

DSE Guide to  
**Good Governance**  
– board members

An introduction to duties  
and standards of conduct



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#### **Copies of the guide and related support modules**

Copies of this guide and resources from the related support modules (e.g. guidance notes, model policies) can be obtained by your agency from the DSE policy division that usually assists it. You can also download the guide and related resources directly from the DSE governance website **On Board** ([www.dse.vic.gov.au/onboard](http://www.dse.vic.gov.au/onboard)).

For more information contact the DSE Customer Service Centre on 136 186.

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## Foreword

Sound corporate governance practice is essential to ensuring good client service and accountability to stakeholders. This is particularly important in the Victorian public sector, which relies heavily on separately incorporated public entities to deliver the bulk of the Victorian Government's services.

Victoria has around 4,000 public entities, of which around 1,800 employ a total of 222,000 staff. By contrast, the public service employs around 40,000 people in approximately 30 departments, offices and authorities.

The Department of Sustainability and Environment (DSE) and their portfolio ministers have responsibility for a substantial number of these public entities.

Many of those who commit their time to these public entities as directors do so on a voluntary basis. Providing support to both paid and unpaid public entity board members is a key role for Victorian government departments and the State Services Authority (SSA).

The SSA is committed to developing a comprehensive, accessible range of governance products for Victorian public sector directors, departments and their staff. To date, these range from a code of conduct through to publications like *Welcome to the board* and a broad set of governance toolkits, advice and research papers on the SSA's web site. These are intended to assist directors and departments to understand and discharge their duties appropriately. Further details on these and other publications are available from the SSA website ([www.ssa.vic.gov.au](http://www.ssa.vic.gov.au)).

DSE is to be commended for the work they are undertaking in this area. This publication, *DSE guide to good governance – board members*, is an important step in this regard. We understand that further resources are planned. In undertaking this work DSE has worked closely with the SSA so that our respective publications complement one another.

We look forward to continuing to work with departments and public entities to promote the highest standards of governance and organisational performance in delivering important government services for Victorians.



**Bruce Hartnett**

Chair

State Services Authority

## Preface

Welcome to the *DSE guide to good governance – board members*. The Department of Sustainability and Environment has a key role in the support and oversight of public sector agencies on behalf of the portfolio ministers. As part of this role, DSE is committed to providing a range of resources to assist board members to ensure that their agency fulfils its functions effectively and complies with the laws, government policies and other obligations that bind it.

This guide is an introduction to the principles and standards of good governance for board members of DSE public entities and agencies with similar functions. Related publications will be available to assist members of other DSE agencies, such as advisory and consultative committees.

The guide focuses on the essential public sector values, employment principles, and standards and codes of conduct that apply to all public sector agencies under the *Public Administration Act 2004*. It also covers the obligations of agencies under Division 2 of Part 5 of the Act. These obligations are fundamental to good governance and all DSE public entities and similar agencies are expected to comply with them, regardless of whether they are legally binding on the agency.

As part of DSE's ongoing commitment to assisting board members in their role, the currency of the guide and its accompanying support modules will be maintained. Immediate access to updates of the guide will be available from the DSE governance website On Board ([www.dse.vic.gov.au/onboard](http://www.dse.vic.gov.au/onboard)), together with an increasing range of guidance notes, model policies and other support resources which are being developed to complement the guide.

I wish to thank the staff of DSE who contributed their time and expertise to the development of the guide and accompanying support modules. Their commitment to their role in assisting DSE agencies is greatly appreciated.

I also wish to thank the State Services Authority for encouraging and supporting my department to tailor *Welcome to the board* and other resources developed by the SSA for use by DSE agencies. In particular, I extend my thanks to Mr Bruce Hartnett, Chair of the State Services Authority, for his generous endorsement of this publication, which highlights the complementary relationship between the guide and accompanying support modules and the valuable resources provided by the State Services Authority.

Finally, I wish to thank and acknowledge each board member for their valuable contribution to the community. Your role is helping to ensure a sustainable future for all Victorians.



**Greg Wilson**

Secretary

Department of Sustainability and Environment

A close-up photograph of several pink flowers with long, tubular petals and prominent stamens, arranged in a cluster. The flowers are in sharp focus, with some in the foreground and others slightly blurred in the background. The colors range from light pink to a deeper magenta.

# Contents

Foreword	iii
Preface	iv
<hr/>	
<b>Chapter 1</b>	About this guide 2
<b>Chapter 2</b>	Good governance – the basics 4
<b>Chapter 3</b>	Roles and responsibilities 9
<b>Chapter 4</b>	Stakeholder relationships 18
<b>Chapter 5</b>	Standards of conduct 20
<b>Chapter 6</b>	Key duties and accountabilities 24
<b>Chapter 7</b>	Board meetings and decision-making 28
<b>Chapter 8</b>	Appointment and performance of board members 32
<b>Chapter 9</b>	Further information and assistance 34
<hr/>	
Appendix 1	Agencies to which the guide applies 36
Appendix 2	DSE support modules 38
Appendix 3	Public sector values 40
Appendix 4	Summary of the role of the board 41
Appendix 5	Summary of a typical governance framework 42
Glossary	44

## 1. Overview

The *DSE guide to good governance – board members* (the **guide**) is an introduction to good governance for board members of agencies that are supported and overseen by the Department of Sustainability and Environment (**DSE**) on behalf of the responsible ministers.

The role of these agencies is to manage, promote, monitor, regulate and/or provide advice to government on the sustainable use of Victoria's environmental resources, such as water and public land.

The guide is published to assist board members to understand and perform their duties to the required standard. It is based on the State Services Authority's publication *Welcome to the board*, which has been tailored and expanded for use by DSE agencies. It includes additional information that board members of DSE agencies are expected to understand and apply in the performance of their duties.

### 1.2 What information does the guide include?

The guide covers:

- The **roles** of the board, chair and chief executive officer of your agency, and how these relate to the roles of parliament, the minister, DSE and other key stakeholders.
- Typical elements of a **governance framework**.
- The duties and accountabilities of board members.
- The **standards of conduct** (values and principles) that all board members must comply with.
- Essential **procedural requirements** for board meetings and decision-making.
- What is expected of *you* as a board member.

### 1.3 Does the guide apply to you?

The guide is written specifically for board members of:

- DSE public entities
- DSE agencies that are not public entities but which perform similar functions and are expected to comply with the same standards of governance (**similar agencies**).

Most DSE agencies are public entities. For information about what constitutes a public entity and a list of agencies to which this guide applies, see **Appendix 1**.





## 1.4 Terms used

The guide uses the following terms, which may not be the same as the ones that you usually use. Regardless of this, if your agency is a public entity or similar agency then this guide applies to *you*.

<b>Agency</b>	Your organisation may be a <b>corporation</b> , a <b>committee</b> , an <b>authority</b> or a <b>management group</b> , or it may have another name type.
<b>Board</b>	You may be a member of a <b>committee</b> or of a governing body with another name.
<b>Board member</b>	You may use a different title such as <b>director</b> or <b>committee member</b> .

For a full list of terms used in this guide see the glossary, which is located at the end of the guide.

## 1.5 Support modules

Support modules are available that complement and extend the guide. Each module offers information on a key topic that is introduced in the guide (e.g. conflict of interest; board meeting procedures; requirements for valid and good decision-making; responding to gift offers).

Typically, a support module will contain guidance notes, model policies, case studies, templates and/or sample documents, and will include direct links to further reading and resources on the topic (e.g. on the State Services Authority website).

Depending on the level of knowledge that you need to develop in a particular area, you can choose which parts of the support module to utilise.

Unless you are already very experienced in relation to the key topics in this guide, it is recommended that you read the related **guidance notes**.

**Appendix 2** has a list of support modules and their contents. These and other governance resources are being developed by DSE on a continuing basis. You can download the latest resources available from the DSE governance website **On Board** ([www.dse.vic.gov.au/onboard](http://www.dse.vic.gov.au/onboard)).



## 2.1 Overview

Governance is about how an agency is controlled and managed. It is about having the necessary procedures and monitoring systems in place to ensure that the agency is performing all of its functions to the required standard and in accordance with its legal obligations. Effective governance is essential to an agency's ability to fulfil its duties and responsibilities to the satisfaction of parliament, the minister and the Victorian public.

## 2.2 What is a 'governance framework'?

An agency, its board members and staff must comply with the agency's governance framework – i.e. the **laws, government policies and other obligations** that bind the agency. These define:

- the agency's purpose, objectives, functions and powers
- the collective and individual duties and accountabilities of board members (e.g. to identify and manage conflicts of interest)
- the responsibilities of the chief executive officer and staff (e.g. to comply with the public sector values).

Some governance requirements are **specific** – they apply only to a particular agency or type of agency (e.g. the agency's **establishing Act**).

Other governance requirements are **whole of government** – they apply to most Victorian public sector agencies (e.g. *Public Administration Act 2004*) and form part of Victoria's public sector accountability framework.

Certain documents that your agency is required to prepare also form part of its governance framework. Your agency must act consistently with these documents, for example, its strategic and business plans.

Although a number of agencies are established as 'arms length' bodies, all are ultimately **accountable to their minister** and must comply with any policies, guidelines or directions issued by the minister, **including those issued by DSE** on behalf of the minister.





## 2.3 Typical elements of a governance framework

Typical elements of the governance framework of a public entity or similar agency include:

### a) Establishing or enabling Act

The foundation of your agency's governance framework is its **establishing Act** (sometimes called **enabling Act**), which parliament passes to establish the agency or to enable the minister or the Governor in Council to establish agencies of that type, via a legal instrument. All DSE public entities and similar agencies have an establishing Act. Your agency's establishing Act, and other documents/instruments that flow from it, are the **basis of its existence**. They define its purpose, objectives, functions and powers, together with the duties and accountabilities of board members.

### b) Public Administration Act 2004

The *Public Administration Act 2004* (**PAA**) is a key part of the governance framework of all Victorian public entities. It sets the standards of conduct that your agency, the board and staff must comply with when performing their duties. In particular, it sets out the **public sector values**, which apply to the board members and staff of all public entities and similar agencies (section 7). It also includes a range of other requirements, such as the **public sector employment principles** (section 8) and the **duties of directors** – i.e. board members (section 79).

In addition, binding codes of conduct and standards are issued by the Public Sector Standards Commissioner under sections 63 and 66 of the PAA – e.g. the **Directors' Code of Conduct**, which board members of all DSE agencies are required to follow.

For further information see **Chapter 5 – Standards of conduct**.

