Board Assurance Guidelines

August 2017

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Version	Date	Description
1.0	August 2017	Release of Board Assurance Guidelines

Contents

1. The Guidelines

Board governance assurance activities are conducted by the Health Service Provider (HSP) Boards and the Director General to monitor the provision and maintenance of minimum governance standards for HSP boards and facilitate board governance improvements.

The Board Assurance Guidelines (the Guidelines) outline the activities and processes that will be used to provide assurance to the Director General that the HSP Boards are governed effectively. Underpinning this is the requirement for Board Members to act impartially and in the public interest at all times.

HSP Boards are governed by six to ten Board Members appointed by the Minister for Health. HSP Boards are responsible for planning and delivering health services for their health service area within the parameters set out in their service agreements and policy frameworks issued by the Director General as the System Manager.

Good governance is essential to creating and maintaining high performing HSPs. Therefore, it is important that the Director General, as System Manager, is assured of the HSP Boards' governance capabilities and where necessary work with HSP Boards and Board Secretariats to build these capabilities. The processes outlined in the Guidelines intend to respect the autonomy of HSP Boards in undertaking individual and localised approaches to managing assurance whilst enabling the System Manager to perform the oversight function.

1.1 Purpose

The objectives of the Guidelines are to:

- provide a common understanding of roles and responsibilities in conducting board assurance activities
- ensure transparent and timely reporting of assurance activities
- ensure HSP board governance is checked and measured
- reduce the risks of governance failures, promote and facilitate good governance for HSP Boards and identify opportunities for improvement and building the capability of HSP Boards
- support HSP Boards to meet governance obligations and standards prescribed in relevant legislation, regulations and policies.

1.2 Benefits of board governance assurance

In achieving its purpose, the successful implementation of the Guidelines will benefit the WA health system by:

- ensuring that HSP Boards are clearly accountable to the Director General for implementing effective governance mechanisms
- implementing evidence based assurance processes to measure the effectiveness of HSP board governance
- identifying significant board governance deficiencies and ensuring the Board and Director General can act swiftly to rectify them before they affect the HSP or the wider WA health system
- assisting HSP boards to gain a clearer understanding of governance risks and challenges.

1.3 Applicability

The Guidelines contain the overarching principles, roles and responsibilities in respect to the board governance assurance processes that will be used by HSP Boards to manage assurance processes and by the System Manager to measure the governance effectiveness of HSP Boards. The Guidelines sit within the Statutory Board Operations Policy Framework as a supporting document. The assurance processes contained in the Guidelines are to be applied to the following HSP boards:

- Child and Adolescent Health Service
- East Metropolitan Health Service
- North Metropolitan Health Service
- South Metropolitan Health Service
- WA Country Health Service.

1.4 What is governance?

"Public sector governance refers to the arrangements and practices which enable a public sector entity to set its direction and manage its operations to achieve expected outcomes and discharge its accountability obligations."[1]

Fundamentally, good governance arrangements are essential for an organisation to be able to demonstrate to stakeholders that it can be trusted to do what it is set up to do. Such arrangements assist stakeholders to have confidence that the organisation not only has the competence and expertise required, but that they have also established robust administrative arrangements that enable them to do so efficiently, effectively and ethically.

Good governance generally focuses on two main requirements:

- **performance:** by means of the organisation uses its governance arrangements to contribute to its overall performance and the delivery of its goods, services or programs.[1]

- **conformance:** how the organisation uses its governance arrangements to ensure it meets the requirements of the law, regulations, published standards and community expectations of probity, accountability and openness.[1]

In order to achieve both sets of objectives, board assurance activities will help develop the right control environment and provide reasonable assurance that the HSP will achieve both objectives, within an acceptable degree of risk.

1.5 Governance principles

In context of the Guidelines, board governance encompasses strategic leadership, direction, control and accountability to support HSPs to deliver a safe, high quality, sustainable health system for all Western Australians.

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[1] Australian National Audit Office, 2014, Better Practice Guide, Public Sector Governance, pages 7-8, available at: *https://www.anao.gov.au/work/better-practice-guide/public-sector-governance-strengthening-performance-through-good*

Table 1 outlines key governance principles and elements that are drawn from the WA Public Sector Commission's overview of good corporate governance for public sector boards and committees.[2] These principles underpin the governance indicators that have been developed for use by HSP Boards and the Director General to measure governance effectiveness.

