

AGENDA ITEM 10

AUDIT & RISK MANAGEMENT COMMITTEE

Date: 20th May 2015

NAME OF PAPER: REVIEW OF PAYMENTS MADE TO SPONSORING ORGANISATIONS

Appendices: 1. KPMG Review of Payments made to Cbus' Sponsoring Organisations
2. Management Response to KPMG report

Presenter: Angela Thurstans, Executive Manager Governance & Risk
Keith Wells-Jansz, Executive Manager Finance & Corporate Services
Chris Lockwood, General Manager Industry Relationships
Stephen Spiller, Executive Manager Strategy and Performance

EXECUTIVE SUMMARY:

The scope of the review was to undertake a review of payments made to Cbus Sponsoring entities and any other associated entities and individuals. The period of review was for FY 2010 to FY 2014 and involved KPMG accessing Cbus accounting records including direct access into the general ledger and sponsorships folders and reviewing and reconciling payments identified to relevant supporting documents.

The review has now concluded and KPMG have prepared a report setting out their factual findings.

Management has reviewed the report and has prepared a Report setting out proposed changes to how Sponsorships are approved and monitored.

The Committee should note that management of Sponsorships has as part of the recent organisational restructure been transferred to the Strategy and Performance Business Unit.

RECOMMENDATION:

The Committee is asked to NOTE the report and to APPROVE the changes to the delegations in relation to Sponsorships.



**United Super Pty Ltd trustee for Cbus
Superannuation Fund**

**Review of payments made to
Cbus' Sponsoring
Organisations**

13 May 2015

This report contains 23 pages

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United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
 KPMG Forensic Pty Ltd
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Contents

1	Executive summary	1
1.1	Background	1
1.2	Scope and objectives	1
1.3	Summary of factual findings	1
2	Background	5
2.1	Objective	5
2.2	Agreed scope of work	5
2.3	Structure of the findings section of this report	5
3	Factual findings	7
3.1	Key requirements of Cbus' Sponsorship policy	7
3.2	Process followed by Cbus in making sponsorship payments	8
3.3	Review of payments to Sponsoring Organisations	9
3.4	Review of payments to non-Sponsoring Organisations	16
4	Disclaimers	18
A	Appendix A - Procedures performed	19
B	Appendix B - Source and nature of documentation and information relied upon for the purpose of this report	21



1 Executive summary

1.1 Background

Cbus' members' interests are represented by the Australian Council of Trade Unions (ACTU), Construction, Forestry, Mining and Energy Union (CFMEU), Communications, Electrical and Plumbing Union (CEPU), Australia Manufacturing Workers' Union (AMWU), Australian Workers Union (AWU) and the Master Builders Australia (MBA). (For the purposes of this Report, these organisations are referred to collectively as **Sponsoring Organisations**).

The sponsorship payments made by Cbus are governed by Cbus' sponsorship policy and are made subject to an evaluation against pre-determined selection criteria. The benefit obtained by Cbus from sponsorship payments is recognised as the acquisition and retention of members and superannuation contributions, together with an estimated increase in the Fund's brand value.

KPMG has been advised that, during the financial years FY2010 to FY2014, Cbus' Executive Manager, Workplace Distribution was responsible for the overall management and administration of the sponsorship function. KPMG has been unable to hold discussions with the Executive Manager, Workplace Distribution in relation to the sponsorship function due to her being unavailable during the course of this engagement.

1.2 Scope and objectives

KPMG was engaged to examine supporting information in relation to the payments to the Sponsoring Organisations to establish adherence to the relevant policies and procedures.

The agreed scope of work was to conduct a review of payments to the Sponsoring Organisations for the five financial years (FY) from FY 2010 to FY 2014 (**Period of Review**).

KPMG's scope to achieve the engagement objective was to:

- Obtain access to Cbus' sponsorship policy and relevant financial information including Cbus' General Ledger ('GL') account statements and supporting documentation (**Accounting Records**).
- Examine the Accounting Records and identify payments to Sponsoring Organisations and to other unions and/or associated entities (**non-Sponsoring Organisations**).

1.3 Summary of factual findings

1.3.1.1 Summary of payments

KPMG examined Cbus' accounting records to establish the extent of payments made by Cbus' to the Sponsoring Organisations and non-Sponsoring Organisations during the Period of Review. The records indicate that the payments were processed for sponsorship, advertising and rental expenses. Table 1 below summarises KPMG's findings.



*United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
KPMG Forensic Pty Ltd
13 May 2015*

Table 1: Summary of payments to Sponsoring Organisations and non-Sponsoring Organisations

Entity	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Sponsoring organisation	\$1,130,662	\$1,370,211	\$1,099,693	\$2,172,383	\$1,265,144	\$7,038,095
Non-Sponsoring organisations	\$192,903	\$224,113	\$429,699	\$535,907	\$565,446	\$1,948,068
Total	\$1,323,565	\$1,594,324	\$1,529,392	\$2,708,290	\$1,830,590	\$8,986,163

Included in the summary of payments table above are three payments to the combined value of \$66,272 made to entities identified as having an association with one or more Sponsoring Organisation or non-Sponsoring Organisation. Refer to section 3.3.4 of this report for findings relating to these payments.

KPMG also identified payments to the Canberra Tradesmen Union which represent rental payments totalling \$67,320. KPMG was advised that complete supporting documentation was not available for these rental payments.

1.3.1.2 Sponsorship expenditure approval requirements

According to Cbus' sponsorship policy, the following approval thresholds apply. For payments:

- Greater than \$10,000, approval is to be provided by Cbus' CEO.
- Less than \$10,000 when aggregated over a financial year that exceed \$20,000, approval is to be provided by Cbus' CEO.
- That result in the sponsorship budget being exceeded must be approved by a Marketing and Services Committee.

