Good Governance for Special Purpose Vehicles

Table of contents

1. Governance Framework

1.1. Background

The *Governance Framework for Infrastructure Delivery Special Purpose Vehicles* (Governance Framework) has been developed by the Department of Infrastructure and Planning (DIP) as a minimum standard of governance for Special Purpose Vehicles (SPVs) established under the *Corporations Act 2001*, with Queensland Government having shareholder interests.

Under Queensland Treasury's *Guidelines for the Formation, Acquisition and Post Approval Monitoring of Companies* the department responsible for an SPV is to use best endeavours to ensure the company exercises good corporate governance and accountability, including high standards of internal control, ethical practices and external reporting. The most efficient way for DIP to achieve this is to have a Governance Framework in place which clearly articulates the department's requirements and expectations for governance and ensures consistency across its portfolio of SPVs. This is particularly important due to the need for public accountability and transparency.

1.1.1. Structure of the Governance Framework

The Governance Framework outlines the minimum expectations of the Queensland Government in its shareholding capacity and where appropriate, strives to be consistent with the governance requirements applied other "Government-owned companies" (GOCs)[1]. As for GOCs, the Governance Framework is based on the Australian Securities Exchange Corporate Governance Council's *Principles of Corporate Governance and Recommendations*, but is specifically tailored for SPVs. This provides SPVs with a degree of flexibility to assist them to meet their delivery and value for money obligations.

The Governance Framework is supported by a Toolkit of guiding principles, information sheets and templates to assist SPVs to meet (or exceed) governance requirements and to assist in the establishment of new SPVs.

- **Guiding principles** provide the foundation for informing decisions and behaviours relating to the management of the SPV.
- **Information sheets** outline key protocols that are necessary for an SPV to be established.
- **Templates** provide a guideline for SPVs to structure particular administrative functions.

The Toolkit is maintained by the DIP, and can be used by SPVs to share documentation and learnings.

1.1.2. Continuous improvement

It is essential that the Governance Framework and Toolkit remain fit for purpose and relevant. To achieve this, the Department of Infrastructure and Planning has devised a process for capturing opportunities for improvement from users, regulators and better practice advocates and regularly updates the Toolkit..

To find out more information, or to provide feedback on the Governance Framework and Toolkit, please visit www.dip.qld.gov.au or email SPV@dip.qld.gov.au.

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[1] s6 *Government Owned Corporations Act 1993* (GOC Act) refers to companies declared to be GOCs under Queensland legislation. / regulation Note DIP's SPVs are not declared under the GOC Act and the purpose and function of the GOC Act has limited application to their specific operations.

2. Implementation

In May 2008, the Auditor-General acknowledged that the Governance Framework is a way forward for meeting the challenges of delivering the Queensland Government's largest infrastructure program in the State's history. He also determined that proper application of the Governance Framework should allow SPVs to meet minimum best practice standards.

The Governance Framework and Toolkit provides information and resources on the minimum standard, but the Board and executive management team of the SPV will need to plan and execute its implementation and retain responsibility for its ongoing monitoring and improvement.

