

# Governance Principles for South Australian State Sport Organisations



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Government of South Australia  
Office for Recreation and Sport

**be active.**



# purpose

The purpose of this document is to assist board directors, chief executive officers (CEOs) and managers of sporting organisations:

- develop, implement and maintain a robust system of governance that fits the particular circumstances of their sport
- provide the mechanisms for an entity to establish and maintain an ethical culture through a committed self-regulatory approach
- provide members and stakeholders with benchmarks against which to gauge an entity's performance.

# Introduction

Good governance practices are essential for any organisation to be able to function effectively.

The Office for Recreation and Sport (ORS) is committed to working with state sport and active recreation organisations to develop and pursue a philosophy of good governance and continuous improvement.

This document is one of a suite of resources developed to support boards to assess their performance and implement strong governance practices.

These updated guidelines are based on the *Sports Governance Principles and NSO Governance — mandatory requirements for ASC large partner NSOs* developed by the Australian Sports Commission (ASC) to ensure alignment within our federated sport system.

ORS has adapted the principles developed for National Sport Organisations (NSO), to ensure they are relevant to organisations operating at the state level within South Australia.

It is commonly accepted that governance structures have a significant impact on the performance of sporting organisations. Poor governance has a variety of causes, including director inexperience, conflicts of interest, failure to manage risk, inadequate or inappropriate financial controls and generally poor internal business systems and reporting.

Ineffective governance practices not only affect the sport where they are present, they also undermine confidence in the Australian sports industry as a whole.

The Sport Governance Principles advocate strengthening structures that support good leadership and decision-making to ensure sound and effective governance.

In keeping with best practice in Australian corporate governance, ORS believes a sporting organisation's board directors should operate and enact their roles following these major principles:

- Principle 1: Structure for Sport
- Principle 2: Board Composition and Operation
- Principle 3: Sport Transparency, Reporting and Integrity
- Principle 4: Governance Systems for Ethical and Responsible Decision-making
- Principle 5: Board Processes

Questions on matters in this document or the resources mentioned should be directed to the Industry Support Branch of the ORS on 08 7424 7729.

Alternatively, visit the ORS website [www.ors.sa.gov.au](http://www.ors.sa.gov.au)





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# What is Governance?

Governance is the system by which organisations are directed and managed. It influences how the objectives of the organisation are set and achieved, spells out the rules and procedures for making organisational decisions and determines the means of optimising and monitoring performance, including how risk is monitored and assessed.

Effective governance will support better decision-making, with the organisation demonstrating transparency, accountability and responsibility in the activities undertaken and resources expended.

Governance concerns four key elements:

1. How an organisation develops strategic direction and goals
2. How a board monitors the performance of its organisation to ensure it achieves these strategic goals
3. Effective systems in place to comply with legal and regulatory obligations
4. How a board ensures that it acts in the best interests of the organisation's members.

## The Importance of Governance in Australian Sport Organisations

In its new High Performance Strategy released in November 2012, titled *Australia's Winning Edge*, the Australian Sports Commission (ASC) noted that there was a compelling case for change in Australian sport, particularly to the governance of sport organisations.

The case was put that organisations managing public investment and member interests must have structures in place that reflect a greater level of professionalism. Good governance is a necessary condition for success at each level of the sport system.

In 2012, the ASC revised the *Sport Governance Principles* (the Principles), which are based on best practice in Australian corporate governance and incorporated learnings from reviews of a number of national sport organisations.

The ASC identified within the Principles that there are a number of elements that are **critical** to good governance and are reflected as non-negotiable requirements for selected NSOs in the ASC Mandatory Governance Principles document. This sub-set was determined to be non-negotiable requirements for selected NSOs to be eligible for full future funding from the ASC. A second document was produced to outline the requirements for large partner NSOs, titled *NSO Governance — mandatory requirements for ASC large partner NSOs*.

Sport in Australia operates as a system made up of separate legal entities which affiliate with each other for the purpose of competition, pathways for athletes, coaches and officials and the development of the sport. As the majority of sports operate as federated models it is important that each level adopts aligned governance principles to ensure consistency and common understanding of terminology and expectations.

## The position of the Office for Recreation and Sport

The Office for Recreation and Sport (ORS), on behalf of the Government of South Australia, supports the position of the ASC in relation to the expectations on governance development in funded state sport organisations.

This document presents updated Governance Principles for an association operating in South Australia as a state sport organisation. It now includes Key Principles that reflect the mandatory requirements identified by the ASC. These Key Principles are **critical** to good governance and achieving outcomes.

# What is Governance? *cont.*

To date, the Governance Principles have been promoted as guidelines and state sporting organisations (SSOs) were encouraged to comply with them on an 'if not, why not' basis. ORS will continue to encourage all SSOs to consider working towards implementation of all the Principles, but implementation of the Key Principles will be non-negotiable for nominated organisations receiving and seeking ORS funding.

Where an NSO has been requested to implement the Mandatory Sport Governance Principles by the ASC, ORS will require the affiliated state organisation to implement the required Key Principles in this document.

Other organisations that are in receipt of significant state government support (e.g. facilities, monetary funding or participation in an elite SASI program) may be asked to improve their governance practices and processes in accordance with the Key Principles.

ORS will provide assistance to SSOs to implement the required changes on a case-by-case basis. Where required, ORS will assess the risk that current governance arrangements represent. It will then agree on an implementation plan with each SSO, which will be reflected in individual SSO funding agreements. Implications for non-compliance will be clearly spelt out, including risks to funding.

Progress against the implementation plan will be considered as part of an assessment through an annual performance review process.

For smaller state organisations, commentary provided for the Key Principles identifies options for implementation that may be more applicable to their size and capacity.

## Implementation

It is recommended that a board consider using this document to review its governance structure and practices. On the ORS website there is a document that contains checklists a board can use to record its progress against implementation of these principles.

This document contains two types of principles:

- Key Principles – critical principles for success. Full implementation is expected of the targeted larger partner SSOs, while the commentary includes options for smaller SSOs.
- Principles not listed as Key Principles are recommended for all SSOs and many underpin the Key Principles.

ORS can provide access to an online self-assessment tool that the board can complete, and then discuss the results to check compliance against the principles.

From the evaluation and subsequent discussion the board can develop an implementation plan to guide it in its governance projects. This tool provides a report offering implementation strategies.

There are other resources that have been developed by ORS to support the governance projects that may come from this process:

- Board Director Resource Pack – details of governance practices to help a board work within these Governance Principles
- Template constitution prepared by ORS for state sporting organisations (SSOs). This 'best practice' document can be customised to meet the needs of each sporting body and includes provision to action the principles set out in this document.
- Risk Management Resource
- Fact Sheets on topics such as strategic planning.

These resources are available on the ORS website [www.ors.sa.gov.au](http://www.ors.sa.gov.au)

Although a board will not be required to submit anything to demonstrate compliance with the Governance Principles, it must have evidence of meeting the standards that it can provide if requested.

