



Submission to:	Management Committee
Submission/ Report Title:	Financial Transparency Working Group Report
Meeting Date/ Agenda Item:	TBC
Purpose:	<input checked="" type="checkbox"/> Approval/Endorsement <input type="checkbox"/> Discussion <input type="checkbox"/> Information

Sponsor: Ian Oppermann

Project Manager: Jo Dalvean, Convenor Financial Transparency Working Group

Recommendation(s): 1/ That Management Committee approves the following:

Motion 1: ACS adopts the sample “Report to Members” as a template for transparent and simple reporting to accompany the Financial Reports, and develops a mechanism for annual release

Motion 2: ACS establishes a process for receiving and responding to questions from members including a set of guidelines to determine which questions can be answered

2/ That Management Committee notes the Financial Transparency Working Group Recommendations that cannot be resolved without disclosing information that is currently only for Management Committee, and considers how information can be assessed for release to Congress and to Members

3/ Noting that the Financial Transparency Working Group disbands on 31 December 2021, that Management Committee reviews the Group’s tasks and achievements with a view to continuing transparency objectives in 2022 onwards.

Discussion: The Financial Transparency Working Group Report to Congress submitted a number of recommendations to Congress in April 2021. Congress voted to endorse the recommendations.

Achievements:

Since then significant improvements in financial transparency to Congress and to branches have been observed.

In particular:

- Congress receives the same level of detail in financial reporting as that presented to Management Committee;
- The level of detail available to Congress has improved;
- Information about the financials for ACS recent acquisitions have been incorporated into the financial reports; and
- Financial information has been presented to Branch Executive Committees

The report to Congress in April assumed the recommendations



would be actioned operationally, but has since found that the Working Group itself needed to compile the information. This requires access to information as well as permission to release.

The following report groups the incomplete Financial Transparency Working Group April Congress endorsed recommendations into 3 topics:

1. Providing an Annual Report to Members to accompany the Financial Reports
2. Adopting the AICD *Not-for-Profit Governance Principle 7*
3. Acknowledging the challenges of providing responses to members questions and releasing information when the responses are sourced from documents that were intended only for Management Committee

And finally, with this report, the Financial Transparency Working Group disbands with a request that the work continues in some capacity.

Critical Date(s): None.

Consultation(s): This paper was prepared by the Financial Transparency Working Group

Active Members:

- Jo Dalvean, MC member and Victorian Branch Chair
- Arnold Wong, National Treasurer
- Roger Clarke, Canberra Branch Secretary
- Beau Tydd, Business Assurance Committee member and Queensland Branch Chair

The Active members are supported by the President, CEO and CFO as Advisors. The group has no authority or executive powers. It will disband at the direction of the President, but no later than 31 December 2021.

Project Completion/ Post Implementation Review Adoption/publication of the Template Report to Members
 Establishment of facility for accepting and responding to Members' questions
 Review of the information not currently available for release

Attachments:	<i>Sample FY21 Report to Members (reviewed by MC and staff)</i> <i>Financial Transparency Working Group Report To Management Committee November 2021</i>
Submission Prepared by:	Jo Dalvean, Financial Transparency Working Group Convenor



Financial Transparency Working Group Report

Background:

In February 2021, following direction by Congress in 2020 to improve trust by increasing the amount of financial information and corporate information shared with Congress and with members, the ACS President invited four Congress members to form a Financial Transparency Working Group with an aim to present recommendations that increase financial transparency.

The role of the Financial Transparency Working Group is to **propose, debate and refine the practice of financial information disclosure** to Congress, and to the membership.

In April 2021, Congress endorsed eight Recommendations from the Working Group that meet the objectives of improving information disclosure. For reference, the Financial Transparency Working Group Recommendations to Congress in April 2021 are copied into this report in blue text.

Progress on Recommendations:

Achievements:

The Working Group is pleased to report that progress can be reported against the April Recommendations

Due to the efforts of the Finance Team led by Chief Financial Officer, Mike Cullen the Working Group can report the following improvements:

- Congress receives the same level of detail in financial reporting as that presented to Management Committee;
- The level of detail available to Congress has improved;
- Information about the financials for ACS recent acquisitions have been incorporated into the financial reports; and
- Financial information has been presented to Branch Executive Committees

These meet the Working Group Recommendations 1, 2 and 4 endorsed at the April Congress, which are:

R1. Congress members be provided with copies of the existing monthly financial report to Management Committee, commencing with the April 2021 report.

R2. The existing report format be reconsidered during the second half of 2021, with a view to implementing refinements to the granularity of the line-items to reflect current operations.



