



GPA
PARTNERS

Your **partners** in governance, performance and accountability matters.

GPA Partners response to the Tasmanian Department of Treasury and Finance - Government Business Governance Reform Draft Plan

13 December 2024

Submitted by:

Kevin Riley

Managing Partner, GPA Partners

Mobile: [REDACTED]

Email: [REDACTED]

GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

Contents

Introduction	3
A fit-for-purpose governance structure	4
Accountability for putting Tasmanian's first	7
Improving governance	8
Expanding performance monitoring	10
Levers to manage and/or rectify poor performance	11
Reviewing the Government business portfolio	12
Kevin P Riley – biography and experience	13

GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

Introduction

Background – reforming governance arrangements over Tasmanian government businesses

Governance arrangements for Government Business Enterprises (GBEs) are established under the *Government Business Enterprises Act 1995* (GBE Act). The GBE Act was passed by the Tasmanian Parliament to make provision in respect of the establishment, commercial operation and accountability of GBEs, the relationship between GBEs and the Government and the payment of financial returns, including taxation equivalents and dividends to the State by GBEs. The GBE Act received Royal assent on 1 September 1995.

State-owned corporations' governance arrangements are established under individual entity enabling legislation, for example, the *Tasmanian Ports Corporations Act 2005*, together with the requirements of the Commonwealth's *Corporations Act (2001)*. State-owned corporations will have two Ministerial Shareholders, representing the Tasmanian community's equity interest in each State-owned corporation. The Members' Statement of Expectations, issued from time to time by Ministerial Shareholders, outlines broad strategic and operational issues required to be addressed by the State – owned corporation.

Under the Tasmanian Government's structure, there is a close relationship between:

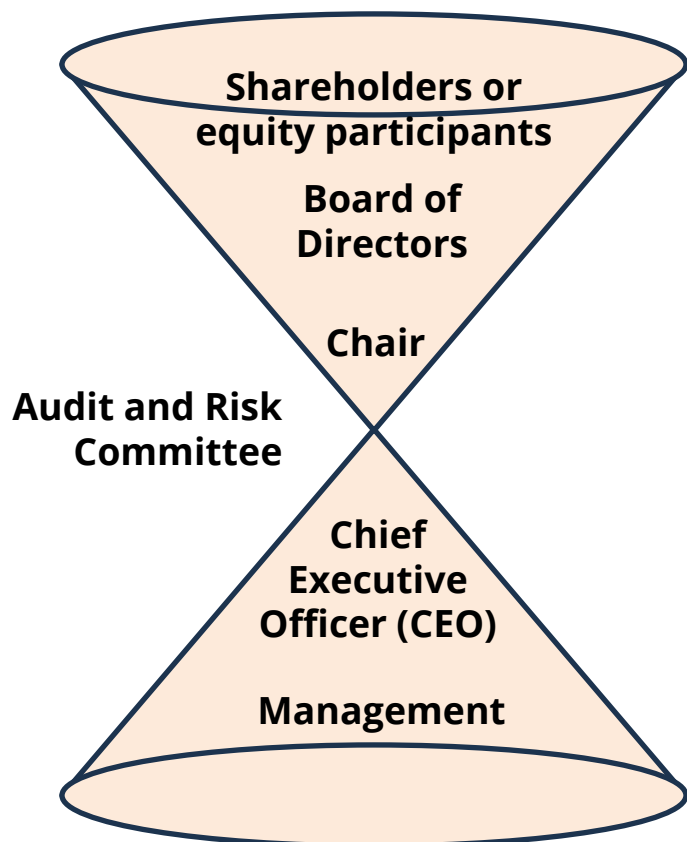
- Ministers – representing the interests of the Tasmanian community and the Government.
- General Government Sector (GGS) entities – typically delivering non-commercial public services.
- GBEs – delivering commercial services.
- State-owned corporations – managing significant State-owned assets, typically infrastructure assets, and working with GGS and GBE entities to delivery commercial services across the Tasmanian community.

GBEs and State-owned corporations are generally grouped together under the heading 'Government businesses'.

GGS entities are generally referred to as 'Budget funded entities'.

GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

A fit-for purpose governance structure



Background – a general model for corporate governance

Corporate governance principles issued by a range of professional bodies in Australia and internationally typically identify that governance is about ‘managing the management’.