# Section 1: Structure for Sport

**Different sport organisations operate under different governance structures. While not requiring the adoption of any single model, ORS will discuss whether a sport's governance model is likely to enable it to achieve its core participation and high performance objectives in the most cost-effective fashion. Each structure should be documented with a clear delineation of the roles, responsibilities and powers of the board, management and each body involved. Further, there should be no overlap in the powers of any two bodies or individuals in a governance structure.**

## **Key Principle 1.1: Working towards a single state entity for all forms of the sport**

The aim of this principle is to have one entity responsible for the delivery of the sport from juniors through to high performance — with horizontal integration across sport disciplines.

### ***Commentary and guidance***

Sport reviews undertaken by the Australian Sports Commission recommended that a governing body should manage the entire pathway within the sport, from junior to senior and elite. Only a sport fully integrated in this fashion can plan strategically for the benefit of the whole sport and operate with optimal efficiency. Ideally, this should also flow down to regional bodies or clubs through aligned strategies, policies and programs.

At state level, it is recommended that the state sport organisation has a strategic plan and pathways documents covering all aspects of sport delivery in the state.

In some instances there will be more than one state body that delivers the sport and in this case it is recommended that these bodies work together through a whole-of-sport plan, a memorandum of understanding or joint initiatives to benefit participants as they move between the various elements or competitions.

There are also instances where some competitions or associations are not affiliated with the SSO. It is expected that the SSO will seek to build a working relationship with this group, with a view to incorporating it into the sport structure and strategy.

## **Key Principle 1.2: Alignment within the Federated Sport Model**

Where sports have a federated structure, all parts of the federation must demonstrate they are working in cohesion and adhere to a strategic direction set by the national entity to maximise the interests of the sport.

### ***Commentary and guidance***

To implement this principle, a state sport organisation will have objectives and a purpose aligned to those of its national body. This can be achieved by a state sport organisation ensuring the Objects in its constitution and the essence and pillars of the strategic plan align with those of the national sport organisation.

This is already a requirement for organisations funded by ORS through the Sport and Recreation Sustainability Program (SRSP). A funded SSO is required to lodge a copy of its strategic plan with ORS. This plan should clearly show links with its NSO.

It is recommended that the state body consider requiring its affiliated members to have aligned constitutions and strategic plans so they can operate as if they were one body working to deliver effective products and services to members and stakeholders.

ORS has templates for each level of sport within the state, which can be adopted to support alignment.

A number of large sports are developing a whole-of-sport plan that covers participation and high performance to drive the overarching objectives, which are delivered consistently and effectively by their member bodies. SSOs are encouraged to participate in any planning process of this kind and to deliver the whole-of-sport plan at state level.



# Section 1: Structure for Sport *cont.*

## Key Principle 1.3: The state body should be established as an incorporated association

*The Associations Incorporation Act 1985 (SA) remains the recommended form of legal structure for a state sporting body operating wholly within South Australia. This has been agreed to and is accepted by the ASC for an SSO.*

### Commentary and guidance

ORS requires organisations to be incorporated to receive funding under its grant programs. The form of legal entity must be recorded on myRecSport and updated when it changes.

An SSO that conducts business regularly outside of South Australia should give consideration to registering as a Registrable Australian Body.

More details of requirements that a board have under the Act and also information about the Registrable Australian Body are contained in the *Board Director Resource Pack* available from the ORS website.

It is recommended that the SSO, as a member of the NSO, should support the NSO becoming a company limited by guarantee, which is recommended by the ASC.

## Key Principle 1.4: Constitution formed to meet requirements of the Act

An SSO established under the *Associations Incorporation Act 1985 (SA)* should have a constitution that represents the following key sections:

- Interpretation – objects and powers
- Members — membership and meetings of members (general meetings)
- The board — powers (including delegations), election and appointment of directors, other roles (chief executive officer and public officer) and meetings of the board
- Reporting, recording and execution of association documents
- Accounts
- Auditors
- Indemnity and insurance of directors
- Winding up.

### Commentary and guidance

The constitution should be written in an unambiguous and succinct manner. It should not be overburdened with items that are better served in the organisation's by-laws or policies; these are usually items that can be expected to require changes and updates from time to time or are related to the delivery of the sport.

In these circumstances the board should, through by-law and policy development, be empowered to oversee and manage the issues.

The constitution should set out that the members' powers are to elect/dismiss the board, approve/amend the constitution and accept the financial accounts.

## Key Principle 1.5: Board structure supporting skilled directors, diversity and renewal

Each board should be structured to reflect the complex operating environment facing the modern sporting organisation. Normally, it is envisaged that a board will:

- Comprise between five and nine directors
- Have a sufficient blend of expertise, skills and diversity necessary to effectively carry out its role
- Ensure all directors are independent, regardless of whether they are elected or appointed
- Have the ability to make a limited number of external appointments to the board to fill skills gaps
- Be broadly reflective of the organisation's key stakeholders, but not at the expense of the board's skills mix and the organisation's objectives.

### Commentary and guidance

The number of directors on a board should reflect the size and level of activity of the organisation. ORS recommends a board with the necessary skills to carry out its governance role, rather than a representative board; board directors placed by virtue of another position, (e.g. a board of presidents).

# Section 1: Structure for Sport *cont.*

An effective board exercises independent judgement and understands and addresses current and emerging issues. It effectively reviews and challenges the performance of management.

Independent directors are those who:

- Are not appointed to represent any constituent body
- Are not employed by or have a significant business relationship with the organisation
- Do not hold any other material office within the organisational structure
- Have no material conflict of interest as a result of being appointed director.

Material conflicts include relationships with vendors or suppliers and employment within the organisation as CEO or senior staff.

On a state board, a board director holding a club-level official position, such as a president, or who is a representative of select groups (for example, umpires), could be seen to have a potential impediment to them thinking only of state-level requirements.

Refer to Key Principle 2.7, which discusses board skills mix.

External appointments (appointed directors) are appointments to the board who have not been elected by the constitutional members. These appointments are made at the discretion of the existing board to fill identified skills gaps and bring skilled individuals into the organisation, usually from outside of the traditional membership.

An external appointment should be used for a limited term (usually two or three years) to fill skill and expertise gaps on the board. After such time that director may stand for election to the board should he/she wish to continue to serve as a director.

The creation of a nomination committee can assist the board in developing and recruiting a broad range of skills and diversity among its directors (see Key Principle 2.2).

## **Principle 1.6: Membership has the authority to change the constitution**

Members of an organisation have the ability to change the constitution, should they see fit, and to remove board members (or a board as a whole) in accordance with applicable legislation.

### ***Commentary and guidance***

By law, members of an organisation have the right to remove the board and change the constitution as they see fit, as they are ultimately the owners of the organisation. There may be circumstances where certain arrangements restrict the members' capacity to make change; however, these arrangements should only be temporary in periods of instability and ultimate power should always return to the members.

## **Principle 1.7: Members elect the board**

Members of an organisation should elect the majority of the board of directors. In addition, when a vote is taken regarding a proposal or issues, a majority of votes will be required for it to be considered passed.