### c) Financial accountability laws

#### *Financial Management Act 1994*

The *Financial Management Act 1994* (**FMA**) is the basis for the financial management and reporting requirements (including annual reporting requirements) that Victoria's **public bodies** must comply with. Most DSE public entities and similar agencies are public bodies.<sup>1</sup>

**Standing Directions** issued by the Minister for Finance, pursuant to section 8 of the FMA, set out how the requirements of the FMA must be implemented – e.g. annual reports must be prepared in accordance with the **Financial Reporting Directions** issued by the Minister for Finance.<sup>2</sup>

The Standing Directions have legislative force. The Department of Treasury and Finance publishes a binding **Financial Management Compliance Framework** on behalf of the minister, which details how to comply with the Standing Directions.

A small number of agencies have reporting requirements under their establishing Act. These are *in addition* to any FMA requirements that apply to the agency.

#### *Audit Act 1994*

Most DSE public entities and similar agencies must undergo an annual audit of their financial statements in compliance with the *Audit Act 1994*. If an agency is not subject to this Act, it may be required to submit to an audit by the Auditor-General at intervals of no more than three years.<sup>3</sup> The agency's establishing Act may also contain audit requirements.

<sup>1</sup> The definition of a **public body** is set out in section 3 of the FMA.

<sup>2</sup> Standing Direction 4.2.

<sup>3</sup> This applies to public entities which are subject to section 81(1)(k) of the PAA.

## d) Government policies

Your agency must operate consistently with government policy, both strategic and operational.

### Strategic policies

Some government policies set the overall strategic direction for Victoria and provide the context within which all Victorian public sector agencies must operate. Other government policies spell out a specific aspect of this strategic direction in more detail and may be of particular relevance to your agency (e.g. the government's strategic direction in relation to water resource management).

Your agency's strategic direction (as set out in its strategic/corporate plan) and its performance objectives (as set out in its annual/business plan) must be consistent with Victoria's strategic direction.

For a list of some of the key Victorian Government strategic policies that may be relevant to your agency see the **guidance note** in the support module on *Government policies*.

### Operational and procedural policies

A large number of government policies set out operational and procedural requirements that are binding on all public sector agencies, or on specific types of agencies (e.g. public entities). Some of these **whole of government** policies are issued as a Premier's Circular, for example, the Victorian Public Sector Travel Principles.

Public sector agencies are also required to comply with certain operational procedures issued on behalf of the Victorian Government – e.g. procedural requirements for the procurement of assets and services, which are issued by the Victorian Government Purchasing Board.

For details, see the **guidance note** in the support module on *Government policies*.<sup>4</sup>

Part of your agency's role is to implement and comply with government policy.



<sup>4</sup> Note also, that section 92 of the PAA enables the Governor in Council (on the recommendation of the Premier) to publish an Order in the Government Gazette that requires all or some public entities to comply with a specified **whole of government** policy 'for the purpose of improving operating standards or service delivery or otherwise supporting a whole of government approach'.





## e) Ministerial directions, guidelines and statements of obligation

The responsible minister may issue directions, guidelines and statements of obligation to provide details of what the agency must do to fulfil its functions to the required standard and/or to set priorities. These requirements do not add to or limit the agency's powers in the establishing Act; they set out how these powers are to be exercised.

### Ministerial directions and guidelines

Certain establishing Acts enable the responsible minister to issue ministerial directions and/or guidelines that have legislative force (e.g. section 18 of the *Sustainability Victoria Act 2005*). In some cases, the minister's powers are quite extensive, for example:

- Section 36 of the *Alpine Resorts Management Boards Act 1997* gives the responsible minister the power to give directions or issue guidelines to the board of an alpine resort on 'the performance, discharge or exercise of its functions, duties and powers'. The minister is also specifically authorised to direct a board to expend/apply revenue for any purpose that is consistent with the object of the Act, *whether or not it is related to the resort*.

In addition, the agency may be subject to laws which give other ministers the power to issue directions that have legislative force and must be complied with by the agency – e.g. Standing Directions issued by the Minister for Finance under the *Financial Management Act 1994*.

Where a direction has been issued to an agency, the responsible minister is accountable to parliament for the direction.<sup>5</sup> Your agency is accountable to the responsible minister for any failure to comply with the direction.

### Statements of obligations

Some establishing Acts enable the responsible minister to issue a written statement of obligations to the agency which has legislative force, for example:

- section 186A of the *Water Act 1989*, in relation to the management of Victoria's waterways
- section 19E of the *Catchment and Land Protection Act 1994*, in relation to the functions of catchment management authorities.

## f) Agency's documentation

The board of the agency must develop/approve a range of documents that specify how the agency will fulfil its functions, for example:

- Most agencies are required by their establishing Act to prepare a strategic/corporate plan and an annual/business plan (for details, see 3.5).
- Section 81 of the PAA requires certain governance policies and procedures to be in place. All DSE public entities and similar agencies are expected to comply with these requirements. DSE has developed **model policies** to assist (for details, see 6.3).

<sup>5</sup> Section 85 of the *Public Administration Act 2004* (see Division 2 of Part 5).

## g) Public sector laws

Certain laws are specifically designed to apply to Victorian public sector agencies. Examples of **whole of government** laws that your agency must comply with include laws with a focus on:

Accountability and transparency	e.g. • <i>Freedom of Information Act 1982</i> • <i>Ombudsman Act 1973</i> • <i>Whistleblowers Protection Act 2001</i>
Human rights	e.g. • <i>Charter of Human Rights and Responsibilities Act 2006</i> • <i>Disability Act 2006</i> • <i>Equal Opportunity Act 1995</i>
Privacy/good administration	e.g. • <i>Information Privacy Act 2000</i> • <i>Public Records Act 1973</i>

For further information see the **guidance note** in the support module on *Public sector laws*.

## h) Other laws and regulations

Depending on the functions that your agency performs, there are a range of other Victorian and Commonwealth laws and regulations and local council by-laws that affect your agency and must be complied with. Some **examples** of other Acts that may be relevant to your agency include:

- *Environment Protection Act 1970*
- *Fair Trading Act 1985*
- *Planning and Environment Act 1987*
- *Trade Practices Act 1974 (Commonwealth)*
- *Victorian Managed Insurance Authority Act 1996*
- occupational health and safety laws
- taxation laws.

To be an effective board member, you must understand **your agency's** individual governance framework. Your agency should provide you with an overview of the key elements of its governance framework (e.g. listed in a board charter – see 3.5.3).

### Further Information

- **Appendix 5** is a **summary chart** of how the typical elements of a governance framework fit together. **It is recommended that you look at this chart (see page 42).**
- **Guidance notes** offer more detail about the topics in this chapter (see list in **Appendix 2**).
- The State Services Authority publishes a comprehensive *Guide to whole of government legislative compliance obligations for public sector entities*. **On Board** has a direct link to this publication.

## 3.1 Overview

DSE agencies are accountable to their minister and, through their minister, to parliament. The chain of responsibility includes parliament, the minister, DSE, and the board, chair and chief executive officer of the agency. Other significant stakeholders include 'watchdog' authorities such as the Auditor-General and the Victorian Ombudsman.

## 3.2 The role of parliament

The Victorian Parliament passes an Act which establishes an agency (e.g. the Zoo) or enables the responsible minister or the Governor in Council to establish agencies of that type (e.g. catchment management authorities). The **establishing Act** – sometimes called the **enabling Act** – is the legal foundation of the agency's existence. It sets out the agency's purpose, objectives, functions and powers. It also sets out the board's duties and accountabilities.

Parliament has imposed, via legislation, a range of mechanisms to enable it to monitor the performance of public sector agencies (e.g. annual reporting requirements).

## 3.3 The role of the minister

The government nominates a minister who is responsible to parliament for the performance of the agency. The agency is accountable to parliament through the minister. The minister may:

- give directions to the agency and exercise control over its operations
- appoint and remove board members (either directly or via a recommendation to the Governor in Council)
- initiate reviews of the agency's performance.

The minister is also responsible for fulfilling the government's commitments in his or her **portfolio** (i.e. area of responsibility). Agencies have a role in contributing to the process of fulfilling these commitments to the Victorian public and implementing government policy.



### 3.4 The role of the department

The department is an **extension of the minister**. Departments are a minister's primary source of **strategic and policy advice** and perform a crucial role in **supporting and overseeing** the agency on behalf of the minister.

Typically, a minister may ask their department to provide advice on and/or monitor an agency's:

- nature, level and efficiency of service delivery (i.e. how well an agency is performing its functions)
- significant documents (e.g. strategic/corporate plan, annual/business plan, budget, annual report)
- significant/proposed contractual obligations, loans, purchases, etc.
- risk management (e.g. emerging and existing risks and the systems in place to address those risks)
- overall strategic capacity, operational sustainability, and achievement of its performance objectives
- compliance with its governance framework.

As part of its day-to-day role in the oversight and support of agencies, the department:

- **communicates** with agencies regarding roles and responsibilities, government policies and procedures, reporting frameworks, and timelines to comply with government requirements
- **monitors** the overall conformance of agencies with legal requirements and government policy
- **facilitates** the overall quality of agencies' reporting to the minister.

### 3.5 The role of the board

The board is the governing body of the agency. It steers the agency on behalf of the minister and is **accountable** to the minister (and to DSE as an extension of the minister) for the exercise of its functions. Board members should avoid participation in the day-to-day management of the agency. That is the role of the CEO. The board's primary role is to ensure that the agency **fulfils its functions effectively** and **complies with its governance framework**. This includes:

- a strategic and business planning role
- a performance monitoring and reporting role (including risk management)
- a stewardship role.







### 3.5.1 Strategic and business planning

The board sets the strategic direction and business objectives of the agency and ensures that these are consistent with the agency's governance framework.

- **Strategic/corporate plan**

The board develops the agency's strategic/corporate plan, which sets out its **strategic vision** for the **medium to long-term** future – i.e. what the agency plans to do to fulfil its functions. This plan usually covers at least a three to five year period. In your agency, it may be referred to as a strategic plan, a corporate plan, a statement of corporate intent, a strategic management plan, or similar title.

- **Annual/business plan**

The board approves the agency's annual/business plan, which sets out the agency's future activities and performance targets – i.e. *how* the agency will implement its strategic vision. The plan details the agency's **business objectives**, usually for the **forthcoming year**. This ensures that the agency's short-term activities support the achievement of its medium to long-term strategic vision. In your agency, it may be referred to as an annual plan, a business plan, or similar title.

#### Planning and implementation process

During the planning process, the board:

- thinks through and documents the strategic direction that will best achieve the agency's purpose and functions
- identifies current aims and objectives
- analyses the agency's environment and resources
- identifies opportunities, threats and choices.

