and the debit/credit amount.
- 4.26. We further received as Appendix B to our initial request for documents from CSPA, a summary of reimbursements to individual staff member and Directors for each of the financial years. This included: the financial year; name of staff member or director; the date of the transaction; source; description of transaction; and the debit/credit amount. These transaction amounts reconciled to the Reimbursement Transactions listing prepared by AP Taxation.
- 4.27. On the face of it, based on the information provided, the reimbursements appear to comply with the requirements of the Procurement Policy, in that they are reasonable and aligned to the Agreed Purpose.
- 4.28. We did however, identify a number of credit and debit transactions referenced to 'Chrissie Maus' during the period covered by our audit. The credits are recorded as 'Receive Money'. The description and/or reference refers to amongst others: 'Repayment- PayPal default; CM repayment- incorrect card used'; and 'Staff owns decision to refund, communicated with CSPA Chair'. These transactions appear to indicate that the General Manager was refunding monies she had spent using the CSPA Debit Card, that were for personal use.
- 4.29. A number of these transactions relate to 'Uber Eats' and 'Uber Trips'. We requested the CSPA provide us with a report, which may address the whole period where this occurred and the reasons for the usage. The General Manager informed us that these had been detailed in the quarterly transaction lists (line-by-line explanation), and that an explanation had already been provided to Council (in a letter dated 8 June 2021 to be discussed in more detail later in this report). In terms thereof, the following was recorded: *'If you are referring to the pay-back amounts by Ms Maus, this was simply due to payments being made with the CSPA debit card due to a PayPal default after a prior CSPA payment. PayPal then used this card for future payments. It was simply human error. This was diligently picked up and rectified. This is not an issue to draw concern and also again could have been rectified with a simple phone call. Again, I put this in context; this was out of almost 200 transactions in three months'*.
- 4.30. The General Manager further informed us that the Uber Trips over the 2 year period covered by our audit amounted to less than \$200, and that these were undertaken to attend meetings and media interviews. These were recorded in the quarterly reports after being reconciled, and provided to the CSPA Directors in the board papers.
- 4.31. We have not performed a comprehensive review of all reimbursement transactions recorded as debits or credits where reference is made to 'Chrissie Maus'. We attempted to reconcile transactions recorded in the debit card statements, where reference is made to 'Chrissie Maus'. However, we were unable to do so as individual purchases and repayments do not match. There are 29 transactions during the period 8 August 2019 and 20 April 2021 (i.e. 1 year and 8 months) consisting of 19 debits (repayments of \$1,148.65) and 10 credits (spend of \$523.19). It appears that repayments may have been made that comprised of a number of individual purchases and other purchases of a personal nature may not necessarily have been referenced to Chrissie Maus in the debit card bank statements.

**Recommendations:**

- 4.32. We recommend the CSPA consider the following:
- The CSPA consider a review of the procurement thresholds to reduce the threshold of \$10,000 and align to Council's new Procurement Policy. Any approved exemptions are reported to the CSPA Board.
  - The Procurement Policy be amended to include who is authorised to approve the General Manager's reimbursements.
  - The fixed monthly costs on the debit card be reviewed and reasons provided as to why certain fixed monthly costs fluctuate, and then approved by the Board
  - Records are retained for all staff reimbursements on Xero to reflect approval by the President or General Manager, and that a tax invoice is provided in support of the reimbursement and available for inspection if required.
  - Perform a complete, accurate and reliable reconciliation, of all debit card transactions where reference is made to 'Chrissie Maus' and other transactions that were for her benefit but without reference to 'Chrissie Maus', for the period 1 August 2019 and 30 April 2021. This would ensure that the correct amount has been reimbursed to CSPA, and any deficiency or excess be rectified shortly thereafter. Once completed, it should be submitted to the Board for consideration and approval, and reported in the next quarterly report to Council.
  - All debit card transactions must have supporting invoices, required for GST claiming purposes.
  - The CSPA Debit Card is no longer used for personal use. The Procurement Policy does not provide for personal use of the CSPA Debit Card.

**Review of procurement / Accounts Payable**

- 4.33. The following sections of the Procurement Policy are relevant to our audit.

**Goods & Services**

- 4.33.1. When CSPA purchases goods or acquires a service, there is an open and transparent process for the procurement. Further details outlining this due-diligence below:
- All CSPA suppliers must have a registered ABN.
  - The CSPA Chairperson/or General Manager negotiates and signs contracts/or partnership agreements.
  - Priority is given to local CSPA businesses/members when two items are 'absolutely comparable'.
  - CSPA staff can purchase goods and services on behalf of the CSPA as long as the item/s fall/s within the ratified annual budget.
  - When two items are absolutely comparable, two quotes are required for purchases over \$10,000.

- The CSPA General Manager approves purchases in line with the ratified Annual Budget and itemised campaign budgets.
- Two CSPA ratified Directors/signatories must then approve the payment from the allocated bank account.
- Purchases/quotes outside the ratified annual budget are presented to CSPA Directors to be voted on.
- If services provided or goods purchased are either unsatisfactory or faulty or not delivered, due process is taken with regard to lodging a CSPA insurance claim and steps taken to resolve the matter/refund.

#### **Supplier Evaluation Criteria**

4.33.2. The CSPA will evaluate existing and new suppliers/businesses/contractors based on their ability to supply goods and services in accordance with the following guide and criteria framework. Preference will be given to local suppliers who are CSPA members:

- Fit to purpose (how do they fit with the CSPA Strategic Plan 2019:23 and enhance the CSPA vision?)
- What does this supplier do/offer to benefit the economic prosperity of the Chapel Street Precinct?
- Value for money (do they deliver increased value for special rate payments/funds?)
- Past performance/trust.
- Financial stability (is there any chance that this potential business or supplier could soon become insolvent?)
- Best practice (are they a leader in their field?) (Does the business support gender equal pay?)

4.33.3. New suppliers must be able to provide customer references and other associated information as required, to enable an informed evaluation and assessment by the CSPA.

4.33.4. The CSPA will select new suppliers/contractors in accordance with the above guidelines (decision framework) and any new supplier/contractor that satisfies the purpose of the CSPA must be subject to due diligence by the CSPA appointed accountant (or bookkeeper).

4.33.5. Any supplier/contractor that has at any point in time committed an unlawful act and/or by way of association significantly adversely affected the CSPA's reputation as a result of their misconduct, will be placed on an immediate permanent trading ban (subject to an assessment of any applicable CSPA contractual obligations).

#### **Approving Payments & Expenses**

4.33.6. The following applies:

- Any payments that are remitted by the CSPA are recorded digitally (since 2016 this has been via the Xero accounting package).
- All vendor payments (outside of those paid by Debit Card) require two signatures prior to the payment being released from the nominated Westpac bank account.
- Approved CSPA bank signatories include the CSPA Chairperson and any other ratified directors.

- CSPA batch payments will be performed electronically via the online banking portal (since 2016 this has been the Westpac online banking platform).
  - Suppliers are only paid via EFT or Debit Card.
  - The CSPA payment terms are 30-60 days. A maximum of 60 days is advised due to special rate payments and the set-up of the signed special rate agreement.
  - There is no cash on the CSPA office premises.
  - Branded EFTPOS cards (for promotional purposes) are kept in the locked CSPA office safe at all times.
- 4.34. We selected 50 samples of AP transactions made by the CSPA over the 2 year audit period amounting to \$262,778.66. The samples were selected from the FY20 and FY21 AP transaction data received from CSPA; 25 samples were selected from each financial year. The samples consisted of different types of goods and service transactions, including major promotions, general marketing, office expenses and casual staff member payments.
- 4.35. We summarise the category of samples and total amounts in **Table 3** below:

**Table 3**

	Category	Number of transactions	Amount
1	Marketing/event expenses	29	\$224,808.31
2	General operational and administrative expenses	10	\$13,133.35
3	Governance/Auditor/Evaluation report expenses	4	\$18,875.00
4	Other expenses	7	\$5,952.00

- 4.36. The Funding Agreement required the CSPA to implement a Procurement Policy. The Procurement Policy, as described above, sets out a framework to ensure that the CSPA obtains services through an efficient, and well-documented, ethical process that provides the best value for money.
- 4.37. In order to complete the testing of each sample, we required the CSPA to provide us with evidence that they are adhering to the Procurement Policy and the Funding Agreement. The Procurement Policy states that any payments remitted by the CSPA are to be accurately recorded digitally in the Xero accounting system. Discussions with Mr. O'Donnell and Ms. Maus revealed that for transactions under \$82.50, they did not consistently record the supporting document into the Xero system, as it is not a GST legislation requirement.
- 4.38. For each sample, the CSPA provided us with a description of each transaction, as well as evidence of an invoice and relevant quotations where applicable. CSPA also provided, for certain marketing/event expenditures, multimedia evidence of what was purchased.
- 4.39. The goods and services section of the Procurement Policy outlines the need for two quotations when making purchases over \$10,000 that are absolutely comparable'. We selected six samples of transactions over \$10,000 for purposes of our testing:

- Sample 4: Paw on the Doo \$23,786.40.
- Sample 13: EcoCaddy \$25,639.35.
- Sample 33: Print Express \$29,121.00.
- Sample 38: Instinct International \$16,665.00.
- Sample 40: Instinct International \$16,655.00.
- Sample 45: Nova 100 \$14,657.50.

- 4.40. Of the six samples, only sample 33 included evidence of two quotations as well as a final invoice from Print Express. We examined the second quotation for the Print Express purchase and noted that it was issued by Liquid Ink Pty Ltd, whose address is recorded as 1/82 Wirraway Drive, Port Melbourne. CSPA informed us that each of the other five >\$10K sample transactions constituted offerings that were not absolutely comparable. The term '*absolutely comparable*' is not defined by the CSPA, but it can be inferred that an item being comparable means another entity can provide a similar service and outcome for a comparable price. The CSPA provided the following additional information: sample 45 and 4 were not comparable as they included unique radio talent that could not be emulated on other stations; and samples 38 and 40 were deemed unique artists and unique talent.
- 4.41. Further, sample 13 was a large payment to EcoCaddy, an eco-friendly bike and rickshaw company from Adelaide. The CSPA advised us that they were providing a unique offering and service/campaign and that the transaction was not absolutely comparable. EcoCaddy is also a 'Partner' of the CSPA as outlined in the 2019-20 Annual Report. According to the CSPA's Q3 Report, EcoCaddy was promoted by Council as part of a drive of eco-friendly campaigns and alignment with their declaration of a climate emergency.
- 4.42. We determined that Print Express (sample 33 included in our testing) is a business entity of Mr. Justin O'Donnell (**Mr. O'Donnell**), President/Chairperson of the CSPA. The Procurement Policy provides for preference to be given to local suppliers who are CSPA members. It further does not prohibit the CSPA Board Members from receiving this preference.
- 4.43. The Procurement Policy includes a Conflicts of Interest section.

*The below procedure points denote how the CSPA avoids conflicts of interest when purchasing goods and services. The following demonstrates best practice standards:*

- *CSPA directors and staff engaged in purchasing will at all times undertake their duties in a responsible, ethical and impartial manner.*
- *CSPA directors ensure that if a person/business (associated in any way to a director) is quoting or providing goods or a service to the CSPA, they are not deciding on the successful quote (or business to proceed with).*
- *CSPA directors do not see other quotes before submitting their own, or are privy to confidential information that may assist them in securing the business.*
- *CSPA directors who submit quotes for CSPA activity are subject to the same terms and conditions and reviews that are applied to all other suppliers. A clear culture of 'no special treatment'.*
- *CSPA directors have the option at every board meeting to declare any Conflicts of Interest in relation to the ownership of/or affiliation to a business that has submitted a quote for goods or services to the CSPA. This is an agenda item and minuted as part of the CSPA monthly board meetings.*

- CSPA directors and staff shall not use or disclose information that confers an unfair advantage or financial benefit or detriment on a supplier (or potential supplier).
  - CSPA directors and staff will not engage in any activity that would create conflict between personal interest and the interest and/or declared purpose of the CSPA.
- 4.44. The CSPA provided us with an excerpt of the Register of Interests for the period 30 June 2019 to 30 June 2021. Hence, we have not reviewed the register in its entirety. The said excerpt of the Register contains the following headings and the completed corresponding required information:
- Name of Board Member.
  - Description of Interest.
  - Board notified.
  - Date of disclosure.
  - Steps taken by the board for dealing with the conflict/ or board member actions to address the conflict.
- 4.45. We confirmed that Mr O'Donnell declared his interest in Print Express in the Board meeting held on 10 February 2021 according to the Register of Interests. In terms of the steps taken in dealing with the conflict of interest, the following is recorded:
- 'Print Express is one of eight printer suppliers for the CSPA. Justin O'Donnell (CSPA Chair) does not have visibility over quotes and is not involved in appointment/final decision. In the last five years, he has declared this supplier conflict minimum four times. JO removed himself from any decisions being made'.*
- 4.46. We determined from the AP data that 20 payments amounting to \$53,863.20 were made to Print Express during the period 28 October 2019 and 1 June 2021. Only one of the 20 payments exceeded \$10,000 and would therefore have been subjected to a 2<sup>nd</sup> competitive quotation requirement as provided for in the Procurement Policy. We included this transaction as part of our sample testing as recorded above. We did not confirm who the two authorisers were for these transactions for Print Express. Based on the information provided to us, as well as clarification gained in interviews, the ratified signatories are Mr. Szoeki and Mr. Somers; Mr. O'Donnell as Executive Chairperson/President, Mr. Voyias as Vice-President and Ms. Lansdown as Treasurer are also current signatories. This indicates effective management of the bank account signatories.
- 4.47. The CSPA provided us with the names of 8 other printing companies that they have used in the two years subject to our audit, excluding Officeworks. Our examination of the AP data identified three of the eight companies received payments from the CSPA. We have not examined these payments.
- 4.48. We determined the following upon further examination of the Register of Interests:
- 1) Mr. Andrew Szoeki (**Mr. Szoeki**) Board Secretary & member of the Remuneration Committee, made the following declarations with regards to Studio Legal:
    - 22 March 2021: His wife, Jennifer Tutty was the Principal of Studio Legal. The following actions are recorded:
 

*'ZOK excused himself from any decisions related to deciding who to use for legal services due to his stated conflict. ZOK noted that no payments to SL are signed off by himself – they always require two other signatories (given the declared conflict)'.*

- 9 June 2021. He re-declared his employment and interest with Studio Legal (a CSPA member) and that they have provided legal representation and advice to the CSPA both on a partial pro bono and part fee for service. The following actions are recorded:  
  
*'ZOK excused himself from any decisions related to deciding who to use for legal services due to this stated conflict. However, advised he would make himself available for any questions or support asked for by the Board (Studio Legal service quoted fee under the \$10k procurement limit)'.*
  - 2) Mr. Maxwell Gratton (**Mr. Gratton**), the former CSPA Vice-President & Treasurer, made the following declarations with regards to the Melbourne Queer Film Festival (**MQFF**):
    - 14 August 2019: He declared that he is meeting with Ms Maus in the coming weeks to present the 2020 MQFF sponsorship package deck, but in no way will influence the final decision/s or General Manager recommendations. The following actions are recorded:  
  
*'Excluded from the final decision on sponsorship participation. No special treatment given'.*
    - 12 February 2020: He reminded the Board of his role at the MQFF and that he has excused himself from all decisions relating to the sponsorship. The following actions are recorded:  
  
*'Excluded from the final decision on sponsorship participation. No special treatment given'.*
    - 10 February 2021. He declared his CEO role for MQFF. The following actions are recorded:  
  
*'MG was not involved in any decision to do with MQFF. MG advised details of MQFF plans for 2021 and outlined data of visitation. He added that all correspondence between MQFF and CSPA would not go through him so he could be removed. MG noted that no payments to MQFF are ever signed off by himself- they always require two other signatories (given declared conflict)'.*
- 4.49. Upon examination of the Board minutes referred to above and recorded in the Register of Interests, we confirmed the said declarations by Mr. O'Donnell, Mr. Szoeki and Mr. Gratton have been recorded in the relevant minutes.
- 4.50. Upon examination of the AP Data and Debit Card payments data, we did not identify any payments made to 'Studio Legal', despite the above declarations by Mr. Szoeki.
- 4.51. Upon examination of the AP Data and Debit Card payments data, we identified 2 payments made to the MQFF from the AP data:
1. \$15,400 on 10 February 2020, with reference INV-0188.
  2. \$6,600 on 23 February 2020, with reference: Sponsorship (MQFF) (Agreement sent in Q3 Report).
- 4.52. Upon examination of the CSPA Q3 2020/2021 Activity Report, the CSPA included a 'Sponsorship Agreement' between the MQFF and CSPA. In terms thereof, CSPA will pay



\$20,000 + GST to MQFF (recorded in Schedule A), whilst the benefits to CSPA are recorded on Schedule B including advertising and promotion of the CSPA at MQFF activities for the period January 2021 to November 2021. Mr. Daniel Lancefield, Business Manager at MQFF and Ms. Maus, General Manager of the CSPA have signed the Agreement.

