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Evaluating Public Sector Governance: issues, contexts and principles

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Abstract

It is fashionable to extend private sector corporate governance practices to the public sector. However, a number of differences between the sectors have a bearing on how governance is implemented and practiced in the public sector. Among them is the purpose and function of the public sector, the different roles of public sector personnel, different relationships with stakeholders (the government as funder and owner and representative of the public interest, ministers, managers, public, etc) and the impact that this has on the models of corporate governance in place in the public sector. Evaluation of governance is directed at board performance, individual member's performance, and comparisons with models of best practice such as that espoused in the OECD Principles of Corporate Governance (1999). This paper reviews the literature on these issues and provides some guidelines for the evaluation of governance in the public sector.

Key words: governance, public sector, best practice, evaluation

1. INTRODUCTION

Corporate governance is a relatively new concern in the public sector. Traditionally the government's role has been to be responsible for the legal institutional and regulatory framework within which such governance systems are developed. Legislation fundamental to good corporate governance in the private sector has been enacted through the Corporations Law. However, corporatisation of agencies and privatisation of business units, and arrangements that may involve partnerships, contracting out, and outsourcing of activities, have brought about changes not only in the way that governments regulate corporate governance in the private sector but also a new interest in responding to corporate governance issues in the public sector. In Australia, the legal framework for the governance of Commonwealth public sector boards is determined by Financial Management and Accountability (FMA) Act 1997 and the Commonwealth Authorities and Companies Act (CAC) 1997. State boards operate under separate State government legislation. Several guidelines have been published by both Commonwealth and State authorities (for example, NSW Audit Office 1997a, 1998; Queensland Audit Office, 1999; Australian National Audit Office, 1999). In general, the guidelines, intended to enable boards to operate according to better practice principles. A major difficulty is implementing the guidelines in the inordinate range of government entities that are governed by various kinds of boards or executives operating as board members.

Among the entities funded by government that operate under different statutory and managerial frameworks are:

- Commonwealth and State owned enterprises (Telstra, City West Water, Urban Land Corporation, public hospitals, VicRoads, Victorian Energy Networks,etc)
- Agencies which may be a Department or the corporatised management of an entity reporting to Departments (eg. Federation Square)
- Statutory Authorities (whose accounts are audited by the Attorney-General and accountability is to the relevant Minister) operate under their own legislation and constitutions (Centrelink, Police, State Training Board, TAFE, ACE, Victorian Ambulance Service, National Gallery, Victorian Casino and Gaming Authority, Ombudsmen, Albury Wodonga Corporation, etc)
- Local Government
- Industry advisory boards/portfolio consultative committees
- Community (eg. development/school/safety/sporting) Committees.
- Private providers of services (eg. in education, health, transport, prisons, gas, water, electricity, etc) purchased under contract and meeting Department negotiated performance measures.

Such diversity is likely to result in more than one model of corporate governance. As expected, various structures are found at the top of these public sector organisations (Refer to the Audit Office of NSW *Corporate Governance Volume One: in Principle* for a review of various models). They are not always called boards consisting of directors. Yet, whether the members are called Commissioners, officers or directors, they are responsible for the governance of their organisations and as such, are subject to legal responsibilities. The Auditor-General in Victoria has specific responsibilities for the financial audit of around 525 public sector organisations. As at 30 June 1999, Victorian Government Business Enterprises controlled $5 billion of assets and $1 billion of pretax annual profits.

Definitions of corporate governance vary according to the context and cultural situation. In general, corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the top of organisations.
As early as 1992, the Cadbury Report in the UK (Cadbury, 1992) defined corporate governance as the system by which organisations are directed and controlled. In the private sector, the governance of companies rests with its board of directors. For this reason, many statements of best practice in corporate governance concentrate on the structure of boards and how they might perform their functions more effectively (Australian Institute of Company Directors, 1994). They are responsible for conformance with company policies and the legal and ethical frameworks within which the organisation operates, and are accountable for company performance, rewards and sanctions. Although operating in different structures, their accountabilities are similar, in principle, for the operation of boards in public sector entities, statutory authorities and non-government organisations (Armstrong 2000, Canada, 1999).