The board should revisit its strategic/corporate plan at least annually and adjust or update it as necessary. Prior to approving the agency's **annual budget**, the board should ensure that the proposed budget:

- is efficient
- will enable the successful implementation of the annual/business plan
- will further the achievement of the strategic/corporate plan.

For further information on strategic and business planning see the **guidance note** in the support module on *Strategic and business planning*.

#### Policies

The development/approval and regular review of the agency's major policies is an important task for the board. As part of this process, the board must ensure that each of the governance policies required by section 81 of the *Public Administration Act 2004 (PAA)* is in place and is followed.

**Model policies** are available from DSE to assist. For details, see **Chapter 6** of this guide.

### 3.5.2 Performance monitoring and reporting

The board monitors and reports upon the agency's performance, including:

- how effectively the agency is fulfilling its **functions**
- whether the agency is complying with its **governance framework**
- the effectiveness, currency and results of the **systems in place** to achieve these goals (e.g. the agency's risk management, compliance, and reporting systems).

#### a) Performance monitoring (including risk management)

To assist in its monitoring role, the board should receive regular **operational and financial reports** from its subcommittees (e.g. audit committee) and from the CEO and other senior staff. It should also commission external reports (e.g. financial audits) as required.

In addition to monitoring the agency's **risk management** systems, the board should ensure that risk management is integrated into the agency's planning processes.

If the agency receives a **funding allocation** through the government's annual budget process, the board (which approves the information that the agency submits in its funding application) must ensure that each component of the funding that is allocated to the agency by the government is expended for the purpose for which it was allocated and within the required timeframe.

The board is also responsible for ensuring that the agency operates within the public sector rules and procedures which relate to the **use of public funds** and for the approval of strategic initiatives such as commercial ventures, significant acquisitions, internal restructures and disposals.

If the board is permitted to **delegate** any of its powers, functions and/or duties, the board must ensure that all delegations are consistent with the agency's establishing Act (and other laws). The board must also institute measures to ensure that all delegations are made and exercised in accordance with the required legal procedures.

The board must **inform the minister and the Secretary of DSE** of significant issues and events, in particular, emerging or existing risks. It must also provide the minister and the secretary with any other information about the agency that is requested (unless prohibited from doing so by law).

The board is **accountable** for what happens to the agency and for the actions that the agency takes. As part of its monitoring role, the board must take **reasonable steps** to ensure that it is being **properly informed** by the CEO and other senior staff (e.g. the chief financial officer), in particular, in relation to major risks to the effective operation of the agency. The board **cannot avoid** its accountabilities simply by claiming that 'it was not told of the true situation'. The board has a **duty** to take appropriate measures to **ensure that it is properly informed**.





## b) Annual reporting

The board must report on the agency's performance as required by its governance framework:

- Most DSE public entities and similar agencies fall within the definition of a **public body** in section 3 of the *Financial Management Act 1994 (FMA)* and must submit an annual report to the responsible minister in accordance with Part 7 of the Act. For most agencies, the minister must table the annual report in parliament. Other reporting obligations also exist under the FMA (e.g. on fraud prevention and risk management).<sup>6</sup>
- If an agency has reporting requirements under its establishing Act, these are additional to any FMA requirements.
- Agencies that are not subject to the FMA may have alternative reporting requirements, for example:
  - A committee of management appointed under section 14(2) of the *Crown Land (Reserves) Act 1978* must furnish the Secretary of DSE with an annual statement of receipts and expenditure and balance in hand.

For further information on performance monitoring and reporting see the **guidance notes** in the support module on *Monitoring and reporting obligations*.

To assist agencies to prepare an annual report in accordance with the FMA requirements, DSE issues the **DSE guide to annual reporting – public bodies**, which is updated each year. It can be downloaded from **On Board** and forms part of the support module on this topic.

## 3.5.3 Stewardship

The board has a stewardship role. In addition to monitoring the agency's performance objectives, it must monitor *how* these objectives are being achieved (i.e. the agency's culture, management systems, structures and processes). The board must ensure that:

- the agency's activities reflect the public sector values and employment principles
- the agency's governance arrangements meet its legal and other obligations in an appropriate manner.

All actions and decisions must be consistent with the agency's functions and objectives (as defined in its establishing Act), the agency's strategic and business plans, and government policy.

The board should ensure that good relationships are established and maintained with internal and external stakeholders. Effective working relationships with the agency's CEO and the department are vital (see next chapter).

### CEO

Where the board employs the agency's CEO, it must set and apply conditions of employment, including remuneration, in accordance with government policy.<sup>7</sup> The board must monitor the CEO's performance and review his or her performance on an annual basis. The CEO's remuneration should also be reviewed on an annual – or other agreed periodic – basis. For details, see the **guidance note** in the support module on *CEO and staff*.

<sup>6</sup> The annual report must be prepared in accordance with the requirements in the Standing Directions issued under Part 8 of the FMA, including Standing Direction 4.2, which requires compliance with the Financial Reporting Directions issued by the Minister for Finance. The binding Financial Management Compliance Framework issued by the Department of Treasury and Finance on behalf of the minister provides details of how to comply with the Standing Directions.

<sup>7</sup> The Government Sector Executive Remuneration Panel (**GSERP**) details what is required. The State Service Authority can provide advice about GSERP requirements and executive conditions of employment.

## Board charter

Some boards find it useful to develop a **board charter** which provides an overview of the agency's governance framework and of the key roles and relationships that flow from it. This may include:

- A list of the **key laws, government policies and other obligations** (e.g. ministerial directions, guidelines, and statements of obligation) that affect the agency.
- A list of the **agency's key documents** (e.g. strategic and business plans, policies, registers, position descriptions etc.).
- A **statement of roles** that clearly delineates the relationship between the board and the CEO and other senior staff (e.g. what decisions must go to the board, rather than being decided by the CEO). This summary should be based on, and incorporate reference to, relevant sections of the establishing Act and other elements of the agency's governance framework.

For details, see the **guidance note** in the support module on *Roles and responsibilities*.

## Public v private sector role

If you have experience as a director of a private sector agency, you will notice some differences in your role as a board member of a public sector agency, for example:

- In the **private sector**, your role is likely to involve making decisions that focus primarily on maximising shareholder profits. Your **public sector** role involves ensuring that the functions of your agency are achieved as efficiently and effectively as possible whilst ensuring that the needs of the Victorian community are met. Just what this means must be decided in the public interest, taking into account all the circumstances (e.g. drought, floods, etc.). Often, it requires the need to balance competing community interests.
- In the **public sector**, the public sector values and employment principles dictate how you must fulfil your role – e.g. it is essential that your decision-making processes are transparent and that you avoid any perception of a conflict of interest or lack of due process. This means, for instance, that it will not always be in the public interest to use your networking skills to 'get things done' in the same way that you might in the private sector.

## Balancing your role as a board member

No board member is expected to possess all of the skills and experience that are relevant to the board's functions (e.g. subject matter expertise, financial management skills, communications skills).

Although the board should utilise its members' various expertise, it is essential for the board to make **each decision as a team**, rather than just relying on the judgement of those members who are 'expert' in the particular issue that is being discussed and decided.

If you have a query about information that is being provided to the board (e.g. in a financial report) or about a decision that is to be made, speak up. **Part of your role is to ask questions.**

A good board member will **balance** respect for the expertise of other members with their own duty to ensure that the correct decision is made and that the agency operates to the required standards, within its governance framework.

## Further information

**Appendix 4** has a summary of the role of the board, which is provided by the State Services Authority.





### 3.6 The role of the chair

The chair of the board has a range of leadership duties and responsibilities that must be fulfilled in addition to their usual role as a board member.

#### Board meetings and decisions

The chair has a legal obligation to ensure that all relevant policies are readily accessible to all board members.<sup>8</sup> The chair should also ensure that:

- all appropriate items are included on the board's meeting agenda
- board meetings run effectively
- all board members have a balanced opportunity to express their views
- all board members participate actively in decision-making
- all potential conflicts of interest (including conflicts of duty) are raised at the beginning of the meeting and are resolved in accordance with board policy.

Often, the chair's role will involve **balancing** the need to ensure that all board members have a fair opportunity to express their views and ask questions with the need to progress the meeting in a timely manner, taking into account the nature, complexity, and importance of the issue being discussed and decided, and other relevant circumstances. Board members have a duty to **assist the chair** in this respect.

#### Team performance

The chair is responsible for developing the board as a team and for assisting board members to understand their role, responsibilities and accountabilities. This includes ensuring that:

- all new board members receive suitable induction
- all board members have regular opportunities to further develop the knowledge and skills that are relevant to their role
- regular assessment occurs of the collective and individual performance of board members (at least annually).

#### Standards of conduct

The chair has a key role in ensuring that the board undertakes its duties to the appropriate standard, in accordance with the **Directors' Code of Conduct**. This includes ensuring that all potential conflicts of interest are raised and resolved in accordance with agency policy.

#### Stakeholder relationships

The chair also has a key role in managing relationships with external and internal stakeholders. Board members would usually check with the chair before approaching the CEO or other staff of the agency with issues. The chair should be 'kept in the loop' about any such discussions.

The chair usually represents the board externally, as the official spokesperson for the agency. Sometimes, the board will make additional arrangements – e.g. the CEO may be authorised to comment on certain operational matters.

<sup>8</sup> See section 80 of the PAA, which is legally binding on chairs of public entities that are subject to Division 2 of Part 5 of the PAA. Chairs of all other public entities and similar agencies are also expected to comply with this requirement.

### 3.7 The role of the CEO

The CEO manages the day-to-day operations of the agency under the direction of the board. He or she is responsible for implementing the board's **strategic vision**, as set out in the strategic/corporate plan, and for achieving the agency's **performance objectives**, as set out in the annual/business plan.

The CEO is accountable to the board for the day-to-day expenditure, operational activities and administration of the agency in a manner that is consistent with the agency's governance framework and the board's strategies, plans, policies and directions.

The CEO implements the board's decisions, provides advice to the board, and is the primary link between the board and the agency's staff.

The CEO must comply with the **Code of Conduct for Victorian Public Sector Employees** and must promote the Code to staff, and ensure that staff comply with this Code. He or she must also establish and maintain employment processes that comply with the **public sector employment principles** and related standards (see 6.4).

The CEO reports to the board on a regular basis. This assists the board to monitor the agency's performance and ensure that the agency is fulfilling its role effectively and in accordance with its governance framework.