#### **Other Partnership agreements**

- 4.53. We previously discussed a payment of \$25,639.35 to EcoCaddy as part of our AP sample testing. We further stated that EcoCaddy is also a 'Partner' of the CSPA as outlined in the 2019:2020 Annual Report. Similarly, MQFF discussed in the preceding paragraph is recorded as a 'Major Partner' in the 2020:2021 Annual Report. We sought to clarify what defined a Partner and a Major Partner.
- 4.54. The 2019:2020 Annual Report records there are 35 Partners, whilst the 202:2021 Annual Report records there are 30 Major Partners.
- 4.55. According to Ms. Maus these are not necessary partners in the sense that the CSPA have entered into partnership agreements with these entities, but rather what may be described as big profile stakeholders or big brand clients, the majority of whom are media outlets. The CSPA received in-kind and free press from some of these entities that further promote the precinct, and that they are associated with these significant organisations. It is acknowledged that the auditor should be informed of any in-kind partnership and to be included in the year-end audit, where applicable
- 4.56. We determined that the CSPA has two other partnership agreements:
- WTFN Entertainment Pty Ltd (WTFN), being the Bondi Vet YouTube Chanel (**Bondi Vet**) produced by WTFN, comprising audio-visual material from the series the Channel. The contract term was eight weeks commencing on 12 August 2019. The CSPA was required to pay WTFN \$40,000 (excl. GST) in three equal instalments (33.3% of \$40,000 per instalment). The CSPA partnered with Bondi Vet, Christian O'Connell and WTFN media to promote the 'Paw-on-the-Door Campaign'. The campaign ran for the whole of October 2019, according to information provided in the Decision-Making Framework document. It is described as '*To create further foot (and paw!) traffic within the Chapel St Precinct, the CSPA and traders have got together and from October will be becoming paw-friendly*'. It included filming the Chapel Precinct over two day to obtain content for YouTube Channel and 'Coast to Coast' Digital Channel Sponsorship. Paw-on-the-Door is further reported on page 19 of the Annual Report 2019:2020.
  - We determined per the AP Data that the payments listed in **Table 4** below were made to Bondi Vet & to WTFN:

**Table 4**

Date	Reference	Amount
20/09/2021	Bondi Vet	\$44,000.00
	<b>Total paid to Bondi Vet</b>	<b>\$44,000.00</b>
20/09/2019	INV00000266	\$14,666.67
28/10/2019	INV00000288	\$14,666.67



13/11/2019	INV00000329	\$14,666.65
	<b>Total paid to WTFN</b>	<b>\$43,999.99</b>

- Jamie Durie's Groundswell Pty Ltd (Jamie Durie), an online platform hosted by and featuring Jamie Durie. The partnership agreement provided to us was however, named 'WTFN & CSPA Jamie Durie's Partnership Agreement – Co-signed 18-9-19', but there is no reference to WTFN in the signed partnership agreement. Jamie Durie is recorded as the Producer, responsible for the development, direction, production, editing, completion, delivery, distribution, communication to the public and marketing of the Project.
- The contact commenced on 17 September 2019 and concluded twelve months later. The CSPA was required to pay Jamie Durie \$70,000 in three equal instalments of \$23,333 (incl. GST).
- We determined per the AP Data that the payments listed in **Table 5** below were made to Jamie Durie & to WTFN:

**Table 5**

Date	Payee	Reference	Amount
17/09/2019	Jamie Durie	Partnership	70,000.00
	<b>Total paid to Jamie Durie</b>		<b>70,000.00</b>
20/09/2019	WTFN	INV00000271	23,333.33
15/11/2019	WTFN	INV00000330	23,333.33
10/12/2019	WTFN	INV00000348	23,333.33
	<b>Total paid to WTFN</b>		<b>69,999.99</b>

- On the face of it, the payments recorded in AP data to Bondi Vet for \$44,000 and to Jamie Durie for \$70,000 appear to be duplicate payments, as these amounts were also paid to WTFN in three equal instalments. However, upon examination of the Every Day account statement for September 2019, we determined that these payments as recorded in the AP data (\$44,000 and \$70,000 respectively) to Bondi Vet and Jamie Durie, had not been made from the Every Day account or the debit card and were therefore not paid by CSPA. The payments were made to WTFN in three equal instalments each, as recorded in Table 4 and Table 5 above, which is consistent with the Contracts.
- These payments were made to WTFN only, with the other identified transactions to Bondi Vet and Jamie Durie effectively offset in the CSPA's accounts without payment.

- AP Accountants further relooked at these entries and advised that the \$70,000 and \$44,000 entries were raised (by the previous bookkeepers) and allocated to Advertising expense account. They then marked the invoices as paid offsetting both amounts in the advertising expense account. This effectively has voided the two entries.
- We also note that Mr. Wes Crook signed both Agreements as General Manager of WTFN and Jamie Durie respectively. Ms. Maus informed us that Jamie Durie's Groundswell is a WTFN digital asset/show they produced.

4.57. We determined per the AP Data that WTFN Entertainment received 16 payments totalling \$233,447.36 during the period 30 August 2019 to 1 June 2021, being the highest paid CSPA creditor during this period. WTFN did not form part of our sample testing of invoices and we did not review all payments made to WTFN. EcoCaddy Pty Ltd received 6 payments totalling \$132,874.50 during the period 30 August 2019 to 1 June 2021. One payment of \$25,639.35 made to EcoCaddy on 10 December 2019, formed part of our sample testing of invoices. The invoice recorded that the payment was for various services provided by EcoCaddy relating to campaigning and ride services in Chapel Street. It is further reported on in more detail on page 29 of the Annual Report 2019:2020. The service appears to be for the benefit of the Traders and the Agreed Purpose.

#### **Recommendations**

4.58. We recommend the CSPA consider the following:

- All supporting documents for payments remitted by the CSPA are to be accurately recorded digitally in the Xero, in accordance with the Procurement Policy, and the GST legislated requirements.
- In respect of the provision of printing services, the cumulative annual amount spent be taken into consideration and that quotations are requested for the annual supply of printing. This will ensure the CSPA is delivering on the purpose of the Procurement Policy, namely *'acquiring goods and services through a process that is economical, effective and delivers value for money'*. Currently, printing is being procured on a monthly or as and when required basis.
- Provide an explanation for the necessity of 'partnerships' in annual reports and disclose whether any funds have been received or spent as part of the relationship between such partners and the association, including in-kind partnerships. The Association should develop a framework for partnering/ partnerships/ sponsorships including the evaluation criteria for entering into partnerships.
- Amending the Procurement Policy to further define the term *'absolutely comparable'* and to provide typical examples of goods and services required by the CSPA that would not fit this definition.
- The Procurement Policy to record the date of issue and the updated/amended date/dates. We received two different versions of the Procurement Policy: one from Council; and an updated policy from the CSPA, neither of which is dated.

### ***Comparative of the CSPA financial data***

- 4.60. We wish to refer to the following clauses of the Funding Agreement relevant to financial reporting:
- Clause 6: Activity Reports and Funding Periods requires the Association to provide Council with a quarterly Activity Report in respect of each of the Funding Periods.
  - Clause 7: Additional Reporting Requirements requires the Association to provide Council with additional reports, unless otherwise provided in the Activity Report.
  - Clause 13: Governance Requirements, requires the Association to comply with the AIR Act, including providing to Council a copy of the financial statements lodged with the Registrar of Incorporated Association within 14 days of lodgement.
  - Clause 14: Accounting Requirements and Audits, requires the Association to, amongst others, appoint an independent bookkeeper or accountant and present and endorse all financial reports at each Committee meeting.
- 4.61. It was reported to us by Council that they had concerns with the completeness and accuracy of the FY 2020/2021 financials submitted as part of the Q4 Activity Report, by the Association to Council.
- 4.62. Similar concerns had been identified in the financials submitted as part of the FY2020/2021 Q3 Activity Report, and it was noted that in future, Council would only accept financial statements at the end of each Quarter after balance date. The following was noted and recommendations provided for future reporting:
- *The statements supplied are not reflective of the full financial position of the association as at 31 March 2021 as they have been provided before this date. There are transactions provided that are not reflected in the accounts for the March period.*
  - *The information provided has transactions that have not been reconciled to or reflected in the balance sheet or profit and loss statements provided.*
  - *An opening balance sheet for the financial year has not been provided in the attached documents. This inhibits the ability to fully reconcile movements, monitor financial performance and review cash flows.*
  - *The profit and loss statement has limited detail as to the nature and type of spending undertaken by the association. This limits the ability to review the expenditure undertaken.*
  - *The bank reconciliation transaction listing provided have limited information regarding the nature of the expense.*
- 4.63. The above issues were communicated to the CSPA in a letter to them from Council dated 19 April 2021 and actions required to be taken by the CSPA. The CSPA replied to this letter and provided information addressing the issues and actions to be taken, in their letter to Council dated 27 April 2021.
- 4.64. Council replied to the CSPA in their letter dated 27 May 2021, advising the CSPA that Council had completed a thorough review of the updated Q3 financials. Council advised there were still areas of concern that the CSPA would need to address, in order for Council to have a full understanding of the financial position and fiscal management of the CSPA. The CSPA was required to address the additional issues raised and actions to be addressed.

- 4.65. The CSPA replied to Council in their letter dated 8 June 2021. It appears based on our interpretation of the requests and responses, that the CSPA believed they were being requested and required to change their reporting requirements, different to that set out by Council at the start of the Agreement (Special Rate Funding Agreement) and that the CSPA believed they had responded and addressed the issues and actions required of them. A further observation is that the CSPA financials were being prepared for the Quarterly report, prior to the end of the quarter and were therefore not an accurate record of the financial position of the CSPA.
- 4.66. Council advised the CSPA in their letter dated 10 June 2021, that Council would be procuring an independent audit of the CSPA's 2019/2020 and 2020/2021 activities and reporting.
- 4.67. It appears that despite the issues identified by Council in the Q3 Activity Report submitted the CSPA, as listed in Council's letter to the CSPA dated 19 April 2021, the CSPA submitted their Q4 Activity Report at the end of the quarter prior to the balance date.
- 4.68. The concerns about the FY2020/2021 financials submitted as part of the Q4 Activity Report are documented in a letter dated 30 July 2021 from Council to the Association.
- 4.69. For ease of reference we provide the **Checklist of Special Rate Reporting Requirements**, of items that are to be submitted along with the Activity Report, for the Q4 reporting period in **Table 6** below:

**Table 6**

✓	Contact details of the Association's Board Members and Staff (last revised in June 2021)
✓	Proof of Incorporation - Registration Number: A0027958K
✓	Certificate of Currency for Public Liability Insurance (New P/L valid until 31st of Oct 2021)
✓	All Agendas and Minutes of Board Meetings (June 2021 Only)
✓	Stonnington Activity Report for the Quarter Reporting Period (as below)
✓	Major Promotion & Marketing Examples (for the reporting period) (Marketing collateral can be downloaded from master link noted in report cover letter)
✓	Balance sheet for the reporting quarter (refer to note below) (via Xero) (AB change to YTD and also to inc YOY comparison)
✓	Profit and Loss Statement for the Quarter of Reporting (via Xero) (AB change to YTD and also to inc YOY comparison)
✓	Transaction Report for the Quarter of Reporting (via Xero) (AB change to YTD and also to inc YOY comparison)
✓	Projected Draft Cash Flow for the next Quarter
✗	Invoice (with current bank details) (COS not provided confirmed budget amount within the signed agreement timeframe or a revised reporting checklist)
✓	Signed Director Declaration (refer to last page in this report)

- 4.70. We noted upon examination of the financials submitted with the Q4 Activity Report, that they contain an endorsement that they had been prepared by 'Small B Accounts' as at 30 June 2021 on 1 July 2021.
- 4.71. The Association replied to Council's letter dated 30 July 2021 on 4 August 2021 and provided the actions to be taken by them to address Council's issues.

- 4.72. We received a copy of the CSPA Annual Report, presented at the 2020/2021 AGM (to be discussed later in this report) and provided to Council on 4 August 2021, as referred to above in their reply to Council.
- 4.73. Council examined the Financial Report contained in the Annual Report and determined it differed substantially to the 30 June 2021 CSPA financials presented to Council; due in the main to the recognition of pre-payments and calculating depreciation, which was only done at end of year.
- 4.74. We performed a comparative of the profit & loss included in the financials presented to Council in the Q4 Activity Report and in the profit & loss presented in the Annual Report. For ease of reference we record this in **Table 7** below:

**Table 7**

	P&L Q4 Activity Report	P&L Annual Report	Difference
<b>Income</b>			
Additional Revenue	56,900	-	56,900
ATO PAYGW Boost	58,236	58,236	0
Bank Interest	23	24	-1
Digital Billboards Revenue [Info Booth Revenue]	3,360	3,360	0
Special Rate Revenue	1,084,708	1,084,708	0
*Sponsorship Revenue	-	45,000	-45,000
<b>Total Income</b>	<b>1,203,227</b>	<b>1,191,328</b>	<b>11,899</b>
<b>Less Operating Expenses</b>			
Depreciation	-	17,805	-17,805
Marketing & Events	841,280	859,403	-18,123
Operations/Admin	65,339	269,578	-204,239
Surveys or Research	31,150	-	31,150
<b>Wages &amp; Salaries</b>			
Super			
Super - Chairperson	4,511		4,511
Super - Staff	17,274		17,274
Total Super	<b>21,786</b>		
<b>Wages</b>			
Chairperson Honorarium	47,489		47,489
Staff Wages	180,745		180,745
	<b>228,234</b>		
<b>Total Wages &amp; Salaries</b>	<b>250,020</b>		

<b>Total Operating Expenses</b>	<b>1,187,788</b>	<b>1,146,786</b>	<b>41,002</b>
<b>Net Profit</b>	<b>15,439</b>	<b>44,542</b>	<b>-29,103</b>

\*City of Stonnington Sponsorship Grants

#### **Interview with Mr Ryk Eksteen: Collins & Co**

4.75. We conducted an interview with the Collins and Co Audit Director, Mr Eksteen, who conducted the year end audit and issued the Audit Report as provided for in the Annual Report. We determined the following from Mr. Eksteen:

- Collins and Co have been conducting the year end Audit for CSPA for the past 5 years, or at least as long as Ms. Maus has been the General Manager.
- His primary contact person is Ms Maus, but he has consulted with Ms. Fifi and Mr. O'Donnell as well.
- The last two audits have been conducted remotely. He first engaged in June 2021 with Ms Maus and informed her of what he would require to conduct the audit. Ms Maus wanted the audit to be completed for 2020/2021 in July 2021, in time for the AGM in September 2021.
- He had no role in the preparation or otherwise of the financials presented with the Q4 Activity Report, as it is not within his scope and he would not have prepared financials for quarterly reporting purposes. His understanding is that Ms. Maus would prepare the financials for the quarterly reports, based on the procedures performed by the bookkeeper.
- He was requested by Ms. Maus to assist with issues raised by Council post the submission of their Q4 financials. The issues mainly revolved around cash flow and annual leave. He assisted in responding to these issues.
- He believed Council's issues were reasonable, but understood the financials presented with the Q4 Activity Reports were not the final accounts for 30 June 2021.
- He noted upon the receipt of the Working Trial Balance (**Appendix A**) that it was incorrect. He confirmed preparing an Audit Adjustments Schedule dated 14 July 2021, provided to us (**Appendix B**), and Special Purpose Financial Report for year ended 30 June 2021 (**Appendix C**), taking the above adjustments into account.
- He works in the NFP sector and his experience is that one comes across bookkeepers with varying degree of competencies.
- He understood that Small B Accounts were CSPA's bookkeepers for the last two financial years and that for the prior years they had different bookkeepers each year. Thus, the recurring issues relating to the treatment of GST, was not limited to Small B Accounts, but the previous bookkeepers as well.
- He confirmed his general comments on the effectiveness of the Accounting Function at CSPA, as provided for in his Audit Report to Management: the high quality of work Ms. Maus delivers; and the poor quality of work performed by the bookkeeper, Ms. Evans and her staff.
- He did not directly discuss his comments about Ms. Evans with her and believes Ms. Maus would have brought this to Ms. Evans' attention. He added that in the NFP industry, it is not uncommon for him to comment where there are deficiencies or issues with the competency of the bookkeeper.