R4. Congress members be provided concrete information regarding the projected annual financial figures for each of the ADMA and ACS Labs Divisions, including adequately granular data on revenue-items and expense-items, and showing each Division's Contribution Margin.

Recommendations requiring additional action

1. Providing an Annual Report to Members to accompany the Financial Reports
In 2020 Congress reported that more information was needed beyond the information in the Annual Report, and that the Society needs to be as transparent as necessary to achieve the trust of the members. (Minutes June 2019)

The Working Group Recommendation 3 was:

R3. A Members' Report be published after each financial year ends, explaining in 1-2 pages the Society's activities, where the money comes from and where it goes to, outlining significant developments, and identifying and explaining salient features of the financial statements.

The Working Group compiled a 2-page document rewriting publicly-available financial information into plain English, grouping information into broad headings. This report was presented to Management Committee by the Treasurer in November and circulated to the Management Committee by Jo Dalvean, the Working Group Convenor, with a request for feedback. Following feedback and corrections from ACS Finance staff, the revised sample Report is attached as an Appendix, with a request to adopt it as a template and develop a mechanism for annual release to members.

Motion 1: ACS adopts the sample "Report to Members" as a template for transparent and simple reporting to accompany the Financial Reports, and develops a mechanism for annual release

2. Adopting the AICD Not-for-Profit Governance Principle 7

AICD Principle 7¹ covers Transparency and Accountability. "The board demonstrates accountability by providing information to stakeholders about the organisation and its performance."

The Working Group Recommended that

R6. Not-for-Profit Governance Principle 7 of the Australian Institute of Company Directors (AICD) regarding Accountability and Transparency be adopted and

¹ <https://aicd.companydirectors.com.au/resources/not-for-profit-resources/not-for-profit-governance-principles/principle-7-transparency-and-accountability>



implemented.

and

R7. AICD Principle 7 be interpreted as requiring that all reasonable questions are be responded to, reasonably promptly, answering the questions, with relevant factual information rather than generalities. The purposes are to inform the enquirer and/or members generally, and to avoid disappointing the enquirer or aggravating any concerns that may underlie the enquiry.

Principle 7 includes the opportunity for Members to ask questions of the Board. The AICD Principle suggests questions can be asked at General meetings, hence the recommendation to respond reasonably promptly (implying more frequent responses than once per year)

The ACS does not currently have a capability for accepting questions from Members, assessing the ability to respond and then providing a response. Even if complex questions are asked only in AGMs, the ACS could not formally accept and record it, and provide a timely, publicly-available response.

Motion 2: ACS establishes a process for receiving and responding to questions from members, including a set of guidelines to determine which questions can be answered

3. Acknowledging the challenges of providing responses to members questions and releasing information when the responses are sourced from documents that were intended only for Management Committee

In sourcing responses and discussing options for releasing information, the Working Group has found it is limited in its ability to share documents beyond the membership of Management Committee, and some uncertainty about mechanisms for releasing information. Without access to documents, it is difficult for the Working Group to compile reports and recommendations.

Although information is sourced from documents only available to Management committee, the information itself may be disclosable. There is no current review process to determine if information is disclosable.

AICD Principle 7 includes a statement that not all information should be made publicly available including private information and *Commercial in Confidence* material. The June 2020 Congress reported the “need to consider the appropriate level of information to share with members, noting commercial sensitivities of certain matters“

The Working Group has not been able to progress with Congress Recommendations 5 and 8:

R5. Congress members be provided updates on the ADMA and ACS Labs



Divisions' performance against the original business case, investment quantum and KPIs.

R8. Congress be provided with information delivering answers to the following questions.

1(a) What was the cost to purchase ADMA?

1(b) What were the assets that were acquired, and the basis of their valuation?

2(a) Was any due diligence done on the purchase of River City Labs?

2(b) What did that due diligence reveal?

3(a) What did it cost the ACS to join the Davos Economic Forum?

3(b) What benefits did it bring the ACS?

Information needed to respond to *some* of the R8 questions are now publicly available. Questions 1b, 2a and 2b can be sourced from documents prepared for Management Committee, and a draft response has been compiled. Question 3a can be sourced from financial documents. The responses with information not in the public domain cannot be released to members without a review to determine if they are disclosable.

Likewise ADMA and ACS Labs KPIs are needed to report against R5 and are not currently releasable without a review to determine if they are disclosable.

Referring to the previous section about the capability to receive, record questions and to respond, the ACS needs a means to communicate the responses where the information is publicly available.

