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Part of the HopgoodGanim Advisory Group

icare

Governance Review

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About Effective Governance

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1. Executive summary

Effective Governance was engaged by the New South Wales (NSW) Treasury to provide expert advice to the icare and *State Insurance and Care Governance Act (SICG) 2015* Independent Review conducted by the Independent Reviewer, The Hon Robert McDougall QC.

Our review covered governance, Board effectiveness and accountability, and addressed the mandatory requirements listed below:¹

- A. Organisational culture and risk behaviour enhance or inhibit the effectiveness of the board;
- B. The legislative framework enhances or inhibits the effectiveness of the board and decision making;
- C. The board approved risk strategy and risk appetite is supported by an appropriate risk management framework;
- D. There is appropriate director and officer oversight of financial and non-financial risk;
- E. The governance model, board and committee structure and composition are appropriate;
- F. The board is clear on its role with respect to management;
- G. There are adequate information flows; that the board is equipped with the right information to challenge management and is it prepared to do so;
- H. There is regular self-assessment and independent review at a board level; and
- I. The Service Provider will also be asked to provide any other information, observations or recommendations that are outside their specific scope but that may be relevant to other parts of the Review Terms of Reference.

This report considers icare’s legislative framework and whether it enhances or inhibits the effectiveness of the Board and decision making. Next, it reviews icare’s governance model and whether the Board and committee structure and composition are appropriate. The report also considers the relationship between the Board and management including whether the Board is clear on its role with respect to management and how well information flows from management to the Board. The report addresses whether the Board approved risk strategy and risk appetite are supported by an appropriate risk management framework and whether there is appropriate director and officer oversight of financial and non-financial risk. The report also examines whether there are regular assessments and independent reviews of the Board.

The scope of this report is limited to icare’s governance structures, documentation and practices during the period of October to November 2020. However, the report also refers to governance arrangements preceding this period to provide context for current arrangements.

1.1. Summary observations and recommendations

1.1.1. *icare legislative framework (TOR B)*

We found that icare’s legislative framework provides the Board with the powers it needs to be effective and make decisions. Also, icare should be considered as both a commercial and a government organisation. However, the division of responsibilities between icare and the State Insurance Regulatory Authority (SIRA)

¹ Terms of Reference for icare and SICG Act Independent Review, paragraphs 1.e and 1.g.

needs to be better defined in the SICG Act and duplication in responsibilities between icare and the Workers Compensation Independent Review Office (WIRO) should be reviewed.

See Recommendation 1.

1.1.2. icare governance model (TOR E)

This section of the report examined whether the current icare governance model, Board and committee structure and composition are appropriate. We find the existing icare governance model, Board and committee structure to be sound. The existing governance structure could, however, be improved by:

- staggering director terms rather than having all or a majority of NEDs' appointments expiring at the same time;
- ensuring the Board includes members who have workers compensation insurance and public sector experience;
- splitting the Audit and Risk Committee (ARC) into separate audit and risk committees;
- winding up the Foundation Committee and transferring its functions to management; and
- employing the Governance Committee to report to the Board on progress in implementing recommendations from recent governance reviews.

See Recommendations 2 to 8 in response to these findings.

1.1.3. Board-management relationship (TOR F)

We also examined whether the Board is clear on its role with respect to management. In our assessment the Board could have been more vigorous in its management of previous CEOs and icare will benefit from improved processes and increased formal oversight over the performance of the CEO and Group Executive Team (GET).

See Recommendations 9 to 11 in response to these findings.

1.1.4. Information flows (TOR G)

In recent months, information flows appear to have improved and Board should have increased confidence regarding the volume and quality of information it receives. Past concerns relating to the volume and quality of information flows from the CEO, management and the committees have been addressed by:

- the formation of the Governance Committee;
- the appointment of a Head of Board Governance (and direct reports) appointment, with robust assessment and monitoring assessment; and
- the introduction of new Board paper templates and reporting accountability.

However, we do suggest that ongoing monitoring of the effectiveness the newly introduced Board paper format will be important given the amount of concurrent governance change within icare, and specifically considering the volume of substantial change with of the introduction of many new icare policies.

These new policies address identified governance and compliance related issues comprehensively. Nevertheless, as with the recommended ongoing review of the effectiveness of the new Board paper template, we suggest it would be prudent to monitor the implementation of these policies as part of a specific organisational change management program.

See Recommendation 12 in relation to information flows.

1.1.5. Risk (TOR C and D)

The icare risk management framework is still a work in progress, however, based on our review we believe that the Board approved risk strategy and risk appetite is supported by an appropriate risk management framework (TOR C); and there is now appropriate director and officer oversight of both financial and non-financial risk (TOR D) that will improve with time and the commitment of the Board and GET.

See Recommendations 13 to 17 in relation to the risk management framework.

1.1.6. Culture (TOR A)

In response to TOR A (Organisational culture and risk behaviour enhance or inhibit the effectiveness of the board), we believe that while organisational culture always has the potential to inhibit the effectiveness of a board, icare has made great strides in improving its culture and risk management practices such that they should not be an issue if the organisation continues on its current course.

1.1.7. Board reviews (TOR H)

Having reviewed the external Board evaluations conducted in 2017 and 2020, the approach taken by the Board set out in its Charter, and the use of the bNPS, we believe the icare Board is following good practice governance and make no recommendations with respect to TOR H.

1.1.8. Other observations (TOR I)

We assessed overall governance at icare using a maturity model, the Board Maturity Benchmark Assessment (BMBA), which is a two-dimensional structured approach for describing the principal characteristics of an organisation at various stages of governance maturity. Effective Governance made an assessment of the Board's maturity in each of the 20 governance dimensions in the model. The detailed results of icare's BMBA are provided at Appendix 6.6.

Our observation during the course of this review is that icare is making substantial progress in updating its governance and risk policies and procedures. The challenge for icare will be to embed the changes resulting from these updates and the recommendations from this and other reviews throughout the entire organisation. It will not be easy to do and it is likely to take some time.

The appointment of the new Chair and two directors is a significant and welcome step forward in the change process. From our observations over the past month, the Chair has precisely the right leadership qualities that icare needs. Equally, selecting the right CEO with the leadership qualities to take charge of the change process will be pivotal to avoid a reoccurrence of past governance related problems. Again, their task will not be easy and the support of senior and middle managers throughout the entire organisation with its many specialist areas will be crucial to success.

For these reasons, we believe a dedicated and appropriately resourced change management program will be necessary in moving forward. We are aware that a separate culture review is being undertaken by icare and that it too will inform the Independent Review of icare and we see this this review and the culture review as being complementary.

See Recommendations 18 and 19 in relation to the BMBA and embedding our recommendations into icare.

1.2. Summary Recommendations

#	Recommendation	Page no.
1.	<i>That the division of responsibilities between icare as operator and the State Insurance Regulatory Authority (SIRA) as regulator be clearly defined in the State Insurance and Care Governance Act 2015.</i>	15
2.	<i>That a Board succession plan be drafted for approval by the Portfolio Minister which provides for a staggered set of director terms rather than having all or a majority of NEDs' appointments expiring at the same time.</i>	18
3.	<i>That the Board include one or more members who possess extensive public sector experience and workers compensation insurance experience.</i>	19
4.	<i>That specialist members be recruited to join Board Committees to ease the Board members' Committee workload and to make up for any shortfall in expertise in any area by Board members.</i>	20
5.	<i>That the Audit and Risk Committee (ARC) be split into a separate Audit and a separate Risk Committee.</i>	20
6.	<i>That the Foundation Committee be wound up and its functions transferred to management.</i>	21
7.	<i>That the Governance Committee monitor and report to the Board on outstanding recommendations from this and other governance reviews until the Board is confident the changes have been embedded in icare's organisational culture.</i>	21
8.	<i>That the Board induction program provide detailed briefings on the key legislative, Ministerial, Treasury and other relevant agencies' expectations of Board members.</i>	23
9.	<i>That the Board develop and adopt a robust CEO assessment policy, with consideration of the principles recommended in section 4.3 of this report.</i>	26
10.	<i>That the Board hold the CEO to account for leadership effectiveness, role modelling of the icare Code of Conduct and achievement of agreed KPIs through a periodic and rigorous assessment process.</i>	26
11.	<i>That the CEO's direct reports also be assessed in terms of their leadership effectiveness, role modelling of icare's Code of Conduct and attainment of agreed KPIs.</i>	26
12.	<i>That a change management program be implemented to disseminate, educate and review effective implementation of the new Board paper template reporting and the new policies across all levels of the organisation.</i>	28
13.	<i>That consideration be given to the IIA's Three Lines Model with respect to the roles and responsibilities and reporting lines in the Risk Management Framework.</i>	33

#	Recommendation	Page no.
14.	<i>That progress towards using one GRC system remain a high priority.</i>	35
15.	<i>That the Risk Management Framework contain a 'Commitment' section to further reinforce the Board and GET's commitment to risk management.</i>	36
16.	<i>That the core documents supporting the risk management framework be reviewed and re-drafted to clarify the high-level principles (Risk Management Framework), to set out the more detailed processes (Risk Management Policy) and to ensure that all documents are consistent and aligned. This includes removing any documents which no longer apply.</i>	37
17.	<i>That the consequences of a policy breach be included in all relevant policies.</i>	39
18.	<i>That the Board determine its desired level of maturity for each of the 20 Board Maturity Benchmark Assessment (BMBA) governance dimensions and implement a plan to move from its current level of maturity to the desired level of maturity.</i>	45
19.	<i>That a dedicated and appropriately resourced change management program be implemented to embed the recommendations from this and other governance reviews into icare's organisational culture.</i>	46

2. Introduction

Effective Governance has been engaged by the New South Wales (NSW) Treasury to provide expert advice to the icare and *State Insurance and Care Governance Act (SICG) 2015* Independent Review conducted by the Independent Reviewer, The Hon Robert McDougall QC.

2.1. Scope of the review

Our review will cover governance, Board effectiveness and accountability and address the mandatory requirements listed below:²

- A. Organisational culture and risk behaviour enhance or inhibit the effectiveness of the board;
- B. The legislative framework enhances or inhibits the effectiveness of the board and decision making;
- C. The board approved risk strategy and risk appetite is supported by an appropriate risk management framework;
- D. There is appropriate director and officer oversight of financial and non-financial risk;
- E. The governance model, board and committee structure and composition are appropriate;
- F. The board is clear on its role with respect to management;
- G. There are adequate information flows; that the board is equipped with the right information to challenge management and is it prepared to do so;
- H. There is regular self-assessment and independent review at a board level; and

² Terms of Reference for icare and SICG Act Independent Review, paragraphs 1.e and 1.g.

- I. The Service Provider will also be asked to provide any other information, observations or recommendations that are outside their specific scope but that may be relevant to other parts of the Review Terms of Reference.

This report will first consider icare’s legislative framework and whether it enhances or inhibits the effectiveness of the Board and decision making. Next it will review icare’s governance model and whether the Board and committee structure and composition are appropriate. The report will also consider the relationship between the Board and management including whether the Board is clear on its role with respect to management and how well information flows from management to the Board. The report will address whether the Board approved risk strategy and risk appetite are supported by an appropriate risk management framework and whether there is appropriate director and officer oversight of financial and non-financial risk. The report will also examine whether there are regular assessments and independent reviews of the Board.

The scope of this report is limited to icare’s governance structures, documentation and practices during the period of October to November 2020. However, the report may refer to governance arrangements preceding this period to provide context for current arrangements.

The NSW Public Service Commission defines public sector governance as follows:

In the NSW government sector, governance refers specifically to the complex relationships between agencies, the Government and Parliament: where agencies are given particular powers, functions, responsibilities and resources to act – and those agencies are also required to give an account to Ministers, the Government and the Parliament on how those responsibilities and resources are used.

Governance also refers to the arrangements within agencies: where public responsibilities and funding are delegated from the Department Secretary or other head of an agency to other government sector employees – and those employees are also required to give an account to the agency head (and ultimately, to the Parliament) on how they exercised those powers and used that funding.³

Importantly, these governance requirements apply to all NSW Government agencies:

The requirements of governance apply to every NSW government sector employee: we are paid government monies to deliver government services; we are seen by the public to be representatives of the State; and our work may be contributing to how our agency taxes, regulates and enforces State laws over individuals, businesses and communities. As users of government power and recipients of government funding, we are obliged also to be accountable, to report, explain and answer to the government (and the public, more generally).⁴

³ NSW Public Service Commission, 2014, *Behaving Ethically: A Guide for NSW government sector employees*, p. 98.

⁴ *ibid.*

Governance of the public sector is underpinned by a set of principles that are similar throughout Australia. These principles are:⁵

- *accountability*: being answerable for decisions and having meaningful mechanisms in place to ensure adherence to all applicable standards
- *transparency*: clear roles and responsibilities and clear procedures for decision making and the exercise of power
- *integrity*: acting impartially, ethically and in the interests of the agency, and not misusing information acquired through a position of trust
- *stewardship*: using every opportunity to enhance the value of the public assets and institutions that have been entrusted to care
- *efficiency*: the best use of resources to further the aims of the organisations with a commitment to evidence-based strategies for improvement
- *leadership*: leadership from the top is critical to achieving an agency-wide commitment to good governance.

These definitions of public sector governance and the principles that accompany them highlight the important role of leadership from the top in ensuring that sound governance practices are instilled throughout an organisation, and the wider responsibility of all public sector employees to apply governance practices and procedures in their daily work. As such, public sector governance is about both:

- *performance* – how an agency uses governance arrangements to contribute to its overall performance and the delivery of goods, services or programmes; and
- *conformance* – how an agency uses governance arrangements to ensure it meets the requirements of the law, regulations, published standards and community expectations of probity, accountability and openness.⁶

2.2. Methodology

A mixed-method approach was used to conduct the review and draft this report involving four phases:

1. *Review of documents supplied by icare*. A list of these documents is provided at Appendix 6.2.
2. *Assessment of icare's board maturity*. An assessment was conducted of icare's board maturity using the eG Board Maturity Benchmark Assessment (BMBA) tool. The assessment is provided at Appendix 6.6.
3. *Interviews with key stakeholders*. Interviews were conducted with the key stakeholders listed at Appendix 6.3. The interviews were not recorded; rather, field notes were taken during each interview by the interviewer. Therefore, individuals may not necessarily be quoted verbatim in this report.
4. *Data synthesis*. The data gathered during the previous phases was synthesised into this report providing recommendations to the Independent Reviewer.

⁵ Australian Public Service Commission (APSC), 2007, *Building Better Governance*, APSC, Canberra.

⁶ *ibid.*

3. Background

icare was created on 1 September 2015 by the *State Insurance and Care Governance Act 2015* (NSW) (the SICG Act), which reformed state insurance in New South Wales, including the separation of service delivery functions (icare) from regulatory roles (now performed by the State Insurance Regulatory Authority (SIRA)).

icare operates as a Public Financial Corporation governed by an independent board of directors. The Board is appointed by and accountable to the New South Wales Treasurer.

icare acts on behalf of the Workers Compensation Nominal Insurer (Workers Insurance) and provides services to a number of Government insurance authorities. They are:

- the Lifetime Care and Support Authority (Lifetime Care);
- the Workers Compensation (Dust Diseases) Authority (Dust Diseases Care);
- the NSW Self Insurance Corporation (insurance for NSW); and
- the Sporting Injuries Compensation Authority.

Each authority is established under a separate Act and the Chief Executive Officer (CEO)⁷ of icare is also the CEO of the above authorities.

4. Observations and recommendations

4.1. icare legislative framework (TOR B)

This section of the report examines whether the existing icare legislative framework enhances or inhibits the effectiveness of the Board and decision making.

The enabling legislation for icare is the SICG Act. Part 2 of the Act:

- stipulates that icare is a NSW Government agency;
- establishes a Board of Directors and Board committees and provides direction on their composition and roles;
- creates the position of CEO;
- lists the functions of icare including acting for the Nominal Insurer (NI), providing services to relevant authorities and determining investment strategies for the investment of any scheme fund; and
- authorises icare to manage investments for the whole or part of a scheme or fund.

The legislation allows icare to employ staff as it requires to exercise its functions. Specifically, the provisions of the *Government Sector Employment Act 2013* (NSW) relating to the employment of public service

⁷There are three terms which could be used to refer to the senior executive of icare: Chief Executive (CE), Managing Director (MD) or Chief Executive Officer (CEO). The SICG Act refers to the 'Chief Executive' of icare. The incumbent of this position is also a Board Member and could therefore be referred to as the Managing Director. However, the term CEO is used in icare and, for consistency, is used in this report.

employees do not apply to icare staff.⁸ The legislation also allows icare to determine staff salary and conditions.⁹

Interviewees were asked whether the legislative framework provides the icare Board with the power to perform its functions and whether it constrains decision making by the Board. The response to both questions was generally positive: the SICG Act does not inhibit the Board; rather, it provides the Board with the powers it needs to govern icare and decision making is not constrained by the Act. Interviewees did, however, comment on icare's status as a commercial or a public organisation and its relationship with its regulator.

Some interviewees questioned whether icare is a commercial organisation or a government organisation. To a certain degree, individuals' views reflected whether they joined icare from the private sector or the public sector. Those interviewees who considered icare should be run as a commercial venture noted that senior executive salaries are set on a market basis and they questioned government compliance and reporting requirements that do not appear to add value. Also, icare has achieved an enormous amount in the last five years and it would not have been able to do so using public sector processes. As one interviewee put it: *'It has moved from being a process-driven organisation which was neither effective nor nimble to a customer-focused organisation where the customer is at the centre of what we do.'* A counter view is that the the SICG Act provides the Government with an assurance that risk is being managed appropriately. Also, the reporting requirements and the amount of information provided to the Minister are entirely appropriate in a public sector environment where very strict accountability and transparency requirements apply. In reality, icare is a blended organisation. As one interviewee observed: *'It is aspirational for a government agency to act (completely) commercially – there will always be a public sector lens because it is government-owned.'* And this interviewee went on to state: *'icare is neither a commercial organisation nor a government organisation; it is both.'*

It is noteworthy that most interviewees commented on the relationship between icare and the State Insurance Regulatory Authority (SIRA).

Part 3 of the SICG Act establishes SIRA which is also a NSW Government agency which has its own Board and chief executive. Some of SIRA's functions include:

- promoting the efficiency and viability of icare's schemes;
- minimising the cost to the community of workplace injuries and injuries arising from motor accidents; and
- promoting workplace injury prevention, effective injury management and return to work measures and programs.

SIRA has a number of powers relevant to icare under the *Workers Compensation Act 1987* (NSW) and the *Workplace Injury Management and Workers Compensation Act 1998* (NSW) including the approval of icare premiums.

⁸ SICG Act, s. 14.

⁹ SICG Act, s. 15.

Several interviewees expressed the view that some icare-SIRA issues had been personality-driven by previous icare CEOs. On the other hand, some interviewees also felt that there is a healthy operator-regulator tension between icare and SIRA.

A recurring theme was the lack of clarity between icare's role and the blurring of the operational-regulatory boundaries between the two entities. icare believes this situation presents the potential for ambiguity, duplication of effort and uncertainty for customers and other scheme participants. We understand icare has also raised these concerns in a separate submission to the Independent Reviewer.¹⁰ Effective Governance subsequently sought from icare specific examples that illustrate SIRA's involvement in matters which could be characterised as operational rather than regulatory in nature. icare provided the following examples:

- engagement of EY to review icare's peer review of icare financials, which are themselves independently audited and peer-reviewed;
- engagement of Synapse to undertake analysis of data contained in SIRA's Central Data Repository (CDR) relating to medical cost payments;
- engagement of KordaMentha to review icare's pre-injury average weekly earnings (PIAWE) remediation program;
- upcoming audit of expenditure of the Workers Compensation Insurance Fund, which icare understands will also be undertaken by a third party provider; and
- reviews of individual workers compensation claims.¹¹

icare has expressed a view that under a framework similar to that of APRA's regulatory framework, by comparison, issues of this nature would be accepted as the responsibility of icare and its Board and only in exceptional circumstances would the regulator undertake its own review to provide independent assurance. A clearer distinction of responsibilities would increase certainty for all participants in the workers compensation system and reduce the cost of the scheme leading 'to better outcomes for injured workers.'¹²

During the discussions concerning SIRA, several interviewees also commented on the Workers Compensation Independent Review Office (WIRO).¹³ Although WIRO is seen as a valuable regulatory body some interviewees believed its powers need to be clarified as well. In this respect, two interviewees referred to the overlap between SIRA's role and that of WIRO. For example, both agencies can conduct a review at a claim level, and this results in duplication.