- His comments about the role of the committee and committee members and reference to the AIR Act, recorded in his Audit Report for Management, are standard wording. He did not specifically identify any issues with the CSPA committee members (Board members), where they had not complied with the requirements of the AIR Act; these comments are rather a reminder to members to be aware of their role and responsibilities.
  - He may have been told by CSPA that they were changing their bookkeepers, but was not involved with the appointment of the new bookkeeper (All in the Cloud) and the new accountants (AP Taxation), and he does not know them.
- 4.76. We noted the Audit Adjustment Schedule includes a number of audit adjustments for marketing and events expenses, which were re-classified to prepayments. The adjustments amount to \$143,999.84.
- 4.77. We examined the Special Purpose Financial Report prepared by Collins & Co, and confirm the financials are consistent with the audited financials included in the Annual Report.
- 4.78. We further examined the prior year 2019/2020 audited financial statements and confirmed they are consistent, similar in content and presentation with those audited by Collins & Co in 2020/2021. The numbered notes to the financial statements, although appearing to be incomplete, are consistently presented for both financial years.

#### **Interview with Mr. Angelo Papalexiou (Mr. Papalexiou) of AP Taxation.**

- 4.79. We conducted an interview with Mr. Papalexiou of AP Taxation and determined the following:
- He understood that Small B Accounts was providing bookkeeping services to the CSPA for a couple of years.
  - They first communicated with and provided a proposal for the provision of accounting services to the CSPA in late June/early July 2021.
  - They were appointed officially on 9 August 2021.
  - Their primary role is to oversee the work performed by the bookkeeper on a monthly basis, then progress to a quarterly review, for accuracy and to balance adjustments.
  - He was aware, based on his discussions with Ms. Maus and Mr. O'Donnell, that the timing of cash flows was crucial and that he was mindful of the fact that monies were directed towards the end of each quarter.
  - The annual budget had been completed already - he believes by Small B Accounts; they reviewed this and made comments in respect of minor adjustments.
  - At month end, they wait for the bookkeeper, now All in the Cloud, to complete their work before they review, confirm and then prepare a financial report for that particular month for submission to the CSPA Board and to Council.
  - He referred us to a CSPA Financial Report for the month end 30 June 2021 prepared by AP Taxation - completed by Mr. Tony So, an experienced Senior Tax Accountant employed by AP Taxation (**Appendix D**). This had been provided to us by the CSPA during the course of our audit. AP Taxation had prepared a further financial report for month end 31 July 2021 and they provided us with this report. Both reports were prepared and submitted to the CSPA on 23 August 2021 (confirmed by AP Taxation post our interview).
  - We have examined the said monthly financial report and submit that it provides a clear unambiguous and relatively easy to follow financial position of the CSPA. This should be beneficial to Board members who may not be too adept in grasping financial statements, as well as to Council as a reliable source of financial reporting particularly for each quarter.

- Based on his experience in dealing with Mr. Maus and Mr. O'Donnell to date, he finds Ms. Maus to be meticulous and Mr. O'Donnell to be competent.
- On the question of whether the CSPA needs both a bookkeeper and an accountant, Mr. Papalexiou informed us that it is necessary. The CSPA wants comfort that their 'books' (finances) are accurate and reliable, and to be reviewed by a qualified accountant, in order to facilitate reporting to Council and for the year end audit.

#### **Interview with Mr Clive Mazin (Mr. Mazin) of All in the Cloud**

4.80. We conducted an interview with Mr. Mazin of All in the Cloud and determined the following:

- He was referred to CSPA by Mr. O'Donnell and requested to talk to Ms. Maus.
- He has previously worked with AP Taxation on other clients.
- They submitted a proposal and were appointed effective 2 September 2021. He confirmed the scope of services as provided for in their proposal, accepted by the CSPA, which is to provide ongoing monthly bookkeeping services.
- He was made aware that there had been some issues with Small B Accounts' quality of services and had tried to contact them, but without success.
- He has since engaged with AP Taxation regarding the monthly financial reports, and in particular addressing prepaid expenses.
- He believes it is essential that CSPA have a bookkeeper, whoever that may be, particularly as they only have two full time staff, who are, for all intent and purposes, marketing focused and have limited accounting and bookkeeping experience.

#### **Interview with Ms Bridget Evans (Ms. Evans), Small Business Accounts**

4.81. We conducted an interview with Ms. Evans of Small B Accounts and determined the following:

- She was engaged by the CSPA in January 2020 to provide bookkeeping services (we have not been provided with her letter of engagement, but our review of the APS indicates Small B Accounts were not paid prior to January 2020).
- She understood, concerning the month end financials, that Ms. Maus ran these off from Xero prior to month end, for Board meetings.
- As a result, the said financials did not include adjustments that were required to be made.
- She has not communicated with the auditor (Mr. Eksteen) and believed she last had email communication with him on or about 15 March 2021.
- Her services were terminated by the CSPA on 12 August 2021. She indicated that she had many other clients and could not dedicate the time that was expected of her by the CSPA.

4.82. We wish to re-iterate that the purpose of our interviews with the above persons from AP Taxation, All in the Cloud and Small B Accounts, was not to lay blame on anybody for the status of the financial reports included in the Q4 2020/2021 Activity Report. They were performed to determine whether the changes has provided the CSPA with an improved day to day financial management arrangements, and to facilitate accurate and reliable financial reporting to the Board and to Council. Based on our interviews with AP Taxation and All in the Cloud, they came across as experienced and competent practitioners which bodes well for the CSPA and their need to comply with their financial reporting requirements.

#### **Annual Budget**

4.83. The Funding Agreement in Clause 7 Additional Reporting Requirements, includes the following:



*'Unless otherwise provided in the Activity Report, the Association must, by 1 July each year during which this Agreement is in force (excluding 19/20 Year 1), submit to Council an Annual Budget, detailing how the Association proposes to use the Scheme Funds'.* The Activity Reports are submitted quarterly and we interpret this to mean a quarterly budget must be provided in the Activity Reports

- 4.84. The Funding Agreement does not provide for the content of the Annual Budget or the detail in respect of what is provided in the Annual Budget.
- 4.85. We requested CSPA provide us with copies of all endorsed annual budgets. We were informed that the year-on-year ratified budgets are outlined in the Strategic Plan 2019:23. We were further informed that over the past 17 months, the planned activity of the CSPA has changed numerous times due to lockdowns and reopening. Further, activity and campaign spending moved swiftly in reaction to COVID-19 and revised calendar excerpts and campaign decision frameworks were sent to the Board.
- 4.86. We examined the CSPA Action Plan 2019:23. We determined the following high-level Budget Overview is included for year one and year two only, in **Table 8** below:

**Table 8**

Draft CSPA Strategic Plan Budget Overview	Budget ( \$ ) Plus GST		Budget ( \$ ) Plus GST	
Breakdown	2019-2020 (year one)		2020-2021 (year two)	
Marketing & Events	\$505,000.00	43.30%	\$576,190.00	48.40%
Digital Marketing	\$370,000.00	31.90%	\$323,000.00	27.10%
Operations	\$289,000.00	24.80%	\$291,000.00	24.40%
Total	<b>\$1,164,000.00</b>		<b>\$1,190,190.00</b>	
Special Rate Budget	<b>\$1,164,000.00</b>		<b>\$1,190,190.00</b>	
			Rate cap increase each year of 2.25%	

- 4.87. We examined the quarterly Activity Report for the two year period and determined that the CSPA submitted a Projected Cash Flow Budget or Projected Draft Cash Flow Budget for each quarter as listed in **Table 9** below:

**Table 9**

Activity Reporting	Amount of Draft/ Cash Flow Budget ( \$ )	Cash Flow Budget Submitted
Q1 2019-20	Not on file	Not on file
Q2 2019-20	362,910.98	Projected CSPA Q3 Draft Budget
Q3 2019-20	342,668.95	Projected Q4 Draft Cash Flow Budget
Q4 2019-20	367,072.73	Projected Q1 Draft Cash Flow Budget
Q1 2020-21	364,500.00	Projected Q2 Cash Flow Budget
Q2 2020-21	297,890.00	Projected Q3 Cash Flow Budget
Q3 2020-21	294,451.97	Projected Q4 Cash Flow Budget

Q4 2020-21	291,262.61	Projected Q1 Cash Flow Budget
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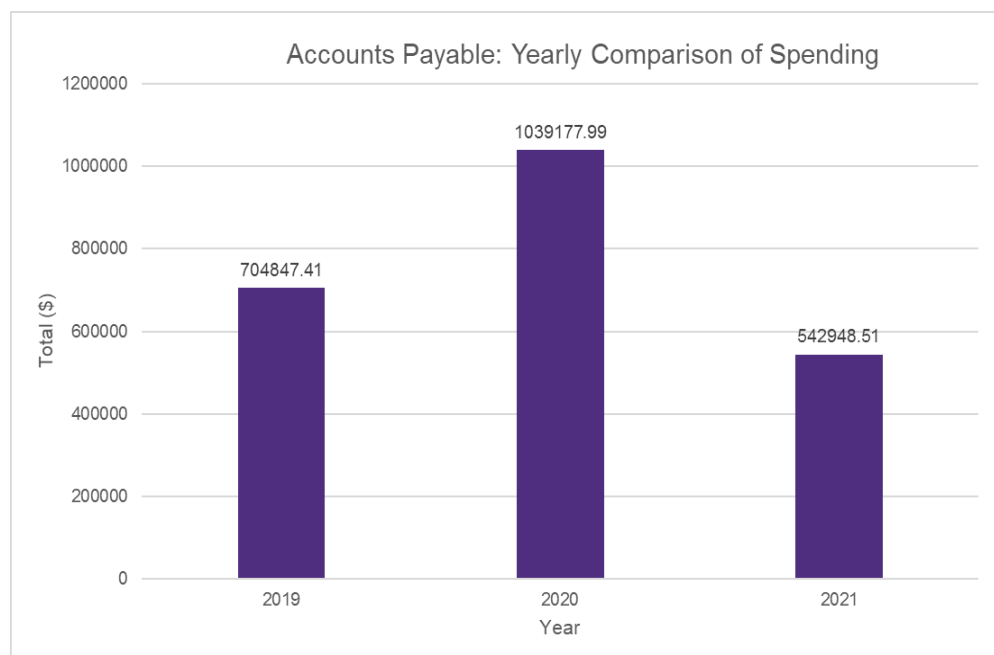
- 4.88. We were further provided with copies of the CSPA draft Annual Budgets 2019/2020, 2020/2021 and 2021/2022. The 2021/2022 draft annual budget was circulated and ratified by the Board on 28 June 2021. In terms thereof, it was resolved that the CSPA annual reporting documents, including the Draft Annual Report was read and approved, to be sent to Council in terms of Clause 7.1.1 of the Special Rate Agreement.
- 4.89. Upon examination of the abovementioned quarterly Projected Draft/Cash Flow Budgets and the Draft Annual Budget, it is evident that the budgets were high level, containing minimal information. The Funding Agreement does not explicitly state that the budgets must be approved by Council. However, one would expect they would require approval, as Council retains ultimate responsibility under the LG Act for the use of Scheme Funds.
- 4.90. It was reported to us by the CSPA that Council requested the CSPA to simplify their ratified annual budgets, so they did so at Council's request. The CSPA provided us with a copy of their 2018/19 budget (for comparison) to show us what specifically Council asked the CSPA to simplify. The CSPA further provided us with email communications that they claimed provided evidence that Council was not communicating their annual budgets amounts with them, at times one month into the special rate period. The CSPA added that the two annual budget periods cover significant pandemic periods; the projected marketing calendar and campaigns changed significantly almost weekly from March 2020; and the change or stopping of particular campaigns was communicated to the Board, as provided for in the detailed Director Updates.
- 4.91. We have not conducted any detailed enquiries with Council into the explanation provided by the CSPA. It is evident however, that the Annual Budgets appear not to have been approved by Council, despite the communications with Council.

### ***Recommendations***

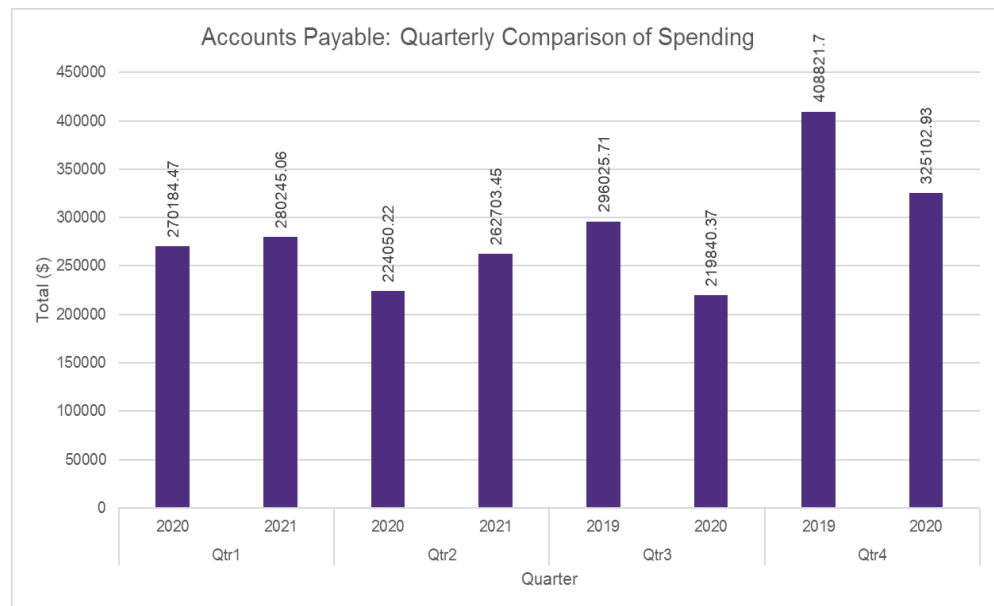
- 4.92. We recommend the CSPA consider the following:
- The CSPA only submit financial statements to Council that have been reviewed and confirmed to be correct by their accountants (AP Taxation), at the end of each Quarter after balance date. The Funding Agreement requires the CSPA, unless otherwise agreed by Council in writing, to have the financial statements included with the Activity Report, to be audited by a person who is registered as an accountant or is otherwise using a recognised accounting or financial software package.
  - The CSPA confirm with Council what information is required to be included in the Annual Budgets, and where applicable, quarterly budgets, and the process/procedure to be followed in obtaining Council approval at the commencement of a budget period.
  - Similarly, the CSPA confirm and agree with Council what information is required to be provided and submitted to Council with the Quarterly Activity Reports. We refer to the Checklist of Special Rate Reporting Requirements in Table 6 of this report that we understand is the current arrangement, but there is uncertainty in this regard.
  - The CSPA create clear lines of communication between themselves and Council, that will facilitate their reporting requirements to Council and ensure they meet their responsibilities as provided for in the Funding Agreement. Whilst the Funding Agreement requires Council and the Association to work together in a collaborative relationship based on good faith and integrity, Council retains ultimate responsibility under the LG Act for the use of Scheme Funds (the funds collected under the Special Rate). The Association is responsible to ensure that Scheme Funds are spent in accordance with the LG Act, the Declaration and the Funding Agreement.

### ***Analysis of Accounts Payable and Debit Card transaction data***

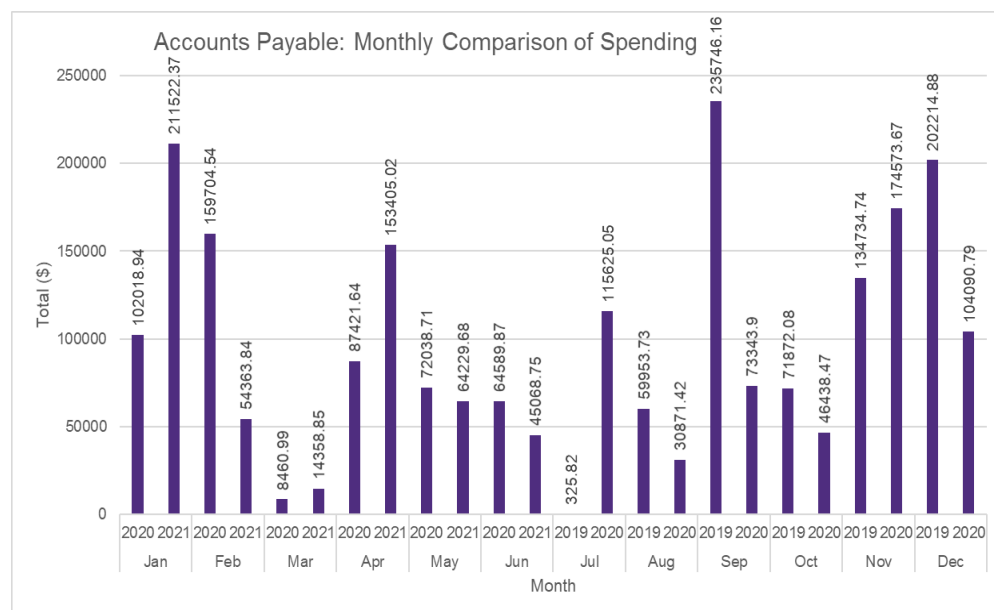
- 4.93. We performed data analytics testing of the Accounts Payable and Debit Card transaction data on the following basis: year on year; quarter on quarter; month on month for the 2 year period covered by our audit. We further performed an analysis of the type of expenditure, suppliers, dates of transactions and unusual narration.
- 4.94. The Accounts Payable yearly, quarterly and monthly comparison of spending is recorded below.
- 4.95. The AP for the second half of the calendar year 2019 was significantly higher than the AP for the full calendar year 2020 and the first six months of the calendar year 2021. The lower spend in 2020 and 2021 may be attributed to COVID-19 and the associated business closures.