A practical definition of corporate governance is reflected in the Australian National Audit Office's (Office 1999, p.1)definition:

> *… corporate governance generally refers to the process by which organisations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation.*

Francis (Francis 2000) states that corporate governance has moral and non-moral meanings. Its non-moral applications include efficient decision making, appropriate resource allocations, strategic planning, and so on. In its moral sense it refers to the leadership of an organisation and the promotion of appropriate ethical behaviour which is linked to such issues as due diligence, directors' duties and corporate social responsibility.

Corporate social responsibility is not a new concept. It refers to the obligations of business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. According to several studies, investors, consumers, and others are increasingly demanding that corporations be responsible to the full range of stakeholders impacted by their operations and help to find solutions for a variety of issues ranging from social issues such as racial inequality to environmental concerns directed at sustainability (Business for Social Responsibility, 2000).

Corporate social responsibility in the public sector refers to pursuing those policies, making those decisions, and following those lines of action which are desirable in terms of the objectives and values of society.

Community social responsibility standards related to corporate governance address such issues as corporate citizenship/business conduct, disclosure, transparency and

TABLE 1. Significant documents: Best Practice in Corporate Governance

International Best Practice – Significant documents

- **Official and quasi-official statements**
- The Cadbury Report, The Financial Aspects of Corporate Governance(UK) 1992
- The Combined Code, June 1998 (UK)
- The Bosch Committee Report, (Aus), 1995
- Australian Stock Exchange Listing rule requiring a statement of corporate governance practices, 1996
- Blue Ribbon Report on Audit committees, February 1999(USA)
- OECD Principles of Corporate Governance, May 1999
- Commonwealth Association for Corporate Governance, Principles for Corporate Governance in the Commonwealth, November 1999
- European Association of Securities Dealers, Corporate Governance Principles and Recommendations, May 2000

- **Institutional investor statements**

- TIAA-Cref, Policy Statement on Corporate Governance, October 1997 (US)
- CalPERS, Corporate Governance market Principles, April 1998 (US)
- Council of Institutional Investors, Corporate Governance Core Policies, Policies and Positions 1998 (US)
- Hermes, "Statement on Corporate Governance and Voting Policy" July1998 (UK) and International Corporate Governance Principles, July 1999

- **Corporate Statements**

- CLP Holdings Corporate Governance-CLP Principles and Practices, August 2000 (Hong Kong)
- General Motors Corporate Governance Guidelines, January 1995 and 1997

- **Ethics, Corporate Social Responsibility and Accountability Statements**

- Asia Pacific Economic Cooperation (APEC) Code of Business Conduct
- Caux Round Table Principles for Business
- Global Reporting Initiative (GRI)
- Global Sullivan Principles
- Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Shell Business Principles - People, planet & profits: The Shell Report 2000
- Taskforce on the Churches and Corporate Responsibility: Principles for Global Corporate Responsibility: Benchmarks for Measuring Business Performance
- Social Accountability International SA8000
- AccountAbility UK A 1000
- United Nations Global Compact

Sources: Allen, 2000, Business for Social Responsibility 1999, 2000, Tomasic, 2000.

accountability, stakeholders and community involvement, environment, human rights, consumer/product issues, workplace/employees and corruption.

There are recognised principles and practices seen as "best practice" in corporate governance that are applicable across a wide range of institutions and contexts. Among organisations to issue guides to corporate governance practices in Australia are the Australian Institute of Company Directors, the Business Council of Australia, the Australian Society of CPAs, The Law Council (Business Law Section) the Institute of Chartered Accountants, the Securities Institute of Australian and the Australian Investment Managers' Association, and The Australian Stock Exchange. In reference to the Public Sector the NSW Corporate Governance guidelines addresses such issues as board appointments and composition; appropriate board structures, systems and processes; standards; board performance; board reporting and a number of policy issues exclusive to the public sector ((NSW 1997b, p.6). Similar guidelines are available in Europe and the US (OECD, 1999; CalPers, 1998) and Asia (Allen, 2001, Tomasic2000).

