Excellence in Governance for Local Government
Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>1</td>
</tr>
<tr>
<td>Preface</td>
<td>2</td>
</tr>
<tr>
<td>Executive summary</td>
<td>3</td>
</tr>
<tr>
<td>1 Introduction</td>
<td>4</td>
</tr>
<tr>
<td>2 How can this manual be used?</td>
<td>4</td>
</tr>
<tr>
<td>3 What is local government?</td>
<td>4</td>
</tr>
<tr>
<td>3.1 What is local government?</td>
<td>4</td>
</tr>
<tr>
<td>3.2 Functions of local government</td>
<td>5</td>
</tr>
<tr>
<td>4 Why is excellent governance important?</td>
<td>5</td>
</tr>
<tr>
<td>5 Principles and practices for excellent governance</td>
<td>6</td>
</tr>
<tr>
<td>6 Principle 1 - Culture and vision</td>
<td>6</td>
</tr>
<tr>
<td>6.1 Culture</td>
<td>6</td>
</tr>
<tr>
<td>6.1.1 Principle</td>
<td>6</td>
</tr>
<tr>
<td>6.1.2 What does a positive culture look like?</td>
<td>6</td>
</tr>
<tr>
<td>6.1.3 Why is a positive culture important?</td>
<td>8</td>
</tr>
<tr>
<td>6.1.4 How is a positive culture achieved?</td>
<td>8</td>
</tr>
<tr>
<td>6.2 Vision</td>
<td>8</td>
</tr>
<tr>
<td>6.2.1 Principle</td>
<td>8</td>
</tr>
<tr>
<td>6.2.2 What does a clear and owned vision look like?</td>
<td>8</td>
</tr>
<tr>
<td>6.2.3 Why is a clear and owned vision important?</td>
<td>8</td>
</tr>
<tr>
<td>6.2.4 How is a clear and owned vision achieved?</td>
<td>8</td>
</tr>
<tr>
<td>7 Principle 2 - Roles and relationships</td>
<td>9</td>
</tr>
<tr>
<td>7.1 Roles</td>
<td>9</td>
</tr>
<tr>
<td>7.1.1 Principle</td>
<td>9</td>
</tr>
<tr>
<td>7.1.2 What are the key roles in local government?</td>
<td>9</td>
</tr>
<tr>
<td>7.1.3 Why are understanding and agreement about roles important?</td>
<td>10</td>
</tr>
<tr>
<td>7.1.4 How are understanding and agreement about roles achieved?</td>
<td>10</td>
</tr>
<tr>
<td>7.2 Working relationships</td>
<td>11</td>
</tr>
<tr>
<td>7.2.1 Principle</td>
<td>11</td>
</tr>
<tr>
<td>7.2.2 What are these relationships?</td>
<td>11</td>
</tr>
<tr>
<td>7.2.3 What are the most important relationships?</td>
<td>11</td>
</tr>
<tr>
<td>7.2.4 Why are effective relationships important?</td>
<td>12</td>
</tr>
<tr>
<td>7.2.5 How are effective relationships achieved?</td>
<td>13</td>
</tr>
<tr>
<td>8 Principle 3 - Decision making and management</td>
<td>13</td>
</tr>
<tr>
<td>8.1 Decision-making</td>
<td>13</td>
</tr>
<tr>
<td>8.1.1 Principle</td>
<td>13</td>
</tr>
<tr>
<td>8.1.2 What does an effective decision-making process look like?</td>
<td>13</td>
</tr>
<tr>
<td>8.1.3 Why is an effective decision-making process important?</td>
<td>14</td>
</tr>
<tr>
<td>8.1.4 How is an effective decision-making process achieved?</td>
<td>14</td>
</tr>
<tr>
<td>8.2 Financial management</td>
<td>15</td>
</tr>
<tr>
<td>8.2.1 Principle</td>
<td>15</td>
</tr>
<tr>
<td>8.2.2 Role of councillors</td>
<td>15</td>
</tr>
<tr>
<td>8.2.3 Role of administration</td>
<td>16</td>
</tr>
<tr>
<td>8.2.4 Key roles of the chief financial officer (CFO)</td>
<td>16</td>
</tr>
<tr>
<td>8.2.5 Summary of overall issues – mainly for councillors</td>
<td>17</td>
</tr>
<tr>
<td>8.3 Risk management</td>
<td>19</td>
</tr>
<tr>
<td>8.3.1 Principle</td>
<td>19</td>
</tr>
<tr>
<td>8.3.2 General discussion</td>
<td>19</td>
</tr>
<tr>
<td>8.3.3 Key issues</td>
<td>19</td>
</tr>
<tr>
<td>8.4 Delegations</td>
<td>20</td>
</tr>
<tr>
<td>8.4.1 Principle</td>
<td>20</td>
</tr>
<tr>
<td>8.4.2 Background</td>
<td>20</td>
</tr>
<tr>
<td>8.4.3 Guidelines</td>
<td>21</td>
</tr>
</tbody>
</table>
9 Principle 4 - Accountability

9.1 Accountability

9.1.1 Principle

9.1.2 What does it mean to be accountable and how does it show?

9.1.3 Why is accountability important?

9.2 Performance management

9.2.1 Principle

9.2.2 General discussion

9.2.3 Key elements of a performance management system

9.2.4 Council/chief executive officer performance management issues

9.3 Independent review

9.3.1 Principle

9.3.2 Audit committees

9.3.3 Internal audit

9.4 Consultation

9.4.1 Principle

9.4.2 General discussion

9.4.3 Key elements of a consultation process

10 Conclusion

11 Glossary

12 Useful references

13 Acknowledgements

14 Self-assessment tool
Foreword

The importance of having a robust governance framework has been demonstrated through major corporate collapses, both in Australia and overseas. Good governance is not just the domain of large corporations, it is fundamental to the operations of the public and private sectors.

Local government plays a vital role in the Australian political system and community. This national manual is designed to help mayors, councillors and senior management to quickly and easily assess their governance performance and management practices. Governance principles such as culture and vision, roles and responsibilities, decision-making and management, and accountability are explored. The manual is not prescriptive, it is principles-based. Its aim is to enable local governments to question and design governance practices to meet their specific needs and circumstances.

The manual can be adapted for use as part of an induction kit for new councillors, to determine responsibilities among elected members, and/or review specific projects. A self-assessment tool (see section 14) will give councils a snapshot of their current governance performance and assist with the development of plans to build on existing work-place practice.

I would like to thank the many councils, local government associations, government departments and individuals who contributed to the consultations on this manual. I would also like to acknowledge the work of CPA Australia’s Public Sector Centre of Excellence whose vision drove the development of the guide.

I trust this manual will be of assistance to councils across Australia in their endeavours to build on best practice and achieve excellence in governance.

Greg Larsen FCPA
Chief Executive
CPA Australia
The Australian local government sector is one of the world’s best. This is largely due to the considerable reforms and changes in practices that have been undertaken over the last two decades. It exhibits levels of professionalism, accountability and transparency that are the envy of many jurisdictions. This is not to say that there isn’t opportunity for improvement. Indeed, it is the constant search for improvement that has led to the highly functional and robust local government system we enjoy in Australia.

It is against this background that Local Government Managers Australia (LGMA) is delighted to join with CPA Australia in the production of this important manual. While there are many individual and regional examples of excellence in governance for local government supported by guiding documentation, this inaugural manual will make a significant contribution to our sphere of government and is sure to become a standardised reference point for all local government practitioners. More than that, it will engender ongoing discussion and engagement on this fundamental issue.

I commend CPA Australia for initiating this work and I commend this manual to all local government officers and elected representatives.

Paul Arnold, FLGMA, FCPA
National President
Local Government Managers Australia
Executive summary

Governance is about how organisations go about achieving their goals and producing their outputs (section 1). Excellence in governance occurs when governance is underpinned by accountability, integrity and openness.

This manual has been developed to assist and support councillors and local government officers to achieve excellence in governance. It is aimed at a national audience and recognises that the relevant legislation varies between the different states and territories.

The manual focuses on broad principles that can be applied by individual local governments to their own situations (section 2) and it shows how excellence in governance can be achieved in local government. This level of government is unique, with characteristics that do not exist in other levels of government, nor in the corporate or non-government sectors. Accordingly, local government needs to develop its own approach to achieving integrity, accountability and openness (section 3).

Excellence in governance is important because it:

• underpins the level of confidence that people have in governments and the public services;
• effects the quality of outputs;
• is a value-added activity;
• ensures that governments meet their legislative responsibilities; and
• it is a strong reminder of the ultimate accountability of the government to the community it serves (section 4).

The manual is predicated on a number of principles and practices to assist councils achieve excellence in governance. The principles espoused in this manual are intended to make governance, in the challenging local government environment, more manageable (section 5).

The four key principles to achieve excellence are identified below.

• Principle 1 – Culture and vision. A positive culture and a clear and owned vision and accompanying strategies (section 6)
• Principle 2 – Roles and relationships. An acceptance of the different roles of the various elements of a local government and positive working relationships between these elements (section 7)
• Principle 3 – Decision-making and management. Effective decision-making and related management processes that reflect transparency and accountability (section 8)
• Principle 4 – Accountability. The need for local governments to account for their activities and have systems in place which support and reinforce this accountability (section 9)

The self-assessment tool is included to provide a basis for councils to assess and develop further their governance practices. It can also be used as a mechanism for continuous improvement. It is intended to complement similar tools which have been developed within different states (section 14).
1 Introduction

Governance is the process by which decisions are taken and implemented; the process by which organisations go about achieving their goals and producing their outputs and the process by which organisations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, values and culture within the organisation.

Excellence in governance occurs when it is underpinned by accountability, integrity and openness. It involves a focus on clarity of roles and responsibilities, robust systems which support both internal and external accountability and public access to decision-making and information.

Recent events, particularly in the corporate sector, have emphasised the importance of the principles which underpin excellence in governance. They have also demonstrated the consequences for the enterprise, its stakeholders and society when governance breaks down.