As the Working Group has not overseen the release of all information as endorsed by Congress in April, some form of oversight is requested for 2022 - whether by extension of the current Working Group, or another body, or transfer of the responsibilities. An outcome of this year's effort is an understanding of the difficulty in sharing information outside Management committee, and how this has hampered the ability of non-MC members to work effectively in the Working Group.



APPENDIX ONE

Sample FY21 Report for Members

Society Activities

ACS has a declared set of objects centred around the advancement of ICT professional excellence and standards of knowledge. During financial year 2020/21 (FY21) ACS delivered many important services aligned with its objects. These included member certification, professional development events, networking events, promotion of membership both directly to professionals and students and to employers under the Professional Partners Program (PPP) scheme, accreditation of educational service providers, assessment of the IT skills of overseas visa applicants, delivering Workforce Development Programs, administering the Professional Year Program, public policy contributions, publications, SFIA-related activities, Code of Ethics and professional standards work, information resources and advocacy for members' interests.

ACS operates a Branch in every state and territory, some of which have scale and generate significant membership and event revenue, and others of which are supported for the purpose of delivering ACS objects broadly across all states and territories of Australia in accordance with the objects.

ACS also operates several aligned activities under separate names. *River City Labs*, *Harbour City Labs* and *Bay City Labs* (Innovation Labs in Brisbane, Sydney and Melbourne) deliver strategic and operational support including workspaces to technology focussed start-ups and scale-ups, that in turn promote the growth of Australia's ICT industry and ability to employ ICT professionals. Association for Data-driven Marketing and Advertising (*ADMA*) provides regulatory assistance, education, training, networking opportunities and thought leadership to businesses and employees that utilise data driven marketing technologies. Finally, *IAPA* the Institute of Analytics Professionals in Australia, is part of the *ADMA Group* and promotes the growing strategic role played by data analytics and associated technologies in business.

In early 2021, improvements were made to financial transparency, within Congress, to Branches and also to Members. This report from Congress to Members forms part of the improvements in financial reporting.

Environmental Impacts

The whole of FY21 was affected by the COVID pandemic, and the restrictions on economic and social activities imposed by governments to reduce the pandemic's health impacts.

Whilst ACS offices closed for much of the year, many events were transitioned to online delivery. The Society decided to defer membership renewals for six months, which retained members during a time of uncertainty. All users of ACS offices were impacted including Members, Staff and Innovation Lab Residents.

Other COVID impacts included ACS having to manage uncertainty around Skilled



Migration volumes and Professional Year applications. The impact of COVID will be felt for many years to come on the pipeline of these important potential members of ACS and drivers of growth for Australia's ICT profession.

Revenue

ACS undertakes several professional activities, which supplement membership fees and investment income, resulting in \$51m in total revenue to the Association during FY21. The largest sources of revenue are fees for the Professional Year Program and for Assessment of the ICT skills of overseas visa applicants. Together with Workforce Development Income these total \$42.5m of ACS total Revenue.

Membership Fees held steady compared with the previous year at around \$3.1m. The ongoing acquisition of new members, primarily through the Professional Partnership Program (PPP) with employers, has sustained membership numbers overall, despite ongoing falls in individual member numbers. In addition, there has been drop in numbers of Professional Division members and an increase in numbers at the Associate level.

Expenditure

ACS total expenditure was \$45.8m, nearly 75% of which is spent on People and Premises. People related costs include Salaries and related payments of \$19.4m, and Contractor payments of \$8.0m used primarily as part of the delivery of major revenue streams listed above. Premises-related costs including lease expenses total \$8.0m.

Impairment testing at the end of FY21 resulted in nearly two-thirds of the goodwill on acquisition of the ADMA group being written off to a total of \$1.8m. All other expenditure of \$8.6m is spread across categories including: events and meetings, travel and accommodation, marketing, sponsorship, technology, and administrative expenses.

Operational investments (included in the expenditure above) continue being made for ACS Branches, Innovation Labs and the ADMA Group. During FY21 ACS provided additional funding of \$2.7m into the Branch Network, \$1.8m into the Innovation Labs and \$1.4m into ADMA. The investments are made with a view to nurturing their growth, ability to service members and supporting them through the difficult COVID environment. It should be noted these amounts do not include the value of shared services provided by National Office to all parts of ACS.

Balance Sheet

Overall ACS delivered a better than expected \$5.2m surplus and continues to have a very strong Balance Sheet. The strength of ACS Balance Sheet gives us confidence the Society can continue to serve the Profession and withstand future environmental shocks. ACS now has Net Assets or Members' Funds of \$38m overall, including a portfolio of investments totalling \$18m and shorter-period Term Deposits of \$8m.