Table 1 shows some major contributions to the development of best practice principles in corporate governance. These principles cover such matters as board composition, board independence, board committees, voting methods, equity, values and codes of ethics, accountability, transparency, the role of stakeholders, evaluation and review. Their application to the public sector is, however, tempered by the difference in the roles of public sector personnel compared with private sector directors.

DIFFERENCES BETWEEN THE PRIVATE AND PUBLIC SECTORS

In many instances, the public sector endorses these same principles of best practice in corporate governance. However, the context in which public sector entities operate has a major bearing on how these principles and practices are applied. As the Commonwealth Auditor General states:

> *The political environment with its checks and balances and value systems that emphasise the public interest, however that is defined, including issues of ethics and codes of conduct, indicates different demands on corporate governance frameworks to those placed on a commercially oriented private sector (Barrett 2001).*

Corporate governance in the public sector is made more complex than in the private sector by the different

- objectives,
- ownership arrangements,
- independence,
- accountability, and
- relationships with stakeholders.

1.1 Objectives

The objectives of a public sector entity take place within the context of overall government policy. The major objectives of some entities are often, therefore, not to make a profit, (although GBEs are expected to make a commercial rate of return), but to serve the public interest. Furthermore, shareholder Ministers set financial and non-financial objectives for Government Business Enterprises including mandated goods or services such as Community Service Obligations.

1.2 Ownership arrangements

Shareholder Ministers represent the government as owner and have a major role in appointing members of boards, setting objectives, influencing decisions and providing finance for entities in which the government has an interest. Only some government entities have shareholders, in the private sector sense, and then they are often minority shareholders.

At times, the share ownership aims of government, reflected in the desire to maximise commercial returns, may be in conflict with the role of portfolio ministers (eg human services, health or education) whose task is the funding of politically sensitive services.

1.3 Independence

The roles of public service officers acting as Directors on various Boards, Department Committees, Board of Management Committees, Secretary/Chief Executive Officers, and serving as support staff for a variety of statutory and non-profit committees differs significantly from administrative officers in the private sector. In the private sector directors are legally required under company law to act independently and in the interest of the entity. In the Commonwealth Government the Financial Management and Accountability (FMA) and Commonwealth Authorities and Companies (CAC) Acts 1997 place clear authority and responsibility for the organisation's outcomes and processes including risk management with the respective CEOs and boards (Barrett 2001). Individual members of boards (including volunteer members) are fully liable and responsible for board decisions.

However, In the public sector, Agency Heads are accountable to Parliament for the performance of Boards (providers of services/partners, etc) over which they have little control. Selection and appointment of CEO and Board members in the private sector rests with the board as do determining the objectives of corporation and competitive strategic directions. Not so in public sector Boards which are required to satisfy policy, funding and performance requirements. Ministerial directives, government policy, and Department priorities often influence decisions.

One reason for the establishment of separate corporate entities is that it may have been believed that greater efficiency could be achieved through a separate structure.

"Thus, while the governing boards of such public sector entities require sufficient freedom to manage operations in a vigorous and enterprising manner, they need to operate within an effective framework for governance and accountability. Governing bodies of public sector entities that are part of the whole-of-government may also need to consider the impact of their activities on other entities, to align, as far as possible, their activities with the whole-of-government's objectives" (IFAC, 2000 para.006).

A major problem, however, is that despite delegation of authority and funding to boards, there is ambiguity and confusion about the level of control that can or should be exercised by ministers and, in some cases, the level of accountability for funds once they have been advanced to an entity.