1.3.1.3 Sponsorship expenditure evidence of approval

Payments > \$10,000

KPMG's examination of the accounting records and supporting documentation revealed evidence of appropriate approval for all sponsorship payments of value greater than \$10,000.

Payments when aggregated over a financial year exceeds \$20,000

KPMG's examination of the accounting records and supporting documentation revealed that, out of 31 instances where the aggregated payments exceed the \$20,000 threshold for a particular Sponsoring Organisation, in a financial year, 11 were not supported by evidence of appropriate approval.

KPMG was advised by Cbus that, due to the different values of sponsorship payments, the process for ensuring appropriate authorisation in these circumstances is onerous. Consequently, the Workplace Distribution team responsible for the sponsorship process will potentially not be aware when aggregated payments exceed the \$20,000 threshold thereby, triggering the requirement for CEO approval.



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Review of payments made to Cbus¹ Sponsoring Organisations
KPMG Forensic Pty Ltd
13 May 2015*

Sponsorship payments that require approval by a Marketing and Services Committee

KPMG has been advised that, in circumstances where actual sponsorship expenditure exceeds the pre-approved sponsorship budget and reforecasts, approval is to be obtained by a Marketing and Services Committee¹. Table 2, below sets out variances where sponsorship expenditure exceeds pre-approved sponsorship budgets.

Table 2: Sponsorship spends as per general ledger accounts as compared to the approved budget and reforecasts

	FY 2010 (AU\$)	FY 2011 (AU\$)	FY 2012 (AU\$)	FY 2013 (AU\$)	FY 2014 (AU\$)
Sponsorship budget allocation	\$600,000	\$950,000	\$764,000	\$1,000,000	\$1,152,000
Sponsorship budget reforecasts	\$158,250		\$151,500		
Total	\$758,250	\$950,000	\$915,500	\$1,000,000	\$1,152,000
Sponsorship expenditure	\$1,240,291	\$898,609	\$1,145,425	\$1,166,727	\$931,499
Expenditure exceeding budget	(\$482,041)	-	(\$229,925)	(\$166,727)	-

KPMG reviewed minutes of the Marketing and Services Committee meeting for the Period of Review and did not identify a record of approval being sought for the sponsorship expenditure in excess of the budget allocation.

1.3.1.4 Controls over the sponsorship payment approval process

Sponsorship payments are initiated by Cbus on receiving a Request Letter from a Sponsoring Organisation. The Request Letter provides details of sponsorship and advertising services. This letter should be transposed into an internal Request for Sponsorship Document where the components of the request for sponsorship are documented and approved in accordance with the Sponsorship policy.

KPMG sought to establish whether sponsorship requests were correctly transposed from the Request Letter and summarised in the Request for Sponsorship Document.

In 20 instances where the funding amount stated in the Request for Sponsorship Document was lower than the funding amount stated in the Request Letter:

- The Request Letter set out separate funding amounts for advertising services and sponsorship services offered to Cbus.
- The Request for Sponsorship Document summarised both advertising and sponsorship services offered by the Sponsoring Organisation, however, the document records only the funding amount for sponsorship services creating the impression to the approvers that all the activities offered by the Sponsoring Organisation were available for a lower value.
- The actual amount paid to the Sponsoring Organisation was the funding amount for both advertising and sponsorship services as recorded in the Request Letter.

¹ KPMG has not been provided with information relating to reforecast budgets to establish the basis on which budgets have been prepared and approved.



*United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
KPMG Forensic Pty Ltd
13 May 2015*

1.3.1.5 Monitoring sponsorship payments

KPMG sought to understand whether opportunities offered by the Sponsoring Organisations and paid for by Cbus were delivered.

In that regard, KPMG was provided with a spreadsheet titled '2013 Schedule of Sponsorship Activities' maintained by the Workplace Distribution team which records some detail relating to the monitoring of sponsorship activity. KPMG has not verified the contents of or, assertions made in this spreadsheet and has not reconciled the spreadsheet to actual sponsorship payments.

Whilst KPMG understands that, there are no formal processes or requirements to track whether agreed sponsorship benefits were delivered for the benefit of Cbus, KPMG established that, 16 Request for Sponsorship Letters specified that a monitoring committee comprising individuals from the Sponsoring Organisation and Cbus should have been put in place to monitor the delivery of benefits. KPMG has not obtained information or sighted documentation evidencing oversight of these sponsorship payments by a monitoring committee.



*United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
KPMG Forensic Pty Ltd
13 May 2015*

Section 3.3

This section sets out a summary of payments made to Sponsoring Organisations and findings from KPMG's examination of these payments.

Section 3.4

This section sets out a summary of payments made to non-Sponsoring Organisations and findings from KPMG's examination of these payments.



3 Factual findings

3.1 Key requirements of Cbus' Sponsorship policy

Cbus' Sponsorship Policy prescribes the selection criteria against which potential sponsorships should be evaluated and sets out the sponsorship approval process.

3.1.1 Selection criteria against which potential sponsorships should be evaluated

A summary of the selection criteria against which potential sponsorships should be evaluated is set out below:

Cbus' sponsorship policy² states that to be considered as one of Cbus' sponsorship partners, the following questions should be considered:

- *Does the Sponsorship proposal fulfil corporate objectives?*
- *Is the reputation of the sponsored organisation sound?*
- *Will the sponsorship proposal reach the defined target audience?*
- *Is Cbus the sole sponsor, or is this sponsorship proposal shared with other organisations?*
- *What are the costs associated with the sponsorship proposal?*
- *What is the benefit expected from the sponsorship proposal?*

The expected benefit to Cbus must be expressed as either the acquisition or retention of superannuation monies or units (expressed in \$ or units) or estimated dollar increase in brand value³

The criteria outlined above were applicable over our Period of Review. In FY 2013, the following additional criteria was added⁴:

- *How does the sponsorship proposal meet the Sole Purpose Test?*

The Sole Purpose Test is contained in Section 62 of the Superannuation Industry (supervision) Act (SIS). It provides that the trustee of a regulated superannuation fund must ensure that the fund is maintained solely for at least one of the core purposes set out in the SIS Act, or for core purposes and one or more prescribed or approved ancillary purposes.