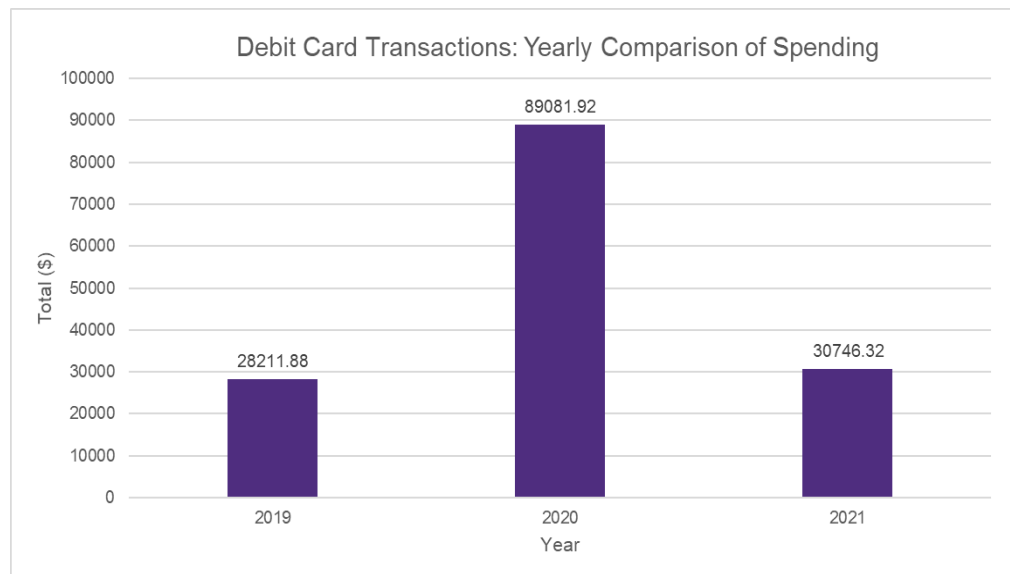
- 4.96. Similarly the quarterly comparatives for the corresponding calendar years, records a similar result; 2019 calendar year was significantly higher than 2020 and 2021 calendar years. It is noticeable however, that 2021 AP is slightly up for the corresponding period in the 2020 period.



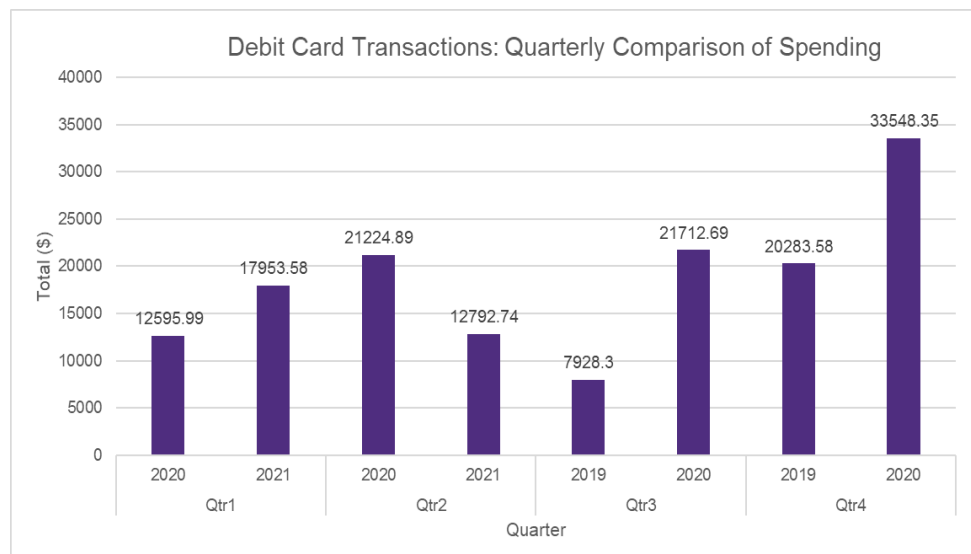
- 4.97. The monthly AP comparatives for the corresponding calendar years, again records a similar result; 2019 calendar year was on average significantly higher than 2020 and 2021 calendar years. The month on month for 2020 and 2021 fluctuated: 2020 had a higher spend in the months February, May and June, whilst 2021 had a higher spend in the months January, March and April.



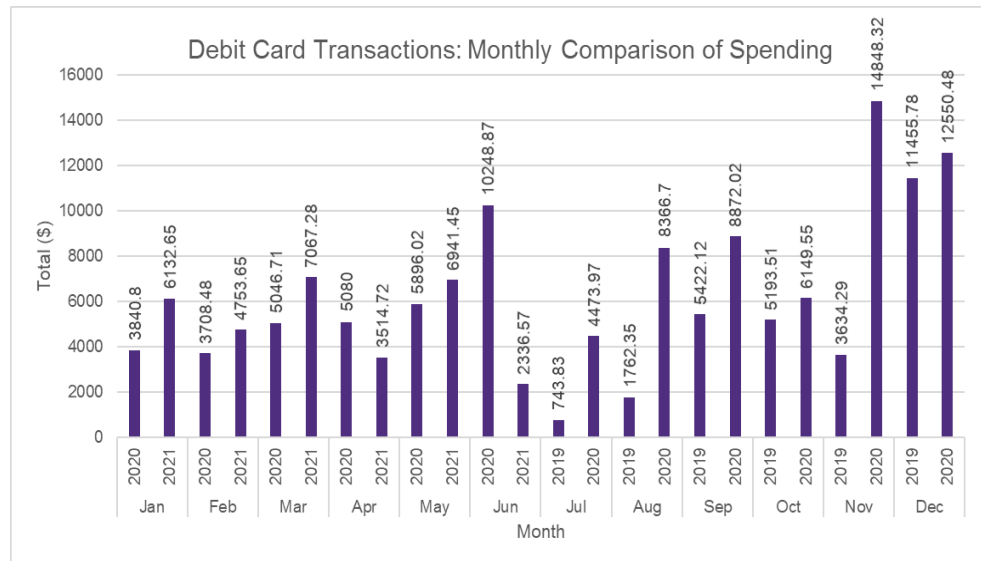
- 4.98. The Debit Card yearly, quarterly and monthly comparison of spending is recorded below.
- 4.99. The Debit Card analysis however, reflected a significantly higher spend in the calendar year 2020, compared to spend during the second half of the calendar year 2019, and the first six months of the calendar year 2021.



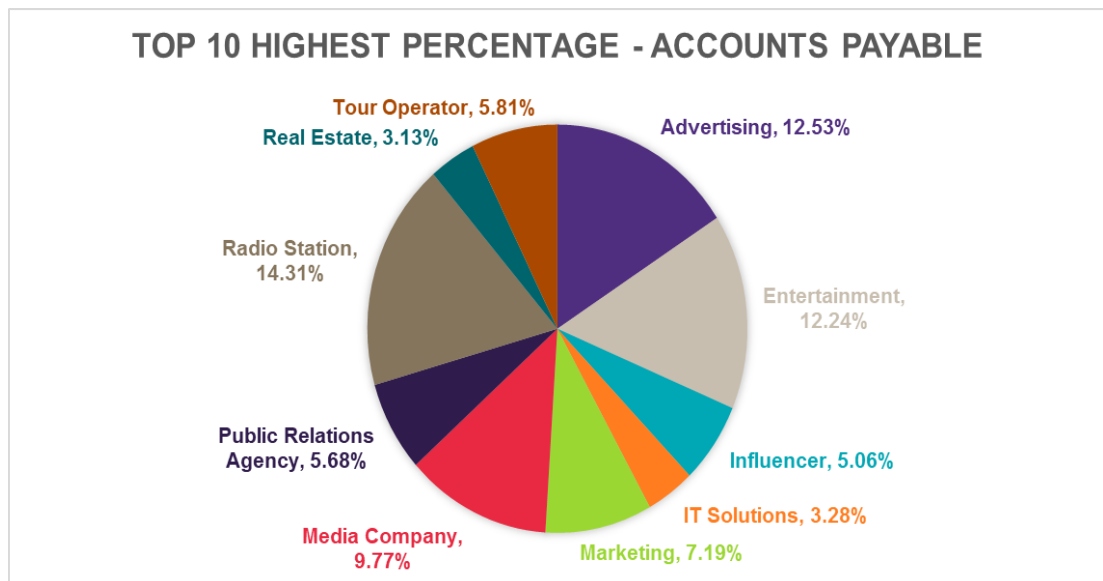
- 4.100. Similarly the quarterly comparatives for the corresponding calendar years, records a similar result; 2020 calendar year was significantly higher than 2019 and 2021 calendar years. This is particularly noticeable in Q2, Q3 and Q4 for the calendar year 2020, and where it peaked in Q4 (October to December 2020) to \$33,548.35.



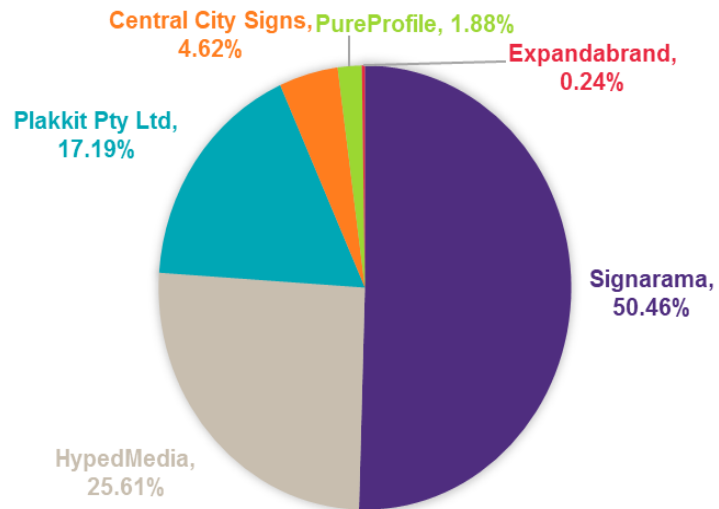
- 4.101. The monthly Debit Card comparatives for the corresponding calendar years, again records a similar result; 2020 calendar year was on average significantly higher than 2019 and 2021 calendar years. The highest monthly spend occurred in the months June, September, November and December 2020. We asked Ms. Maus as to why the debit card spending was particularly higher in the 2020 calendar year. She informed us that this was due to COVID-19 lockdowns and the office being closed as a result. Purchases still had to be made and it was reasonable and necessary to use the debit card to make the payments.



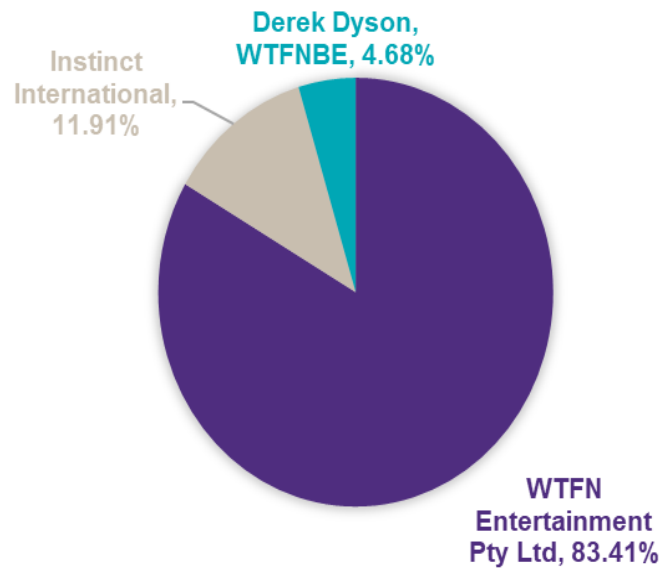
4.102. We provide insights into the Top 10 highest percentages and a further breakdown of the Top 3 highest percentages of spend: Advertising, Entertainment & Radio Station, below:

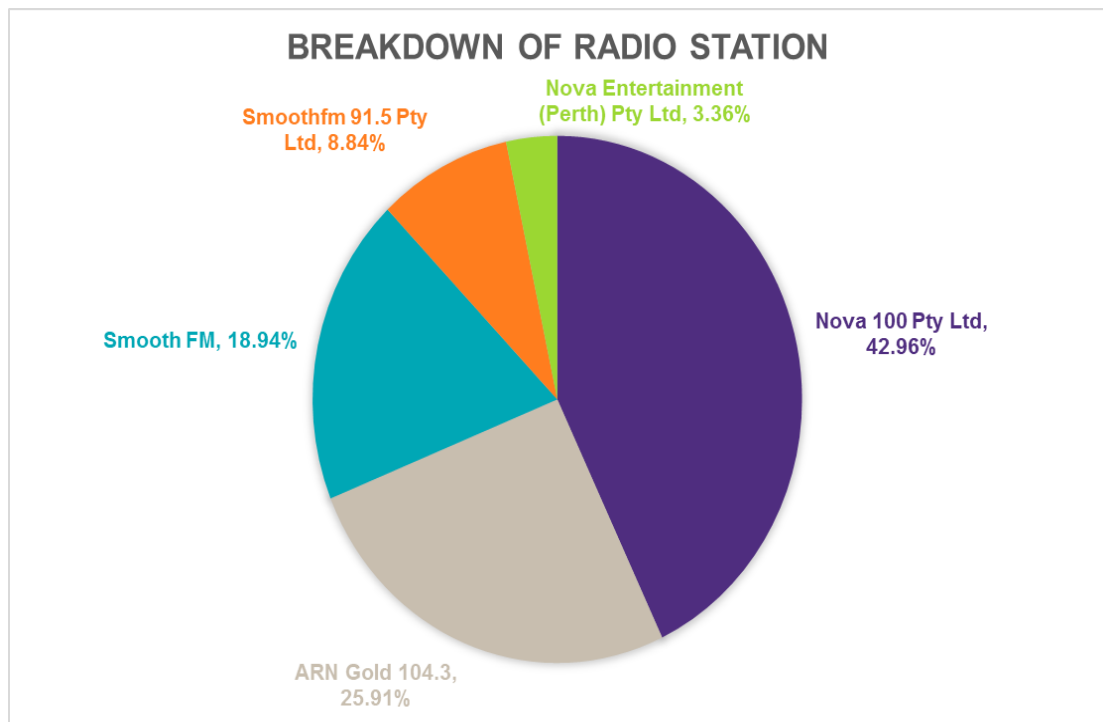


### BREAKDOWN OF ADVERTISING



### BREAKDOWN OF ENTERTAINMENT





#### ***Recommendations***

- 4.103. We recommend the CSPA Board perform an improved monitoring of and reporting in the monthly Board meetings, as to the reasonableness of the CSPA Debit Card spend, and that it complies with the requirements of the Procurement Policy.



### ***Additional testing of transactions***

- 4.104. We have in this report referred to our sample testing conducted on the CSPA Every Day account and different transactions selected based on the types of goods and services, as a result of our data analysis and examination of AP data. We identified two further items subject to our audit, namely the honorarium paid to the Executive Chairperson/President and the leave pay out made to the General Manager. This was conducted in order to determine the authority from which these payments have been made and whether they are in conflict with any rules, agreements or policies.