In large, complex organisations, shareholders (or equity participants) do not have the ability to direct management actions on a day-to-day basis. Shareholders will appoint a Board of Directors to represent their interests.

Boards are responsible for a range of functions, including but not limited to:

- Appointing and removing the Chief Executive Officer (CEO).
- Evaluating CEO performance.
- Ensuring enduring value is created.
- Improving the performance of the entity through strategy formulation and policy-making, including setting the risk appetite.
- Monitoring the entity's performance, ensuring that performance is in the shareholders' interests and meets agreed goals and objectives, this includes complying with all relevant legal requirements, expected performance indicators and appropriately managing risks and opportunities.

These functions are interrelated, with many issues facing the Board having both compliance and performance outcomes.

The Board appoints the CEO and management to carry out the day-to-day functions of the entity within a framework of policies and strategic guidelines established by the Board. In effect, the Board has the roles of both coach and supporter — asking searching and demanding questions, but at the same time encouraging and giving management freedom to perform. The Board must control and support management to achieve high levels of compliance and performance.

GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

A fit-for-purpose governance structure

Governance in a public sector organisation

Governance in public sector organisations can be more complicated than for many private sector organisations. This is due to the broader range of stakeholders, including citizens, who will have expectations of an entity's performance. And these performance expectations will often have competitive tensions. For example:

- Improving service delivery standards within the pricing and costing of services to Tasmanian's.
- Enhancing effectiveness to Tasmanian's and the efficient operations of the Government business, within constrained resourcing, and enhanced community expectations about service delivery.
- Investing in assets within constrained capital budget limitations and community expectations that similar assets will be constructed and maintained in all regions of the State.

The responsibilities for good governance on Boards and CEOs could be improved by adopting the Accountable Authority responsibilities for Budget funded entities established under section 34 of the *Financial Management Act 2016*.

These include, but are not limited to:

- Ensuring the effective and efficient use of resources in achieving the Government's objectives.
- Ensuring that appropriate stewardship is maintained over the assets of the entity and the incurring of liabilities of the entity.
- Ensuring that the entity's financial management processes, records, procedures, risk management practices, controls and internal management structures are appropriate.
- Ensuring the custody, control and management of, and accounting for, all public property, public money, other property and other money in the possession of, or under the control of, the entity.
- Ensuring the proper collection of all money payable to, or collectable under, any law administered by the entity.
- Conducting reviews, at the times determined by the Treasurer, of fees and charges collected by or payable to the entity.
- Ensuring compliance by the entity with all relevant laws and regulations.

GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

A fit-for-purpose governance structure

Managing risk – including shared risks

Risk is defined as the “effect of uncertainty on objectives”. Risk can be both a negative threat or a positive opportunity.

Most public sector entities have a good understanding of their own uncertain events. Where risk management in the public sector tends to fail is where there are shared objectives, resulting in shared risks. Shared risks can exist:

- Between entities with the same jurisdiction, for example, in the treatment of at-risk young people between the Department for Education, Children and Young People and Department of Justice and Tasmanian Police.
- Between entities across jurisdictions, for example in the distribution of GST funding between Treasury and Finance departments, or the interactions of State policing bodies in dealing with national criminal activity.
- Between entities across international jurisdictions, for example managing the biosecurity risks in the export and import of agricultural products.

The recent refresh of the *Commonwealth Risk Management Policy* highlighted the need to enhance the focus on shared risks. This is not just a Commonwealth issue. The management of shared risks at State government levels is also typical immature.

The intense scrutiny due to the issues surrounding the development of the new berthing facilities for the new TT Line vessels is an example of Tasmanian Government business entities failing to appropriately identify and manage a shared objective and a shared risk.

Shared risks do not respond well to traditional internal controls arrangements. Rather, shared risks are typically best managed through enhanced and explicit governance arrangements, regular, open and transparent communication and organisational leadership.

GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

Accountability for putting Tasmanian's first

Putting a focus on measuring effectiveness

Putting Tasmanian's first requires and understanding of what Tasmanians expect of Government business entities.