In conclusion, icare's legislative framework provides the Board with the powers it needs to be effective and make decisions and should be considered as both a commercial and a government organisation. However, in order to 'lead to better outcomes for injured workers,'¹⁴ the division of responsibilities between icare and SIRA requires clearer definition in the SICG Act.

¹⁰ icare submission to the Independent Reviewer: *Term of Reference 2(c) – Legislative and regulatory structure of Nominal Insurer and Treasury Managed Fund Schemes*; copy provided to Effective Governance on 22 December 2020

¹¹ icare also raised privacy concerns. For example, SIRA has the power to view every icare data element in its reviews.

¹² Perrottet, D., Second Reading Speech: State Insurance and Care Governance Bill 2015, 5 August 2015, p. 2099.

¹³ WIRO is established under the *Workplace Injury Management and Workers Compensation Act 1998* (NSW). Under s 27 of this Act, WIRO is also responsible for dealing with complaints.

¹⁴ Perrottet, 2015, op.cit.

As a result, we make the following recommendation.

#	Recommendation
1.	<i>That the division of responsibilities between icare as operator and the State Insurance Regulatory Authority (SIRA) as regulator be clearly defined in the State Insurance and Care Governance Act 2015.</i>

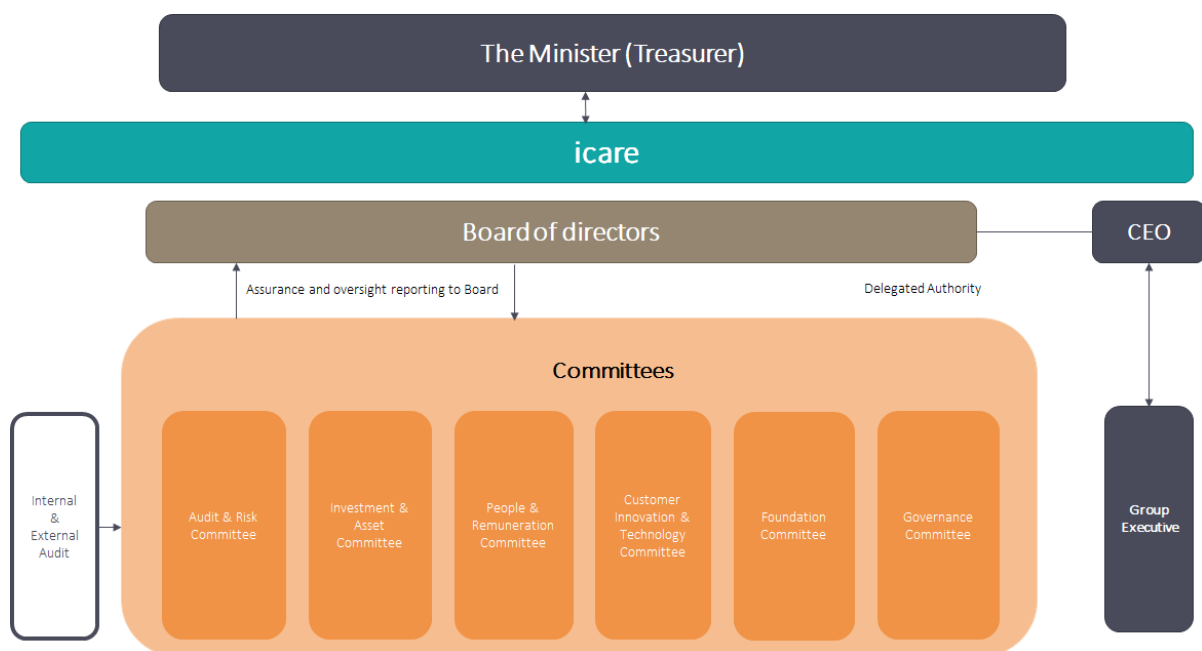
4.2. icare governance model (TOR E)

This section of the report examines whether the current icare governance model, Board and committee structure and composition are appropriate.

4.2.1. Description of the model

The icare governance model consists of a governing Board, Board committees and a CEO. The Board is responsible to the Portfolio Minister (the NSW Treasurer) under the provisions of the SICG Act. icare’s governance model is depicted in Figure 4.1 and described in more detail in the following paragraphs.

Figure 4.1: icare governance model



The icare Board consists of up to eight non-executive directors (NEDs)¹⁵ and one executive director (the CEO). The Portfolio Minister establishes the Board and consults with the NSW Public Service Commissioner

¹⁵ SICG Act, s 5(2)(b).

about its classification and remuneration and recommends director appointments and terminations to Cabinet.¹⁶

The NEDs are appointed by the Portfolio Minister for a three-year term after which time they are eligible for re-appointment.¹⁷

The CEO is also a director of the Board and is appointed for a maximum period of five years.¹⁸ The CEO's conditions of employment are determined by the Board.¹⁹ The Board delegates certain matters to the CEO who is responsible for the day-to-day management of the organisation.²⁰

Under the SICG Act,²¹ the Board has the following functions:

- upon request, provide the Minister with any information relating to icare;
- keep the Minister informed of the general conduct of icare's activities and any significant developments;
- determine general policies for icare; and
- direct the CEO.

The Board generally meets monthly with the exception of January and December each year. Special meetings can be called at any time by the Chair provided a quorum is present.

There are six Board Committees which assist the Board in exercising its duties in particular areas or functions. Each Committee has a formal charter and is chaired by an icare Board member. Committees may also include members who are not icare directors. The Committees are:

- The Audit and Risk Committee (ARC) assesses the effectiveness of icare's risk management framework, compliance framework and icare's internal and external audit functions including oversight of icare's financial reporting. The Committee meets bi-monthly.
- The Investment and Asset Committee (IAC) sets the investment strategy and objectives of the Insurance Scheme Funds and liaises with NSW Treasury in relation to the setting of the Treasury Managed Fund's (TMF) investment objectives. The IAC also oversees the investments of the Funds and monitors both investment performance and the performance of investment service providers. The Committee meets bi-monthly.
- The People and Remuneration Committee (PRC) assists and advises the Board on remuneration and other human resources policies such as work health and safety, and practices of icare and the entities it manages. The PRC monitors the development and implementation of the culture strategy, succession planning, performance and talent management. The Committee meets quarterly.
- The Customer Innovation and Technology Committee (CITC) oversees icare's customer experience strategies, information technology strategy, information systems and related data management risks

¹⁶ icare Board Charter, section 5.

¹⁷ SICG Act, sch 1, s 3.

¹⁸ SICG Act, s 5(2)(a) and sch 2 s 1.

¹⁹ SICG Act, sch 2 s 2(1).

²⁰ icare Board Charter, s 8.

²¹ SICG Act, s 6(3).

and controls. This CITC also reviews, evaluates and approves icare’s major technology plans and strategies in support of its overall business strategy. The Committee meets quarterly.

- The Foundation Committee oversees the investment in funding of innovative prevention and intervention programs that aim to improve quality of life, social inclusion and optimal recovery for people who have been injured at work or on the roads in NSW. The Committee meets every quarter each year (with the exception of 2020 where there were only three meetings).
- The Governance Committee assists the Board to consider, review and take advice on best practice governance matters, regulatory engagement and the operation and effectiveness of icare’s governance processes or any particular issues of concern to the board or stakeholders. The Committee meets monthly.

4.2.2. *Observations on the model*

The existing Board consists of nine directors. In practice, most boards comprise between 5 and 12 directors. Some boards have found that with any less than 5 members the board tends to lack a critical mass to add value in the oversight role. Similarly, larger boards find that more than 12 members places a strain on group dynamics. Therefore, a board size of 9 directors for an organisation of icare’s size and complexity appears appropriate.

icare consists of up to 8 NEDs and one executive director (the CEO). The main functions of NEDs are to bring an independent perspective to the Board and to provide skills and contacts not readily available within the organisation.

Recently, a new Chair and two new NEDs have been appointed to the Board; otherwise, only one NED changed before then. This raises the issue of succession planning for the Board. We note that Challis and Company also raised this issue in their report and the need to strike a balance between board continuity and board renewal. We agree with their observation²² that a more staggered set of terms should be put in place rather than having all or a majority of NEDs’ appointments expiring at the same time. As noted earlier, there is no limitation on director tenure under the SICG Act with NEDs being appointed by the Portfolio Minister for a three-year term after which time they are eligible for re-appointment.²³ Government policy does however provide guidance on tenure limits as follows:

- The Public Service Commission *Appointment Standards* state: ‘members’ tenure should not exceed ten years in total, unless otherwise provided in legislation or where such limitation would be contrary to the public interest.’²⁴
- NSW Treasury *Guidelines for Governing Boards of Government Business* state: ‘For commercial governing boards, there is an expectation that directors’ tenure should be limited to two three-year terms. However, there may be circumstances where one or more additional terms are appropriate. For instance, where a director transitions to being chair, a third term may be considered. Limiting

²² Challis & Company, *Board Effectiveness Review*, 29 May 2020, paragraph 30.

²³ SICG Act, sch 1, s 3.

²⁴ NSW Public Service Commission, 2013, *Appointment Standards: Boards and Committees in the NSW Public Sector*, July 2013, paragraph 11.

*appointment terms ensures the management of a government business is refreshed periodically to limit “group think”.*²⁵

The ASX Corporate Governance Council has provided the following guidance in the commentary to the current ASX Principles and Recommendations:

[T]he Council recognises that the interests of a listed entity and its security holders are likely to be well served by having a mix of directors, some with a longer tenure with a deep understanding of the entity and its business and some with a shorter tenure with fresh ideas and perspective. It also recognises that the chair of the board will frequently fall into the former category rather than the latter.

*The mere fact that a director has served on a board for a substantial period does not mean that the director has become too close to management or a substantial holder to be considered independent. However, the board should regularly assess whether that might be the case for any director who has served in that position for more than 10 years.*²⁶

For its part, the Australian Prudential Regulation Authority (APRA) requires:

*The Board of a locally incorporated APRA-regulated institution must have in place a formal policy on Board renewal. This policy must provide details of how the Board intends to renew itself in order to ensure it remains open to new ideas and independent thinking, while retaining adequate expertise. The policy must give consideration to whether directors have served on the Board for a period that could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the institution. The policy must include the process for appointing and removing directors, including the factors that will determine when an existing director will be re-appointed.*²⁷

In light of the above, we recommend that a Board succession plan be drafted for approval by the Portfolio Minister which provides for a staggered set of director terms rather than having all or a majority of NEDs' appointments expiring at the same time.

#	Recommendation
2.	<i>That a Board succession plan be drafted for approval by the Portfolio Minister which provides for a staggered set of director terms rather than having all or a majority of NEDs' appointments expiring at the same time.</i>

²⁵ NSW Treasury, *TPP17-10 Commercial Policy Framework: Guidelines for Governing Boards of Government Business*, November 2017, p 7.

²⁶ ASX Corporate Governance Council 2019. *Corporate Governance Principles and Recommendations*, 4th edn. Sydney: Australian Securities Exchange Ltd, February 2019, p. 14.

²⁷ APRA, *Prudential Standard CPS 510 Governance*, paragraph 45.

We considered whether the CEO should also be a member of the icare Board because some organisations specifically forbid the CEO from being a board member. One reason for this approach is that the CEO will hold too much power given their in-depth knowledge of the organisation by comparison to the NEDs as well as having decision-making authority on the board. On the other hand, it is very common in Australia for CEOs to also be directors. Also, the ratio of NEDs to the one executive director on the icare Board is 8:1 which should allay any concerns in this regard. As some interviewees noted, the answer is not clear-cut and it is not a structural question, rather a personality question. Regardless of the different classifications of directors, they attract the same rights and bear the same duties and legal responsibilities. For these reasons, we do not propose any change to the existing arrangement where the CEO is a board member.

In addition to questions about the balance between executive and non-executive directors, we considered the competencies required on the icare Board. During the interviews, it was noted that the Board has been fortunate in comprising directors who have a strong commercial and ASX-listed entity background. It was suggested by one interviewee that the Board would benefit from having a director with workers compensation insurance experience. The Board also appears to lack one or more directors with public sector experience. As one interviewee observed: *'In terms of public sector experience, you must not only understand the Minister's requirements but also how the bureaucracy operates – in particular, respecting lines of authority.'* The appointment of the new Chair and a director having led and supported the development of the National Disability Insurance Scheme should go some way to addressing this shortfall in experience.

#	Recommendation
3.	<i>That the Board include one or more members who possess extensive public sector experience and workers compensation insurance experience.</i>

The review also considered the number of Board Committees and their workload. Feedback from the interviews revealed:

- Committee workloads are generally quite high. Notwithstanding, the directors have been very committed to their Committee duties and have not rushed their oversight responsibilities due to time constraints. Indeed, they are always very accessible and prepared to offer their time and experience to management.
- Although six Board Committees is a relatively large number, this reflects the size and complexity of icare.
- The Committee endorsement process is well understood. There is a lot of collaboration between Committee Chairs and management before and between Committee meetings.
- There was universal praise by the interviewees for the Committee Chair's leadership of the ARC.
- Some Committees are more narrowly focused than others, e.g., the PRC and the CITC.

In terms of Committee workloads, specialist members could be recruited to join Board Committees to serve two purposes. First, they could ease the workload of Board members so that fewer Board members need to be on each Committee. Second, they could be chosen based on their specialist expertise (in areas such as audit, risk, compliance and strategic IT, for example) thus making up for any shortfalls in such expertise by Board members. These specialist Committee members should be formally appointed to Committees: this will

help to ensure they exercise the same fiduciary duties and duties of care and diligence as Board Committee members.

#	Recommendation
4.	<i>That specialist members be recruited to join Board Committees to ease the Board members' Committee workload and to make up for any shortfall in expertise in any area by Board members.</i>

Interviewees made specific reference to three committees: the ARC, the Foundation Committee and the Governance Committee.

The icare Audit and Risk Committee in particular has a very high workload and meetings can be quite long in duration. The purpose of an audit committee is to ensure that the organisation's accounts fairly represent its performance and that adequate safeguards are in place to prevent fraud. Typical tasks for the committee are to review and agree the audit plan, select and review the independence of the auditors monitor the progress of the auditors and satisfy themselves with the internal controls of the organisation. Although audit committees must ensure themselves of the viability of the organisation, their main role is to monitor managers and auditors – not to undertake the task themselves. Therefore, as a general rule, an audit committee should meet about four times a year for two to three hours.

Risk management oversight is often added to the audit committee's duties. However, the amount of time allocated to risk may be limited due to the complex issues with which audit committee members are faced. increasingly, organisations are establishing dedicated risk management committees to oversee the risk management program. This is particularly the case for those organisations operating in heavily regulated industries such as banking.

In light of icare's size and complexity and the associated audit and risk responsibilities and workloads, consideration should be given to splitting the ARC into two separate committees. Although the existence of multiple committees can create issues of overlap and gaps, we believe the workload for both functions has reached the level where a separate audit and a separate risk committee are justified.

#	Recommendation
5.	<i>That the Audit and Risk Committee (ARC) be split into a separate Audit and a separate Risk Committee.</i>

The icare Foundation was established to consolidate and maximise the impact of icare social investments under one governance framework with a strategic narrative that aligns social and commercial initiatives across the organisation. The Foundation Committee's responsibilities include but are not limited to:

- providing management with advice and direction and overseeing the functions of the Foundation;

- approving and monitoring the Foundation strategy and relevant policies governing the operations of the Foundation including those that inform the Foundation’s investment focus areas;
- endorsing and recommending to the Board the Foundation's operational budget; and
- approving decisions concerning the investment and expenditure of the Foundation's budget.

The Foundation Committee meets every quarter each year (with the exception of 2020 where there were only three meetings) and the meetings are not long. Several interviewees suggested that the Committee had achieved its purpose and consideration should be given to transferring the work of the Foundation Committee to management.

#	Recommendation
6.	<i>That the Foundation Committee be wound up and its functions transferred to management.</i>

The Governance Committee was established in August 2020. Among other matters, the Committee considers, reviews and takes advice on best practice governance and regulatory engagement in light of emerging issues in the external environment and changing stakeholder expectations relevant to icare. In light of this and other reviews concerning icare, this Committee is a welcome mechanism for ‘*setting the tone from the top*’ in implementing recommendations from recent governance reviews of icare and ensuring the changes are embedded in icare’s organisational culture.

#	Recommendation
7.	<i>That the Governance Committee monitor and report to the Board on outstanding recommendations from this and other governance reviews until the Board is confident the changes have been embedded in icare’s organisational culture.</i>

In conclusion, the existing icare governance model, Board and committee structure are sound. The existing governance structure could, however, be improved by:

- staggering director terms rather than having all or a majority of NEDs’ appointments expiring at the same time;
- ensuring the Board includes members who have workers compensation insurance and public sector experience;
- splitting the ARC into separate audit and risk committees;
- winding up the Foundation Committee and transferring its functions to management; and
- employing the Governance Committee to report to the Board on progress in implementing recommendations to recent governance reviews.

4.3. Board-management relationship (TOR F)

This section of the report examines whether the Board is clear on its role with respect to management.

The specific role and responsibilities of the icare Board are stipulated in its annually reviewed Board Charter (see Box 4.1).

Box 4:1: The Role of Board

Role and Responsibilities of the Board

In performing its role, the Board should act at all times in accordance with the Code of Conduct and Ethics, and:
 In recognition of its responsibility to act honestly, fairly and in accordance with the law in serving the interests of beneficiaries, customers, employees and the NSW Community; and
 In accordance with the duties and obligations imposed by the Act, relevant laws and policies; and
 In a manner designed to create and continue to build sustainable value for customers, NSW Government and the broader community.

As a governing Board, the responsibilities of the Board include to provide leadership and to:

- Approve and monitor the strategic direction, strategies and organisational objectives, and monitor progress and performance of their implementation
- Approve and monitor the Investment Beliefs Statement, Investment Risk Statement and Investment Policy Statement for the State insurance scheme funds
- Endorse for recommendation to the NSW Treasurer, the strategic asset allocation for the State Insurance scheme funds, as outlined by a Memorandum of Understanding between icare and NSW Treasury
- Approve and monitor the risk and risk management framework, ensuring controls and monitoring mechanisms are in place
- Approve and monitor the goals and objectives relevant to the remuneration of the CEO and evaluate the performance of the CEO in light of those objectives
- Approve icare’s remuneration framework and policy
- Approve the following Human Resource policies:
 - Work Health and Safety
 - Discrimination, Harassment and Bullying
 - Code of Conduct
 - Grievance Handling
 - Managing misconduct; and
 - Managing performance
- Monitor on a continuing basis an executive succession planning strategy and development activities
- Approve the desired organisational culture
- Approve the community and shared value proposition
- Approve the appointment and removal of the CEO and assist with and ratify where required the recruitment of senior executives
- Approve the Statement of Business Intent and Business Plan, including performance objectives
- Approve the major capital expenditure and capital management including budgets
- Monitor the performance of the Group Executive Team against agreed targets
- Monitor the financial performance of icare and the State insurance schemes
- Monitor the enhancement and protection of icare’s reputation
- Monitor engagement with stakeholders including customers, service providers, employees, Government and industry
- Ensure compliance with legal, regulatory and policy requirements
- Ensure open communication with the Minister in relation to:
 - the general conduct of icare, its performance and any significant developments;
 - succession planning in relation to the Board and its Committees, where requested by the Minister.

In performing its responsibilities and functions, the Board may delegate any of its powers to a Board Committee, CEO or to other authorised persons.

Board Charter version 5.0 Approved by the Board 19 October 2020.

The skills, competencies and experience of the eight appointed NEDs and the CEO (as shared publicly <https://www.icare.nsw.gov.au/about-us/our-people/our-board>) indicates that ‘on paper’ the Board possess sufficient individual, collective and cumulative Director and Board experience to understand and agree on its key functions; command a clear understanding of its governing role and be adequately skilled to act in the best interests of the organisation.