Table 1: Governance principles and key elements

Roles and responsibilities are clear and understood

- There is clarity regarding the roles and responsibilities of the Board, individual members, the Chief Exective and the Minister.
- Appropriate instruments are established that describe the responsibilities for the Board collectively and for individual members, conforming to the public sector principles in Part 2 of the *Public Sector Management Act 1994*.

The board structure and composition ensures relevant expertise and diversity

- Board Members have the necessary skills, experience and knowledge to enable the Board to collectively fulfill its role.
- Consideration is given to optimising gender balance and to other forms of diversity relevant to the role and function of the board and board committees.

The board has a strategic focus

- The Board sets the overall strategic direction of the organisation and monitors performance against the intended outcomes.
- The Board's strategic direction is consistent with the systemwide plans and policy frameworks issued by the Director General.

Risks are identified and managed

- The Board ensures that an appropriate system of risk oversight and internal controls are in place to enable the effective identification and management of risk.

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[2] Public Sector Commission, July 2015, *Board essentials*, Government of Western Australia, page 24, available at: *https://publicsector.wa.gov.au/document/board-essentials-good-governance-guide-public-sector-boards-and-committees*

Control systems have integrity and support accountability

- The Board has a system in place to ensure there is a flow of information to the board (and to the HSP) that supports effective policy and coordinated decision making.
- Control systems are in place to ensure accountability to relevant oversight bodies and to external stakeholders. The integrity of financial statements and other key reports are safeguarded.

A culture of responsible and ethical decision making is promoted

- The Board, together with the Chief Executive, sets the tone for ethical and responsible decision making throughout the HSP.
- Decision making is informed, consistent, balances the requirements of multiple stakeholders and is responsible and ethical.
- The public interest and the WA Public Sector's Code of Ethics are actively applied as the benchmark for individual conduct and open and accountable governance.

The board operates effectively

- The Board ensures that it manages its business efficiently and effectively, within the limits of the statutory functions and powers of the HSP to enable it to fulfil its role.
- The Board undertakes both informal and formal reviews of performance of board members on a regular basis and has appropriate board succession planning in place.

Governance indicators have been developed to test conformance with the governance principles that are outlined in Table 1. The governance indicators will be used by Director General as part of Governance Reviews to measure the Board's alignment with good governance principles.

The Department of Health will regularly review the governance indicators to ensure continued quality, consistency and alignment with contemporary expectations and requirements for board governance.

1.6   Link to Code of Conduct

Government requires high standards of all public officers and these are documented clearly in the WA public sector's Code of Ethics. Under the Commissioners' Instruction No. 8 – Codes of Conduct and Integrity Training HSP Boards are required to develop and implement a Code of Conduct. A Code of Conduct translates the principles of the Code of Ethics (personal integrity, relationships with others and accountability) and the Board's governance charter into action and commitment for individual Board Members. It is a practical tool to guide accountable and ethical decision making that recognises the context in which the Board operates. The operating context includes the Board's functions and objectives as well as stakeholder relationships.

A well-developed Board Code of Conduct can build and sustain the Board's ethical culture by:

- protecting the integrity and reputation of the Board by informing members about appropriate conduct and how potential breaches of the code can be reported
- informing stakeholders about how the Board operates
- assisting the board to monitor its integrity.

HSP Boards must attest to their commitment and adherence to the principles that are laid out in their Codes of Conduct.

1.7   Link with Statement of Expectation and Statement of Intent

The Statement of Expectation articulates the Minister for Health's expectations of HSP Boards with regard to performance, objectives, values and broader government policies. It enables the Minister for Health to provide clarity about government policies and priorities that are relevant to the Board, and the expectations about how the Board should observe these policies and priorities in conducting its operations.

Once the Board has considered the Minister's Statement of Expectation the Board responds with a Statement of Intent, which should demonstrate the Boards' understanding of, and commitment to, the Minister's expectations. The response articulates how the Board intends to undertake its operations consistently with those expectations and provides detail on any matters of particular concern to the Minister.

The board assurance processes set out in the Guidelines ensure a working relationship with the Minister is maintained.

1.8   Link with Board Self-Evaluation

In parallel with the development of the Guidelines, a local Board Self-Evaluation process has been developed and included within the Local Board Governance Manuals of HSP Boards.[3] This process enables each HSP Board to undertake regular, self-assessment of board operations, performance and capability (at an individual Board Member and overall Board level) with a view to tracking and improving board effectiveness over time.