1.4 Accountability

Under company law, company directors have a fiduciary duty to act in good faith and in the best interests of the company. They also have a duty of care when exercising powers or performing duties as a director.

Accountability is not only to the shareholders (government or private) but may be to members (for example, of not-for-profit organisations), clients (in the case of service providers), and the public through a process of public auditing and performance evaluation by the Auditor General. In the case of State Owned Enterprises Ministers must be consulted and advised on all decisions with financial implications. Entities operating under the corporations law are also required to meet the demands of the law and publicly listed companies must also conform to the requirements of the Australian Stock Exchange. Statutory Authorities must conform to their constitutions.

Reports to Ministers, Parliament, Auditor-General and Agency Heads are required, in addition, to conform to the legal requirements of the corporations and other laws required of the private sector. The real level of control by some public sector boards is ambiguous and tensions can arise between a Board member's obligation to act in the best interests of the organisation and in the best interest of government, or in balancing the commercial interests of an entity and its requirements to meet social service obligations.

Funding in regard to contracts and service provision is often controlled by the government and limits the control of resources by boards. Contracts, which are usually performance based, can include provisions to meet community service obligations and sanctions for non-performance such as a percentage fee for late completions or a flat rate for substandard levels of performance. Government Business Enterprises are required to make a commercial rate of return but governments can also demand an additional dividend as has recently happened in the case of Australia Post.

Ministers are also accountable to Parliament for the performance of boards to whom they appoint directors. Parliamentary scrutiny is required of contracts and partnerships/alliances with the private sector. The responsibility lies with Agency Heads for meeting the different type of accountability that emerges with project and contract management including the management of the underlying risks.

As part of their statutory duty to the Parliament, the Auditor-General may require access to records and information relating to contractor performance relevant to public accountability. The ANAO encourages the use of contractual provisions in contracts to ensure access to contractor's records for accountability purposes and the Joint Committee of Public Accounts and Audit has recommended that the Minister for Finance make legislative provision for such access. The reason is that "private providers have made, on many occasions, claims of commercial confidentiality that seek to limit or exclude data in agency hands from wider parliamentary scrutiny. Thus accountability can be impaired where outsourcing reduces openness and transparency" [Barrett, 2001,p.32 #2]. The Victorian Public Accounts and Estimates Committee believes that disclosure should be made where the Auditor-General or Ombudsmen asses its disclosure to be in the public interest (PAEC 2000).

Some protection is provided through Indemnity insurance for the members of statutory authorities or State-owned companies to cover legal activities. However, the question of with whom responsibility lies for risks such as bankruptcy is a grey area. For Not-for-profit organisations, the landmark Frederick's National Safety Council Case (CBA v Friedrich and others, 1991, 9 ACLC 946) established board responsibility even though members were volunteers. The Commonwealth Government in its Guidelines for GBEs states that the Government will not provide formal guarantees of GBE liabilities. However, experience with the 'Whole of Government Information Infrastructure and Outsourcing Initiative' and the 'Submarine Project' suggest that the taxpayer pays in the end.

1.5 Relationships with stakeholders

Political reality is such that portfolio ministers are identified by the public with GBE's for which they are responsibly and when compensation packages are arranged for private sector companies such as HIH, it is probably unrealistic to believe that such assistance would not be provided, if required, to GBEs.

Stakeholders in the public sector may include the Ministers, other government officials, the electorate (Parliament), customers and clients, and the general public, each with a legitimate interest in public sector outcomes, but not necessarily with any "ownership rights" (IFAC, 2000)

Not only are decisions by boards not independent, but the context in which decisions are taken differs from the private sector where competitiveness and market share of the 'right' customers is the key to success. Operations in government circles, often depending on cooperation rather than competition to achieve outcomes, work across agencies or take a whole-of-government approach to service particular customers or meet citizen expectations. In particular, boards of service providers are often constrained by the need to service the stakeholders who make the most drain on their resources and are least able to add value to the community as a whole. Barrett (2001b) suggests that the need for seamless delivery of services by better integrated organisations across public and/or private sectors, and the opportunities offered by the internet and other communications initiatives, will require governance frameworks that go beyond organisational boundaries.