Our interviews recorded a strong consensus of support that icare is well-served with a Board that has ‘*the right experts in the room to have the right conversations*’ and Directors who contribute a clear commitment to the best interests of icare: ‘*the calibre of directors is very good – competent capable directors – fortunate to have people of that calibre.*’

However, some interviewees questioned whether there has been sufficient Board knowledge and appreciation of the ‘*lens of the public sector*’ to perform its role: ‘*there was no government experience on the Board*’ and that ‘*there needs to be a clear understanding of what is required on public sector boards (there is a difference which should be educated through induction).*’

#	Recommendation
8.	<i>That the Board induction program provide detailed briefings on the key legislative, Ministerial, Treasury and other relevant agencies’ expectations of care Board members.</i>

The Board’s role is to govern the organisation and the Board has the final accountability for the successful operations of the organisation. As noted by Tricker:

*Management is about running the business, governance is about seeing that it is run properly.*²⁸

The Board’s role is to govern icare rather than to manage it. In governing the organisation, the Directors act in the best interests of icare. It is the role of the CEO and senior managers to manage the organisation in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. Thus, except when dealing with specific management delegations of individual directors, it is misleading to refer to the management function of the Board.

In carrying out its governance role, the main task of the Board is to drive the performance of icare. The Board must also ensure that icare complies with all its contractual, statutory and any legal obligations, which

²⁸ Tricker, R. I. 1984, *Corporate governance: Practices, procedures, and powers in British companies and their boards of directors*, Gower Press, Aldershot, p. 7.

includes the requirements of any regulatory bodies such as SIRA and WIRO and oversight bodies such as the Portfolio Minister, the Audit Office of NSW and the Standing Committee on Law and Justice.

Turning to management, the CEO is the Board's sole direct employee.

The relationship between the Board and the CEO is crucial to effective governance of icare because it is the link between the Board's role in determining the icare's strategic direction and management's role in achieving icare's objectives.

Therefore, one of the major roles of the Board is the governance of the CEO position. This governance function includes appointing, setting the employment conditions, remunerating, periodically reviewing the CEO's performance and working through the CEO to achieve the organisation's strategic objectives. The CEO governance framework is depicted at Figure 4.2.

Figure 4.2: CEO governance framework²⁹



The major roles of the Board with respect to CEO governance are all interlinked as follows:

- The *appointment* of a new CEO follows from the Board's *CEO succession* planning.
- *Remunerating* the CEO is both part of the appointment process of a new CEO and will be an outcome of the assessment process for a continuing CEO.

²⁹ Adapted from Kiel, G., Nicholson, G., Tunny, J.A. & Beck, J., 2012, *Directors at Work: A Practical Guide for Boards*, Thomson Reuters, Sydney, p. 285.

- Broad procedures for *assessing* the CEO:
 - will be established during the appointment process;
 - are an extension of the informal *mentoring* processes; and
 - may lead to *dismissing* the CEO.

Our observation is that the Board’s governance of the CEO position has been deficient as evidenced by the Board Maturity Bench Assessment (BMBA) (see section 5.1 and Appendix 6.6). Indeed, the two poorest performing dimensions in the 20 dimensions of the BMBA concerned CEO succession planning (*Formative* maturity level) and CEO recruitment and induction (*Developing* maturity level).

Further, the management of the CEO and senior management team is assessed at a maturity level of *Acceptable*. These are surprising results for an organisation of icare’s size, complexity and importance. We would expect icare to be at, the minimum, an *Acceptable* level of maturity in all three dimensions given the importance of the CEO position to icare achieving its customer and performance objectives within a public sector governance framework.

A major shortcoming in managing the CEO position has been that the Board has not held past CEOs to account. Rather, the relationship appears to have been too Chair-CEO focused rather than Board-CEO focused. In this respect, there needs to be a balance between the Chair regularly mentoring and counselling the CEO on their performance and the Board holding the CEO to account, i.e., by regularly assessing the CEO’s performance. The CEO’s performance should be measured against their leadership effectiveness, role modelling of the icare code of conduct and achievement of agreed key performance indicators (KPIs). The following principles could be usefully adopted by the Board in assessing the CEO and holding them to account for their performance:

1. Although the Board may delegate certain procedural aspects of the CEO’s assessment to a Board Committee, the Board is responsible for assessing the CEO’s performance.
2. The CEO’s leadership effectiveness, role modelling of icare’s code of conduct and attainment of agreed KPIs will be assessed.
3. A combination of objective and subjective and quantitative and qualitative performance measures will be used.
4. The assessment of the CEO will be conducted annually. Interim reviews of the CEO’s performance will be conducted by discussion between the Chair, the Chair of PRC and the CEO.
5. The Board will advise the CEO at the start of the assessment period of his/her performance targets.
6. The CEO’s performance targets may be tightened or relaxed depending on unforeseen factors occurring during the reporting period (e.g. COVID-19, NSW bushfires). Any changes will be discussed with the CEO when they occur.
7. As a general rule, the Chair or the Chair of the PRC will initiate the CEO assessment process.
8. Each Board member will be invited to comment on the CEO’s performance and behaviours. The CEO will report on how the CEO has met the Board’s expectations. The CEO’s direct reports will be invited to comment on his/her leadership and other behaviours.
9. The Board will advise the CEO where its requirements have been met, exceeded, or not met and how the CEO’s performance can be improved.
10. The CEO will be invited to respond to the full Board and a written record of the CEO’s performance assessment will be kept by the Board.

The above principles should be used to monitor the performance of the CEO's direct reports. They should also be assessed in terms of their leadership effectiveness, role modelling of icare's code of conduct and attainment of agreed KPIs.

In conclusion, in our assessment the Board could have been more vigorous in its management of previous CEOs and icare will benefit from improved processes and increased formal oversight over the performance of the CEO and Group Executive Team (GET).

#	Recommendation
9.	<i>That the Board develop and adopt a robust CEO assessment policy, with consideration of the principles recommended in section 4.3 of this report.</i>
10.	<i>That the Board hold the CEO to account for leadership effectiveness, role modelling of the icare Code of Conduct and achievement of agreed KPIs through a periodic and rigorous assessment process.</i>
11.	<i>That the CEO's direct reports also be assessed in terms of their leadership effectiveness, role modelling of icare's Code of Conduct and attainment of agreed KPIs.</i>

4.4. Information flows (TOR G)

This section addresses whether there are adequate information flows and whether the Board is equipped with the right information to challenge management and is prepared to do so.

The Board receives the information it requires to make decisions about the organisation through Board papers, CEO reporting, management attendance at Committee and Board meetings or via delegated Committee reporting. It is of course one thing to receive the information; challenging its veracity or usefulness is another matter.

Interview responses indicate that previously there may have been information flow issues, with interview responses such as: *'you can never be 100% sure you are getting the information you need'*; that the Board could be *'swamped with information'*; and *'that it was sometimes too hard to see the wood from the trees.'*

4.4.1. Board papers

The introduction of a new icare Board paper template, following the icare November 2020 Board meeting, reflects a significant improvement in process and commitment to ensuring the Board receives the quality and quantity of information it need to make decisions. As noted in the interview responses: *'papers more concise with consistency to allow directors to extract information to make informed decisions and to draw and flag risk for informed decision making.'*

This newly mandated icare Board paper structure is consistent with the Australian Institute of Company Directors' (AICD) endorsed Board paper recommendations and is considered leading practice.

Introduced by the new Chair, icare Board papers are now delegated with check systems through appropriate staffing and levels, and structured to ensure the Board can have confidence that the papers have been considered by the right people, providing *'increased certainty regarding information flows during past six months, now comfortable the Board is getting the right information its needs.'* The *Governance Assurance Framework for Board and Committee* papers is a leading practice public sector document. icare staff are to be commended on its development.

4.4.2. From the CEO

Ultimately, the CEO is responsible for ensuring the timely supply of relevant and quality reporting information to the Board and Committees.

In addition to the attendance the CEO makes as a Board and Committee member, the icare CEO is a regular attendee at all other Committee meetings and accordingly remains abreast of all information flows between the Board and icare. Aside from the considerable time commitment for inherent preparation and attendance, the Board should remain alert to the risk of unintentional or intentional 'gatekeeping' or even 'bottlenecking' of information, which we explored in our interview process.

Consistent with earlier observations, both Board and management interview responses reflect views that the flow of information from the CEO to the Board has historically been *'dependent on the individual CEO and their experience or appetite around governance'* and impacted by the CEO's relationship with the Chair. For example, *'that the first CEO very narrative driven/crafted, carefully managed information to the Board'* and the *'first CEO – the Board followed the CEO's vision, there was not necessarily a lot of challenging of the CEO by the Board, second CEO brought the problems to the Board, third CEO extraordinarily calm.'* Significantly, one interviewee observed *'and in hindsight didn't realise the fractious relationship between the CEO and the Board and the potential bottleneck the CEO may have been.'*

We refer to earlier observations and recommendations regarding governance of the CEO position and the CEO's direct reports to overcome these issues (see Recommendations 9,10 and 11).

4.4.3. From management

Having a management team with the skills, competencies and, importantly, the understanding of the statutory and fiduciary duties of Board members is essential to ensuring the right information with the right level of analysis is provided to the Board.

We understand that there may have been inadequately skilled personnel in Senior Management in the past and there is now growing confidence that the GET is better resourced with an improved reporting structure to ensure the quality of the information.

We also observe that increased management attendance at Board meetings during 2020 has improved the information quality for Board decision making.

4.4.4. From the Committees

As addressed earlier in this review, the icare governance structure with six Committees reflects the size and complexity of the organisation. Managing information flows between these Committees, the organisation and the Board is critical for good governance.

Interview responses suggest that previously there may have been information gaps (*'some things have dropped between cracks between Committees'*) and duplication (*'a topic may have been heavily debated at Committee and then gets to Board and discussion happens again – wasting time'*) in the information flows between Committees and the Board, and that it has been *'difficult (in the past) for Committee to challenge Management.'*

4.4.5. Board challenging of management

Consistent consensus from all interviewees indicates the *'Board has challenged management sufficiently while also supporting management'* and a *'tremendous amount of challenge'* has always been visible of the management. These comments are however based on the assumption that the Board is receiving the right information at the right time. As noted above, this has not always been the case.

In recent months, this situation appears to have improved and Board should have increased confidence regarding the volume and quality of information it receives. Past concerns relating to the volume and quality of information flows from the CEO, management and the Committees have been addressed by:

- the formation of the Governance Committee;
- the appointment of a Head of Board Governance (and direct reports) appointment, with robust assessment and monitoring assessment; and
- the introduction of new Board paper templates and reporting accountability.

However, we do suggest that ongoing monitoring of the effectiveness the newly introduced Board paper format will be important given the amount of concurrent governance change within icare, and specifically considering the volume of substantial change with of the introduction of many new icare policies.

These new policies address identified governance and compliance related issues comprehensively. Nevertheless, as with the recommended ongoing review of the effectiveness of the new Board paper template, we suggest it would be prudent to monitor the implementation of these policies as part of a specific organisational change management program.

#	Recommendation
12.	<i>That a change management program be implemented to disseminate, educate and review effective implementation of the new Board paper template reporting and the new policies across all levels of the organisation.</i>

4.5. Risk and culture (TOR A, C and D)

This section responds to the following mandatory review requirements:

- A. Organisational culture and risk behaviour enhance or inhibit the effectiveness of the board;
- C. The board approved risk strategy and risk appetite is supported by an appropriate risk management framework;
- D. There is appropriate director and officer oversight of financial risk.

Risk and culture have been the subject of recommendations from previous reviews. The 2017 AICD Governance Review Report made various recommendations regarding risk and culture (see Appendix 6.4), KPMG undertook a review of icare’s strategic risks in 2019 and made 25 recommendations under 5 key themes (see Appendix 6.5), while the 2020 report by Challis & Company made 4 substantive recommendations (see Box 4.2).

Box 4.2: Challis & Company risk-related recommendations

1. Given differing views amongst NEDs as to the importance of compliance per se, the Board and Executive should agree on classification and prioritisation of compliance requirements i.e. what is mandatory and what (if any) is not.
2. The Board and Executive should review, agree, report and monitor a clearer set of enterprise KPIs. This may help narrow the gap between Executives’ continued optimism and NEDs’ concern for ongoing surprises.
3. The Executive should propose how it embeds a stronger end-to-end enterprise risk framework.
19. The ARC should more clearly delineate audit and risk topics within its agenda.

As will be highlighted in this report, and in the words of one of the interviewees in the eG review, ‘Risk management is a fundamental part of how icare does business.’ Updates on each of the above reviews and the current review has shown icare to have made significant progress in its approach to risk management since the AICD’s 2017 review. Organisational culture too has seen a significant improvement, which will be discussed in section 4.5.7.

4.5.1. Risk Management Framework

A risk management framework is a set of components that provides the foundations and organisational arrangements for designing, implementing, monitoring reviewing and continually improving risk management throughout the organisation. With respect to TOR C (The board approved risk strategy and risk appetite is supported by an appropriate risk management framework), we reviewed icare’s risk and compliance documentation to ascertain whether the risk management framework was appropriate to the organisation’s requirements. This documentation included the following:

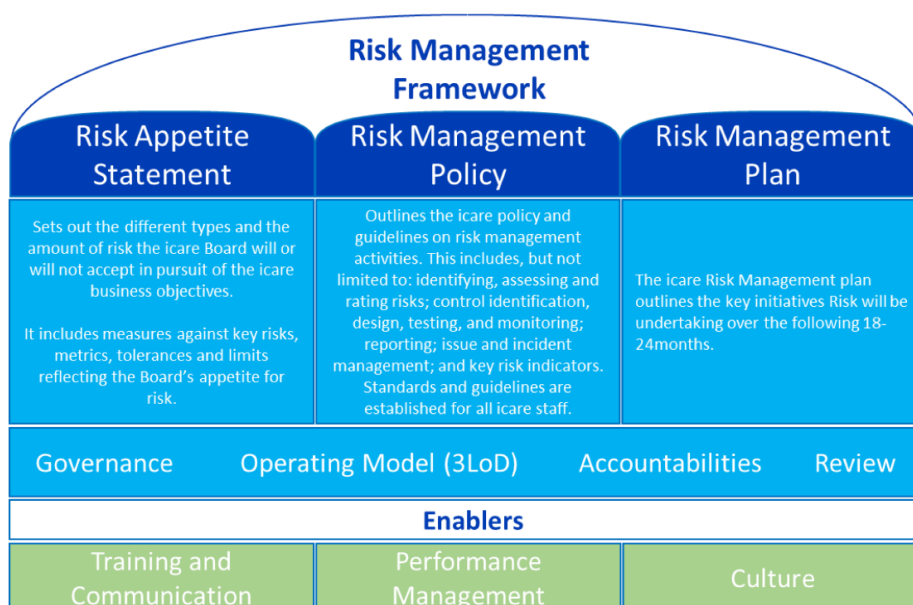
- Business Continuity Policy (Review Date: November 2018)
- Compliance Policy (Reviewed September 2018)
- Risk Appetite Statement (v4.0, July 2020)
- Risk Management Framework (v1.0, 29 July 2020)
- Risk Management Policy – Draft
- Risk Management Strategy Handbook (v1.8, March 2019).³⁰

Our observations are also supported by the responses of interviewees with respect to the current risk management practices at icare.

³⁰ See Appendix 6.2 for a full list of the risk documentation supplied for this review.

icare's risk management framework has been developed to align the requirements of the Australian and international risk management standard, AS ISO 31000:2018,³¹ and NSW Treasury's *TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector*.³² The current framework is outlined in Figure 4.3 below.

Figure 4.3: icare Risk Management Framework³³



As noted in Figure 4.3, icare uses the Three Lines of Defence (3LoD) risk governance model (see Figure 4.4). The model is currently endorsed by the Australian Prudential Regulation Authority (APRA)³⁴ and distinguishes among three groups (or lines) involved in effective risk management:

- *Functions that own and manage risks*—the first line of defence (1LoD) is provided by front line staff and operational management. The systems, internal controls, control environment and culture developed and implemented by these functions is crucial in anticipating and managing operational and non-financial risks.
- *Functions that oversee risks*—the second line of defence (2LoD) is provided by the risk management and compliance functions. These functions provide the oversight and the tools, systems and advice necessary to support the first line in identifying, managing and monitoring risks.

³¹ Standards Australia & International Organization for Standardization (ISO), 2018, *AS ISO 31000:2018 Risk management – Guidelines*, SAI Global Pty Limited, Sydney.

³² NSW Treasury, 2015, *TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector*, Policy & Guidelines Paper, accessed 25 November 2020, [https://www.treasury.nsw.gov.au/sites/default/files/pdf/TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector.pdf](https://www.treasury.nsw.gov.au/sites/default/files/pdf/TPP15-03%20Internal%20Audit%20and%20Risk%20Management%20Policy%20for%20the%20NSW%20Public%20Sector.pdf).

³³ icare, Risk Management Framework, p. 5.

³⁴ Australian Prudential Regulation Authority (APRA) 2018, *CPG 220 Risk Management*, viewed 24 November 2020, https://www.apra.gov.au/sites/default/files/cpg_220_april_2018_version.pdf, p. 6.

- *Functions that provide independent assurance*—the third line of defence (3LoD) is provided by the internal audit function and external auditor to provide a level of independent assurance that the risk management and internal control framework is working as designed.

Figure 4.4: icare’s Three Lines of Defence Model³⁵

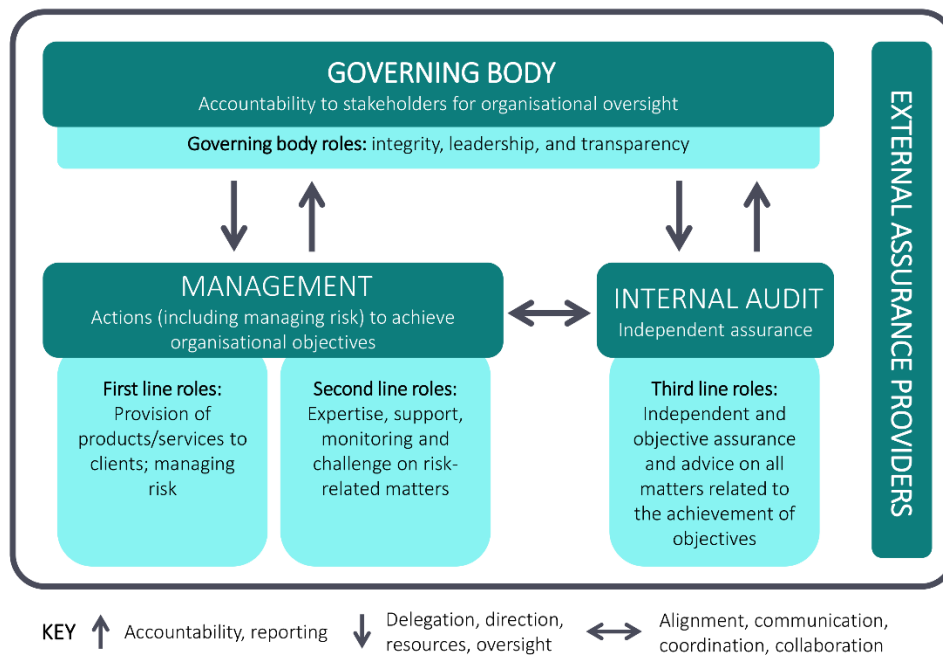


While this model might seem sound, it has been subject to criticism.³⁶ In particular, problems can arise where roles and responsibilities are not clearly articulated. For example, it could be assumed by looking at the model that the risk and compliance functions only operate as the 2LoD. However, this is too simplistic and in an organisation such as icare risk management is far more complex than this model would indicate. For example, there will be activities outside the risk and compliance functions that also own and oversee policies and frameworks for risk such as those functions involving finance and human resources. The 3LoD has now been updated as the ‘Three Lines Model’ by the Institute of Internal Auditors (IIA), the leading body representing internal auditors,³⁷ which provides greater clarity over the roles of each of the main contributors to governance and risk management (see Figure 4.5).