2.1. Guide to implementation

A phased approach may be taken for the implementation of the Governance Framework. The diagram below is a guide.
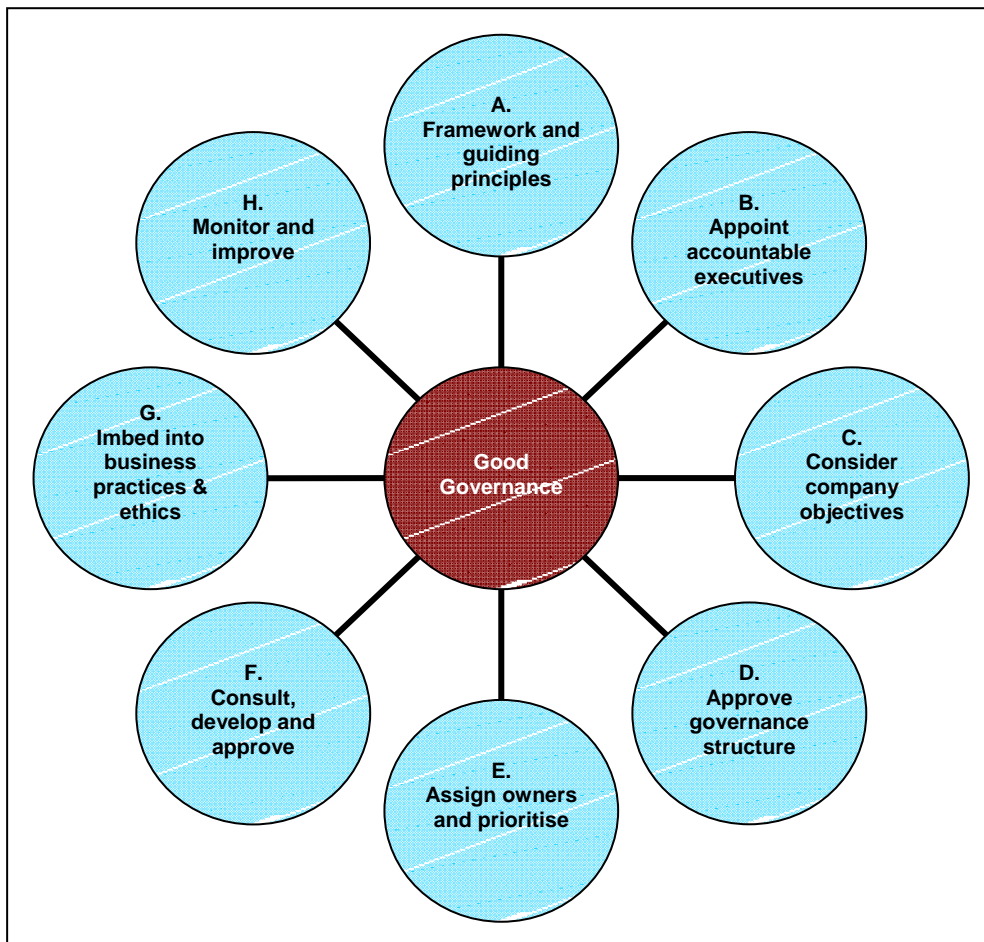
2.1.1. Information gathering: A to C

The first phase is to gather information, and understand what the SPV needs to address. The SPV should give consideration to the minimum standard of governance required to adequately meet its objectives.

2.1.2. Developing the governance capability: D to F

Items D to F are the intensive development phase. Critical success factors include involvement of SPV staff responsible for the implementation and maintenance of corporate governance measures at the earliest opportunity and documenting the processes, policies and procedures in a clear and consistent way.

2.1.3. Operate governance: G to H

The final stage is to imbed the good governance capability into the operation of the SPV. Successful communication of the processes, policies and procedures with ongoing training and monitoring of performance and identification of improvement will achieve good governance.

3. Self assessment

Periodic self assessment provides valuable information to the executive management team, audit and risk committee and the Board of Directors on the overall health of the SPV's corporate governance. This information can be useful as an internal benchmark of performance and the identification of areas that can be improved.

DIP has developed a self assessment methodology to assist SPVs in the evaluation of performance and progress for achieving and maintaining good governance. The self assessment has been aligned with the minimum standard outlined in the Governance Framework and the Toolkit. The methodology also provides guidance for the development of an action plan to address the opportunity for improvement.

3.1. Worksheets

Each element of the Toolkit is treated as follows:
- **Information sheets** are not assessed as they are finalised at the formation stage of the SPV. The Board is accountable for the ongoing management of these items
- **Guiding principles** are evaluated at a high level against the evidence specified in the assessment worksheet.
- **Templates** are assessed against the use of the template or equivalent document, with any supporting or associated information specified in the assessment worksheet.

An example of these worksheets is provided in Appendix A.

3.1.1. Rating

The rating of each element within the Toolkit considers: the existence of processes, policies and procedures; their completeness against legislated, regulated or nominated standards; and evidence that business practices and ethics are consistent. The ratings are as follows:

Rating	Level of achievement
5	• No process, policy or procedure in place in relation to this element
4	• Informal process, policy and procedure in place that meet legislated, regulated or nominated recognised standard • Formal documented process, policy and procedure that do not meet legislated, regulated or nominated recognised standard
3	• Formal documented process, policy and procedure that meet legislated, regulated or nominated recognised standard are in place
2	• Process, policy and procedure have been communicated to stakeholders • Training and awareness programs have been undertaken • Business practices and ethics are true to them
1	• Effectiveness of process, policy and procedure is measured • Is reviewed on a regular basis • Continuous improvement is demonstrated

The determination of the rating for each element is a combination of information gathering and evaluation against specific criteria contained within the worksheets. This assessment is not a test. It is an opportunity for the SPV to identify their own improvements.