3.1.2 Approval thresholds for sponsorship payments

Approval thresholds for sponsorship payments as provided in Cbus' sponsorship policy⁵ applicable to the Period of Review are set out in Table 4 below:

² Cbus' sponsorship policy 2007 as provided to KPMG by the Executive Manager, Governance and Risk.

³ KPMG has not evaluated whether these criteria have been applied in the selecting of Sponsoring Organisations

⁴ Minutes of the Marketing and Services Committee meeting held on 24 July 2012, as provided to KPMG by Executive Manager, Governance and Risk.

⁵ Dated January 2007 and subsequently amended in July 2012.



*United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
KPMG Forensic Pty Ltd
13 May 2015*

Table 4: Approval thresholds for sponsorship payments, as set out by Cbus' sponsorship policy

Sponsorship amount (per transaction)	Approver
Between \$0 - \$10,000	The Business Development Executive. (From July 2012, the approver was changed to Executive Manager, Workplace Distribution ⁶)
Above \$10,000 but within the sponsorship budget	CEO
Below \$10,000, but if the aggregated total paid to an organisation exceeds \$20,000 in a budget year ⁷	CEO
Sponsorships that take total expenditure beyond budget allocation ⁸	Marketing and Services Committee ⁹

3.2 Process followed by Cbus in making sponsorship payments

Cbus advised KPMG on the process followed by the Workplace Distribution team when processing sponsorship payments to Sponsoring Organisations and non-Sponsoring Organisations:

- Step 1: The Sponsoring Organisation submits a request for sponsorship on their letter-head¹⁰ or the 'request for sponsorship funds' form (**Request Letter**). The Request Letter provides details of the sponsorship and advertising services offered by the Sponsoring Organisation and amount of funds applied for.
- Step 2: Based on the Request Letter, Workplace Distribution prepares an internal document entitled 'request for sponsorship' (**Request for Sponsorship Document**). The Request for Sponsorship Document summarises the sponsorship and advertisement services offered by the Sponsoring Organisation, amount of funds requested and proposed benefits to Cbus.
- Step 3: The Request for Sponsorship Document is then submitted to the relevant approvers for their approval and signature in accordance with the approval protocols set out in Cbus' sponsorship policy.
- Step 4: The Executive Manager, Workplace Distribution approves the associated invoice(s) and specifies the GL accounts to which the invoice amount should be posted.
- Step 5: The invoice is then forwarded to the accounts payable (AP) team, where it is processed for payment.
- Step 6: The Request Letter and Request for Sponsorship Document are retained and filed by Workplace Distribution.

⁶ Workplace Distribution is a department in Cbus responsible for managing sponsorships.

⁷ Cbus' budget year is from July to June.

⁸ Budgeted value of sponsorship payments.

⁹ From FY 2012, in addition to approval by the Marketing and Services Committee, endorsement by the Board was also required.

¹⁰ The letter is normally addressed to the Executive Manager, Workplace Distribution or the National Sponsorships Project Manager.



3.3 Review of payments to Sponsoring Organisations

3.3.1 Summary of payments made to Sponsoring Organisations

Based on KPMG's examination of Cbus' accounting records, payments of \$7.03 million were identified in favour of the Sponsoring Organisations over the Period of Review. A summary of these payments by Sponsoring Organisations is set out in Table 5 below.

Table 5: Summary of payments to Sponsoring Organisations

Sponsoring entity	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
ACTU	\$44,731	\$45,030	\$51,458	\$71,767	\$4,879	\$217,865
AMWU	\$45,455	\$101,134	\$725	\$92,253	\$46,256	\$285,822
AWU	\$71,364	\$247,155	\$196,861	\$220,355	\$205,145	\$940,881
CEPU	\$67,542	\$74,714	\$5,156	\$141,294	\$14,183	\$302,889
CFMEU	\$412,072	\$479,097	\$429,311	\$971,373	\$604,090	\$2,895,943
MBA	\$489,499	\$423,082	\$416,182	\$675,341	\$390,591	\$2,394,692
Total	\$1,130,662	\$1,370,211	\$1,099,693	\$2,172,383	\$1,265,144	\$7,038,095

3.3.2 Evaluation of approval of sponsorship payments

As described in Table 4, Cbus' sponsorship policy describes payment approval requirements based on the sponsorship payment values and comparison of actual sponsorship expenditure to the budget. KPMG's review of the approval of sponsorship payments are provided below.

3.3.2.1 Sponsorship amounts between \$0 - \$10,000

KPMG identified 31 transactions falling within this range. The transactions were approved as required by Cbus' sponsorship policy.

3.3.2.2 Sponsorship amounts above \$10,000 but within sponsorship budget

Sponsorship transactions falling within this range were approved as required by Cbus' sponsorship policy.

3.3.2.3 Sponsorship amount below \$10,000 but when aggregated exceeds \$20,000 in a budget year

As described in Table 4, the sum of sponsorship payments to a particular Sponsoring Organisation that exceed \$20,000 in a budget year require approval by the CEO. Evidence of the CEO's approval for these sponsorship payments should be recorded in the Request for Sponsorship Document.

Accordingly, KPMG reviewed the Request for Sponsorship Documents for transactions falling in this category to identify evidence of CEO approval. The review revealed 11 out of 31 transactions



*United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
KPMG Forensic Pty Ltd
13 May 2015*

where there is no evidence of CEO approval on the Request for Sponsorship Document (see Table 6 below).