³⁵ icare, Risk Management Framework, p. 5.

³⁶ Jones, P. 2020, ‘Risk and compliance: rethinking the three lines of defence’, *Company Director*, vol. 36, no. 10, pp. 32-33.

³⁷ Institute of Internal Auditors (IIA) 2020, *The IIA’s Three Lines Model: An update of the Three Lines of Defense*, IIA, Lake Mary, FL.

Figure 4.5: IIA's Three Lines Model³⁸

The updated IIA model addresses the issues identified with the 3LoD model and has been designed to assist organisations when planning and structuring resources to support risk management. Further, the new model emphasises roles and responsibilities rather than suggesting strict silos as does the 3LoD model.

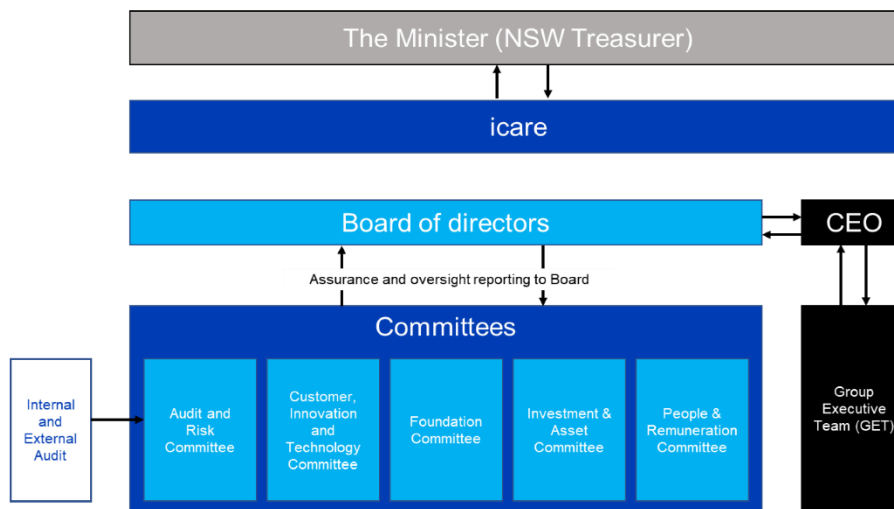
Our interviews did raise concerns about the 3LoD model and risk reporting framework in use at icare. Comments included:

- *Internal audit does not have a direct line to senior management.*
- *All risk reporting is from the first line (1LoD) not the second.*
- *Previously a bit of a siloed thing. CRO and CEO should be formerly signing off on key proposals [before they go to the Board].*

The simplified risk reporting framework in Figure 4.6 further highlights these areas of concern with respect to reporting with the internal audit function reporting to the ARC only and the CEO being the conduit for risk reporting to the Board whereas the Chief Financial Officer and Chief Risk Officer should also report on various aspects of risk.

³⁸ The IIA has omitted the word 'defence' because it is not the primary focus of the model. While the 'lines' remain, the numbering (first, second, third) should not be taken to imply sequential operations. Instead, all roles operate concurrently.

Figure 4.6: Risk reporting framework³⁹



As such, we make the following recommendation.

#	Recommendation
13.	<i>That consideration be given to the IIA’s Three Lines Model with respect to the roles and responsibilities and reporting lines in the Risk Management Framework.</i>

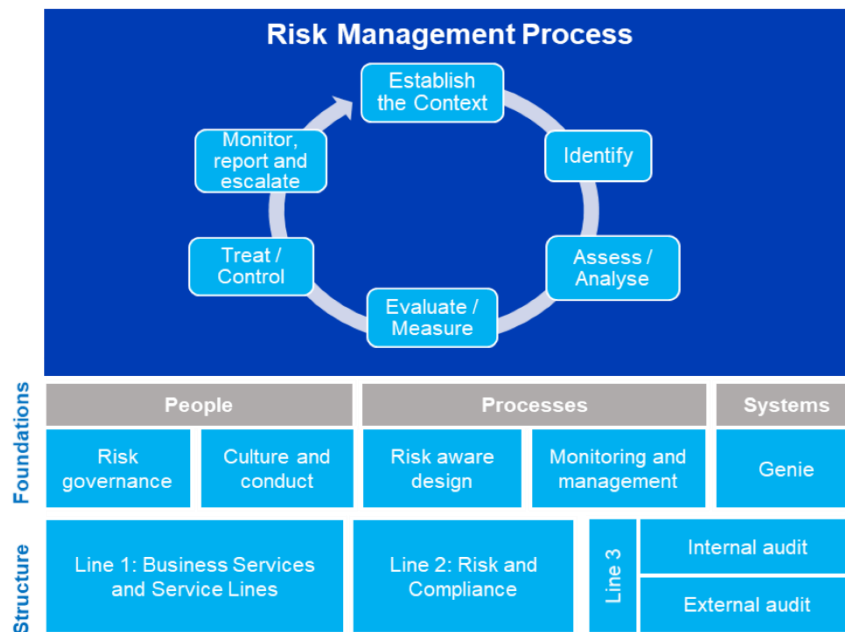
With respect to dot point three in the comments above, this relates to the risk analysis now included in papers to the Board. The KPMG Strategic Risk Review recommended that ‘Risk & Governance function be required to provide sign off on all material risk acceptance decisions’ (see Appendix 6.5, Recommendation 1.4); which is now the case. The Governance Assurance Framework for Board and Committee Papers document requires a review of the risk analysis by the CRO or risk function prior to submission to the Board or a Board Committee on matters related to:

- Procurement
- Board and/or Committee approval or endorsement
- Media
- Parliament
- Privacy
- Reputation
- New systems or processes.

³⁹ icare, Risk Management Framework, p. 7.

A process for the analysis and management of risk is central to any risk management framework. The process to conduct a risk assessment icare follows the AS ISO 31000:2018 approach as depicted in Figure 4.7 below. The detailed process, tools and guidance for conducting a risk assessment is provided in the Risk Management Policy document, although we would expect to see it elsewhere. For example, in the Risk Management Framework document as an appendix or as a separate document such as a risk management methodology or procedure (see section 4.5.2 below on this policy).

Figure 4.7: icare risk management process⁴⁰



In addition to a documented process, the use of GRC (governance, risk management and compliance) software is now commonplace in many large organisations. If properly integrated, a GRC system can benefit an organisation by providing risk and compliance information in the right format, at the right time and in the right. It will act as a risk register and a repository for controls. The icare Risk Management Framework states that:

icare uses RSA Archer Integrated Risk Management system (referred to as ‘GENIE’) to record all risks, controls, action plans, issues and incidents. icare also uses an integrated system called Readinow to support business continuity, crisis management and disaster recovery.

As a component of risk management, effective business continuity, disaster recovery and crisis management plans are crucial for every organisation. As such, reporting and managing through a single GRC platform rather than different systems would give the Board, executives, auditors and managers a holistic view of icare’s risk and compliance position. This is also true of work health and safety (WHS) incident reporting, which is undertaken using ‘the WHS Incident Management System on HUGO.’⁴¹ The title of Recommendation

⁴⁰ icare, Risk Management Framework, p. 6.

⁴¹ icare, Work Health and Safety Policy, p. 4.

2.2. of the KPMG was ‘Make Genie the Single Source of Truth’, which supports this view and was seen as a high priority. KPMG’s update on the outcomes of its review of icare’s strategic risk was that it was a work in progress and was ‘likely to remain in progress’. For example, ‘WHS incidents will be included via a data feed but will remain in Atlas’ and ‘Internal audit are planning their approach to adding their findings.’

#	Recommendation
14.	<i>That progress towards using one GRC system remain a high priority.</i>

4.5.1.1. Risk Management Framework Summary

It was noted in the interviews that the ‘new Risk Officer has clearly articulated a workable, relevant and embeddable risk framework’ and although it is not yet finalised, since the Risk Management Policy is still a draft document, we agree that the framework is an appropriate one for icare, if properly implemented.

4.5.2. Risk Management Policy

We were supplied with a draft Risk Management Policy in the ARC July meeting pack, but were subsequently informed via email that:

...the policy is in development, it has changed significantly since the version provided to ARC earlier this year. We have not provided the current draft as it is a working document and has not been presented to ARC and/or Board.⁴²

Thus, our comments may not be relevant to the final document. However, the draft policy is a comprehensive document.

One of the key elements of AS ISO 31000:2018 is ‘Leadership and commitment’:

Top management and oversight bodies, where applicable, should demonstrate and articulate their continual commitment to risk management through a policy, a statement or other forms that clearly convey an organization’s objectives and commitment to risk management.⁴³

As such, it is common for policies of this type to have a commitment statement to reinforce the commitment of an organisation’s board and senior management team. The interviews we conducted show there is a strong commitment on behalf of both the Board and senior executives to risk management at icare, therefore, we make the following recommendation to reinforce that commitment.

⁴² Oliver, K., *Governance documentation*, 19 November 2020, [email].

⁴³ AS ISO 31000:2018, cl. 5.4.2.

#	Recommendation
15.	<i>That the Risk Management Framework contain a 'Commitment' section to further reinforce the Board and GET's commitment to risk management.</i>

4.5.2.1. Risk Appetite Statement

A risk appetite statement aims to provide a framework for managing risk in an organisation. It provides an overarching framework for the conduct of the business. It specifies the risks to which the organisation does and does not wish to be exposed and provides a means of communicating the board's views on risk. It should be directly linked to the organisation's strategy, address its material risks and set clear boundaries and expectations by establishing quantitative limits and qualitative statements. The risk management framework must support the Board and senior management in obtaining an appropriate view of the organisation's overall risk profile.

The development of a risk appetite statement has the potential to change the way that organisations are run, so it is a key role of boards and any board committees with risk oversight to review and approve the risk appetite. In the case of icare, the ARC reviews and recommends the Risk Appetite Statement for consideration by the Board, which approves the document.

Managing enterprise risk at a strategic level requires focus, meaning generally emphasising no more than five to 10 risks. The icare Risk Appetite Statement focuses on 6 risk categories:

1. Strategic Risk;
2. Financial & Investment Risk;
3. Brand and Reputation Risk;
4. Operational Risk;
5. Customer Risk; and
6. Insurance Risk.

According to several interviewees, there has been a 'significant refresh of risk appetite including priorities to deliver strategic objectives and sustainability'. However, the Risk Appetite Statement we reviewed contained appetite and tolerance parameters that were still to be finalised.

We note also the existence of an amended icare Investment Risk Appetite Statement overseen by the Investment and Asset Committee, which was included in the Board pack for the September 2020 meeting. This document relates to the separate icare Funds and is referenced in the overarching Risk Appetite Statement.

Overall, the Risk Appetite Statement appears to be a sound document and we make no recommendations in relation to the document.

4.5.2.2. Risk Management Strategy

A risk management strategy reflects the organisation's view of how it intends to manage risk including policies, procedures, and standards to be used to identify, assess, respond to, monitor and govern risk. It specifies strategic planning assumptions, constraints, decision-making criteria and other factors influencing risk management such as risk tolerances. Further, the strategy identifies the roles and responsibilities of the

board, senior executives and other managers with significant decision-making authority, as well as describing the information flows and decision-making processes related to risk management. While these matters are handled in the Risk Management Framework and Risk Management Policy, icare provided us with an Our Risk Management Strategy document (v3.0, March 2019) and a Risk Management Strategy Handbook (v1.8, March 2019), although much the information provided has been updated in both the Risk Management Framework and Risk Management Policy. It unclear whether both these documents will become redundant once the Risk Management Policy is finalised, as they are not mentioned in the Risk Management Framework, which states that the following should be read in conjunction with that document:

- Risk Appetite Statement
- Risk Management Policy
- Compliance Policy & Plan
- Business Continuity Management Policy
- Fraud and Corruption Control Policy
- Actuarial Advice Framework.

However, the icare Risk Management Framework is said to comprise three (3) key documents: -

- Risk Appetite Statement
- Risk Strategy / Risk Management Plan
- Risk Management Policy.

Item 4.5 of the ARC meeting pack was a briefing note on the Risk Management Framework, which stated that the Risk Management Plan ‘sets out the priorities and plan for implementing and embedding the other key risk framework components and in enhancing risk maturity.’ A draft Risk Management Plan was said to have been presented at the ARC’s March meeting. Further, it was noted that the ‘RMF has been drafted to replace the RMS to reflect the changes in icare and to support the desired uplift in risk maturity.’ However, we have not been provided with a revised Risk Management Plan. The use of the terms ‘Strategy’ and ‘Plan’ to describe a single document, if this is the intention, could be confusing and settling on one is preferable.

As these documents are to be part of the overall icare risk management framework, to avoid confusion, we make the following recommendation.

#	Recommendation
16.	<i>That the core documents supporting the risk management framework be reviewed and re-drafted to clarify the high-level principles (Risk Management Framework), to set out the more detailed processes (Risk Management Policy) and to ensure that all documents are consistent and aligned. This includes removing any documents which no longer apply.</i>

4.5.2.3. Communications Plan

Communication is crucial to an effective risk management framework.⁴⁴ As such, it is an important component of AS ISO 31000:2018, which states:

*The purpose of communication and consultation is to assist relevant stakeholders in understanding risk, the basis on which decisions are made and the reasons why particular actions are required.*⁴⁵

In order to embed a risk and compliance aware culture, icare has embarked on a communication's campaign ('put your risk hat on') to raise icare's risk maturity led by the Internal Communications Team. We reviewed the key documents from Phase 1 and 2 of the project and found them to be appropriate.

4.5.3. Supporting policies

Issues will arise when an organisation adopts generic policies designed merely to satisfy a regulatory requirement, without tailoring the policies to the organisation and embedding the key messages of the policy into its culture, systems and processes. For our review of the governance policy framework for risk and compliance, we considered the following policies as a sample of those stored on icare's policy management system, HUGO:

- Code of Conduct and Ethics Policy
- Conflicts of Interest Policy
- Gifts & Benefits Policy
- Report Wrongdoing Policy
- Work Health and Safety Policy.

As with its risk and compliance framework, the policies evidence the progress icare has made in establishing policies that support the framework. That said, having policies and embedding them in the organisation are different matters. For example, embedding policies such as the Conflicts of Interest Policy can be undermined by senior leaders failing to 'walk the talk' and declare their interests, as was highlighted at the 2020 Review of the Workers Compensation Scheme in relation to a senior executive failing to appropriately disclose a series of business and financial interests.⁴⁶ These issues relate to the organisation's culture, which will be discussed further in section 4.5.7.

We note that the recently updated Conflicts of Interest Policy (version 4) has been strengthened in response to compliance failures such as that noted above from the current NSW Parliamentary inquiry. The previous policy left much to be desired in terms of guidance and it failed to discuss how breaches of the policy would be dealt with. Where policies are not explicit as to the consequences are for non-compliance, there will always be failures. As such, we that all relevant policies include a section on the consequences of non-compliance.

⁴⁴ van Asselt, M. B. A. & Renn, O., 2011, 'Risk governance', *Journal of Risk Research*, vol. 14, no. 4, pp. 431–449.

⁴⁵ AS ISO 31000:2018, cl. 6.2.

⁴⁶ Cormack, L., 2020, 'Icare executive defends "side hustles" while in charge of workers comp scheme', *Sydney Morning Herald*, viewed 3 December 2020, <https://www.smh.com.au/national/nsw/icare-executive-defends-side-hustles-while-in-charge-of-workers-comp-scheme-20201202-p56jti.html>.

#	Recommendation
17.	<i>That the consequences of a policy breach be included in all relevant policies.</i>

4.5.4. Internal and external audit

icare has an internal audit function (tasked with providing independent assurance on the adequacy, efficiency and effectiveness of icare’s internal control environment. No concerns were raised during interviews and the documentation (e.g. the ‘Internal Audit Update’ tabled at the ARC’s September meeting) we reviewed showed the internal audit function to be operating appropriately.

External audits of financial reporting are conducted in accordance with the following legislation:

- *Public Finance and Accountability Act 1983* (NSW)
- *Corporations Act 2001* (Cth).

External audits of icare may also be conducted under the *Public Interest Disclosure Act 1994* (NSW) in response to an allegation of a serious and substantial waste of public money.

External audit reporting is scheduled into the ARC Governance Calendar.

We make no recommendations with respect to the internal and external audit at icare.

4.5.5. Audit and Risk Committee

The Audit and Risk Committee’s Charter is comprehensive and highlights the important role the ARC plays in the icare governance framework. Previous reviews have noted the heavy workload of this Committee, which prompted a recommendations from the AICD Governance Review to split the responsibilities of the ARC into separate Audit and Risk Committees.⁴⁷ icare has chosen not to do so due to a core requirement of TPP15-03 that agencies have a combined committee,⁴⁸ which necessitates the ARC meeting more regularly than the four meetings a year set out in its charter. For example, the ARC Governance Calendar 2020 scheduled 7 meetings. However, a review of the ARC’s committee packs in relation to its risk responsibilities suggests that the Committee is sufficiently focused on risk matters and the ARC calendar sets out a well-thought out annual agenda for dealing with risk matters.

4.5.6. Summary: Response to TORs C and D

The icare risk management framework is still a work in progress, however, based on our review we believe that the board approved risk strategy and risk appetite is supported by an appropriate risk management framework (TOR C); and there is now appropriate director and officer oversight of both financial and non-financial risk (TOR D) that will only with time and the commitment of the Board and GET.

⁴⁷ AICD, op. cit., pp. 24–25.

⁴⁸ NSW Treasury, TPP15-03, Core Requirement 3.1.

4.5.7. Culture

Culture is now seen as a core asset of an organisation, while poor culture is both an indicator and driver of poor conduct. Cultural issues and dysfunctional behaviour can undermine the effectiveness of risk management and lead to poor decision making, inappropriate risk taking or the undermining of established policies and processes. For example, lack of transparency, conflicts of interest, only bringing the ‘good news’ to the board and a poorly targeted incentives program may encourage undesirable behaviours and compromise the effectiveness of risk management.

In a 2016 report, the Australian Securities & Investment Commission (ASIC) identified seven indicators of culture in order to disrupt the type of misconduct that thrives under a poor culture (see Table 4.1).⁴⁹ We have used these indicators as a guide to our review of icare’s culture based on our documentation review and interviews. With respect to the interviews, it should be noted that they were largely conducted with Directors and senior executives, so the views they expressed may not be echoed throughout the organisation.

Table 4.1: Indicators of culture

Indicator	Explanation
Indicator 1: Tone	‘Tone from the top’—what is the attitude of the CEO, board and senior management? For example, what drives business decisions and what is the attitude to risk management?
Indicator 2: Spread	Does the ‘tone’ cascade down to the rest of the organisation?
Indicator 3: Business practices	How is the tone translated into business practices?
Indicator 4: Accountability	Is there accountability?
Indicator 5: Communication and challenge	Is there open communication and effective challenge of the business practices, procedures and messaging?
Indicator 6: Recruitment, training and remuneration	Is the conflicts management policy supported by recruitment, training and remuneration?
Indicator 7: Governance	What is the governance framework?

With respect to Indicators 1 and 2, when asked about the current culture at icare, most interviewees expressed views similar to the following:

- *...the CEO, leaders and board place high value on risk, culture, respect the role of the regulator and the value of promoting compliance as an enabler to execute on strategy.*

⁴⁹ Australian Securities & Investment Commission (ASIC) 2016, *Report 474: Culture, conduct and conflicts of interest in vertically integrated businesses in the funds-management industry*, viewed 24 November 2020, <https://download.asic.gov.au/media/3583028/rep474-published-21-march-2016.pdf>.

- *Entire organisation and board aligned on the criticality of risk management.*
- *The tone at the top is all about risk compliance, reporting, remediation – everyone is using the same language.*
- *Now very supporting and risk aware.*

With respect to the remaining indicators, our review has seen that icare is instituting changes that will ensure these indicators are not showing as ‘red flags’. While the ‘risk approach’ may not be as mature as some interviewees believe, it well on the way to being healthy and robust. For example, the Board has recently approved updates to the Code of Conduct and Ethics and the Conflicts of Interest Policy, which are both key drivers of culture. It is important that an organisation’s policies—and their enforcement—align with its culture. The failure to enforce a policy effectively or consistently sends a strong signal to others in the organisation that the policy does not matter, thereby encouraging continued, and possibly greater, violations. In the case of icare, policies are being enforced, as evidenced by a ‘senior person accused of bullying being fired – not the people being bullied.’⁵⁰ We would agree with the further comment from an interviewee that this is a ‘sign of a good culture.’

