

*Performance Audit Report*

**Corporate Governance**

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**Supplement to Volume Two:  
Survey Findings**

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# **Executive Summary**

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## Corporate Governance

Corporate governance is a way of providing stewardship to an organisation. It is the system by which entities are directed and controlled by a board. In recent years it has become an issue in the NSW public sector because of:

- the increase in the numbers of boards
- the costs that boards impose, and
- the increase in the number of entities operating as businesses.

The Audit Office conducted a survey of boards in the NSW public sector. Given the great interest in the survey, its detailed results have been separately published here, as a Supplement to The Audit Office Reports entitled volume one: *Corporate Governance in Principle* and volume two: *Corporate Governance in Practice*. Care should be taken in interpreting the survey data by itself, to avoid general conclusions being drawn which are simplistic. Further evidence of governance has been obtained by The Audit Office from a substantial number of field visits, which are used as case studies in Volume Two.

The survey addressed five specific criteria:

- **That supporting/enabling legislation, governance structures and boards creation processes should facilitate better governance practice.**

There should be open communication between and clear accountability procedures for key stakeholders to assist the clarification of roles, responsibilities and relationships. The survey found that board communication with the Minister was limited and, where it did occur, it was more often with the Chair and/or CEO. In terms of clear accountability for all stakeholders, Ministerial Directions were most often in writing and half of the boards did not detail these directions in the Annual Report.

- **Boards and management should understand their roles, responsibilities and duties and that these should be clearly articulated in legislation.**

Most of the boards possessed information on duties and responsibilities for new directors. Half of the boards provided new directors with copies of legislation and briefed them on their legal duties and responsibilities, while the remainder used one of the means. There was variation in the way in which boards ensured the development of their members' skills. 59% of boards used briefings conducted by experts while 18% arranged formal courses on industry or technical issues. Only 11% of boards arranged formal courses on the roles and responsibilities of board members.

- **Board directors should possess appropriate qualifications and expertise to fulfil their responsibilities.**

The survey revealed that 52% of boards consisted of directors with a private sector background.

- **Boards need to ensure that adequate systems are in place to be able to oversight on the activity of the agency.**

In terms of adopting standards, the survey found that 36% of boards had a code of ethics; half had a register of conflicts of interest; and 37% had formal procedures for disclosures of transactions with firms in which directors have had a pecuniary interest.

Many of the surveyed boards had not implemented a system of internal control.

Most boards had committees. Less than half of all the groups surveyed had an audit committee, except for the group consisting of GTEs and SOCs where the majority had an audit committee.

In terms of transparency in decision-making, the survey found that board meeting minutes indicated the basis for decision-making and recording dissent by most boards.

- **Boards must be accountable to those whose interests they represent.**

In terms of public accountability of board performance, the survey found that 31% of boards did not assess their own performance.

The issue of how to improve the context within which corporate governance operates in the NSW public sector is discussed in Volume One: *Corporate Governance in Principle*. Specifically, it examines legislation, policies, administrative arrangements and conventions. A second report, Volume Two: *Corporate Governance in Practice*, examines corporate governance practices in detail and assesses them against “better practice”.





# **1. Board Creation**

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The next three chapters discuss the survey findings in terms of the construct of the questionnaire (Attachment A). The sample of boards were classified into four main groups (Attachment B). The names of these groups are provided as a footnote in this report.

This chapter presents the survey findings in terms of board creation.

### 1.1 Relationship between Key Stakeholders

#### Relationship with Minister

One indicator of the relationship between key stakeholders is the degree of contact between the Minister and: the Chair; the Board and the CEO. The questionnaire asked for the details of meetings between the Minister and key stakeholders during the last 12 months. These details included with whom the Minister met and how often. (This question was not applicable to Group 3 since it consists of universities which have no ministerial accountabilities). Overall, 70% of surveyed boards (excluding Group 3) provided a response.

Table 1.1 shows the parties that had met with the Minister in the previous 12 months. Most contact was made with the Chair, either with or without the CEO.

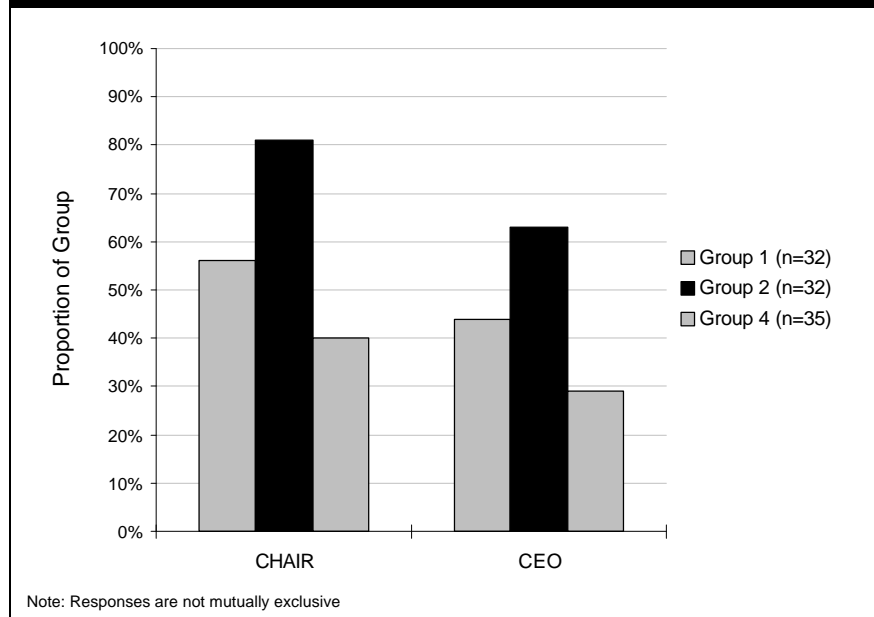
Table 1.1: Contact with Minister in previous 12 months	
Minister met with Chair	57%
Minister met with CEO	43%
Minister met with Chair & CEO	50%
Minister met with Board	32%
<b>Note:</b> Responses are not mutually exclusive	n=105

Relatively more boards Group 2 had contact between the Minister and the stakeholders, compared with the remaining groups (Groups 1 and 4). This is illustrated in Figures 1.1 and 1.2.

Most of Group 2 (81%) indicated that the Minister met with the Chair compared with Group 1 (56%) and Group 4 (40%). The Minister met with the CEO in 63% of Group 2 compared with Group 1 (44%) and Group 4 (29%) (Figure 1.1).