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[3] As required by the Health Service Provider Boards Governance Policy, section 27, page 48.

1.9 Key roles and responsibilities

The following key roles and responsibilities set out in Table 2 are relevant to the Annual Governance Attestation and Governance Review cycles.

Table 2: Roles and responsibilities relevant to the assurance processes

Minister For Health	• Assures the Parliament and public of the governance capability of HSP Boards. • Notes the Board's Annual Governance Attestation Statement.
Director General	• Notes the Board's Annual Governance Attestation Statement. • Reviews findings and recommendations of the three yearly Governance Review.
Department of Health	• Plans and coordinates Governance Reviews and reports findings and recommendations to the Director General. • Determines if an independent consultant should be engaged to conduct reviews. • If an independent consultant is engaged, manages the procurement process and performance of the independant consultant. • Ensures all assurance activities are performed in accordance with key principles contained in these Guidelines.
HSP Board	• Manages regular assurance and self-evaluation activities. • Conducts an annual review of these activites to ensure compliance with key principles contained in these guidelines • Board Chair completes an Annual Governance Attestation Statement on behalf the HSP Board. • Submits the Annual Governance Attestation Statement to the Minister via the Director General for noting. • Participates in a three yearly Governance Review. • Provides formal comments on the report of findings and recommendations from the Governance Review.

2. Assurance Processes

The assurance processes consist of an Annual Governance Attestation cycle completed by each HSP Board and Governance Reviews conducted by the Department of Health on behalf of the Director General.
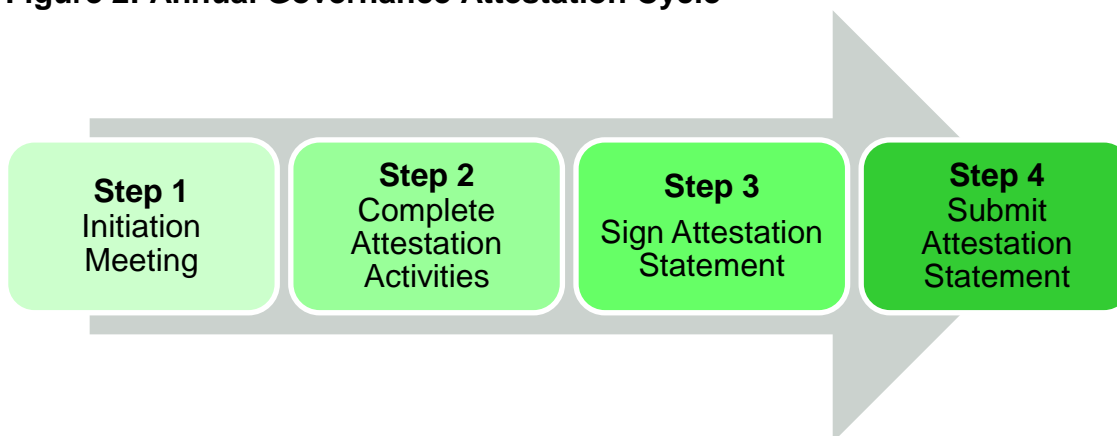
2.1 Annual Governance Attestation Cycle

All HSP Boards are required to complete an Annual Governance Attestation Statement (Attestation Statement) that confirms key minimum governance requirements are in place. The table and figure below details the processes within the cycle.

Table 3: Annual Governance Attestation Cycle

1.	**Initiation Meeting**
	• The Board may meet with a view to discussing requirements and scheduling the attestation.
2.	**Complete Attestation Activities**
	• The Board arranges for the governance checks to be performed and provides evidence to the Board Chair that the minimum governance standards are met. • The evidence provides confidence to the Board Chair that is making the Attestation Statement on behalf of the Board that adequate governance controls are in place. • Where any minimum governance standards are not currently being met, appropriate action plans to meet these requirements may be included in the Attestation Statement to the Minister.
3.	**Sign Attestation Statement**
	• Board Chair reviews and signs the attestation to attest that controls are in place and that the information provided in the Attestation Statement is accurate.
4.	**Submit Attestation Statement**
	• Board Chair submits the Attestation Statement to the Minister for Health via the Director General. • The Department of Health coordinate these submissions on behalf of HSP Boards on conclusion of the financial year.