Thus, in response to TOR A (Organisational culture and risk behaviour enhance or inhibit the effectiveness of the board), we believe that while organisational culture always has the potential to inhibit the effectiveness of a board, icare has made great strides in improving its culture and risk management practices such that they should not be an issue if the organisation continues on its current course.

4.6. Board reviews (TOR H)

Board performance evaluation is a means by which boards can demonstrate they have the knowledge, skills and ability to fulfil their roles and responsibilities. TOR H asked us to consider whether ‘[t]here is regular self-assessment and independent review at a board level’. Annual board evaluations are now commonplace for for-profit and not-for-profit (NFP) organisations as well as public sector boards, with specific board evaluation recommendations forming a key component in nearly every major corporate governance standard, review or report.⁵¹ For example, APRA Prudential Standard CPS 510 Governance (CPS 510) requires that:⁵²

- 44. The Board of a locally incorporated APRA-regulated institution must have procedures for assessing, at least annually, the Board’s performance relative to its objectives. It must also have in place a procedure for assessing, at least annually, the performance of individual directors.*

⁵⁰ icare’s Discrimination, Harassment and Bullying Policy is a comprehensive document that, if followed, should address the issues icare and its predecessor WorkCover NSW have had in the past. See, for example, PricewaterhouseCoopers (PwC), 2011, *WorkCover (NSW) Review Independent inquiry into workplace bullying and harassment*, accessed 27 November 2020, www.dpc.nsw.gov.au/assets/dpc-nsw-gov-au/publications/Workcover-listing-428/30fe646a75/WorkCover-NSW-Review-Independent-inquiry-into-workplace-bullying-and-harassment.pdf.

⁵¹ Kiel, G., Nicholson, G., Tunny, J. & Beck, J. 2018, *Reviewing your board: A guide to board and director evaluation*, Australian Institute of Company Directors, Sydney.

⁵² Australian Prudential Regulation Authority (APRA) 2019, *APRA Prudential Standard CPS 510 Governance*, APRA, viewed 4 December 2020, www.legislation.gov.au/Details/F2019L00662.

Section 20 of the icare Board Charter states:

The Chair will, on an annual basis, facilitate a discussion on, and evaluation of, Board and Committee performance relative to set objectives and the performance of individual non-Executive Directors and may engage external consultants to facilitate Board and non-Executive Director reviews.

The Board is committed to supporting a culture of continuous improvement in its performance collectively and individually.

As such, the Board's approach to evaluations is in keeping not only with CPS 510, but also with Recommendation 1.6 of the ASX Principles, which states that listed entities should 'have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors'.⁵³

The Board's most recent review conducted by Challis & Company involved:

- Consideration of the AICD's 2017 Governance Review Report;
- Interviews with Board members and Group Executives;
- Administering surveys of Board members and Group Executives; and
- Briefings with the Board Chair and each Committee Chair on the results of the interviews and surveys.⁵⁴

We were supplied with updates on both the implementation of the AICD Governance Review recommendations and those of the Challis Board Effectiveness Review, and unlike some boards that ignore the outcomes of their reviews, the icare Board has actioned the results.

A board meeting evaluation is a technique which can be used for the board to review its performance at each board meeting to monitor its performance. This is an approach we fully endorse⁵⁵ and has been implemented by the icare Board and Committees in the form of the Board Net Promotor Score (bNPS).

Having reviewed the external Board reviews conducted in 2017 and 2020, the approach taken by the Board set out in its Charter, and the use of the bNPS, we believe the icare Board is following good practice governance and make no recommendations with respect to TOR H.

5. Other observations (TOR I)

5.1. Board Maturity Benchmark Assessment (BMBA)

Effective Governance has reviewed over 500 boards in the last decade. From these reviews, we have identified the need for a way to quantitatively compare a board's performance with boards at a similar stage

⁵³ ASX Corporate Governance Council, 2019, *Corporate Governance Principles and Recommendations*, 4th edn, ASX Corporate Governance Council, Sydney, viewed 4 December 2020, www.asx.com.au/documents/regulation/cgc-principles-and-recommendations-fourth-edn.pdf.

⁵⁴ icare submission to the icare and Workers Compensation Independent Review, Terms of Reference 1(g): Board Effectiveness and Accountability, para. 48

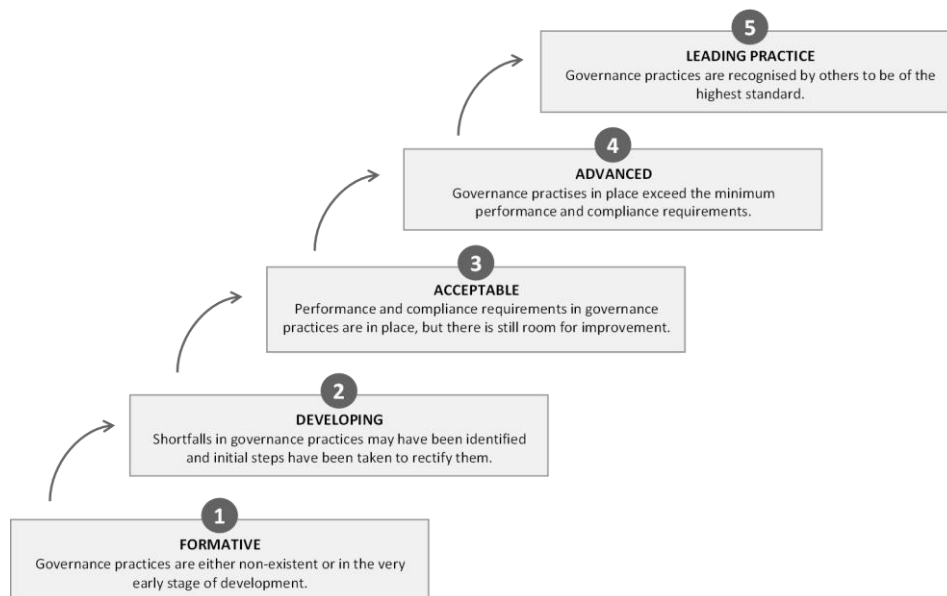
⁵⁵ Kiel, et al., 2018, op. cit., pp. 177–181.

of maturity and to provide a road map for improvement. Our Board Maturity Benchmark Assessment (BMBA) offers such an approach.

A maturity model is a two-dimensional structured approach for describing the principal characteristics of an organisation or a project at various stages of maturity. A powerful feature of such models is that it is quite easy to assess an organisation's current level of performance by matching it with one of the typical behaviours in a grid. An equally powerful feature is that it is very easy to see what the organisation needs to do next in order to improve its performance.

The first dimension of BMBA consists of five stages ranging from the formative stage progressing through to a leading practice stage where leading practices are followed or established. As illustrated in Figure 5.1, each stage builds upon and incorporates the requirements of the preceding stages.

Figure 5.1: Stages of Board Maturity



The BMBA asks 135 questions relating to 20 governance dimensions. These dimensions range from strategy, monitoring the implementation of strategy, CEO succession planning and selection through to compliance and risk management. In responding to each question, survey participants determine the Board's performance corresponding to one of five levels of maturity. The lowest level aside, each level of maturity includes the requirements of the preceding level. This means that unless all the requirements of a level of maturity are met then the organisation will be assessed at the preceding level of maturity. For each of these five levels, concrete examples are provided so survey participants can make accurate, objective assessments of the Board's actual performance.

A BMBA was conducted for icare in three phases. In the first phase, Effective Governance answered 71 questions based on supporting documentation supplied by icare. In the next phase, Effective Governance invited icare to provide responses to a further 18 questions where icare's maturity level was unclear based on icare documentation provided to Effective Governance. icare's responses were incorporated into the final

response. In the third phase, Effective Governance made an assessment of the Board’s maturity in each of the 20 governance dimensions.⁵⁶ The detailed results of icare’s BMBA are provided at Appendix 6.6.

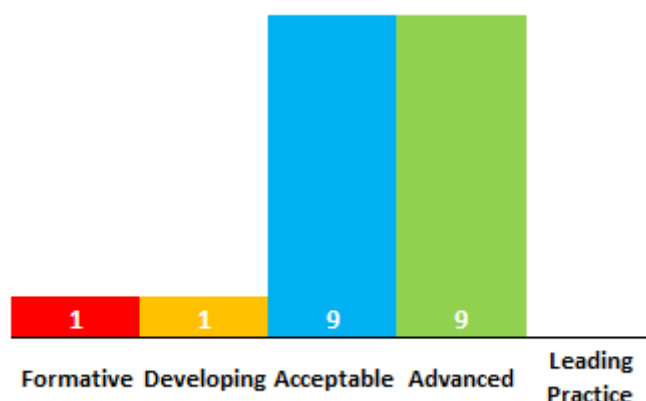
A summary of icare’s BMBA results is provided in Tables 5.1 and 5.2. The Board’s current effectiveness has been assessed as *Formative* (for 1 dimension), *Developing* (for 1 dimension), *Acceptable* (for 9 dimensions) and *Advanced* (for 9 dimensions). Based on the aggregate of the Board members’ responses, the Board’s overall level of maturity is assessed as **Acceptable Plus**.

Table 5.1: Summary of BMBA results

Dimension	Current level of board maturity
1. Board role and structure	Advanced
2. Role of individual Directors	Advanced
3. Role of Chair	Advanced
4. Role of Head of Board Governance supporting the Board	Acceptable
5. Strategy Framework	Acceptable
6. Strategy Oversight	Advanced
7. CEO and Executive Management Team	Acceptable
8. CEO Succession Planning	Formative
9. CEO Recruitment and Induction	Developing
10. Monitoring	Acceptable
11. Risk framework	Advanced
12. Risk Oversight	Acceptable
13. Compliance Structures	Acceptable
14. Policy Framework	Advanced
15. Networking & Stakeholders	Acceptable
16. Decision Making	Advanced
17. Board Processes - Structure	Advanced
18. Board Processes - Content	Acceptable
19. Director Protection	Acceptable
20. Board/Director Enhancement	Advanced
Overall Assessment	Acceptable +

⁵⁶ Six questions in the BMBA were not asked as they are either do not apply to icare as a public sector agency or are not applicable to this review.

Table 5.2: Current maturity levels



The Board may wish to determine what its desired/target level of maturity should be for each dimension. The latter does not necessarily need to be *Leading Practice*. For acceptable, a small charity may choose to achieve an *Acceptable* level of maturity in all 20 dimensions and this will be sufficient to meet its particular compliance obligations. However, Effective Governance would generally recommend that Australian Prudential Regulation Authority (APRA) regulated entities aspire to *Leading Practice* for all governance dimensions and the icare Board may care to consider this as a guide.

#	Recommendation
18.	<i>That the Board determine its desired level of maturity for each of the 20 Board Maturity Benchmark Assessment (BMBA) governance dimensions and implement a plan to move from its current level of maturity to the desired level of maturity.</i>

5.2. Embedding our recommendations into icare’s organisational culture

Our observation during the course of this review is that icare is making substantial progress in updating its governance and risk policies and procedures. The challenge for icare will be to embed the changes resulting from these updates and the recommendations from this and other reviews throughout the entire organisation. It will not be easy to do and it is likely to take some time.

The appointment of the new Chair and two Directors is a significant and welcome step forward in the change process. From our observations over the past month, the Chair has precisely the right leadership qualities that icare needs. Equally, selecting the right CEO with the leadership qualities to take charge of the change process will be pivotal to avoid a reoccurrence of past governance related problems. Again, the CEO’s task will not be easy and the support of senior and middle managers throughout the entire organisation with its many specialist areas will be crucial to success.

For these reasons, we believe a dedicated and appropriately resourced change management program will be necessary in moving forward. We are aware that a separate culture review is being undertaken by icare and that it too will inform the Independent Review of icare. We see this this review and the culture review as being complementary.

#	Recommendation
19.	<i>That a dedicated and appropriately resourced change management program be implemented to embed the recommendations from this and other governance reviews into icare's organisational culture.</i>

6. Appendices:

- 6.1 Acronyms used in this review
- 6.2 Documentation
- 6.3 List of stakeholder interviews
- 6.4 AICD risk and culture recommendations
- 6.5 KPMG Strategic Risk Review recommendations
- 6.6 Board Maturity Benchmark Assessment (BMBA)

6.1. Acronyms used in this review

Acronyms	Definition
AICD	Australian Institute of Company Directors
APRA	Australian Prudential Regulation Authority
ARC	Audit and Risk Committee
APSC	Australian Public Service Commission
BMBA	Board Maturity Benchmark Assessment
CEO	Chief Executive Officer
CDR	Central Data Repository
CITC	Customer, Innovation and Technology Committee
GET	Group Executive Team
GRC	Governance, Risk and Compliance
IAC	Investment and Asset Committee
ICAC	Independent Commission Against Corruption
icare	Insurance and Care NSW
KPI	Key Performance Indicator
NED	Non-executive director
PIAWE	Pre-injury average weekly earnings
PRC	People and Remuneration Committee
SICG	State Insurance and Care Governance (Act)
SIRA	State Insurance Regulatory Authority
TMF	Treasury Managed Fund
WIRO	Workers Compensation Independent Review Office

6.2. Documentation

Legislation

- State Insurance and Care Governance Act 2015 No 19

Board

- Board Charter (v5.0, 19 October 2020)
- Board Governance Calendar 2020
- Board meeting packs – August, September, October 2020
- Board minutes – August, September 2020
- Board Induction Program
 - Board Induction and Ongoing Learning 2020 – 2021 v1.0
 - Board Induction Program – New Directors 2020 – 2021 v1.0
 - Board Induction Materials Index

Audit and Risk Committee (ARC)

- Audit and Risk Committee Charter (v5.0, 27 March 2020)
- ARC Governance Calendar 2020
- ARC meeting packs – July, August, September 2020
- ARC approved minutes – July, August 2020

Customer, Innovation and Technology Committee (CITC)

- Customer, Innovation and Technology Committee Charter (v4.0, 27 March 2020)
- CITC Governance Calendar 2020
- CITC meeting packs – May, July, September 2020
- CITC approved minutes – May, July 2020

Foundation Committee

- Foundation Committee Charter (v4.0, 27 March 2020)
- Foundation Governance Calendar 2020
- Foundation Committee meeting packs – November 2019; May, February 2020
- Foundation Committee approved minutes – February, May 2020

Governance Committee

- Governance Committee Charter (v2.0, 28 August 2020)
- Governance Committee meeting packs – 16 and 29 September, October 2020
- Governance Committee approved minutes – 16 and 29 September 2020

Investment and Asset Committee (IAC)

- Investment and Asset Committee Charter (v4.0, 27 March 2020)
- IAC Governance Calendar 2020
- IAC meeting packs – May, August 2020

- IAC approved minutes – February, May, July 2020

People and Remuneration Committee (PRC)

- People and Remuneration Committee (v5.0, 27 March 2020)
- PRC Governance Calendar 2020 v2
- PRC meeting packs – March, May, August 2020
- PRC approved minutes – March, May 2020

Key Policies

- 2019 Executive Remuneration Policy
- Code of Conduct and Ethics Policy (v4)
- Conflicts Of Interest Policy (v4, 23 November 2020)
- Delegations Manual 2020
- Discrimination Harassment and Bullying Policy (v3)
- Fit and Proper Policy for Non-Executive Directors and designated Senior Executives (undated)
- Gifts & Benefits Policy (undated)
- Procurement Policy – Draft (v0.5, 20 November 2020)
- Reporting Wrongdoing Factsheet
- Report Wrongdoing Policy (undated)
- Work Health and Safety Policy (v4)

Risk and Compliance Documentation

- Business Continuity Policy (Review Date: November 2018)
- Business Recovery Coordination Team Plan (v1, August 2018)
- Communications Plan: Improving icare’s Risk Management Framework, Phase 1 (v1.0, 30 October 2019)
- Communications Plan: Improving icare’s Risk Management Framework, Phase 2 (v2, June 2020)
- Compliance Policy (Reviewed September 2018)
- Compliance Management Program (v3.0, 22 August 2019)
- Crisis Management Team Plan (v12, May 2018)
- Our Risk Management Strategy (v3.0, March 2019)
- Risk Appetite Statement (v4.0, July 2020)
- Risk Management Framework (v1.0, 29 July 2020)
- Risk Management Policy – Draft
- Risk Management Strategy Handbook (v1.8, March 2019)

Strategic Plans

- Our strategy for 2022 (July 2019)
- Our Strategy for FY22 – Our focus for FY21 (July 2020)

Position Descriptions

- Chief Executive Officer and Managing Director (June 2020)
- Head of Board Governance

Review Documentation

- AICD, Governance Review Report, June 2017
- AICD, 2017 Review Recommendations Progress Report
- Challis & Company, Board Effectiveness Review, 29 May 2020
- Board Effectiveness Review – Updated Actions (10 November 2020)
- KPMG, icare Strategic Risk Review, 14 August 2019
- KPMG, Detail of progress on KPMG Strategic Risk Review (August 2020)

Other Documentation

- Board Net Promotor Score Periodic Report (August 2018 – November 2019)
- Draft New Template – Board Briefing
- Fact Sheet: Reporting Wrongdoing Policy(v3.0, September 2020)
- Full governance document list from HUGO
- Governance Assurance Framework for Board and Committee Papers
- icare Group Executive Team – organisation chart (November 2020)
- icare annual report 2018-19
- icare submission to the icare and Workers Compensation Independent Review, Background
- icare submission to the icare and Workers Compensation Independent Review, Terms of Reference 1(g): Board Effectiveness and Accountability
- Welcome to icare [PowerPoint]
- NSW Treasury, Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members: Guidelines for Agencies and Members (September 2019)
- NSW Treasury, Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members: Scheme Conditions (September 2019)
- TPP17-11 CEO Appointment Guidelines for Government Businesses
- TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector

6.3. List of stakeholder interviews

Nine (9) icare current and former board members

Eleven (11) icare Senior Executives

Three (3) Independent Advisors/Auditors

6.4. AICD risk and culture recommendations

Board and Corporate Culture

1. The board could spend more time in camera reviewing and supporting the Chair and CEO in leading this next period of change
2. Consider a change of rooms / environment to assist the board in adopting the required mindset for different styles of deliberations (board meetings vs deep dives vs in-camera sessions)
3. Establish a mechanism for measuring the impact of a change in operating rhythm on culture
4. Consider the relative merit of promoting a period of consolidation at some point in the future
5. Continue to monitor the threat of staff burnout (extend beyond pulse checks)
6. Consider more opportunities for social / informal interactions of board and senior management
7. Increase the line of sight the board has beyond Head Office
8. Invest in front-line training with respect to critical thinking and judgement and to support heightened levels of accountability at all levels
9. Consider an ongoing and active commitment to continuing education for the board
10. Review and consider whether delegated decision-making authorities are appropriate, clearly documented and unambiguous

Governance of Risk

48. Establish (Board) KPIs regarding material risks - cash flow security; data security; governing enterprise-wide risk in line with the Board's risk appetite (for example establishing a line of sight on call times/content); ensuring real-time back-up plans in place for areas identified as 'high-sensitivity' (including key man risk)
49. Establish a program of scenario testing geared to Black Swan events / blind spots; build a Crisis Management Plan based on likely event 'types'; develop organisational resilience through practiced response.
50. Adapt board agendas and management reports to drive deeper conversations regarding key risk exposures / continue stress testing systems in light of a deeper partnership with management on prioritised risk areas. Reports should include regular updates on stakeholder relations utilising icare's existing Stakeholder Management Framework.
51. Review delegations for decision-making and provide further clarity on a) where decision authorities lie; and b) the process for identifying and escalating matters requiring a higher-level of authority within this framework.