#### **Honorarium**

- 4.105. An honorarium is a payment made for professional services that usually do not incur a fee. In the specific instance of the CSPA, the honorarium is referring to the annual payment made to Mr. O'Donnell as the President/Executive Chairperson of the CSPA.
- 4.106. Originally, the position of President was purely a volunteer position. A special resolution in November 2017 gave the CSPA Board authority to determine a suitable honorarium for the President/Chairperson. This was introduced during the 2016/2017 AGM by former President Mr. Lotton to act as an incentive and to attract the most suitable candidate.
- 4.107. The CSPA has outlined in detail why the role of President/Chairperson became paid in "CSPA Mail – Temporary Acting-Chairperson Letter of Agreement":
- The role of President/Chairperson is one, which requires much greater time than that which can be expected from any volunteer.
  - The CSPA member base is made up of those who run their own business and are time poor.
  - In order to source the most suitable candidate for the President/Chairperson position, the CSPA board supports the potential need to broaden the catchment from just the member base to that of the general public. In doing so, the position had to change from that of an elected official to one of appointment by the CSPA board.
  - The resolved special resolution means the CSPA board now have the authority to determine a suitable honorarium for this President/Chairperson in order to attract the right person.
- 4.108. The board placed Mr. O'Donnell into the acting Executive Chairperson/President role on 5 December 2018. It appears that subsequent to this the CSPA board decided to ratify the short-term agreement and pay Mr. O'Donnell in arrears for the period of 5 December 2018 to 13 March 2019.
- 4.109. This was recorded in a circle resolution to the Board on 19 February 2019, as provided for in an email to all board members from Ms. Maus. Ms. Maus as General Manager, CSPA has signed the copy of the CSPA Short-Term Director Honorarium Agreement of the same date, only (Mr. O'Donnell's signature does not appear on the copy provided to us). It records that the position would be temporary Acting Executive Chairperson/President and that Mr. O'Donnell was to be paid an honorarium of \$52,000/per annum (inclusive of superannuation). This was until 13 March 2019 or as such time as a permanent Executive Chairperson/President is appointed by the CSPA board of directors.

- 4.110. We have not been provided with any information as to what occurred during the Board meeting held on 13 March 2019. However, it can be deduced that Mr. O'Donnell was again appointed in an acting capacity.
- 4.111. In the 120220 circle res board minutes Mr. O'Donnell turned down an offer of a lower honorarium payment stating that the amount of \$52,000 per annum is the minimum he will accept for the work and time he has to dedicate to perform in the role effectively.
- 4.112. On 2 September 2020 the board was required to determine the appointment, or otherwise, of the CSPA Executive Chairperson/President. Mr. O'Donnell had expressed an interest in continuing on the CSPA Executive Chairperson/President. This had been previously communicated to the Board via email according to the minutes. The motion was unanimously carried.
- 4.113. A copy of the CSPA Honorarium Agreement dated 16 September 2020, records that the CSPA has offered Mr. O'Donnell the 're-appointment' to the Executive Chairperson/President. Mr. O'Donnell. It records that Mr O'Donnell was to be paid \$2,770.38 per month, equal to \$52,000/per annum (inclusive of superannuation). It further records that this is the maximum amount allowed to be paid as voted and ratified by the CSPA in the 2016-2017 AGM.
- 4.114. Mr. Gratton, CSPA Vice-President and Treasurer, and Mr. O'Donnell accepting the offer, have signed the copy provided to us.
- 4.115. No further information has been provided concerning any possible change or increase in Mr. O'Donnell's honorarium payments. The CSPA payroll summary for the year ended 30 June 2021 records that Mr. O'Donnell's earnings as \$47,488.56 before tax and superannuation (CSPA 2021 Payroll Report) and not \$52,000 per annum.
- 4.116. In June/July 2020, a motion was put to the board, and unanimously passed, to form a remuneration committee. This subcommittee was established to conduct remuneration discussions with the General Manager and Chairperson, and was intended to further increase governance across the Board. The committee's primary aim was to determine whether the amounts paid to Mr. O'Donnell, Ms. Maus and Ms. Fifi were appropriate based on the workload and commitment in their roles. The committee used AICD guidelines as well as a comparison with similar NFP roles to determine whether remunerations were correct.
- 4.117. Until earlier this year, the Remuneration Committee was chaired by Vice President & Treasurer Mr. Gratton and included Mr. Hall and Mr. Szoeki. Upon Mr. Gratton's resignation in April 2021, Mr. Hall, with Mr. Szoeki, heads the Remuneration Committee. They are seeking a third member.
- 4.118. We were informed that Mr. O'Donnell's title might have changed from President to Executive Chairman/President. The CSPA did not provide any documentation that provided an explanation on the title change. In a follow up interview with Mr. O'Donnell, he explained that the Executive title was added after the decision to pay an honorarium, to properly reflect an active "hands on" role in the CSPA. He stated that in the past the Board operated as more of a committee; this is consistent with the Rules that initially referred to a 'Committee' and not a 'Board'. However, as the Board added more governance to their processes they felt that they were effectively operating as Directors and thus changed some of their terminology to reflect that. Mr O'Donnell further explained that the Executive title better reflects his daily responsibilities, in the sense that the old role of President would not traditionally oversee the day to day processes, manage the general manager, liaise with directors or work more closely with managed the strategy and oversight of the association.

- 4.119. Based on the information provided to us and examination of relevant documentation, there is no evidence to suggest that the title change from President to Executive Chairman/President was used as justification for the payment of an honorarium to Mr. O'Donnell.

#### **Leave payout to Ms Maus**

- 4.120. Ms. Maus was presented with an offer of appointment on 21 June 2016 in the position of Marketing and Events Director of the CSPA. She had a probation period of 6 months during which time her performance would be assessed against the key performance indicators. The said letter of appointment/employment contract stipulates that Ms. Maus would be entitled to leave (e.g. annual leave, personal leave, carers leave, compassionate leave, parental leave, community service leave and long service leave) in accordance with the National Employment Standards. The letter of appointment has been signed by Mr. Lotton on behalf of the CSPA and Ms. Maus accepting the offer, on 29 June 2016.
- 4.121. The Schedule of Additional Terms and Conditions records that Ms. Maus would be entitled to 'time in lieu for reasonable amounts of overtime - to be discussed and agreed to by representatives of the CSPA executive as per CSPA policy'.
- 4.122. Ms. Maus successfully completed her probation period and her continued permanent employment was confirmed in a Letter of Contract Amendment dated 30 January 2017. The amendments included leave entitlement - namely that the parties had agreed that Ms. Maus would have the opportunity to take leave before April 2017. There is no provision for the cash-out of annual leave.
- 4.123. In the 12 August 2020 board minutes (120820), Mr. Gratton (then the Head of the Remuneration Committee) announced that the Remuneration Committee had met and approved an additional five days' leave per year to Ms Maus' employment agreement. The CSPA provided us with email correspondence that records on 9 September 2020, the Remuneration Committee approved a request from Ms. Maus to cash out 5 days of her annual leave.
- 4.124. Our interviews with members of the Remuneration Committee revealed that the payment was made to Ms. Maus due to her own personal circumstances and not having been able to see her family in Western Australia due to lockdowns caused by COVID-19. The Remuneration Committee considered the consistently heavy workload that Ms Maus had been under and decided it was in the best interest of the Association to grant her the requested leave.

#### **Recommendations**

- 4.125. The CSPA Board consider benchmarking the remuneration of key management personnel against similar rate payer funded entities.

### ***Interviews conducted of matters identified across the financial management audit***

- 4.126. We conducted interviews with the following Board members in order to seek clarification in certain areas regarding the financial element (as well as Governance and membership) of the engagement:
- Mr. O'Donnell.
  - Mr. Jonathan Somers (**Mr. Somers**) General Board member.
  - Mr. Szoeki.
  - Mr. Jack Hall (**Mr. Hall**) Associate Board member & member of the Remuneration Committee
  - Mr. Matt Lanigan (**Mr. Lanigan**), Associate Board member.
- 4.127. We did not conduct interviews with the following Board members:
- Mr. Chris Voyias (**Mr. Voyias**) Vice-President.
  - Ms. Carlie Lansdown (**Ms. Lansdown**) Treasurer.
  - Ms. Melissa Glentis (**Ms. Glentis**) General Board member.
- 4.128. We determined the following:

#### **Strengths**

##### Financial transparency with the Board:

- 4.129. The general consensus across the Board is that the presentation and evaluation of financials is a transparent and open process. Board members felt like they were able to ask questions and seek further information on any aspect of the accounts, and that reports seemed comprehensive and well structured.
- 4.130. Board packs are sent out at least one week before a scheduled meeting and include information on financial expenditure such as cash summaries, balance sheets and account transactions. The General Manager is able to view which board members have opened the attachments to the board packs to ensure that everyone has had a chance to access the financials prior to the meetings. During the meetings, board members have the opportunity to discuss how funds are being spent and whether they are being spent for the declared purpose of the association.
- 4.131. Profit and Loss Statements are all shared with the Board in detail, along with any financial reports created by the bookkeeper/accountant. They further reported that along with other accounting responsibilities, AP Taxation has been tasked with creating detailed monthly reports to be provided to the Board and Council. They feature a 'dashboard', which graphically displays the financials in a clean and easy to read format designed to help less financially literate board members comprehend the monthly cash flow.

##### Payment authorisation & signatories:

- 4.132. Payments made by the CSPA must be approved and signed off on by at least two board members who are ratified signatories (dual signatories). The current CSPA signatories are the

Executive Chairperson/President, Vice-President, Treasurer and any other ratified Directors. Based on the information provided to us, as well as clarification gained in interviews, the ratified signatories are Mr. Szoeki and Mr. Somers; Mr. O'Donnell as Executive Chairperson/President, Mr. Voyias as Vice-President and Ms. Lansdown as Treasurer are also current signatories.

- 4.133. The dual signatory process ensures that any outgoing payments are appropriate and that the procurement process remains open and transparent. If there is a conflict of interest with one of the signatories concerning a payment, the individual is not permitted to sign off on the payment in question and it must be passed on to another signatory. Conflicts of interests are also disclosed to the Board and entered into the CSPA's Register of Interests.
- 4.134. CSPA signatories also have real time oversight into the association's accounts, including the debit card, allowing them to cross check invoices and ensure that spends are appropriate in relation to the purpose of the CSPA.
- 4.135. They understand the current financial processes and responsibilities as follows. The CSPA has appointed an accountant (AP Taxation) and a bookkeeper (All in the Cloud). The General Manager sends invoices to the bookkeeper who codes them into Xero and ensures that they are accounted correctly. The bookkeeper then raises payments for approval in Westpac, which is then passed onto the General Manager who in turn sends the copies of the invoices to the two signatories to be signed off. The bookkeeper is also responsible for developing quarterly financial reports for council, based on the information in Xero. The role of the accountant is to act as an oversight over the bookkeeper, ensuring that all the correct processes are in place, as well as the creation of monthly financial reports with dashboards and the quarterly reports to be submitted to Council.
- 4.136. It is widely accepted that the CSPA's recent appointment of All in the Cloud and AP Taxation was due to detailed reporting requirements from Council, and after some issues with the previous bookkeeper. It is expected that these appointments will provide further financial guidance to the board and assist the General Manager in dealing with requests from council for specifically challenging financial issues.

### **Areas for development**

#### Invoice/record management

- 4.137. We noted, as previously discussed, that Collins & Co's Auditors Report to Management as at 30 June 2021 stated that the recordkeeping of the CSPA is very good and that supporting documentation is easy to find. Based on the volume of documentation we have received, it is apparent that the records at the CSPA are generally well maintained.
- 4.138. Our interviews of Board members revealed conflicting information regarding the recording of <\$82.50 transactions. Upon questioning, some members of the Board expressed that they did not feel it as necessary to pay much attention to smaller transactions and that occasionally they may well not be saved on Xero. We noted that they do not have to retain these records for GST purposes.
- 4.139. One member of the Board informed us that according to the ATO, \$82.50 is the threshold in which tax invoices are required to claim GST credits. This could potentially explain the difference in invoice management with transactions above this threshold, however there is nothing in the Procurement Policy that outlines or defines any thresholds regarding record keeping of transactions below a specific amount.

- 4.140. As there are differing 'opinions' on this, it may be prudent to ensure that all board members are made aware of the retention of all invoices.

Financial comprehension/literacy

- 4.141. Interviews with multiple board members revealed that they did not feel completely confident in fully understanding financials or that they would like to understand them better. Board members have in the past raised the question of further financial training. However, due to the current pressure on their businesses (because of Covid-19) the push for extra training has not been as high on the agenda.

**Actions taken to improve financials**

Financial overhaul

- 4.142. Before his time as Executive Chairperson/President, Mr. O'Donnell instigated some important changes as the CSPA Treasurer. In an interview, he revealed that in the past the Association kept a box of petty cash as well as physical copies of financial reports and invoices. As Treasurer, he helped transition the Association to electronic banking as well as the use of digital databases and cloud accounting apps like Xero. This improved the Association's transparency and ensured that board members had greater access and an understanding of the financials.

New bookkeeper and accountant

- 4.143. We have discussed this in detail in earlier sections of this report and it does not bear repetition. Continued from the above commentary on financial literacy, some board members have in the past felt the need for additional training. Some actions have been, and some are yet to be taken, in regards to this. The appointment of AP Taxation was described in an interview with Ms. Maus as being party to provide the Board with financial 'training' through the creation of 'dashboards' which are designed specifically to make monthly financial data easier to understand. It is also anticipated that at the beginning of 2022 the Board members would receive additional financial governance training, to assist the Board in gaining a stronger appreciation of their responsibilities as a NFP board member.

## Governance

### ***Review of governance arrangements including Board composition, sub-committees, interaction/engagement between management and Board***

#### **The Funding Agreement**

- 4.144. Section 13 Governance requirements of the Funding Agreement records the following:

*'The Association must , to Council's satisfaction:*

*13.1 Comply with the AIR Act, including:*

*13.1.1 ensuring the office of Secretary is filled;*

*13.1.2 holding an AGM within the stated period and remain incorporated.*

*13.1.3 providing to Council a copy of the financial statements lodged with the Register if Incorporated Associations within 14 days of lodgement.*

*13.1.4 maintaining adequate and accurate accounting records of its financial transactions in accordance with this legislation; and*

*13.1.5 maintaining a register of members in accordance with the AIR Act.*

*13.2 Promptly notify Council of any proposed amendment or modification to the Rules and provide Council with a reasonable opportunity to comment;*

*13.3 promptly notify Council of any significant changes to the Register of Members; and*

*13.4 promptly notify Council if a Committee members resigns, is removed, dies, becomes insolvent under administration, or is charged with a indictable offence'.*

#### **CSPA Constitution**

- 4.145. The CSPA's Constitution is a document that sets out the ratified rules and powers of the association as well as defining its purpose. The current edition of the Constitution and its changes were ratified by special resolution at a special general meeting on 13 February 2019, two month after Mr. O'Donnell became President of the CSPA. Previously the Constitution was known as the 'Rules of Association' and was in use during the tenure of Mr. Lotton as CSPA President.
- 4.146. The current Constitution was updated to clarify some key constitutional matters relating to CSPA membership: representation, data collection, code of conduct documentation, the removal of contradictions, and the Executive Chairperson/President's role and honorarium. It further clarified the difference between a CSPA member and a special rate payer; stating that special rate payers are not automatically members of the association and must sign a form to opt-in and be added to the member database.
- 4.147. Another distinctive change was the removal of the 'executive committee' and creation of the office-bearer roles. It was revealed during the interview stage that the executive committee used to meet separately to the rest of the Board; whereas now the executive board no longer exists per se, having been replaced by the term 'office-bearer' whose roles exist more on the same level of integration with the rest of the Board, whilst maintaining their special responsibilities.

4.148. The Constitution includes the following as it relates to Governance, and associated sections/clauses:

- Membership.
- Grounds for disciplinary action.
- Annual General Meetings, Special General Meetings, General Meetings.
- Board Members.
- Financial records and statements.
- Custody and inspection of CSPA records.

#### **CSPA Code of Conduct**

4.149. The CSPA Code of Conduct outlines the responsibilities and expectations of Directors and members. All individuals applying to become members of the CSPA must agree to the code upon application. It exists separately to the Constitution; however, the Constitution contains instructions related to adherence to the code.

4.150. The code is simplistic and consists of six parts:

- A. Members are individually responsible to: Act consistently with CSPA's purpose and not cause any harm or detriment to the association's public image.
- B. Members have the duty to exercise powers in good faith in the interest of the community and not to misuse information.
- C. Members must strive to help build a strong culture within the community based on openness, honesty, trust and respect.
- D. Members will communicate with the employees through the General Manager or delegate.
- E. Members will behave with dignity and not intimidate, bully or belittle fellow members, CSPA employees or office-bearers.
- F. Members will treat all people associated with CSPA, including board members, external stakeholders and other members with respect.

#### **Board composition**

4.151. As outlined in documentation received from the CSPA (CSPA-Board-of-Directors as at June 2021), as well as definitions within the CSPA's Constitution, the association's Board of Directors consists of four main elements:

#### **Office-Bearers**

4.152. The "Office-Bearers" consist of what was once known as the Executive Board; these board members consist of the Executive Chairperson/President, Vice-President, Secretary and Treasurer. At the end of our audit period, these board members were:



- Mr. O'Donnell (Executive Chairperson/President); and
- Mr. Voyias (Vice President); and
- Mr. Szoeki (Secretary); and
- Ms. Lansdowne (Treasurer).

