

# Governance Reporting

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Policy



New South Wales  
**TREASURY**

- Government businesses
- Governance model in NSW
  - Shareholder model
  - commercial policy framework
- Governance reporting principles
  - ASX
  - OECD



# Structure of State Sector

## STATE SECTOR

### GENERAL GOVT AGENCIES

Budget dependent

- E.g.
- Department of Education and Training
- Department of Health
- Roads and Traffic Authority

### GENERAL GOVT AGENCIES

Non-Budget dependent

- E.g.
- Minister Administering the Environmental Planning and Assessment Act
- Western Sydney Parklands
- Growth Centres Commission
- Registry of Births Deaths and Marriages
- State Property Authority

- Adult Migration Service (business unit in Education)

## GOVT BUSINESSES

## PUBLIC FINANCIAL ENTERPRISES

Treasury Corporation

### PUBLIC TRADING ENTERPRISES

Non-commercial

- E.g.
- Department of Housing
- City West Housing
- Public Transport Ticketing Corporation

### PUBLIC TRADING ENTERPRISES

Commercial

- E.g.
- Forests NSW
- Zoological Parks Board
- Sydney Catchment Authority

- Rail Infrastructure Corporation
- Rail Corporation of NSW
- Transport Infrastructure Development Corporation

## SOCs

- Sydney Water
- Transgrid
- EnergyAustralia
- Delta Electricity
- Macquarie Generation