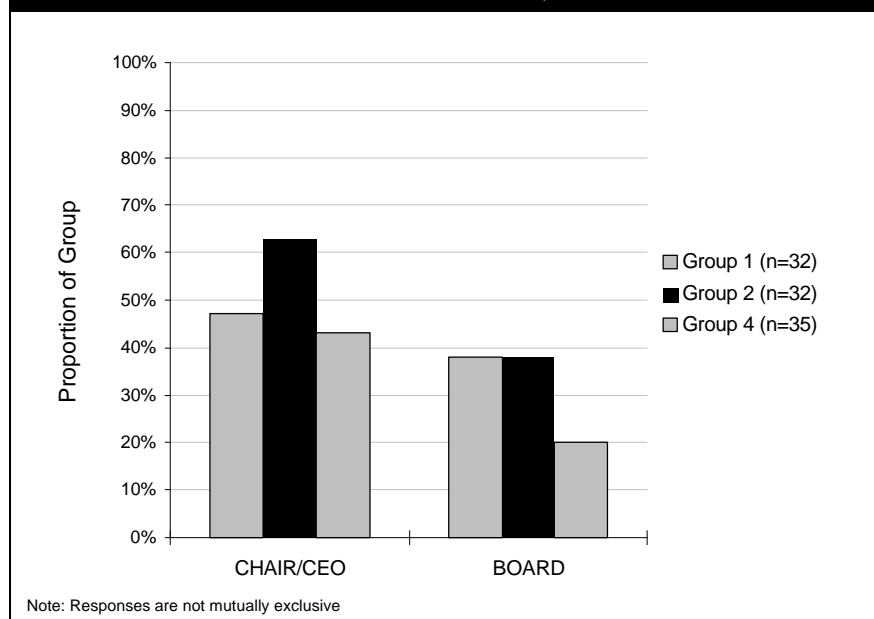
Group 1: Statutory Authorities, some Trusts, Area Health Services  
 Group 2: Government Trading Enterprises, State Owned Corporation  
 Group 3: Universities and subsidiaries  
 Group 4: Registration boards, some Marketing boards

**Figure 1.1: Proportion of boards with contact between Minister and Chair, CEO**



Similarly, the Minister met with both the Chair and CEO in 63% of Group 2 compared with Group 1 (47%) and Group 4 (43%). The degree of contact between the Minister and the Board was relatively low for all groups. The Minister met with the Board in 38% of Group 1, 38% of Group 2 and 20% of Group 4. (Figure 1.2).

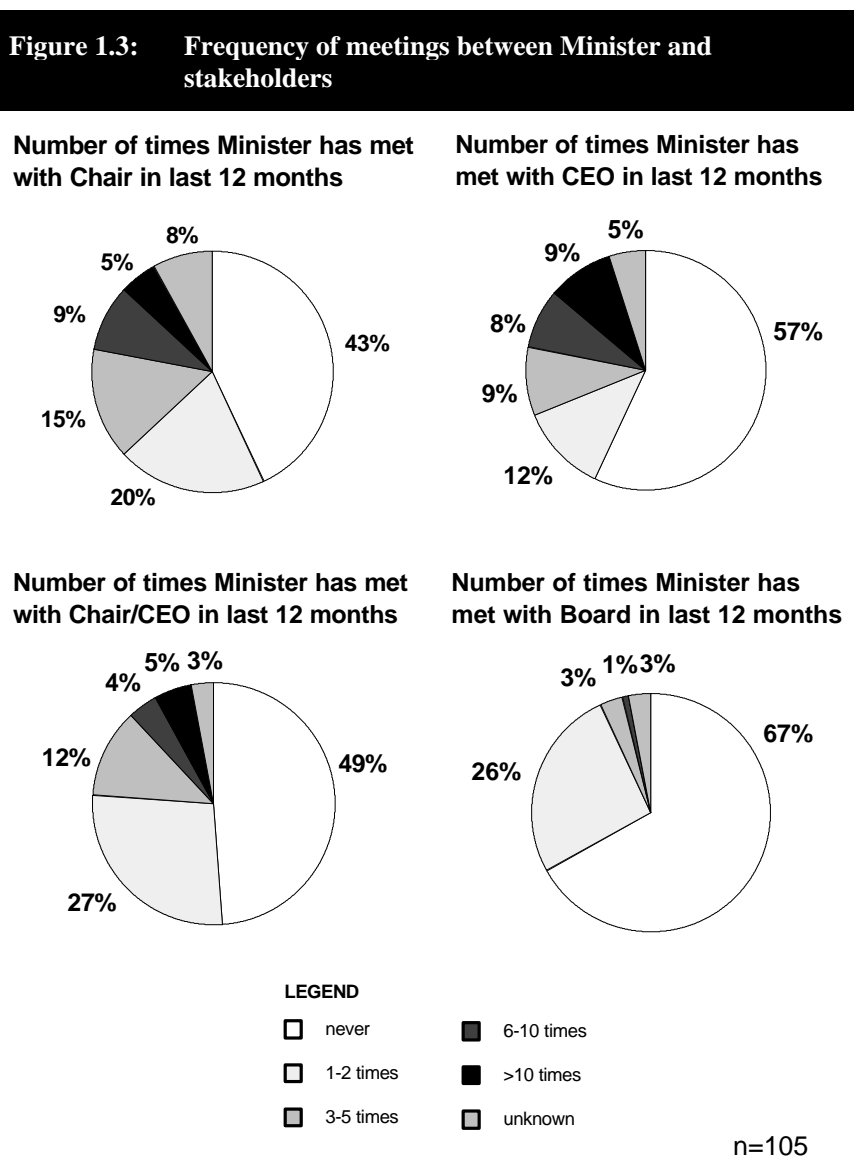
**Figure 1.2: Proportion of boards with contact between Minister and Chair/CEO, Board**



Group 1: Statutory Authorities, some Trusts, Area Health Services  
 Group 2: Government Trading Enterprises, State Owned Corporation  
 Group 3: Universities and subsidiaries  
 Group 4: Registration boards, some Marketing boards

**How often?**

In the cases where there was contact between the Minister and key stakeholders, the frequency of meetings was generally one to two times during the last 12 months. Figure 1.3 illustrates that the Minister met more often with the Chair and the CEO than with the Board.



**Minister seeking advice**

87% of boards (excluding Group 3) indicated that the Minister sought advice from them on specific issues. The extent that the Minister sought advice ranged from: frequently (12%), occasionally (55%) to hardly ever (20%). The Minister never sought advice in 8% of cases.