- 4.153. According to the CSPA Constitution, a special resolution on 13 February 2019 ratified that the previous 'Executive Board' division be abolished and further referenced as 'office-bearers'. This was done to bring the powers of the general board in line with the perceived upper echelon of the board at the time; now office-bearers have no greater voting power or rights than a normal board member, just more responsibilities.
- 4.154. To become an office-bearer, board members may nominate themselves or another member for a vacant position. During the first board meeting following an AGM nominations to office-bearer positions are called and the Board elects an Executive Chairperson/President, either internally or externally.
- 4.155. Generally, only board members who have served a minimum of 12 months (one term) on the Board are eligible to hold office-bearer positions; however, the Board can exclude this restriction if there are no eligible members available for the position. Ms. Lansdowne was appointed Treasurer in April 2021 after having been on the Board for only seven months.

#### **General board members**

- 4.156. General board members are any members of the Board that are not office-bearers or associate members. They have the same rights as office-bearers but serve in a general-purpose role. At the end of our audit period, these board members were:
- Ms. Glentis; and
  - Ms. Somers.

#### **Associate board members**

- 4.157. Associate board members differ from that of general board members in that they can attend general meetings but do not have voting rights and cannot be nominated as an office-bearer. These board members appear on behalf of businesses, persons or organisations with a 'logical connection' with the special rate area, and whose involvement with the board is seen to further the purpose of the association. At the end of our audit period, these board members were:
- Mr. Hall (on behalf of Thorne Harbour Health); and
  - Mr. Lanigan (on behalf of the hospitality sector).

Note: Mr. Lanigan appears as a member of the associate board in the latest board of directors update from the CSPA. However, in all of the board minutes prior to June 2021 he appears as a general board member. It appears that Mr. Lanigan's café, The Lucky Penny, closed down in March 2021, which may have been the reason his role shifted to a part of the associate board.

#### **CSPA Officers & Delegate Directors**

4.158. The CSPA officers are not technically members of the Board but operate as paid staff of the association. They consist of the General Manager and the Marketing Project Manager/Executive Assistant:

- Ms. Maus (General Manager/Delegate Director); and
- Ms. Fifi (Marketing Project Manager/Executive Assistant).

4.159. In the board minutes, Ms. Maus and Ms. Fifi both appear as 'invited guests' as they are not technically members of the Board. It's important to note that Ms. Maus appears as a 'Secretary Delegate Director' both in the board minutes and in director documentation. According to the CSPA Constitution, office-bearers may delegate certain extra responsibilities to a member of the board or staff; in this case, Ms. Maus has the power to act as Secretary of the CSPA.

Note: Both Ms. Maus and Ms. Fifi are the only paid members of the Association; Mr. O'Donnell is paid via the honorarium. The rest of the Board operate in volunteer positions.

#### **Remuneration Committee**

- 4.160. In June/July 2020, a motion was put to the board, and unanimously passed, to form a remuneration committee. This subcommittee was established to conduct remuneration discussions with the General Manager and Chairperson, and was intended to further increase governance across the board. The committee's primary aim is to determine whether the amounts paid to Mr. O'Donnell, Ms. Maus and Ms. Fifi are appropriate based on their workload and role commitment. The committee adheres to AICD guidelines as well as comparisons with similar NFP roles to determine whether remunerations are correct.
- 4.161. Until earlier this year, the Remuneration Committee was chaired by the Vice President & Treasurer Mr. Gratton and included Mr. Hall and Mr. Szoeki. Upon Mr. Gratton's resignation in April 2021, the Remuneration Committee is now headed by Mr. Hall, alongside Mr. Szoeki, and are seeking a third member.

#### **Disciplinary Committee**

- 4.162. As ratified in the CSPA's Constitution, the Association is entitled to form a disciplinary subcommittee to meet and discuss issues regarding potential disciplinary action against a Director or member. Section 15 of the Constitution outlines that the Association may take disciplinary action against a Director or member if they:
- a) Fail to comply with the Constitution; or
  - b) Refuse to support the purposes of the Association; or
  - c) Engage in conduct prejudicial to the Association; or
  - d) Breach the CSPA Code of Conduct.
- 4.163. Once the potential breaches have been discussed and the Board is satisfied that there has been a breach, the Board may form a Disciplinary Committee. The committee has the power to issue a warning, suspend the membership and/or voting rights of the member or to take no further action against the member. During the audit period, we only noted one example of a Disciplinary Committee being formed by the CSPA, and that was in May 2020 in regards to the hearing and dismissal of Ms. Sampson from the Board.

## Experience and training

### Summary of board background

- 4.164. The CSPA Constitution states that the following categories of persons are eligible to be a member of the CSPA:
- a) Owners of property in the Chapel Street special rate area; and
  - b) Tenants or business operators in the Chapel Street special rate area.
- 4.165. In order to become a member of the board you must already be a member of the CSPA and thus must have met the above conditions. Upon analysing the current structure of the board, it is apparent that each member comes from a wide variety of backgrounds with some having had more relevant experience than others have. The CSPA's office-bearers consist of individuals with varying forms of experience:

#### Mr. O'Donnell (Executive Chairperson/President)

- Currently CEO of Print Express and UAM Tec. Past experience in COO and management roles.

#### Mr. Voyias (Vice President)

- Currently Senior Relationship Manager at Delphi Bank. Multiple past senior and upper management roles in financial services.

#### Mr. Szoeki (Secretary)

- Currently works as Director of Operations at Studio Legal. Previous experience in Vice President and General Management roles.

#### Ms. Lansdown (Treasurer)

- Owner of Soak Bar & Beauty.

- 4.166. It is important to note, experience wise, that Ms. Lansdown is the outlier. Before Ms. Lansdown's appointment as Treasurer, the role was filled by Mr. Gratton who had far greater experience in the financial/governance sphere as a four time CEO and a prior not-for-profit role as Treasurer. During the interview process, it was explained to us that Ms. Lansdown is receiving a great amount of support from more experienced members of the Board, and that while she does not have the level of experience seen in the rest of the officer-bearers; her small business experience was noted as an acceptable starting point for the position. It is also important to note that when Mr. Gratton resigned from the position of Treasurer, there was no one else available to move into his position.
- 4.167. General board members Ms. Glentis and Mr. Somers are both business owners in the precinct and do not have prior managerial or financial experience. However, their positions as general board members do not require the same level of experience as the office-bearer roles do. The associate board members: Mr. Hall and Mr. Lanigan are both involved, or have a connection to, businesses that bear a direct relation to the special rates area. Mr. Hall appears on the Board as a representative and Partnership Manager at Thorne Harbour Health, which is a not-for-profit organisation that specialises in the health and advocacy of the LGBTQI+ community. Although Thorne Harbour Health is not located in the special rates area, during the interview process Mr. Hall explained that the organisation has since moved but is still heavily involved in LGBTQI+ health in the area.

- 4.168. Mr. Lanigan appears as an associate board member on behalf of the hospitality sector and mental health advocacy. He was co-owner of The Lucky Penny café, which has since closed, and a managing director of financial consultant company Rent Converters.

#### **Official training undertaken by CSPA staff**

- 4.169. In terms of formal training, the CSPA has advised us that they do not keep a formal Training Policy or register. The reasoning given was that as two full-time staff only run the Association, the Board do not feel it was necessary for an organisation of such size to have a Training Policy or register. The CSPA provided us with a list of learning and development examples that had been undertaken by staff members. The list included:

- Mental Health First Aid Course.
- TikTok Master Class.
- Growth Faculty Leadership Digital Session/s.
- SEO Website Training for Digital Marketing
- TEDx Programs.
- Adobe Photoshop Training.
- St John First Aid training for events.

#### **External training undertaken by Ms. Maus (General Manager)**

- 4.170. Other than the above predominantly marketing oriented examples, the CSPA also provided Ms. Maus with AICD Director Update training. Ms. Maus provided us with a paid tax invoice for \$2,996 for the two-day 'update' training in November 2019. She noted that it was not the full AICD Company Directors course and only a refresher course, which she justified as critical to the running of the CSPA. Ms. Maus completed her AICD in 2017; according to the AICD website, it is recommended that individuals undertake 'update' training two years after graduating in order to refresh their knowledge and to highlight important changes in the director landscape.

#### **Resignations and dismissal**

- 4.171. During the audit period, we identified six board members who had resigned. Some details on the resignations/dismissal were outlined in the minutes in bold and appear in order below:

##### **Minutes 120220**

##### Resignation of Lyndal Guterres on 040220 [CSPA Secretary]

- The board minutes give a brief explanation of Lyndal Guterres' resignation as CSPA Secretary, attributed to conflicting commitments and time constraints due to her position at Betty's Burgers. No resignation letter was provided to the Board. Sometime between 040220 and 120220, Nathan Weidemann steps into the Secretary role.

##### **Minutes 080420**

##### Resignation of Laura Main on 080420 [general board member]

- The Board announces Laura Main's departure; her resignation letter is attached to the minutes in Appendix B. Her resignation reflects on her positive experience during her time at the CSPA. She explains the many moving parts in her life as well as her decision to pursue other endeavours and manage her own wellbeing.

#### Resignation of Alana Hutton [general board member]

- In these minutes, Mr. O'Donnell refers to the resignation of Alana Hutton; however, the date of her departure is not specified. Based on the limited detail provided, it appears that Alana Hutton stepped down from her position due to a disagreement between herself and the rest of the Board. The minutes reference a response to her resignation letter, which is not attached: 'it's a shame you feel you have to resign because the rest of the Board disagree'. It is apparent that Alana Hutton believed that the CSPA was being 'anti-landlord'.

#### **Minutes 040520**

#### Potential disciplinary actions against Katherine Sampson [general board member]

- These minutes discuss the potential disciplinary actions to be taken against Katherine Sampson. The discussion refers to a contravention of the CSPA constitution and multiple potential breaches over a period of 12-18 months. Details were discussed pertaining to prior behavioural discussions had with Katherine Sampson. Justin O'Donnell brought up potentially aggressive and/or bullying behaviour from Katherine Sampson; he had witnessed a number of times in the past. The board unanimously resolves that a Disciplinary Committee consisting of each board member be formed to investigate Katherine Sampson's behaviour pattern.

#### **Minutes 200520**

#### Dismissal of Katherine Sampson [general board member]

- During Katherine Sampson's disciplinary hearing Justin O'Donnell outlined examples of various breaches of the CSPA Constitution in regards to section 30 General Duties of the Board. As part of the process, Katherine Sampson was allowed to address the Disciplinary Committee and express her stance on the claims and alleged breaches levied against her. After consideration, the committee unanimously decided that she was to be stood down from the Board, but can remain a CSPA member.

#### **Minutes 090621**

#### Resignation of Mr. Gratton [Vice President & Treasurer]

- The minutes include an email from Mr. Gratton dated 30 March 2021 in which he tenders his resignation as CSPA Treasurer. Separate documentation provided by the CSPA provided us with Mr. Gratton's final resignation letter as Vice President and member of the Board, dated 29 April 2021. His resignation letter is relatively boilerplate and he states

that he enjoyed his time on the Board 'generally speaking'. He does not provide an actual reason for leaving; however, interviews revealed that Mr. Gratton resigned in part due to perceived pressure from Council. The CSPA had also received a letter from Council subject to much debate, as provided for and discussed in the minutes of the Board meeting held on 22 March 2021 i.e. a week before the resignation of Mr Gratton, which may have prompted his resignation.

Resignation of Nathan Weidemann [Secretary until August/September 2020; resigned as general board member]

- The appendix of the minutes also includes Nathan Weidemann's resignation letter. His language is regretful and he seems extremely thankful to have had the privilege to work with the CSPA. He states his reason for leaving is due to being fatigued and needing to look after himself and expand his personal growth. He says that he will remain connected to the CSPA, as his studio is only a 2-minute walk away.

***Recommendations***

4.172. We recommend the CSPA consider the following:

- The creation and maintenance of a Training Policy and Register and a more formal training program for Board members. The Association makes the argument that such a policy/register is not required due to the small size of the CSPA (only 2 full time employees). However, due to the significant amount of ratepayers monies paid to the CSPA, as well as its responsibility over a large and important business precinct, relevant training for Board members is crucial. This would positively contribute to the Association fulfilling its responsibilities to its members as well as the Funding Agreement.
- Ensure that office-bearers have been on the Board for more than 12 months and, preferably, have experience in a related field to their title. The Treasurer position would be best suited to someone with more of a financial background for example. This includes providing evidence of the 'skills-matrix' that is undertaken when filling office-bearer positions and for the Board to ratify it, thus ensuring that the Board has a set procedure in filling positions with the most capable individuals.

### **Review of Board artefacts**

4.173. We requested and received the following as it relates to Board artefacts:

- Calendar of Board Meetings.
- Agenda of Board Meetings.
- Board packs.
- Minutes of Board meetings.

4.174. We were informed by the CSPA that in terms of the calendar of Board meetings, these meetings fall on the 2nd Wednesday of the month; for most financial years they have had nine director meetings, but COVID-19 has reduced this to approximately seven meeting per year. We further were provided with the agenda's and minutes for the Board meeting.

4.175. The CSPA further informed us that all board papers are sent out via Campaign Monitor so the CSPA can monitor that board papers have been opened by all Directors.

4.176. We summarise in **Table 10** and **Table 11** below the dates of the Board meetings and whether we were provided with the corresponding agenda's and minutes:

**Table 10**

	Date	Type meeting	Agenda	Board Packs
	<b>2019/2020</b>			
1	14/08/2019	Board	Yes	Yes
2	11/09/2019	Board	Yes	Yes
3	9/10/2019	Board	Yes	Yes
4	13/11/2019	Board	Yes	Yes
5	4/12/2019	AGM	NA	NA
6	12/02/2020	Circle Resolution	Yes	Yes
7	8/04/2020	Board	Yes	Yes
8	4/05/2020	Extraordinary Hearing	Yes	NA
9	20/05/2020	Disciplinary Hearing	Yes	NA
10	10/06/2020	Board	Yes	Yes

Note: We received an Agenda and Board Pack for the Board meeting held on 11 March 2020, but not the minutes of the meeting.

4.177. We note that the AGM was held on 4 December 2019. Section 63 (4) of the AIR Act requires an AGM to be held within 5 months after the end of the financial year.

**Table 11**

	Date	Type meeting	Agenda	Board Packs
	<b>2020/2021</b>			
1	12/08/2020	Board	Yes	Yes

2	2/09/2020	AGM	Yes	NA
3	14/10/2020	Board	Yes	Yes
4	11/11/2020	Board	Yes	Yes
5	9/12/2020	Board	Yes	Yes
6	10/02/2021	Board	Yes	Yes
7	10/03/2021	Board	Yes	Yes
8	22/03/2021	Board	Yes	NA
9	9/06/2021	Board	Yes	Yes

4.178. The Board Pack is distributed by the General Manager via email to all Directors in advance of the Board meeting and Board papers tracked through Campaign Monitor as previously discussed. The Constitution requires at least 14 days' notice of a board meeting or 21 days if a special resolution is to be passed. The email provides for access to the Board Agenda and papers (for pre-reading). It further includes a link to the LIVE CSPA publicity media coverage tracker. The said LIVE tracker includes a tab for New CSPA Media Clips in 2021 and Old CSPA Media Clips on 2020. The following details are provided:

- Date (of media coverage).
- Media outlet/ hosts (name).
- The name of the CSPA responsible person.
- The Story/New Angle.
- Web URL

4.179. We determined the Board Packs further included (but not limited to) the following board papers, where applicable:

- Agenda.
- Accounts for the month in question consisting of: the CSPA Debit Card Transaction report; Profit & Loss account; Cash Summary; and Balance Sheet.
- CSPA Tax Invoice to Council for Quarterly Special Rates Revenue Payment
- CSPA Master Marketing Calendar.
- CSPA Social Digital Report.
- Correspondence with Council (to and from).
- COVIDSafe Office Plan and related documents
- Various other relevant marketing initiatives, including media and radio coverage.
- Decision making framework- Soul of Chapel.
- Digital Billboard Info Sheet.
- Previous Board meeting minutes

4.180. Our examination of the board artefacts referred to above, revealed timely and detailed information was being provided to all members and that these were closely monitored and managed by the General Manager. This was confirmed in our interviews with Board members, to be discussed in more detail later in this report.