### ***Commentary and guidance***

Each sporting organisation should detail how individuals and/or organisations obtain membership. The constitution of the incorporated body will state the voting power of each member in this regard.

ORS recommends the following:

- A 'one member, one vote' policy be applied within sporting structures
- When a board is made up of appointed and elected directors, a majority of the board should be elected by the members.
- Votes taken at board or general meetings should be passed by a majority of directors/members and not be subject to a casting vote. This principle is based on the premise that if a majority cannot agree on an issue, then the issue should be forfeited.

# Section 1: Structure for Sport *cont.*

## Principle 1.8: Board directors are not voting members at General Meetings

Board directors should not have voting rights at general meetings.

### **Commentary and guidance**

When the membership of an organisation comprises other organisations, clubs or groups of individuals, board directors should not be eligible to vote at general meetings or annual general meetings. This ensures a clear separation between the 'owners' and the 'governors' of the organisation.



## Principle 1.9: Governance for amalgamation incorporates transitional arrangements

When two or more bodies are amalgamating, an interim board arrangement should occur so all parties are confident about the future direction and priorities of the amalgamated body.

### **Commentary and guidance**

In the interim arrangement, the board of the new organisation should include equal representation from the boards of the amalgamating bodies or representatives nominated by each of the amalgamating groups' stakeholders. This should be independently chaired and may include other independent directors.

This interim arrangement would operate for a finite period of time, at the end of which a new board structure as outlined in Key Principle 1.5, should be adopted.

The interim board will be able to establish strategic direction and governance practices and processes that will support the newly elected non-representational board.

The ASC and ORS encourage like organisations to look into the benefits of amalgamation to ensure that sustained competitiveness, efficiencies and economies of scale are achieved.



# Section 2: Board Composition and Operation

**The composition and culture of a board fundamentally impacts the operations of an SSO. Only a board operating under sound principles will be effective and thereby facilitate the success of the organisation.**

**In addition, a board should review the individual and collective performances of its directors and chair to ensure they are discharging their responsibilities against those in the organisation's objectives. Board and individual director development programs should be in place, including methods of dealing with non-performing directors.**

**An organisation's framework of governance should:**

- **Enable strategic guidance of an organisation**
- **Ensure the effective monitoring of management by its board**
- **Clarify the respective roles, responsibilities and powers of its board and management**
- **Define the board's accountability to an organisation**
- **Ensure a balance of authority so that no single individual has unfettered powers.**

## **Key Principle 2.1: Implement a staggered rotation system for board members with a maximum term in office**

### ***Commentary and guidance***

To support the rotation of board directors, organisations will include in their constitution provision for half of the board members to complete their term in one year, with the other half of the board ending their term in the alternate year. This allows for renewal, whilst maintaining corporate knowledge.

The term of service of board directors is generally two years with most organisations defining a maximum number of terms any individual can serve consecutively. The maximum length of time a board director serves consecutively to be no more than 10 years.

The template constitution developed by ORS for SSOs operating in South Australia includes provision for staggered rotation of board members and maximum terms.

## **Key Principle 2.2: Have a nominations committee**

*The nominations committee puts forward potential director nominations for vacancies upon which the members vote.*

### ***Commentary and guidance***

It is important that boards are comprised of directors with a variety of skills and experience and who act in the best interests of the organisation as a whole.

In large organisations a nominations committee should be formed. This committee is to have at least three people, which may be a combination of directors and external appointments. Any external appointees should be independent and have significant business, HR and governance expertise.

Directors who sit on this committee must stand down from the committee when they are nominating for the board.

Ideally, the committee would only comprise persons who are not directly involved in the management of the organisation; however, the CEO and human resources manager or equivalent should have standing invitations to provide relevant information where necessary.

The nominations committee should take prime responsibility for, but not be limited to:

- Reviewing the board's skills mix and identifying gaps
- Identifying potential directors for appointment to the board or to be put forward as preferred nominations for elections
- Reviewing director nominations and providing the members with the preferred nominees based on needs identified in the skills gap analysis.



## Section 2: Board Composition and Operation *cont.*

The nominations committee charter or terms of reference will clearly set out the committee's role, responsibilities, composition, structure and membership requirements. The committee should be given the necessary power and resources to meet its charter.

For a smaller SSO, the tasks of a nominations committee might also be undertaken by an existing governance committee.

All SSOs can address the principle of supporting nominations from skilled and experienced people by developing a skills matrix, identifying skills gaps and asking nominees to address their suitability to fill these gaps during the nominations process.

### **Key Principle 2.3: Have an effective audit and risk committee**

*Ideally, the committee will include at least one external and independent certified public accountant or chartered accountant.*

#### **Commentary and guidance**

An effective organisation must have a thorough system of audit and risk management, with internal and external processes including a committee to oversee this area.

The audit committee should take prime responsibility for, but not be limited to:

- Reviewing the organisation's annual financial accounts and recommending them to the board for approval
- Overseeing the relationship, appointment and work of external and internal auditors
- Reviewing compliance-related matters
- Overseeing the organisation's risk management framework
- Regularly reviewing the organisation's ongoing financial accounts, systems and delegations.

The audit committee charter or terms of reference will clearly set out the committee's role, responsibilities, composition, structure and membership requirements.

The committee should be given the necessary power and resources to meet its charter. This includes rights of access to management, and to auditors without management being present, and rights to seek explanations and additional information.

The audit committee should only comprise persons who are not directly involved in the management of the organisation; however, the CEO and chief financial officer (or equivalent) should have standing invitations to provide clarification where necessary.

The chair of the audit committee should be independent from the chair of the board.

Given the strong financial focus required in this area, management and board directors on this committee should have basic financial literacy that enables them to understand and actively challenge information presented.

For larger SSOs this should be supplemented by the inclusion of at least one external and independent certified public accountant (CPA) or chartered accountant.

If approved by the board, an audit committee can extend its mandate to include compliance and risk management.

Risk management is discussed in Principle 4.3.



## Section 2: Board Composition and Operation *cont.*

### Key Principle 2.4: Board chair elected by the board

#### **Commentary and guidance**

The chair is the chair of the board, not of the organisation. The leader of the organisation is the board itself, which acts collectively in the best interests of the organisation as a whole and govern on behalf of the members.

The chair facilitates discussion among, and provides leadership to, the board. It is important that the chair has the respect and confidence of fellow directors. As such, the board should select its own chair using criteria listed in the job description for this role, rather than having the role of chair allocated to a specific position, such as the president.

The board may appoint and work closely with a CEO, who manages the operations of the organisation and in most instances acts as the organisation's public figurehead.

Some sporting organisations have retained a member-elected president despite introducing a board-elected chair. In such instances, the president will typically hold certain responsibilities and act as a public figurehead.

ORS does not support this situation, as it creates an unnecessary duplication of powers. The CEO or the chair can readily perform the roles and responsibilities typically reserved for the president.

The template constitution developed by ORS for SSOs operating in South Australia contains provision for the board chair to be selected by the board. SSO constitutions should reflect this provision.