The CEO is accountable to the board as a whole (rather than to individual members).

For details, see the **guidance note** in the support module on *CEO and staff*.

In **water corporations** established under the *Water Act 1989*, the role of CEO is performed by the managing director, who is also a member of the board. For details, see the **guidance note** on the 'Role of the managing director of a water corporation' in the support module on *Roles and responsibilities*.



### 3.8 The role of 'watchdog' authorities

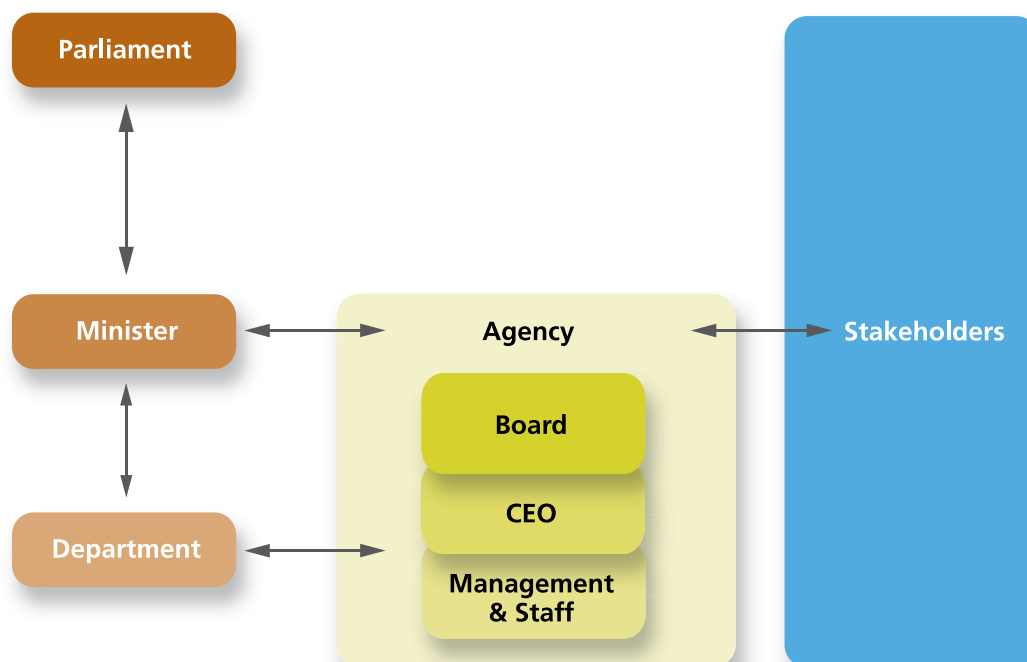
Parliament has established certain statutory authorities which function as public 'watchdogs'. These authorities, which include Victoria's Auditor-General, Ombudsman, Privacy Commissioner, and Equal Opportunity and Human Rights Commissioner, have powers to:

- investigate and report to parliament on the performance of a public sector agency and/or
- respond to complaints from the public about the agency.

This 'watchdog' role makes these authorities significant stakeholders in relation to your agency. For further information about the roles of these authorities, see the **guidance notes** in the support module on *Public sector laws*.

### 3.9 Summary of roles

The following diagram, developed by the State Services Authority, is a broad overview of the relationship between key stakeholders.



A 'Summary chart of roles and responsibilities', which summarises the roles of parliament, the minister, the department, your agency, the board and the CEO is available as a **guidance note** in the support module on *Roles and responsibilities*.

## 4.1 Relationship between the board and DSE

'The board should ensure that public entity staff liaise early with departmental officers about any major proposal the public entity will be putting to the minister. This will speed up the process of ministerial consultation with the department.' (State Services Authority)

If your agency has a significant proposal or issue for the minister to consider, **DSE should be consulted during the development phase** – i.e. *prior* to presenting the proposal/issue to the minister. This has two key benefits:

- It enables DSE to provide information to your agency that may be useful in shaping the proposal and/or defining the issue.
- It speeds up the overall process, as the minister will seek DSE's advice before making a decision on a significant proposal or issue.

## 4.2 Relationship between the board and the CEO

The board sets/adopts the agency's strategic direction. The CEO implements this strategy on behalf of the board. To produce the best results for the agency, it is vital that the board and the CEO maintain a productive relationship, whilst fulfilling their respective roles. The following constraints apply:

### Strategic direction of the agency

The role of the CEO includes providing reports and advice to assist the board in making its decisions. This may include submitting **recommendations** to the board on strategic direction, business planning and policy. It is crucial, however, that this advice is only **one aspect** of what the board considers. Before making its decision, the board should investigate and consider **all relevant options** and make **its own** assessment and determination about which to adopt.

The CEO should be careful to remember that it is not his/her role to determine strategy. Equally, the board should be careful to maintain its independence from the CEO and to **avoid becoming a 'rubber stamp'** for the CEO.

### Governance framework

It is the board's responsibility to ensure that the agency operates within its governance framework. The board cannot pass this responsibility over to the CEO. However, the CEO has a clear role in providing advice to the board, including advice on how to comply with the agency's governance framework.





## Staff of agency

The board usually communicates with the agency's staff through the CEO, unless the CEO and the board have agreed otherwise. Where communication does occur directly between the board and staff, the CEO should be kept 'in the loop'.

## Complementary but different roles

The board and the CEO must be diligent in maintaining a cordial and respectful relationship. However, the role of the board requires it to ensure that the agency is performing effectively and that the CEO is managing in accordance with the board's strategic direction and the agency's governance framework. At times, this may require the board to undertake **robust and persistent** inquiry of the CEO.

The board and the CEO must **maintain the balance** between a good working relationship and the distance that is required to perform their respective roles satisfactorily, for example:

- The board must ensure that it **understands**, and **approves of**, all aspects of the agency's financial expenditure (rather than just accepting what is being presented to it).
- The board must undertake all enquiries necessary to confirm that the CEO is free of any conflict of interest in his/her decision-making.
- The CEO should advise the board of any perceived deficiencies in the board's performance.

For information about the relationship between the **managing director** of a **water corporation** and the board of which he or she is a member, see the **guidance note** on the 'Role of the managing director of a water corporation' in the support module on *Roles and responsibilities*.



## 5.1 Overview

The *Public Administration Act 2004* (**PAA**) sets out the values and principles which are basic to good governance. These include:

- the public sector values (section 7)
- the public sector employment principles (section 8)
- the duties of directors (section 79)
- the required governance policies and procedures (section 81)
- the codes and standards issued by the Public Sector Standards Commissioner under sections 63 and 66 of the PAA, in particular, the Directors' Code of Conduct.

As a board member of a DSE public entity or similar agency, these conduct requirements apply to you as summarised below.

Sometimes, an agency's establishing Act will also specify conduct requirements (e.g. values) that the board must comply with. These requirements are *additional* to the conduct requirements in the PAA.

## 5.2 Essential values and principles

### a) Public sector values

Board members must apply the public sector values of **responsiveness, integrity, impartiality, accountability, respect, leadership, and human rights** in the performance of their duties. These values, which are set out in section 7 of the PAA, are the foundation of good governance. They are binding on all **public officials** (as defined in section 3 of the PAA), including the board members and staff of all public entities and similar agencies. A copy of the public sector values is set out in **Appendix 3**.

### b) Directors' Code of Conduct

The key reference that explains how you, as a board member, must apply the public sector values is the **Directors' Code of Conduct** issued by the Public Sector Standards Commissioner. The Directors' Code is binding on the board members of all public entities. Board members of similar agencies are also expected to comply.

The Directors' Code of Conduct applies to **all board members**, regardless of whether you are usually referred to as a board member, a director, a committee member, or by some other title.



To comply with the Directors' Code, you must act as follows. Note that although the code refers to public entities and directors, *you* are expected to comply with it, whatever your title or agency:

- (i) **Act with honesty and integrity.** Be open and transparent in your dealings; use power responsibly; do not place yourself in a position of conflict of interest; strive to earn and sustain public trust of a high level.
- (ii) **Act in good faith in the best interests of the public entity.** Demonstrate accountability for your actions; accept responsibility for your decisions; do not engage in activities that may bring you or the public entity into disrepute.
- (iii) **Act fairly and impartially.** Avoid bias, discrimination, caprice or self-interest; demonstrate respect for others by acting in a professional and courteous manner.
- (iv) **Use information appropriately.** Ensure information gained as a director is only applied to proper purposes and is kept confidential.
- (v) **Use your position appropriately.** Do not use your position as a director to seek an undue advantage for yourself, family members or associates, or to cause detriment to the public entity; ensure that you decline gifts or favours that may cast doubt on your ability to apply independent judgement as a director of the public entity.
- (vi) **Act in a financially responsible manner.** Understand financial reports, audit reports and other financial material that comes before the board; actively inquire into this material.
- (vii) **Exercise due care, diligence and skill.** Ascertain all relevant information; make reasonable enquiries; understand the financial, strategic and other implications of decisions.
- (viii) **Comply with the establishing legislation,** or its equivalent, for your public entity. Act within the powers and for the functions set out in your public entity's establishing legislation and/or ministerial charter.
- (ix) **Demonstrate leadership and stewardship.** Promote and support the application of the Victorian public sector values; act in accordance with the Directors' Code.



### c) Duties of directors

Section 79 of the PAA contains conduct requirements in the form of 'duties of directors'. These duties are legally binding on the board members of all public entities to which Division 2 of Part 5 of the PAA applies. Board members of other public entities and similar agencies are also expected to comply. These duties are:

- **Act with the required standard of care and behaviour:** you must act honestly; in good faith and in the best interests of the agency; with integrity; in a financially responsible manner; with a reasonable degree of care, diligence and skills; and in compliance with the agency's establishing Act.
- **Keep information confidential:** as a *current or former* board member, you must not give anyone information that you have acquired in your role, except to the extent necessary to properly exercise your role or to provide information that you are expressly authorised, permitted, or required by law to provide.
- **Avoid improper use of your position:** you must not use your position as a board member (or any information acquired through your position) to gain advantage for yourself or another person, or to cause detriment to the agency.

In addition, if you decide to **stand for election** to parliament or a local council, you must notify the board and must avoid using any of the agency's resources in your campaign. For details, see the **guidance note** on 'Standing for public election' in the support module on *Appointment and conditions of tenure*.

### Summary

The **Directors' Code of Conduct** sets out how to comply with the **public sector values** in section 7 of the PAA. The general duties of directors in section 79 **overlap and complement** these values. By complying with the Directors' Code, you will comply with all these requirements.