### **Observation at the Annual General Meeting**

- 4.181. The Constitution defines 'Board meeting' as a meeting of the Board of Directors held in accordance with the Constitution. It further defines a 'General meeting' as a general meeting of the members of the Association in accordance with the Constitution, including an Annual General Meeting or a Special General Meeting (**SGM**).
- 4.182. Our audit occurred during the period the CSPA held their FY 2020/2021 AGM and as such, we were invited to and attended the AGM. The following clauses of the Constitution are relevant to an AGM:
- 4.183. **Clause 18 Annual General Meeting** provides for the following:
- '(1) The Board must convene an Annual General Meeting [AGM] of the Association to be held within five months after the end of each financial year.*
- (2) The Board may determine the date, time and place of the AGM.*
- (3) The ordinary business of the AGM is as follows —*
- (a) to confirm the minutes of the previous AGM and of any Special General Meetings [SGM] held since then;*
- (b) to receive and consider —*
- (i) the CSPA Annual Report outlining the activities of the Association during the preceding financial year; and*
- (ii) the financial statements of the Association for the preceding financial year;*
- (c) to elect the members of the Board in accordance with this constitution.*
- (4) The AGM may also conduct any other business of which notice has been given in accordance with this constitution'.*
- 4.184. **Clause 21 Notice of a general Meeting (AGM or SGM)** provides for the following in respect of an AGM (no special resolution has been proposed):
- The Secretary must give to each member of the Association, at least 14 days' notice of a general meeting.
  - The Notice must specify the date, time and place of meeting.
  - Indicate the general nature of each item of business to be considered at the meeting.
- 4.185. **Clause 24 Quorum at a General Meeting (AGM) or (SGM)** requires the presence (physically, by proxy, or as allowed under the Use of Technology clause) of 15 members entitled to vote.
- 4.186. **Clause 27 Minutes of a General Meeting (AGM or SGM)** provides for the following:
- (1) The Board must ensure that minutes are taken and kept of each general meeting.*
- (2) The minutes must record the business considered at the meeting, any resolution/s on which a vote is taken and the result of the vote.*
- (3) In addition, the minutes of each Annual General Meeting must include —*
- (a) the names of the members attending the meeting; and*
- (b) proxy forms given to the Chair of the meeting; and*
- (c) the financial statements submitted to the members in accordance with clause 53; and*

- (d) the certificate signed by two Board members certifying that the financial statements give a true and fair view of the financial position and performance of the Association; and*
- (e) any audited accounts and auditor's report or report of a review accompanying the financial statements that are required under the Act.*

- 4.187. We attended the AGM 2020/2021 via Zoom on 9 September 2021 at 5.30pm. We confirm the notice of the meeting, quorum and minutes of the meeting were complied with as provided for in the Constitution.

### ***Interviews with Board members***

- 4.188. As previously reported, we conducted interviews with a number of current Board members. We determined the following:

#### **Board packs, meetings and organisation (strengths)**

- 4.189. Each board member agreed that the preparation for board meetings and the overall organisation of the CSPA was done to a very high standard. Board packs are extremely thorough and meticulously developed by the General Manager with the objective in ensuring that all members of the Board have an understanding of the CSPA's strategies, performance and current dealings. They are sent via email at least seven days before a meeting and board members are given gentle reminders if they have not yet read the packs prior to meetings. Board members are encouraged to ask questions related to the contents of the packs by hitting 'reply-all' on the email to ensure that all members can view the answer.
- 4.190. One board member mentioned that he had double checked one of the old board packs prior to our interview and instantly remembered minute details from that particular meeting; an indicator of the depth and detail that goes into each pack.
- 4.191. It was mentioned by a few members that Ms. Maus constantly emphasises the importance of effective board meetings and is always asking for feedback on how processes can be improved. There appears to be room for open and frank discussion between members of the Board and that 'silly questions are welcomed and input is appreciated.

#### **Board meeting regularity (requires improvement)**

- 4.192. During interviews, a number of board members stated that board meetings were held monthly. When reviewing the board minutes it was clear that over the audit period this had not occurred. Mr. O'Donnell provided some clarification on this, stating that while meetings are generally held on the 2nd Wednesday of each month, the CSPA does not strictly stick to this schedule.
- 4.193. According to section 32 of the CSPA Constitution, the Board is only required to meet a minimum amount of four times per year, and as explained by Mr. O'Donnell, there are blackout periods such as Christmas and the month of the AGM where they never hold meetings. The board maintains an amount of 'spare' meetings that they can draw on for extraordinary circumstances such as a disciplinary hearing. However, it is unclear why the CSPA would need to draw on spare meetings, as a yearly maximum amount of meetings is not ratified in the constitution or the special rates agreement.
- 4.194. The current schedule of the CSPA's board meeting was described as 'flexible'. It is understandable that due to the current events in Victoria, many of the board members have other pressing commitments with their businesses.

### **Training and experience (requires improvement)**

- 4.195. As previously mentioned in the financial aspect of this report, some board members felt as though they were lacking in training to a degree. The CSPA does not have any ratified guidelines on training or development for the Board. It was explained that due to the lockdown, training has not been the priority as many board members are occupied with their businesses and do not have the time to engage in training sessions.
- 4.196. Furthermore, Ms. Lansdown's ability to be a successful Treasurer during such a tumultuous financial period for the CSPA was questioned. Mr. O'Donnell explained that it would be preferable for the CSPA to have someone in the Treasurer position with a bit more financial experience and that due to Mr. Gratton's sudden departure, sourcing anyone with more experience was challenging. He explained that CSPA Vice President Mr. Voyias has been providing Ms. Lansdown with support on financials and that her experience as a small business owner has helped her feel comfortable in the role. Mr. O'Donnell also revealed that a new member of the board had recently been accepted (post audit period) who was a mortgage broker with a firm financial background, and that someone like that would be more suited in the treasurer role.

### **Actions taken to improve governance**

#### **Culture change / removal of the Executive Committee**

- 4.197. Mr. O'Donnell alluded to multiple instances with the Board under Mr. Lotton in which members felt that they were excluded and that their input was not valuable. He explained that since becoming Executive Chairperson/President he has sought to develop a positive and inclusive culture within the CSPA, ensuring that board members feel that their ideas are welcomed and their input matters. Everyone interviewed seems genuinely proud of what the association has achieved and it is clear that members have a lot of respect for Mr. O'Donnell and Ms Maus.
- 4.198. The removal of the Executive Committee was one of the first changes made under Mr. O'Donnell's leadership and began a huge transformation in the culture at the CSPA. Prior to the 2019 Constitution update, the CSPA Board essentially existed in two parts: the Executive Committee; and the general board. When it was put forward to disband the executive and shift to the office-bearer title, the Board unanimously agreed; the consensus was that board members did not feel valued and that they were just there to make up the numbers. Mr. O'Donnell explained that the decision to remove the executive has seen a positive outcome, in that the Board is making stronger decisions and that the power is balanced across the Association.

#### **External governance advisor**

- 4.199. During the update of the Constitution, Mr. Moriarty was brought on to the CSPA to act as an external governance advisor. It was reported to us that he was recommended by the City of Stonnington as an expert in NFP governance and to assist the association in drafting the new Constitution. Due to his effectiveness in assisting with the Constitution, he has since been kept on as an advisor to oversee the due diligence of AGM and to ensure that the CSPA is 'setting the benchmark for exceptional corporate governance'. Further than that, he also helps the Association cross check procedures and conducts indirect governance training with the Board, allowing them to gain a better understanding of governance processes.

### Dismissal of Ms. Sampson

- 4.200. Further details on the dismissal of Ms. Sampson were revealed to us during the interview process. It was reported to us that she had allegedly sent multiple aggressive text messages to the General Manager demanding her business gain certain preferences. During the disciplinary investigation, multiple incidences of harassment and pressure on board members and businesses were exposed. Her actions were found to be a direct breach of the CSPA Code of Conduct and thus in demonstrating good governance processes, she was dismissed as a board member.

### ***Lobbying & use of Scheme Funds for prohibited purposes***

- 4.201. In terms of Clause 8.5 of the Funding Agreement, the Association must not, in using Scheme Funds, paid to it under the Funding Agreement for Prohibited Purposes:

*8.5.1 Lobbying, whether at local, State or Commonwealth government levels;*

*8.5.2 The personal interests of any member or employee of the Association, unless these interest are consistent with the Permitted Purpose; or*

*8.5.3 Investments or financial agreement enduring beyond the life of the Scheme.*

*8.5.4 Legal fees, unless such fees are necessary for the Declared Purpose, to Council's satisfaction. All legal fees must be disclosed and explained in full in the Quarterly Reporting provided by the Association.*

- 4.202. The Funding Agreement does not define 'lobbying'. We understand lobbying to be an attempt to influence government action through written or oral communication.
- 4.203. We conducted a review in order to determine whether the Association may have been acting in contravention of Clause 8.5. We became aware of the following as an example of lobbying <https://www.msn.com/en-au/news/australia/chapel-street-traders-living-off-food-scraps-during-lockdown/ar-AANFPhj>
- 4.204. The following is included in the said publication dated 24 August 2021:

*'Once the jewel in Melbourne's shopping district crown, business owners along trendy Chapel Street claim they are now surviving on 'food scraps'.*

*Chapel Street, which runs through South Yarra, Windsor and Prahran, has been a 'destination' for decades and the strip represents Melbourne's unique cafe, dining and retail culture.*

*But as Melbourne endures its sixth lockdown with no end in sight, shop owners are calling on the State Government for help.*

*'We need a lifeline like New South Wales - Melbourne has now spent more than 200 days in lockdown and businesses here are still fighting for support while in Sydney their tiered structure support scheme makes Melbourne look like the poor cousin surviving on food scraps,' Chapel Street Precinct chairperson Justin O'Donnell said on Tuesday'*

- 4.205. Ms. Maus informed us and provided us with information relating to two other instances in which Council allegedly encouraged the Association to engage in lobbying.

- 4.206. On 17 March 2020, the CSPA received an email from Mr. Eddy Boscariol from Council in response to a request to advocate landlords to drop or suspend rent during lockdowns. Mr. Boscariol stated that the 'Executive Team' felt that it would be more effective for the Stonnington Business Associations to get together and lobby the State Government to influence landlords to reduce, defer or suspend rents in the short term. Mr. Boscariol goes on to offer his assistance with coordinating a combined response from businesses, generating media attention, which in turn could encourage other associations and local councils to do the same.
- 4.207. Ms. Maus provided us with a link to a Council meeting held on 7 June 2021 in which Mr. O'Donnell speaks on the Council proposed budget. Ms. Maus indicated that Councillor Melina Sehr (Councillor Sehr) told Mr. O'Donnell that the CSPA needs to lobby state / fed gov. <https://webcast.stonnington.vic.gov.au/archive/video21-0607.php> We note that this is the same meeting where Mr. O'Donnell discusses the results of the EDM member survey to Council, to be discussed under the membership section of this report.
- 4.208. In terms thereof, Councillor Sehr asked Mr. O'Donnell if the Association has advocated to the state government regarding the lockdown. Mr. O'Donnell responds saying that the CSPA has been highly critical of the state government and has had multiple meetings with ministers. He goes on to say that he was advocating for small business at the end of the third lockdown, and had a 'win' where the government changed some rules based on a recommendation from the CSPA regarding capacity at hospitality venues. Mr. O'Donnell reiterates that he is not only advocating at a local government level, but at a state and federal level as well. Councillor Sehr agreed with this method, stating that advocating at those higher levels will get the best results.
- 4.209. During the Council meeting, Mr O'Donnell also mentions involvement in a parliamentary inquiry on behalf of the Association. The inquiry was held in relation to the Victorian Government's Response to the COVID-19 Pandemic. (Parliamentary inquiry [https://www.parliament.vic.gov.au/images/stories/committees/paec/COVID-19 Inquiry/Transcripts/CSPA 14 May verified transcript.pdf](https://www.parliament.vic.gov.au/images/stories/committees/paec/COVID-19_Inquiry/Transcripts/CSPA%2014_May_verified_transcript.pdf)).
- 4.210. We further determined that Ms. Maus regularly presents on commercial radio stations, as the CSPA General Manager. Ms. Maus confirmed this to be correct and that she writes a column for Seven West Media. She confirmed further that this done to promote and market the precinct and that there is no related financial benefit to her. Hence, this is not conducted for her personal interest, according to Ms. Maus. We have no evidence to dispute this.
- 4.211. We previously discussed in the Financial Management section of this report, the conflicts of interest declared by Mr. Szoeki in respect of Studio Legal; despite the above declarations by Mr. Szoeki, our examination of the AP Data and Debit Card payments data did not identify any payments made to Studio Legal. We did not identify any payments for any legal fees in the AP Data and Debit Card payments.
- 4.212. In our follow up interview with Ms. Maus, she stated a payment had been made to Studio Legal in the new financial year 2021/2022 (which falls outside of our audit period). She added that the Clause 8.5.4 of the Funding Agreement was not fair or fit for purpose, given the risk appetite of the business of the CSPA. Further, the CSPA does not adhere to the said clause and that this has been taken up with Council many times (we have not been provided with any evidence in support of this or what Council's response was).

***Recommendations***

- 4.213. We recommend the CSPA obtain confirmation from Council in respect of compliance/non-compliance with Clause 8.5 of the Funding Agreement, including Lobbying and Legal Fees. We have however, not reviewed the Q1 2021/2022 Report to Council or confirmed Studio Legal has received payment from the CSPA, which relates to Legal Fees.

## Membership

### ***Obtain an understanding of CSPA membership base and types of membership***

4.214. **Clause 8 Who is eligible to be a member** of the Constitution provides for the CSPA membership base and types of membership as recorded below:

(1) The following categories of persons are eligible to be members of the Association:

- (a) owners of property [in the special rate area].
- (b) tenants or business operators [in the special rate area].

(2) The following categories of persons are eligible to apply to become an Associate member of the Association:

- (a) owners of property having a logical connection with the special rate area.
- (b) businesses having a logical connection with the special rate area.
- (c) any other persons or organisations where in the opinion of the Board the membership of the person would further the purpose of the Association.
- (d) Associate members shall have the right to attend General Meetings of the Association but not to vote and cannot stand for office.

(3) Application Processes: Tenants or business operators

It shall be the responsibility of the Association to contact [by any appropriate means] the tenants or business operators of all businesses [operating in the special rate area] to supply them with a copy of the application form.

- (a) as soon as possible after the receipt of an application from persons eligible to become members, the Association must refer the application to the Board.
- (b) when an application is referred to the Board, the Board must, by a majority, vote to determine whether to approve or reject the application.
- (c) No reason need be given for the rejection of an application for membership.

(4) Application Processes: Owners

It shall be the responsibility of the Association to contact [by any appropriate means] the owners of all businesses [operating in the special rate area] and supply them with a copy of the application form.

- (a) as soon as possible after the receipt of an application from persons eligible to become members, the Association must refer the application to the Board.
- (b) when an application is referred to the Board, the Board must, by a majority, vote to determine whether to approve or reject the application.
- (c) No reason need be given for the rejection of an application for membership.

(5) Persons eligible to be members of the Association shall become members when:

- (a) they have completed the application form as specified in the By-Laws; and

(b) they have had their application approved by the Board; and

(c) their name has been entered in the Master Members Register by the Association.

(6) If the Board approves an application for membership, the Association must, as soon as practicable:

(a) notify the applicant in writing of the approval or rejection of their application for membership, whichever is applicable; and

(b) advise in writing that the CSPA has the right to discipline members at any time if they fail to adhere to the Code of Conduct.

(7) The Association must, within 28 days after approval, enter the applicant's name in the Master Members Register.

(8) An applicant for membership becomes a Member and is entitled to exercise the rights of membership [of that category] when the Member's name is entered in the Master Members Register and ceases to be a member of the Association when their name is removed from the Master Members Register.

**4.215. Clause 9: Delegate Member**

(1) Member Owners of property in [the area subject to the special rate] may nominate one delegate to General Meetings for every property subject to the special rate, whatever the level of that special rate.

(2) Member Businesses operating in [the area subject to the special rate] may nominate one delegate to General Meetings for every business liable to pay the special rate, whatever the level of that special rate.

(3) Such delegates are entitled to attend General Meetings, to vote and to stand for office. Any member of the Association may change the name of their delegate at any time by notification to the Secretary, but five working days after such notification shall pass before such a delegate may attend General Meetings, vote, or stand for office.

**4.216. Clause 10: Associate Membership**

(1) To apply to become an Associate member of the Association, a person must complete the application form as specified in the By-Laws; and

(a) clearly outline how their Associate membership would support the purposes of the Association; and

(c) agree to comply with the CSPA Code of Conduct; and

(d) agree to pay the fees determined from time to time by the Board.

(2) As soon as practicable after an application for Associate membership is received, the Board must decide whether to accept or reject the application.

(3) The Board must notify the Associate membership applicant of its decision as soon as practicable after the Board decision is made.

(4) No reason need be given for the rejection of an application for Associate membership.

(5) If an application for Associate membership is approved by the Board —



(a) the Secretary [or Delegate Director] must, as soon as practicable, enter the name and address of the new Associate member, plus the date the Associate membership was ratified by the Board, into the Master Members Register.

