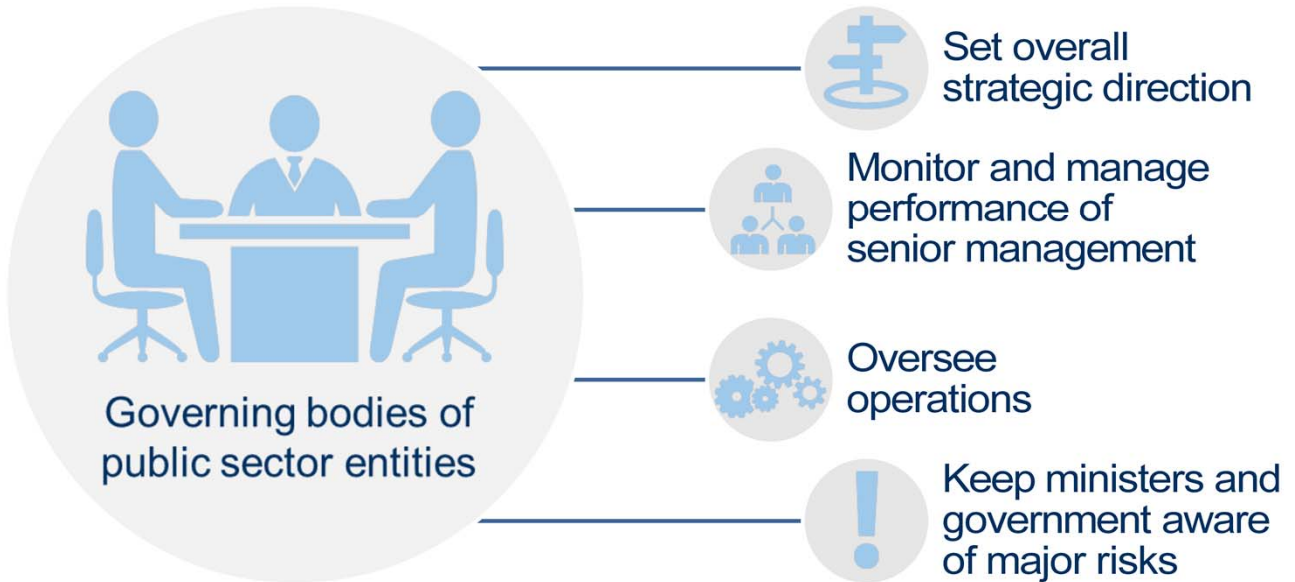


Board Performance

Tabled 11 May 2017

This presentation provides an overview of the Victorian Auditor-General's report *Board Performance*.

Role of boards



Boards are the governing bodies of public sector entities. They set the overall strategic direction for the entity, and monitor and manage the performance of senior management. They also oversee operations, and have an important role in keeping responsible ministers and government departments aware of the major risks that their entities face.

Profile of boards in Victoria

3



3 351
Public sector
entities

Types of boards include:

- Registration boards
- Committees of management
- Public health services



33 000
Board members
(directors)



85%
Of board members
are unpaid

In Victoria, around 3 400 public sector entities are governed by boards with, in total, about 33 000 board members—known as directors. These boards include commercial boards of governance, advisory and regulatory bodies, registration boards, management boards, inquiries, task forces and ad hoc expert panels. Most directors are from outside the public service and 85 per cent of them are unpaid.

Legislative framework and guidelines

4



Relevant enabling legislation

Public Administration Act 2004
Financial Management Act 1994



Additional guidance

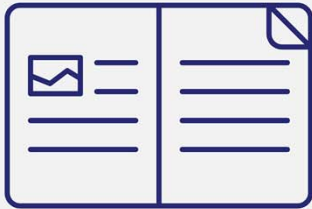
Victorian Public Sector
Commission (VPSC)—
Welcome to the Board
Department of Premier and
Cabinet (DPC)—*Appointment
and Remuneration Guidelines*

The Public Administration Act and Financial Management Act set the framework for good board governance and financial management. We used the Public Administration Act to determine whether portfolio departments and boards are fulfilling their obligations.