### Key Principle 2.5: Conduct an annual board performance evaluation process involving external input

The board should regularly review and assess its own performance and the performance of the individual directors, chair and board committees.

#### **Commentary and guidance**

Done well, board assessment can be an extremely productive process. A robust and successful assessment process will give the board:

- A balanced view of its performance, identifying the positive aspects of the board's operation and areas for improvement
- A benchmark against which the board can assess its collective and individual progress and performance
- The basis to establish agreed performance objectives for the board.

The process could include mechanisms such as external facilitators, assessment questionnaires and a workshop based on the findings.

The method chosen to undertake performance evaluation of a board will depend on the maturity of the board. A self-assessment process can be undertaken by the board as a group, or for individual director performance. A board comfortable with and experienced in performance evaluation may utilise a peer evaluation process or even have an external consultant review the board and its directors.

Additionally, feedback from management and key stakeholders enhances the comprehensiveness of any evaluation.

An effective board needs to monitor and evaluate its own performance annually and implement change as appropriate.

Many SSO boards assess their performance against the achievement of Strategic Plan goals, but this principle is concerned with group dynamics and adherence to function and policy.

Ideally, independent input into the evaluation as described above or through a member survey will offer insight to the board from external sources.

ORS can provide access to an online board evaluation tool. A board evaluation process must be visible to ORS.

## Section 2: Board Composition and Operation *cont.*

### **Key Principle 2.6: Implement mechanisms and processes to achieve consistent gender balance on boards**

There is strong evidence that diversity on boards leads to better corporate performance.

ORS's position is that each SSO should seek to achieve a target of a minimum 40 per cent representation for each gender.

#### ***Commentary and guidance***

This principle does not only relate to the number of females on a board, as the overarching desire is to have diversity. Boards that currently have a higher number of females will also benefit from gender balance.

Each sport reports the gender makeup of their board through myRecSport.

The achievement of gender balance at a particular point in time may not demonstrate that this is the norm. To meet this principle, ORS is seeking evidence that the SSO has in place strategies and plans for development, nomination and selection processes to ensure ongoing gender balance.

This principle does not require gender representation for SSO executive management positions, but organisations are encouraged to consider strategies to equally develop women and men in their organisation and in selection processes.

### **Key Principle 2.7: Board skills mix is appropriate to meet the strategic goals of the SSO**

This will include the ability for the board to appoint a minority number of directors to obtain an appropriate skills mix.

#### ***Commentary and guidance***

An SSO board should have a clear process to determine the skills mix of directors required to carry out its governance role at any point in time. An analysis of the strategic direction of the organisation can inform the skills mix discussion.

The board will list the skills of current elected directors and map them to the skills matrix, thus identifying skills gaps. It is important that SSO boards have the ability to appoint independent directors to address these skills gaps. This principle is linked to Key Principle 1.5.

The ORS template constitution provides for the appointment of independent directors by the board.

### **Key Principle 2.8: A CEO should not be appointed to a board immediately after leaving the role**

This stipulation applies for two years or for a period of time specified by the board.

#### ***Commentary and guidance***

A new CEO needs to be able to work freely to drive the sport forward. The presence of a former CEO on the board can inhibit the ability of the new CEO to implement any necessary change.

The restriction of the CEO joining the board after leaving the position can be time-bound (e.g. two years following a CEO's departure). ORS recommends a timeframe of two years as a minimum, matching the generally used term of service for board directors.

### **Key Principle 2.9: Implement a conflict of interest register, which is enforced**

#### ***Commentary and guidance***

This principle supports a board's ability to meet its legal obligation as an incorporated association to manage conflicts of interest.

Each board is required to have a conflict of interest policy outlining the processes that it will implement to ensure compliance with the Act. This includes a conflict of interest register and a process that governs a director's involvement in any matters with which they have a conflict of interest.

## Section 2: Board Composition and Operation *cont.*

It is recommended that the board consider minimising actual or perceived conflict of interest by implementing strong board recruitment and induction practices.

ORS encourages boards to consider requiring directors to relinquish official club or association positions, such as President whilst on the state Board. This may be more difficult to achieve for small organisations. The proper use of a conflict of interest register and process is the paramount consideration.

See Principle 2:13 for related information.

### **Key Principle 2.10: Conduct a minimum of five board meetings per year**

#### ***Commentary and guidance***

The optimal frequency of meetings will depend on the size of the organisation and its internal and external circumstances, including any specific issues the organisation needs to deal with at any given time.

ORS recommends that an SSO board should meet no less than five times per year, and as often as required.

Board and committee attendance rates for directors should be included in annual reports.

### **Principle 2.11: Powers placed with the board**

The powers to manage the governance of the association should be formalised, disclosed and placed in a board that has the authority to exercise all the duties of the organisation, except those that the Act or constitution requires to be exercised in general meeting.

#### ***Commentary and guidance***

ORS does not endorse a governance structure featuring both a board and another body, whereby this other body (usually called a council) assumes some board functions or authority.

The nature of matters reserved to the board and delegated to management depends on the size and complexity of the organisation. They are influenced by its tradition, culture and the skills of directors and managers.

To demonstrate implementation of the principle, the constitution should contain details of the powers vested in the board, with details of decision making, delegations and other governance policies in the by-laws and governance policy manual.

### **Principle 2.12: Directors understand the role of the board**

The board directors understand that the role of the board is to:

- Confirm the broad strategic directions of the organisation
- Appoint and manage the CEO, including professional development, evaluation, remuneration and dismissal
- Be accountable for the financial and non-financial performance of the organisation, including setting fees
- Ensure an effective system of internal controls exists and is operating as expected,
- Ensure that policies on key issues are in place and appropriate, and that these can be applied effectively and legally to those participants or persons for whom they are intended
- Develop a clearly articulated and effective grievance procedure
- Ensure financial and non-financial risks are appropriately identified and managed
- Ensure the organisation complies with all relevant laws, codes of conduct and appropriate standards of behaviour
- Provide an avenue for key stakeholder input into the strategic direction of the organisation
- Ensure regular director, board and chair performance evaluation and professional development.



## Section 2: Board Composition and Operation *cont.*

### **Commentary and guidance**

The board's primary responsibility is one of trusteeship on behalf of its stakeholders, ensuring that the legal entity, the organisation, remains viable and effective in the present and for the future.

The board's role includes determining the organisation's strategic direction, core values, ethical framework, key objectives and performance measures. A critical component of this role is the board's ultimate authority and responsibility for financial operations and budgeting, to ensure the achievement of strategic objectives.