6.5. KPMG Strategic Risk Review recommendations

1.	Enhance and embed the Risk Management Framework so that it is optimised for ‘Operational Excellence mode’
1.1	Agree and Publicise the Definition of what is an Incident: The definition of what an incident is (including near misses) is contained in The Incident Management and Reporting Guidelines. It needs to be clearly understood, agreed to by all relevant stakeholders and publicised so that there is a consistent standard for reporting incidents. (2) Require all incidents to be logged in Genie
1.2	Review of Governance Structures: Review the effectiveness, efficiency and accountability of the committees and governance forums to ensure they are set up with clarity. Be clear as to which committees/forums are ‘a collective’ vs ‘an individual’ accountability holder – where possible seek to make accountability individual. The review should consider the role of the risk functions and should ensure representation of an independent voice from risk in the governance committees/forums.
1.3	Clarify the Role of Risk in Change: Define the expectations of the Risk & Governance function in relation to assessing the risk vs reward trade-off in the adoption of new processes/systems or changing existing processes/systems. For each relevant business decision making forum and related process, ensure risk management oversight is integrated.
1.4	Risk as Part of Decision Making: Clarify Risk & Governance's authority in decision making/sign off processes. It is recommended that the Risk & Governance function be required to provide sign off on all material risk acceptance decisions (e.g. Project Approvals or Variations).
1.5	Establish Minimum Performance Levels for Certain Risk Management Activities: Where possible, identify tolerance levels that are acceptable in order to establish minimum performance levels for risk management tasks. This needs to be coupled with enhanced reporting on key risk performance measures in order to ensure the set performance levels are met. Examples include: Set a time limit for issuing Internal Audit reports post fieldwork (e.g. 8 weeks) and once that is operating effectively, reduce the timeframe with a target of 4 weeks. Define a time limit for logging new incidents in the Genie system (e.g. 24-48 hours).
1.6	Increase use of Post Implementation Reviews (PIR): Update the Risk Management Framework and EP MO guidelines (checklist) to include PIRs on key incidents and projects. The insights and learnings from the PIRs should be tabled at a governance forum for oversight and should drive updates to processes/procedures/technology/tools.
1.7	Simplify Risk Roles and Responsibilities within the Risk Management Framework: Revise the risk management roles and responsibilities in the Risk Management Strategy to have one consistent definition for all staff across all the different organisational levels. Use this simplified message as part of the risk communications.
2.	Build out systems and tools to support the management of risk and to provide risk insights
2.1	Prioritise Implementation of the Upgraded Genie GRC System: The Genie system as implemented currently lacks required functionality to track and monitor incidents along with the associated remediation plan. icare currently has engaged KPMG to upgrade the Genie system to provide the required functionality including automated workflow, accountability selection, progress monitoring, aggregate risk exposure and root cause analytics. This work should be regarded as a priority project.
2.2	Make Genie the Single Source of Truth: Work with each of the specialist risk areas (i.e. compliance, privacy, IT, Information Security, internal audit and WHS) in order to create processes for all incidents and findings (along with follow up actions) to be logged into Genie. This will allow tracking of incidents through to resolution with an audit trail and management information which will allow analysis of systemic issues.

2.3	Genie Training and Awareness: Roll out Genie training to targeted champions across each part of the organisation. Take a phased approach to training in order to first allow staff to understand “how to log incidents” and then “the importance of rating incidents” (combine this training with risk awareness sessions). Promote the guidelines for using Genie through multiple sources (e.g. put in HUGO, mention in weekly blog). Publicise the upcoming enhancements to Genie.
2.4	Procurement System: Implement a procurement module to capture, track, manage and monitor risks from supplier/vendor engagements. This is important as icare continues to outsource certain significant functions and therefore has dependencies on key vendors. We understand that some work has already been undertaken on this initiative
2.5	Internal Audit System: Implement an Internal Audit management system/tool. The system should allow internal audit planning, tracking of internal audits, management of internal audit resources and recording of findings. The system will improve the efficiency of the internal audit function and provide information to identify key themes in audit issues. The benefit of having an internal audit system should become more evident as Internal Audit continues its significant ramp up in audit hours.
3.	Deliver clear, consistent, focused messaging on risk awareness and accountabilities
3.1	'Focus on Operational Excellence and Financial Stability': Continue to repeat this key phrase (which is in the first sentence of icare's Strategy for 2022, Message from the CEO and Chairman) again and again and again... It is the core reason for icare to implement these recommended enhancements to its Risk Management Framework. Repetition of this message by staff at varying levels will help to overcome the transformation risk mindset.
3.2	Risk Messaging: Develop risk messaging which is simple, clear, consistent and integrated with the broader messaging on the key principles which define how icare is to operate. The messaging should be delivered from managers across the organisation and in a range of formats (e.g. weekly blog, offsite business sessions). Consider the use of the 'icare acronym' to propagate risk messaging, for example: <ul style="list-style-type: none"> integrity - Always act with integrity courage - Demonstrate courage in rapidly escalating mistakes or incidents accountability - Be accountable and take ownership of the risks in your function respect- Respect the risk management rules and policies empathy - Show empathy to your co-workers in resolving incidents
3.3	Continuous Risk Learning: Develop a focus on continuous risk learning, which may include ongoing “face to face” training or use of the weekly icare blog as a reminder of the importance of risk management
3.4	Risk Accountabilities Training and Awareness: Create a targeted top-down risk accountabilities awareness roadshow delivered with each GET business executive and the Risk & Governance team outlining everyone’s risk roles and accountabilities.
4.	Ensure icare’s risk management functions are structured to provide independent ‘oversight with insight’
4.1	Define a Consistent Role for the Assurance & Quality function: Establish a clearly understood definition of the role of the Assurance & Quality function. Complete the build out of the A&Q function to cover all of the icare business lines. Assess whether the A&Q function should be distributed across the business units or become fully centralised.
4.2	Recruit a Chief Risk Officer: In order to be effective in the role of providing a valued independent voice in assessing the risks of icare the new CRO must be viewed by other members of the GET as a peer. They must maintain visibility across icare and have the opportunities to input into key icare decisions.
4.3	Identity of Risk & Governance: Seek to improve the identity and perception of Risk & Governance across icare as adding value beyond its oversight role. Encourage the businesses to engage Risk & Governance for support but also for constructive challenge. (2) Ensure the Risk & Governance function is staffed with appropriate resources to fulfil this role (refer 4.5).

4.4	Risk mindset change - oversight with insight: A repositioning of the role of risk moving away from 'Is process being followed?' to 'Are we mitigating the risks?'. Work with the business areas to assess the additional risk management information that Risk & Governance can supply to provide oversight, develop risk opinions and offer insights.
4.5	Risk Resources - Capability and Coverage: Review the functions that should/should not sit within an independent Line 2 CRO team e.g. consideration to support functions such as Procurement. Include in the review an assessment of how the Risk & Governance function can ensure there is adequate coverage and capability for specialist areas of the icare business e.g. vendor risk. Reassess the resource requirements in Risk & Governance as these recommendations are implemented.
5.	Make adjustments to the business operating rhythm to promote effective risk management across icare
5.1	Create an Operational Review Committee: Management of operational risk tends to require some additional structure to create a feedback loop which involves ensuring consistent monitoring along with oversight of issue identification and rectification. Create a 'GET-Ops Committee' which meets monthly at the end of the GET. This GET-Ops Committee would receive standard monthly risk and governance reports (e.g. risk report, legal report, operational risk report, project portfolio update, vendor management).
5.2	Clarify Role of Risk in Decision Making: Initiatives taken to the board should be required to have been reviewed and challenged by the Risk & Governance function (along with Finance and BT) ahead of the board meeting. Board papers seeking approval for new projects/processes/outsourcing should include a formal risk commentary written by Risk & Governance to support decision making by the Board.
5.3	icare Board to Move to a Broader Governance Role: Given the significant transformation that has been underway since icare's formation, the Board has had a more active management role than many boards of businesses of comparable scale and complexity. With the transition to a more stable operating mode, the Board should take the opportunity to reduce its involvement in operational matters. As part of this transition, there is an opportunity for the GET to take on a more collective management of risk within icare. One step in creating this collective responsibility would be to require all Board papers (with the exception of ones covering sensitive matters, such as particular HR issues) to go to the GET or GET-Ops Committee before they are presented to the Board or Board Committee.
5.4	Quarterly Risk & Compliance report: Produce quarterly (and potentially monthly) risk and compliance reports for all business areas. Incorporate the improved management information from the upgraded risk systems to allow the reports to provide data driven risk insights to the businesses. These should support decision making, generate curiosity about risk issues and provide additional information to challenge perceptions on risk issues.
5.5	Risk in Committee & Governance forums: Review the various committee and governance forums such as strategy, projects, customer across the organisation, to ensure risk has a seat at the table with a voice to add value and provide independent challenge

6.6. Board Maturity Benchmark Assessment (BMBA)

Board Maturity Benchmark Assessment

icare

Audit Results

December 2020

Prepared by Effective Governance

www.effectivegovernance.com.au

Introduction

Board reviews typically assess how well the Board has governed an organisation over a certain period. Although these reviews can identify problems in how the Board is functioning, the quality of the responses can vary depending on the experience levels of individual Board members. Directors' responses can also be quite subjective as governance reviews generally do not contain concrete assessment criteria against which to judge the Board's performance. As a result, problem areas are sometimes overlooked and the root causes of problems and performance issues are not properly diagnosed.

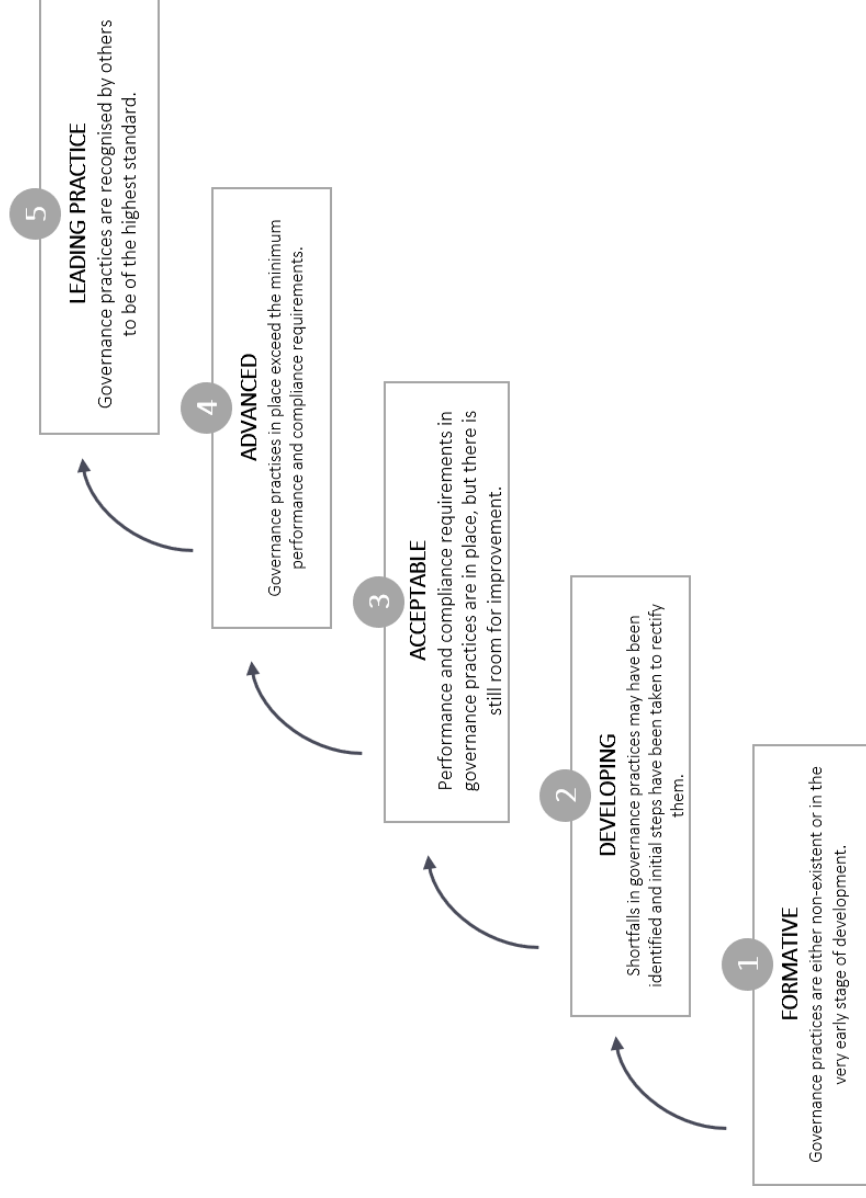
The Board Maturity Benchmark Assessment (BMBA), on the other hand, adopts a different approach. Specifically, the BMBA asks 135 questions relating to 20 governance dimensions. These dimensions range from strategy, monitoring the implementation of strategy, CEO succession planning and selection through to compliance and risk management. In responding to each question, survey participants determine the Board's performance corresponding to one of five levels of maturity as shown in the following diagram. The lowest level aside, each level of maturity includes the requirements of the preceding level. This means that unless all the requirements of a level of maturity are met then the organisation will be assessed at the preceding level of maturity. For each of these five levels, concrete examples are provided so survey participants can make accurate, objective assessments of the Board's actual performance.

The review of icare's board governance maturity was conducted in three phases.

In the first phase, the Effective Governance answered 71 questions based on supporting documentation supplied by icare.

In the next phase, Effective Governance invited icare to provide responses to a further 18 questions where icare's maturity level was unclear based on icare documentation provided to Effective Governance. icare's responses were incorporated into the final response.

In the third phase, Effective Governance made an assessment of the Board's maturity in each of the 20 governance dimensions.¹



¹ Six questions in the BMBA were not asked as they are either do not apply to icare as a public sector agency or are not applicable to this review.

Executive Summary

The Board's current effectiveness has been assessed as *Formative* (for 1 dimension), *Developing* (for 1 dimension), *Acceptable* (for 9 dimensions) and *Advanced* (for 9 dimensions). Based on the aggregate of the Board members' responses, the Board's overall level of maturity is assessed as *Acceptable Plus*.

The Board may wish to determine what its desired/target level of maturity should be for each dimension. The latter does not necessarily need to be *Leading Practice*. For acceptable, a small charity may choose to achieve an *Acceptable* level of maturity in all 20 dimensions and this will be sufficient to meet its particular compliance obligations. However, Effective Governance would generally recommend that Australian Prudential Regulation Authority (APRA) regulated entities aspire to *Leading Practice* for all governance dimensions and the icare Board may care to consider this as a guide.

Section	Dimension	eG Aggregate Effectiveness	Desired /Target Effectiveness	Page	
Board Structure	1. Board role and structure	Advanced		5	
	2. Role of individual Directors	Advanced		7	
	3. Role of Chair	Advanced		8	
	4. Role of Head of Board Governance supporting the Board	Acceptable		9	
Key Board Functions	5. Strategy Framework	Acceptable		10	
	6. Strategy Oversight	Advanced		11	
	7. CEO and Executive Management Team	Acceptable		12	
	8. CEO Succession Planning	Formative		14	
	9. CEO Recruitment and Induction	Developing		15	
	10. Monitoring	Acceptable		16	
	11. Risk framework	Advanced		18	
	12. Risk Oversight	Acceptable		19	
	13. Compliance Structures	Acceptable		20	
	14. Policy Framework	Advanced		22	
	15. Networking & Stakeholders	Acceptable		23	
	16. Decision Making	Advanced		24	
	Board Processes	17. Board Processes - Structure	Advanced		25
		18. Board Processes - Content	Acceptable		27
	Board Effectiveness	19. Director Protection	Acceptable		28
		20. Board/Director Enhancement	Advanced		29
Overall Assessment	Overall Assessment	Acceptable +		NA	

Table 1 Summary of Results

Sample Section

Responses selected by Effective Governance or icare are shaded.

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
1. Sample Question	Formative Criteria	Developing Criteria	Acceptable Criteria	Advanced Criteria	Leading Practice Criteria
2. Sample Question	Formative Criteria	Developing Criteria	Acceptable Criteria	Advanced Criteria	Leading Practice Criteria
3. Sample Question	Formative Criteria	Developing Criteria	Acceptable Criteria	Advanced Criteria	Leading Practice Criteria

Aggregated response determined by Effective Governance is shaded.

Assessment/Target	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Current Effectiveness (Aggregated by Effective Governance)	Formative	Developing	Acceptable	Advanced	Leading Practice	
Target Effectiveness (Directors' desired level of effectiveness)				Advanced		

Section 1: Board Structure

1. Board Role and Structure – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
1. The Board's role is documented:	In a constitution or legislation that has not been reviewed within the last two years.	In its constitution or legislation which has been reviewed in the last two years.	In financial delegations and a brief Board Charter.	In financial and non-financial delegations, Directors' letters of appointment and a detailed Board Charter.	In an up-to-date constitution or legislation, a delegation policy or register and a comprehensive and regularly reviewed Board Charter.
2. The Directors' roles and responsibilities are documented:	Non-existent or outlined across a number of documents.	In outline in a Director's handbook or induction materials.	In detail, tailored to the organisation, in a Director's handbook or induction materials and their letter of appointment.	Each Director has signed a statement acknowledging that they have read and understood the contents.	Roles and responsibilities are reviewed and updated annually.
3. The differences between the roles of the Board and Management are documented:	Non-existent or outlined across a number of documents.	In a Director's handbook or induction materials which outlines the roles and responsibilities of the Board and Management. Matters reserved to the Board are not disclosed and, as a result, Management frequently require Board approval due to insufficient delegations.	Matters expressly reserved to the Board are not in a single document. Matters delegated to Management are clearly articulated and functional and, as a result, Managers clearly understand their authority.	The Board Charter sets out the division of responsibilities between the Board and Management. A comprehensive delegations policy and revision framework exists. All Directors have received copies of these documents and have signed a statement that they have read and understand their contents.	The Board Charter and delegations policies are reviewed annually.
4. The Board fills vacant Directors' positions based on the skills it requires. These skills have been identified: Not applicable to icare as a Government agency	Not at all.	Through informal Board discussions.	Through qualitative Board skills reviews which are linked to the skills required to achieve the organisation's strategic direction. Board positions are filled based on demonstrated merit.	Through structured, periodic quantitative Board skills reviews which are linked to the skills required to achieve the organisation's strategic direction.	Through structured, periodic peer-reviewed quantitative Board skills reviews.
5. The level of knowledge and experience of Directors is:	The majority of Directors do not have previous experience as a Director nor have held a Senior Executive role reporting to a Board for at least 5 years.	The majority of Directors have up to 5 years' experience as a Director or more than 5 years as a Senior Executive (reporting to a Board).	The majority of Directors have at least 5 years' experience as a Director or more than 10 years' experience as a Senior Executive (reporting to a Board).	The majority of Directors have at least 5 years' experience as a Director or more than 10 years' experience as a Senior Executive (reporting to the Board) – across at least two organisations. A formal skills review has been undertaken in the last 2 years.	All but one Director has at least 5 years' experience as a Director or more than 10 years' experience as a Senior Executive (reporting to the Board) – across at least two organisations. A peer contribution review has been undertaken in the last 2 years.
6. How well does the mix of Directors adequately reflect the mix of stakeholder groups: Not applicable to icare as a Government agency	No diversity policy or no evidence of diversity considerations in the appointment of Directors.	Board diversity policy exists without specific requirements for the diversity of the Board and/or no evidence of diversity considerations in the appointment of Directors.	Board diversity policy exists, with evidence of diversity considerations in the appointment of Directors.	The Board diversity policy is reviewed annually by a committee of the Board.	Evidence of acceptance of the implementation of the Board diversity policy by all stakeholders.