Figure 2: Annual Governance Attestation Cycle

Step 1 Initiation Meeting	**Step 2** Complete Attestation Activities	**Step 3** Sign Attestation Statement	**Step 4** Submit Attestation Statement

2.1.1 Attestation Statement

The Attestation Statement is made by the Board Chair on behalf of the HSP Board. In signing the Annual Governance Attestation Statement the Board Chair is affirming that adequate governance controls are in place. A template Attestation Statement is provided as a mandatory related document to the HSP Boards Governance Policy. The headings contained in the template are to be used by HSP Boards as the basis for their Attestation Statements.

2.1.2 Submission Process

Each HSP Board will submit an Attestation Statement made by the Board Chair to the Minister for Health, via the Director General, on conclusion of the financial year. The Department of Health will coordinate the submission process to the Minister on behalf of the HSP Board.
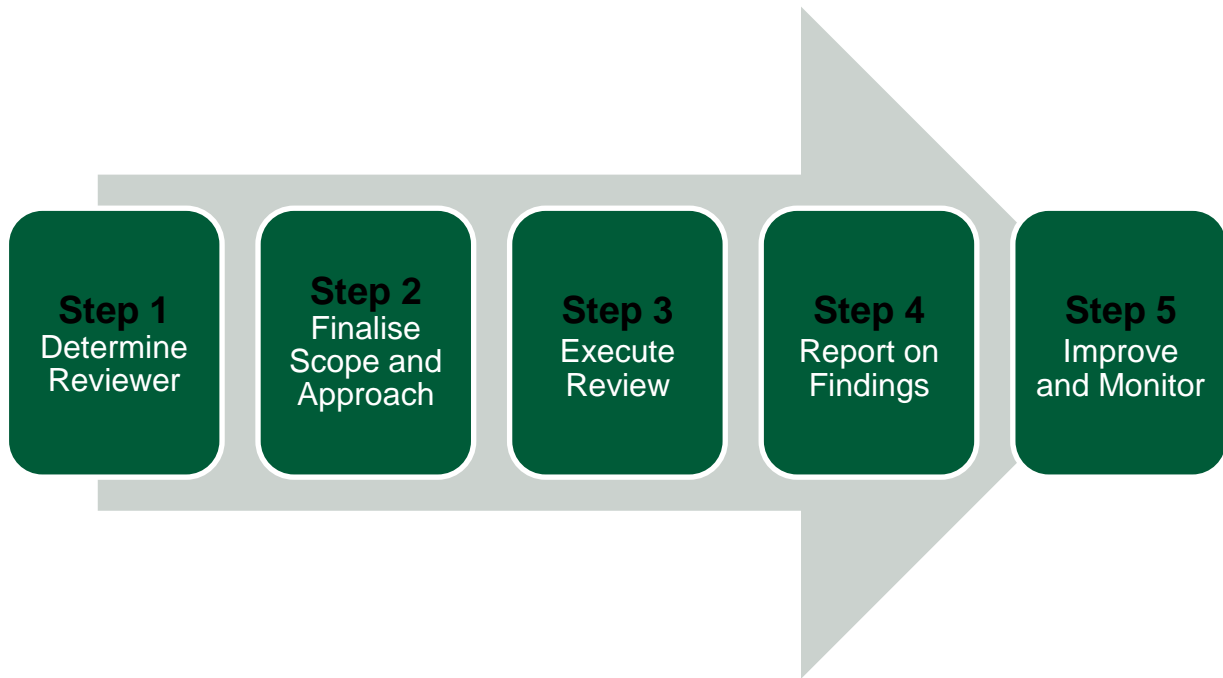
2.2 Governance Review Cycle

The Department of Health, on behalf of the Director General, will undertake a Governance Review of each HSP Board within the scope of the Guidelines every three years. Table 4 outlines the steps of the Governance Review cycle.