It is obvious from the above discussion that corporate governance in the public sector addresses similar issues to those found in the private sector but the context in which the issues are addressed make a fundamental difference to the way in which they are interpreted.

Both the public and private recognise the power, responsibilities and accountabilities of boards but in the private sector full control rests with the board and accountability to shareholders is paramount, whereas in the public sector the decision of the board are subject to Ministerial and other constraints, and accountability and reporting is more rigorous and directed to a wider group of stakeholders**.** Selection and appointment of CEO and Board members in the private sector rests with the Board as do determining the objectives of corporation and competitive strategic directions. Not so in public sector boards which are required to satisfy policy, funding and performance requirements. These differences have implications for the ways in which the performance of public sector boards is evaluated.

3.0 Evaluation of governance

Evaluation of board performance is a process of collecting systematic information about key issues or result areas so as to judge performance against some criteria. Evaluation can focus on assessment of processes, outputs, and outcomes for different levels: organisation, board or individual. The ultimate arbiter of a board's performance is the performance of the organisation, but that is not the subject of this paper. The NSW Corporate Governance guidelines identifies key issues for boards as board appointments and composition; appropriate board structures, systems and processes; standards; board performance; board reporting and roles, processes and procedures (NSW 1997b, p.6). Barrett (2001) refers to stewardship, leadership, direction and control.

Evaluation is conducted of the chairperson, CEO, board performance, and individual member's performance. According to NADA (1996), the independent directors should make the evaluation of the Chairman and CEO annually, and it should be communicated to Chairman and the Chief Executive by the Chairman of the Committee on Evaluation/Directors Affairs. "This evaluation should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management, etc. The evaluation will be used by the Executive Compensation committee in the course of its deliberations" (p.30).

Although NADA (1996) recommends that a committee chaired by an independent director should conduct evaluation, it is frequently conducted by self-assessment of the board as a collective. The following tables drew upon the many checklists and guidelines (for example, APEC, 2000; Global Reporting Initiative, 2001; global sullivan Principles, 2001; IFAC, 2000, NACD, 2001, NSW Audit Office, 1997b, OECD, 2001) designed for this purpose.

Tables 2-9 identify 7 broad issues that public sector boards should address if they are to operate according to best practice principles. They are: board appointments, board composition, board independence, board performance, meeting procedures, board leadership, and ethics/corporate social responsibility/compliance/accountability. The tables identify each issue, how it would be assessed in practice and the criteria indicating best practice from significant papers or guidelines on best practice in corporate governance. It should be noted that, in general, there is a great deal of agreement on the issues found in these and other papers although not all of them are listed as a source of information.

CONCLUSION

The application of private sector principles to public sector governance adds weight to the belief that good governance in the public sector is achieved by new public sector management reforms (Armstrong, 1998) to which governance principles are just the latest addition. It also refutes the belief that the public sector management consists of a specialised set of institutions with a unique mode of management. However, the discussion of approaches to governance in the public sector presented in this paper illustrates that there are distinctions between the private and public sector which throw doubt on the incautious implementation of private sector principles to public sector entities. There are complexities highlighted by different purposes, values, beliefs and norms. As Minogue et al (2000, p.5) state: "Modern government is about much more than efficiency; it is also about the relationship of accountability between the state and its people: people who are treated not merely as consumers or customers (as in the new public management approach) but as citizens, who have the right to hold their governments to account for the actions they take, or fail to take….Issues of accountability, control, responsiveness, transparency and participation are, therefore, at least as important as issues of economy and efficiency".

Governments in all parts of the world faced with changes to funding and service delivery brought about by delegation of authority to various types of boards are forced to reconsider how the issues of accountability, etc, are to be addressed. For these reasons, the development and implementation of techniques to evaluate the performance of the boards of government funded entities is an urgent priority. Furthermore, the effective administration of the boards demands that government officers must be resourced and equipped for their new roles as directors and officers of the boards of government funded entities.