Excellence in governance is a value-adding factor in that it streamlines and improves the clarity of operations and communications, which benefits all stakeholders. It increases the possibilities of an organisation’s objectives being achieved efficiently and effectively.

CPA Australia acknowledges local government’s vital role in the everyday life of Australians and the Australian political system. It seeks to support that role by promoting excellence in governance within local governments.

2 How can this manual be used?

Excellence in Governance for Local Government details the principles that will enable local governments to assess their own standards of governance and highlights those areas that require further consideration. It includes checklists and suggestions for understanding, assessing and improving the governance practices of a local government in a whole organisation context. It is designed as a handy reference tool rather than a generic prescription.

It has been developed to assist and support councillors and senior managers throughout local government in Australia. CPA Australia is conscious that excellence in governance has been addressed in a number of different states and a number of very useful publications exist. This manual is intended to complement these publications at a generic level and focus on broad principles that can be applied by individual local governments in their own particular circumstances.

Possible uses of this manual
- As an induction manual for incoming councillors and staff
- To form the basis for allocating responsibilities amongst councillors (or across the administration)
- For review of the performance of the council and/or administration
- To gain awareness of the principles of governance
- As a basis for workshops to explore improvements in governance
- To review specific programs, projects or activities

3 What is local government?

3.1 What is local government?

Local government is established under the various state local government acts as the third level of government in Australia. Local governments have legislative responsibility for many functions and activities that are relevant to a local region. As the level of government often seen as ‘closest’ to the population, local governments’ activities relate to matters that are fundamental to people’s lives and impact strongly on their quality of life.

Basic local government legislation

NSW: Local Government Act 1993, No 30
NT: Local Government Act (as in force October 2004)
QLD: Local Government Act 1993
SA: Local Government Act 1999
TAS: Local Government Act 1993
WA: Local Government Act 1995
VIC: Local Government Act 1989

Note that in each state, there are a number of other local government acts addressing specific issues

Local governments are made up of two arms: a council, consisting of elected councillors and an administration, consisting of management and employees. Councillors are only able to exercise authority as council after they have been formally inducted and when they meet formally as council. Decisions must be made at the council meeting or through delegations (to officers or council committees) that are formally made by the council, in order to be legally valid.

The administration is formally accountable to council through the chief executive officer (CEO). Its role is to advise council, implement council decisions and administer the services that the local government provides for its community. The formal delegations made by council to members of the administration ensure these are undertaken with appropriate legal authority.

---

1 This discussion on governance has been informed by work undertaken by the Australian National Audit Office (see reference list).
11 Glossary

In this manual, the following terms are used with the attached meanings.

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) local government</td>
<td>The institution consisting of the councillors and the administration of a municipality</td>
</tr>
<tr>
<td>Administration</td>
<td>The employed staff of a local government, headed by the chief executive officer</td>
</tr>
<tr>
<td>Chief executive officer (CEO)</td>
<td>The most senior officer in the administration. He or she is directly accountable to the council. This position is also known as a general manager in some states.</td>
</tr>
<tr>
<td>Chief financial officer (CFO)</td>
<td>The most senior position in the organisation with direct responsibility for financial management. The position may be titled director corporate services, finance director or something similar.</td>
</tr>
<tr>
<td>Community</td>
<td>The entire population of a municipality. It could be extended to those who work in, or visit the municipality for recreational or similar reasons.</td>
</tr>
<tr>
<td>Council</td>
<td>The councillors sitting formally as council under the various state local government acts</td>
</tr>
<tr>
<td>Council plan</td>
<td>The overall strategic plan for the municipality. It has a duration of three or four years and is a legislative requirement under the various state local government acts</td>
</tr>
<tr>
<td>Councillor</td>
<td>An elected representative of a local government. The term alderman is also used in some states</td>
</tr>
<tr>
<td>Local government</td>
<td>A term to describe the third tier of the Australian political system (federal and state being the first and second).</td>
</tr>
<tr>
<td>Mayor</td>
<td>A councillor who is elected, by his or her fellow councillors, or the electorate as leader of the local government for a term of office as contained in the various local government acts. The term (shire) president is used in some states</td>
</tr>
<tr>
<td>Municipality</td>
<td>A local government area as defined by its boundaries</td>
</tr>
<tr>
<td>Officer</td>
<td>An employee of the administration</td>
</tr>
</tbody>
</table>
3.2 Functions of local government

Local government has broad roles as defined by the different state and territory acts. The terminology used in the acts varies between states and territories, but the fundamental meaning is similar. That is, the primary role of local government is to provide good governance for its municipality.

For instance, the first four clauses of S.20 (1) of the Tasmanian Local Government Act (1993) read as follows:

(a) ‘To formulate, implement and monitor policies, plans and programmes for the provision of appropriate services and facilities to meet the present and future needs of the community;
(b) To facilitate and encourage the proper planning and development of the municipal area in the best interests of the community;
(c) To manage, improve and develop efficiently and effectively the resources of the council; and
(d) To develop, implement and monitor strategic plans for the development and management of the municipal area.’

These represent a broad-ranging mandate to do what is within the powers of a local government to benefit its community. They are fairly typical of the provisions which exist in the acts of other states and territories.

In order to fulfil their roles, local governments undertake a number of functions which include:

- providing community leadership;
- ensuring the delivery and quality of relevant services;
- developing and enforcing local laws;
- planning and monitoring the achievement of these plans;
- administering and enforcing relevant legislation of other levels of government;
- representing and advocating on behalf of their communities;
- developing and implementing policy; and
- prudently managing the community’s assets.

4 Why is excellent governance important?

Excellent governance is important in the public sector generally and in local government particularly because:

- **It underpins the confidence that people have in their governments and public services.**
  Governments and public services that are accountable, open and act with integrity, will earn the confidence of the public. The capacity of governments to meet the needs of their communities has come under pressure in the last two decades, because of general trends towards globalisation, small government and pressures to cut taxes. This has in turn affected the attitudes people have towards their governments, with a level of cynicism being apparent. This trend needs to be reversed. Governments need to demonstrate that they are working in the interest of their stakeholders and should encourage participation and engagement. People need to feel confident that government has an ethical basis for its activities.

- **It affects the quality of outputs**
  Excellence in governance results in better planning, decisions, and implementation. In turn, better outcomes are achieved. A governance culture that emphasises openness, integrity and accountability is more likely to know what is in the best interests of its stakeholders and to ‘get it right’ more often.

- **It is a value-adding activity**
  An organisation that practises excellence in governance is more likely to be productive, efficient and effective. It will feature good advice to decision-makers, more productive and engaged staff and better use of resources. Excellence in governance will lead to better results.
  Excellence in governance will also improve the capacity of an organisation to reform itself. An organisation which is open to new ideas, prepared to innovate and is truly in touch with the needs and expectations of its stakeholders is more likely to be able to take advantage of new opportunities and ideas.

- **It ensures that local governments meet their legislative responsibilities**
  Excellence in governance incorporates adherence to legislative requirements. This will assist local governments to fulfil their functions and responsibilities and minimise any risks to stakeholders arising out of non-compliance.

- **It is a strong reminder to the government and the public sector that they are ultimately accountable to the community they serve**
  The principles underpinning excellence in governance constantly remind government and public sector organisations about why they exist. That is, to serve their particular communities. How well they meet that responsibility is the measure of their success.
  Key systems including financial and performance management underpin accountability to the public. These provide the basis for the reporting which demonstrates the accountability.
5 Principles and practices for excellent governance

The pursuit of excellent governance in local government needs to take into account the challenging environment of local government. Local government is a very pure form of democracy in which individuals are elected as councillors on the basis of individual platforms that they have put to their electorates. Once elected, councillors have to find ways of working together in the interests of the whole municipality, while remaining accountable to their electorate and all other stakeholders.

The local government tier does not have the conventions and structures, such as the Westminster convention, that have been developed over time to make governance more manageable. It doesn’t have governments or oppositions, party platforms to which at least the majority are committed, speakers, elected leaders with executive authority, or support staff directly accountable to elected representatives. The mayor is the leader of all councillors, not just the majority and all councillors are accountable for the decisions the council takes whether they agree with them or not.

In such an environment, excellence in governance needs to be based on a number of principles and practices that emphasise clarity of goals, ownership of processes, opportunity to participate, goodwill, roles, relationships and accountability. These principles and how they apply in local government are outlined in the next four sections of this manual.

6 Principle 1 – Culture and vision

6.1 Culture

6.1.1 Principle:

There is a positive culture that promotes openness and honesty, in which questioning is encouraged and accountability is clear.

6.1.2 What does a positive culture look like?

Organisational culture includes the written and unwritten rules that shape and reflect the way an organisation operates. It incorporates the shared values and beliefs that enable members of an organisation to understand their place in the organisation, its norms and how it operates. It also helps members of the organisation understand what is expected of them.

A positive culture promotes openness and honesty, makes accountability and responsibility clear and encourages debate on important issues.

An organisation seeking excellence in governance should have the following elements in its organisational culture:

• Support for frankness, honesty and questioning
  Councillors should debate and determine issues openly and honestly. Staff members should be encouraged to provide frank and fearless advice to senior management. Senior management should provide similar advice to council and councillors.
  Full and frank discussion within the organisation should be encouraged, without fear of reprisal or similar consequences.
  Organisations should guard against ‘groupthink’ in which certain opinions and approaches are regarded as sacrosanct and not open to question.

• Innovation
  The organisation should be willing to consider new and better ways of going about its business in the achievement of its goals. Innovation though needs to be assessed critically by using appropriate risk management and other analysis.

• Effective management structures and practices
  Each organisation should develop a management structure that meets its particular goals and needs. However, any management structure should be characterised by efficient and effective use of human resources and clear accountability. That is, it is clear externally and internally, which positions are accountable for which outcomes.
  Management practices should reinforce accountability and outcomes and incorporate the nurturing of people’s capacities to do their jobs. They should not be dictatorial or autocratic.
• **Good communication**
  Organisations should have effective communications policies and practices, internally and externally. Good communication should be part of the organisational culture – organisations should want to communicate and understand that good communication helps them to achieve their goals. Organisations should be aware that communication is a two-way process and be open to and encourage feedback from stakeholders.