3.1.2. Recommending actions

While undertaking the assessment, improvement opportunities will be identified. These should be captured on the worksheet. Further consideration needs to be given to the delegated position for actioning the opportunity for improvement. As a minimum, this should be a member of the executive management team. The following table outlines how the significance of the action should be assigned:

Value	Significance	Definition
3	High	• On the businesses critical path • Exposes company to risk of none compliance of legislative or regulatory requirements • Could result in loss of confidence by shareholder(s)
2	Medium	• Required to achieve or maintain Australian Standard or similar • Response to external audit finding not on critical path • Establishing capability identified as minimum standard but not currently part of business practises and ethics • Failure to embed defined process, policy or procedure into business practises and ethics
1	Low	• Business as usual in the pursuit of good governance • Refinement of existing governance practice

It is important that the recommended actions and their significance are understood and agreed by the delegated position.

3.1.3. How often and by who

A regular assessment (i.e. half-yearly, yearly) is an effective practice for measuring the health of the SPV's corporate governance. There may be a specific event that triggers a loss of confidence in the SPV's corporate governance practices (e.g. an audit report or reportable breach of legislation). A proactive response to such an event could include a full or partial assessment.

In deciding the delegated officer/s to undertake the assessment, the SPV should take into consideration the costs and benefits of using internal (e.g. a compliance manager) or external practitioners.

3.2. Summary assessment

The ratings and action significance are recorded collectively in the *Summary Assessment Form* (Appendix B). This provides a snapshot of the results, by element, under each of the section headings.

3.3. Governance improvement plan

According to the summary assessment form, the *Governance Improvement Plan* will calculate the priority for each element within the Toolkit (Appendix C). The following table outlines how opportunities will be actioned according to their score for prioritisation:

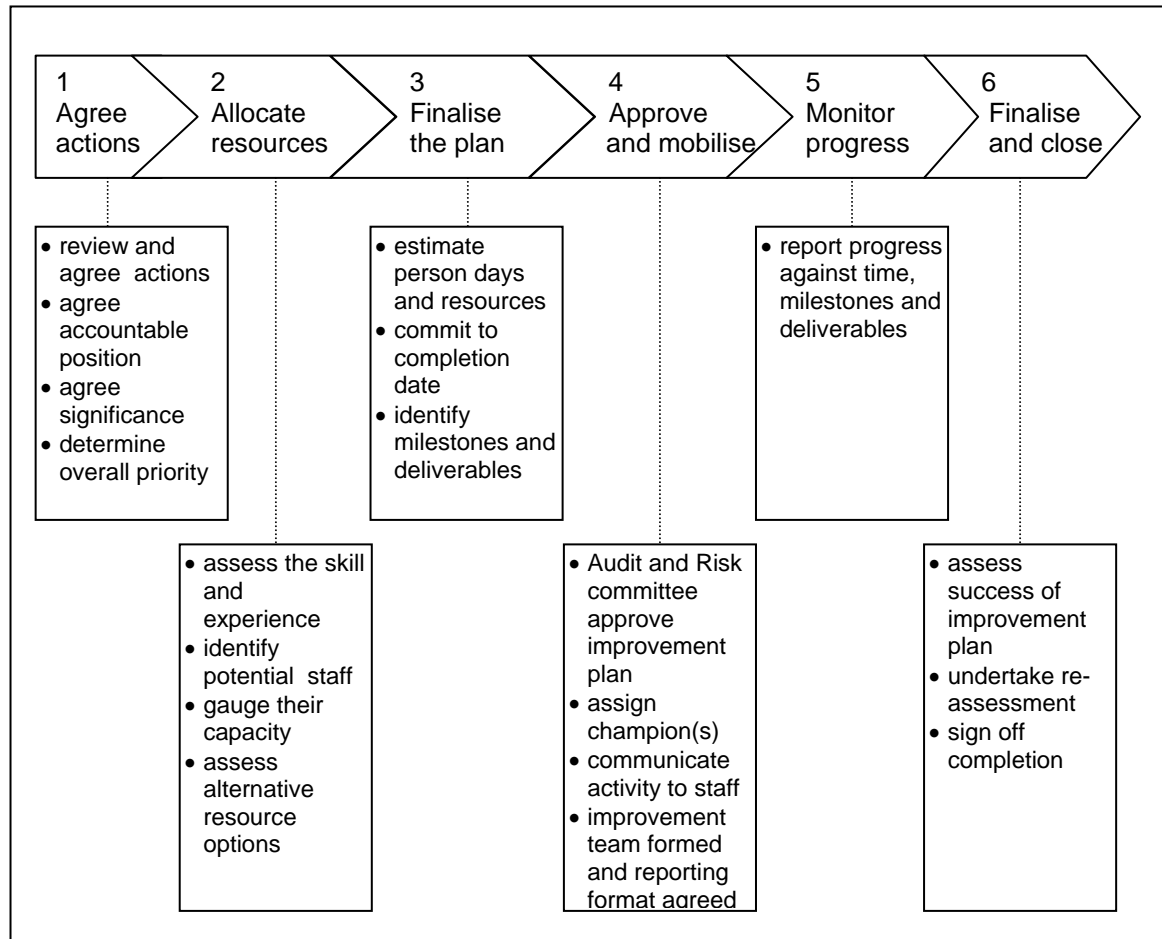| Score	Timing
10-15	Complete within one month
6-9	Complete within three months
2-5	Complete within six months
<2	No action required