### **Principle 2.13: Directors are clear about their role**

Board directors to understand the requirements of being a director, including (at a minimum):

- The fiduciary duty of directors to act in the interests of the members as a whole and not to represent individual constituents. Once elected, the board should have the ability to operate independently in the interests of the organisation as a whole, free from undue influence
- The legal duties of individual directors, including the requirement of directors to:
  - o act in good faith and for a proper purpose
  - o exercise due care and diligence
  - o ensure the organisation does not continue to carry on its business while insolvent
  - o meet the requirements of various other federal and state laws that directly impact on the organisation
- They are aware of a code of conduct or policy specifying the behaviour expected of directors (see Principle 4.9)

- They are aware of a conflict of interest provision that specifies:
  - o a director must disclose actual/potential conflicts of interest
  - o the process for disclosure of real or potential conflicts of interest
  - o a process that governs a director's involvement in any decisions with which they have a conflict of interest
  - o the requirement for a register of ongoing interest to provide a record of all potential conflicts
- They must declare any related party transactions on an official register
- They have a responsibility to complete an induction program and engage in continuing professional development and performance assessment.

### **Commentary and guidance**

The role of a director is one of the key components of the governance framework to ensure the accountability, transparency and contestability of the direction, performance and conformance of the organisation.

It is critical that new directors are appropriately inducted to a board and an organisation so they understand their role.

Directors should have appropriate personal qualities such as loyalty, honesty and the courage to ask tough questions. They should exhibit high ethical standards. Directors should embrace fairness, respect, responsibility and safety as key guiding principles of ethical behaviour.

The development of a document that outlines behaviour expectations, such as a board charter, code of conduct or board commitment letter, is recommended to ensure the directors are clear about and agree to meet these expectations.

## Section 2: Board Composition and Operation *cont.*

### Principle 2.14: An induction process to support directors

The board should ensure all new directors undergo an appropriate induction process.

#### **Commentary and guidance**

An induction process should ensure all directors have:

- An appropriate level of knowledge of the industry in which the organisation operates
- A clear understanding of the organisation's business operations
- A clear understanding of the organisation's financial circumstances
- A clear understanding of the organisation's strategy and direction
- A clear understanding of what is expected of the director in his/her role, including legal responsibilities
- High-level knowledge of the business risks that may affect the organisation's success
- Access to relevant background information.

A briefing session should be held at a later date to address any concerns or queries directors may have regarding the organisation.

In addition, each new director should receive:

- A letter of appointment outlining the requirements and expectations of the role
- A copy of the directors' and officers' insurance policies
- A copy of the constitution, board charter, governance policies, strategic plan and any other key governance documents.

Continuous education and professional development programs should be made available to directors as necessary.

The *ORS Board Director Resource Pack* contains guidance on developing and conducting an induction process for directors.

### Principle 2.15: Clear guidance for key roles

Documented job descriptions or charters for key roles in the governance system provide clarity about requirements and expectations.

The key roles or positions include:

- The board
- Chair/president
- Directors
- Public officer
- Chairs of board committees
- CEO.

#### **Commentary and guidance**

A letter of appointment should be provided to each of the key positions upon commencement. The letter will outline the responsibilities and expectations associated with each role.

For an organisation operating as an incorporated association, the public officer is appointed to ensure legal compliance requirements are met. Details of the role and requirements of the public officer are available on the Consumer and Business Services website [www.cbs.sa.gov.au](http://www.cbs.sa.gov.au)

### Principle 2.16: Clarity of the CEO's role in the governance structure

The CEO should not be a director of the board. This provides a clear separation of power between the board and management (see Principle 4.9).

#### **Commentary and guidance**

There must be a clear distinction between management and the board. The CEO of the organisation should not be a board member. However, it is good practice to ensure that the CEO is aware of, and present at, board meetings to provide information and advice to the board about the operations of the organisation, and to understand the direction provided by the board.

# Section 3: Sport transparency, reporting and integrity

**ORS has a leadership role in ensuring the integrity of sport as a sector and in effectively monitoring the performance of SSOs to ensure that taxpayer money is spent effectively. To do so, ORS requires that SSOs comply with a range of policies and practices as a condition of funding.**

**An effective system of reporting and performance management in an SSO includes:**

- **Comprehensive and complete financial accounts**
- **An audit committee to review and consider the accounts**
- **Ensuring the independence of the organisation's external auditors**
- **Directors and board committee members who:**
  - o **are knowledgeable**
  - o **well-briefed and informed**
  - o **have access to appropriate information or advice when required**
  - o **are provided with the opportunity for continuous improvement and education**
- **A board and director performance evaluation system**
- **Alignment of key performance indicators and the strategic objectives as outlined in the organisation's strategic and operational plans.**

## **Key Principle 3.1: SSOs should publish annual reports consistent with their legal requirements under the *Associations Incorporation Act 1985 (SA)***

In addition to reporting so as to meet legislative requirements, the board should provide members and key stakeholders with a comprehensive annual report so that they can make a judgement as to how effectively the board is fulfilling its role.

### **Commentary and guidance**

A board must provide members and key stakeholders with a comprehensive annual report containing information consistent with that required under the *Associations Incorporation Act*, in the same timeframe required of public companies.

For an incorporated association, this is a requirement of the Act for a prescribed association, which has an annual turnover over \$500,000. Even SSOs that are not required under the legislation to produce an annual report generally provide this report to their members at an AGM. The annual report contains the financial and other reports outlining the achievements for the year.

The annual report should outline:

- How the board fulfilled its governance roles
- How it achieved the strategic objectives and aspirations of the organisation
- Sufficient financial information.

ORS encourages SSOs to continue to produce the annual report for members as a form of transparency.

More information about prescribed associations is on the Consumer and Business Services website [www.cbs.sa.gov.au](http://www.cbs.sa.gov.au)

## **Key Principle 3.2: The board embeds a process to ensure that reports are submitted in a timely manner**

These reports will include:

- Financial accounts annually to ORS
- Grant reports as required under funding agreements
- Financial and high performance reports to their NSO
- Reports required under the Act for prescribed associations.

### **Commentary and guidance**

It is important that the board has in place mechanisms to ensure that any required reports are submitted.

In SSOs which employ a CEO, the preparation and submission of reports is usually delegated to the CEO.

The board is encouraged to consider mechanisms to monitor requirements and ensure that tasks required are completed

## Section 3: Sport transparency, reporting and integrity *cont.*

ORS requires SSOs to provide it with information on a timely basis to facilitate a comparative annual performance review (30 April of each year) and also so that ORS can effectively monitor the performance of SSOs against the outcomes set in funding agreements.

As part of their annual performance reviews, all SSOs will be required to provide copies of their consolidated financial accounts and any other information that ORS needs in order to assess the effectiveness of the organisation.

This is already a requirement for any organisation funded under the ORS Sport and Recreation Sustainability Grant program. These reports are to be uploaded into myRecSport.

SSOs are encouraged to ensure they set up processes to provide information to the NSO for the financial and high performance (HP) reporting required by the ASC, consistent with the *Australia's Winning Edge* new cross-sport reporting templates. These templates enable a greater degree of transparency around HP expenditure and enable the ASC to utilise data to provide comparative analysis to assist sports in investing and achieving efficiencies.

### **Key Principle 3.3: SSOs adopt rolling three-year strategic plans**

*These plans are to have clear and measurable targets and be accompanied by a detailed operating budget for the next financial year.*

#### **Commentary and guidance**

Sports must have a single overall three-year strategic plan (covering both participation and high performance), which is endorsed and implemented consistently and effectively by their member bodies. This plan should include measurable objectives and a detailed three-year forward financial model that is compared with historical financials.