Group 1: Statutory Authorities, some Trusts, Area Health Services  
 Group 2: Government Trading Enterprises, State Owned Corporation  
 Group 3: Universities and subsidiaries  
 Group 4: Registration boards, some Marketing boards

**Ministerial Directions** Ministerial directions were provided to the Board in 87% of boards (excluding Group 3). Directions were provided either in writing (54%), orally (7%) or a combination of both (26%).

Ministerial directions were reported in the Annual Report by only 23% of boards (excluding Group 3). 17% of cases did not respond.

**Ministerial relationship** The questionnaire contained an open-ended question whereby boards could suggest improvements to their relationship with the Minister. 57% of boards (excluding Group 3) provided responses. Of these, 37% indicated that they were satisfied with the relationship. Of the suggestions made by the remainder, the most common was to increase the frequency of meetings.

## 1.2 Perceived Roles/Functions

Overall, the single most important board function was perceived to be ensuring that finances and other resources are well managed. Table 1.2 provides a comprehensive list of perceived functions as indicated by the total number of boards surveyed.

**Table 1.2: Perception of Roles/functions**

■ resource management	84%
■ monitoring and reviewing corporate strategy	58%
■ establishing and communicating objectives, corporate strategy and visions	57%
■ compliance	44%
■ monitoring management's performance	32%
■ facilitating communication with Ministers	11%
■ boardroom processes	<10%
■ selection of top executive management	<10%
■ day to day management	<5%
■ managing conflicts of interest	<5%
<b>Note:</b> Responses are not mutually exclusive	n=137

Table 1.3 shows that in addition to resource management, Group 1 and Group 2 perceived their roles to be mainly in the areas of corporate strategy and communicating objectives (at least two thirds). Monitoring and reviewing corporate strategy was the second most important function to Group 3. Approximately half of this group stated that establishing and communicating objectives, corporate strategy and visions was an important function. However, compliance with legal requirements was much more important than corporate strategy and communicating objectives in Group 4.

<b>Table 1.3: Perception of Roles/Functions by group</b>			
<b>GROUP 1 (n=32)</b>		<b>GROUP 2 (n=32)</b>	
▪resource management	78%	▪resource management	81%
▪corporate strategy	69%	▪communicating objectives	78%
▪communicating objectives	66%	▪corporate strategy	72%
▪management's performance	44%	▪compliance	38%
▪compliance	25%	▪management's performance	28%
<b>GROUP 3 (n=32)</b>		<b>GROUP 4 (n=35)</b>	
▪resource management	91%	▪resource management	89%
▪corporate strategy	63%	▪compliance	71%
▪communicating objectives	53%	▪corporate strategy	34%
▪management's performance	38%	▪communicating objectives	34%
▪compliance	34%	▪communication with Minister	29%
		▪management's performance	20%
<b>Note:</b> Responses are not mutually exclusive			

Monitoring management's performance was perceived to be relatively more important by Group 1 and Group 3 than Group 2 and Group 4. Facilitating communication with Ministers was perceived to be an important governance role by Group 4 but was hardly a consideration of the remaining groups (<10% of boards in Group 1 and Group 2, none of Group 3).

### 1.3 Board Structure

#### Independence

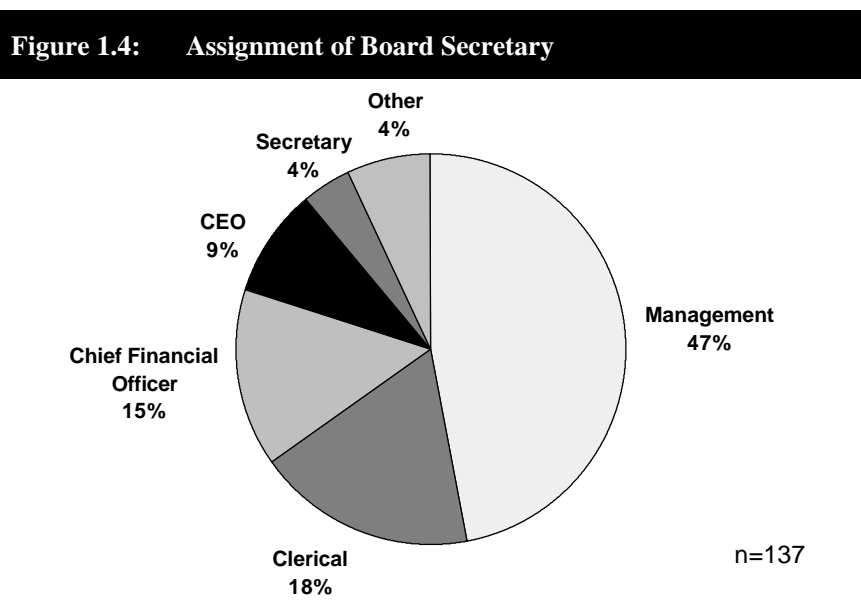
The survey displayed a tendency for independence in judgement and decision-making by board members. Most of the boards' directors (85% of cases) and most of the Chairs (71%) were non-executive personnel. The CEO of the organisation was also the Chair of the Board in only 8% of boards.

Group 1: Statutory Authorities, some Trusts, Area Health Services  
 Group 2: Government Trading Enterprises, State Owned Corporation  
 Group 3: Universities and subsidiaries  
 Group 4: Registration boards, some Marketing boards

The CEO chaired at least one of the Board's committees in 17% of boards with committees (board committees are discussed below).

**Board support**

The role of Board Secretary was assigned to various personnel ranging from clerical to the CEO. In approximately half of the surveyed boards the role of Secretary was filled by a member of management (Figure 1.4). Other personnel which filled this role tended to be clerical and the Chief Financial Officer. In only 9% of boards was the secretarial role filled by the CEO.



Management and clerical personnel were mainly assigned to fill the secretarial role in Group 1 and Group 4. Management and the Chief Financial Officer were generally assigned in Group 3. Group 2 tended to assign this role to management (69% of cases).

**Members' roles**

The allocation of specific roles and responsibilities to individual board members occurred in only 45% of surveyed boards. This attribute ranged across the groups from 28% of cases (Group 2), 44% (Group 1), 47% (Group 3) to 60% (Group 4).

