

# Corporate Governance Policy

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## Introduction

Corporate governance describes the processes and structures for overseeing the direction and management of an enterprise so that it effectively achieves its objectives. Good corporate governance practices have the potential to enhance agency performance, improve risk management and augment our integrity and reputation with stakeholders and the wider Tasmanian community.

It is for this reason that we consider that it is important for Treasury to have a clear and concise corporate governance policy which can be of guidance to staff and of interest to the general public.

In Treasury's case, corporate governance is also about our agency's interaction with the Treasurer, the Premier, other Ministers and Parliament in matters of stewardship and accountability.

Under the *State Service Act 2000*, the *Financial Management and Audit Act 1990*, and other relevant legislation, the Secretary of the Department of Treasury and Finance has specific responsibilities in relation to the management of Treasury. These are briefly outlined below.

### State Service Act 2000

The [State Service Act 2000](#) governs the employment of public servants within Treasury. Under this Act, the Secretary has certain responsibilities, including, but certainly not limited to, the following:

Section	Secretary's responsibilities
<a href="#">Section 8</a>	Requires the Secretary to uphold, promote and comply with the State Service Principles outlined in <a href="#">section 7</a> .
<a href="#">Section 34</a>	Outlines the key function and powers of the Secretary.
<a href="#">Section 35</a>	Provides the Secretary with the power to delegate his powers or functions, other than the power of delegation.
<a href="#">Section 36</a>	Requires the Secretary to submit an Annual Report to the Treasurer to enable him or her to table that report in Parliament by 31 October of each year.

This Act also enables both the relevant Minister (generally the Premier) and the State Service Commissioner to issue Directions. The Secretary is also required to comply with the [Ministerial Directions](#) and the [Commissioner's Directions](#) so issued.

### Financial Management and Audit Act 1990

In addition to his responsibilities under the State Service Act, the Secretary also has responsibilities under the [Financial Management and Audit Act 1990](#). The key provisions are outlined in [Section 22](#) and [Section 27](#).

The Secretary is also required to comply with the [Treasurer's Instructions](#) that are issued under the auspices of this Act.

## **Public Account Act 1986**

The Public Account comprises two separate funds, the Consolidated Fund and the Special Deposits and Trust Fund. The former is the source of funding for appropriations and Reserved by Law payments.

Consolidated Fund expenditure is further classified as being either Output Expenditure or Grants and Subsidies. Under the [Public Account Act](#), the Secretary is responsible for the provision of an agreed level and range of outputs purchased by the Government.

## **Audit Act 2008**

Under the [Audit Act](#), the Secretary is the accountable authority.

One of the main functions of the Secretary under this Act is to submit Treasury's financial statements to the Auditor-General within 45 days of the end of the financial year.

## **Charter of Budget Responsibility Act 2007**

Under this [Act](#), the Secretary has specific responsibilities relating to the costing of election policies by political parties contesting a House of Assembly election.

## **Other statutory responsibilities**

In addition to the responsibilities involved in administering the legislation for which Treasury is responsible to the Treasurer or another Minister (as outlined in the relevant [Administrative Arrangements Order](#)), the Secretary also has statutory responsibilities under other legislation.

In order to ensure that these responsibilities are complied with, the Secretary, with the assistance from the Executive Committee, allocates these legislative responsibilities to the various Treasury branches.

The table below outlines the State and Commonwealth legislation and the branch within Treasury that has the prime responsibility for complying with, or being aware of, relevant provisions.