Table 6. Payments to sponsoring organisations without approvals

Invoice date	Relevant financial year	Name of the Sponsoring Organisation	Sponsorship amount (AU\$)	Aggregated amount paid to the Organisation before invoice date (AU\$)
5 May 2010	FY 2010	MBA NSW	\$3,100	\$354,076
9 August 2010	FY 2011	MBA ACT	\$4,500	\$70,000
9 September 2010	FY 2011	CFMEU SA	\$2,727	\$60,000
1 November 2010	FY 2011	AWU NSW	\$5,000	\$22,500
13 November 2010	FY 2011	MBA Victoria Gippsland Region	\$1,300	\$70,000
9 December 2010	FY 2011	MBA Victoria Northeast Region	\$1,400	\$70,000
30 September 2011	FY 2012	MBA ACT	\$4,500	\$70,000
2 December 2011	FY 2012	MBA Victoria Northeast Region	\$1,400	\$70,000
26 March 2013	FY 2013	CEPU WA	\$5,000	\$55,000
12 June 2013	FY 2013	CEPU SA	\$2,000	\$115,000
29 October 2013	FY 2014	CFMEU	\$2,500	\$23,750
		Total	\$33,427	

It is relevant to note that Cbus' sponsorship policy does not define the term organisation. For the purposes of this work, KPMG has treated separate branches of an organisation as a single organisation.

KPMG was advised by Cbus that, due to the different values of sponsorship payments, the process for ensuring appropriate authorisation in these circumstances is onerous. Consequently, the Workplace Distribution team responsible for the sponsorship process will potentially not be aware when payments aggregated exceed the \$20,000 threshold thereby, triggering the requirement for CEO approval.

3.3.2.4 Approval of sponsorship payments that take total expenditure beyond budget allocation

As mentioned in Table 4, any sponsorships which take the total value of sponsorship expenditure beyond the budget allocation, should be approved by the Marketing and Services Committee. In order to undertake this work, it was necessary to establish any variances between sponsorship expenditure and sponsorship budgets.

Sponsorship budgets

To identify the budget allocation, KPMG obtained information for budgeted sponsorship expenditure from Cbus which record the budget and reforecast amounts for sponsorship during the Period of Review, as provided in Table 7 below.



United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
KPMG Forensic Pty Ltd
 13 May 2015

Table 7: Budget and reforecast amounts for sponsorships

	FY 2010 (AU\$)	FY 2011 (AU\$)	FY 2012 (AU\$)	FY 2013 (AU\$)	FY 2014 (AU\$)
Sponsorship budget allocation ¹¹	\$600,000	\$950,000	\$764,000	\$1,000,000	\$1,152,000
Sponsorship budget reforecasts ¹²	\$158,250		\$151,500		
Total	\$758,250	\$950,000	\$915,500	\$1,000,000	\$1,152,000

KPMG requested a breakdown or working papers that set out a description of the budget and reforecast amounts to establish the basis on which the budget was prepared and approved. KPMG did not obtain the requested documentation that specifically identifies these budget and reforecast allocations. KPMG was advised by Cbus that managing budgets primarily at a cost centre level, can result in some individual expenditure items being greater than budget and others being less than budget.

Sponsorship expenditure

To identify the complete extent of sponsorship expenditure from the accounting records, KPMG sought to understand the process of posting sponsorship expenditure to GL accounts. KPMG was advised that sponsorship expenditure is posted in accordance with instructions from the approving manager which is recorded on invoices. Accordingly, KPMG reviewed the allocation of sponsorship payments to the GL. The value of sponsorship payments posted to the 'sponsorship general ledger account' is provided in Table 8 below.

Table 8: Sponsorship expenditure posted to the 'sponsorship account' in the GL

	FY 2010 (AU\$)	FY 2011 (AU\$)	FY 2012 (AU\$)	FY 2013 (AU\$)	FY 2014 (AU\$)
Sponsorship expenditure posted to the 'sponsorship account' in the GL. ¹³	\$1,240,291	\$806,428	\$587,218	\$864,152	\$931,499

Sponsorship expenses posted to other GL accounts

Additionally, from the review of invoices, KPMG observed that in FY 2011, FY 2012 and FY 2013, sponsorship expenses of \$92,181, \$558,207 and \$302,575 respectively were posted to other GL accounts as indicated in Table 9 below:

Table 9: Sponsorship expenses posted to other GL accounts

	FY 2010 (AU\$)	FY 2011 (AU\$)	FY 2012 (AU\$)	FY 2013 (AU\$)	FY 2014 (AU\$)
Member Marketing Initiatives GL account	-	\$92,181	\$305,158	\$302,575	-
Branding expenses GL account	-	-	\$152,727	-	-
Employer Marketing Initiatives GL account	-	-	\$100,322	-	-
Total	-	\$92,181	\$558,207	\$302,575	-

¹¹ Sponsorship budget information provided by the Executive Manager, Finance and Corporate Services.

¹² Sponsorship reforecast information provided by the Executive Manager, Finance and Corporate Services.

¹³ As per Cbus' accounting records.



*United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
KPMG Forensic Pty Ltd
13 May 2015*

KPMG sought to understand the rationale for posting sponsorship expenses to other GL accounts. Cbus informed KPMG that the accounts payable team reviews invoices and post entries to the GL based on the GL account information recorded on relevant invoices. Accounts payable do not undertake steps to validate whether allocated GL accounts are correct and appropriate for associated transactions. In the absence of explanation from the Executive Manager, Workplace Distribution, Cbus may consider further examination of the reasons for posting sponsorship expenditure to other GL accounts.