This is already a requirement for any organisation funded under the ORS Sport and Recreation Sustainability Grant Program. These documents are to be uploaded to myRecSport.

Key performance indicators (KPIs) that are most relevant to a sport and by which its performance can be measured should be identified and trends shown within the strategic plan.

A detailed operating budget for at least the next financial year should also be included.

Key Principle 4.1 discusses setting strategic directions, including a strategic plan.

### **Key Principle 3.4: There should be full disclosure of administration expenses in a sport**

*Administration expenses should include compensation and associated expenses for top executives and all related transactions.*

#### **Commentary and guidance**

In an organisation owned by members and which receives substantial public funding, both members and taxpayers have a right to know how the organisation spends its money, thus allowing them to provide input into the effectiveness of expenditure.

SSOs should therefore fully disclose administration expenses for the organisation on a gross basis before any allocation of such expenses across functional activities. This should include full transparency on compensation and associated expenses of management.

This will enable stakeholders to understand the level of administration expenditure in the sport and the efficiency of the SSO in undertaking its operations. Any links from the CEO's compensation to the achievement of goals and KPIs identified in the sport's strategic plan should also be identified.

Adopting the *Standard Chart of Accounts* for financial reporting will assist an SSO to meet this principle.



# Section 3: Sport transparency, reporting and integrity *cont.*

## Key Principle 3.5: SSOs to sign up to national integrity measures on anti-doping and protocols for sports science

### Commentary and guidance

The ASC has a leadership role in ensuring the integrity of sport in Australia. To this end, and in light of recent events, the ASC is introducing new requirements relating to NSO board processes to ensure that appropriate integrity safeguards are in place. These include:

- Boards should adopt and observe the *Sports Science Best Practice Principles* promulgated by the Australian Institute of Sport (the largest employer of sports scientists in Australia)
- Boards should have in place proper investigation, supervision and reporting practices in relation to the sports science practices used in their sport. These should be either direct to the board or through no other person than the CEO. 'Don't ask, don't tell' will not be a satisfactory position for boards to adopt; they will have a positive obligation to inform themselves about sports science practices and to supervise them in a manner consistent with ASADA, ASC and Australian Government policies.

SSOs should agree to comply with the measures adopted by their respective NSO and to make any constitutional or other amendment to ensure that these can be enforced at a state level.

This is already a requirement for any organisation funded under the ORS Sport and Recreation Sustainability Grant program. These documents are to be uploaded into myRecSport.

## Key Principle 3.6: Auditors report

The full board of directors should meet annually with the external auditor to discuss the organisation's financial position and systems and any issues identified throughout the audit process.

### Commentary and guidance

This open and frank discussion allows directors the opportunity to receive further clarification of any particular issues to ensure they fully understand the financial operations and health of the organisation.

## Principle 3.7: Board to understand member interests

The board should strive to ascertain the interests, aspirations and requirements of members, and create responses to these in the form of a strategic plan that aligns with member plans.

### Commentary and guidance

Boards should have a process in place to report to and receive feedback from members. The quarterly general meeting of the membership is one of those mechanisms; others may be an annual strategic forum to review and update the strategic plan, advisory groups or even consultation with sections of the membership.

All members should embrace the strategic plan of the sport and work towards the achievement of its outcomes. In federated organisational structures, it is essential that member bodies are working towards a unified strategic document and are held accountable for their outcomes. A sport's strategic plan will form the basis of all local implementation outcomes and be developed with input and agreement from all stakeholders.



## Section 3: Sport transparency, reporting and integrity *cont.*

### Principle 3.8: Reporting on governance performance

That the board should provide members and key stakeholders with a comprehensive annual report outlining how it fulfilled the governance roles, and achieved strategic objectives and aspirations of the organisation. It should also give sufficient financial information so that members can make a judgement as to how effectively the board is fulfilling its role.

#### Commentary and guidance

The system of governance should ensure that timely and accurate disclosures are made on all material matters regarding the organisation, including governance, financial situation and performance.

It is not appropriate that these reporting documents are delayed. It is the board's responsibility to ensure the appropriate legal timeframes are met.

Disclosure should include, but not be limited to, material information on:

- Any legally required information as per the relevant Act
- The financial operating results
- The entity's strategic objectives and goals
- Members of the board and key management personnel, including board conflict of interest declarations
- Material foreseeable risks
- Material issues regarding employees and other stakeholders
- Governance structures and policies.

The annual report outlined in Key Principle 3.1 is one method of reporting related to this principle.



# Section 4: Governance systems for ethical and responsible decision-making

**Each organisation should have a comprehensive reporting and performance management system to ensure organisational effectiveness and efficiency. It is essential that directors are provided with timely and accurate financial accounts so effective decision-making can occur.**

**A board should demonstrate and actively promote ethical behaviour and decision-making within its organisation. Good corporate governance ultimately requires people with integrity and leadership to ensure that the reputation of an organisation is managed, protected and enhanced.**

**A board should ensure it exercises leadership, integrity and good judgement, always acting in the best interests of its organisation, demonstrating transparency, accountability and responsibility to its members and stakeholders.**

## **Key Principle 4.1: Strategic priorities identified, planned and monitored**

The board should determine the process it uses to oversee and develop its strategic direction, key objectives, performance measures, core values and ethical framework.

### **Commentary and guidance**

A strategic plan is a document designed to give the organisation direction in the short to mid-term (2-4 years). It takes into account internal strengths and weakness, external opportunities and threats to the organisation, and the strategies set up to address and build on these.

It is recommended that the process used to develop the strategic plan involves consultation with and input from stakeholders, members and affiliates and other interested parties. It is important that all key stakeholders are consulted to ensure strategies address the most pressing issues within a sport. Involving members and stakeholders in the process encourages ownership of the strategic plan, meaning they are likely to be willing partners in its implementation.

As detailed in Key Principle 1.2, it is important for the State Strategic Plan to be aligned with that of your National Organisation. The SSO should encourage alignment from its affiliated members.

Development of a process to monitor implementation of the strategic plan and regular reports to the members outlining progress and outcomes achieved is important for ongoing commitment to the strategic direction. An annual strategic forum with members and stakeholders to provide an update on progress and to review the plan is recommended.

ORS has a fact sheet on strategic planning that is available on the website [www.ors.sa.gov.au](http://www.ors.sa.gov.au)

## **Key Principle 4.2: Monitoring and evaluation**

The board should have an effective and efficient monitoring and evaluation system. This will include financial and non-financial monitoring. In particular, each board should monitor outcomes of the implementation of the strategies, as the basis for the evaluation of overall performance and reporting to members.

### **Commentary and guidance**

It is essential that the board's performance indicators are clear and concise and, more importantly, can actually be measured. They must be aligned to strategic objectives and comprise both lead and lag indicators where possible.

An organisation must also understand where it currently stands in relation to key performance indicators so a comparison can be achieved between past, current and future result targets.