A review of Government business entities' performance frameworks identifies that there is a focus on counting things that are easy to count, not measures of the effects, impacts or outcomes on the life circumstances of Tasmanians, their families, communities, towns and regions or industries. For example:

- Port and rail operators will often count tonnage handled, rather than improved business access to export opportunities, or improvements in the management of supply chains.
- Ferry operators will count passenger numbers, not quality of the tourist experience or convenience and ease to travel and connect with family and friends.

A reinforced focus on measuring the 'effects', 'impacts' or 'outcomes' of Government business is required. And not just for Government business. This improvement is also required for Budget funded entities too.

The primary impediment to achieving this improvement is that CEOs and management cannot 'control' the effect, impact, or outcome.

This is where enhanced risk management can assist. Clearly identifying the intended effect, impact or outcome of a Government business entity, and the risks or uncertainties that may impede or enhance that effect, impact or outcome enhances the relationship between the Chair and Board and the CEO to have a full discussion on putting Tasmanian's first and what that means to the life circumstance of Tasmanians, their families, communities, towns and regions or industries.

It will also better inform Ministers as to the risks associated with Government policies and intent.

GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

Improving governance

Aligning responsibilities with the Budget funded GGS

Enhancing the responsibilities of CEO, broadly in line with Accountable Authorities under the *Financial Management Act 2016*, will create greater alignment across Portfolios, GGS entities and Government business entities.

Particularly focusing on ensuring the effective and efficient use of resources in achieving the Government's objectives. This will develop performance information to assist with the governance of Government businesses around three broad categories of performance:

- Effectiveness - the actual effect, impact or outcome is measured against the entity's initial plans and intent, with variations being explained in annual reports.
- Efficiency – the use of resources delivers services to the Tasmanian community that meet the expectations of quality, timeliness, quantity and financial costs, again with variations being explained.
- Economy – the purchasing power of available funds is maximised, without waste measured against budgets.

Establishing a Government Business Investment Committee

We recommend establishing a new whole of Government Committee, the Government Business Investment Committee.

This Government Business Investment Committee will oversee the decision-making process over the allocation of resources for investments in new Government business infrastructure and asset investments. The membership of the Government Business Investment Committee should include representatives from the Departments of:

- Premier and Cabinet.
- Treasury and Finance.
- Relevant Portfolio GGS entity.

GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

Improving governance

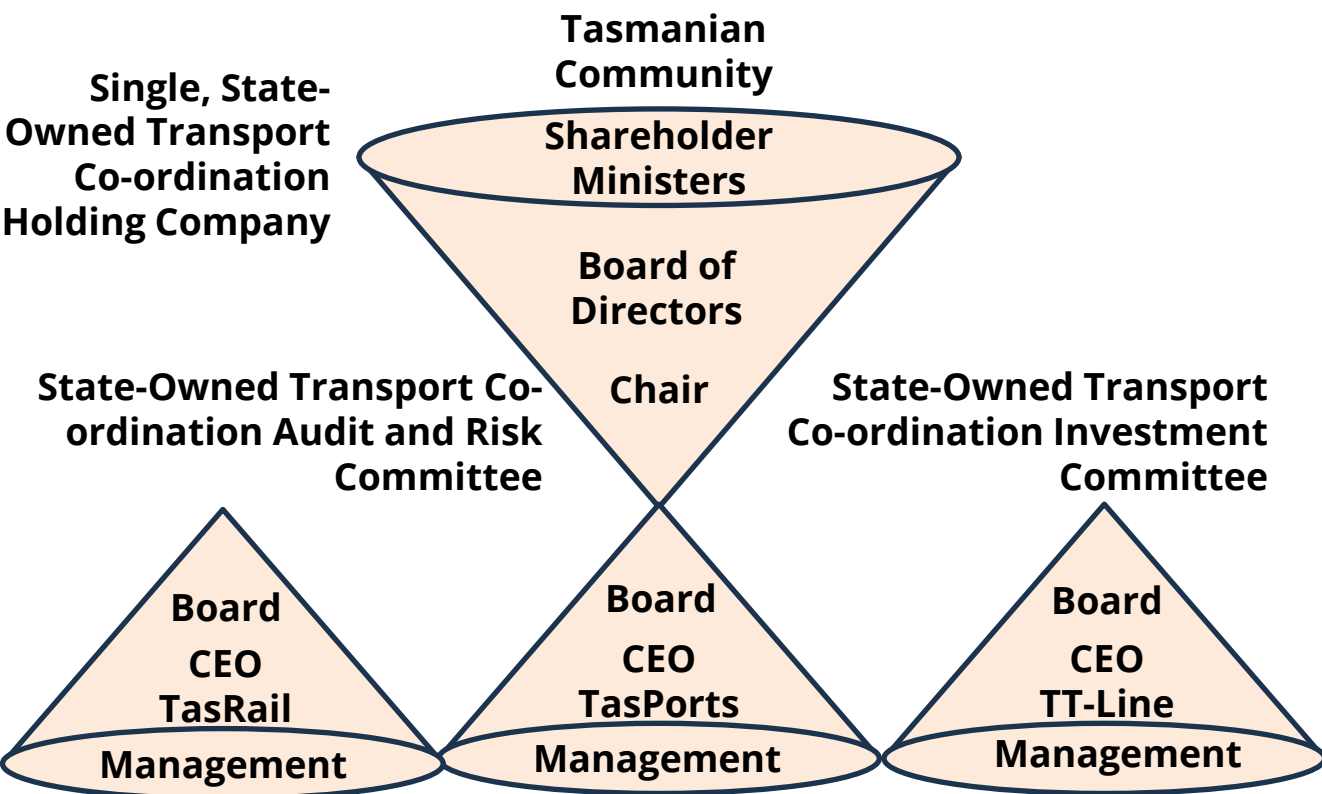
A tiered corporate structure rather than a merged one