Total sponsorship expenditure

Total sponsorship expenditure identified from Cbus' accounting records for the Period of Review is provided below in Table 10:

Table 10: Total sponsorship expenditure

	FY 2010 (AU\$)	FY 2011 (AU\$)	FY 2012 (AU\$)	FY 2013 (AU\$)	FY 2014 (AU\$)
Sponsorship expenditure as posted to the 'sponsorship account' in the GL (refer Table 8)	\$1,240,291	\$806,428	\$587,218	\$864,152	\$931,499
Add: Sponsorship expenses posted to other GL accounts (refer Table 9)	-	\$92,181	\$558,207	\$302,575	-
Total sponsorship expenditure	\$1,240,291	\$898,609	\$1,145,425	\$1,166,727	\$931,499

Table 11 below sets out the variance between actual sponsorship expenditure against the reforecast budget. We established that sponsorship expenditure was higher than the budget in the three financial years (FY 2010, FY 2012 and FY 2013). The sponsorship expenditure was below the budget allocation in FY 2011 and FY 2014.

Table 11: Sponsorship spends as per general ledger accounts as compared to the approved budgets

	FY 2010 (AU\$)	FY 2011 (AU\$)	FY 2012 (AU\$)	FY 2013 (AU\$)	FY 2014 (AU\$)
Sponsorship budget allocation	\$600,000	\$950,000	\$764,000	\$1,000,000	\$1,152,000
Sponsorship budget reforecasts	\$158,250		\$151,500		
Total	\$758,250	\$950,000	\$915,500	\$1,000,000	\$1,152,000
Sponsorship expenditure	(\$1,240,291)	\$898,609	\$1,145,425	\$1,166,727	\$931,499
Expenditure exceeding budget	(\$482,041)	-	(\$229,925)	(\$166,727)	-

Approval by the Marketing and Services Committee

Having established the extent of expenditure that exceeds budget reforecasts, KPMG reviewed minutes of the Marketing and Services Committee meeting for the Period of Review and did not identify evidence of the required approval of the sponsorship expenditure that exceeded the reforecast budget allocations described in Table 11.



3.3.2.5 Controls over approval process

As mentioned in section 3.2, sponsorship payments are initiated on receipt of a Request Letter from a Sponsoring Organisation. The Request Letter should provide details of sponsorship and advertising services offered to Cbus and the value of funding sought in return. Workplace Distribution then prepares an internal document known as the Request for Sponsorship Document where the services offered are summarised and funding requested is stated. The Request for Sponsorship Document is then signed by the relevant approvers as required by Cbus' sponsorship policy.

It is evident from the above process that approvals are only recorded in the Request for Sponsorship Document. Further, there is no documentary trail to verify whether the approvers are provided access to the Request Letter to check whether services and funding are correctly summarised in the Request for Sponsorship Document.

Accordingly, KPMG sought to understand whether facts from the Request Letter were correctly summarised in the Request for Sponsorship Document. A review revealed the following:

20 instances (see Table 13 below), where the funding amount stated in the Request for Sponsorship Document was lower than the funding amount stated in the Request Letter, as explained below:

- The Request Letter set out separate funding amounts for advertising services and sponsorship services offered to Cbus.
- The Request for Sponsorship Document summarised both advertising and sponsorship services offered by the Sponsoring Organisation, however, recorded only the funding amount for sponsorship services creating the impression to the approvers that all the activities offered by the Sponsoring Organisation were available for a lower amount
- The actual amount paid to the Sponsoring Organisation was the funding amount for both advertising and sponsorship services as stated in the Request Letter.

KPMG has not been provided with further information regarding reasons or explanation for recording a lower funding amount in the Request for Sponsorship Document.

KPMG was advised that, only the invoice is sent to AP for processing. The Request for Sponsorship Document, where approvals are recorded is not attached with the invoice. Consequently, AP does not, and is not responsible for detecting any discrepancies between values recorded on invoices and the Request for Sponsorship Documents.

Table 13: Transactions where approved amounts were lower than the amounts paid

Name of the organisation	Invoice date	Cost in the Request Letter	Cost in Request for Sponsorship document (AU\$)	Invoice amount (AU\$)	Excess (AU\$)
CFMEU C & G Division 14	13 May 2010	Advertising Sponsorship	\$30,000 \$45,455	\$75,455	\$25,455

¹³ CFMEU Construction and General Division



*United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
KPMG Forensic Pty Ltd
13 May 2015*

Name of the organisation	Invoice date	Cost in the Request Letter	Cost in Request for Sponsorship document (AU\$)	Invoice amount (AU\$)	Excess (AU\$)
AWU (VIC)	30 July 2010	Advertising Sponsorship \$20,000 \$15,000	\$15,000	\$35,000	\$20,000
AMWU National office	23 August 2010	Advertising Sponsorship \$30,000 \$20,000	\$20,000	\$45,455	\$25,455
MBA (SA)	1 March 2011	Advertising Sponsorship \$30,000 \$30,000	\$27,273	\$60,000	\$32,727
CFMEU (TAS)	1 March 2011	Advertising Sponsorship \$10,000 \$15,000	\$15,000	\$22,727	\$7,727
MBA (TAS)	8 March 2011	Advertising Sponsorship \$20,000 \$22,010	\$20,009	\$42,010	\$22,001
CFMEU (SA)	3 May 2011	Advertising Sponsorship \$30,000 \$20,000	\$25,000	\$50,000	\$25,000
CFMEU C & G Division	17 May 2011	Advertising Sponsorship \$30,000 \$50,000	\$50,000	\$75,455	\$25,455
AMWU	15 June 2011	Advertising Sponsorship \$30,000 \$20,000	\$20,000	\$45,455	\$25,455
CFMEU (NSW)	20 June 2011	Advertising Sponsorship \$49,000 \$35,000	\$35,000	\$84,000	\$49,000
MBA (SA)	22 February 2012	No split provided \$56,818	\$28,409	\$62,500	\$34,091
MBA (Vic)	10 February 2012	No split provided \$71,272	\$54,000	\$71,272	\$17,272
CFMEU (NSW)	11 September 2012	Advertising Sponsorship \$49,000 \$35,000	\$35,000	\$84,400	\$49,400
CFMEU (SA)	11 October 2012	Advertising Sponsorship \$20,000 \$30,000	\$30,000	\$50,000	\$20,000
MBA (TAS)	16 May 2013	Advertising Sponsorship \$5,000 \$12,000	\$12,000	\$17,000	\$5,000
CFMEU (SA)	5 June 2013	Advertising Sponsorship \$20,000 \$30,000	\$30,000	\$50,000	\$20,000
CFMEU (NSW)	31 May 2013	Advertising Sponsorship \$49,000 \$35,000	\$35,000	\$84,400	\$49,400
MBA (TAS)	20 June 2013	Advertising Sponsorship \$16,000 \$26,000	\$26,000	\$42,000	\$16,000
MBA (Vic)	26 June 2013	MBA Foundation Sponsorship \$30,000 \$60,000	\$60,000	\$90,000	\$30,000
MBA (TAS)	18 June 2014	Advertising Sponsorship \$17,600 \$28,600	\$28,600	\$46,200	\$17,600