Group 1: Statutory Authorities, some Trusts, Area Health Services  
 Group 2: Government Trading Enterprises, State Owned Corporation  
 Group 3: Universities and subsidiaries  
 Group 4: Registration boards, some Marketing boards

**Board Committees**

74% of the surveyed boards had committees. The most common committees were:

<b>Table 1.4: Board committees</b>	
▪ audit	59%
▪ finance	45%
▪ remuneration	24%
▪ appointments	18%
▪ marketing/promotions	17%
<b>Note:</b> Responses are not mutually exclusive	n=101

The main types<sup>1</sup> of committees for each group are shown in Table 1.5. Group 3 had the most number of boards without any committees. Audit and finance were the most common type of committees in all groups. Remuneration was common to Group 2 and Group 3. Marketing and promotions was common to Group 1 and Group 2.

<b>Table 1.5: Board committees by group</b>			
<b>GROUP 1 (n=32)</b>	<b>No.</b>	<b>GROUP 2 (n=32)</b>	<b>No.</b>
▪finance	17	▪audit	24
▪audit	16	▪remuneration	12
▪appointments	6	▪finance	9
▪marketing/promotions	6	▪marketing/promotions	6
▪medical/health	6	▪environment	6
▪no committees	7	▪no committees	4
<b>GROUP 3 (n=32)</b>	<b>No.</b>	<b>GROUP 4 (n=35)</b>	<b>No.</b>
▪audit	11	▪audit	7
▪finance	11	▪finance	7
▪remuneration	8	▪complaints	7
▪no committees	12	▪no committees	8
<b>Note:</b> Responses are not mutually exclusive			

<sup>1</sup> Boards indicated additional committee types which have not been detailed due to the small number.

Group 1: Statutory Authorities, some Trusts, Area Health Services  
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27% of boards with committees did not have any terms of reference or charters which clearly documented their authority and duties. Approximately half (52%) of these boards indicated that all of their committees had charters. An additional 20% indicated that only some of their committees had charters.

Of those boards with committees, 90% had in place procedures to report to the full Board.

### **Audit committees**

44% of boards had an audit committee. The majority (75%) of Group 2 had an audit committee. Half of Group 1 had an audit committee. In comparison, 34% of Group 3 and 20% of Group 4 had an audit committee (Table 1.5).

Overall, audit committees conducted infrequent meetings. They tended to meet less often than once every two months (65% of audit committees). Audit committee meetings generally lasted for 2 hours (63% of audit committees).

The people who attended audit committee meetings were mainly internal auditors (92% of cases), the Chief Financial Officer (88%) and external auditors (68%).

### **Legal Obligations**

Personal liability of board members was limited by legislation in 56% of the boards surveyed. This ranged across the groups from 41% (Group 2, Group 3), 63% of Group 1 to 80% of Group 4. In those boards where personal liability was not limited by legislation, the majority (81%) had taken out an insurance policy.

## **1.4 Board Composition**

### **Board size**

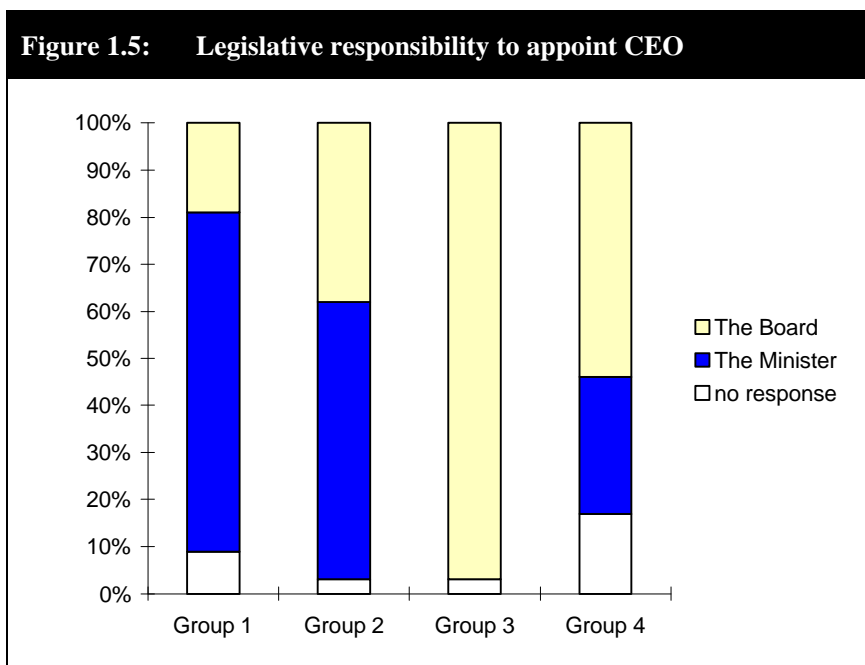
Most boards (57%) consisted of between seven and twelve members. 14% consisted of more than twelve members. 28% of boards consisted of less than seven members. Group 1, Group 2 and Group 4 generally consisted of between seven and twelve members. Group 3 displayed no particular characteristic size.

### **Appointments**

Boards stated that the CEO was appointed by either the Board itself (53% of all surveyed) or the Minister (39%). The party with the legislative responsibility to appoint the CEO varied by group. Figure 1.5 shows that the Minister had this responsibility in most of Group 1 (72%) while the Board had this responsibility in all of Group 3.

Group 1: Statutory Authorities, some Trusts, Area Health Services  
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The Minister has the legislative responsibility to appoint the CEO in most of Group 2, while the Board has this responsibility in most of Group 4.



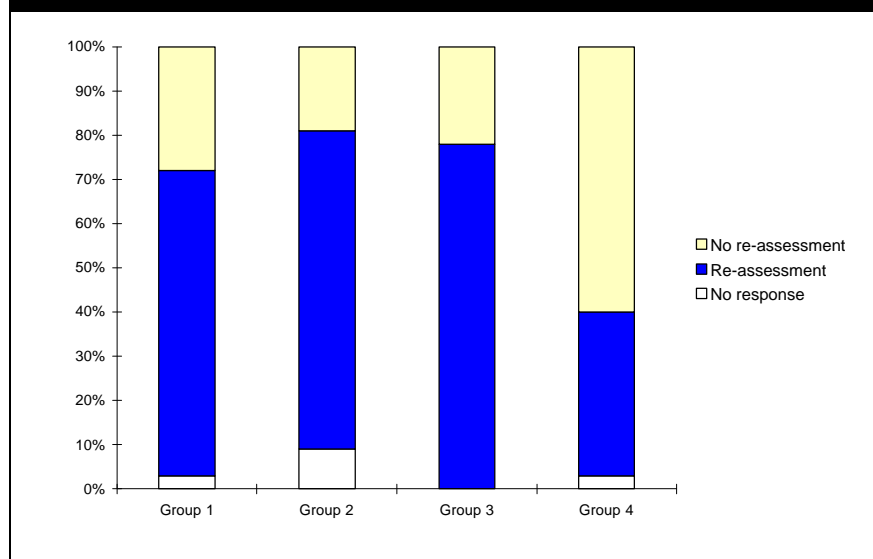
The survey asked whether the Minister seeks advice from the Board on the selection or re-appointment of the CEO (where the Minister has legislative responsibility to appoint the CEO). Approximately two thirds of such boards indicated that the Minister did consult the board.