The SPV can use this prioritisation to develop their recommendations and assign the appropriately delegated officer to be accountable for implementing the opportunity for

improvement (including a target date for completion). This information can also be captured on the governance improvement plan.

The following diagram illustrates a logical stepped approach to realising the opportunities for improvement:

1 Agree actions	2 Allocate resources	3 Finalise the plan	4 Approve and mobilise	5 Monitor progress	6 Finalise and close

- review and agree actions
- agree accountable position
- agree significance
- determine overall priority

- estimate person days and resources
- commit to completion date
- identify milestones and deliverables

- report progress against time, milestones and deliverables

- assess the skill and experience
- identify potential staff
- gauge their capacity
- assess alternative resource options

- Audit and Risk committee approve improvement plan
- assign champion(s)
- communicate activity to staff
- improvement team formed and reporting format agreed

- assess success of improvement plan
- undertake re-assessment
- sign off completion

3.3.1. Agree actions

The prioritisation calculated for each opportunity for improvement provides a sound foundation for the governance improvement plan. To assist the SPV to identify necessary recommendations, they should revisit the worksheet that was completed for the relevant element. Within these, it will highlight where shortfalls exist.

3.3.2. Allocate resources

The SPV should identify the scope to resource the actions. This should account for the skills and knowledge required and if the SPV has the capacity to implement the actions without normal operations being compromised. Consideration should be given alternative resourcing (e.g. specialist practitioners) if there is a risk that the actions cannot be delivered within acceptable timeframes.

3.3.3. Develop a strategy

The SPV should develop a strategy that encompasses completion of the identified actions and includes resources, targets/performance indicators, milestones and deliverables. This strategy should be used by the SPV to monitor and report their progress.

3.3.4. Approve and mobilise

Approval of the strategy should be provided from the delegated position/committee responsible for overseeing the SPV's corporate governance (e.g. the audit and risk committee).

To enable effective implementation, the SPV should communicate the strategy to all personnel to build buy-in and support.

3.3.5. Monitoring progress

Reporting to the delegated position/committee regarding implementation of the strategy should be performed regularly. If appropriate, progress should be communicated to all levels within the SPV to maintain their engagement with the actions.

At the strategy's completion, a review should be conducted to ensure the opportunities for improvement were realised.

Appendix A

Section	Establishment of Special Purpose Vehicle		Rating	
Unique ID	1_5_T			
Name	Board charter			
Assessment conducted by	<Name>			
Date	DD/MM/YYYY			
Compliance	**Principle / Objective**	**Evidence**	**Y/N**	**Note**
Queensland Treasury's *Guidelines for the Formation, Acqusition and Post Approval Monitoring of Companies*	To set out the terms of reference of the Board's functions, responsibilities and matters relevant to its operation.	Board charter		
		The Board's role is included (i.e. a responsibility to shareholders in guiding and monitoring the affairs of the Special Purpose Vehicle (SPV))		
		The Board's functions are included (e.g. ensuring management has in place appropriate processes for risk management and monitoring performance)		
		Copy is available to shareholders, Directors and staff of the SPV		
		Question to three staff in different roles within the SPV: "Do you know where the Board charter is and what is covered by this document?"		
Recommended actions		**Accountable position**	**Significance**	