Rather than a merged corporate entity, we recommend a tiered corporate entity under a single Stated-owned Transport Co-Ordination Holding Company.

This provides the benefits of removing a siloed management structure, and consistent approaches to shared objectives and shared risks, as well as allowing the ability to have specialist Advisory Boards for the unique nature of the operations of TasRail, TasPorts and the TT-Line.

A single State-Owned Transport Co-Ordination Audit and Risk Committee would provide co-ordinated guidance to the management of risks and opportunities and key management controls

A single State-Owned Transport Co-Ordination Investment Committee would provide co-ordinated guidance to approval and oversight of asset investments. See the previous page for the recommended composition of this Committee.



GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

Expanding performance monitoring

Broadening measurement from spending money to effectiveness, efficiency and economy

As identified earlier, putting Tasmanian's first requires expanding on the performance measures of Government businesses. This will also require regular internal reporting on the expanded performance measures to Boards and within Government, as well as enhanced reporting in entity annual reports.

A review of Government business entities' performance frameworks identifies that there is a focus on counting things that are easy to count, not measures of the effects, impacts or outcomes on the life circumstances of Tasmanians, their families, communities, towns and regions or industries. As described earlier:

- Port and rail operators will often count tonnage handled, rather than improved business access to export opportunities, or improvements in the management of supply chains.
- Ferry operators will count passenger numbers, not quality of the tourist experience or convenience and ease to travel and connect with family and friends.

Expanding performance information to assist with the governance of Government businesses should focus on measures that demonstrate:

- Effectiveness - the actual effect, impact or outcomes is measured against the entity's initial plans and intent, with variation being explained in annual reports.
- Efficiency - the use of resources delivers services to the Tasmanian community that meet the expectations of quality, timeliness, quantity and financial costs.
- Economy - the purchasing power of the available funds is maximised, without waste.

Enhanced risk management is also required for these expanded performance measures.

It will also better inform Ministers as to the risks associated with meeting the expectations of the Tasmanian community.

GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

Levers to manage and/or rectify poor performance

Using performance measures and active risk management

Having clearly defined and articulated performance measures around the effectiveness of meeting community expectations, efficiency of service delivery, including quality and timelines standards and economy in the use of operational expenses and capital expenditures, together with active risk management plans, focused on the uncertainties to individual entity and shared objectives provides the foundations for the levers to manage and/or rectify poor performance.

Boards are responsible for a range of functions, including but not limited to:

- Appointing and removing the Chief Executive Officer (CEO).
- Evaluating CEO performance.