The survey also asked whether the Minister seeks advice from the Board on the appointment of new board members. Only 44% of boards indicated that ministers did consult them. (An additional 11% did not respond). More boards in Group 2 (56%) and Group 4 (51%) indicated that the Minister consulted them compared with Group 1 (44%) and Group 3 (19%).

### Vacancy

In the event of a vacancy, positions were re-assessed before appointment in 65% of the boards. Most of Groups 1 (69%), 2 (72%) and 3 (78%) undertook this re-assessment compared to Group 4 (37%).

Group 1: Statutory Authorities, some Trusts, Area Health Services  
 Group 2: Government Trading Enterprises, State Owned Corporation  
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**Figure 1.6: Re-assessment of vacant position**

Re-assessment was generally carried out by: the whole board (39%); the Minister on advice from the Board (25%); and the Minister only (10%). The Board predominantly undertook re-assessment in Group 3 (68%). In Group 1, the Minister was the main decision maker, acting either alone (32%) or on advice of the Board (32%). In Group 2, the Board (35%) and the Minister on the advice of the Board (30%) were the main decision makers. Similarly, the Board (46%) and the Minister on the advice of the Board (23%) were the main decision makers in Group 4.

### Dismissal

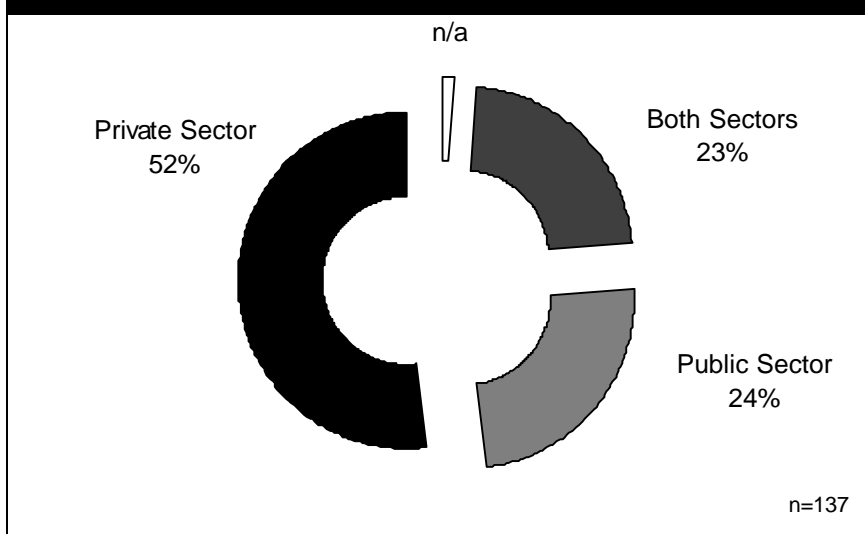
Only 9% of the surveyed boards had experienced the dismissal of a non-executive director or a CEO. Most of these were instigated by the Minister.

### Experience / Diversity

The background of the majority of the directors was the private sector (52% of boards), the public sector (24%) and an equal combination of both sectors (23%). The background of the directors in Group 2 was predominantly the private sector (69%). Group 3 tended to draw its experience evenly from both sectors.

Group 1: Statutory Authorities, some Trusts, Area Health Services  
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 Group 4: Registration boards, some Marketing boards

**Figure 1.7: Experience of Board Directors**



The majority of surveyed boards (69%) had at least one woman on their board. 77% of these boards had no more than 3 female directors.

### 1.5 Skills and Training of Board Members

#### Induction

In terms of induction, most boards had procedures for providing new directors with information on their duties and responsibilities. Procedures included: provision of a copy of the relevant legislation (15% of all boards); briefing (20%) and a combination of both (53%).

#### Training

The Board had supported the development of members' skills through:

- briefings by relevant experts 59%
- technical courses/seminars 18%
- courses on roles/responsibilities 11%

Group 1: Statutory Authorities, some Trusts, Area Health Services  
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## **2. Board Operations**

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This chapter presents the survey findings in terms of board operations.

### **2.1 Board Meetings**

**Attendance** Attendance at board meetings was high. In 35% of the boards, 'about 90%' of members attended meetings. In about half of the boards, 'all' members typically attended meetings.

**Frequency** Survey results indicate that boards usually meet once per month (62%). Group 1, Group 2 and Group 4 tended to meet frequently, that is, once per month. Group 3 tended to meet once every two months (38%) or even less frequently (34%).

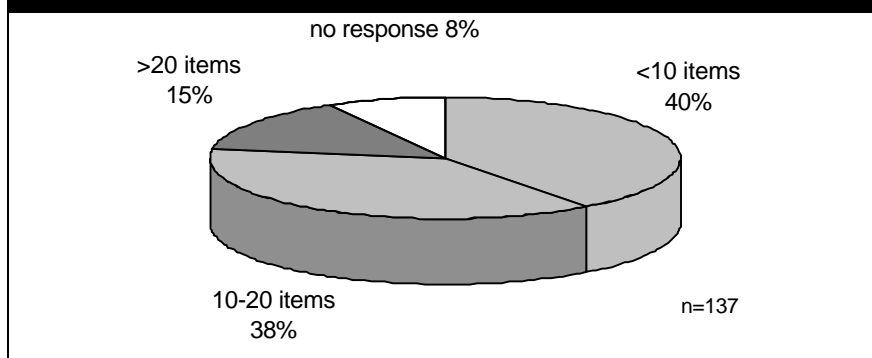
**Duration** The duration of meetings was mainly: 2 hours maximum (26%); 3 hours maximum (36%) and half a day (31%). Only 7% of boards met for a full day.

### **2.2 The Agenda**

**Distribution** The questionnaire asked how long before a meeting (in days) were agenda papers distributed to members. Half of the boards distributed their agenda papers four or five days before a scheduled meeting. 35% of boards distributed their papers more than five days before a meeting, while 15% distributed their papers less than four days before a meeting.

Group 1 and Group 2 tended to distribute their agenda papers earlier than Group 3 and Group 4.