• **Learning and feedback**
  Organisations should value learning. Investment in training both for councillors and officers should be seen, not as a net cost, but as a means of creating a more productive and successful organisation. Learning needs to be focused on what is required to achieve organisational goals.
  Training for councillors is a particularly important issue. Councillors are elected, not appointed. Private corporations and incorporated associations can add value to their boards by appointing people with particular skills. Local governments which wish to add value to their councils have to do this by offering training in the skills which councillors require to fulfil their roles properly. Training should be properly planned and budgeted. There should always be an assessment made as to how the municipality as a whole will benefit from the training that is being considered.

• **Ethical behaviour and codes of ethics and codes of conduct**
  If people are to have faith in those who govern and participate in the governance process, they must have trust that governments are acting for the common good. They need to believe that governance is characterised by honesty and integrity and that those in government will behave accordingly. These characteristics are in turn supported and affirmed by transparency in governance processes.
  Participants in governance are often faced with situations in which they have to make choices. The ethical position is that individuals should ask themselves ‘what should I do?’ and then be able to account for the answer.
  Ethical requirements in local government are similar to those that characterise normal life. They call on the participant to behave ethically and well, though how the individual interprets this depends on his or her own ethical framework.
  Codes of ethics contain fundamental principles that can provide guidance on how to behave when there are no specific rules that apply to a situation. It may include provisions such as ‘all stakeholders should be treated with respect’ or ‘all activities should be based on sustainability principles’. How these are interpreted though, is up to the individual’s own values.

Codes of conduct on the other hand cover specific areas and lay down rules that must be followed in these situations. New South Wales, South Australia and Victoria have provisions in their local government acts that require councils to develop their own codes of conduct. Each has prescribed areas that must be addressed. Examples of areas included in one or the other are councillor behaviour, dispute resolution and the acceptance of gifts and benefits. Other states are at various stages of progress to introduce similar provisions.
  Two issues which are addressed in state legislation and related codes are conflict of interest and confidentiality. These are both particularly relevant to local government as councillors, being generally part-time, are having to conduct both their private lives and their public lives as councillors at the same time.

**Confidentiality**
  People moving into local government will come into contact with all sorts of confidential information. This information could be about commercial matters, individual citizens, legal issues and the like. Most state legislation makes misuse of information a punishable offence. In any case, local governments should be very mindful of how confidential information is handled. Systems should be in place that clearly identify information that is confidential. People in local government should not only follow the law, but also have very strict personal standards about confidentiality.

**Conflict of interest**
  Similarly, all states’ legislation has provisions which address conflict of interest. The key underlying principle is that the public life and relevant private lives of participants in governance must be kept separate. There must be no actual, or perceived possible, private benefit that a councillor of office can derive from his or her role as part of a local government. The requirement to declare interests during meetings, and the existence of registers of interests are means by which transparency is sought. However, these means need to be underpinned by basic ethical behaviour – ‘how should I behave?’
  Codes of ethics and conduct must be owned and lived to be effective and meaningful. Their development should include participation by all those who will be affected by them. Once the codes are in place, leaders, whether councillors or staff, should be models of adhering to them in both practice and spirit. The codes should be reviewed systematically, at least after each general election.
  It is also important to be aware of and compliant with other relevant commonwealth and state legislation covering such areas as privacy, whistle-blowing, equal opportunity and discrimination.

---

2 For example NSW LGA 1993, S 440, Victorian LG (Democratic Reform) Act 2003 S 76
3 For example Queensland Local Government Act (1993) S 250
• Effective induction programs
  An organisation’s positive culture needs to be passed on to new participants through effective induction programs. These programs need to communicate the culture of the organisation through communication, discussion and experience.

  This is particularly true for councillors. New councillors come from a variety of backgrounds and may not have experience in governance, local government, organisational behaviour or other fields that are relevant to their activities as councillors. Induction is the first step to skilling processes to help new councillors to deal with all the issues that will confront them. However, induction (and training) should go beyond merely preparing new councillors for likely issues. It should also help councillors to understand local government, governance in local government and how to operate effectively in this unique environment to produce good outcomes for their communities.

6.1.3 Why is a positive culture important?
• It results in better decision-making.
• High calibre people will want to work for such an organisation and stand for Council.
• Problems will be anticipated and averted.
• Innovation and creative thinking will be encouraged.
• Ethical and conduct issues will be recognised and addressed.

6.1.4 How is a positive culture achieved?
• There will be agreement about the different, but complementary roles of councillors and officers.
• Good relationships will be developed between the various parts of the local government.
• The CEO and senior management will be models of appropriate behaviour.
• A good management structure will be developed, based on the organisation’s vision, with clear roles and responsibilities.
• Decision-making processes will incorporate appropriate consultation and involvement.
• Responsibility and accountability will be delegated appropriately down the organisation.
• Management will support clarity in responsibility and accountability and focuses on outcomes.
• Appropriate codes of ethics and codes of conduct will be owned and lived, particularly by leaders throughout the organisation.
• There will be effective and efficient processes and systems in place.
• The induction program will reinforce the organisation’s culture.
• There will be learning programs for councillors and officers designed to meet their skills and knowledge requirements.
• There will be periodic and critical reviews of behaviour and performance against the standards required by the culture.

6.2 Vision

6.2.1 Principle:
There is a clear vision and strategic plan that is produced through a comprehensive and inclusive process which is owned by all sectors of the local government.

6.2.2 What does a clear and owned vision look like?
Excellent governance requires that the local government has a strategic/corporate planning process that produces a vision and consequent plans that are owned by all stakeholders. This ownership arises from the opportunities stakeholders have had to participate or comment during the process. The vision, which is a long-term view of where the municipality should be progressing, provides the basis for the council plan. The council plan, which is a three- or four-year planning document, in turn forms the basis for annual business plans and budgets and underpins policy development and service delivery. Everyone in the local government understands the council plan and the direction in which the council is going.

6.2.3 Why is a clear and owned vision important?
A council plan which all stakeholders own means that there is a common understanding and acceptance of the overall direction in which the local government is heading.

Basing decisions for annual business plans and budgets on that plan means that there will be a consistency of direction which improves efficiency and effectiveness as well as reinforcing that all are pulling in the same direction.

The process provides a forum for the agendas and platforms of the councillors to be considered and debated. If people are heard and their contributions acknowledged, there is ownership of the final product even if not everything an individual would like to achieve is incorporated.

Encouraging participation and comment from external stakeholders, in particular community members, increases the level of engagement by the community in the governance of the municipality and improves the planning process, quality of decision-making and acceptance of the outcomes.

6.2.4 How is a clear and owned vision achieved?
• There will be appropriate participation in the planning process by all stakeholders. This involves, among other things that consultation plans include the means of accessing all stakeholders.
• There will be consistency between the council plan and the more specific plans which address particular issues such as land-use planning and recreation.
• There will be constant reinforcement of the adopted council plan as a basis for decision-making and operations.
• Councillors will be encouraged to think long-term.
7 Principle 2 – Roles and relationships

7.1 Roles

7.1.1 Principle:
There is clarity about the roles of local government and there exists a sophisticated approach to defining and implementing these.

7.1.2 What are the key roles in local government?

• The mayor

Local governments are made up of councillors and the administration. A mayor is elected, usually by other councillors, but sometimes by a vote of all electors in the municipality, to lead the council. The mayor has a general leadership role as ‘first citizen’ of the municipality. Legislation generally recognises the pre-eminence of the mayor when it comes to representing the municipality and the council. For example, in South Australia, section 58 (1) (c) of its local government act recognises the role of the mayor as spokesperson for the municipality, while in NSW, S226 of its act empowers the mayor to carry out civic and ceremonial functions of the mayoral office.

The mayor’s role as chair of council, which is also contained in legislation is very important in creating the atmosphere for excellence in governance to occur. Well-chaired meetings facilitate good decision-making. However the mayor’s role as leader of councillors is not generally incorporated into legislation. The mayor does not have statutory authority over other councillors in such areas as behaviour or adherence to council policy. Individual local governments need to address these issues through governance protocols and agreements.

The mayor’s leadership role, with regard to the other councillors is very important when it comes to good governance. Whatever the legislative situation, the mayor is perceived to be, and actually is, the mayor of all the councillors. A mayor who recognises this will seek to ensure that all councillors are part of the decision-making process. Such a mayor will also help councillors to balance their accountabilities towards their constituents and their accountability to the council as a whole and hence to the community at large.

A mayor can also facilitate good relationships between the councillors and the administration and thereby create the environment where good communication, systems and processes can flourish.

The mayor has a pivotal role in both the pursuit and demonstration of excellence in governance.

• Council and councillors

Councillors sitting formally as council, either make, or are accountable for all decisions that are to be taken at council level. Decisions are made through the formal council meeting (under the relevant state and territory legislation) or through the formal delegation of powers to committees or officers. Individual councillors do not have any powers to make decisions; the council can only make decisions when it is sitting as council.

Council and councillors should focus on outcomes, policy and strategy.

The approaches that councillors take to fulfil their roles are a significant factor in achieving excellence in governance. Councillors should:

• represent and advocate on behalf of their constituents at the council level;
• facilitate communication between council and the community;
• debate the issues in an open, honest and informed manner to assist the decision-making process;
• keep the entire municipality in mind when considering and addressing issues and focus on the ‘big picture’;
• educate and involve the community in all local government activities and processes;
• Work together, cooperate and respect diversity; and
• Provide model leadership and good governance.

Council and councillors also set the pattern for implementing council’s accountability to their community. The commitment of councillors to consulting, communicating with and reporting to their community is critical to the overall local government’s approach to its accountability to its community.

• Chief executive officer (CEO)

The CEO is responsible for managing the organisation to achieve the goals and strategies endorsed by council. The CEO plays a critical role in achieving excellence in governance.