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Table 2. Issues in the evaluation of Corporate Governance in the public sector

Issue	In practice	Best practice	Source of guidelines
Board appointments	Appointment of: Chair CEO Directors	Separation of Chair and CEO	AICD
		Transparency and public process of nomination and appointment	
		Public reporting of processes and names and relevant interests of appointees	NACD 2001 NACD 2001
		Orientation process for new members	NACD 2001
		Legislation should provide a clear basis for removal	NSW Audit Office 1997b
		An annual report on succession planning by the CEO to the Board	NACD 2001
		Chair and CEO should resign form the board when they resign from those positions	NACD 2001
		Remuneration of non-executive members is clearly defined.	IFAC 2000

TABLE 3 Board Composition

Issue	In practice	Best practice	Source of guidelines
Board composition	Size Board Tenure Composition/selection /election Competencies	7-15 members Balance of power and authority Majority of independent directors Evaluation and review of competency needs Appropriate Expertise: Business orientation, financial, legal, management, industry Diversity of members (gender, age, international background, to meet needs) Corporate governance training	NACD 2001 NSWAudit Office 1997 b NSW Audit Office 1997b NSW Audit Office 1997b NSW Audit Office 1997b NACD 2001 IFAC 2000

TABLE 4 Board independence

Issue	In practice	Best practice	Source of guidelines
Board Independence		Formal written definition of: role, responsibilities and duties of chair and directors role, responsibilities of relevant Minister/s	NSW Audit Office 1997b NACD 2001 IFAC 2000
		Clear understanding of liabilities Authority to make recommendations (if not make) regarding appointments.	NACD 2001 NSW Audit Office 1997b
		Transparent process for responding to Ministerial Directions	NACD 2001
		Appointees: open access to information.	NACD 2001
		Right to seek independent expert advice.	NACD 2001
		Independent committees	NACD 2001
		Independent directors form Chair and Committees for: Nomination Audit Remuneration Compliance and Ethics, Conflict of interest Corporate governance/ evaluation /corporate affairs Corporate Social Responsibility Investment Compensation Public policy	NACD 2001
		Independent directors meet regularly without the CEO	
		Independent directors will meet in Executive sessions two or three times a year	
		Decision making processes are transparent and allow for sufficient discussion	

TABLE 5 Board Performance

Issue	In practice	Best practice	Source of guidelines
Board Performance	Responsibilities	Legislation should clearly define roles, responsibilities and relationships of key stakeholders	NSW Audit Office 1997b
		Government and Ministers should provide boards with written guidance setting out how legislation, policies, administrative arrangements and conventions affect the board's decision-making ability	NSW Audit Office 1997b
		Ministers should ensure boards understand the nature and extent of authority delegated to the board	NSW Audit Office 1997b
	Internal control	Board should have effective and efficient procedural, financial and operational systems	NSW Audit Office 1997b IFAC 2000
		A formal schedule list matters specifically reserved for collective decisions	IFAC 2000
	Risk management	Internal systems provide information and systems independently and regularly reviewed	NSW Audit Office 1997b
	Stewardship Corporate governance	Arrangements in place to ensure public funds are: Safeguarded Used economically, efficiently, effectively and appropriately? Used in accordance with statutory or other authorities that govern their use	IFAC 2000
		Effective arrangements to ensure compliance with best practice	NACD 2001
		Corporate governance procedures reported in Annual Report	NSW Audit Office 1997b

TABLE 6. Meeting Procedures

Issue	In practice	Best practice	Source of guidelines
Procedures	Meetings	Selection of Agenda items by Chair and CEO	NACD 2001
		Agenda Schedule: times and subjects	NACD 2001
		Board Materials distributed in advance	NACD 2001
		Compliance with company law	