Name of the organisation	Invoice date	Cost in the Request Letter	Cost in Request for Sponsorship document (AU\$)	Invoice amount (AU\$)	Excess (AU\$)
					\$517,038
Total					

3.3.3 Monitoring sponsorship activity

KPMG sought to understand the system or processes put in place to verify whether the sponsored services were provided. In that regard, KPMG was provided with a spreadsheet titled '2013 Schedule of Sponsorship Activities' which records some detail relating to the monitoring of sponsorship activity. KPMG has not verified the contents of or, assertions made in this spreadsheet and has not reconciled the spreadsheet to actual sponsorship payments described above.

Additionally, KPMG's review of supporting documentation revealed the requirement to formally monitor delivery of the sponsored services for 16 transactions. The Request for Sponsorship documentation, require the establishment of a Monitoring Committee comprised of individuals from the Sponsoring Organisation and Cbus with a mandate to formally monitor delivery of the agreed services. KPMG has not sighted documents to evidence functioning of a Monitoring Committee and no person from Workplace Distribution could provide any information about this Committee.

3.3.4 Payments to other entities associated with a Sponsoring organisation

During the course of this review, KPMG identified five payments to other entities that, KPMG established are associated with a Sponsoring Organisation¹⁵. Refer to *Table 18* below for further details.

Table 18: Payments to 'not-for-profit' entities

Name of the 'not-for-profit' entities	Association with Sponsoring organisation	Invoice date	Invoice amount (AU\$)	Description recorded on the supporting invoice
1. OzHelp Foundation Ltd. ('OzHelp')	Three ¹⁶ of OzHelp board members hold senior roles in the Sponsoring Organisations	16 May 2013	\$30,000	Sponsorship for the development and production of material in the area of suicide prevention as per email on 10 May 13.
2. OzHelp Foundation Ltd.		3 August 2012	\$9,000	Extra cost incurred for the development and production of materials in the area of suicide prevention as per email on the 8 September 2011.
3. MBA VFL	The invoice for this amount was raised on	10 February 2012	\$27,272	No description

¹⁵ Due to the unavailability of supporting documentation, KPMG has not been able to verify the purpose and approval of these payments

¹⁶ The Deputy Board Chair of Oz Help is also the President of the CFMEU, ACT Branch. A Board Member of Oz Help is also a Board Member of the MBA Group Training and Master Builders National Residential Builders Council. A Board Member. Oz Help is also an Executive Director of MBA, ACT. (source: https://ozhelp.org.au/site/our_people.php)



United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
KPMG Forensic Pty Ltd
 13 May 2015

Name of the 'not-for-profit' entities	Association with Sponsoring organisation MBA letter head Their Registered office address is same as MBA's address	Invoice date	Invoice amount (AU\$)	Description recorded on the supporting invoice
Total			\$66,272	

3.4 Review of payments to non-Sponsoring Organisations

3.4.1 Summary of payments to non-Sponsoring Organisations

Based on Cbus' accounting records, payments of \$1.95 million were made to non-Sponsoring Organisations for the Period of Review.

Table 19: Payments to Non-Sponsoring Organisations

FY 2010 (AU\$)	FY 2011 (AU\$)	FY 2012 (AU\$)	FY 2013 (AU\$)	FY 2014 (AU\$)	Total (AU\$)
\$192,903	\$224,113	\$429,699	\$535,907	\$565,446	\$1,948,068

KPMG has reviewed the payments included in Table 19 above and sighted evidence of approval in terms of Cbus sponsorship policy.

3.4.2 Completeness of supporting information

KPMG sought relevant supporting documentation for the sponsorship payments and were provided files containing Request for Sponsorship Documents over the Period of Review. We were advised that supporting documents could not be located for the transaction set out in Table 20.

Table 20: Transactions for which request for sponsorship documents were not provided

Name of the union	Invoice amount	Invoice number	Invoice date
Building Industry 2000 Plus Limited	\$13,636	1308	28 September 2013

KPMG is unable to comment on whether the above sponsorship payment were authorised in accordance with Cbus' sponsorship policy.

3.4.3 Payments to other entities associated with non-Sponsoring Organisations

KPMG observed one payment to a 'not-for-profit' organisation that is associated with a non-Sponsoring Organisation, the nature of the association is described in below in Table 21 below. Sufficient documentation was not provided to determine the purpose or nature of this payment, as explained below (see Table 21 below).