Appendix B

		Summary Assessment Form	Rating	Action Significance
		1 Establishment of SPV		
1	1_1_IS	**Constitution**		
1	1_2_IS	**Funding Deed**		
1	1_3_IS	**Shareholder Agreement**		
1	1_4_T	**Board Handbook**	2	Low
1	1_5_T	**Board Charter**	4	None
1	1_6_GP	**Vision / Culture**	2	Low
1	1_7_GP	**CEO & Senior Executive Appointments**	3	Medium
1	1_8_GP	**Board Appointments**	2	None
1	1_9_GP	**Remuneration (Board and senior executives)**	4	Medium
1	1_10_T	**Remuneration Committee Charter**	4	Medium
1	1_11_GP	**Delegations**	2	None
1	1_12_T	**Delegations Structure**	1	None
1	1_13_T	**Organisational Design**	3	Medium
1	1_14_T	**Audit & Risk Committee Charter***	2	Low
1	1_15_GP	**Conflicts of Interest / Disclosure**	2	Low
1	1_16_GP	**Code of Conduct / Ethics**	3	High
1	1_17_T	**Accommodation strategy**	4	Medium
		2 Corporate Policy and Procedure		
1	2_1_GP	**Risk Management***	3	High
1	2_2_T	**Risk Management Plan**	3	High
2	2_3_T	**Leadership and Management Structure**	3	High
2	2_4_IS	**Media and Publications**		
2	2_5_T	**Stakeholder Analysis**	3	Medium
2	2_6_GP	**Information Management**	4	Medium
2	2_7_T	**Information Management Plan**	4	Medium
2	2_8_T	**Communication plan**	2	Low
		3 Financial Policy and Procedures		
1	3_1_GP	**Procurement**	3	Medium
1	3_2_T	**Corporate Procurement Plan**	3	Medium
3	3_3_GP	**Travel and Accommodation**	2	Low
1	3_4_GP	**Engaging Contractors**	3	Medium
1	3_5_GP	**Fraud Mitigation**	2	Low
1	3_6_GP	**Reporting**	2	Low
3	3_7_GP	**Asset Disposal**	1	None
		4 Operations Policy and Procedures		
1	4_1_GP	**Roles and Responsibilities**	3	Medium
1	4_2_GP	**IT and Systems**	3	Medium
1	4_3_GP	**Occupational Health and Safety**	4	High
1	4_4_T	**Occupational Health and Safety Plan**	4	High
3	4_5_GP	**Self Assessment**	1	None
2	4_6_GP	**People Management**	4	Medium
3	4_7_GP	**Privacy**	2	None
3	4_8_GP	**Employee and Industrial Relations**	3	Low
3	4_9_T	**Employee and Industrial Relations Plan**	2	Low
		5 Project Management		
1	5_1_IS	**Infrastructure Delivery Planning**		
1	5_2_T	**Infrastructure Management Plan**	5	High
		6 Exit		
2	6_1_IS	**Exit strategy framework**		
3	6_2_GP	**Company Wind-up Process**		
3	6_3_GP	**Transfer to Entity**		

	Ratings			
	5	No process, policy or procedure in place in relation to this element		
	4	Informal process, policy and procedure in place that meet legislated, regulated or nominated recognised standard		
	3	Formal documented process, policy and procedure that meet legislated, regulated or nominated recognised standard are in place		
	2	Process, policy and procedure have been communicated to stakeholders. Training and awareness programs have been undertaken		
	1	Effectiveness of process, policy and procedure is measured. Is reviewed on a regular basis. Continuous improvement is demonstrated		

	Action Significance			
	High	On the businesses critical path. Exposes company to risk of none compliance of legislative or regulatory requirements		
	Medium	Required to achieve or maintain Australian Standard or similar. Response to external audit finding not on critical path. Establishing capability identified as minimum standard but not currently part of business practises and ethics		
	Low	Business as usual in the pursuit of good governance. Refinement of existing governance practice		