# Section 4: Governance systems for ethical and responsible decision-making *cont.*

## Principle 4.3: Embed risk management in the organisation

The board should have an effective risk management strategy and process. This will require the board to take actions to identify key risks facing the organisation and ensure that risk management strategies are developed and actioned.

### ***Commentary and guidance***

It is essential that an organisation regularly reviews its risk exposure across all facets of the organisation. SSOs are required to conduct a process to evaluate risks within the organisation and the sport. A risk management policy and procedure and a risk register should be developed to cover broader organisational or strategic risks.

ORS has a resource available on its website to assist SSOs with assessing their risk exposure and compliance.

Standards Australia and Standards New Zealand have prepared a handbook titled 'Guidelines for managing risk in sport and recreation organisations' (HB 246:2010) in accordance with AS/NZS ISO 31000:2009. The purpose is to enable better understanding and application of effective risk management within the sport and recreation sector.

In line with HB 246:2010, an organisation should review the likelihood and impact of all possible incidents and assess the actions required to minimise, avoid or eliminate potential risks. Missed opportunities should also be part of risk assessment and evaluation.

In addition, some events or activities often require a specific and comprehensive risk assessment (for example, hosting a large sporting event). In this situation, a business case should be developed as part of normal risk management processes to assess the impact and potential outcomes of such an event.

This principle is related to Key Principle 2.3 and underpins Principle 4.5.

## Principle 4.4: Informed decision-making

Key decisions and actions should be based on a thorough review of all available information and be assessed against the organisation's risk management framework and strategic objectives. This assessment should be documented.

### ***Commentary and guidance***

When organisations embrace opportunities to expand or promote their sport, they should assess the opportunities against the risk framework and key strategic objectives of the organisation. There should be evidence of an evaluation of the benefits and risks prior to any key decision being taken by management or the board.

The organisation should have a one-year fully costed operational plan as well as a more strategic three- to five-year financial plan that, together, link its financial objectives with its strategic objectives.

It is critical that all directors understand and take their financial responsibilities on the board seriously. They must be able to comprehend, and challenge if necessary, the financial information presented to them by management.

It is critical that a board has detailed knowledge of the financial health of the organisation, as it is illegal for an organisation to trade while insolvent and the directors could be held personally responsible.





# Section 4: Governance systems for ethical and responsible decision-making *cont.*

The board should receive timely reports that are presented regularly (preferably monthly), including:

- Accurate financial statements that comprise:
  - o profit and loss statements
  - o balance sheets
  - o cash flow statements
  - o reports regarding material variances from the budget
  - o A budgeted versus actual expenditure report on a month- and year-to-date basis, as well as identifying the full-year budget
  - o Listings of all major outstanding debtors and creditors
  - o Bank reconciliations (including bank account evidence)
- Performance against the organisation's strategic objectives

## Principle 4.5: Business case development

The board should ensure that a business case is developed for each major project or significant event/activity prior to committing resources, and that the worst-case scenario has been evaluated and can be mitigated/managed by the organisation.

### Commentary and guidance

The development of a business case allows organisations to embrace opportunities to expand or promote their sport through a major event/activity. The business case is used to assess the ability of the organisation to sustain a worst-case scenario loss.

Given that most sporting organisations have very limited resources, the assessment of risk and opportunities is critical to their long-term viability.

Failure to develop business cases for major projects and events potentially leads to poor decision-making and lack of awareness of the various scenarios that may occur. Hence, all major events/activities should be fully costed and assessed for variations from budgeted figures, prior to the organisation committing scarce resources.

## Principle 4.6: Access to external advice

The board should ensure that directors and board committee members can access independent professional advice if required. This right should be appropriately protected with a deed of access or similar.

### Commentary and guidance

Board directors and board committee members should be entitled to:

- obtain independent professional or other advice
- obtain certain resources and information from the organisation.

The organisation should cover, on predefined terms, the cost of obtaining independent professional or other advice. The right to obtain secure, external advice, as well as certain resources and information from the organisation, should be documented and provided to directors and committee members.

## Principle 4.7: Documented separation of powers between board and management

Since ultimate decision-making power rests with the board, it should clearly document all delegations of authority to the CEO and other individuals, committees or groups. This document, or delegations register, should be regularly reviewed and updated. It should be the subject of a formal board resolution.

The governance structure should feature clear separation of powers and responsibilities between the board, the CEO and staff.

### Commentary and guidance

All authority rests with the board, which may delegate authority to any person or committee. The governance structure should ensure that individual directors, the CEO (or similar), their staff, board committees and management meetings hold no authority to act on behalf of the organisation by virtue of their position alone.

# Section 4: Governance systems for ethical and responsible decision-making *cont.*

Each such delegation should be clearly documented in a delegation manual or similar. Normally, there will be significant delegations to the CEO. Individual directors have no authority to participate in the day-to-day management of the entity, unless the board explicitly delegates authority.

To ensure the delegations document is not limiting and restrictive on the operations of the organisation, it is often better to articulate the limits of management authority as opposed to trying to articulate every possible approval item. This approach will provide a framework in which management can operate without unnecessarily burdening the board with items meant for management.

Delegations must also be documented to support the role of board committees. This can be included within the terms of reference document for these committees.

## Principle 4.8: Conduct regular CEO performance reviews

The board should develop and document a regular (annual/six-monthly) performance review process for the CEO.

### Commentary and guidance

While the detail of the CEO's performance review may be undertaken by the nominations and remuneration committee or another board committee, at some point in the process all directors should have an opportunity to review and comment on the CEO's performance.

Performance indicators for the CEO should be clearly linked to the strategic goals and objectives set by the board and should be measurable. In addition, the CEO should have performance measures linked to staff performance and key stakeholder relationships.

## Principle 4.9: Agreed expectation of conduct

The board should establish a code of conduct to guide directors, the CEO and other senior management regarding the:

- Practices necessary to maintain confidence in the organisation's integrity
- Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

### Commentary and guidance

The code of conduct should set out ethical and behavioural expectations for both directors and employees. It is critical that the board and senior management demonstrate, through their words and actions, absolute commitment to the code and stakeholders in its execution.

Adherence to the code should be periodically evaluated and action taken, when necessary.

## Principle 4.10: Board/management interaction defined

The board should develop a protocol outlining interactions between the board and management. This will normally include:

- Expectations regarding the use of a board member's networks/contacts
- Expectations regarding provision of advice to the CEO and management
- A protocol for individual directors to acquire all information required for decision-making and control.

### Commentary and guidance

The relationship between management and the board is critical and must be supported by a clear segregation of responsibilities. The board must be in control at all times; however, management must be accountable, operate with delegated authorities, have appropriate levels of skills and perform against the established key performance indicators.

## Section 4: Governance systems for ethical and responsible decision-making *cont.*

Directors should not approach management directly, but rather should channel all additional information requests through the chair and CEO, unless specifically approved within the protocols.

There should be two levels of policy making: board-level policy and operational policy.

