

Governance Frameworks: Building the Framework

Components of the lighthouse model	Drafting tips
Lay solid foundations for management and oversight	
<p>1. Strategic – business plans exist and are provided to key stakeholders</p>	<ul style="list-style-type: none"> • Include a requirement that the agency prepare a rolling 3 year strategic plan by a certain date each year and distribute it to key stakeholders within 14 days of finalisation. • Key stakeholders to be identified in the Governance Framework. These are likely to include the Chief Executive, the Board of Directors if the authority is a state owned corporation, the relevant Minister and Treasurer. • Include a requirement to prepare a one year business plan and distribute it by 30 June each year.
<p>2. Regular reporting against strategic and business plans to CEO, Board and Minister</p>	<ul style="list-style-type: none"> • External board members or advisory groups should provide in-confidence feedback on performance to the chief executive and possibly senior management. • A briefing note to the Minister and Treasurer should be provided each year to report on implementation of the plans.
<p>3. Clear accountability and delegations:</p> <p>Restoring accountability is a key driver for the O’Farrell NSW Government. As part of the <i>NSW 2021: A Plan to Make NSW Number One</i> policy (released last year) agencies should ensure their governance frameworks include transparency, access to government information and involve the community in decision making where possible.</p>	<ul style="list-style-type: none"> • Identify different categories of decisions (e.g. by dollar value or non-pecuniary impact). Identify the appropriate decision maker for each category of decision. For example, expenditure of <\$20M to be determined by Project Director; expenditure of >\$20M to be approved by the Chairman and Chief Executive; expenditure not within the approved budget or forward estimates to be approved by the Budget Committee of Cabinet. • Include a tiered approval mechanism, e.g. Project Director, Chairman’s Group, Board, Chairman, Chief Executive, Senior Project Group, Project Review Group, Minister, Budget Committee of Cabinet. • Include requirements for time frames for approvals, documentation of decisions and associated reasons and record keeping. • Keep in mind the potential need to provide a clear document path for the Auditor-General.
Structure to add value	
<p>4. Well defined set of key committees responsible for high level direction and control</p>	<ul style="list-style-type: none"> • State owned corporations must have a board; all other agencies should have an executive committee. Other separate committees that could be established include finance, remuneration, consultative forums and, where appropriate, a safety committee. • The objectives, roles and power of committees should be well-documented. In particular, whether they have the power to bind the agency. • Identify the number of committee members, regularity of meetings and quorum requirements.

Ethical and responsible decision-making

<p>5. Code of Conduct exists</p>	<ul style="list-style-type: none"> • Include a: <ul style="list-style-type: none"> - conflict of interest policy - standard of professional and ethical behaviour - core organisational values - training requirement (e.g. that each employee must complete an annual training module or refresher course) - risk management policy - grievance procedure • These may be included within the Governance Framework, or exist as separate policies and cross-referred to.
<p>6. Fraud and corruption control program exists</p>	<ul style="list-style-type: none"> • Include a requirement to undertake a fraud risk assessment each year, identifying risks, level of severity and mitigants or controls. • Provide for employee and consumer awareness training. • Establish a process or chain of command for internal reporting of actual or suspected fraud/corruption.
<p>7. Compliance management</p>	<ul style="list-style-type: none"> • Identify laws and government directions relevant to the agency or project. • Establish an audit process involving a regular (annual or six monthly) compliance reviews. • Identify a lawyer (internal or external) that can advise on legal compliance as and when queries or concerns arise.
<p>8. Diversity policy</p>	<ul style="list-style-type: none"> • Ensure policy caters for all levels of diversity, such as gender, age, disability, race. • Require an annual report on diversity of employees.

Safeguarding integrity in financial reporting

<p>9. Audit and Risk Committee exists</p>	<ul style="list-style-type: none"> • Establish an Audit Charter that sets out roles, responsibilities, general scope of activities and structure; review charter annually. • An independent chairperson, not chairperson of the Board. • A majority of independent members (at least three); no senior management on the committee; at least one member who is a qualified accountant or financial professional with experience in accounting; members who are able to read and understand financial statements; members with an understanding of the agency/project industry. • Meet monthly. • Provide an independent check on the integrity of financial management; assess whether stakeholders are receiving value for money systems, services and projects; review and consider accounts; undertake an annual performance review; receive and review internal and external audit reports; review and recommend Audit Plans to the Board, review risk assessment, budget, staffing, and/or organisational structure.
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10. Internal and external affairs audit exist	<ul style="list-style-type: none"> • Invite a representative of the Australian National Audit Office or NSW Audit Office to partake as an observer in internal audit plans, to ensure internal plans are coordinated with external auditor plans. • Create and approve an internal audit annual plan based on addressing recognised risks. • Record the completion, report and follow-up of the previous year's audit.
11. CEO and CFO sign off on financial reports to the Board	<ul style="list-style-type: none"> • Sign off should be dependent on satisfaction that reports present a "true and fair" view of the organisation's financial position and operational results, and accord with accounting standards and the Finance Minister's Orders.
Timely and balanced disclosure	
12. Annual report published on time	<ul style="list-style-type: none"> • Identify the person/title who has responsibility for ensuring this requirement is met in accordance with reporting obligations.
13. A continuous disclosure policy exists and is publicly available on the agency's website	<ul style="list-style-type: none"> • Policies should require state owned corporations to keep shareholder ministers advised of events and developments that a reasonable person would expect to have a material effect on the company. • Mechanisms should be formalised in governance frameworks to ensure that key performance indicators are reported publically on the agency's website.
Executive remuneration - fair and responsible	
14. Executive performance evaluation based on strategic and business plan outcomes	<ul style="list-style-type: none"> • Planning and evaluation may be assisted by the use of the Public Service Commissioner's <i>Annual State of the Service Report</i>. • Executive remuneration should be linked to performance outcomes. •
Recognise and manage risk	
15. Risk management program in place	<ul style="list-style-type: none"> • Governing bodies (boards, executive committees and audit committees) should detail the risks facing the whole organisation and major policy developments and/or operational tasks or projects. • Integrate risk management into the strategy and planning process, and provide for training, education, monitoring and review. • Include reports for knowledge sharing, job redesign, and succession planning in the risk management program. • Require senior executive meetings to discuss talent management strategy and initiatives at least twice each year to help foster a "cascade approach" where talent management is planned and initiated at the operational level.
16. CEO and management sign-off on adequacy of internal controls	<ul style="list-style-type: none"> • Sign off should be dependent on satisfaction that internal risk controls represent practical and sufficient methods of minimising risks to as low as reasonably possible ('ALARP').

Key stakeholder management**17. Key stakeholder communication plan exists**

- From a consultative forum, or other official consultative process.
- Provide a user-friendly website and up-to-date information on request via email.
- Require regular meetings with groups of staff and managers, particularly with those who come into contact with the organisation's boards and committees.