Tasmanian legislation (other than legislation for which Treasury is responsible to the Treasurer/other Ministers)	Responsible Branch
<a href="#">Anti-Discrimination Act 1998</a>	Human Resources
<a href="#">Archives Act 1983</a>	Corporate Information Support
<a href="#">Freedom of Information Act 1991</a>	Office of the Secretary
<a href="#">Industrial Relations Act 1984</a>	Human Resources
<a href="#">Integrity Commission Act 2009</a> *	Office of the Secretary
<a href="#">Libraries Act 1984</a>	Corporate Information Support
<a href="#">Ombudsman Act 1978</a>	Office of the Secretary
<a href="#">Personal Information Protection Act 2004</a>	Office of the Secretary
<a href="#">Public Interest Disclosures Act 2002</a>	Office of the Secretary
<a href="#">Right to Information Act 2009</a> *	Office of the Secretary
<a href="#">State Service Act 2000</a>	Human Resources
<a href="#">Workers Rehabilitation and Compensation Act 1988</a>	Human Resources
<a href="#">Workplace Health and Safety Act 1995</a>	Human Resources

\* These two acts are scheduled to commence on 1 July 2010, at which time the *Freedom of Information Act 1991* will be repealed.

Commonwealth Legislation	Responsible Branch
<i>Copyright Act 1968</i>	Corporate Information Support
<i>Disability Discrimination Act 1992</i>	Human Resources
<i>Human Rights and Equal Opportunity Commissioner Act 1986</i>	Human Resources
<i>Racial Discrimination Act 1975</i>	Human Resources

## Treasury corporate governance arrangements

In order to fulfil the obligations imposed on the Secretary by the State Service Act, the Financial Management and Audit Act and other relevant legislation, the Department has established a number of committees vital to the corporate governance process including:

- the Executive Committee;
- the Corporate Management Group; and
- the Audit and Risk Management Committee.

The duty of the Executive Committee is similar in some ways to the duty of a private sector board, but there are significant differences in the legal, regulatory and operational environments that shape Treasury's responsibilities and expectations. The Executive Committee's major role is to assist the Secretary to fulfil his legal responsibility for the efficient and effective management of Treasury.

In developing Treasury's Corporate Government principles, consideration has been given to the Australian Stock Exchange (ASX) Corporate Governance Council's eight corporate governance principles and recommendations. Although these were developed with listed companies in mind, they form the basis of good corporate governance practices that, with appropriate modifications, are easily adopted by a Government agency such as Treasury.

It should be noted that not all of the ASX's principles are appropriate for a state service agency. Principle 8 of the ASX's principles relates to remuneration of directors and senior management and is therefore not relevant to a state service agency such as Treasury, where the remuneration of senior management is determined outside of the agency. One principle not explicitly outlined in the ASX's principles relates to the issue of Performance and Evaluation. This is also included in this Corporate Governance policy.

Treasury's eight corporate governance principles are outlined below.

This policy will be formally reviewed three years after it is adopted, and each three years thereafter, with additional updates to be undertaken as circumstances dictate.

## Principle 1 – Management and oversight

***Treasury recognises and publishes the composition, respective roles and responsibilities of the Executive Committee, the Corporate Management Group, and the Audit and Risk Management Committee.***

The corporate governance framework established within Treasury is designed to:

- enable the Executive Committee, the Corporate Management Group and the Audit and Risk Management Committee to provide strategic guidance and effective oversight of Treasury's management; and
- clarify the respective roles and responsibilities of the above mentioned committees in order to facilitate the Secretary's accountability to both the Treasurer and Treasury's other stakeholders.

In assisting the Secretary in undertaking his statutory responsibilities regarding the effective and efficient management of Treasury, the Executive Committee, the Corporate Management Group, the Audit and Risk Management Committee and other senior managers must be aware of their respective roles and responsibilities under all relevant legislation, taking into consideration the current policies of the Government.

As noted above, the Treasurer is accountable to Parliament for the performance and strategic direction of Treasury, and the Secretary is, in turn, accountable to the Treasurer. To facilitate this, the Secretary is subject to an annual performance review undertaken by the Treasurer.

Given that the Executive Committee, the Corporate Management Group, the Audit and Risk Management Group and senior management provide advice to the Secretary, their roles and responsibilities are clearly and publicly identified, either on the Treasury website and/or in Treasury's Annual Report.