*United Super Pty Ltd trustee for Cbus Superannuation Fund
 Review of payments made to Cbus' Sponsoring Organisations
 KPMG Forensic Pty Ltd
 13 May 2015*

Table 21: Payment to 'not-for-profit' entities

Name of the 'not-for-profit' entities	Nature of relationship	Invoice date	Invoice amount (AU\$)	Description in invoice
OzHelp Tasmania Foundation Associated Incorporated.	One of OzHelp's Board Members, was associated with the Civil Contractors Federation, Tasmania	27 June 2013	\$20,000	Sponsor and financial support for Ozhelp Tasmania for the period 1/7/2013 to 30/6/2014

An internet search on OzHelp Tasmania Foundation Associated Incorporated revealed that they are a not-for-profit, public benevolent institution and a deductible gift recipient. Whilst the associated invoice states that the payment was for a sponsorship, a Request Letter outlining sponsorship services offered to Cbus and a Request for Sponsorship Document was not provided for review.

Given the lack of information, KPMG is unable to establish the nature or purpose of these payments. Cbus may consider further examination of this matter once the requisite documentation is made available.

3.4.4 Rental payments

KPMG identified payments of \$67,320 to the Canberra Tradesmen Union as rent for office space at Dickson, Canberra for the five financial years from FY 2010 to FY 2014. KPMG was advised by Cbus that these payments relate to rental of a desk for a Cbus employee. KPMG's examination of the rental agreement provided by Cbus in support of this transaction revealed that the document was not signed. No additional supporting documentation was available for review by KPMG.



*United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
KPMG Forensic Pty Ltd
13 May 2015*

4 Disclaimers

Inherent limitations

This report has been prepared as outlined in Section 2. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by Cbus management and personnel / stakeholders consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

Third party reliance

This report is solely for the purpose set out in the Section 2 and for Cbus' information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.

This report has been prepared at the request of Cbus in accordance with the terms of KPMG's engagement contract dated 15 April 2014. Other than our responsibility to Cbus, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.



A Appendix A - Procedures performed

The following procedures were performed:

Obtaining information

The following information was obtained for the financial years 2010 to 2014, unless otherwise specified below:

- List of vendor names ;
- Trial balance;
- General ledger ("GL") account statements for selected vendor accounts;
- Cbus' sponsorship policy over the Period of Review;
- Minutes of the Marketing and Services Committee meetings over the Period of Review;
- Electronic accounting records of Cbus from SAP;
- A list of keywords to search electronic accounting data for transactions that may not have been classified properly;
- Supporting documentation for payments:
 - Scanned invoices;
 - Request letter from Sponsoring Organisation or Non-Sponsoring Organisations requesting sponsorship funding; and
 - Internal approval documentation i.e. document in which approval as required by Cbus' sponsorship policy was documented.
- Cbus Annual Reports over the Period of Review; and
- Marketing and Workplace distribution budgets, where budgeted amount for sponsorship was disclosed.

Identification and review of payments to Sponsoring Organisation and Non-Sponsoring Organisations

The following procedures were performed for the Period of Review, unless otherwise specified below:

- Scrutinised GL account statements to identify payments.
- Using Data Analytics tools, extracted transactions from Cbus' accounts payable data by performing a search on above keywords provided by Cbus.
- Reviewed transactions (where transaction value was above \$1,000) from the GL account statements and transactions extracted through the above keyword search. Review involved testing for the following:
 - Whether payments were properly approved as required by the Cbus' sponsorship policy.



*United Super Pty Ltd trustee for Cbus Superannuation Fund
Review of payments made to Cbus' Sponsoring Organisations
KPMG Forensic Pty Ltd
13 May 2015*

- Whether payments were properly accounted, and
- Whether payments were applied for the agreed purposes.
- As a part of the above review, a reconciliation was performed between the Sponsorship GL accounts and the approved budgets:
- Performed background searches of publicly available information on selected vendors to establish affiliations with Sponsoring Organisation and non-Sponsoring Organisations, if any.
- Identified Directors' fees from the GL accounts.
- Reconciled Directors' fees from the GL accounts with disclosures in Cbus' annual reports.
- Held discussions with the Executive Manager, Governance and Risk and Executive Manager, Finance and Corporate services to clarify queries arising from the above review.

Management Response

This is a response from Cbus management to the report, outlining steps that have already been taken to improve processes and proposed changes to policy and delegations aimed at improving transparency and governance in relation to Sponsorships. This report is being made to both the Audit & Risk Management Committee and Member and Employer Services Committee.

Further reporting will be provided to both Committees outlining the progress on the implementation of new internal processes and controls.

New Structure and Accountabilities

As a part of the recent restructure within Cbus, it was decided to move responsibility for management of the sponsorships program into a new team focussed on the strategic management of industry partnerships across the fund. The Industry Partnerships team sits under Strategy & Performance, working independently of, and consultatively with, the Member and Employer Experience divisions.

The General Manager Industry Partnerships (Chris Lockwood) has responsibility for the sponsorships budget, and is overseeing the development and implementation of improved and refined approval, review and reporting processes. These will deliver stronger governance practices and budgetary oversights with improved transparency of the program work through to committees and the Board.

As a part of this change, there has also been a shift in the language used to describe the work previously done under the "Sponsorships" banner. It has been decided to refer to the agreements going forward as "Industry Partnership Agreements". Where a greater focus will be placed on maximising beneficial outcomes for both parties, helping position Cbus as a recognised long term partner of value and influence across our industries. This will signal a move away from the idea of Cbus providing payment for services/benefits in a one way transaction, and move to a point where we are engaging with Partner Organisations to deliver programs of mutual benefit.

New Approval Processes

Partnership Agreement negotiation and approval will be supported by regular engagement with the Member and Employer experience Divisions. (GM Workplace Service; GM Member Marketing; GM Employer Service; GM Employer Marketing).