**Number of agenda items** A typical agenda for a board meeting tended to consist of: up to ten items (40% of cases); and between ten and twenty items (38%). Only 15% of boards had more than twenty items on an agenda.

**Figure 2.1: Number of agenda items**

Group 1, Group 2 and Group 3 tended to have more agenda items than Group 4.

**Carry forward** Most of the boards (85%) carried over up to three agenda items to another meeting, on average. Only 10% carried over more than three items to another meeting.

**Outstanding items** In general, agenda matters were quickly dealt with. 37% of boards did not usually leave matters outstanding. 25% of boards had left a matter outstanding for one meeting. 37% of boards had left a matter outstanding for at least two meetings.

### 2.3 Decision-making

Boards tended to finalise their decisions either by consensus (77%) or by formal vote (21%). The formal vote process was used by more boards in Group 3 (31%) and Group 4 (29%) than Group 1 (19%) and Group 2 (6%).

**Minutes** Minutes of board meetings indicated the basis for decision-making usually/always (74%), sometimes (19%) and seldom (7%).

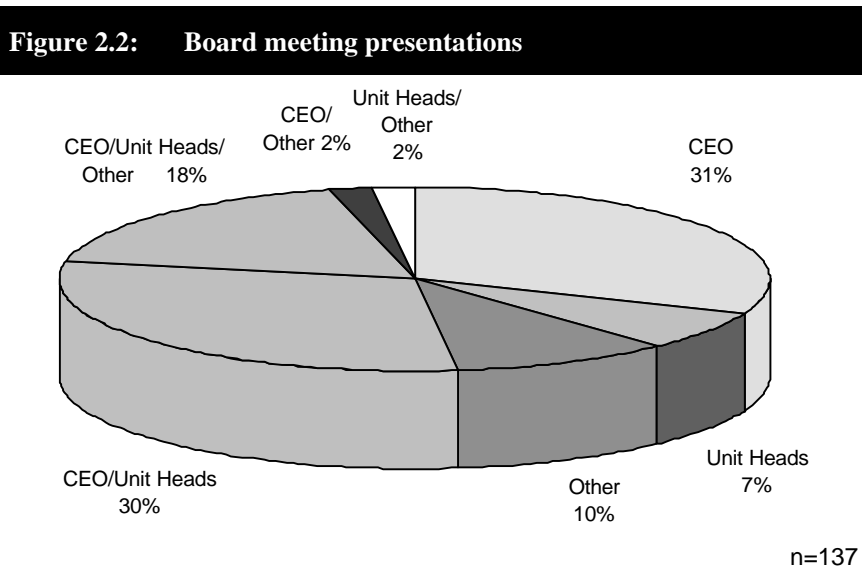
**Dissent** Dissent on an agenda item was recorded in the minutes by most (61%) of the boards.

For those boards where dissent was recorded in board meeting minutes, 58% had not had an instance of dissent during the past year. 31% of such boards had only recorded one or two instances of dissent during the past year.

**Distribution of minutes** Minutes were distributed to the executive management either in full (77%) or relevant extracts only (15%). 8% of boards did not distribute minutes to the executive management. Distribution of only the relevant extracts occurred more in Group 2 (38%) than in the remaining groups (<14%).

### 2.4 Information to the Board

Management presentations to board meetings were made mainly by the CEO (80% of surveyed boards) and Unit heads (56%). Figure 2.1 shows that the CEO alone made management presentations to meetings in 31% of boards. Unit heads alone made presentations in 7% of boards. Approximately half of the boards obtained their information from a combination of sources.



Presentations were predominantly in support of a regular business activity reporting at each Board meeting (82% of surveyed boards). Presentations were also made in support of less regular business activity (46%) and on a specific issue on an exception basis (63%).

### Liaison

The survey asked the boards to nominate the parties with whom they have established regular liaison. 25% of boards stated that they had established no regular liaison with any party. The remainder had established liaison with staff (60%), clients (51%), unions (17%), major suppliers (14%), and constituents/sponsors (12%).

A greater proportion of Group 2 (38%) had no regular liaison compared with Group 1 (13%), Group 3 (25%) and Group 4 (20%).

Group 1 and Group 3 tended to liaise mainly with their staff. Group 4 tended to liaise mainly with clients. Group 2 tended to liaise equally with both staff and clients.

Group 1: Statutory Authorities, some Trusts, Area Health Services  
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## **3. Board Accountability and Reporting**

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This chapter presents the survey findings in terms of board accountability and reporting.

### 3.1 Internal Controls

The survey asked whether the Board intended to sign a “Statement of Responsibility”<sup>2</sup> for 1995/96 indicating the effective operation of internal controls. Half of the boards were unsure as to whether they proposed to sign such a statement. 24% intended to sign and 20% did not intend to sign such a statement. Half of Group 2 intend to sign a statement. Most of the other groups were either unsure or not intending to sign a statement.

#### Performance Indicators

The questionnaire asked whether the Board had identified its own key performance indicators to monitor management’s performance. 59% of surveyed boards indicated that they had identified their own key performance indicators.

The majority of boards in Group 2 (84%) had identified performance indicators, while 59% of Group 1 and approximately half of Group 3 and Group 4 had done so.

80% of all boards indicated that they had specified to management the information they wished to receive on performance. Only Group 4 displayed a relatively low tendency (63%) to specify information.

#### Internal reviews

64% of all boards indicated that the internal systems that provide performance information to the Board are independently and regularly reviewed by internal audit. This was relatively high for Group 1 (84%) and Group 2 (81%) but relatively low for Group 3 (53%) and Group 4 (43%).

The internal audit reviews included both financial information (97% of boards with internal reviews) and non-financial information (74%).

The number of occasions that the Board had sought independent advice on significant issues or management recommendations was up to 5 times in the last 12 months (61% of total boards). 26% of boards had never sought advice.

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<sup>2</sup> The best practice method of confirming the establishment and maintenance of an effective system of internal control as per the ‘Statement of Best Practice: Internal Control and Internal Audit’ issued by NSW Treasury in June 1995.

