Shareholder Policy and Markets Branch,
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To The Secretary,

I am a Principal Consultant with around fifteen years of accounting experience, including over seven years working across Commercial/Operations Management roles at Tasmanian Irrigation. I have prepared this submission to the Government Business Governance Reform consultation process with confidence that by introducing well designed data-driven/evidence-based reporting processes to management within GBE/SOCs, the only outcome will be improved efficiencies, transparency, and accountability. My experience working in a SOC is specific to Tasmanian Irrigation; however, this submission equally relates to other GBE/SOC entities.

Many of my clients are not-for-profit/for-purpose entities. A lot of our work is focused on providing Managers and Directors with clarity around how their businesses operate, using evidence-based reporting techniques. A practical understanding of key revenue and cost drivers, and their relationships with financial consequences results in financially literate and empowered Managers. This means that KPIs can be set which are consistent, reliably measurable, and meaningful to organisational success.

GBE/SOCs in Tasmania are inefficient. The people of Tasmania ultimately own these businesses, whose own existence is justified based on providing net value to the State. As such, Tasmanians should be able to access reasonable information which tells the story of how these businesses work. Financial information shouldn't be complicated.

The Tasmanian Government has an opportunity to improve the value of GBE/SOCs to the Tasmanian people, by applying some basic principles:

1. Refocus these GBE/SOCs on a primary purpose.
2. Redesign reporting frameworks to improve the quality, timeliness and usability of financial information.
3. Maintaining a governance structure which is politically neutral.

Primary Purpose

Having a clearly defined primary purpose improves decision-making capabilities by keeping organisations focused. Not-for-profit organisations have an advantage in that they often have limited resources to support their defined purpose. Without this focus, organisations can deviate from their mission, with any additional costs associated with

"scope creep" passed through to the end user, creating an accountability gap. It is important for GBE/SOCs to keep a view of how or why any additional investment is consistent with the defined primary purpose, and what value (if any) would be generated for Tasmanians.

Effective impact measurement maintains accountability for performance against this purpose, increasing confidence of external stakeholders and helping Managers and Directors to make better decisions about where best to focus time and resources. Incorporating clear and independent measurement techniques is important to achieve objectivity and gain trust.

As a starting point, GBE/SOCs should critically evaluate their functions across their organisation structures against the primary purpose: why is each function required? What are the costs and benefits associated with each function? This will help the businesses to better define their value proposition.

***Recommendation**: take the lead from the not-for-profit sector by ensuring that all GBE/SOCs have a clearly defined primary purpose which supports long-term sustainability for the benefit of Tasmanians.*

Financial Reporting Frameworks

Once-off external performance reviews or audits have a limited scope and generally relate only to a point in time. I don't believe that this would be effective or have any long-term gains.

Management and statutory financial reports should tell a story. These reports should be useful and provide enough detail to tell the reader what has happened during the period. A lack of clarity in reporting means that detail gets lost in a quagmire of indirect cost allocations and murky reporting techniques. These reports might meet the requirements of the Australian Accounting Standards, but they don't provide meaningful information to the reader.

Rather than creating another reporting process for GBE/SOCs, I am proposing a restructure of existing financial reporting processes. This would start with the internal management reporting, which when structured well, serves to empower Managers with improved financial literacy, deep understanding of the organisation, and a foundation for making sound business decisions.

Well-structured management financial reporting frameworks serve as a foundation for external stakeholder reporting, including statutory financial reports, water entity reporting (in the case of Tasmanian Irrigation) and other stakeholder reporting as it arises. This can also support more proactive budget and forecasting processes, so that Managers and Directors have a clear mind to where their businesses are going.

There are ways to structure financial reporting so that it remains efficient, timely and reliable. The method which I use with my clients is the development of a financial model which is used for budgeting, forecasting, reporting of actual results and variances. This is also very useful for scenario testing and strategic planning. I would be happy to provide more information about this methodology on request, it is brutally simple, and it always works.

A lack of clarity around financial information has a detrimental impact on GBE/SOCs:

- Loss of public confidence in the GBE/SOC and loss of credibility of their Management, Directors, and Shareholding Ministers.
- Organisational structure charts grow inefficient as layers of management try to decipher unnecessary complexity or bureaucracy. Hiring internal experts (engineers, accountants, lawyers, scientists) who are not empowered to use their expertise to build an internal knowledge base, but only to manage external consultants.
- Employees feeling disengaged and losing sight of how they contribute to the value which the business is intended to provide to Tasmanians. Ingraining clarity and accountability into the cultural fabric of the team will build clearly defined expectations between the Board, Management, and other stakeholders.

Using Tasmanian Irrigation as an example, the communication of financial information to external stakeholders has lacked substance for many years. Some limited information is provided to irrigation scheme participants, but there is no detail about the increasing indirect Head Office expenses and the expanding Organisation Structure. The FY24 Annual Report states that the organisation provides economies of scale to bring down indirect costs for irrigators, however a review of the last few years' reports shows that this is not the case. This type of inconsistency has damaged Tasmanian Irrigation's credibility.

With improved internal reporting frameworks, Tasmanian Irrigation would be able to:

- Empower Managers with a deep understanding of their business.
- Better explain their value proposition, based on evidence rather than inaccurate and unsupported narratives.
- Define clear accountabilities, and evidence-driven KPIs which are consistent, measurable, and meaningful.

***Recommendation**: To work with GBE/SOCs to change their financial reporting frameworks (internal Management/Board reporting and external stakeholder reporting) with a view to make financial reports clear and meaningful for users. This could include introduction of a new financial modelling methodology or a similar approach that incorporates data-driven monitoring, and clear and respectful communication.*

Governance Structures

It is important that SOC/GBEs remain politically neutral, enabling the organisations to focus on providing critical services with long-term sustainability. Shareholding Ministers act as a representative of the Tasmanian people as owners of the entity, without having direct control over day-to-day management or oversight.

In my view, the suggestion to increase ministerial involvement is not likely to result in a material improvement to accountability and transparency of these entities.

***Recommendation**: Shareholding Ministers to maintain their role as representatives of the shareholders of GBE/SOC entities. Responsibility for governance oversight to remain with the appointed Directors.*

If you would like to discuss any of the concepts which are outlined within this submission, please don't hesitate to contact me. This is an important opportunity to improve the function and efficiency of government businesses who provide critical services to the Tasmanian people.

Kind regards,

Anna Graham CA GAICD
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