Appendix C

		Governance Improvement Plan	Rating	Action Significance	Priority	Delegated Position	Summary of recommendation/s	Date to be completed by
		1 Establishment of SPV						
1 1 IS		**Constitution**						
1_2_IS		**Funding Deed**						
1 3 IS		**Shareholder Agreement**						
1_4_T		**Board Handbook**	2	Low	2		Update out of date content	
1_5_T		**Board Charter**	4	None	0		None	
1 6 GP		**Vision / Culture**	2	Low	2	CEO	Communicate expectations to staff	
1_7_GP		**CEO & Senior Executive Appointments**	3	Medium	6	CEO	Clarify process and deliver training	
1 8 GP		**Board Appointments**	2	None	0		None	
1 9 GP		**Remuneration (Board and senior executives)**	4	Medium	8	CFO	Formalise remuneration committee participants and functions	
1_10_T		**Remuneration Committee Charter**	4	Medium	8	CFO	Formalise and obtain approval for Charter	
1 11 GP		**Delegations**	2	None	0		None	
1_12_T		**Delegations Structure**	1	None	0		None	
1 13 T		**Organisational Design**	3	Medium	6	CEO	Update out of date content and circulate	
1_14_T		**Audit & Risk Committee Charter***	2	Low	2	Chair A & R Committee	Review and update Charter	
1 15 GP		**Conflicts of Interest / Disclosure**	2	Low	2	Chair of Board	Review and update, deliver refresher training	
1 16 GP		**Code of Conduct / Ethics**	3	High	9	CEO	Deliver training and measure performance and behaviours	
1_17_T		**Accommodation strategy**	4	Medium	8	COO	Undertake formal assessment and develop plan in line with Business Plans	
			0					
	0	**2 Corporate Policy and Procedure**						
2_1_GP		**Risk Management***	3	High	9	Chair A & R Committee	Deliver training and measure performance and behaviours	
2 2 T		**Risk Management Plan**	3	High	9	Chair A & R Committee	Review and update with improvements to meet standard AS/NZS 4360:2004	
2_3_T		**Leadership and Management Structure**	3	High	9	CEO	Review business and operational plans assigning current leadership group individuals against initiatives	
2 4 IS		**Media and Publications**						
2_5_T		**Stakeholder Analysis**	3	Medium	6	Comms Dir	Deliver training and measure performance and behaviours	
2_6_GP		**Information Management**	4	Medium	8	CFO	Document and formalise procedures / processes hat comply with ISO15489.1 and 15489.2. Assign accountability to senior individual	
2_7_T		**Information Management Plan**	4	Medium	8	CFO	Develop and approve IM plan. Deliver training and measure performance and behaviours	
2_8_T		**Communication plan**	2	Low	2	Comms Dir	Review and update Communication plan	
	0	**3 Financial Policy and Procedures**						
3 1 GP		**Procurement**	3	Medium	6	CFO	Undertake the development of a procurement profile and document procurement strategies for major expenditure types	
3_2_T		**Corporate Procurement Plan**	3	Medium	6	CFO	Assign specific accountability for pro-active contract management and develop the appropriate procedures	
3 3 GP		**Travel and Accommodation**	2	Low	2	CFO	Review policies and procedures for improvements	
3_4_GP		**Engaging Contractors**	3	Medium	6	CFO	Achieve business practices and e hics that are true to the documented policy and process by undertaking training and awareness	
3_5_GP		**Fraud Mitigation**	2	Low	2	CFO	Review of policy/process/procedure to identify improvements	
3_6_GP		**Reporting**	2	Low	2	CFO	Review to iden ify improvements to reporting practises	
3_7_GP		**Asset Disposal**	1	None	0		None	
	0	**4 Operations Policy and Procedures**						
4_1_GP		**Roles and Responsibilities**	3	Medium	6	H.R. Manager	Update position descriptions	
4 2 GP		**IT and Systems**	3	Medium	6	H.R. Manager	Re-inforce expected business prac ices	
4_3_GP		**Occupational Health and Safety**	4	High	12	COO	Update O H & S Safety plan so that it meets Legislated requirements	
4_4_T		**Occupational Health and Safety Plan**	4	High	12	COO	Deliver refresher training and awareness based on updated O H & S safety plan	
4 5 GP		**Self Assessment**	1	None	0		None	
4_6_GP		**People Management**	4	Medium	8	CEO	Carry out individual performance reviews	
4 7 GP		**Privacy**	2	None	0		None	
4_8_GP		**Employee and Industrial Relations**	3	Low	3	H.R. Manager	Re-inforce expected business prac ices	
4_9_T		**Employee and Industrial Relations Plan**	2	Low	2	Chair of Board	None	
	0	**5 Project Management**						
5_1_IS		**Infrastructure Delivery Planning**						
5_2_T		**Infrastructure Management Plan**	5	High	15	COO	Develop SPV wide infrastructure delivery plan to ensure appropriate capability in the oversight and owner representative role	
	0	**6 Exit**						
6_1_IS		**Exit strategy framework**	0	0	0			
6_2_GP		**Company Wind-up Process**	0	0	0			
6_3_GP		**Transfer to Entity**	0	0	0			
10 to 15		Complete within 1 month	10 to 15	Red				
6 to 9		Complete within 3 months	6 to 9	Yellow				
2 to 5		Complete within 6 months	2 to 5	Green				