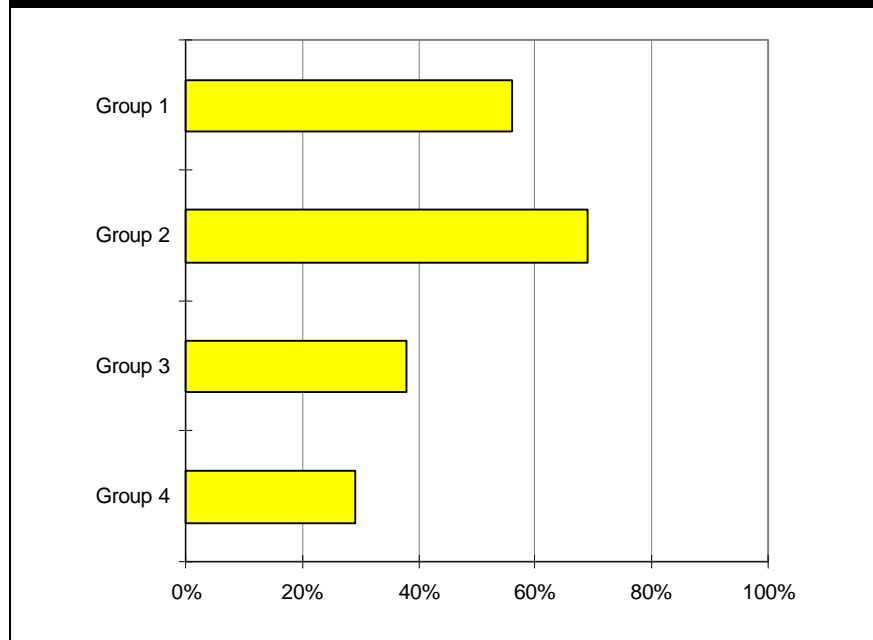
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### 3.2 Code of Conduct

#### Conflict of interest

Approximately half of all boards had a register to identify conflicts of interest. Figure 3.1 shows that Group 1 (56%) and Group 2 (69%) tended to have a register compared to Group 3 (38%) and Group 4 (29%).

**Figure 3.1: Boards with a Register of Conflict of Interest**



Of those boards with instances of conflicts of interest, 71% felt that the Board had consistently restricted the affected member's access to discussions/papers.

#### Disclosures

Only 37% of all boards indicated that they had in place formal procedures for the disclosure of transactions with firms in which directors have had an interest. The main method of disclosure was in the Annual Report (35% of boards with disclosures) and the minutes of board meetings (22%).

#### Code of ethics

Only 36% of all boards had a code of ethics adopted and endorsed by the Board.

#### Fraud Control Strategy

Only 23% of all boards had endorsed a formal fraud control strategy<sup>3</sup> for the organisation.

<sup>3</sup> In June 1990 the NSW Government established the policy that all agencies establish a strategy for the prevention of both internal and external fraud.

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### 3.3 Performance Measurement

#### Performance Agreement

Most (66%) of the surveyed boards had no performance agreement with the Minister. Since Group 3 has no direct relationship with the Minister, all of its responses indicated no performance agreement. Most of Group 1 (75%) and Group 4 (71%) had no performance agreement with the Minister.

In contrast to this pattern, most (66%) of Group 2 had a performance agreement/assessment with the Minister (compared to 27% of the total surveyed boards).

Where there were performance agreements (31% of boards), they were generally in the form of:

Table 3.1: Performance Agreement with Minister	
	No. of boards
▪ The Minister formally assesses the Board's achievements against corporate targets.	10
▪ A performance agreement similar to that between the CEO and Minister / Board.	9
▪ Annual Report / Performance Report.	7
▪ Other performance agreement / assessment.	7
▪ Other	10
<b>Note:</b> Responses are not mutually exclusive	

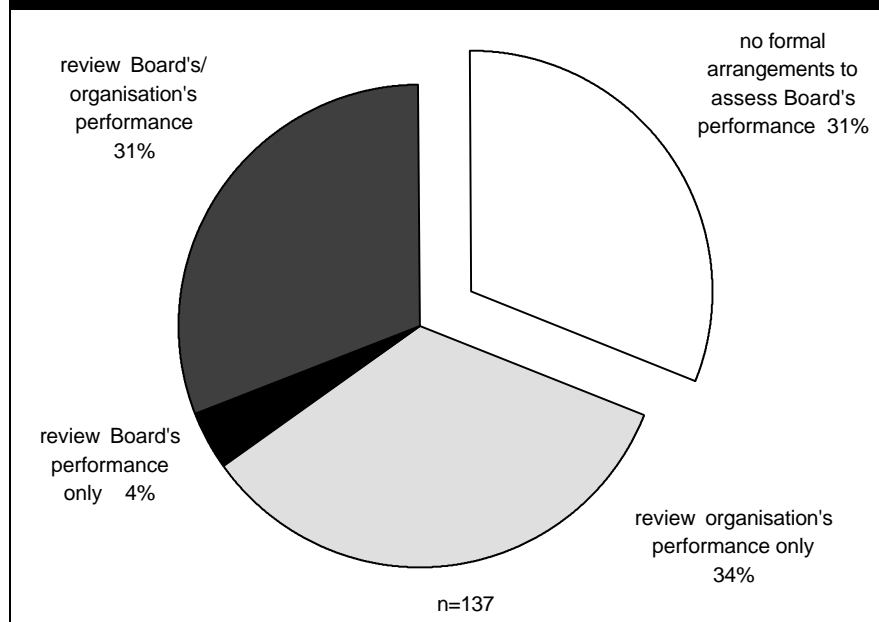
#### Performance Assessment

Most (65%) of the surveyed boards regularly reviewed the organisation's performance against strategic objectives.

In terms of assessing board performance, 31% of surveyed boards did not have any formal arrangements in place (Figure 3.2). An additional 34% only reviewed the organisation's performance against strategic objectives. The remainder (35%) reviewed board performance (most of these also reviewed the organisation's performance).

Group 1: Statutory Authorities, some Trusts, Area Health Services  
 Group 2: Government Trading Enterprises, State Owned Corporation  
 Group 3: Universities and subsidiaries  
 Group 4: Registration boards, some Marketing boards

**Figure 3.2: Performance Assessment**



Where boards had formal arrangements to assess their own performance (n=48), they were generally in the form of:

**Table 3.2: Assessment of Board performance**

	No. of boards
▪ a review of relationships with stakeholders	36
▪ a review of the Board as an effective team	15
▪ a review of instances where issues were dealt with inadequately or hastily	8
▪ a review of decisions that were later overturned/changed	7
▪ other	7
<b>Note:</b> Responses are not mutually exclusive	n=48

Group 1: Statutory Authorities, some Trusts, Area Health Services  
 Group 2: Government Trading Enterprises, State Owned Corporation  
 Group 3: Universities and subsidiaries  
 Group 4: Registration boards, some Marketing boards

## Reporting

Most (83%) of the surveyed boards detailed some aspect of corporate governance practice in the Annual Report<sup>4</sup>. The most common items detailed in the Annual Report were:

**Table 3.3: Governance practices detailed in Annual Report**

▪ role and composition of committees	65%
▪ remuneration details of directors	47%
▪ application of ethical standards and practices	42%
▪ operation of internal controls	33%
<b>Note:</b> Responses are not mutually exclusive	n=113

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<sup>4</sup> ASX listing rule that each listed company include in its annual report a statement as to whether the company has adopted corporate governance practices.