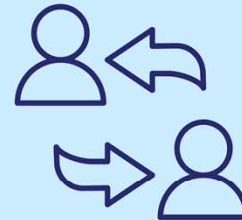
The Victorian Public Sector Commission (VPSC) produces guidance for boards to help them navigate their responsibilities.

Support for boards

5



VPSC issues codes of conduct and guidance



DPC reviews:

- appointments of directors
- *Appointment and Remuneration Guidelines*

Portfolio departments work with public sector entities and provide guidance on public administration and governance. VPSC issues codes of conduct and guidance to help boards achieve high standards of governance. The Department of Premier and Cabinet (DPC) reviews portfolio departments' submissions to Cabinet for appointing board directors and provides assurance that appointments meet the government's Appointment and Remuneration Guidelines.

What we looked at

- Key areas examined**
- VPSC and DPC support for boards
 - Portfolio departments' oversight
 - Assessment of board performance



- VPSC and DPC support for boards
- Portfolio departments' oversight



- Surveyed 212 public sector entities—
CEOs and board chairs



- Four boards in detail:
 - Peter MacCallum Cancer Centre
 - Fed Square Pty Ltd
 - CenITex
 - Box Hill Institute

In this audit, we examined whether boards are performing effectively and contributing to effective governance of public sector entities. We assessed the guidance and support that VPSC and portfolio departments give to the boards of public sector entities. We also surveyed 212 public sector entities to better understand their governance practices and the guidance their boards receive. We also examined four public sector boards in detail.

What we found

7



Most boards demonstrated better practice in most areas of governance and are operating effectively

The significant majority of public sector boards we examined demonstrated better practice in most areas of governance and are operating effectively.

Guidance and oversight

8



- ✓ VPSC's guidance is useful
- ✓ DPC's administration of board appointments is sound



But

- Portfolio departments could improve support for boards and oversight
- Some departments need to gather more information for their minister

Overall, VPSC's guidance is useful and is based on best-practice principles, and DPC's administration of board appointments is sound.

Portfolio departments provide valuable support to boards but could do more to support boards and to oversee their performance. Some portfolio departments do not gather enough information from boards to be able to advise the responsible minister on whether an entity is discharging its duties effectively.

Board governance and practices

9



Boards have effective accountability structures and mechanisms



Need to improve:

- conflicts of interest declarations
- performance assessment of directors
- attracting the required or optimum mix of director skills

Overall, we found that boards have effective accountability structures and mechanisms in place to carry out their roles, although there are opportunities for improvement. Some boards have a significant probity gap in how they manage declarations of conflicts of interest at board meetings and individual director's performance reviews aren't always carried out.

Best practice board governance involves actively seeking to appoint board directors who have the required skills needed and reflect the diversity in Victoria's broader socio-economic make-up. We found that some boards have difficulty attracting directors with particular expertise. For rural boards, directors with legal and financial expertise are particularly difficult to source.

Recommendations

1 recommendation for DPC

Review the *Appointment and Remuneration Guidelines* to better reflect the risks and challenges facing boards

1 recommendation for VPSC

Develop guidance for boards on assessments

2 recommendations for portfolio departments

- Increase their support and guidance for boards to help them assess the performance of boards, manage conflicts of interests
- Better use meetings between the departments and boards to manage risks and activities.

We recommended that DPC review *the Appointment and Remuneration Guidelines* to better reflect the risks and challenges facing boards.

We recommended that VPSC develop further guidance for boards on how to complete board assessments.

We made two recommendations to portfolio departments—that they increase their support and guidance for boards to help them assess the performance of boards, manage conflicts of interest, and that they better use meetings between the departments and boards to manage risks and activities.

All recommendations have been accepted, and some departments have outlined how they are meeting the recommendations.

For further information, please view the full report on
our website: www.audit.vic.gov.au

For further information, please see the full report of this audit on our website, www.audit.vic.gov.au.