### Further information

- See the support module on *Standards of conduct* (which includes a direct link to the Directors' Code and related information on the State Services Authority website).
- For a free pocket-sized copy of the **Directors' Code** contact the SSA on 9651 1321.







## 5.3 Related requirements

The following conduct requirements build upon the foundation requirements in the public sector values, general duties of directors, and Directors' Code of Conduct.

### 5.3.1 Conflict of interest

Board members must ensure that any conflict of interest is identified and managed in accordance with agency policy, so as to protect the public interest and maintain the integrity of the agency. A conflict can arise from a private interest (direct or indirect) or from a duty to another organisation. It exists whether the conflict is:

- **real** (i.e. an actual conflict)
- **potential** (i.e. it may arise, given the circumstances)
- **perceived** (i.e. members of the public could reasonably form the view that a conflict exists or could arise that may improperly influence the performance of your duty as a board member).

Each board member has a duty to speak up, whether the conflict is their own or that of another board member. Staff should also be empowered and supported to speak up about any conflicts.

At the start of each board meeting, the chair must ask board members to declare any conflict of interest relating to an item on the agenda. Any conflict must be dealt with in accordance with agency policy. Usually, this would require the board member to leave the room during all discussion and decision-making about the conflicted issue. Details of the conflict and how it was managed must be recorded in the minutes (including the time that the person left and re-entered the room).

An annual Declaration of Private Interests is required from each board member. This declaration should also be updated when the board member's private interests change.

It is recommended that you read the **guidance note** in the support module on *Conflict of interest*. The support module also contains a **model policy**, which your agency must adopt or have an equivalent policy in place, and other resources such as case studies, a copy of the Declaration of Private Interests form, and direct links to the topic on the SSA website.

### 5.3.2 Gifts, benefits and hospitality

The agency's reputation for integrity, impartiality and accountability can only be maintained if the community is confident that the board members and employees cannot be bribed or influenced by gifts. If offered a gift in any form, either directly or indirectly (e.g. as a benefit to a family member) you must follow your agency's policy for declaring the gift offer. Significant or frequent gift offers from the same source (i.e. **reportable gifts**) must be declared *whether or not they are accepted*.

Any attempt to bribe you must also be reported in accordance with agency policy.

It is recommended that you read the **guidance note** in the support module on *Gifts, benefits and hospitality*. The support module also includes a **model policy**, which your agency must adopt or have an equivalent policy in place, and other resources such as case studies and direct links to the topic on the SSA website.

### 5.3.3 Ban on loans to board members and their families

Section 82 of the PAA prohibits the agency from making loans (or giving a guarantee or security in relation to a loan) to board members or their extended families or relatives. For details, see the **guidance note** in the support module on *Standards of conduct*.

## 6.1 Overview

The board's key duties and accountabilities when performing its strategic, monitoring and reporting, and stewardship role are set out below. These provisions are legally binding on public entities which are subject to Division 2 of Part 5 of the *Public Administration Act 2004 (PAA)*.<sup>9</sup> Because these requirements are **fundamental to good governance**, all other public entities and similar agencies are also expected to comply.

## 6.2 Over-arching requirements

The board's overarching duties and accountabilities whilst performing its role are as follows:

### a) Act consistently with the agency's functions and objectives – s 81(1)(a)

The board must ensure that all of its actions and decisions are consistent with:

- the functions and objectives of the agency (as set out in its establishing Act); and
- the agency's strategic/corporate plan, annual/business plan, policies, and any other documents that are relevant to its work program.

### b) Accountability to the minister (and to DSE) – s 85(1)

The board is accountable to the **minister** for the exercise of its functions. The board is also accountable to **DSE** in its oversight role as an extension of the minister.

For some boards, in addition to this overall accountability for the proper discharge of the agency's functions, the agency is also directly accountable to the Secretary of DSE for the proper discharge of functions that are delegated to it by the secretary – e.g. in relation to the management of parks and reserves. For details, see the **guidance note** in the support module on *Roles and responsibilities*.

### c) Inform the minister and the secretary of major risks – s 81(1)(b)

The board must inform both the minister and the Secretary of the DSE of all known major risks to the effective operation of the agency and of the risk management systems that are in place to address those risks. This is a fundamental obligation that includes the need to fully inform the minister and the secretary of all significant existing or emerging risks.

### d) Provide information to minister and the secretary – s 81(1)(c)

Unless prohibited by law, the board must provide the minister with any information about the agency and its operations that the minister requests. Similarly, unless prohibited by law, the board must provide DSE with any information that it requests in its oversight role as an extension of the minister.

<sup>9</sup> Parts 2 and 3 of Division 5 of the PAA (sections 75 to 90) are legally binding on public entities that:

- were established after 1 July 2005; or
- have had their establishing Act amended to deem that the agency is subject to these provisions (e.g. catchment management authorities and water corporations); or
- are included in an Order made by the Governor in Council under 75(a) of the PAA, which is published in the Government Gazette.



## 6.3 Essential policies and procedures (s 81)

Under section 81 of the PAA, the board must have certain policies and procedures in place to help ensure that it functions effectively and in accordance with the principles of good governance.

As a board member, it is **your duty** to ensure that your agency has the required policies in place; that the policies are updated regularly (preferably on an annual basis); and that you comply with the policies at all times.

For each of the policies required by section 81 of the PAA, the board must:

- adopt the relevant **model policy** issued by DSE, which **can be adapted** to take into account the nature and functions of your agency
- or
- have an **equivalent policy** in place which is consistent with the key principles in the model policy.

### a) Adoption of Directors' Code of Conduct – s 81(1)(e)

The board must have a suitable code of conduct in place for board members. To satisfy this requirement, the board should formally adopt the Directors' Code of Conduct issued by the Public Sector Standards Commissioner. For further information, see the **model policy** and the **guidance note** and other resources in the support module on *Standards of conduct*.

### b) Identifying and managing conflict of interest – s 81(1)(f)

The board must have processes in place to identify and deal with conflicts of interest (including conflicts of duty). For further information, see the **model policy**, the **guidance note**, the Declaration of Interest form, and the case studies and other resources in the support module on *Conflict of interest*.

### c) Gifts, benefits and hospitality – s 81(1)(g)

The board must have an adequate gifts policy in place. For further information, see the **model policy**, the **guidance note**, and the case studies and other resources in the support module on *Gifts, benefits and hospitality*.

### d) Board meetings and decisions – s 81(1)(h)

Adequate procedures must be in place for the conduct of board meetings and the making of decisions by the board.<sup>10</sup> The board's meeting and decision-making procedures must be consistent with any requirements and limitations set out in the agency's establishing Act or any other applicable laws. For further information, see the **model policy**, the **guidance note**, and the sample documents/templates and other resources in the support module on *Board meetings and decisions*. Also see **Chapter 7** of this guide.

<sup>10</sup> This includes appropriate arrangements for acting board members (where acting directors are permitted by the agency's establishing Act). It also includes ensuring that suitable written records (i.e. minutes) are kept of board meetings.

### e) Performance assessment – s 81(1)(d)(i)

The board must have adequate procedures in place for assessing the performance of individual board members. This should occur at least annually. The performance of the chair, and of the board as a whole, should also be assessed.<sup>11</sup> For further information, see the **model policy** and the **guidance note** and other resources in the support module on *Performance assessment and improvement (board)*.

### f) Poor performance by board members – s 81(1)(d)(ii)

The board must have adequate procedures in place for addressing poor performance of board members. For further information, see the **model policy** and the **guidance note** and other resources in the support module on *Performance assessment and improvement (board)*.

### g) Dispute resolution processes – s 81(1)(d)(iii)

The board must have adequate procedures in place for resolving disputes between board members. For further information, see the **model policy** and the **guidance note** and other resources in the support module on *Dispute resolution*.

**Model policies, guidance notes, and other resources** are available from **On Board** ([www.dse.vic.gov.au/onboard](http://www.dse.vic.gov.au/onboard)).

## 6.4 Staff of agency

The board must apply the **public sector employment principles** and related standards<sup>12</sup> in the appointment, on-going employment, and termination of the CEO and must ensure that the CEO has processes in place that apply these principles to other staff. This requirement is to help ensure that, as required by section 8 of the PAA:

- (a) employment decisions are based on merit
- (b) employees are treated fairly and reasonably
- (c) equal employment opportunity is provided
- (ca) human rights, as set out in the Charter of Human Rights and Responsibilities, are upheld
- (d) employees have a reasonable avenue of redress against unfair or unreasonable treatment.<sup>13</sup>

The board must also ensure that the CEO complies with the **Code of Conduct for Victorian Public Sector Employees** (which is the employees' equivalent of the Directors' Code of Conduct) and has processes in place to ensure that other staff also comply.

For details, see the **guidance notes** in the support module on *CEO and staff*.

<sup>11</sup> The requirements of s 81(1)(d) do not apply to 'Commissioner' entities. These are public entities where the governing body comprises a single member, rather than a board.

<sup>12</sup> In addition to the **binding** standards, the Public Sector Standards Commissioner issues **non-binding** guidelines in respect of each employment principle to assist with its implementation. **On Board** has direct links to these publications.

<sup>13</sup> Sub-section (e), the requirement to 'foster the development of a career public service', does not apply.





## 6.5 Related requirements

Related requirements in the PAA which also help to ensure that the agency functions effectively and in accordance with the principles of good governance include:

- **Delegations to subcommittees – s 83:** any delegation of the board's powers to a subcommittee must be made by legal instrument. The delegation can only be made to subcommittee members who are also board members. The power to delegate cannot be delegated. All delegation powers are set out in the agency's establishing Act. Not all agencies have the power to delegate. For details, see 7.3.3. Also see the **guidance note** on 'Delegations' in the support module on *Board meetings and decisions*.
- **Financial records – s 81(1)(i):** the board must ensure that appropriate financial records are kept in relation to all money or other property under the agency's management or control. For details, see the support module on *Monitoring and reporting obligations*.
- **Fraud prevention – s 81(1)(j):** if the agency controls public funds or assets, the board must ensure that adequate controls are in place to prevent fraud. For details, see the support module on *Monitoring and reporting obligations*.
- **Certain documents must be kept and made available to board members – s 95 to s 97:** the agency must keep and make readily available to board members certain documents that form part of its governance framework. What is required varies according to the size and functions of the agency, but generally it includes key documents such as:
  - the agency's strategic and business plans
  - accountability and reporting arrangements
  - any document issued by the minister outlining the terms of appointment, roles and responsibilities of board members
  - any document issued by the minister or the Secretary of DSE outlining the respective roles of, and relationships between, the agency, DSE and the minister.For further details, including a list of key documents that you would expect to be provided with by your agency, see the **guidance note** in the support module on *Induction and capacity-building*.
- **Formation of a subsidiary body corporate – s 84:** if the agency is a body corporate, it may be entitled to form subsidiaries in certain circumstances. If the agency intends to form a subsidiary, it must write to the responsible minister and to the Treasurer within a reasonable time before doing so, to notify them of this intention. The minister may refuse the formation of the subsidiary or impose restrictions or conditions upon it.