## Principle 2 – Executive Committee structure

***Treasury has an Executive Committee and other committees of an effective composition, size and commitment to assist the Secretary in adequately discharging his duties and responsibilities.***

This principle provides that the Executive Committee and other Treasury committees should assist the Secretary in effectively discharging the duties imposed on him by law and should add value in a way that is appropriate to Treasury's circumstances.

To this end, the Executive Committee is structured in such a way that it:

- has a proper understanding of, and competence to deal with, the current and emerging issues of the agency;
- exercises independent judgement; and
- encourages enhanced performance of the agency.

The Secretary is to review, at least each three years, the performance of the Executive Committee and its individual members.

The Executive Committee is to ensure that reviews of the composition and performance of other Treasury committees are undertaken at least triennially.

### **Principle 3 – Promote ethical and responsible decision-making**

#### ***Treasury actively promotes ethical and responsible decision-making.***

To make ethical and responsible decisions, Treasury should not only comply with its legal obligations, but should also consider the reasonable expectations of its stakeholders.

Treasury's key stakeholder is the Treasurer. Other stakeholders are identified under Principle 6.

Given the range of Treasury stakeholders, there is obviously a number of competing stakeholder expectations. It is therefore a matter for Treasury to consider and assess which of the expectations of stakeholders is appropriate to our circumstances.

It is also important for Treasury to demonstrate its commitment to appropriate corporate practices and decision making.

As Treasury is accountable, via the Treasurer, to the Parliament and ultimately the Tasmanian community, there is an expectation that those charged with the responsibility for the management and operations will ensure that it operates with the highest level of ethical behaviour.

As noted above, the State Service Act, the Financial Management and Audit Act and other legislation prescribes certain powers and duties of Heads of Agencies.

In addition to the Secretary's legislative responsibilities, there is an expectation that all Treasury staff are committed to the highest standards of practice and behaviour, as reflected in our Treasury Values.

To achieve this outcome, the Secretary, the Executive Committee, the Corporate Management Group and the Audit and Risk Management Committee act ethically in all operations and dealings, and act with the highest standards of probity.

To assist in this regard, an induction checklist is to be provided to each new member of the above committees which outlines the expected standards of ethical behaviour, including but not limited to:

- the [State Service Code of Conduct](#) and the Treasury-specific Code of Conduct;
- any Treasury-specific conflict of interest procedures and documentation; and
- a copy of the Duties and Responsibilities of Company Directors and Officers (published annually by the Australian Institute of Company Directors).

In complying with this principle, the Secretary ensures that all Treasury staff have:

- access to the [Tasmanian State Service Code of Conduct](#) and the [State Service Principles](#); and
- where appropriate, access to training and development in relation to ethical decision making and issues.

All staff are required, biannually through our Performance Management Interview process, to confirm their understanding of the Code of Conduct and the State Service Principles.

## **Principle 4 – Safeguard integrity in financial reporting**

***Treasury has a structure which can independently verify and safeguard the integrity of its financial reporting.***

This principle requires that the Secretary has in place a structure of review and authorisation designed to ensure the truthful and factual presentation of Treasury's financial position. That is, the Secretary is charged with the responsibility of ensuring that financial reporting by Treasury meets a high level of integrity and that all applicable reporting requirements are met.

The structure established within Treasury provides for a review and consideration of the financial statements by the Audit and Risk Management Committee, but this structure does not diminish the ultimate responsibility of the Secretary to ensure the integrity of Treasury's financial reporting.

The Treasurer's Instructions require the financial statements to be certified by the Secretary. As part of this process, the Secretary has implemented a formal sign-off procedure by relevant Branch Heads prior to the financial statements being submitted for his approval.

This principle also requires the Secretary to be mindful that the State Service Act requires that an annual report be tabled in each House of Parliament and will be subject to the scrutiny of all members of the Parliament and the community in general.