Alongside the proposed amendments to the delegations, a strengthened approvals process is being implemented, with recommendation and approval in all cases involving at least two staff from at least two business divisions (Strategy & Performance and Member or Employer Experience) as well as the CEO as required under the delegations.

Amongst other changes, the Partnership Agreement master list will be updated to include functionality to highlight aggregate spending thresholds for any organisation that would under the policy require CEO approval for new agreements.

These changes deliver a more robust approval process with less reliance on a single subjective opinion and greater transparency across the business.

Single Budget Line

In the FY15 and previous budgets different elements of the sponsorship program agreements were allocated to separate budget lines for "Advertising" and "Sponsorship", at times sitting in separate teams budgets between Workplace Distribution and Marketing/Communications.

A decision has been made to implement a single budget line for all new agreements from the FY16 budget going forward. An important step in streamlining tracking and reporting of expenditure in this area.

An overall master list of Partnership Agreements will be maintained by the Industry Partnerships team. A reconciliation of this list with the general ledger will be performed twice a year to ensure consistency, and highlight any anomalies in the records for review and rectification.

In the occasional circumstance where a sponsorship payment will be made from a different budget line, the rationale will be documented in the sponsorship approval process, and the details noted in the Partnership Agreement master list.

These changes will ensure better overall governance with clear reporting on financials simplifying the budget oversight across the organisation.

Benefit Analysis

Alongside the introduction of the new approvals process, FY16 will see the development of a more structured approach to analysing the benefits delivered through the Industry Partnerships Agreements. The Industry Partnerships team will develop processes and systems to track agreement implementation of and effective benefit delivery through Partnership Agreements.

Some advertising and marketing channels used in the delivery of benefit through the agreements lend themselves better to quantitative tracking and reporting than others. To assist in delivering improved benefit and transparency of outcomes, it is intended to engage a consultant with a strong commercial marketing and advertising background to review the benefits in current agreements, and provide insights on improvements that will deliver increased benefits and more readily tracked outcomes.

These changes will support the delivery of better and more tangible outcomes through the agreements program.

Internal Audit Review

Sponsorships will also form part of the standing items for Internal Audit review.

Ongoing Monitoring and Review

The Industry Partnerships Team will develop systems and processes to facilitate the ongoing review and tracking of agreement implementation through the year. A joint monthly assessment panel will

be established with the relevant staff from the Member and Employer Experience divisions to monitor agreement development, implementation and budget.

A formal annual review involving the relevant Executives and GMs from Strategy & Performance, Office of the CEO, G&R, Member and Employer Experience divisions will be held in the first quarter of the year. This will be timed to allow for review of the performance of current financial year's agreements, ahead of budget preparation for the coming financial year.

Reporting

The stronger focus on structured benefit analysis will facilitate the delivery of more meaningful reporting on the Industry Partnerships program. An up to date report on all work with Industry Partnerships Agreements, including a list of all new agreements made will be delivered to each M&ESC meeting. And an annual review of the full program implementation work and benefits delivered will be delivered to the M&ESC in the first quarter of each new financial year for the work of the previous financial year.

Proposed Delegations

Current delegations are based on historical organisational structures. With the new Organisational structure and improved governance and reporting practices across the Industry Partnerships Agreements program, it is proposed that new delegations be implemented to support the effective roll out of the new approval processes underpinned by the strengthened tracking and review processes.

The proposed delegations below are supported by the stronger consultative approach in the new approvals process. Where oversight of all agreements comes from across the Strategy & Performance, Member and Employer Experience divisions.

With stronger governance practices and increased responsibilities flowing through the new organisational structure, the new delegations are proposed to provide a good balance between appropriate accountability and responsibility.

Current Delegations:

Up to \$10,000 - Executive Manager, Workplace Distribution
\$10,000 or more - CEO

Proposed Delegations

Up to \$30,000 - General Manager, Industry Partnerships
(with recommendation signoff by relevant GM from Member or Employer Experience)
\$30,000 to \$75,000 - Executive Manager, Strategy and Performance
(with recommendation signoff by GM Industry Partnerships & relevant Executive from Member or Employer Experience)
\$75,000 or more - CEO
(with recommendation signoff by GM Industry Partnerships, Executive Strategy and Performance & relevant Executive from Member or Employer Experience)

Once the final structure is in place across the organisation, the recommending roles noted above will be built into the updated policy overseeing this work.

Sponsorship Policy Review – rename to Industry Partnership Agreements Policy

As outlined above, refined and improved systems and processes will be delivered as a part of the new Industry Partnerships Model. To support more manageable and effective governance of the team's work, the current Sponsorship Policy will be reviewed. The General Manager Industry Partnerships will undertake this review in consultation with the Executive managers from Governance and Risk, Strategy and Performance, Member and Employer Experience.

A draft "Industry Partnership Agreements Policy" will be developed for consideration by the M&ESC for approval as a replacement to the current Sponsorships Policy.

Observations on Key Findings by KPMG

Aggregate sponsorship over \$20k, not signed by CEO (1.3.1.3, 3.3.2.5)

Mitigations to address this risk addressed in item "New Approval Process" above

Budget overrun without MSC approval (1.3.1.3, 3.3.2.4)

Mitigations to address this risk addressed in items "Single Budget Line" and "Ongoing Monitoring & Review" above

Invoice paid greater than signed approval document (1.3.1.4, 3.3.2.3)

Mitigations to address this risk addressed in items "New Approval Process" and "Internal Audit" above

No monitoring systems/processes (1.3.1.5, 3.3.3)

Mitigations to address this risk addressed in item "Ongoing Monitoring and review" above

Rental Payments-ACT Office (1.3.1.1, 3.4.4)

This is being followed up by the GM, Corporate Services

Sponsorship Expenses posted to other GL accounts (3.3.2.4) pg12

Mitigations to address this risk addressed in items "Single Budget Line" and "Internal Audit" above