## 7.1 Overview

The purpose of a board meeting is to enable board members to obtain information, consider issues, exchange information and share views, and to make decisions in the public interest – i.e. the best interests of the agency.

Adequate procedures must be in place for the conduct of board meetings and the making of board decisions. This requirement is legally binding on public entities which are subject to Division 2 of Part 5 of the *Public Administration Act 2004 (PAA)*.<sup>14</sup> All other public entities and similar agencies are also expected to comply with this **fundamental requirement**.

The board is responsible for determining its meeting and decision-making procedures, **subject to** any requirements or limitations imposed by the establishing Act and/or any other applicable laws, for example:

- An establishing Act will often set the **quorum** (i.e. minimum number of board members who must be present and participate in a board decision for it to be valid).

DSE has issued a **model policy** on *Board meeting and decision-making procedures*. Your agency must adopt this model policy, which can be adapted to take into account the nature and functions of your agency, or have an equivalent policy in place.

As a board member, it is **your duty** to ensure that your agency has the required policy; that the policy is reviewed regularly (preferably on an annual basis); and that you comply with the policy at all times.

## 7.2 Accountability for decisions

The board is **collectively accountable** for its decisions – i.e. **every member** is accountable for **every decision**. All decisions should be made as a team. Whilst the particular expertise of individual board members should be respected, it must be an **active decision** by all – passively ‘leaving it to the experts’ and then going along with their recommendation without **due diligence** on your own part would not be an acceptable discharge of your duty as a board member.

To support team decision-making – and to avoid strong personalities dominating the process – there must be a **balanced opportunity** for all board members to ask questions, express ideas and offer opinions. Members should treat one another with **respect and courtesy** during this process. Whilst the chair has a key role in ensuring that this occurs, all board members share this responsibility.

<sup>14</sup> Section 81(1)(h) of the PAA.



## 7.3 Required procedures

It is important to familiarise yourself with your agency's meeting procedures and **essential** to understand the requirements for making a **valid** decision which is in the **public interest**.

It is recommended that you read the **guidance notes** in the support module on *Board meetings and decisions*. Some of the key considerations that are discussed in the guidance notes include:

### 7.3.1 Meeting procedures

- Does the board have – **and follow** – adequate well documented meeting procedures that are in compliance with any requirements in its establishing Act? For example:
  - Are the agenda and supporting papers being circulated sufficiently in advance of the meeting to enable board members to have adequate **time to read** them prior to the meeting? (A minimum of five days is recommended.)
  - Is there a standing item at the commencement of the meeting that requires the declaration and appropriate management of **conflicts of interest** in accordance with agency policy?
  - Are all the **required procedures** being undertaken to ensure that each decision of the board is valid and is in the public interest? (See 7.3.2.)
  - Are the **minutes** of the board meeting being properly recorded and reviewed and then endorsed at the next board meeting?
- Is the board's **annual work program** (i.e. the board's annual tasks) being scheduled suitably throughout the year? Are its components being allocated appropriate time on the agenda and being dealt with effectively?
- Are other issues that arise being allocated appropriate time on the agenda and being dealt with effectively?

### 7.3.2 Valid and good decisions – the essentials

#### (a) Will the board's decision be valid?

- Are all the **legal requirements** for a **valid decision** being complied with? For example:
  - Is the proposed decision **within the agency's powers**, as set out in its establishing Act?
  - Is the proposed decision **consistent with other laws** (Victorian, Commonwealth and local government)?
  - Is there a **quorum** to make a valid decision?
  - Have all the required **legal procedures** been complied with? For example:
    - some decisions of the board must be ratified by legal instrument
    - if the board has the power to enter into a contract and proposes to do so, certain documents may need to be sealed.
  - Does the decision need to be made by **consensus or majority vote**?
  - Is it a decision that the **minister** needs to approve before it takes effect (e.g. the agency's annual/business plan)?

## Board meetings and decision-making

### (b) Will it be a good decision (i.e. in the public interest)?

- Have all the **public interest** requirements been taken into account? For example:
  - Is it in **best interests** of the agency?
  - Is it **ethically sound and fair**, including:
    - made in good faith, with honesty, integrity and impartiality?
    - based on merit, without bias, caprice, favouritism, or self interest?
    - consistent with human rights?
    - transparent and fair in all respects?
- Is the decision consistent with **government policies** and procedures (e.g. tender guidelines)?
- Has the board taken into consideration its **accountability** to the minister?

### 7.3.3 Delegations

- Does a **power to delegate** exist in the establishing Act?
- If so:
  - What are the **limitations** on the power to delegate (i.e. what is permitted or restricted by the establishing Act and other laws)?
  - What **legal procedures** are required to ensure that the delegation is valid (e.g. an Instrument of Delegation)?
  - To **whom** can delegations be made?
  - Which powers are **not normally delegated**? (For instance, the power to delegate cannot usually be delegated.)
  - Is a **register of delegations** being accurately maintained?

Even if the board lawfully delegates **responsibility** for a decision, it can never delegate **accountability**. Ultimately, the board is accountable for all its decisions, even those made under delegation.







### 7.3.4 Subcommittees

- Is a subcommittee appropriate in the circumstances? If so, should it be standing or a temporary?
- Are any particular types of subcommittee required by the agency's governance framework (e.g. an audit committee)?
- Who can be a member of a subcommittee? (Usually, experts and other people who can assist the work of the committee can be members, even if they are not board members.)
- Does the subcommittee have properly documented **terms of reference** and procedures for recording minutes and reporting back to the board?
- Are all subcommittee members aware of the role of a subcommittee – in particular, that it is only a **working group** and that, although a subcommittee may make recommendations to the board, it does not make decisions on behalf of the board?
- When can delegations be made to subcommittee members and to whom can they be made? (Usually, a delegation may only be made – if at all – to subcommittee members who are also board members.)

### 7.3.5 Confidentiality requirements

- What confidentiality requirements and/or restrictions are in place in relation to:
  - information gained in your role as a board member?
  - documents provided to board members?
  - documents provided to non-board members (e.g. guests at board meetings; experts from whom advice is sought; non-board members of subcommittees)?
  - deeds of access?
- Are all board members aware that, to minimise the chance of confidential information being accidentally viewed by non-board members (e.g. financial reports), documents provided to board members for the purpose of understanding an issue and/or making a decision should be **returned to the agency** as soon as the documents are no longer in active use? Is there a suitable procedure in place to facilitate this occurring?
- What restrictions and procedures are in place in relation to board members and employees making **public comment**, for example:
  - at official enquiries?
  - to the media?

Is there a clear, documented policy that is understood and applied by all board members and staff?
- Are all board members aware that the confidentiality requirements that bind them as board members **continue to bind them** even after they are **no longer a board member**?<sup>15</sup>

<sup>15</sup> This obligation in section 79(2) of the PAA is legally binding on board members who are subject to Division 2 of Part 5 of the Act. Board members of all other public entities and similar agencies are also expected to comply. See also the Directors' Code of Conduct.

## 8.1 Appointment and tenure

You should familiarise yourself with your agency's establishing Act, your Instrument of Appointment, and any other documents relating to your appointment and tenure as a board member.

The **Appointment and Remuneration Guidelines for Victorian Government Boards, Statutory Bodies and Advisory Committees** contain information that is relevant to your appointment as a board member. The support module (see below) has a link to these guidelines.

For further information, see the **guidance notes** in the support module on *Appointment and conditions of tenure*, which cover a range of topics such as:

- appointment and conditions of tenure
- remuneration and reimbursement of expenses
- indemnities and insurance
- succession planning and reappointment
- the required process for tendering your resignation.

## 8.2 Performance requirements

The board is responsible for its own effectiveness. For most agencies, there is an expectation that board members will attend a minimum of 75% of meetings and will make a significant contribution to the agency.

### Breach of duty

Failure by a board to fulfil its functions to a satisfactory standard (e.g. gross financial mismanagement) may have serious consequences for the agency and the Victorian public. In some instances, a breach of duty by an individual board member may also have serious consequences for the public interest. In such cases, there is a range of options open to restore the proper functioning of the agency and ensure that it merits the trust of the Victorian public – e.g. suspension or removal from office of board member(s).<sup>16</sup> For further information, see the **guidance note** in the support module on *Appointment and conditions of tenure*.

<sup>16</sup> For example, under section 89 of the *Public Administration Act 2004*.



### 8.3 Performance assessment

The board must have adequate processes in place to:

- ensure that the collective and individual performance of board members is assessed at least annually
- deal with poor performance
- resolve disputes between board members.<sup>17</sup>

For further information, see the support module on *Performance assessment and improvement (board)*, which includes **guidance notes** on these topics.

### 8.4 Induction and capacity-building

Board members should receive suitable **induction** training and materials. They should also be provided with regular opportunities for **capacity-building** to enable them to further develop their board skills. For details, including a list of the **key documents** that you would expect to be provided with by your agency, see the **guidance note** in the support module on *Induction and capacity-building*.



<sup>17</sup> These requirements in section 81(1)(d) of the PAA are legally binding on board members who are subject to Division 2 of Part 5 of the Act. Board members of all other public entities and similar agencies are also expected to comply.

For further information and assistance in developing your knowledge and skills as a board member, the following resources are recommended:

### 9.1 DSE governance website (On Board)

DSE's good governance website **On Board** ([www.dse.vic.gov.au/onboard](http://www.dse.vic.gov.au/onboard)) is the central place for governance information about DSE agencies.

**On Board** provides a simple way to download copies of DSE governance guides, support modules and other useful governance resources (e.g. industry-specific publications). **On Board** also contains direct links to useful information on other sites, in particular, to key topics on the State Services Authority's website.

DSE is committed to continuing to develop easy-to-read governance resources to assist board members. DSE is also committed to regularly updating its publications to take into account changes in the law, best practice developments, and new resources that become available.

**Check regularly at On Board** ([www.dse.vic.gov.au/onboard](http://www.dse.vic.gov.au/onboard)) for new governance updates, resources and links.