The CEO is responsible for:

• providing frank and fearless advice to council;
• putting in place appropriate systems to achieve accountability and integrity;
• managing the organisation in a way which can achieve council’s vision and plan;
• managing relationships between the various elements in the local government;
• ensuring that the organisation is staffed by suitably qualified and motivated staff and that policies are in place which promote this; and
• ensuring that the staff is aware that they are working for a democratically elected council and that council decisions form the basis for the administration’s activities.

4 The leader of the council is called (shire) president in some jurisdictions.

5 Councillors in some jurisdictions are called Aldermen.
If the CEO fulfils these duties in a way that promotes an organisational culture of openness, accountability, fairness, equity and good communication, excellence in governance will follow. Staff will use their own treatment and commitment to the organisation as a basis for how they behave and how they treat other stakeholders.

The CEO’s promotion of, and more importantly, personal adoption of these values will set the standards which will permeate the whole organisation.

• **Administration**
  
The role of the administration is to implement council’s goals, strategies and services and to advise and support council.

  Undertaking these roles successfully involves having a good management structure and culture, skills, training and commitment. The focus is on means and processes by which council’s desired outcomes are to be achieved.

  It also requires an understanding that the administration is working with and for an elected council in a political environment and one of its key functions is to assist the elected council to meet its accountability requirements to its constituency and the state government. It needs to ensure that all legislative requirements are met. It also needs to incorporate political and community issues into its advice, implementation and service delivery roles. ‘Political’ in this context doesn’t mean that the advice is partisan or biased towards a personal preference, but rather acknowledges that political and community pressures are part of the local government environment and are legitimate factors that need to be taken into account.

**7.1.3 Why is an understanding and agreement about roles important?**

Cooperation between the various elements in local government is very important. This cooperation needs to be, in part, based on an understanding and acceptance of their different roles. Each element needs to ensure that it is fulfilling its role properly. Tensions often arise when there is inappropriate interference by one element in the role of another – for example, if councillors become involved in day-to-day issues of administration.

Underpinning the various roles described above is the basic dichotomy between the roles of the councillors (whether sitting as council or individually) and the administration. Councillors are responsible for strategy and policy, while administrations are responsible for advice, implementation and operations. This is a very valid role differential and is essential for local governments to govern effectively.

However, there needs to be a sophisticated approach to this differential. While each part of the local government has its own role, each may also have a legitimate interest in the roles of another part. For instance, in most states (not NSW) management structures are the responsibility of the CEO and councillors will have an interest in the management structure and whether the structure is achieving the council’s goals. While the CEO takes the ultimate decision on the structure, an astute CEO will always consult the council before establishing or making significant changes to the management structure.

Similarly, while policy and strategy are elected representative roles, officers should be consulted and offer advice when policy or strategy is being developed.

If either group does not have a legitimate means of providing input into important decisions which are the responsibility of the other, it will find other means of having a say. For example, councillors may go to the local press and express their views on the management structure. This is very likely to be damaging to the council.

**7.1.4 How are understanding and agreement about roles achieved?**

• Spend the necessary time and resources to ensure that roles are codified and accepted. This should be an active process involving Councillors and senior management.

• Have a sophisticated approach to the differences in roles and acknowledge the legitimate interest each element of the local government may have in other roles. Means should be developed by which these interests can be expressed.

• Have training programs which support the different parts of the local government to fulfil their roles effectively.

• Review role statements periodically.

• Include information about the various roles in councillor and staff induction processes.

---

6 Section 332, NSW: Local Government Act 1993
7.2 Working relationships

7.2.1 Principle:
There are effective working relationships that are promoted and supported within and between the mayor, councillors, CEO and administration.

7.2.2 What are these relationships?
There are five key elements within a local government: the council; individual councillors; the mayor; the CEO and the administration.

In the absence of the more formal governance structures that exist in other levels of government, effective relationships between the various elements of a local government are critical to the achievement of excellence in governance.

It should be noted that this manual does not address external relationships, that is, the relationships between a local government and other local governments, other levels of government, non-government organisations, the corporate sector and maybe most importantly, its community. This would be a good and sufficient subject for another manual.

7.2.3 What are the most Important relationships?
• The relationship between the mayor and the councillors
  An effective relationship between the mayor and the councillors will help to promote the successful delivery of the council plan and a credible local government. The relationship needs to be based on mutual respect and understanding of the different roles as the mayor does not have any legal power, apart from the role as chair of the formal council meeting, to exert authority over other councillors.
  Some important aspects of the relationship are as follows.
  • The mayor is the leader of the council and this role should be respected by all councillors.
  • The mayor should facilitate an inclusive approach to decision-making and involvement in council activities in general.
  • The mayor can assist councillors to get their issues considered by the council.
  • The mayor should take some responsibility for councillors’ training and development and should work with the CEO to ensure that Councillors receive necessary training opportunities.
  • The mayor is able to help councillors and he or she should be responsible for facilitating the resolution of any disputes between councillors.
• The relationship between councillors and councillors
  Councillors need each other to achieve their individual and collective goals. Effective relationships between councillors help to promote a successful council, a pleasant working environment and a council with public credibility.
  Some features of an effective relationship are as follows.
  • While they may have different views, councillors should treat each other with respect and courtesy.
  • Disagreements, if they must be aired, should be expressed in a way that causes no detriment to individual councillors or the council as a whole.
  • Councillors should not undermine each other, either within the local government or in public.
  • Councillors must have effective working relationships in order to succeed individually and collectively.
• The relationship between the mayor and the CEO
  This important relationship assists in the smooth running of the local government through good communication and anticipation of issues. It should be outward looking. That is, it should be focused on ways in which the councillors and the organisation can be supported to best achieve the council’s goals.
  Some features of an effective relationship are as follows.
  • Both parties work closely together and put energy into achieving a good working relationship.
  • The relationship is characterised by consistency, openness and good communication. Each has the responsibility to keep the other informed about important and relevant issues. Open communication ensures that both parties understand what is important.
  • Both parties understand that they have different roles and authorities. While the mayor is the leader of the local government, this position has limited specific authority while CEOs have particular authorities under the various local government acts;
  • The relationship between the Mayor and the CEO promotes involvement and inclusion amongst the councillors and the administration. It does not seek to concentrate power in the relationship.
  • There are consistent communication and regular meetings.
• **The relationship between the councillors and the CEO**

Effective relationships between the CEO and councillors can improve liaison between the councillors and the administration.

The CEO is often able to assist councillors in addressing constituent issues. Councillors can keep the CEO informed about issues.

The CEO is accountable to councillors when they sit as council. Councillors, sitting as council, are responsible for the performance management of the CEO.

Features of an effective relationship are as follows.
- Each has a good understanding of each other’s role.
- Councillors understand that the CEO can be a source of advice and support and that honest and open communication between Councillors and the CEO can assist the CEO’s role.
- Councillors are a source of information to the CEO about what is happening in the community.
- Well understood and accepted protocols on communication exist between councillors and the CEO.
- Councillors set appropriate goals for the CEO. This is as important as assessing whether the goals have been achieved. Councillors commit themselves to spending the necessary time to set the goals as well as assessing their achievement.

• **The relationship between the councillors and the administration**

The fundamental role differences between the council and the administration underpin the relationship.

As previously expressed, the focus of council and councillors should be on strategy, policy and outcomes. That is, they should focus on who is to benefit from the local government’s activities and in what way. The administration’s role is to focus on advice, implementation and operations.

In the light of these role differences, some of the features of an effective relationship are as follows.
- There is a mutual understanding, acceptance and respect for each others’ roles.
- There is an understanding that while the administration is accountable to Council through the CEO, individual councillors cannot direct staff members.
- There is a preparedness to identify, discuss and resolve issues and problems if they arise.
- The administration has respect for and is committed to democratic governance and the primacy of council in the local government structure.

• Councillors understand that some of the work they may expect the administration to do is undertaken by politicians’ personal staff at other levels of government. This creates issues with regard to workloads and also prompts the question of whether it is appropriate for the administration to be carrying out this work. These issues have to be addressed directly and openly.

• There are protocols in place to inform and guide councillor-staff communication.

There are circumstances in which staff members have authority which is conferred by other state legislation. For instance, in some jurisdictions, health officers have responsibilities under state health legislation and they are not formally accountable to their council for actions taken under this authority. Councillors and staff need to be sensitive to tensions which can arise in these circumstances. Good communication can to a large degree address any issues which arise.

7.2.4 **Why are effective relationships important?**

In the absence of the Westminster conventions and similar governance structures, achieving excellence in governance is dependent on the willingness, particularly of councillors to work together and impose disciplines upon themselves.

Councillors do not have the direct assistance of electorate officers, researchers and the like in the same ways that even backbenchers do in other levels of government. They are heavily reliant on the administration for their advice and support.

Effective relationships between council and councillors and the administration will help to bring about the necessary level of cooperation and it will also allow problems and tensions that can arise from time to time to be more effectively addressed.

Effective relationships, both between the councillors themselves and councillors and the administration, underpin the level of cooperation and goodwill that is necessary to make governance work in local government.
7.2.5 How are effective relationships achieved?

- Parties agree on and respect the differences in their roles.
- Protocols are established, based on the agreements about roles and relationships.
- Information and discussion about the various roles are included in councillors' induction processes.
- There is goodwill, particularly on the part of Councillors. They have to want to make governance work.
- The administration accepts that local government is a level of government and that the political activities of councillors are legitimate. Councillors are accountable to their constituents as well as to the 'corporate whole' and they have to be able to address these accountability requirements in a constructive manner.
- There is a general preparedness to tackle problems when they arise. Local government governance is complex and problems will inevitably arise from time to time. Good relationships and good communication will make it much easier to tackle and contain problems and also to put in place preventative measures to stop them arising again.
- There are effective dispute resolution procedures in place that are ‘owned’ by all elements of the local government. For instance, recent amendments to the Victorian Local Government Act require each local government to have a code of conduct and this code must contain dispute resolution procedures.  

8 Principle 3 – Decision-making and management

8.1 Decision-making

8.1.1 Principle:

There are effective decision-making processes in place that reflect the transparency and accountability which underpin excellence in governance.