Treasury's internal audit procedures provide assurance to the Secretary in relation to internal controls, systems and risk management.

In accordance with the Audit Act, Treasury's Financial Statements are audited by the Auditor-General.

## **Principle 5 – Make timely and balanced disclosures**

***Treasury promotes timely and balanced disclosures of all material matters concerning the agency.***

Under the reporting frameworks for agencies, specific information (financial and non-financial) is to be provided to the Treasurer on a regular basis.

In addition to the above, Treasury publishes comprehensive information in its Annual Report to Parliament and on the Treasury website.

Treasury is also responsible for the preparation of the Annual State Budget and other whole-of-government documents, including the Mid-Year Financial Report and the Treasurer's Annual Financial Report.

Treasury is committed to responding promptly to all Right to Information requests made of it, consistent with the requirements of the Right to Information legislation.

## Principle 6 – Respect the rights of stakeholders

***Treasury respects the rights of stakeholders and facilitates the effective exercise of those rights.***

In addition to the Treasurer, other Treasury stakeholders include:

- the Premier and other Ministers;
- our staff;
- agencies, statutory authorities, Government Business Enterprises, State-owned Companies;
- the Australian Government, regulatory bodies, local government;
- taxpayers and their representatives;
- the community; and
- Parliament, Cabinet and ministerial advisers.

Under this principle, Treasury seeks to engage with our stakeholders by:

- communicating effectively with them; and
- giving them ready access to balanced and understandable information about Treasury, our corporate objectives and other relevant information.

An effective relationship between stakeholders and Treasury is enhanced if there is an agreed set of communication arrangements.

The relationship between the Treasurer and the agency provides for:

- regular communication (both formal and informal) between the Secretary and the Treasurer; and
- formal reporting by the Secretary against the agreed performance objectives.

Formal communication channels include the annual and other specified reports, and written advice/requests.

Treasury currently conducts biennial reviews of stakeholders, and uses the feedback obtained from that process to improve the relationship with all stakeholders.

The Secretary has taken measures to ensure that all Treasury staff are mindful of the time and other constraints on the Treasurer when seeking approvals required under legislation or otherwise.

In satisfying this principle, the Secretary has an understanding with the Treasurer which ensures that Treasury meets its legislative requirements and the expectations of the Treasurer. Such requirements include weekly meetings between the Secretary, senior management and the Treasurer and his staff.

## **Principle 7 – Recognise and manage risk**

***Treasury has established a sound system of risk oversight and management and internal control.***

Risk management is the culture, processes and structures that are directed towards taking advantage of potential opportunities while managing potential adverse effects.

Risk management should be designed to:

- identify, assess, monitor and manage risk; and
- inform stakeholders of material changes to Treasury's risk profile.

Risk management can enhance the environment for identifying and capitalising on opportunities to create value and protect established value.

Treasury should address risks that could have a material impact on its functions, as identified by its risk management system.

To comply with this principle, the Secretary and the Audit and Risk Management Committee regularly review and approve Treasury's risk management and oversight policies.

When assessing the level of risk, Treasury considers the potential impacts of those risks on Treasury and on the Government.

The Secretary also informs the Treasurer of the key financial and operating risks, approved management strategies and highlights any residual risks that cannot be fully mitigated.

Treasury outlines in its Corporate Plan its key financial and operating risks and the strategies approved by the Secretary for managing those risks.

## **Principle 8 – Performance and Evaluation**

***Treasury has a performance and evaluation system in relation to all of its staff and its functions***

It is important to regularly evaluate or review all that we do within Treasury.

To this end, Treasury has adopted a performance management process which requires every employee and that person's supervisor to discuss the employee's performance over the previous six months and to outline the supervisor's expectations of that employee for the next six months. This is done in the context of Treasury's corporate plan and the employee's career development.

However, as well as establishing a performance management system for staff, Treasury also reviews its practices and procedures on a regular basis. This is one of the main functions of the Audit and Risk Management Committee.