(2) A person becomes an Associate member of the Association and is entitled to exercise his or her rights of membership when:

(a) the Board approves that persons Associate membership; or

(b) if the person is required to pay an annual subscription or joining fee [as resolved by the Board], remittance is received.

4.217. The CSPA Member Register - Application Form provides information about the CSPA being a NFP membership based Incorporated Association that represents over 2,200+ commercial properties and businesses on Melbourne's Chapel Street Precinct. It further provides details as to the eligibility to opt-in and become a CSPA member, consistent with the Constitution. The link to the application form also records that all members must adhere to the CSPA Member Code of Conduct, which is accessible to applicants. We did not specifically request copies of completed application forms.

4.218. We examined the minutes of the Board meetings for the period covered by our audit. We determined that included in the Agenda (where applicable) is the Ratification of New Members. An Appendix detailing New CSPA Membership Applications is referred to and attached in the minutes (where new applications were received i.e. this is not included in all Board minutes). The Appendix contains the following details:

- Business name.
- Business Address.
- Contact name.
- Business Email address.

***Businesses outside of the Special Rates Area***

4.219. During interviews, it was put to Ms. Maus as to whether there were any exceptions to the membership rules regarding the special rates area. It was revealed that if a business sits just outside of the special rates area, and is determined by the board to "bring visitation" to the precinct, then they are often actively promoted by the Association despite not officially meeting the requirements of membership. An example of this is the 'iconic' Melbourne Bowling Club in Windsor that sits just outside of the special rates area but is actively promoted as patrons frequent Chapel St before and after visiting the bowls club, and therefore the business 'brings visitation' to the precinct.

4.220. Ms. Maus explained that the Association considers the Chapel Street precinct in more of a broad sense than the zone defined by Council, and that the lines on the special rates map are 'blurred'. Ms. Maus further explained that businesses who are relevant to the precinct, but sit outside of the defined area, could still be involved in EDMs sent out by the Association.

4.221. The Board goes through a rigorous decision making framework when determining which membership exempt businesses can be involved with the CSPA and such decisions are not taken without due consideration.

### ***Recommendations***

4.222. We recommend that the CSPA consider the following:

- Including in the Appendix to the Board minutes, where new membership is approved, details of the type of membership i.e. full membership or Associate membership and a summary of the total number of members, types of members and number of members per type of membership. This information will then flow through to Council with the Activity Reports.
- Informing Council of the CSPA procedure in respect of businesses that fall outside of the Special Rates area and seeking Council approval, as this type of membership is not provided for in the Funding Agreement.

### ***Process around member engagement***

4.223. The Association regularly engages with members through EDMs, campaign invitations and meetings. The Association also provides an email address (admin@chapelstreet.com.au) that members can use to organise meetings with the CSPA to discuss marketing and events they can be involved with as well as general concerns. We were informed during the interview of Board members that the CSPA staff would generally spend a lot of time meeting with members and discussing their concerns and needs; however, due to the current lockdown, member engagement has become less face-to-face and more digital.

4.224. According to Mr. O'Donnell, the Association tracks member engagement as an important indicator of how the Association is performing. The term 'member engagement' refers to the level of involvement and participation between the Association and its members; one such metric for measuring this level of engagement could be determined by how many members respond to EDM's. According to the Association, there has been a huge increase in member engagement during COVID-19 as more businesses seek new ways to survive through lockdown.

4.225. We determined the following forms of engagement/information is provided to members and included on the Association's website:

- Contact with the CSPA via their direct landline or email (admin@chapelstreet.com.au), or the mobile and email address of Ms. Maus and Ms. Fifi.
- CSPA 2020/2021 Annual Report.
- Covid-19 Local Community information.
- Marketing Campaigns in the past 12 months (2020/2021).
- Victoria's Roadmap out of Covid-19.
- Covid-19 Looking after your mental health.
- Covid-19 Creating a Covidsafe workplace.
- Covid-19 CSPA historical retrospective.
- Paw-on-the-door.
- Business eco-friendly.
- Collaborate - to meet with members to amplify their events and marketing across digital channels. Members can also access a CSPA Post Campaign Report from a previous campaign.

- Digital Advertising Boards - members may enquire about advertising space and availability (new businesses receive two weeks advertising free of charge).
- Following the precinct on Facebook, Instagram and Twitter - members' are provided with handles and hashtags to these platforms.

### ***Walkthrough of a member survey***

#### **Member Advocacy - Electronic Direct Mail**

- 4.226. A 'member advocacy' EDM took place in May/June 2021 regarding a proposed increase to rates of 3.5% as well as an increase to parking costs at Prahran Square. These two measures were proposed as part of Council's 2021/2022 Draft Budget.
- 4.227. The following procedures are generally followed, as provided to us by Ms. Maus:
- Wait for the issue/s to arise (or official call for Stonnington Community Consultation)
  - If the CSPA has sufficient concerns, e.g. members talking to them about parallel topics/concerns/feelings, Board members feeling the same, then the topic is placed into the next Directors meeting or Circular Resolution.
  - The Board holds a meeting.
  - The EDM is sent to members.
  - Send Final Letter to the applicable third party. Send the final response to members/major stakeholders.
- 4.228. The following questions were included in the above sampled EDM:
- Do you agree with the potential Stonnington rates increase of 3.5%?; and
  - Do you think the \$1 for 2 hours parking should be extended at Prahran Square?
- 4.229. The number of responses received is not explicitly stated/recorded in documentation provided to us. CSPA sent a letter to Council dated 20 May 2021 on behalf of their members. The purpose was to provide feedback on the draft 2021/22 budget, specifically relating to a potential rate increase of 3.5% and increase in parking rates. The following is recorded: *'The CSPA wanted to make sure all our members were consulted and part of this important decision'* and *'not one of our 2,200+ CSPA members agreed with the rate increase and 88% voted for the parking rates at Prahran Square not to be increased'*.
- 4.230. The CSPA also addressed the Council's proposed significant increase in staff costs and referenced their statement of income lost over COVID-19, requesting the Council look to improve efficiencies before attempting to recover lost income from local businesses.
- 4.231. The CSPA has also recorded the following in the letter: *'These comments have not been censored as we felt it important that Stonnington read the exact responses to clearly understand the black and white feedback, reputational risk and most importantly the feeling that Council don't understand the dire circumstances business are still going through'*.
- 4.232. Mr. O'Donnell also shared the Member Advocacy EDM in a Stonnington Council meeting on 7 June 2021.

<http://webcast.stonnington.vic.gov.au/archive/video21-0607.php> (timestamp: 1:30:25)

- 4.233. In regards to the results of the EDM, the CSPA has not shared any details with us or with Council to our knowledge, regarding specific details on any of the members that responded due to perceived privacy issues. Therefore, it is not clear how many members actually responded to the EDM. Ms. Maus however, in our follow up interview with her, informed us that there was a 20% response from their members and that this is deemed to be a high percentage response. Ms. Maus added that they also took into account feedback received from members outside of the EDM. We have not independently confirmed the number or percentage of members who responded to the EDM.

#### ***Recommendations***

- 4.234. We recommend the CSPA consider providing Council with the details regarding the results of the EDM, including total number of responses received, as the lack of any specifics means that it could be perceived to not be representative of the members.

#### ***Comparative between the Register of Members and special rate payers***

- 4.235. As outlined in section 8 of the Constitution, in order to become a member of the CSPA you must either be an owner of property within the special rate area, or a tenant or business operator within the special rates area. The process of gaining membership involves filling in an application form on the CSPA website and then waiting for acceptance from the Board.
- 4.236. Section 8, subsection (3) of the Constitution states that the Association is to refer any applications for membership to the Board as soon as possible. When a membership is referred to the Board, the Board must vote to determine whether to approve or reject the application. Mr. O'Donnell revealed that eligible applications are generally approved unanimously and all eligible members that apply should expect to be accepted.
- 4.237. There was only one noted exception to this during our audit period; the membership application of landlord Mr. Nick Sampieri was declined by the board due to alleged abusive text messages sent from him to CSPA staff. Mr. O'Donnell also noted that new businesses that open in the area are approached by the CSPA and sent the application form for membership, ensuring that the Association gains as many members as possible.
- 4.238. Once applicants are accepted as members, they are added to a master Register of Members. This must be done within 28 days of approval and only after being added to the register are they considered CSPA members.
- 4.239. Council provided us with a spreadsheet list of 2084 addresses linked to special ratepayer properties.
- 4.240. We did not perform a comparison of the Register of Members and special ratepayers for commonality and total population of unique members, as we were not able to gain access to the Register of Members. Our expectation was to receive a list of CSPA members from the Association in order to compare the two lists. Unfortunately, we were unable to procure the master Register of Members, with the Association noting possible privacy issues in sending the register electronically.
- 4.241. CSPA informed us, as communicated to Council, that their legal advice is that under no circumstances is the CSPA allowed to share the Register of Members electronically. CSPA

further informed us that we could view this in their office. The current COVID-19 lockdowns in Victoria does not permit Grant Thornton to work at CSPA's offices.

- 4.242. Council issued a subsequent request in writing to the Association on 4 October 2021 to provide us with a full list of current CSPA members. The Association declined this request, repeating what had been communicated to us, namely that to ensure the Association does not breach the privacy of their members, CSPA would not send electronic copies of their member register to anyone at any time. Their policy has always been that if a member or approved authority wishes to view the member register, they must do so in person and that they will not breach the privacy of their member's personal information under any circumstances. The Association added that they have not barred Grant Thornton from coming on site to view the Register of Members.
- 4.243. Clause 14.2 of the Funding Agreement authorises Council to appoint a person to investigate or audit the Association's compliance with the Funding Agreement. Clause 14.3 continues, and records that if Council appoints a person under clause 14.2, the Association must on request, promptly provide access to any premises or any books of account, documents or other material in the possession, custody or control of the Association, and to provide all reasonable cooperation and assistance.
- 4.244. Clause 14 of the Constitution requires:
1. The Secretary of the Association (or delegate Director), to keep and maintain a Master Members Register that includes, for each current member:
    - The member's name.
    - The address given by the member.
    - The date of becoming a member.
    - If the member is an Associate member, a note to that effect.
    - Any other information determined by the Board.
    - For each member, the date of ceasing to be a member.
  2. Any member may, at a reasonable time and free of charge, inspect the Master Members Register in accordance with clause 55
- 4.245. Clause 55 of the Constitution provides for the custody and inspection of CSPA records by members and that the Board may refuse to permit a member to inspect records of the Association that relate to confidential, personal, employment, commercial or legal matters, or where to do so may be prejudicial to the interests of the Association. We submit that clause 55 does not apply to Councils right to access records as provided for in clause 14.2 and 14.3, and further it does not record that digital copies of the Register of Members cannot be provided to persons appointed by Council in terms of clause 14.2.
- 4.246. In our follow up interview with Ms. Maus, she confirmed that there are approximately 2,200 CSPA members, of which approximately 1,800 have opted into the EDM database.

### ***Recommendations***

- 4.247. We recommend the CSPA consider the following:

- Provide Council with access to the Register of Members in order to determine the number of members and types of membership, and that a comparative may be performed against Councils list of Special Ratepayers.
- Provide Council with an edited version of the Register of Members, removing information of a personal nature that may be subject to privacy. This edited list of members is submitted to Council with the Activity reports.

### ***Review of businesses and how they are promoted***

- 4.248. We were required to conduct a review of businesses promoted in publicly available data sources to identify special rate payers being promoted on CSPA's social media and marketing channels. Further, to understand how businesses are selected for promotions as well as any tracking mechanisms in place to ensure an equitable rotation.
- 4.249. Based on information garnered from interviews, businesses who do more to leverage their own branding feature more often in CSPA promotions. The Association communicates to business owners that if they supply their own branding in specific formats, it can be very easily shared through the CSPA's promotional platforms. The CSPA does not have the appropriate staffing to produce promotional material from scratch without businesses providing the information first.
- 4.250. The Association provides businesses with listicles where they specify articles that are required to involve them in promotions. An example of this could be a logo or a written piece of promotional material. Furthermore, new businesses in the precinct are approached and informed on the advantages of CSPA membership; the Association actively promotes new businesses in the precinct with pre-advertising on digital billboard and additional exposure through social media advertising.
- 4.251. Members of the CSPA are kept up to date with promotions via EDMs. We were provided with an example of an EDM for the 'Burn off the banana bread' promotion in which a request was made for members in the health and fitness sector to get involved and be featured in the digital marketing campaign. We received another EDM example in which the CSPA reached out to businesses prior to a 'snap lockdown', requesting takeaway and click and collect offerings to be sent through to be shared across the digital platforms of the Association. This EDM also offered to re-share promotions on Instagram if businesses tagged their posts with @chapelprecinct and #ChapelStreet. It appears that members can click on links within each EDM in order to email through their details to the Association to express that they would like to be included in such promotions.
- 4.252. As outlined in the CSPA Strategic Plan 2019-2023, members are also provided the opportunity to set up a time to meet with the CSPA and discuss how they can collaborate on events and marketing ideas by sending an email to [admin@chapelstreet.com.au](mailto:admin@chapelstreet.com.au).
- 4.253. Substantial marketing campaigns are one of the primary ways that the CSPA promotes the precinct. We were provided with multiple examples of these campaigns involving short promotional videos, vignettes, digital marketing and celebrity partnerships. During the planning process, these campaigns go through what is known as a decision-making framework where the Association determines set parameters such as how the campaign will support the vision/purpose of the CSPA as well as the deliverables and KPIs. One example we received was the framework for the Chapel Champions campaign, clearly setting out an objective to mention a 'record number' of members across the Associations' digital platforms over a seven-week promotional period. The framework also sought to address the problem of traders who felt they were not getting enough promotion and to give them the best value for

their special rate payment. This was to be done by mentioning over 400 businesses as well as 20 who had never been mentioned by the CSPA.

4.254. We further determined the following with regards to the decision-making framework that drives the CSPA campaigns:

- The wins/achievements for the individual years are outlined in the detailed Annual Reports (2019-2020 and 2020/2021).
- There were sections in the framework provided to us that were not consistently filled out, including the businesses featured and the budget amount. We clarified this in an interview with Ms. Maus; the copy provided to us was that sent to the Board, for discussion and not yet finalised.
- Ms. Maus and Ms. Fifi prepare decision-making framework documents. If there are missing budget amounts, it's because Ms Fifi has accidentally uploaded the draft; budgets are also added after the Board has reviewed the frameworks. The decision-making framework was implemented to improve governance and Board participation after Ms. Maus finished her company director's course.
- Businesses are chosen by determining which members will best reflect the campaign. Due to the association's digital audience, it is not viable to promote every single business in the precinct, as it would overwhelm such audience. From a marketing perspective, the Association promotes businesses with the objective of growing their audience and driving greater visitation to their website and social media pages. As a destination marketing company, not every business is always relevant, according to Ms. Maus.
- Long established and less relevant businesses known as 'anchor tenants' (e.g. Post Office / Deli on the corner) generally gain exposure through the Association via media mentions as well as featuring in the business services listicle on the CSPA website. Ms. Maus also explained that anchor tenants gain mutual benefits from the Association's general promotion of the Chapel St area.
- Prior to a campaign, KPIs are set in the framework and presented to the Board for feedback. The KPIs are further reviewed in a post campaign report to assess the performance of the campaign. KPIs include such things as an increase in social media followers and audience engagement.

## 5. Restriction on distribution and use of report

- 5.1. This report has been prepared solely for the use of the City of Stonnington prepared on the basis of information supplied to us by City of Stonnington and Chapel Street Precinct Association and detailed herein.
- 5.2. As the intended user of our report, it is for you to assess both the procedures and our observations to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions, which you wish to draw on the subject matter.
- 5.3. Any conclusions made in this report are based on factual findings, including any assumptions where stated and on information provided. Neither Grant Thornton nor any member or employee of Grant Thornton undertakes responsibility in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to Grant Thornton. The terms of this engagement are such that we have no obligation to update this report because of events or transactions occurring subsequent to the date of the report unless subsequently agreed. However should further information be subsequently made available to us, which materially affects the findings and conclusion contained herein, we reserve the right to amend the report accordingly.
- 5.4. In accordance with normal professional practice, neither Grant Thornton nor any member or employee of Grant Thornton undertakes responsibility in any way what so ever to any person other than City of Stonnington in respect of this report, and neither the whole of this report or any part thereof or any reference thereto may be published in any document, statement, media or circular nor in any communication with third parties without our prior written approval of the form and context in which it will appear. In no event, shall we assume any responsibility to any third party to which the report has been disclosed or otherwise been made available.
- 5.5. Under the terms of our engagement, we have obtained financial data included in this report from books and records of the Chapel Street Precinct Association, which have not been audited by us in accordance with applicable Australian Auditing Standards. Accordingly, we do not express an opinion on such financial data and no warranty of accuracy or reliability is given.