Establishing regular, formal approaches for the Board to evaluate CEO performance is a crucial lever to manage and/or rectify poor performance. Similar formal structures are required between the CEO and senior executives within Government businesses.

The involvement of external experts in the evaluation process can assist in ensuring that the necessary searching and demanding questions are asked, answered and actions resolved, and performance improvements implemented.

This is where enhanced risk management can assist. Clearly identifying the intended effect, impact or outcome of a Government business entity, and the risks or uncertainties that may impede or enhance that effect, impact or outcome enhances the relationship between the Chair and Board and the CEO.

A requirement to summarise and report to Ministers on the outcomes of these performance evaluations, will ensure there are no performance surprises, and better inform Ministerial decision-making.

Broadly we agree with the identified actions within the Government Business Governance Reform Draft Plan.

GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

Reviewing the Government business portfolio

Regular reviews are required in a highly volatile environment

Regular reviews are necessary in a highly volatile and uncertain economic environment.

We recommend these reviews are undertaken at least within each term of Government.

This will also better inform Ministers as to the:

- Performance of Government businesses.
- Significant changes in the strategic and operational context of Government business.
- Risks associated with Government businesses, and the Board's and CEOs approaches to managing the identified risks.
- Refinement of Members' Statement of Expectations, as well as updating Government businesses on any re-focusing of the policy intent of Government.

Broadly we agree with the identified actions within the Government Business Governance Reform Draft Plan.

GPA Partners response to the Tasmanian Department of Treasury and Finance Government Business Governance Reform Draft Plan

Kevin P Riley – biography and experience

Education

Bachelor of Economics (ANU)
Grad Cert Business Administration,
Mt. Eliza Business School

Professional qualifications

Fellow, Chartered Accountants Australia and New Zealand (FCA)

Fellow, CPA Australia (FCPA)

National Fellow, Institute of Public Administration Australia (FIPAA)

Accountant, Chartered Institute of Public Finance and Accountancy (UK)

Councillor, American Society for Public Administration

Member, Australian Institute of Company Directors

Member, Association for Budgeting and Financial Management (US)

Member, Association for Coaching (UK)

Member, International Association of Facilitators.

NV1 (Secret) Security clearance.

Kevin is the Treasurer and Councillor of the American Society for Public Administration.

Kevin is the previous past National Treasurer and National Councillor of the Institute of Public Administration Australia Inc.

Kevin Riley's professional career includes:

- financial management consulting and assurance experience with PricewaterhouseCoopers (PwC) from 1983 to 1996 including as Senior Audit Manager in the Launceston and Melbourne offices of PwC and Managing Consultant in the Canberra office, and
- since 1996, founding two Canberra-based businesses:
 - Capital Training College – designing, developing and facilitating management development programs
 - GPA Partners – advising on governance, performance and accountability matters.

Kevin's facilitation, training, consulting and executive coaching experience covers both the private and public sectors in the areas of:

- **financial literacy** – developing an understanding of financial concepts and key financial statements including assisting executives and managers understand and successfully apply financial concepts to improve financial results and enhance their confidence in financial decisions and resource allocations.
- **financial analysis** – applying financial analysis concepts to assess performance and determine strategies for financial performance improvement, including financial viability, efficiency and effectiveness and cost-benefit analysis.
- **balance sheet management** – developing strategies for better working capital management, asset management and utilisation, liability and debt optimization and management and equity performance improvement.
- **budgeting and forecasting** – costing policy proposals, developing budgets and determining key drivers and developing driver-based forecasts and using budget and forecast information for better decision-making.
- **governance and risk management** – applying an enterprise approach to risk management and establishing governance and accountability arrangements that reflect strategic, enterprise and operational risk assessments.
- **internal control and fraud control** – reviewing the application of internal controls and testing for compliance to ensure efficient, effective and economic operations, compliance with laws and regulations, reliability of management and financial reporting and achievement of strategic objectives.
- **performance reporting** – developing and using performance information and KPIs to plan, manage and evaluate the success of business units and programs in achieving intended financial and non-financial results and outcomes, objectives and the quality and timeliness of deliverables, outputs and services.
- **process mapping and analysis** – applying process mapping and design thinking concepts to document, review and improve business and operating processes to improve, efficiency, quality and timeliness and customer, recipient and citizen outcomes.