### 9.2 Support modules

The support modules which **accompany this guide** are designed to complement and extend your knowledge of the introductory material in the guide. Typically, a support module will contain guidance notes, model policies, case studies, templates and/or sample documents, and will include direct links to further reading and resources on the topic (e.g. on the State Services Authority website).

**Appendix 2** lists the resources that are being developed for each support module. These and other resources can be downloaded from **On Board** as soon as they become available.

### 9.3 Agency-specific publications

In addition to the guide and support modules, which apply to all DSE board members, DSE offers a limited but growing number of resources that are specific to particular agencies, or types of agency, for example:

- industry-specific guides (e.g. **A governance guide to the water industry**, which provides an overview of the governance framework surrounding the water industry and an introduction to the legislation, ministers, government departments and regulators that play a role in the management of Victorian water).
- operational guidelines (e.g. the **Committee of management responsibilities and good practice guidelines**, which are specifically written to assist small committees of management of public land).

Agency-specific publications can be downloaded from **On Board** (see above).





## 9.4 DSE policy division

For information on governance matters, your agency can contact the DSE policy division that usually provides it with assistance. DSE policy divisions may also offer support materials for board members, including governance tools that are specific to particular types of agencies (e.g. performance assessment tools).

## 9.5 State Services Authority

The State Services Authority (**SSA**) is established under the *Public Administration Act 2004* to 'foster the development of an efficient, integrated and responsive Victorian public sector which is ethical, accountable and professional'. A key function of the SSA is to promote high standards of governance, accountability and performance for public entities. This includes publishing a large range of support materials, which are available from the SSA or can be downloaded from its website ([www.ssa.vic.gov.au](http://www.ssa.vic.gov.au)).

There is a **complementary relationship** between the governance resources produced by DSE and the SSA, for example:

- The support modules on **On Board** ([www.dse.vic.gov.au/onboard](http://www.dse.vic.gov.au/onboard)) include **direct links** to topics on the SSA website.
- SSA templates and sample documents are included in the support modules, either as a document that is tailored for use by DSE agencies or as a direct link to the document on the SSA website.

**Congratulations, in your role as a board member you have the opportunity to make a valuable contribution to your agency and to the Victorian community.**



# Appendix 1 – Agencies to which the guide applies

The guide is written specifically for board members of:

- DSE public entities
- DSE agencies that are not public entities but which perform similar functions and are expected to comply with the same standards of governance (**similar agencies**).<sup>18</sup>

## 1. What is a public entity?

The definition of a public entity is set out in section 5 of the *Public Administration Act 2004 (PAA)*. It includes an agency, whether or not it is incorporated, that fulfils **all** of the following criteria:

- it is established by or under an Act or by the Governor in Council or a minister; and
- in the case of a body corporate, the Governor in Council or a minister has the right to appoint at least one half of the board members; and
- it has a public function to exercise on behalf of the State (or is wholly owned by the State); and
- if it is a purely advisory agency**, it:
  - has written terms of reference; and
  - is required to provide advice to a minister or the government; and
  - has been declared to be a public entity by Order of the Governor in Council published in the *Government Gazette*.

It does not include an administrative office or certain other bodies (e.g. exempt or special bodies).

## 2. Which DSE agencies are public entities?

Most DSE agencies are public entities. Some **examples** include Victoria's:

- alpine resort management boards and the Alpine Resorts Co-ordinating Council
- catchment management authorities
- Metropolitan Waste Management Group
- regional coastal boards
- Royal Botanic Gardens Board
- Surveyors Registration Board of Victoria
- Sustainability Victoria
- Trust for Nature (Victoria)
- Victorian Environmental Water Holder
- water corporations and water distributors
- Zoological Parks and Gardens Board

and

<sup>18</sup> DSE also publishes governance guides for other types of agencies, such advisory and consultative committees. These are based on the same governance principles that apply to public entities and similar agencies, but are tailored to the particular type of agency – e.g. advisory committees do not need to comply with the various financial reporting requirements that are a legal requirement for public entities and similar agencies.

- over 1,200 committees of management of Crown land reserves (**COMs**), including:
  - Phillip Island Nature Park Board of Management Incorporated
  - Barwon Coast Committee of Management Incorporated
  - Bellarine Bayside Foreshore Committee of Management Incorporated
  - Great Ocean Road Coast Committee Incorporated
  - Mint Incorporated.

### Small COMs

Whilst small COMs are public entities and the principles in this guide apply, specific operational guidelines have also been issued for the management of small Crown land reserves. The **Committee of management responsibilities and good practice guidelines** are also available via **On Board**.

## 3. Similar agencies

Agencies that are not public entities but which perform similar functions (e.g. Victoria's regional waste management groups) are also expected to comply with the principles and requirements set out in this guide.

### Full list of agencies (public entities and similar agencies) and their current status

From time to time, new agencies are added to the DSE portfolio or the status of an existing agency changes. To see a full up-to-date list of all DSE public entities and similar agencies to which this guide applies, check **On Board** ([www.dse.vic.gov.au/onboard](http://www.dse.vic.gov.au/onboard)). The list also shows which public entities are subject to Divisions 2 and 3 of Part 5 of the *Public Administration Act 2004*.

## Appendix 2 – DSE support modules

Resources such as those listed in the support modules (below) are being developed by DSE on a continuing basis to offer further information to assist you in your role as a board member. You can download the latest releases and updates of these and other DSE governance resources from **On Board**.

Check regularly at **On Board** ([www.dse.vic.gov.au/onboard](http://www.dse.vic.gov.au/onboard)) for new governance updates, resources and links.

Unless you are already very experienced in relation to the **key topics** in the guide (in particular, conflict of interest; board meeting procedures; requirements for valid and good decision-making; responding to gift offers), it is recommended that you read the relevant **guidance note**.

Support module	Guidance note	Model policy	Case studies	Samples & templates etc.
<b>Annual reporting</b>				
– information on this topic is located in the support module on 'Monitoring and reporting obligations'.	✓			✓ DSE guide to annual reporting – public bodies
<b>Appointment and conditions of tenure</b>				
Appointment and conditions of tenure – including succession planning and reappointment	✓			
Breach of duty – including removal or suspension of a board member	✓			
Indemnities and insurance	✓			
Resignation from the board	✓			
Remuneration and reimbursement of expenses	✓			
Standing for public election to parliament or local council	✓			
<b>Board meetings and decisions</b>				
Board meeting and decision-making procedures	✓✓ – Meetings – Decisions	✓		✓
Delegations	✓	✓		✓
Subcommittees	✓			
<b>CEO and staff</b>				
Code of conduct for Victorian public sector employees	✓			
Performance assessment and remuneration of the CEO	✓			
Public sector employment principles and standards	✓			
Role of the managing director of a water corporation – located in the support module on <i>Roles and responsibilities</i>	✓			
<b>Conflict of interest</b>				
Conflict of interest	✓	✓	✓	✓
<b>Gifts, benefits and hospitality</b>				
Gifts, benefits and hospitality	✓	✓	✓	
<b>Government policies</b>				
Government policies (operational policies and procedures)	✓			
Government policies (strategic direction)	✓			
Victorian Public Sector Travel Principles	✓			

Support module	Guidance note	Model policy	Case studies	Samples & templates etc.
<b>Induction and capacity building</b>				
Induction and capacity building – including a list of documents/resources that you would expect to receive from your agency.	✓			
<b>Model policies</b>				
Model policies – all essential under s 81 of the PAA – other		✓ (multiple) – all s 81 PAA – plus others		
<b>Monitoring and reporting obligations</b>				
Annual reporting	✓			✓  DSE guide to annual reporting – public bodies
Monitoring and reporting obligations	✓			
<b>Performance assessment and improvement (board)</b>				
Also see <i>Induction and capacity-building</i>	✓			
Dispute resolution (between board members)	✓	✓	✓	
Performance assessment and standards (board) – including Improving poor performance	✓	✓		
<b>Public sector laws</b>				
Overview of Victoria's 'watchdog' authorities: – Ombudsman – Auditor-General – Privacy Commissioner – Equal Opportunity and Human Rights Commissioner, etc.	✓			
Overview of Victoria's 'whole of government' public sector laws: – <i>Charter of Human Rights and Responsibilities Act 2006</i> – <i>Disability Act 2006</i> – <i>Freedom of Information Act 1982</i> – <i>Information Privacy Act 2000</i> – <i>Ombudsman Act 1973</i> – <i>Public Records Act 1973</i> – <i>Whistleblowers Protection Act 2001</i> , etc.	✓			
<b>Roles and responsibilities</b>				
Board charters	✓			
Functions delegated by the Secretary of DSE – e.g. in relation to the management of parks and reserves.	✓			
Role of the managing director of a water corporation	✓			
Summary chart of roles and responsibilities	✓			
<b>Standards of conduct</b>				
Adoption of Directors' Code of Conduct		✓		
Confidentiality requirements	✓	✓		
Standards of conduct (essential values and principles) – including Ban on loans to board members & their families	✓			
<b>Strategic and business planning</b>				
Strategic and business planning	✓			✓



The public sector values are set out in section 7(1) of the *Public Administration Act 2004* (**PAA**). When performing your board member duties, you must demonstrate the following values:

a) **Responsiveness**: demonstrated by—

- providing frank, impartial and timely advice to the government
- providing high quality services to the Victorian community
- identifying and promoting best practice.

b) **Integrity**: demonstrated by—

- being honest, open and transparent in your dealings
- using your powers responsibly
- reporting improper conduct
- avoiding any real or apparent conflicts of interest
- striving to earn and sustain public trust of a high level.

c) **Impartiality**: demonstrated by—

- making decisions and providing advice on merit, without bias, caprice, favouritism or self-interest
- acting fairly by objectively considering all relevant facts and fair criteria
- implementing government policies and programs equitably.

d) **Accountability**: demonstrated by—

- working to clear objectives in a transparent manner
- accepting responsibility for your decisions and actions
- seeking to achieve best use of resources
- submitting yourself to appropriate scrutiny.

e) **Respect**: demonstrated towards colleagues, other public officials and members of the Victorian community by—

- treating them fairly and objectively
- ensuring freedom from discrimination, harassment and bullying
- using their views to improve outcomes on an ongoing basis.

f) **Leadership**: demonstrated by—

- actively implementing, promoting and supporting these values.

g) **Human Rights**: demonstrated by respecting and promoting the human rights set out in the Charter of Human Rights and Responsibilities by—

- making decisions and providing advice consistent with human rights
- actively implementing, promoting and supporting human rights.