8.1.2 What does an effective decision-making process look like?

Five stages in decision-making can be identified. These are as follows:

- **Agenda setting**
  How are issues addressed? Strategic planning is the main means by which this occurs and processes need to be open, inclusive and accountable. At times, councillors will want to raise matters that are not covered by existing plans and policies. It is important that they do so in a way that allows all stakeholders to consider the matter properly. This usually involves raising the matter with the mayor or CEO in the first instance, rather than using a device such as the ‘urgent business’ item on the council agenda. Ambushing councillor colleagues or the administration may win a mention in the local media, but it’s poor governance and may provoke a payback.

- **Information gathering**
  There are critical issues underpinning the provision of advice to the decision-makers. These include quality of research, analysis of information and preparation of advice, including the council report.

- **Opinion formation**
  These are the processes and issues around the provision of support to councillors to enable them to form their opinions on the many complex issues they have to consider. The most important means is the councillor briefing.

- **Decision-making**
  Council meetings need to be run in an open and inclusive way to encourage the highest standard of decision-making. The agenda should be structured so that decision-making proceeds logically so that the most important issues are addressed early in the meeting. Decision-making should be transparent: it should be possible to observe how decisions are arrived at. The decisions, if possible should try and maximise any common ground that exists amongst councillors.

---

7 Section 332, NSW Local Government Act 1993
• **Implementation**
Council decisions should be implemented in a timely fashion. Councillors should support the decision that council has made, whether they agree with it or not. If their accountability to their constituents means that they feel that they must speak out, this needs to be done in a way that doesn’t highlight disunity in the council. For example, ‘I preferred X, but the council decided Y and this is the council’s decision.’

8.1.3 **Why is an effective decision-making process important?**
Decision-making is probably the most important activity undertaken by a council. Effective decision-making processes increase the likelihood that the decisions themselves will be in the best interests of the entire municipality. Good processes will also mean that decisions will be owned and that councillors, even though they are on the losing side of an issue, should not be able to find fault with the way in which the decision was made.

8.1.4 **How is an effective decision-making process achieved?**

- **Agenda setting**
  Features:
  - There is an effective and efficient strategic planning process which produces owned strategic goals.
  - Processes are in place which ensure that council plans are properly implemented.
  - Ways to address matters not covered in existing plans and policies that arise during the year have been agreed on.

- **Information gathering**
  Features:
  - Information gathered is sufficient to allow a decision to be made.
  - There are effective processes within the administration to convert information into advice.
  - Good quality and timely council reports provide the necessary information, options and clear recommendations. The report will always incorporate the corporate view of the issue in question, the financial impacts and any risks.
  - Workable and productive consultation processes are in place which ensure that decision-makers are aware of the views of those whom the decision affects.

- **Opinion formation**
  Features:
  - Efficient processes have been established that allow councillors to be sure that they understand the issues and have enough information to make a decision.

Many councils use councillor closed-door briefings during which councillors are provided with detailed briefings – oral and written. Councillors have the opportunity to discuss the issues between themselves and with senior staff. Briefings often involve robust discussion, and the frank airing of controversial or tentative views. Councillors do not commit to formal decisions at these informal meetings. Discussion at these briefings is not a substitute for a full debate at the council meeting. Accountability requirements mean that an issue should always be properly debated at a council meeting.

- **Decision-making**
  Features:
  - Council meetings are well chaired, facilitate participation and involvement while ensuring debate is relevant and succinct.
  - Agendas are structured so as to facilitate good decision-making processes.
  - There is robust debate which ensures that all issues are aired. Although it is robust, the debate is conducted with courtesy and respect.
  - The chair attempts to find common ground among councillors.
  - Delegations make decision-making more efficient and accessible and operate within a comprehensive policy framework.
  - Opportunities are available for the community to participate appropriately.

- **Implementation**
  Features:
  - Decisions are implemented in a timely manner.
  - There is solidarity among the councillors once a decision has been made.
  - Confidentiality is maintained whenever necessary.
8.2 Financial management

8.2.1 Principle

There should be robust and transparent financial management established and maintained to meet local government’s accountability to its stakeholders, particularly in terms of stewardship of community assets, both now and into the future.

This is not a financial management manual. However, sound financial management is critical to overall success because financial failure in itself is enough to bring a council down, irrespective of any other good qualities it may possess.

The elected body is ultimately accountable for the financial management of the local government. The focus of this part of the manual is to identify the roles different parts of the local government have in achieving sound financial management. There is an emphasis on the role of the councillors in delivering their accountability for financial state of the local government.

8.2.2 The role of councillors

Councillors, sitting as council are responsible and ultimately accountable for long-term financial planning, the annual budget and monitoring financial performance. Each individual councillor thus accepts a joint and individual responsibility for the financial outcome. Councillors rely on:

- financial advice and information from the administration;
- input from internal audit and the audit committee; and
- the audit report and any other information from the external auditor.

In the end though, councillors must seek whatever information they need to satisfy themselves that all is as it should be. This means that they must participate appropriately in financial planning and budget development and ask whatever questions they need to monitor financial performance.

The (Victorian) Good Governance Advisory Group’s Good Governance Guide (2004) has been used as a key reference for this section.

- Longer-term financial planning

Councillors, sitting as council, will determine the longer-term financial plan. The roles of councillors sitting as council include the following:

- They must be accountable for the process for developing the longer-term financial plan. Councillors and community involvement should be sought at an early stage so that this input can help to shape the plan. This involvement increases the possibility of achieving ownership of the outcomes.

- Councillors must understand and be comfortable with the assumptions and strategies underpinning the longer-term financial plan. They should understand the key factors that contribute to costs and revenues.

- Councillors respect and adhere to the plan once it has been developed. This is particularly necessary when tough issues such as rating, expenditure, borrowings and fees and charges are being addressed as part of budget and other processes.

- Councillors must ensure that the longer-term financial plan is reviewed regularly.

- The Annual Budget

Council must set the annual budget. The budget is the document which identifies how one year’s part of the council plan is going to be resourced. Consequently, it should be viewed in the context of the longer-term financial plan and the council plan.

In general, the council should focus on the strategic and policy elements of the budget. However, councillors will also be interested in specific projects and issues. Therefore, opportunities should be provided for councillors to address their interest in specific issues, without detracting from their role in setting the key strategic and policy directions.

Councillors should take the following into account when considering the budget preparation process.

- Councillors should be involved in the preparation process at an early stage so that they have the appropriate high-level input into the development of the budget.

- The budget preparation process must meet statutory requirements. It should also be completed in time to meet strategic needs – generally before the start of the new financial year.

- There must be a consultation strategy that allows early community input into the process.

- Councillors should be well aware of the link between the council plan and the longer-term financial plan and they should understand how changes to the council plan will affect the longer-term financial plan.
• **Financial reporting**

Financial reports to council are required by the various local government acts. They are also a cornerstone of accountable financial management.

Council should receive financial reports periodically during the year. Different jurisdictions have different requirements, but it is suggested that council should receive reports at least quarterly.

Councils must also consider the annual financial performance report. This reflects how the council has finished the year financially. It is a key measure of stewardship of the community’s resources.

Councillors need to be confident that the information is robust and accurate. It should be presented to them in a way that is simple and easy to understand.

With regard to financial reporting:

- Councillors should be able to understand the information in the financial report. The report should aim to inform councillors simply and directly on the true financial state of the local government and the data should be presented and organised accordingly;
- Whichever accounting approaches are utilised, councillors should be able to review the variances between actual and budgeted expenditure and income in order to establish overall financial viability;
- Councillors should ask enough questions to enable them to understand the financial situation. They must ensure that they have all appropriate financial information regarding financial performance, to enable them to do this.
- It is not sufficient for councillors to rely on assurances by the administration. They must decide for themselves whether they are comfortable to sign off on the financial reports. Other possible sources of information and assurance are the internal auditor and the audit committee.
- Some councils use different mechanisms to address financial governance. They may have finance or budget committees or one of their number may have a ‘portfolio’ role. This is a matter for the individual council to decide on. Ultimately, all councillors sitting as council are accountable for the financial situation of the local government and none of the above options change this.

8.2.3 **The role of the administration**

The CEO is ultimately accountable to the council for the financial performance of the organisation. He or she must ensure that certain fundamentals are in place. For example:

- There must be appropriate financial systems, plans, strategies and protocols.
- There must be adequate resources to support these.
- Suitable internal review mechanisms must be in place.
- There must be an organisational culture in which responsibility and accountability are clearly delineated and understood.
- Relevant external legislation must be adhered to and supported so that if whistle-blowing occurs or freedom of information is invoked, the organisation will not be adversely affected.

8.2.4 **The key roles of the chief financial officer (CFO)**

The term chief financial officer is used in this manual to signify the most senior officer in the administration who is accountable to the CEO for the finance function. Different states use different titles, particularly when a statutory function exists. Within the organisation, the CFO, however titled, will be accountable to the CEO for financial performance. Five key roles for the CFO that are critical to the achievement of excellence in financial governance are as follows.

(i) **Supporting and advising democratically elected councillors**

Key activities include:

- supporting the CEO in ensuring that councillors receive financial information of a quality and in a form which enables them to meet their accountability requirements;
- advising on protocols setting out the respective roles and responsibilities of councillors and officers for financial management;
- developing processes for financial planning and budgeting which allow for appropriate councillor input and community involvement throughout the process;
- providing advice to councillors on developing an overall financial strategy that serves policy and services objectives;
- helping councillors to identify priorities, prepare the annual budget and identify how resources will be used;
- helping councillors to monitor financial performance against the budget; and
- ensuring that all branches of the council (including full council, executive, administration and individual councillors) receive timely and relevant advice and information.
(ii) Maintaining strong financial management and effective financial controls
Key activities include:
• advising on corporate risk profiling and management, including safeguarding assets, risk avoidance and insurance;
• advising on effective systems of internal control;
• ensuring there is an effective system of internal financial control;
• ensuring that financial management arrangements are sound and effective;
• ensuring that a prudential framework is in place;
• ensuring that any partnership arrangements (or other innovative structures for service delivery) are underpinned by clear and well documented internal financial controls;
• securing effective arrangements for prudential borrowing and treasury management;
• ensuring that there is an effective internal audit function and assisting management in providing effective arrangements for financial scrutiny;
• advising on anti-fraud and anti-corruption strategies and measures;
• securing effective systems of financial administration; and
• ensuring that statutory and other accounts and associated claims and returns in respect of grants are prepared.