Table 4: Governance Review Cycle

1.	Determine Reviewer
	Key activities
	• As part of annual planning processes, the Department of Health will determine who will undertake governance reviews (i.e. by the Department of Health or external provider) and form a review team.
	• Discuss and agree timing of the Governance Review with the Board Chair.
	• If required, the Department of Health engages an external provider following the procurement process noting the Common Use Arrangement (CUA) in place for Audit Services inclusive of corporate governance reviews see: www.contractswa.finance.wa.gov.au .
2.	**Finalise Scope and Approach**
	Key activities
	• The Department of Health, with external provider (if appointed), determines the scope of the Governance Review and the terms of reference. In particular ensuring minimum governance requirements are assessed.
	• The Department of Health, with external provider (if appointed), determines the approach of review, including any interviews to be undertaken, documents to be reviewed and any other methods or techniques to be employed.
3.	**Execute Review**
	Key activities
	• Review team executes the Governance Review subsequent to the scope and approach agreed.
	• Any potentially high or extreme risk rated findings are escalated by the Department of Health as appropriate.
4.	**Report on Findings**
	Key activities
	• Review team develops risk rated reports of findings and recommended actions for each Board.
	• Review team presents the reports in draft format to the Board Chair to correct any errors of fact and provide comment.
	• Reports are finalised and issued to the Director General and respective Board Chair.
5.	**Improve and Monitor**
	Key activities
	• Board Chairs oversee the implementation of recommended actions from the Governance Review.
	• If required, the Department of Health monitors the implementation of actions relating to Governance Review findings and ensure the Board puts in place appropriate remediation strategies.
	• The Department of Health reports to the Director General on the status of action and remediation plans.

Figure 3: Governance Review Cycle

Step 1
Determine Reviewer

Step 2
Finalise Scope and Approach

Step 3
Execute Review

Step 4
Report on Findings

Step 5
Improve and Monitor

2.2.1 Terms of reference

The terms of reference will be determined prior to each Governance Review. These will be established by the Department of Health in collaboration with the external reviewer (if appointed). The terms of reference should be developed with reference to this Guideline's key principles, recent Annual Attestation statements and key governance priorities.

2.2.2 Board Governance Review Workbook

A Board Governance Review Workbook has been developed to assist with the completion of the process. This Workbook is available for HSP Boards as a resource and guidance on the items that will be subject of the review.

2.2.3 Review Report

The review report will provide additional analysis and recommendations. Recommendations provided must have a set timeframe for implementation and will be listed in order of priority. Recommendations for building the Board's governance capabilities may include:

- professional development opportunities
- plans, policies, procedure, processes that need to be put in place.

Board Chairs will be required to oversee the implementation of recommendations and action plans from Governance Reviews. If required, the Department of Health will monitor the implementation of actions relating to Governance Review findings and ensure the Board puts in place appropriate remediation strategies. The Department of Health will report to the Director General on the status of action plans.