TABLE 7. Leadership

Issue	In practice	Best practice	Source of guidelines
Board Leadership	Board leadership distinct from management	Division and clarity of responsibility between management and the board appropriate and clear	NSW Audit Office 1997b
	Relationship with Minister	Transparent processes Written and public directions	
	Relations with CEO and other managers	Board should provide effective strategic direction (not rubber stamp a CEO decision)	NACD 2001
		Senior management non-directors regularly attend board meetings as appropriate	NSW Audit Office 1997b
		Board provides clear direction	NSWAudit Office 1997 b
		A chief financial Officer provides information on financial matters	IFAC 2000
	Teamwork	Board works as a cohesive team	NSWAudit Office 1997 b
	Standards of behaviour	Directors exhibit dignity, equability, prudence (exercising judgement), honesty, openness, goodwill, suffering (prevention and alleviation)	Francis 2000

TABLE 8. Ethics, Corporate social responsibility, and accountability

Issue	In practice	Best practice	Source of guidelines
Ethics/ Corporate social responsibility/ compliance /accountability	Code of ethics and conduct	Board should have a code of conduct and standards relating to issues re: conflict of interest and pecuniary interest	NSW Audit Office 1997b
		Maintain a register of conflicts of interest	NSW Audit Office 1997b
		Communication of proper ethical and legal responsibilities to board members	NACD 2001
		Appropriate consideration for and treatment of various stakeholders including shareholders, employees, customers and communities	NACD 2001
	Communication and Disclosure to stakeholders	Procedures and disclosure of information regarding activities, structure, financial situation and performance; employees and other stakeholders, governance and policies; high standards for disclosure, accounting, audit; environment and social information.	APEC 2000 OECD 2001 GSR 2000 NSW Audit Office 1997b
		Information for institutional and other investors should be transparent and public	GRI 2000
		Reported data should be independently verifiable.	GSR 2000
	Independent verification	All parts of the organisation abide by a code of ethics and conduct	GSR 2000
	Human rights	Policy in regard to monitoring the application of codes of ethics and conduct; encourage business partners, suppliers, contractors to apply code of ethics	OECD 2001

		Regular monitoring and verification of progress toward environmental, health and safety objectives or targets	OECD 2001
	Layoffs	In the case of closure of an entity, provide reasonable notice of such changes and cooperate to mitigate adverse effects.	APEC 2000 OECD 2001
	Corporate social responsibility	Be a good corporate citizen Contribute to economic, social and environmental progress with a view to achieving sustainable development	OECD 2001
		Comply with tax laws and regulations in all countries in which they operate.	APEC 2000
	Corruption and Bribery	Do not seek or condone questionable favours to secure competitive advantage, extortion, bribery, money laundering.	
	Whistleblowers	Do not discriminate against but protect those who make bona fide reports to management or appropriate authorities.	OECD 2001
	Corporate governance	Support and uphold good corporate governance principles and develop and apply good corporate governance practices	
Reporting	Regulated: Legislation ASX ASIC	Boards should be publicly accountable for: Statutory responsibilities; Expenditure of public money; Governance practices.	NSW Audit Office 1997b
	Balanced	Triple bottom line: social financial, environmental	OECD, 2000

TABLE 9. Evaluation and Review

Evaluation and Review	Board performance	Ministers should establish measures of performance for boards	NSW Audit Office 1997b
		Committee will report annually to the Board on the Board's performance	NACD 2001
	Director's performance	Regular effective evaluation of Chair, CEO and Board	NACD 2001
		Committee will review each director's continuation on the board every 5 years.	NACD 2001
		Board is committed to continuously improving performance with well established procedures for setting performance goals	NACD 2001
		Legislation, policies structures and conventions should support "best practice"	NSWAudit Office 1997 b
		Board should monitor and evaluate internal control systems	
	Reporting	Boards should report publicly on board's performance as well as that of the organisation	NSWAudit Office 1997 b