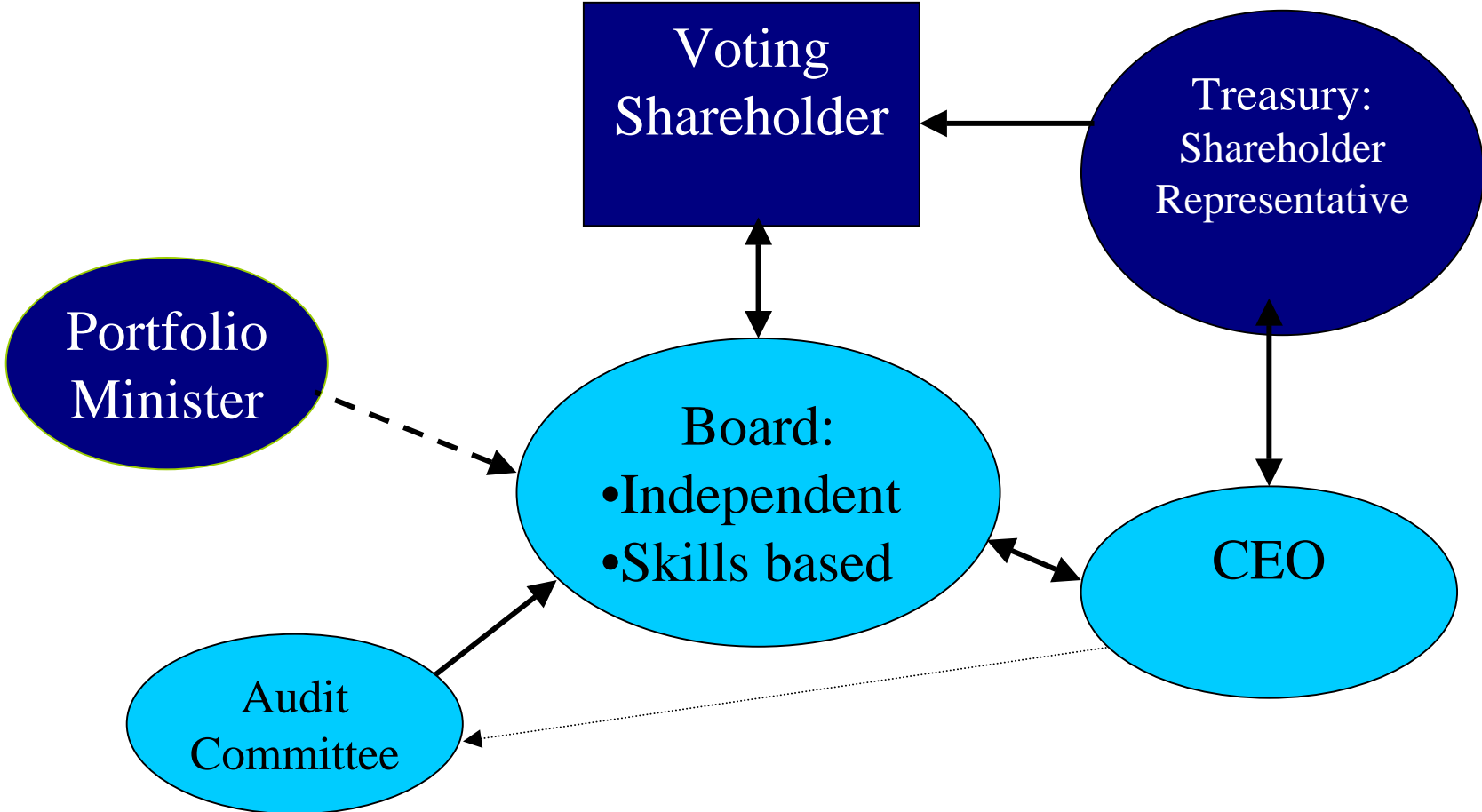


# Resources employed

- Capital expenditure of \$8.5 billion 2008-09
  - \$36.4 billion over the forward estimates
- Total assets of over \$110 billion
- Revenue of \$13 billion
- Key Sectors
  - Transport
  - Electricity
  - Water
- Importance of governance framework

- Governance is about the relationships between management, board, shareholders and stakeholders
- provides the structure through which objectives are set and achieved.

# Shareholder Model – State Owned Corporations Act 1989





# Commercial Policy Framework

## Aims

- To replicate private sector disciplines
- Promote efficient commercial practices
- Ensure SOCs are competitively neutral
- Rigorous and independent assessment





# Commercial Policy Framework

## Policies and Guidelines

- Guidelines for Boards of Government Businesses
- Reporting and Monitoring Policy for Government businesses
  - SCI/SBI Guidelines
- Financial Distributions
- Capital Structure
- Treasury Management
- Projects of State Significance
- CEO Contract Guidelines
- Board appointment guidelines
- Indemnity
- Government Guarantee Fee
- Corporate manual
- Social Program
- Financial Appraisal
- Tax Equivalents





- Lay solid foundations for management and oversight
- Structure the Board to add value
- Promote ethical and responsible decision making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosure
- Respect the rights of shareholders
- Recognise and manage risk
- Remunerate fairly and responsibly
- 'if not why not' approach to reporting

# Guidelines for Boards of government businesses



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- Board charter
- Code of conduct
- Risk management and internal controls
- Board committees - audit and risk; HR and remuneration
- Independent Chair
- Separation of Chair and CEO
- Functions of Board disclosed
- Majority of independent directors
- Disclosure of interests, benefits or conflicts
- Maximum number of Directorships
- Directors – sufficient information, induction and continuing education
- Regular performance evaluation

- Disclosures by Boards
  - If recommendations in Guidelines not followed
- Annual Reports – legislative requirements
  - directors details
  - terms of appointment terms
  - attendance at meetings
  - remuneration and other benefits



# Best practice

## OECD Principles

- Ensure an effective legal and regulatory framework
- The state should be an informed and active owner
- Equitable treatment of shareholders
- Relations with stakeholders
- Transparency and disclosure
- Responsibilities of the Boards
- Source: OECD Guidelines on Corporate Governance of State-owned enterprises, OECD 2005



# Summary

- Reporting is a key element of good corporate governance, not a mere compliance exercise.
- Reporting allows regular monitoring and assessment of business performance.
- Good corporate governance does not mean reporting 'once a year' – materially significant information should be communicated as and when the need arises.



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