Board-level policy should include:

- Strategic policies that define the outcomes sought from all operational effort
- Governing process policies that define the board's own operating practices
- Board/chief executive relationship policies that define the nature of the board's relationship with the chief executive (or management)
- Operational limitations policies that define the limits of the chief executive's freedom to act.

The CEO should develop operational policy.

When an organisation does not have a CEO or equivalent position, either paid or unpaid, management and operational tasks may be delegated to a range of people, including board members or committees. In this case, directors must ensure that they separate their strategic board roles and responsibilities from their individual operational responsibilities. This can be achieved by separating board meetings from management meetings.

To continually improve, performance evaluation should be systematic and occur at least bi-annually.

The result of a performance evaluation should be linked to professional development opportunities provided to the board.

### Principle 4.11: Insurance cover provided for board directors and officers

The board should ensure its officers and directors have appropriate insurance cover.

#### Commentary and guidance

It is essential that all directors and officers have the appropriate liability and indemnity cover no matter what the purpose or structure of the organisation (for example, not for profit). Once an organisation starts incurring debts and liabilities, directors are potentially liable for any losses incurred.



# Section 5: Board Processes

**Each board should agree to and document a clear set of governance policies and processes to facilitate effective governance. These processes should reflect best practice and be subject to regular review.**

**An effective board meeting should have the following attributes:**

- **A capable chair, with meetings held regularly and attended by appropriate personnel**
- **Board papers for every item provided in advance so directors are informed and well-prepared**
- **Clear, timely and accurate recording of decision-making and communication of outcomes to stakeholders.**

## **Principle 5.1: That the board should document its meeting process**

Normally this will include:

- Legal requirements
- Decision-making approach (consensus versus voting) and voting rights of attendees
- Protocol/s for meeting conduct and director behaviour
- Logistical details such as meeting frequency, meeting location, timing of meetings, attendees, etc.

### **Commentary and guidance**

The legal requirements in regard to meetings include such items as the official number of directors required to ensure a quorum, the amount of notice required for calling a meeting, and other such requirements as specified in an organisation's constitution.

The frequency of meetings will depend on the size of the organisation and the internal and external circumstances, including any specific issues the organisation needs to deal with at any given time.

A sport organisation board should meet no less than five times per year and often as regularly as monthly. The schedule of dates for board and committee meetings should be agreed to in advance.

## **Principle 5.2: That the board should prepare an agenda for each meeting**

In addition, the board should agree how the agenda will be developed and the items for regular inclusion.

### **Commentary and guidance**

The governance policy should outline the process for establishing the agenda for each board meeting.

Generally, the chair oversees the development of the agenda and board papers.

It is essential that the board ensures meetings adhere to pre-agreed timeframes and that adequate time is given to each agenda item. It is also essential that the board ensures agenda items are linked to the strategic objectives of the organisation and that there is an alignment between the reporting from management and the key performance indicators that have been approved by the board.

The board's agenda should reflect the organisation's strategic objectives. It is recommended that a board regularly reviews its strategic priorities to ensure that it maintains its competitive advantage and is clear about its management's focus.





# Section 5: Board Processes *cont.*

## **Principle 5.3: That board meetings should have appropriate documentation**

Reports, information and issues submitted to the board should be in an appropriate and agreed form (a board paper) and be circulated sufficiently in advance of the meeting. The board should maintain a clear record of decisions made through an appropriate and agreed minuting process.

### ***Commentary and guidance***

The governance policy should determine timing with regard to receiving board papers in advance and, where appropriate, the length, format and detail required in the board papers.

Minutes should be an accurate record of discussions held and should be distributed in a timely manner, usually within a week of the meeting. These should be agreed by the board and outcomes communicated to stakeholders, again in a timely manner.

## **Principle 5.4: Board to have access to information so it can execute its role**

The board should be provided with all relevant information on an issue to enable proper execution of directors' duties. The board, or any individual board member, should also have the right to request, through the CEO, any additional information from management if required.

### ***Commentary and guidance***

The governance policy should state in what circumstances and how board members should go about accessing external or additional information in relation to board papers. For example, a director may wish to receive additional financial reports to enable them to effectively carry out their duties.

## **Principle 5.5: That the board should plan its key annual activities**

The activities should be developed into a corresponding board calendar/work plan.

### ***Commentary and guidance***

The board calendar/work plan should include major annual activities for the board agenda, such as budget approval, strategy review, CEO evaluation and the annual general meeting.

The board should also develop an annual board plan that sets key performance criteria for the coming year that tie in with the strategic objectives of the organisation.

## **Principle 5.6: That the board and each committee established by the board should have terms of reference or a charter**

The terms of reference or charter should include, at a minimum:

- Board/committee purpose
- Authority delegated to the board/committee
- Board/committee composition, including the appointment of a chair
- Reporting requirements
- Delineation of the role of the board/committee and the role of management.

### ***Commentary and guidance***

Board committees are an effective way to distribute the work between the directors and allow more detailed consideration of specific matters.

The number of board committees and their size and mix will vary from organisation to organisation, depending on the size, complexity and challenges the board faces.

Sporting organisations should consider the need to have board committees. Examples of board committees are audit and risk, nominations and remuneration, selection, and technical committees. The functions and importance of an audit committee was discussed in Key Principle 2.3.

Not all committees need to report directly to the board; some committees such as selection and technical committees can report through senior management and the CEO.

Committees should exist for a specific purpose and not merely because they always have.



# Glossary

<b>Appointed director</b>	A person who is on the board of directors of an organisation by virtue of being appointed by the board for a set period of time.
<b>Board</b>	The official group of people (directors) empowered through the constitution to oversee the running of an organisation.
<b>Company limited by guarantee</b>	A company formed on the principle of having the liability of its members limited to the respective amounts that the members undertake to contribute to the property of the company if it is wound up.
<b>Deed of access</b>	A formal instrument for companies to enter into agreements with their directors relating to access to documents, rights of indemnity and insurance.
<b>Director</b>	A person who is on the board of directors of an organisation either by being elected or appointed to the board.
<b>Elected director</b>	A person who is on the board of directors of an organisation by virtue of being elected by the members of the organisation.
<b>Independent director</b>	A person who has no direct links, perceived or real, to any official position within the organisation or its directly related member bodies.
<b>Legal compliance</b>	Adherence to the various laws and statutes that govern the operations of the organisation by virtue of the activities that it is involved in.
<b>Material variances</b>	A variance that, by virtue of its size or impact, would materially change the result or outcomes for an organisation had it not been adjusted.
<b>Members</b>	Those persons, clubs or associations, which by virtue of fulfilling the conditions stated in the constitution, belong to or 'own' the said sporting body.
<b>National sporting organisation (NSO)</b>	The organisation recognised by government and the majority of playing participants as the national representative for that sport.
<b>Organisation</b>	A collection of persons, clubs or associations registered as an incorporated association or company limited by guarantee.
<b>State sporting organisation (SSO)</b>	The organisation recognised by government and the majority of playing participants as the state representative for that sport.
<b>Regional sporting organisation</b>	The organisation tasked with operating the sport in regional areas of the state.





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be active.