(iii) Contributing to management and leadership generally
Key activities include:
• contributing to the effective leadership of the council;
• contributing to the management of the council;
• ensuring the council's financial resources are well managed;
• contributing to issues across local governments and to the development of the local government sector; and
• providing frank and fearless advice to the CEO.

(iv) Supporting and advising officers in their operational roles
Key activities include ensuring that:
• there is an effective approach to financial management;
• financial strategies serve policy and service objectives;
• the council's resources are well managed
• budgets are properly managed;
• financial advice and information is provided; and
• advice is provided on performance management and measurement.

(v) Leading and managing an effective and responsive financial service
Key activities include:
• securing high standards of performance and service to the public;
• demonstrating accountability to members of the public and the community by providing robust financial and performance information;
• establishing a good professional working relationship with external stakeholders;
• ensuring that the services provided by the finance function are in line with the expectations and needs of its internal stakeholders;
• ensuring there are high standards of performance throughout the finance function;
• leading and managing the finance function; and
• acting as head of profession for all finance staff in the council.

8.2.5 Summary of overall Issues - mainly for councillors
Good financial governance requires both council and the administration to play their roles. The administration's competence and performance is grounded in the experience, qualifications and capability of the key players and their teams. Councillors, who do not always have financial training and experience, but are nevertheless still accountable for overall financial performance may wish to keep in mind the following issues:

a) The longer-term financial plan

(i) Long-term planning
• The council must know where it is going long-term. Its vision and goals must be properly reflected in the council plan.

(ii) Financial viability
• The financial strategy should be consistent with the council plan. That is, it must be able to fund its projects.
• The council must be financially viable into the future. It must have the necessary information to make this assessment.
• The council must identify the risks it faces in pursuing its goals and ensure that the appropriate recognition and defence mechanisms are in place to identify and minimise risks.
(iii) The rating system
- The rating system should reflect the council’s strategy and vision on the future of the municipality.
- The rating levels and mix should represent a fair distribution of the rating burden across the community and council policies on appropriate taxation contributions from different sectors of the community.
- The rating system should incorporate the concept of intergenerational equity; that is, the way the rating burden is spread between the current and future generations of ratepayers.

(iv) Services and funding
- The council should know whether the community is satisfied with current service levels.
- The council should have appropriate user charges.
- Costs should be recognised and recovered appropriately.
- The council should be aware of the proportion of rate revenue that is required to meet administrative costs and judge whether it is appropriate for its type of municipality.
- The council must comply with government policy.
- The council should be aware of all avenues of grant funding.
- Councillors should understand all the issues pertaining to grants. In particular, they should know if there are any costs involved in accepting grants.

(v) Capital works and debt servicing
- The council must determine the appropriate mix between borrowing for capital works and funding them from revenue. It should be aware of the implications of its decision on the level of capital works and infrastructure maintenance.
- Key assets must be properly maintained.
- The current level of debt servicing must be sustainable.
- The council must be aware of the proportion of rate revenue required to service debt and decide whether it is appropriate for its own municipality when compared those of similar municipalities.

(vi) Accountability and policy
- The council must meet its legislative and financial reporting requirements.
- The council should meet its accountability requirements to the community in terms of stewardship of assets.
- The council should adopt good financial policies and practices.
- The council must leave an appropriate legacy for future councils.

(b) The annual budget
(i) Process
- The council should have a budget preparation timetable and process that meets statutory requirements and gives it enough time to resolve major issues.
- Councillors must have the opportunity to work through the key issues.

(ii) Consistency with financial plan
- The long-term financial plan should provide broad guidance for this budget. If it does not, what are the consequences for the longer-term financial plan?
- The longer-term financial plan should be reworked to incorporate the long-term impact of any significant current decisions which are not consistent with the plan as it currently stands.

(iii) Information
- Councillors must understand the constraints of the budget – that is, how much of the budget is made up of fixed costs and how much is variable.
- Councillors must identify the information they require to make budgetary decisions.
- Information should be presented in a way that enables them to make the appropriate informed decisions.
- Outcomes and service levels should be specified. The council should know what the community is getting for its money.

(iv) Community input
- Opportunities should be provided for community input into the budget.

(v) Outcomes
- The council must be know whether the rates outcome, which was envisaged in the longer-term financial plan, is still appropriate and consistent with all the other aims of the council plan.
- Councillors must assess whether the budget delivers what the council wishes to achieve.
- The council should know whether the proposed budget varies from previous years, and if so they should understand how and why.

(c) Financial reporting - monitoring performance against budget
(i) Frequency
- Each state has legislation which sets reporting requirements. Using this as a baseline, and taking into account available resources, each local government must decide how often it needs financial reports in order to meet its financial accountability.
(ii) Content

- The key measures are cash resources, operating results, balance sheet and financial key performance indicators.
- The focus of reporting should be on the big picture – that is, the overall financial situation of the council. Individual variances, where relevant should be used to explain the wider results. Councillors should understand the reasons for significant variances.
- While salary figures tend to be pretty constant on a month-to-month basis, other income and expenditure often varies between different times of the year. Operating budgets have to be adjusted accordingly and financial reporting should reflect these adjustments. If every significant variance is described as a ‘timing issue’, councillors should order an investigation.
- Councillors need to satisfy themselves that no matter what accounting approaches are being used, the information they are given reflects the actual situation of the local government. Councillors should ensure that they understand enough about the financial performance indicators to be able to ask the right questions and interpret the responses.

(iii) Consistency with other performance indicators

- A financial report needs to be seen in the context of other key performance indicators that relate to the achievement of the council’s goals. Meeting budget is not sufficient in itself.

(iv) Independent confirmation

- Councillors need to know that the internal and audit committee processes are adequate to provide more independent assurance of reporting, systems and processes.

(d) The annual financial performance report

- The report should help the council to understand what has happened over the year.
- The council should know how results compare with those of previous years. If there are significant differences, the councillors should understand why.
- Appropriate strategies should be put forward to address significant end-of-year variances when future budgets are prepared.
- Councillors should have confidence in the external process and be aware of any significant issues raised by the auditors.
- Councillors should make sure they have had sufficient training and briefings to enable them to deal appropriately with the annual financial report.

8.3 Risk management

8.3.1 Principle

An effective approach to the identification, assessment, monitoring and management of risks should be established and maintained.

8.3.2 General discussion

CPA Australia has previously defined risk management as follows:

‘Risk management is referred to in AS/NZ 4360:1999 as a logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function, or process in a way that will enable organisations to minimise losses and maximise opportunities. It is also defined in the standard as the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.’

Risk management is a key part of excellence in governance. It is broader than having safe footpaths and gutters. It actually involves all consideration of all the activities of the organisation – that is, all processes, structures, culture and parts of the organisation.

Very importantly, contemporary risk management focuses not only on risks in terms of what is done, but also the risk, in terms of lost opportunities of what is not done. This ties risk management very closely to the overall goals and objectives of the organisation and how it goes about all its activities.

A local government with an effective risk management strategy is recognising and supporting its accountability to its stakeholders, in particular its community for the stewardship of the community’s resources.

8.3.3 Key issues

The better practice elements of a risk management strategy are as follows:

- The council support and commitment
  - The council should support and be committed to the risk management program at a policy and strategy level. An important role for the council and councillors is to ‘ask the right questions’.
- Senior management commitment
  - CEO and senior management endorse, support and are accountable for the risk management vision, strategy and resultant programs.
- Common language
  - There should be a consistent language throughout the organisation that articulates the objectives, policy and a common process for identifying and managing risk and building responses to it.
  - All documentation should be accessible and usable.
Excellence in Governance for Local Government

- Process for ongoing risk management
  - There is an overall risk management program, containing plans, priorities, analysis and management.
  - All employees take responsibility for risk management.
  - There is continuous review of the strategy and program.
  - All stakeholders are consulted.
- Managing change
  - Consideration of risk management issues is vital to the successful introduction of new processes and systems.
  - Risk management is embedded in organisational culture.
  - Necessary organisational changes are made to incorporate risk management.
- Effective communication
  - Risk information is converted into management knowledge.
  - Action plans are monitored to continuously improve the organisation's performance.
  - Communication about risk strategy emphasises the connection with strategic goals.
- Measurement
  - Risks need to be identified in terms of what risks could occur, why might they occur and under what circumstances.
  - Risks need to be assessed in terms of their effect and likelihood.
  - Success in managing risks needs to be measured and incorporated into organisational feedback.
- Reinforcement through training and human resources mechanisms
  - Improved managerial behaviours are encouraged through changed organisational and job design, performance measures, accountabilities, reward systems and incentives.
  - Training reinforces the risk management strategy and enables employees to develop new core competencies.
  - Responsibilities and accountabilities are clear in management structures and position descriptions.
- Monitoring and evaluation
  - This is an ongoing process by which risk is measured and performance assessed.
  - Risk management performance is part of overall performance evaluation.

CPA Australia has undertaken extensive work on risk management. Its publications, which are included in the reference list, contain detailed approaches to having an effective risk management systems in an organisation.

8.4 Delegations

8.4.1 Principle

Effective delegations should be implemented and maintained.

8.4.2 Background

Delegations are a part of a local government's decision-making approach. They represent the policy of the council to entrust certain types of decisions to committees or officers.

All delegations should be made in the context of council policy that should provide guidance to the delegate to make decisions that are consistent with the council's desired policy outcomes. In this way, the council remains accountable for the decision even while it delegates the actual taking of that decision.

Accordingly, a council that delegates needs to be sure that its policy framework is up-to-date and reflects its goals and aims. It needs to be reviewed periodically, both in terms of content and whether the implementation of the policy is achieving what the council wishes.

