

No 11 Governance and Accountability in Today's Risk Averse Community

How can Boards and Heads best meet accountability obligations and make informative strategic decisions within an ethical framework?

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Definition of Governance

- The system by which entities are **directed and controlled** – Australian Standard.
- The arrangements for overall control and direction of the organisation, normally in the form of **authority** conferred by the membership (or key stakeholders) on a board or committee.
- Corporate Governance also affects an organisation as a whole including the agencies **purpose, values, culture, stakeholders**, including employees and mode of **operation**. - D Fishel
- The traditional duties of the board are internal. They are to ensure that **strategy planning** is soundly based and implemented, **appointing** the highest-quality chief executive with a robust plan for **succession**, making sure that the company had adequate **controls, audit and compliance** systems in place, and **preventing and managing crises**. To these should be added a concern for the companies **reputation for good governance** – Uren.

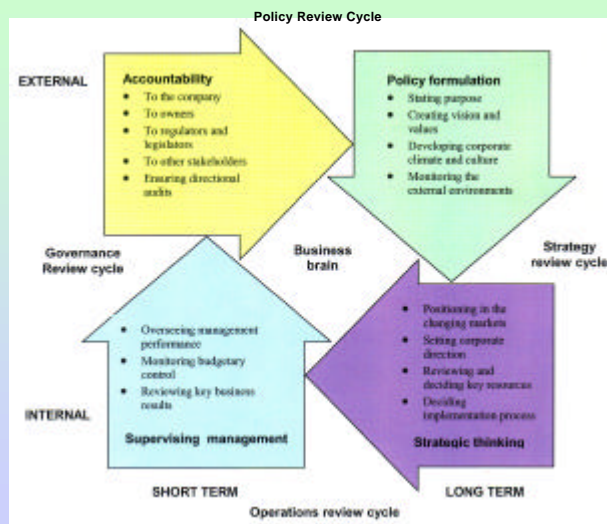
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Increasing Tensions

- How can Boards perform and conform at the same time?
- How much conformance is needed to perform?
- The development of meaningful benchmarks that allow for effective decision-making.
- Ethical decision-making in a diverse and often frequently secular market place.
- Responsibilities of boards to ensure they demonstrate support for the CEO and maintenance of asking the right questions along the way.
- Which intelligence is the best intelligence?
- Increasing demands on volunteers in the not-for-profit sector.

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Full Learning Model Board from David Fishel



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“Tricker Model” – Source KPMG Seminar

| | | |
|------------------------|-------------------------------------|-----------------------------|
| Tricker’s Model | Compliance Roles | Performance Roles |
| External Roles | Provide Accountability | Strategy Formulation |
| Internal Role | Monitoring & Supervising | Policy Making |
| | Past & Present Oriented | Future Oriented |

Work with and through CEO

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**Chapter 2D – Officer and Employees
Part 2D.1 – Duties and Powers
Corporations Act 2001**

- 180 (1) Care and Diligence
- 180 (2) Business Judgment Rule
- 181 (1) Good Faith
- 182 (1) Use of Position
- 183 (1) Use of Information

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“Governance is about more than structures and processes: It is about performance. The academic research in fact shows there is very little evidence that structural issues, such as the balance of executives and non executives have a discernable effect on performance.” David Uren

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The following proposition is that:

- **Open and transparent communication between the Board and the CEO including management of timely and accurate information and communication.**
- **An understanding of the social dynamics of Board.**
- **All Board members and the CEO and whoever else is on the Board or as ex officio members understand that they are responsible for all decisions that are made including financial decisions.**

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Open and transparent communication between the Board and the CEO including management of information and communication.

- Standard items (including agreed KPI's developed for that organisation) on Board Management reports that include Internal disclosure of any matters which may place the organisation at risk – workers compensation claims, insurance claims, (basically timely reporting across all legislative areas) HR issues, enrolment analysis and projections, incidents types and numbers, benchmarking of student results, management and financial accounts, summary of events, goals and targets.
- Business intelligence information which includes marketing.
- Development of a Compliance subcommittee to review, eg. policies, controls, insurance schedules, loans and leasing schedules and organise auditor.
- Relationship between Head and the Chair.
- Quarterly and annual analysis.

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All Board Members and the CEO and whoever else is on the Board or as ex officio members, understand that they are responsible for all decisions that re made including accounts.

- Whilst all Boards members shave expertise no-one can sit back and allow other with more expertise to be the experts - training.

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An understanding of the social dynamics of the Board

- Taking time to discuss and explore conflicting points of view and check information
- Conflict of interest declarations on each agenda
- Understanding the role of the Chair
- Obligations – attendance at meetings and reading of materials – oversight by the Chair
- Board appraisal.
- Procedures for exploration of questions/problems to ensure opportunities and risks are explored.

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3.2.1 Board Responsibilities

- from Australian Standard AS800 Good Governance Principles

3.2.3.1 General

- a) The board should be responsible for the strategic direction of the entity. The Board should review and approve the entity; proposed strategy. The objectives of the entity need to be clearly documented in a long term corporate strategy (3 year minimum, updated annually) and an annual business plan together with achievable and measurable targets and milestones.
- b) The Board should approve budget and other performance indicators and review performance against them and initiate corrective action when required. Key performance indicators might include: return to shareholder (where appropriate), cash flows, liquidity, profits, market share, customer satisfactions, productivity, employee attitudes and competitor/benchmark comparisons.
- c) The Board should ensure that policies on key issues are in place and are appropriate.

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- d) The Board should ensure compliance with applicable laws.
- e) The Board should ensure that policies on key issues are in place and are appropriate. The Board should also review compliance with policies (refer AS/NZS 3806).
- f) The Boards should adopt the most effective structure that best assists the governance process. The structure of each Board will be determined mainly by the characteristics of each individual entity. Factors such as history, culture and ownership[structure have significant impact on the board composition.
- g) The Board should approve and foster an appropriate corporate culture matched to the entity's values and strategies (refer AS 8003).
- h) The Board should appoint then chief executive officer and evaluate his or her ongoing performance against predetermined criteria.

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