

WHAT GOOD LOOKS LIKE

Governance

What is governance?

Governance controls the way an organisation operates. It sets objectives, establishes the means to meet those objectives, and monitors performance.¹ Ethical standards and good administration are elements of governance.² Governing bodies determine the organisation's strategy and oversee its delivery, role model an effective culture, manage risk, and ensure legislative compliance.³ Governance holds the organisation and its people to account.

Why does good governance matter?

Effective governance helps to:

- provide a foundation for long-term sustainability of the organisation;
- foster good decision-making that is in the best interests of the organisation;
- systematically manage business risks; and
- ensure that organisational activities comply with legal, ethical, and professional requirements.

About this guide

This guide is for governors and senior managers. It poses questions and provides some of the indicators of whether your organisation meets our definition of what good looks like. It can help you work out whether your governance arrangements are effective.

Effective governance

A good approach to governance comprises four elements:

- a **framework** – corporate strategy, clear policies capable of being put into practice, terms of reference and operating procedures;
- the right **infrastructure** to support the function – the right governance structure, governors with the right skills, knowledge, and experience, and access to the right information;
- consistently **applying** the four pillars of governance best practice; and
- ensuring that senior managers and governors have the information they need to **monitor** and **review** delivery, risk, and the effectiveness of governance activities.

Where to find out more

[Good governance – Office of the Auditor-General](#)

[Governance resources – Institute of Directors](#)

[Governance Institute of Australia](#)

1 OECD.

2 Governance Institute of Australia.

3 Institute of Directors, New Zealand.

| | 10 questions | Indicators of what good looks like |
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| Framework | 1. Do you have a clear organisational strategy? | <ul style="list-style-type: none"> • Governing body ensures appropriate long-term goals are in place and approves strategies for achieving those goals. • Strategies help to prioritise how resources are used to deliver long-term goals. |
| | 2. Do you have up-to-date policies on governance matters? | <ul style="list-style-type: none"> • Governing body sets strategic policies to achieve objectives, and management implements them. • Governance policies: <ul style="list-style-type: none"> - are consistent with organisational values; - are regularly reviewed, evaluated, and updated; and - include a code of conduct, delegations of authority, integrity and ethics, fraud, and risk management. |
| Infrastructure | 3. Do you have an appropriate governance structure? | <ul style="list-style-type: none"> • Clear separation of governance and management. • Governing body has a good balance of independence, skills, knowledge, experience, and perspectives. • All governance committees have terms of reference and delegated authorities consistent with strategic responsibilities. • Projects and programmes have their own governance. |
| | 4. Do you have good information, systems, and controls? | <ul style="list-style-type: none"> • Relevant, accurate, and up-to-date information facilitates good decision-making by the governing body. • Governing body emphasises the importance of effective control. • Assurance that the organisation’s activities are compliant and consistent with laws, regulations, and governing body expectations. |
| Application | 5. Does the governing body determine the organisation’s purpose, goals, and strategy? | <ul style="list-style-type: none"> • Governing body focuses on meeting the organisation’s purpose and delivering the strategy. • Governing body, management, and staff all understand and support the organisation’s purpose and strategic direction. |
| | 6. Is there an effective governance culture? | <ul style="list-style-type: none"> • Governors set a “tone from the top” that shapes culture and role models desired values and ethics. • Governing body has effective relationships with all stakeholders. |
| | 7. Does the governing body hold management to account? | <ul style="list-style-type: none"> • Governing body is confident that management understands the strategy and can deliver it well. • Governing body provides independent oversight of management’s activities and holds them accountable for their performance. |
| | 8. Does the governing body ensure compliance with legislative and regulatory requirements? | <ul style="list-style-type: none"> • Governing body holds management to account for ensuring statutory regulatory and external reporting obligations are met. • Governing body gets assurance that compliance risks are managed. |
| Monitor and review | 9. Does the governing body review the effectiveness of governance arrangements? | <ul style="list-style-type: none"> • Governing body gets assurance that risk management controls for key strategic and operational risks are effective. • Feedback mechanism (often known as “whistleblowing”) for staff to report non-ethical behaviour by a governing body member. |
| | 10. Is the governing body interested, well informed, and committed to good governance? | <ul style="list-style-type: none"> • Governing body delegates appropriately to management, but regularly reviews implementation, key risks, and mitigating strategies. • Members of governing body always act in the public interest. |