Delegations tend to have a particular structure. The council usually delegates to the CEO by exception. Under the various local government acts, councils have an enormous range of decisions to make. Councils should focus on policy and strategic decisions and delegate the more operational or day-to-day decisions to the administration. The structure of the delegation then identifies those issues which the council will not delegate, and delegates all others to the CEO. The CEO in turn delegates specific powers to members of senior management depending on the field of responsibility.

The council should have systems to monitor delegated decisions, as it is accountable for all delegated decisions in the same way as if it had made the decision itself.

Delegations should be to positions within the council rather than specific individuals.

Delegations of authority should be established, maintained and documented by the council to empower the actions of delegates, whether they are officers or council committees while retaining oversight of and accountability for the decisions taken by delegates.
8.4.3 Guidelines
The following guidelines underpin an effective system of delegations.

- The council should adopt clearly defined delegations of authority to specified positions within the council and administration.
- Delegations need to be based on an effective and comprehensive policy framework so that delegated decisions are made according to existing council policies.
- The council should review delegations of authority at least once during each term.
- All delegations of authority are to allow for immediate cessation of those delegations upon the change in name or duties of the specified position.
- Decisions made under delegation should be reported to the council on a regular basis.
- Records of delegations are to be retained pursuant to the relevant legal requirements for document retention and record keeping.
- A register of delegations should be established and maintained.
- A register of delegations, and proposed changes to delegation categories or types, should be referred to the council for review and approval annually.
- Mechanisms should be in place to enable continuous and efficient running of the council in the absence of delegated officers.

9 Principle 4 – Accountability

9.1 Accountability

9.1.1 Principle

Local government must account for its activities and have systems that support this accountability.

9.1.2 What does it mean to be accountable and how does it show?

Excellence in governance is based on the premise that those who are involved in governance, both councillors and officers, are held to account for what they do. Accountability means holding the councillors and management of a local government responsible for its performance. The public trust placed in the public sector and in its councillors to act in the public interest can be justified in the manner in which their duties have been performed.

It has been suggested that a local government's ultimate accountability to its constituents is expressed through the election process. However, this accountability, while fundamental, is not specific. It is very difficult to relate electoral outcomes to any decision that a council has taken or to a promise made by one of the candidates during an election campaign. Accountability requirements are not met through elections.

Accordingly, local governments must have accountability systems that provide disclosure and review of decision-making and processes. These systems must record and support the local government's accountability to its stakeholders and its legal accountability to the state government. They are both internal and external.

9.1.3 Why is accountability important?

Local government operates under state legislation. This means that it is accountable under legislation in terms of its operations and reporting and that the requirements imposed by the legislation must be met. Local governments must also take measures to reflect their other accountabilities. Risk management systems aim to ensure that community assets are protected. Internal audit and audit committee activities provide assurance to all stakeholders that what is supposed to be happening is actually happening. A comprehensive consultation and engagement policy and framework supports good decision-making by ensuring that councillors are aware of the views of those who will be affected by any decision.

The fundamental importance of accountability though is that local governments exist to govern for and on behalf of their communities. Systems and values must reflect this accountability. Key systems are outlined in the following sections.
9.2 Performance management

9.2.1 Principle

There should be an active performance management system in place that enables councillors and the administration to be openly accountable for their performance.

9.2.2 General discussion

The council is accountable for monitoring performance in the achievement of its strategic direction, goals and financial outcomes.

These directions, goals and financial outcomes are set through the various planning processes – the vision, the council plan, the long-term financial strategy and the annual budget.

The most important of these is the council plan in which the year’s goals and objectives are set. A reporting system must be in place to provide the council with the necessary information to enable it to assess performance against the plan. It should be a systemic and regular process that allows the Council to take action to rectify any issues that arise. Through this process, councils can properly address their accountability to their community.

The various state and territory local government acts generally require local governments to report against their council plans on a periodic basis. This is usually done via an annual report. The annual report should be the culmination of a reporting process which ensures that councillors are aware during the year about how the local government is performing, and whether any measures need to be taken to rectify particular problems.

Many progressive local governments are instituting performance management systems for councillors. These tools enable councillors and council to assess and reflect on their governance performance. These tools usually involve self-assessment by the councillors. The outcomes can be incorporated into the relevant goal setting exercises for the following year.

9.2.3 Key elements of a performance management system

Key elements of a performance management system are:

- **Clearly established goals or objectives**
  These goals and objectives should be related to the council plan. They should be understood by councillors and capable of being understood by other stakeholders.

- **Standards and measures**
  Indicators of performance can relate to a number of areas. They can be input-related. That is, they will refer to the activities that are intended to produce an outcome. An example is the number of home help hours which can be delivered with a particular level of resources.
  They can also be outcome-related. That is, they will refer to the outcome that the activities are intended to produce. These are often ‘quality of life’ indicators that can be harder to measure. They ask the question as to whether a program is achieving the outcome that is intended. For example, an indicator of the effectiveness of a home help program may be the rate of admission of older people into supported accommodation.

- **A process by which the performance is assessed**
  This is generally done by the administration and reported periodically to the council. It needs to provide enough information to enable councillors to form judgements about performance, but not swamp them with detail. The culmination of performance reporting management during the year is the annual report in which the local government as a whole reports to its stakeholders on its performance, in terms of the achievement of their council plans and financial performance.

  State local government acts require local governments to submit their annual reports and any other required performance measures to the minister for local government and/or the parliament. This creates a legislative basis for particular types of performance management and must be adhered to. However, local governments must also consider what performance measures are required for them to demonstrate and fulfil their accountability to their communities.

  Councils should, and in many cases are required to, receive and endorse their annual report in an open council meeting so that all stakeholders have the opportunity to make their own assessment as to how well the council has met its goals.
As previously stated, many local governments are now implementing governance assessment programs focused on councillors. These enable councillors to consider and analyse their own governance performance. They often involve a self-assessment and feedback from other stakeholders. Most councils have now implemented systems which record complaints and comments from community members. These systems assist community members to know how and when their issue is to be addressed and they also help to keep the council informed as to how effectively it is addressing the issues which have been raised. Good use of these systems therefore support performance management as well as enhancing transparency and accountability.

- A process by which agreed action arising from performance assessment is reported

For performance management to be effective, processes need to be in place to record and report action that is taken to address the issues that arise from performance management processes.

9.2.4 Council/CEO performance management issues

A particular issue in performance management in local government is the council’s duty to manage the CEO’s performance.

The CEO is appointed by the council and directly accountable to the council. As such, the council is accountable for setting the CEO’s performance plan and subsequently monitoring his or her performance. This is normally carried out as part of the CEO’s annual performance assessment.

It should be noted that this responsibility belongs to the council, sitting as council. It is not the responsibility of individual councillors.

The council’s expectations must be made clear at the start of a period. If they are not, problems can arise: the councillors can feel that the CEO has not delivered what they expected. This gives rise to problems of trust and relationships.

Setting goals and expectations for the CEO is very important: if they are communicated and agreed upon, they are more likely to be met. Ongoing communication and feedback between the CEO and the council will assist this process.

Councils often seek independent professional advice when undertaking the performance evaluation of the CEO.

Much material exists on performance management systems and processes. References are provided in section 12 of this manual.

9.3 Independent review

9.3.1 Principle

Local governments should establish internal structures that provide for independent review of processes and decision-making to assist the council to meet its accountability to stakeholders.

Two key means by which independent review can be achieved is through the audit committee and internal audit functions.

9.3.2 Audit committee

- General

The council should establish an audit committee to oversee and advise the council on matters of accountability and internal control.

The council’s ability to support and service an audit committee is influenced by the size and financial resources of the individual local government.

The overall function of an audit committee is to provide an independent check on key council activities. This usually includes checking the integrity of the financial system and financial management, but it should also cover a broader picture of assessing whether stakeholders are receiving value for the money spent on systems, services and projects. That is, the audit committee asks if the council is doing what it said it would do and for the cost which was anticipated.

Reports from the audit committee support councillors in meeting their responsibility to use community resources for the overall benefit of the community.

- Key issues

The council should consider the following when establishing an audit committee.

(i) Audit committee charter

The audit committee should have a clear charter that sets out roles and responsibilities, general scope of activities and structure. This should be approved by the council and formally reviewed periodically by both the audit committee and the council.

(ii) Functions of the audit committee

The key functions of the audit committee could include, but should not be restricted to the review of:

- overall performance and governance as determined by the audit committee’s program (prioritisation is necessary)
- financial performance;
- the financial reporting process;
- codes of conduct and ethics;
- complaint handling processes;

---

9 There are different requirements between states re audit committees. Victorian councils are required to have an audit committee (S139), South Australian Councils may (S 126) while audit committees are not mentioned in NSW, Qld, Tasmania Northern Territory or WA legislation.

10 A useful model charter for an audit committee has been prepared for the Australian Council of Super Investors Inc by Professor R G Walker (February 2004). Another useful general reference is “Best Practice Guidelines Local Government Entity Audit Committees and Internal Audit June 2000”, produced for the (Victorian) Department of Infrastructure which was then responsible for local government.
• access to information;
• the scope of work, performance and independence of the internal auditor;
• major projects, systems and services;
• the scope of work and performance of the external auditor;
• the operation and implementation of the risk management framework;
• matters of accountability and internal control affecting the operations of the council;
• the effectiveness of management information systems and other systems of internal control;
• the acceptability, disclosure of and correct accounting treatment for significant transactions which are not part of the council’s normal course of business; and
• accounting policies.

(iii) Composition of the audit committee
Features of its composition are as follows.
• It should include both councillors and independent members. Independent members should not have, or should not have recently had any employment, contractual or material relationship with the council.
• The CEO and the CFO should not be members of their own council’s audit committee but are to attend relevant aspects of audit committee meetings by standing invitation.
• The chairperson of the audit committee should generally be one of the independent members so as to support the concepts of independent review and transparency.
• The mayor should not be the chairperson of the audit committee. The council has the overall accountability for the financial health of the municipality. Therefore the mayor, as leader of the council, should not be the chair of the body which is part of the independent verification process.
• The council should review membership of the audit committee at least once every three years.