2.3.4 Board Maturity Model

A Board Maturity Model has been developed that will be used to provide an indication to the Board of their progress (see Figure 4). There are five stages of maturity outlined in Table 7. The board maturity level allows for comparison of the results over several years, as well as with other HSPs. If a HSP Board achieves a rating of 'Innovative' learnings from this Board may be developed and circulated to other HSP Boards.
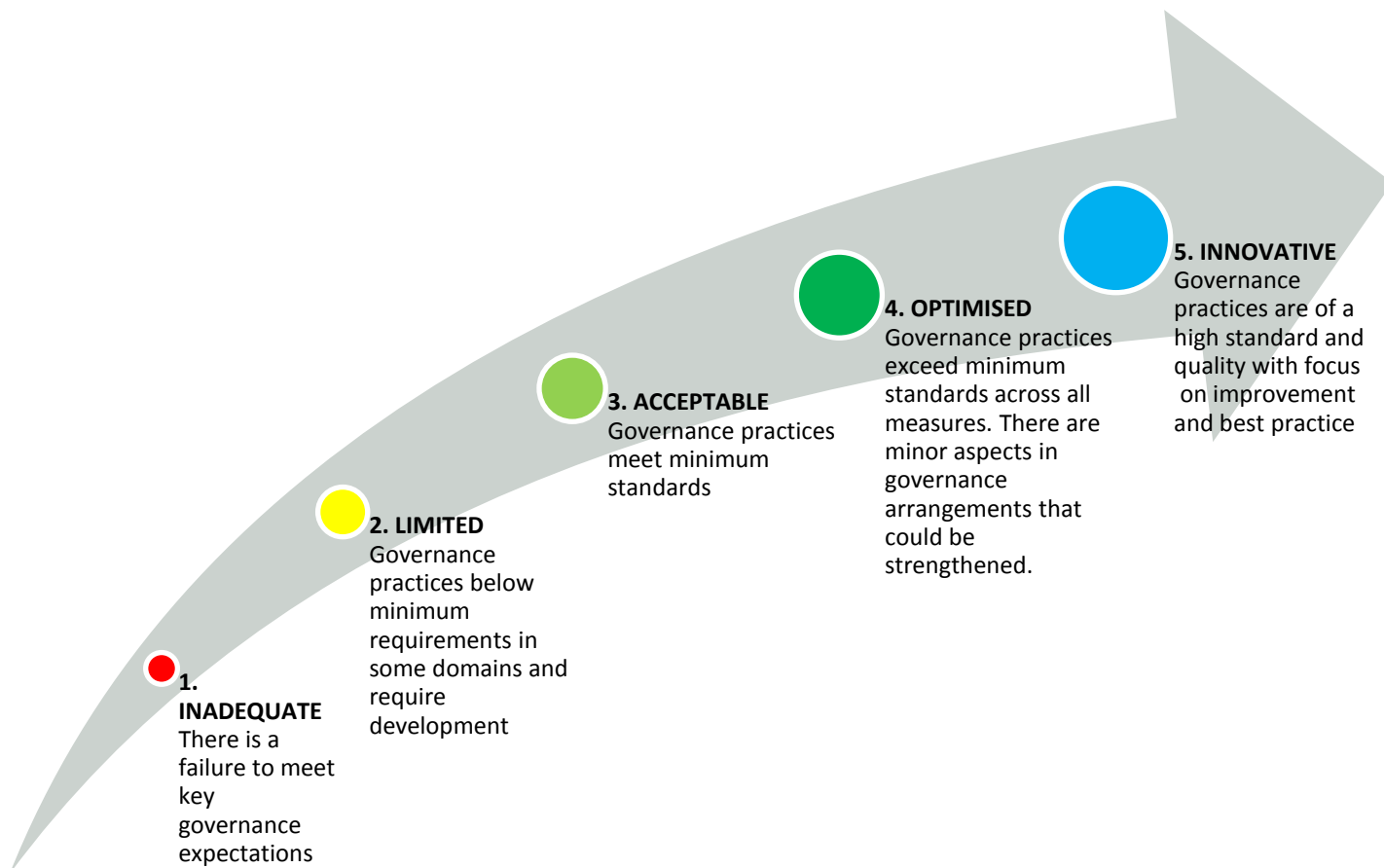
Figure 4: Board Maturity Model

1. INADEQUATE There is a failure to meet key governance expectations

2. LIMITED Governance practices below minimum requirements in some domains and require development

3. ACCEPTABLE Governance practices meet minimum standards

4. OPTIMISED Governance practices exceed minimum standards across all measures. There are minor aspects in governance arrangements that could be strengthened.

5. INNOVATIVE Governance practices are of a high standard and quality with focus on improvement and best practice

Table 5: Key Elements for each Board Maturity Level

Maturity Level	Key Elements
5. Innovative	• Governance structures are well developed and clearly documented in the HSP. Self-evaluation of the Board is robust. • Reports to the Board are of high quality and evidence of the Board testing and critically analysing the information including use of business intelligence tools.
4. Optimised	• No major omissions across indicator category. Self-evaluation is in place and meets all requirements. • Reports to the Board are of high quality and evidence of the Board using business intelligence tools as a check on information.
3. Acceptable	• Minor shortfalls identified with action plans in place to remediate weaknesses. There are gaps in Board skills composition or issues with Board member attendance or engagement.
2. Limited	• Minimum requirements are met but there is room for practices to be improved. • Self-evaluation is in place but gaps in the process identified. • Reports to the Board could be improved and/or there is no evidence of the Board critically analysing or examining the information that is provided with rudimentary business intelligence tools in place for the Board to gather information.
1. Inadequate	• Minimum requirements are not met across key governance domains. Actions plans must be put in place. • Action plans currently in place have not made significant progress in remediating deficiencies. • Self-evaluation of the Board is non-existent or developing. • Reports to the Board are not routinely provided and/or there are gaps in reporting processes and structures. • No evidence that Board acts on reports. • No evidence that Board engages with risk. • There are gaps in Board skills composition, issues with board member attendance/ engagement or the board has seen high turnover. • No succession plan in place to replace Board Members.