The **State Services Authority** ([www.ssa.vic.gov.au](http://www.ssa.vic.gov.au)) provides the following summary of the roles and duties of the board of a public entity. This summary is also relevant to boards of similar agencies:

### Strategy

- Set the broad strategy for the entity to meet its objectives and performance targets.
- Ensure the preparation of and approve strategic plans, annual reports, key procedures and policies.
- Approve decisions related to strategic initiatives such as commercial ventures, significant acquisitions, internal restructures and disposals.
- Approve the annual budget.
- Ensure that the entity follows corporate planning guidelines provided by the minister, the Treasurer or the department.

### Governance

- Where the legislation permits, appoint the CEO.
- Establish performance measures for the CEO and a succession plan.
- Establish and monitor governance arrangements for the entity, including reporting systems to meet the information needs of the minister, department, central agencies and the board.
- Establish and review policies regularly (e.g. policies on fraud and conflicts of interest).
- Foster a culture and set of values that are consistent with the duties and values detailed in the *Public Administration Act 2004*.
- Adhere to the Directors' Code of Conduct issued by the Public Sector Standards Commissioner.
- Evaluate the performance of the board, the entity and the CEO.

### Risk management

- Integrate risk management into the entity's strategic planning process.
- Notify the minister of known risks to the effective operation of the entity.
- Monitor and review the effectiveness and currency of internal financial and operational risk management, compliance and reporting systems.
- Ensure that the entity operates within the establishing legislation, within any delegation and in compliance with rules and procedures relating to the use of public funds.

Specific to agency or type of agency	
<p><b>Act passed by parliament (or local council by-law)</b></p> <ul style="list-style-type: none"> <li>– legally binding</li> </ul>	<p><b>Establishing Act</b></p> <ul style="list-style-type: none"> <li>– the foundation of the agency's legal existence</li> <li>– sets out the agency's purpose, objectives, functions and powers</li> <li>– sets out duties and accountabilities of board members</li> </ul> <p><b>Other Acts</b></p> <p>Other Acts of particular relevance to the agency:</p> <p>e.g. sections of the <i>Water Act 1989</i> are of particular relevance to catchment management authorities.</p>
<p><b>Issued by minister or Governor in Council</b></p>	<p><b>Other establishing documents</b>, if any, issued by responsible minister or Governor in Council</p> <p>e.g. legal instrument establishing the agency where the Act did not specifically establish it but enabled the minister or Governor in Council to establish agencies of that type.</p>
<ul style="list-style-type: none"> <li>– legally binding</li> </ul>	<p><b>Ministerial directions, guidelines and statements of obligation</b></p> <p>issued by the responsible minister under specific section(s) of the establishing Act.</p>
<ul style="list-style-type: none"> <li>– compliance required</li> </ul>	
<p><b>Agency documentation</b></p> <ul style="list-style-type: none"> <li>– compliance required</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Strategic and business plans</b>, as required by the establishing Act, e.g. <ul style="list-style-type: none"> <li>- strategic/corporate plan</li> <li>- annual/business plan.</li> </ul> </li> <li>– <b>Policies and procedures</b> to facilitate the efficient achievement of the agency's plans.</li> <li>– <b>Other</b> agency documentation.</li> </ul>

Applies to public sector – ‘whole of government’ (Victoria)			Other
<p><b>Public Administration Act 2004</b></p> <p>Includes</p> <ul style="list-style-type: none"> <li>– public sector values (s 7)</li> <li>– public sector employment principles (s 8)</li> <li>– duties of directors (s 79)</li> <li>– required governance policies and procedures (s 81).</li> </ul>	<p><b>Financial Management Act 1994 (FMA)</b></p> <p>(and <b>Audit Act 1994</b>)</p>	<p><b>Other Victorian public sector</b> ‘whole of government’ laws, e.g.</p> <ul style="list-style-type: none"> <li>– <i>Ombudsman Act 1973</i></li> <li>– <i>Charter of Human Rights and Responsibilities Act 2006</i></li> </ul>	<ul style="list-style-type: none"> <li>– Victorian and Commonwealth Acts that apply to <b>all or some Victorians</b>, not just to the public sector (e.g. OHS laws)</li> <li>– local Council <b>by-laws</b>, as applicable.</li> </ul>
<p><b>Codes of conduct</b> issued by the Public Sector Standards Commissioner (PSSC) under s 63 (e.g. Directors’ Code of Conduct)</p> <p><b>Standards</b> issued under s 66 (e.g. employment standards)</p> <p><b>Section 92 Orders</b> of the Governor in Council published in the Victorian Government Gazette.</p>	<p><b>Standing Directions</b> issued by the Minister for Finance (e.g. Standing Directions 4.2, which requires compliance with the Financial Reporting Directions issued by the minister).</p> <p>PLUS implementation instructions. i.e.</p> <ul style="list-style-type: none"> <li>– Financial Management Compliance Framework (<b>FMCF</b>).</li> </ul>	<p>Directions/guidelines issued by other ministers (e.g. the Minister for Finance) under whole of government Acts.</p>	<p>Directions/guidelines issued by other Victorian or Commonwealth ministers.</p>
<p><b>Guidelines</b> (non-binding) issued by PSSC</p> <p>e.g. equal opportunity guidelines re employment standards.</p>		<p><b>Government policy</b></p> <ul style="list-style-type: none"> <li>– strategic direction</li> <li>– operational/procedural (e.g. Victorian Public Sector Travel principles)</li> </ul>	<p>As applicable.</p>
<ul style="list-style-type: none"> <li>– <b>Legal requirement</b> under s 81 (1)(a) of the PAA to comply with agency plans, etc.</li> <li>– <b>Key agency policies</b> required by s 81, e.g. <ul style="list-style-type: none"> <li>- Conflict of interest</li> <li>- Meeting and decision-making procedures</li> <li>- Gifts, benefits and hospitality</li> <li>- Dispute resolution</li> <li>- Performance assessment and improvement.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>– <b>Annual report</b> and <b>other reports</b>, as required by FMA.</li> <li>– <b>Policies and procedures</b> (e.g. risk management) as required under Standing Directions and/or FMCF.</li> </ul>	<p>As applicable.</p>	<p>As applicable.</p>

# Glossary

Term	Meaning
<b>Agency</b>	A <b>corporation, committee, authority, management group</b> or other type of public entity or similar public sector organisation which DSE oversees/supports on behalf of the responsible minister.
<b>Annual/business plan</b>	Approved by the board to document the agency's activities and performance targets – i.e. how the agency will implement its strategic vision. The plan details the agency's business objectives, usually for the forthcoming year. Ensures that the agency's short-term activities are consistent with its medium to long-term strategic vision.
<b>Board</b>	The governing body of the agency (may be referred to by another title such as <b>committee</b> ).
<b>Board charter</b>	Provides an overview of the agency's governance framework and of the key roles and relationships that flow from it.
<b>Board member</b>	In this guide the term board member also includes <b>committee members, directors</b> and any other term used to describe a member of the governing body of a DSE agency.
<b>CEO</b>	Chief executive officer
<b>DSE</b>	Department of Sustainability and Environment.
<b>DSE agency</b>	An agency which DSE supports and has oversight of on behalf of the Minister for Water and/or the Minister for Environment and Climate Change.
<b>Enabling Act</b>	See 'Establishing Act' (below)
<b>Establishing Act</b>	An Act of the Victorian Parliament that <b>establishes</b> an agency or <b>enables</b> the minister or Governor in Council to establish agencies of that type. It sets out the agency's purpose, objectives, functions and powers, together with the duties and accountabilities of board members.
<b>FMA</b>	<i>Financial Management Act 1994</i>
<b>Governance framework</b>	<b>The laws, government policies and other obligations</b> (e.g. instruments, codes of conduct, ministerial directions, statements of obligation) that bind the agency. An agency, its board members and its staff must comply with the agency's governance framework in order to perform their duties properly and to meet the standards of governance required by the responsible minister.
<b>Guidance note</b>	Additional information on a key topic introduced in the guide (e.g. conflict of interest). A guidance note forms part of a support module on the topic, but can be read individually.
<b>Model policy</b>	Policies which DSE agencies must adopt or have an equivalent policy in place. Can be adapted to take into account the nature and functions of the agency.
<b>On Board</b>	DSE's governance website ( <a href="http://www.dse.vic.gov.au/onboard">www.dse.vic.gov.au/onboard</a> ). You can: <ul style="list-style-type: none"> <li>• download copies of this guide and resources from the support modules (e.g. guidance notes and model policies); and</li> <li>• find direct links to further reading and resources on other websites (e.g. SSA website). Check for latest releases and updates on a regular basis.</li> </ul>
<b>Portfolio</b>	Area of responsibility (e.g. 'the minister's portfolio').
<b>Public Administration Act 2004 (PAA)</b>	An Act of the Victorian Parliament that sets out standards of conduct for the Victorian public sector and includes a range of conduct requirements for public entities.
<b>Public entity</b>	A public sector agency that meets the definition in section 5 of the <i>Public Administration Act 2004</i> . <b>Most DSE agencies are public entities.</b>
<b>Quorum</b>	The minimum number of board members who must be present and participate in a board decision for it to be valid (usually specified in the establishing Act).
<b>Similar agency</b>	See Appendix 1. An agency that is not a public entity, but performs a similar role.
<b>Strategic/corporate plan</b>	Developed by the board to document the agency's medium to long-term vision for the future – i.e. what the agency plans to do to fulfil its functions. This plan usually covers at least a three to five year period. It is often referred to as a strategic plan, corporate plan, statement of corporate intent, or strategic management plan.
<b>State Services Authority (SSA)</b>	Established under the <i>Public Administration Act 2004</i> to foster the development of an efficient, integrated and responsive Victorian public sector which is ethical, accountable & professional.
<b>Support module</b>	See list in Appendix 2. Contains resources that extend the introductory information in the guide (e.g. guidance notes and model policies), with direct links to resources on the SSA and other websites.





The *DSE guide to good governance – board members* is an introduction to good governance for board members of public entities and similar agencies. It covers:

- The **roles** of the board, chair and chief executive officer of your agency, and how these relate to the roles of parliament, the minister, DSE and other key stakeholders.
- Typical elements of a **governance framework**.
- The **duties** and **accountabilities** of board members.
- The **standards of conduct** (values and principles) that all board members must comply with.
- Essential **procedural requirements** for board meetings and decision-making.
- What is expected of *you* as a board member.

“DSE is to be commended for the work they are undertaking in this area. This publication, *DSE guide to good governance – board members*, is an important step in this regard ... In undertaking this work DSE has worked closely with the SSA so that our respective publications complement one another.”

**Bruce Hartnett**, Chair, State Services Authority