1. Board Role and Structure – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

2. Role of Individual Directors – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
7. How do Directors demonstrate they properly prepare themselves for Board meetings:	Directors receive the Board papers on the day of the Board meeting.	Board papers are received (can be assessed by access to a Board portal) seven days before the Board meeting.	All papers are taken as read.	Directors regularly ask the CEO/management questions on notice, prior to the Board meeting.	It is very rare for a Director to ask a question of fact where the information is already provided in the Board paper.
8. How do Directors contribute effectively during Board meetings:	Management proposals or resolutions usually pass without comment.	Directors spend more time discussing the factual basis of papers rather than the strategic issues.	Directors regularly identify strategic risks or opportunities that management did not identify.	Director contributions have improved or positively changed the nature of the business.	Directors' contributions have ensured the organisation adapts quickly to changes in its internal and external environments, mitigates against or takes advantage of strategic risks/opportunities and is on track to achieve its strategic plan.
9. Unacceptable behaviour in the boardroom:	There is no code of conduct or not all Directors have a copy of it.	There is a code of conduct and all Directors have signed to acknowledge receipt.	All Directors have signed to acknowledge that they will comply with the code. A Director/peer assessment is conducted biennially, with a formal individual debrief conducted by the Chair.	A code of conduct is reviewed annually by the whole Board and unacceptable behaviour is addressed as it occurs.	There have been no reported breaches of the code.

2. Role of Individual Directors – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

3. Role of Chair – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
10. The CEO and Chair's relationship is characterised by:	Infrequent one on one meetings, little or no documentation of CEO expectations and no formal review process of the CEO's performance.	The Chair and CEO only meeting to discuss significant matters, the Board has set KPIs for the CEO and holds the CEO accountable for those KPIs.	Regular one on one meetings, clear documentation of CEO expectations and an annual review of CEO's qualitative and quantitative performance.	Weekly one on one meetings, at least annual review of CEO's qualitative and quantitative performance and annual re-alignment, in consultation with the CEO, of performance criteria to the strategic plan.	Weekly one on one meetings with additional communication as required. Biannual review of CEO's qualitative and quantitative performance.
11. The effectiveness of Board meetings:	The Head of Board Governance sets the agenda with little or no input from the Chair.	The Head of Board Governance and the Chair work together to define the agenda.	The Head of Board Governance and the Chair allocate time to each agenda item. The Board undertakes an annual review of its performance.	Matters for decision or discussions of strategy are rarely postponed for lack of allocated time.	The Board reviews its performance at the end of each meeting.
12. The effectiveness of the AGM: Not applicable to icare	An AGM is held with little or no planning of key messaging, little shareholder participation or comment.	AGM communication strategy approved by the CEO, less than 25% of shareholdings or members voting (excluding Directors holdings), little or no questioning of the Board.	Comprehensive AGM communication strategy approved by the Board, between 25%-50% of shareholdings or members voting (excluding Directors holdings), no majority resolutions carried against the organisation.	Major external stakeholders engaged prior to AGM, no resolutions carried against the organisation.	More than 50% of shareholdings or members voting (excluding Directors holdings).
13. The overall effectiveness of the Chair:	The Chair irregularly attends Board meetings and/or Board meetings always run over time.	The Chair has an agenda included in the Board papers however Board meetings regularly run over time.	The Chair attends all Board meetings (excluding approved leave) and matters for decision and strategic discussions are the first substantive agenda items with allocated agenda times being met. As a result of the Chair's leadership, all of the following attributes are assessed as Acceptable or greater: Chair and CEO's relationship, Director contribution, Board processes, Board decision making.	As a result of the Chair's leadership, all of the following attributes are assessed as Advanced or greater: Chair and CEO's relationship, Director contribution, Board processes, Board decision making.	As a result of the Chair's leadership, all of the following attributes are assessed as Leading Practice: Chair and CEO's relationship, Director contribution, Board processes, Board decision making.

3. Role of Chair – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

4. Role of the Head of Board Governance Supporting the Board – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
14. The Head of Board Governance position description is:	Non-existent.	Defined as KPIs only, or has not been reviewed in the last 3 years.	Defined as role and function with KPIs as an appendix and may not be reviewed in the last 12 months.	Defined as role and function with KPIs and behavioural expectation as appendices and are reviewed annually by a committee of the Board.	Documented and reviewed annually by a committee of the Board and reviewed and approved by the Board annually or as part of the Board's rolling program of policy reviews.
15. The Board's assessment process of the Head of Board Governance is:	Not conducted informally or formally.	The CEO has an informal discussion with the Head of Board Governance.	The Chair and/or the CEO has a scheduled discussion with the Head of Board Governance reviewing achievement of KPIs.	The Chair and the CEO have a scheduled discussion with the Head of Board Governance reviewing their achievement of KPIs and utilising feedback from the Board, CEO and their self-assessment to assess their behavioural expectations. The Chair provides ongoing feedback as required.	An expert third party conducts a scheduled process with the Head of Board Governance reviewing their achievement of KPIs and utilising feedback from the Board, CEO and their self-assessment to assess their behavioural expectations. The whole of Board provides ongoing feedback as required.
16. The frequency with which the Head of Board Governance's performance is evaluated:	Never.	Informally and/or at intervals well in excess of yearly.	Formally at least once a year and informal performance exchanges between the Chair/CEO and the Head of Board Governance at least twice a year.	Formally at least once a year and, where required, after each Board meeting.	Biannual formal reviews and continuous performance feedback given as issues arise.
17. The Head of Board Governance performance evaluation is conducted by:	No Head of Board Governance performance evaluation is conducted.	The CEO only.	The CEO with input from the Chair.	The Chair leads the performance evaluation in conjunction with the CEO, as well as incorporating the Head of Board Governance's self-assessment of their performance.	The full Board discusses the Head of Board Governance's performance and the Head of Board Governance's self-assessment of their performance.

4. Role of the Head of Board Governance Supporting the Board – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

Section 2: Key Board Functions

5. Strategy Framework – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
18. The Board's strategy development/review process is:	We have no process.	We have a process but one or more steps (e.g. an environmental scan) is missing/not undertaken.	We have a comprehensive process characterised by either the Board and/or management undertaking the analysis of the data/information.	We have a comprehensive process characterised by an in-depth understanding of the industry critical success factors.	We have a comprehensive process which is periodically reviewed and incorporates any improvements identified.
19. The frequency with which the Board reviews the organisation's strategic plan is:	Never.	Ad-hoc.	Annually.	At least annually with all Board resolution papers containing an explicit link to the strategic plan.	At least annually, with strategic discussions triggered from the ongoing monitoring of the implementation and assumptions underpinning the strategic plan.
20. The Board's role in developing the organisation's strategy is:	Management develops/reviews the organisational strategy and the Board approves it.	Management develops/reviews the organisational strategy with some Board input.	The Board and management discuss and agree the process for developing the organisation's strategy and then implement that process.	The Board reviews management's detailed analysis about the organisation and its key issues prior to commencing the strategy development process.	The Board collaborates with management throughout the strategic planning process through constructive engagement, offering alternative perspectives and enhancing management's thinking.
21. The Board's understanding of what is happening in our internal and external environments is:	Almost non-existent.	Based on an outdated environmental scan.	Based on an environmental scan conducted in the month prior to the strategy development process.	Based on continuous environmental scans including Directors undertaking their own research and consultation with key external stakeholders.	Based on continuous environmental scans including Directors undertaking their own research and consultation with key external stakeholders.
22. The Board's communication of the strategic plan is:	Not communicated.	No structured communication.	Communicated at least annually to management.	All papers/decisions of the Board are made with reference to the strategic plan.	All organisational decisions made by both the Board and management are made with reference to the strategic plan.
23. Business and/or functional plans are: Not applicable to this review	Not formally aligned with the strategic plan.	Have some formal linkages to the strategic plan.	Aligned with the strategic plan and with each other.	Aligned with the budget.	Realigned to reflect any changes to the strategic plan and budget.

5. Strategy Framework – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

6. Strategy Oversight – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
The Board's role in monitoring progress towards achieving our strategic goals is:	The Board does not monitor progress.	The Board monitors progress annually.	The Board monitors progress quarterly with corrective action taken as necessary.	Progress is monitored monthly against an implementation plan and outcome based KPIs with corrective action taken as necessary.	Deviations in excess of the agreed tolerance of the external environment assumptions, implementation plan or outcome KPIs are notified to the Board as they arise.
24. Reporting on progress towards achieving our strategic goals is:	The Board does not receive reports on strategy.	The reports presented to the Board are intermittent/unstructured/inconsistent or informal.	Reporting allows the Board to make informed decisions by detailing the strategic implications associated with each decision.	Reporting provides a level of assurance to the Board that it has been reviewed by a committee of the Board.	Reporting provides assurance to the Board that it is integrated across the organisation. The reporting structures are reviewed annually to reflect changing risks of the organisation.
25. Our processes for monitoring our progress towards achieving our strategic goals are:	There are no documented processes to monitor strategic goal progress. Any information regarding progress is required to be compiled manually.	There are some monitoring processes documented but they are disjointed and any information regarding progress is required to be compiled manually.	Our monitoring processes enable the Board to efficiently access adequate information.	The monitoring processes are systemised and enable the Board to access strategic level information at regular intervals.	Our monitoring processes enable the Board to access strategic level information upon demand i.e. Online integrated traffic light dashboard.
26. Reporting on progress towards achieving our strategic goals is:	The Board does not receive reports on strategy.	The reports presented to the Board are intermittent/unstructured/inconsistent or informal.	Reporting allows the Board to make informed decisions by detailing the strategic implications associated with each decision.	Reporting provides a level of assurance to the Board that it has been reviewed by a committee of the Board.	Reporting provides assurance to the Board that it is integrated across the organisation. The reporting structures are reviewed annually to reflect changing risks of the organisation.

6. Strategy Oversight – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

7. CEO and Executive Management Team (EMT) – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
27. The Board's assessment process of the CEO is:	Not conducted informally or formally.	The Chair has an informal discussion with the CEO.	The Chair or a committee has a scheduled discussion with the CEO reviewing achievement of KPIs.	The Chair or a committee has a scheduled discussion with the CEO reviewing their achievement of KPIs and utilising feedback from the Board, CEO and their direct reports to assess their behavioural expectations. The full Board discusses the CEO's performance and the CEO's self-assessment of their performance. The Chair provides feedback as required.	An expert third party conducts a scheduled process with the CEO reviewing their achievement of KPIs and utilising feedback from the Board, CEO and their direct reports to assess their behavioural expectations. The full Board discusses the CEO's performance and the CEO's self-assessment of their performance. The whole Board provides feedback as required.
28. The frequency with which CEO's performance is evaluated:	Never.	Informally and/or at intervals well in excess of yearly.	Formally at least once a year and informal performance exchanges between the Chair and the CEO at least twice a year.	Formally at least once a year and, where required, after each Board meeting.	Biannual formal reviews and continuous performance feedback given as issues arise.
29. Our documentation (e.g. policy, procedures, CEO's position description and performance agreement) for evaluating the CEO's performance is:	None of the key documents exist; position description, KPIs, performance review criteria, strategic plan.	One or more key documents may not exist, or has not been reviewed in the last 3 years.	All key documents exist, but one or more of them has not been reviewed in the last 12 months.	All key documents exist and are reviewed annually by a committee of the Board.	Documented and reviewed annually by a committee of the Board and reviewed and approved by the Board annually or as part of the Board's rolling program of policy reviews.
30. The extent to which the CEO's behaviour is aligned with the Board's expectations is:	Not at all.	The Chair has informal discussions with the CEO about unsatisfactory behaviour on an as needs basis.	The Board has informal discussions with the CEO on a regular basis as to what behaviour is expected.	A structured process, including feedback from the whole Board and EMT, exists to align Board and CEO expectations on an annual basis. The CEO has signed and agrees to be bound by the corporate code of conduct and Board expectations.	A structured process, including feedback from the whole Board and EMT, exists to align Board and CEO expectations on an annual basis. The CEO has signed and agrees to be bound by the corporate code of conduct and Board expectations.

7. CEO and Executive Management Team (EMT) – Questions (Continued)

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
Our policy and process for determining the CEO's remuneration are:	Not documented.	Documented, but out of date.	Documented, and reviewed within the last 3 years.	Documented and reviewed by the Board prior to the commencement of the current financial year.	Reviewed with input from an expert independent advisor.
32. The CEO remuneration process is managed by:	The CEO or staff.	The Board - but based entirely on information presented by the CEO or staff.	A Board committee, e.g. remuneration committee using a combination of internal and externally provided data.	A Board committee which predominantly consists of Non-Executive Directors (NEDs) using a combination of internal and external data.	A Board/Remuneration Committee which consists entirely of NEDs with an independent Chair working with an independent remuneration advisor.
33. The Board's oversight of the Executive Management Team's (EMT) performance is:	The Board has no oversight of EMT performance.	The Board has some visibility (mainly at Board meetings) of the EMT performance.	The CEO discusses EMT performance with the relevant Board committee.	The Board is informed of EMT performance on completion of the CEO's review process.	The Board provides annual input to each Executive Manager's performance. The CEO runs a structured review process based on known criteria with input from each of the EMT's direct reports. The CEO briefs the full Board on the performance of each EMT member.

7. CEO and Executive Management Team (EMT) – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

8. CEO succession planning – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
34. Our CEO succession planning process is:	No process exists.	A process exists, but it is only focused on internal or external candidates.	Documented with internal candidates identified.	Documented with internal candidates identified and an executive search firm identified; terms of engagement agreed.	Documented with internal candidates identified and an executive search firm identified; terms of engagement agreed and annually briefed on potential need by Chair.
35. CEO succession planning is:	Conducted when the CEO resigns or no longer fills the position for any reason.	Initiated by the CEO.	Conducted by a Board committee (e.g. Nominations/HR Committee) on a periodic basis.	Reviewed by the Board at least annually i.e. Scheduled in Board calendar.	Conducted by the Board and incorporated into organisational strategic planning.
36. An internal executive talent pool has been identified:	No.	The CEO has identified an internal talent pool.	The CEO has identified an internal talent pool and has briefed the Chair or the relevant Board committee on its composition.	The CEO has identified an internal talent pool and provides periodic updates on its composition to the full Board. Also, the Board has regular exposure to the internal talent pool.	Development opportunities are provided to members of the talent pool and the Board is periodically briefed on their progress.
37. CEO succession policy and procedures (including CEO position description) are:	Not documented.	Documented, but has not been reviewed in the last 3 years.	Documented, but has not been reviewed in the last 12 months.	Documented and reviewed annually by a committee of the Board.	Documented and reviewed annually by a committee of the Board and approved by the Board annually.

8. CEO Succession Planning – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

9. CEO Recruitment and Induction – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
Our selection criteria for determining whether a CEO candidate will perform well in our organisation are:	The Board has not given the matter any consideration.	The Board has agreed the selection criteria based on the previous CEO's position description.	The Board has agreed the selection criteria based on an up-to-date position description for the CEO.	The Board's selection criteria are driven by the organisation's strategy.	An independent assessment of the candidate's leadership capabilities and alignment to corporate values is undertaken prior to the appointment.
Our process to identify CEO recruitment candidates is:	By word of mouth.	Advertising through print media or the internet.	Through an executive search firm.	A combination of: identifying and developing a talent pool of internal candidates and employing an executive search firm to source external candidates and assess transparently against internal candidates.	A combination of internal talent pool, an executive search firm and identifying external candidates based on our Board members' networks.
The CEO recruitment process is managed by:	Management/HR.	The Chair.	A Board committee (e.g. Nominations/HR Committee) – the rest of the Board is not involved.	A Board committee including an external independent person (e.g. Nominations/HR Committee) which both initiates the process and interviews candidates; the full Board chooses the most suitable candidate.	The full Board has the opportunity to meet and/or interview the shortlisted applicants, before the Board makes a decision.
Our CEO induction process is:	Non-existent.	The Chair/Board brief the incoming CEO on any challenges they may face in the role.	The Board and CEO agree on the CEO's performance targets with a minimum two week handover period.	Onboarding of the CEO commences prior to the CEO's start date. The CEO assessment process is discussed and agreed with the CEO prior to the CEO's start date and there is a minimum one month handover period.	A mentor and/or coach is chosen to assist the CEO to assimilate into the organisation.
The Board's oversight of the Executive Management Team (EMT) recruitment and selection is:	The Board has no oversight of EMT recruitment and selection.	The Board has some oversight of EMT recruitment and selection as a result of the CEO's reports at Board meetings.	The relevant Board committee provides guidance to the CEO concerning its expectations with respect to EMT recruitment and selection.	The full Board provides guidance to the CEO concerning its expectations with respect to EMT recruitment and selection.	One or more Directors interview EMT candidates and provide input on their selection, while acknowledging the selection of the EMT is the remit of the CEO.

9. CEO Recruitment and Induction – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

10. Monitoring – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
43. The organisation's reporting framework for monitoring our financial performance is:	There is no set format for the reports presented to the Board.	There is inconsistency in the format of reports presented to the Board.	Templated to ensure standardisation of reporting.	Templated with the Board reviewing the format periodically.	Templated with the Board reviewing both the format and content annually.
44. We monitor our financial performance:	Rarely.	Twice yearly.	At each Board meeting.	Monthly.	Templated with the Board reviewing both the format and content annually.
45. The Board's role in monitoring our financial and non-financial performance is:	The Board and Management do not actively monitor performance.	Management has defined some KPIs for consideration by the Board.	The Board has approved the organisation's strategic KPIs.	The Board has set performance targets and monitors progress towards achieving them.	Performance targets are revised by the Board in response to significant changes in our internal and/or external environment(s).
46. The content and quality of financial information presented to the Board is:	A basic set of accounts with little or no analysis.	A basic set of accounts with high-level analysis.	A detailed set of accounts and analysis, including cashflow projections, highlighting variations to budget.	A detailed set of accounts and analysis, including cashflow projections, highlighting variations to budget with trend analysis or forecasting.	A set of strategic management accounts including cashflow projections, highlighting variations to budget with trend analysis or forecasting; and an outline of measures to be taken to address issues.
47. The content and quality of non-financial information presented to the Board is:	A basic set of management reports with little or no analysis.	A basic set of management reports with high-level analysis.	A detailed set of management reports and analysis highlighting variations to the annual corporate plan.	A detailed set of management reports and analysis highlighting variations to the annual corporate plan with trend analysis or forecasting.	A detailed set of management reports and analysis highlighting variations to the annual corporate plan with trend analysis or forecasting and an outline of measures to be taken to address issues.
48. The organisation's performance monitoring processes are:	There are no documented processes to monitor strategic goal progress. Any information regarding progress is required to be manually determined by staff and the Board does not consistently obtain basic financial information.	There are some monitoring processes in place but they are disjointed and significant staff resources are required to enable the Board to obtain basic financial information. There are some monitoring processes documented but they are disjointed and any progress is required to be determined manually.	Our monitoring processes enable the Board to efficiently access adequate financial and non-financial performance information.	The monitoring processes are systematised and enable the Board to access strategic performance level information at regular intervals.	Our monitoring processes enable the Board to access strategic level performance information upon demand i.e. Online integrated traffic light dashboard.
49. The link between our performance monitoring and the KPIs contained in the strategic plan is:	KPIs are not explicit in reporting, but some may be inferred from the information presented.	Some KPIs explicitly reported; the majority inferred from information provided.	Majority of KPIs explicitly addressed, but some inferred from information provided.	All KPIs are explicitly addressed in the reporting.	All KPIs and their corresponding leading indicators are explicitly addressed in the reporting.

10. Monitoring – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

11. Risk Framework – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
50. Our guiding framework for managing risk is:	Non-existent.	A high level risk register has been compiled.	In place in accordance with a recognised standard, e.g. AS/NZS ISO 31000:2009 (Risk Management – Principles and Guidelines) or COSO, and integrated across the organisation.	Integrated and aligned with organisational compliance program to avoid conflicts, overlaps and gaps.	Reviewed annually or by exception by a committee to determine its effectiveness and any changes required.
51. Considering our overall enterprise risk management structure including methodologies and controls in place, our risk structure is:	None.	Determined by management with the Board briefed.	Determined by the Board.	Determined by a committee of the Board.	Determined by a committee of the Board and integrated with management sub-committees by business unit.
52. The Board's role with respect to the development of a risk framework can best be described as:	Non-existent.	The Board has instructed management to develop a framework in accordance with a recognised risk standard.	The Board has approved and resourced the organisation's risk management framework.	A Board committee has been established; there is an annual discussion between the Board committee and management's views of their respective risk management roles.	The Board monitors, reviews and approves improvements to the risk framework at least annually.
53. The communication of the Board's risk appetite is:	Not communicated.	No structured communication.	Communicated annually to management; maybe jointly developed with the EMT.	All strategic papers/decisions of the Board are made with reference to the risk appetite statement.	All decisions made by both the Board and management are made following consideration of the risk appetite statement.
54. Our risk documentation is:	Non-existent.	Risk framework is documented, with statements/policies yet to be finalised and integrated, or has not been reviewed in the last 3 years.	All key documents exist, but one or more of them has not been reviewed in the last 2 years.	All key documents exist and are reviewed annually by a committee of the Board, and have been subjected to internal or external audit.	Documented and reviewed annually by a committee of the Board and reviewed and approved by the Board annually or as part of the Board's rolling program of policy reviews.