## **Attachments**

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## Attachment 1

### Audit Approach

A survey of boards in the NSW public sector was undertaken in May 1996. A self-administered mail questionnaire was sent to 210 boards which covered three main areas:

#### Composition of Questionnaire

##### 1. Board Creation

- relationship between key stakeholders
- perception of board roles and functions
- board structure/legal obligations
- composition/membership and appointments
- skills and training of board members

##### 2. Board Operations

- board meetings
- management of agenda
- decision-making/dissent
- access to information/liaison

##### 3. Accountability, Reporting and Performance Assessment

- performance agreements
- performance assessment
- reporting
- internal controls
- code of conduct

140 questionnaires were returned to The Audit Office. Three were invalid because they were substantially incomplete leaving 137 (representing a 65% response rate).

Coding, processing and statistical analysis of the questionnaire was contracted out.



## Attachment 2

### Board Classification

To allow for meaningful analysis of the survey data, advice was sought from the then Public Employment Office (PEO), Treasury and Premier's Department on the most appropriate way of grouping the surveyed boards. Five groups were created:

<b>Classification of Boards in the Survey</b>		
<b>Group 1:</b>	Statutory Authorities Trusts tied to Inner Budget agencies Area Health Services	32
<b>Group 2:</b>	GTEs SOCs	32
<b>Group 3:</b>	Universities and their subsidiaries	32
<b>Group 4:</b>	Agencies listed only as Schedule 2 under the PFAA and not affected by PAFA or PSMA. This group includes professional registration bodies and some marketing boards.	35
<b>Group 5* :</b>	Government owned companies	6
	<b>Total:</b>	<b>137</b>

\* This small group is not discussed in detail in this paper.



## Performance Audit Reports

Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
Department of Housing	<i>Public Housing Construction: Selected Management Matters</i>	5 December 1991
Police Service, Department of Corrective Services, Ambulance Service, Fire Brigades and Others	<i>Training and Development for the State's Disciplined Services: Stream 1 - Training Facilities</i>	24 September 1992
Public Servant Housing	<i>Rental and Management Aspects of Public Servant Housing</i>	28 September 1992
Police Service	<i>Air Travel Arrangements</i>	8 December 1992
Fraud Control	<i>Fraud Control Strategies</i>	15 June 1993
HomeFund Program	<i>The Special Audit of the HomeFund Program</i>	17 September 1993
State Rail Authority	<i>Countrylink: A Review of Costs, Fare Levels, Concession Fares and CSO Arrangements</i>	10 December 1993
Ambulance Service, Fire Brigades	<i>Training and Development for the State's Disciplined Services: Stream 2 - Skills Maintenance Training</i>	13 December 1993
Fraud Control	<i>Fraud Control: Developing an Effective Strategy</i> (Better Practice Guide jointly published with the Office of Public Management, Premier's Department)	30 March 1994
Aboriginal Land Council	<i>Statutory Investments and Business Enterprises</i>	31 August 1994
Aboriginal Land Claims	<i>Aboriginal Land Claims</i>	31 August 1994
Children's Services	<i>Preschool and Long Day Care</i>	10 October 1994
Roads and Traffic Authority	<i>Private Participation in the Provision of Public Infrastructure</i> (Accounting Treatments; Sydney Harbour Tunnel; M4 Tollway; M5 Tollway)	17 October 1994
Sydney Olympics 2000	<i>Review of Estimates</i>	18 November 1994
State Bank	<i>Special Audit Report: Proposed Sale of the State Bank of New South Wales</i>	13 January 1995
Roads and Traffic Authority	<i>The M2 Motorway</i>	31 January 1995
Department of Courts Administration	<i>Management of the Courts: A Preliminary Report</i>	5 April 1995
Joint Operations in the Education Sector	<i>A Review of Establishment, Management and Effectiveness Issues</i>	13 September 1995

<b>Agency or Issue Examined</b>	<b>Title of Performance Audit Report or Publication</b>	<b>Date Tabled in Parliament or Published</b>
	<i>(including a Guide to Better Practice)</i>	
Department of School Education	<i>Effective Utilisation of School Facilities</i>	29 September 1995
Luna Park	<i>Luna Park</i>	12 October 1995
Government Advertising	<i>Government Advertising</i>	23 November 1995
Performance Auditing In NSW	<i>Implementation of Recommendations; and Improving Follow-Up Mechanisms</i>	6 December 1995
Ethnic Affairs Commission	<i>Administration of Grants (including a Guide To Better Practice)</i>	7 December 1995
Department of Health	<i>Same Day Admissions</i>	12 December 1995
Environment Protection Authority	<i>Management and Regulation of Contaminated Sites: A Preliminary Report</i>	18 December 1995
State Rail Authority of NSW	<i>Internal Control</i>	14 May 1996
Building Services Corporation	<i>Inquiry into Outstanding Grievances</i>	9 August 1996
Newcastle Port Corporation	<i>Protected Disclosure</i>	19 September 1996
Ambulance Service of New South Wales	<i>Charging and Revenue Collection (including a Guide to Better Practice in Debtors Administration)</i>	26 September 1996
Department of Public Works and Services	<i>Sale of the State Office Block</i>	17 October 1996
State Rail Authority	<i>Tangara Contract Finalisation</i>	19 November 1996
NSW Fire Brigades	<i>Fire Prevention</i>	5 December 1996
State Rail	<i>Accountability and Internal Review Arrangements at State Rail</i>	19 December 1996
Corporate Credit Cards	<i>The Corporate Credit Card (including Guidelines for the Internal Control of the Corporate Credit Card)</i>	23 January 1997
NSW Health Department	<i>Medical Specialists: Rights of Private Practice Arrangements</i>	12 March 1997
NSW Agriculture	<i>Review of NSW Agriculture</i>	27 March 1997
Public Service wide	<i>Redundancy Arrangements</i>	17 April 1997
NSW Health Department	<i>Immunisation</i>	June 1997

<b>Agency or Issue Examined</b>	<b>Title of Performance Audit Report or Publication</b>	<b>Date Tabled in Parliament or Published</b>
Public Service wide	<i>Corporate Governance</i>	June 1997

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