



MINISTER FOR FINANCE AND ADMINISTRATION

2 JAN 2001

Mr Bob Charles MP
Chairman
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

Dear Mr Charles *Bob*,

In accordance with the agreed arrangements, I enclose the Executive Minute on your Joint Committee of Public Accounts and Audit Report 372 entitled "Corporate Governance and Accountability Arrangements for Commonwealth Government Business Enterprises".

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Fahey', written in a cursive style.

JOHN FAHEY



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EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT REPORT [No. 372]

Corporate Governance and Accountability Arrangements for Commonwealth Government Business Enterprises

General comments

The Department of Finance and Administration (DOFA) considers the Committee's report to be a positive strategic development. The report is supportive of the existing framework for GBE accountability, provided under the Governance Arrangements for Commonwealth Government Business Enterprises (the Governance Arrangements) and the *Commonwealth Authorities and Companies Act 1997*.

This response addresses recommendations 1, 4, 5 and 7, which relate to administrative matters. The remaining recommendations relate to policy matters. Recommendations 2, 3 and 6 involve cross portfolio impacts and/or significant changes to the Governance Arrangements, and will be addressed in a separate Government response.

Response to the recommendations

Recommendation 1 paragraph 2.56

That the Minister for Finance and Administration review the applicability of administrative law to current and future GBEs on a case by case basis.

DOFA supports this recommendation, which is consistent with the 1997 Governance Arrangements.

In response to the JCPAA recommendation DOFA will write to GBEs referred to in the report by 1 July 2000, requesting that they outline requirements under administrative law

they believe should be removed. Based on GBE responses and legal advice, the applicability of administrative law to those GBEs will be reviewed by relevant Government Ministers. The applicability of administrative law to future GBEs will be considered at the time of their establishment.

Recommendation 4 paragraph 4.48

That the Minister for Finance and Administration amend Part 3 of the 1997 Governance Arrangements for Commonwealth GBEs to include a requirement that GBE boards ensure that there are appropriate and effective induction, education and training programs offered to new and existing board directors.

DOFA supports the objectives of this recommendation. Effective director development is best practice corporate governance and is a current expectation of the Government. In complying with Clause 3.2 of the Governance Arrangements, it was intended that boards be provided with sufficient background to assume responsibility for performance of the GBE.

Given the existing flexible framework for GBE accountability, a general requirement that GBE boards ensure the provision of appropriate director orientation and development is preferable to mandating specific program elements such as induction, education and training.

The Government's expectation will be clarified through correspondence to each GBE.

Recommendation 5 paragraph 4.49

That the Minister for Finance and Administration amend Part 3 of the 1997 Governance Arrangements for Commonwealth GBEs to include a section requiring confidential board and director performance appraisal. All GBEs will be expected to comply with the new arrangements.

DOFA supports the objectives of this recommendation. Regular board assessment represents best practice, and is a current expectation of the Government. The Minister for Finance and Administration has encouraged this practice in meetings and correspondence with the Managing Directors and Chairmen of a number of GBEs.

Given the existing flexible framework for GBE accountability, a general requirement that GBE boards implement processes for assessing the board, its committees and individual directors is preferable to mandating specific appraisal obligations.

The Government's expectation will be clarified through correspondence to each GBE.

Recommendation 7 paragraph 6.37

That the Minister for Finance and Administration amend Part 4, Managing Risks, of the 1997 Governance Arrangements for Commonwealth GBEs to include requirements setting out the risk management responsibilities of audit committees.

DOFA supports the clarification of boards' risk management responsibilities. However being prescriptive about which committee of the board is responsible for risk management may not be sufficiently flexible for GBEs with small boards.

The Governance Arrangements have already improved risk management practices considerably. Directors are responsible for establishing processes and practices to manage all risks, and GBEs' annual corporate plans must include risk management strategies.

The Government will respond to the JCPAA recommendation by writing to each GBE.

Yours sincerely



Peter J. Boxall
Secretary

18 May 2000