11. Risk framework – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

12. Risk Oversight – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
55. The Board's role in the oversight of risk is:	The oversight of risk management is delegated to management or not formalised.	The Board has approved a risk management policy.	The Board approves the design and oversees the implementation of the risk management system throughout the organisation. All Board decision making involves the explicit consideration of risks as identified by management.	The Board or a committee monitors, annually reviews and approves improvements to the organisation's risk policy and management system, in addition to articulating its risk appetite.	The Board monitors, reviews quarterly, or as required, and approves improvements to the organisation's risk management system.
56. The Board's understanding of the organisation's strategic risks is:	Non-existent.	Strategic risks have been identified by the Management with no input from the Board.	The Board and management have jointly identified strategic risks.	The organisation's strategic risks have been determined by the Board and management on the basis of the key issues identified in the strategic planning process and through the establishment of a risk committee.	The organisation's strategic risks are continually monitored and updated during strategy implementation.
57. The quality of the information contained in the risk management reports received by the Board can best be described as:	The Board does not receive risk management reports.	The reports are unstructured or informal and are not regularly considered in Board decision making.	Reporting allows the Board to make informed decisions by detailing the risks associated with each decision. Risk assessments are included in proposals put to the Board for decision.	Reporting provided to the Board has been reviewed by the Risk Committee.	Reporting provides assurance to the Board that information is integrated and consistent across the organisation. The structure and content of the reporting is reviewed annually.
58. The extent to which risk is embedded into governance processes to inform decision making is:	Decisions are made without any reference to risk.	Decisions are made with unstructured discussions of the risk.	All papers/decisions of the Board are made with a supporting formal risk assessment by the sponsor.	All papers/decisions of the Board are made with a supporting formal risk assessment by the Risk Committee.	All organisational decisions made by both the Board and management are made with reference to a formal risk assessment.
59. The Board's ability to manage a crisis is:	A Board crisis management policy has not been developed.	Management has developed its own crisis management procedures, or more than one Directors are not aware of crisis management procedures.	The Board and management have a clear understanding of their respective responsibilities during a crisis and have implemented a crisis management policy.	The Board or Board committee has sought independent review and input to its crisis management policy.	The Board reviews its crisis management policy at least annually and immediately after any crisis to reflect lessons learned.
60. The Board's last organisational crisis incurred:	Extensive negative exposure in the media and to stakeholders for more than 7 days.	Negative exposure in the media and to stakeholders for between 2-7 days.	Balanced views covered in the media and with stakeholders for between 2-7 days.	Balanced views covered in media and with stakeholders for 1-2 days.	No negative media or exposure with stakeholders.

12. Risk Oversight – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

13. Compliance Structures – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
61. The organisation's compliance program is:	Non-existent.	A calendar of statutory return filing dates exists.	There is a register of all matters the organisation needs to comply with, who is responsible for each area and the internal measures used to ensure compliance.	The Board reviews the compliance register annually and as required.	The compliance programme is audited annually.
62. Our compliance policy and supporting documentation are:	Not documented.	The compliance framework is documented, with statements/policies yet to be finalised and integrated, or has not been reviewed in the last 3 years.	All key documents exist, but one or more of them has not been reviewed in the last 2 years.	All key documents exist and are reviewed annually by a committee of the Board, and have been subjected to internal or external audit.	Documented and reviewed annually by a committee of the Board and reviewed and approved by the Board annually or as part of the Board's rolling program of policy reviews.
63. The Board's role in ensuring compliance is:	The Board has delegated compliance to management.	The Board has approved a compliance policy and framework.	The Board has direct oversight of controls to ensure compliance policy implementation.	The Board regularly reviews compliance controls and meets regularly with internal and external auditors independent of management.	The Board has established a committee to oversee compliance activity and report to the Board.
64. The Board's knowledge of the key compliance risks facing the organisation is:	No evidence of compliance reports to the Board.	The Compliance Manager provides to the CEO a legal and regulatory compliance update at least annually supported by regular updates by the Head of Board Governance.	Based on periodic compliance reporting to the Board. A comprehensive whistleblower policy exists. The whistleblower policy allows whistleblowers to divulge unethical or illegal practices to the relevant police and/or regulatory authority; and provides protection for whistleblowers.	Assisted by an understanding of how compliance risks can be mitigated and resolved, including input from internal and external auditors.	The Compliance Manager has direct access to the Board.
65. The Board committee responsible for audit:	Rarely meets and/or recommendations are rarely followed by the Board.	Meets irregularly with no management updates between meetings and the Board rejects or adopts a different solution to no more than 6 recommendations a year.	Meets regularly with reactionary management updates between Board meetings and the Board rejects or adopts a different solution to no more than four recommendations a year.	Meets regularly with planned management updates between meetings and the Board rejects or adopts a different solution to no more than four recommendations a year.	The Board rejects or adopts a different solution to no more than two recommendations a year.

13. Compliance Structures – Questions (Continued)

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
66. The Board committee (or Board function) responsible for Remuneration:	Rarely meets and/or recommendations are rarely followed by the Board.	Meets irregularly with no management updates between meetings and the Board rejects or adopts a different solution to no more than 6 recommendations a year.	Meets regularly with reactionary management updates between Board meetings and the Board rejects or adopts a different solution to no more than four recommendations a year.	Meets regularly with planned management updates between meetings and the Board rejects or adopts a different solution to no more than four recommendations a year.	The Board rejects or adopts a different solution to no more than two recommendations a year.
67. The Board committee (or Board function) responsible for Risk:	Rarely meets and/or recommendations are rarely followed by the Board.	Meets irregularly with no management updates between meetings and the Board rejects or adopts a different solution to no more than 6 recommendations a year.	Meets regularly with reactionary management updates between Board meetings and the Board rejects or adopts a different solution to no more than four recommendations a year.	Meets regularly with planned management updates between meetings and the Board rejects or adopts a different solution to no more than four recommendations a year.	The Board rejects or adopts a different solution to no more than two recommendations a year.

13. Compliance Structures – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

14. Policy Framework – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
68. Our governance policy framework:	Is non-existent.	The governance policy framework does not cover key areas of Board responsibility (e.g. risk, HR) nor does it distinguish between governance and operational policies.	The governance policy framework covers key areas (e.g. risk, HR) and distinguishes between governance and operational policies, but not all policies have been approved by the Board.	All policies have been approved by the Board and reviewed in the last two years.	The governance policy framework is focused on furthering the organisation's strategic direction, ensuring compliance, reducing risk and improving the Board's operations.
69. The Board reviews our governance policies:	Never.	Rarely.	At least biennially.	At least annually and ad hoc reviews, if required.	On an as required basis including changes to strategic direction and as part of the Board's rolling program of policy reviews.

14. Policy Framework – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

15. Networking and Stakeholders – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
70. The role of Directors in networking on behalf of the organisation is:	Non-existent.	Limited to the Chair and the CEO.	Ad hoc and informal and the Directors utilise their networks for the benefit of the organisation.	Director networking policy has been implemented by the Board and is supported by the code of conduct.	A networking plan, aligned to the strategic plan, has been implemented by the Board.
71. The role of Directors in internal networking is:	The Board has no connections within the organisation.	The Chair has established some connections within the organisation.	The majority of Directors have connections within the first two layers of management.	All Directors are introduced to Senior Management during their induction and continue to maintain those connections subsequently.	To provide management with the Board's skills matrix which is reviewed on a change of Directors or strategy.
72. The Board's understanding of the organisation's stakeholders and their expectations is:	Non-existent.	Not documented – informal or ad hoc processes for engaging stakeholders only.	A stakeholder engagement or communication plan (which includes both internal and external stakeholders) has been developed.	The Board and Management have agreed their expectations for communicating with stakeholders and have nominated spokespersons to do so; the stakeholder engagement or communication plan is reviewed and updated regularly and aligns with the strategic plan.	The Board and Management monitor changing stakeholder needs and act upon them as required. Stakeholder engagement activities are included in the annual Board calendar. The Board influences stakeholders' views in favour of the organisation.

15. Networking and Stakeholders – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

16. Decision Making – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
73. The Board:	Rarely makes a decision on a first time resolution.	Defers the majority of first time resolutions.	Makes decisions on the majority of resolutions on the agenda.	Makes decisions in the timeframe required by the organisation where appropriate.	Reviews the resolution register annually to assess the effectiveness and progress of decisions.
74. The degree of alignment with the strategic plan of matters raised for a decision by the Board is:	Not stated.	Unclear.	Stated within the body of supporting papers (excluding emergent strategies).	Contained in a templated executive summary of the resolution (excluding emergent strategies).	A process has been agreed to identify emergent strategies for inclusion in matters for decision.
75. The following conditions are fulfilled to enable Directors to meet their duty of care and diligence when making decisions	Directors' duty of care and diligence is not documented other than in the Corporations Act.	Directors' duty of care and diligence regarding decision-making is included in the Board Charter/written policy. The Board Charter/written policy states the Board has a right to receive information from Management to inform the Board's decision-making.	Board agendas make clear what decisions need to be made by the Board and the information it requires. The relevant data is analysed into information that is structured in a logical fashion, accurate and up-to-date, and no more nor any less than required to make a sound decision.	The Board ensures all Management proposals are supported by relevant alternative options being offered and the preferred option is justified. The amount of information, and the way it is presented is formally reviewed by the Board and Management periodically.	The Board ensures it does not ask Management for information which is not subsequently used by the Board in its decision-making. The amount of information, and the way it is presented is formally reviewed by the Board and Management annually.
76. The following conditions are fulfilled to enable Directors to meet their fiduciary duties when making decisions	Directors' fiduciary duties are not documented other than in the Corporations Act.	Directors' fiduciary duties are addressed in their induction programme. There is a written policy for dealing with conflicts of interest and related party transactions.	There is an active check at the start of each Board meeting to ensure no director is conflicted before discussion commences on matters for decision. The conflict of interest register is updated by the Board and staff as and when changes occur.	Board minutes provide evidence that conflicts of interest and related party transactions have been declared before the Board has considered matters for decision. And/or Board minutes provide evidence, that the Board decided that a Director was conflicted and either should absent themselves or stay.	Board minutes provide evidence that Directors actively seek to absent themselves from Board discussions and decisions as evidenced by their revealing they are conflicted when the Board agenda is issued, and relevant materials of decision are not provided to that Director.

16. Decision Making – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

Section 3: Board Processes

17. Board Processes – Structure – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
77. The frequency of Board meetings is:	Board meetings are held irregularly and no protocol is in place to conduct emergency meetings.	Regular Board meetings are planned but no protocol is in place to conduct emergency meetings.	A rolling Board calendar exists for the forthcoming 12 months and aligns with key decisions and activities of the Board. A protocol is in place to conduct emergency meetings.	The Board holds additional meetings as required to respond to changing circumstances that may affect achievement of the strategic plan.	The Board reviews its meeting frequency at least once a year.
78. Board meeting duration is managed by:	A basic meeting agenda with no estimated times for agenda items with matters for decision or strategic discussion left till last.	A comprehensive meeting agenda. Either matters for decision and strategic discussion are held after opening the meeting or estimates of time for each item are used.	Matters for decision and strategic discussions after opening meeting and estimates of time for each item.	The Chair effectively manages agenda item times to ensure no matters for decision or strategic discussions postponed for lack of time.	The structure and contents of the agenda are reviewed by the whole Board at least annually. All Directors assist in managing agenda item timings.
79. The structure of our Board agendas:	Is non-existent.	Varies from meeting to meeting.	Is a considered balance between performance and compliance matters.	Prioritises matters for decision, discussion and noting.	Is strategically focussed and the format reviewed annually.
80. Board papers are distributed:	At the Board meeting.	Typically the weekend before the Board meeting.	At least seven days in advance of the Board meeting.	With a process to provide Directors an opportunity to submit questions on notice.	There is a protocol in place for dealing with late papers.
81. Draft minutes are:	Distributed with the Board papers for the following meeting.	Distributed within one month of the Board meeting.	Distributed within five working days of the Board meeting.	Distributed and amended, if necessary, before the next meeting takes place.	Distributed, amended and approved minutes are recorded in the minutes book within one month of the Board meeting (generally by flying minute).
82. In terms of its comprehensiveness, our Board calendar:	Is determined at each Board meeting.	Is a list of meeting dates for the Board and Board committees.	Ensures enough time is allowed for preparatory work leading up to each meeting.	Contains all key Board planning information such as Board and committee meeting dates and submission of the Annual Report.	Has a structured workflow of all major Board events including strategy formulation and implementation, CEO oversight and evaluation, risk and compliance, policy making/review and stakeholder communication.
83. The Board uses committees as follows:	There are no Board committees.	The Board is considering the need for committees or ad hoc committees are formed for specific short-term tasks.	Ad hoc or formal committees with appropriate terms of reference are created as required.	Board committees have been created and committee roles, authority and reporting responsibilities have been documented. Measures are in place to determine the effectiveness of each committee.	Each committee makes an annual presentation to the Board on its achievements for the year, its activity schedule for the next 12 months. A review of its role and composition including the need for any independent experts on the committee is undertaken annually.

17. Board Processes — Structure — Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

18. Board Processes – Content – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
84. Board papers:	Basic structure and content, developed from management operational information, containing little or no analysis and requiring questioning from the Board.	Detailed and voluminous papers, providing some level of guidance to the Board, although lacking in desired analysis.	Structure and content in line with Board expectations, providing a reasonable level of strategic governance, financial and risk analysis.	Detailed and demonstrated analysis of Board papers is evident. Board papers supported by relevant material to comply with duties and to base decisions.	High level assurance and trust in Board papers consistently communicated from the Board. Defensible decision making is a feature.
85. Board minutes:	Are very brief (i.e. dot points) and do not properly disclose Board resolutions.	Document every detail of the discussion or do not properly disclose Board resolutions.	Clearly document decisions made by the Board with sufficient detail to satisfy the business judgment rule.	Are rarely amended upon review i.e. consistently accurate. A resolution register is reviewed annually and provided as part of Director induction.	Are used to create and monitor a Board action list.

18. Board Processes – Content – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

Section 4: Board Effectiveness

19. Director Protection – Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
<p>The comprehensiveness of the Director's and Officers' (D&O) insurance policy is:</p> <p>86. Not applicable to this review</p>	Currently uninsured.	A policy has been put in place by the Head of Board Governance.	An indexed policy has been put in place and agreed to by the Board.	The policy is reviewed annually by the Head of Board Governance to ensure currency and adequacy. Ensure surveillance costs are covered in any regulatory proceedings with defence costs being paid in advance, to mitigate officers waiting for reimbursement.	The policy is reviewed annually by the Board to ensure currency and adequacy.
87. Our D&O insurance policy is:	Not documented.	Only referred to in induction materials/Directors' handbook.	Outlined in Director induction materials/Directors' handbook.	The policy is included in all Director letters of appointment.	The policy is reviewed annually by the Board following an update provided by the insurer.
88. An individual Director's access to management (through the CEO) and to the Head of Board Governance is:	Not documented or discussed.	Discussed only when a need arises.	Set out in a policy contained in the Director induction materials/Directors' handbook.	Reviewed and updated annually by the CEO.	Discussed, and if necessary updated, annually with the Board.
89. The deed of access between the company and individual Directors which provides the right of inspection and access to documents:	Non-existent.	Allows access to all documents except those covered by privilege.	Allows access to all documents including those covered by privilege.	Allows access to all documents including those covered by privilege for a period of up to 7 years after leaving the Board.	All relevant documents are electronically archived for access by the Director. (Note: Leading Practice based on deed of indemnity provided by NSW Treasury and icare internal arrangements for access to documents by Directors.)
90. The procedure agreed by the Board to have access to independent professional advice at the company's expense is:	Not documented or ad hoc access to professional advice.	Access is at the Chair's discretion.	A professional advice policy exists setting out a Director's right to access advice up to a pre-agreed amount with the consent of the Board.	The Chair grants consent to access advice in accordance with the policy. Any advice obtained by a Director should be shared with the Board unless there is a valid reason for not doing so.	The professional advice policy is reviewed regularly and the pre-agreed amount is reviewed annually by the Board.

19. Director Protection – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	

20. Board/Director Enhancement– Questions

Question	Formative	Developing	Acceptable	Advanced	Leading Practice
91. The Board evaluates its performance:	Not at all.	Every two to three years using an informal in-house process led by the Chair or Head of Board Governance.	Annually using a formal review process of the Board and Chair, capturing feedback from both Directors and relevant Senior Executives. The evaluation process and the key recommendations are reviewed and implemented by a committee of the Board.	By means of an independently facilitated formal review of the Board, committees and Chairs every two years with internal reviews in alternate years. The evaluation process and all of its recommendations are reviewed and implemented by a committee of the Board.	A Board meeting effectiveness assessment is conducted at the end of each Board meeting.
92. A Director's performance is evaluated:	Not at all.	Every two to three years using an informal in-house process led by the Chair or Head of Board Governance.	Annually using a formal review process, capturing feedback from all Directors.	By means of an independently facilitated formal review every two years with internal reviews in alternate years.	Annually using a detailed self and peer assessment. The Chair provides feedback to the Director and development opportunities identified.
93. Our Director selection process is as follows: Not applicable to this review	No consideration of Director selection is given until a vacancy occurs on the Board.	Informal Board discussions take place concerning individuals who may be a good addition to the Board as and when these individuals are identified. They are then informally approached to determine if they are interested in becoming a Director.	There is a formal Director skills self-assessment undertaken every two years to identify where there may be competency gaps on the Board that need to be filled. A position description/accountability statement has been developed for the position of Director. (In the case of government Boards, a recommendation has been made to the Minister(s) on possible candidates).	An informal update of the Board skills occurs every alternative year. Potential Directors who have been identified by the Board as being able to fill these gaps are asked to become a committee member for possible Board recruitment.	Directors update the Board skills matrix as skills or needs change. A discussion paper on Director selection is incorporated into the Board's annual calendar.
94. Our Director induction process is as follows:	There is no formal induction discussion between the Chair and the new Director prior to the Director's first Board meeting.	The Chair and the CEO meet with the new Director. The new Director is provided with recent Board papers, an organisational overview and any relevant governance documentation.	A formal induction program is developed for all new Directors and includes a Chair and CEO discussion and provision of a comprehensive Board induction pack.	The formal induction program for all new Directors also includes prioritisation of reading material to allow the new Director to be productive as soon as possible; meetings with stakeholders including Senior Managers; and site visit(s) if applicable.	The Chair provides opportunities for one-on-one discussions over first six months and a mentor Director/executive is allocated to the new Director for 6-12 months; new Directors are asked for their input into the induction program for future Directors as part of the continuous improvement process.
95. Directors' development needs are met as follows:	No development is undertaken apart from Board meeting attendance.	Directors may undertake to mentor newer Directors in certain areas, if asked by the Chair.	Directors who may require some professional development assistance are formally identified by means of a Director-peer review. They may request funding to attend professional development program(s).	The Board sets a budget to cover Director professional development. All Directors are required to have undertaken a formal governance course (e.g. AICD or GIA course). A skills/competency assessment is used to identify those Directors who may require additional professional development assistance.	The CEO/ Head of Board possible development courses for Directors to review and assess suitability. Time is allocated at Board meetings after professional development attendance for a discussion on the merit of the course(s) and to share knowledge gained.

20. Board/Director Enhancement – Summary

Question	Formative	Developing	Acceptable	Advanced	Leading Practice	Comments
Overall, the current maturity level of this dimension is:	Formative	Developing	Acceptable	Advanced	Leading Practice	
The desired maturity level of this dimension is:	0	0	0	0	0	