(iv) Relationships
The audit committee should:
• report its findings to the council on an agreed regular basis;
• have direct access to the internal and external auditors as required;
• have direct access to the CEO, CFO and the council’s management, through the CEO, when required;
• have the right to seek explanations and additional information; and
• undertake an annual review of its own performance and report the results to the council.

(v) Resourcing
The audit committee should have adequate resourcing to enable it to fulfil its functions.

9.3.3 Internal audit

• Background
Internal audit is commonly defined as an independent appraisal activity for the review of operations for management. Its primary purpose is to provide an independent, objective assurance and consulting activity designed to add value and improve the council’s operations. It assists the achievement of objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit functions to help all levels of management to achieve sound managerial review and control overall activities to ensure that these activities can be carried out effectively and efficiently.

This function provides management with:
• appraisals of the council’s key operations and activities;
• independent and confidential advice on remedial action to improve its effectiveness, efficiency and economy in the use of resources; and
• progress reports regarding remedial action taken by management.

Councils should establish, maintain and resource an internal audit function. The work should be carried out by suitably qualified staff or contractors, independent of management and free of operational duties.

• Key issues
Council should consider the following issues when establishing an internal audit function.

(i) Internal audit charter
An internal audit charter should:
• be approved by the audit committee;
• provide for the internal audit function to report to senior management;
• provide for the internal auditor to have direct access to the chairperson of the audit committee;
• provide for the internal audit function to have full, free and effective access at all reasonable times to all records, documents and employees of the council and the right to seek information and explanations; and
• set out the independent status of the internal audit function and its personnel.

(ii) Internal audit plan
An annual internal audit plan should be developed by the internal auditor to address relevant elements of the council’s risk profile.

The audit committee should approve the internal audit plan.
Consultation should be undertaken that is appropriate to the scope and potential impact of the matter. It should respect the position and opinion of all stakeholders. The outcomes of the consultation should be taken into account when the decision is made and feedback should be provided to those who participated.

9.4.2 General discussion

An important expression of a local government’s accountability to its stakeholders is the extent to which it makes itself aware of stakeholders’ opinions on matters that affect them. A local government can best address this accountability through the development and utilisation of a consultation policy.

Consultation is undertaken because it is important that the views of those who are affected by a decision be considered by the council before the decision is made. This will enhance the quality of the information which is available to the decision-makers and increase the likelihood that those who are affected will accept the decision once it is made. The decisions which have to be made by local governments are complex and it is unlikely that a decision will meet the approval of all stakeholders. However, if all stakeholders feel that consultation has been adequate, there is less scope for disagreement after the decision has been made.

Everyone likely to be affected by a decision should be consulted. Nowadays, the aim is to widen the net to include those groups who have been difficult to include in the past, such as older people and people from non-English speaking backgrounds. This helps local governments to engage whole communities.

Accountability does not mean that councils are required to follow the majority opinion which emerges from the consultation process. Their accountability to their community is achieved by making themselves aware of the opinions of stakeholders before a decision is made. There is a recognition that they are making those decisions in the best interests of their stakeholders and to do that, they need to know what stakeholders think. However, councils themselves are ultimately accountable for their decisions.

9.4.3 Key elements of a consultation process

Consultation policies should incorporate a local government’s commitment to consultation, the types of issues over which it will consult and the kinds of methods it will use. They should also identify any difficulties that the local government may have in consulting its particular community, for example, language and age, and how these will be addressed.

In summary, the key elements of a consultation and engagement process include:

- **Purpose**: The purpose of undertaking a consultation should be very clear. Why consultation is being undertaken and how the information gained is going to be used should be specified.
- **Inclusiveness, accessibility and diversity**: All affected parties must be consulted. Care should be taken to ensure that all affected parties are identified. Language, culture, age and any other issues that may affect accessibility must be addressed.
- **Method**: A consultation method needs to be selected which is appropriate to the issue in question, the target groups and the type of information which is being sought.
- ** Provision of information**: Consultation should be on the basis of informed comment and input. This means that information must be made available, in an appropriate form, to those participating in the process.
- **Timing**: The consultation must be timed to ensure that the results of the consultation are able to achieve its purpose, namely to inform the policy, planning and decision-making processes. The consultation must take place early enough in the decision-making process to ensure that its outcomes can be considered before the decisions are made. Sufficient time needs to be allowed in the consultation process for it to be conducted properly.
- **Responsiveness and feedback**: Consultation should be transparent and open and the council should respond to all issues raised. Where possible, councils should always provide feedback to those with whom they have consulted about the nature of the overall feedback and how it has affected the final decision.
- **Evaluation**: Consultation processes should be evaluated following the completion of decision-making to assess whether the goals of the consultation process have been achieved.
- **Resourcing**: Adequate resourcing is necessary for good consultation. Consultation involves both direct and in-kind resourcing and this needs to be identified when the consultation plan is being developed.

A useful consultation website is [http://www.vlgaconsultation.org.au](http://www.vlgaconsultation.org.au) which was developed by the Victorian Local Governance Association and the Victorian State Government in 2002.
10 Conclusion

Excellence in governance is critically important to:

- achieving high performance; and
- ensuring that the local government is properly fulfilling its duties to its stakeholders.

Excellence in local governance is underpinned by accountability, integrity and transparency.

The attributes, programs and systems that are described in this manual will assist local governments in their drive towards excellence in governance. They aim to provide directions which councils can consider and adapt to their own particular circumstances. All local governments will have some of these measures in place already. Councillors and officers should be considering what are the other things they should be doing to achieve their governance goals.

The assessment tool is provided to assist local governments analyse and measure their governance performance. It can be adapted to meet each local government’s needs and circumstances.

It is important to remember the fundamental principles of accountability, integrity and transparency. While each local government should determine its own route to excellence in governance according to its own situation, whichever it chooses needs to be based upon these principles. If they are understood and implemented, excellence in governance can be achieved.
12 Useful references

Governance

Risk management

Consultation

Codes of Conduct

Review and assessment
- “Best Practice Guidelines Local Government Entity Audit Committees and Internal Audit June 2000”, produced for the Department of Infrastructure, by the Auditing and Assurance Standards Board of the Australian Accounting Research Foundation with the support of the Institute of Internal Auditors Australia and the Australian Institute of Company Directors (2000) www.dvc.vic.gov.au

13 Acknowledgements

CPA Australia acknowledges the contribution of members of the Public Sector Centre of Excellence, in particular the Hon Roger Hallam FCPA, Ms Merridie Martin CPA, Mr Andrew Johnson CPA and Ms Anna D’Alessandro CPA who together oversaw the development of this publication.

CPA Australia acknowledges Mr Ron Exiner of Exintel Consulting, as writer of the manual.

CPA Australia wishes to thank all of the councils, local government bodies, government departments, other organisations and individuals who provided considered and comprehensive responses to the exposure draft. These comments were of great assistance in the drafting of the final document.

CPA Australia wishes to recognise the Good Governance Guide – Victorian Good Governance Advisory Group 2004, as a valuable resource in the development of this manual.
14 Self-assessment Tool

<table>
<thead>
<tr>
<th>Subject area</th>
<th>Reference in manual</th>
<th>We haven’t really considered it</th>
<th>We consider it occasionally</th>
<th>We have a documented policy/procedure and/or address the issue regularly</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle 1 – Culture and vision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>6.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We encourage open and honest communication in our organisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We understand the aims and accountabilities contained in our management structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have a communications policy which covers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• external communication; and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• internal communication</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have a code of ethics and code(s) of conduct</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have induction program for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• councillors; and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vision</td>
<td>6.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our council plan is understood and accepted by councillors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our council plan is understood and accepted by staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our council plan is understood and accepted by our community</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our council plan preparation process contains specific means to seek stake-holder input</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We use our council plan actively when making key decisions during the council year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A very useful tool which has previously been developed is the NSW ICAC & GMA document, “Governance Health Check – self audit guide to good governance in local government” (2004)
<table>
<thead>
<tr>
<th>Subject area</th>
<th>Reference in manual</th>
<th>We haven’t really considered it</th>
<th>We consider it occasionally</th>
<th>We have a documented policy/procedure and/or address the issue regularly</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principle 2 – Roles and relationships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roles</td>
<td>7.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have a shared understanding of the role of the mayor, council and councillors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have a shared understanding of the roles of the CEO and the Administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Working relationships</strong></td>
<td>7.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We understand and nurture the key relationships which make our council work well</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Principle 3 – Decision-making and management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decision-making</td>
<td>8.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We use our council plan to identify the key issues which the council will address during the council year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have processes to consider important issues which arise during the council year, and are not covered by existing strategies and policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have a pro-forma for council reports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We use councillor briefings or something similar to ensure that councillors have all the information they need</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our meetings procedure policy and/or local law support well-run and inclusive council meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subject area</td>
<td>Reference in manual</td>
<td>We haven’t really considered it</td>
<td>We consider it occasionally</td>
<td>We have a documented policy/procedure and/or address the issue regularly</td>
<td>Action Plan</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>---------------------</td>
<td>---------------------------------</td>
<td>-----------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>We encourage appropriate public participation in our council meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The administration implements council decisions in a timely fashion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Councillors support council decisions publicly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial management</strong></td>
<td>8.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have a council endorsed long-term financial plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We review the long-term financial plan on a regular basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our long-term financial planning process involves community consultation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our annual budget is set in the context of the long-term financial plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Councillors understand and ‘own’ the annual budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our annual budget preparation process involves community consultation over and above the minimum statutory requirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The council receives quality financial reports on a regular basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Councillors understand our annual financial report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our annual financial report contains few surprises</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subject area</td>
<td>Reference in manual</td>
<td>We haven’t really considered it</td>
<td>We consider it occasionally</td>
<td>We have a documented policy/procedure and/or address the issue regularly</td>
<td>Action Plan</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>---------------------</td>
<td>---------------------------------</td>
<td>-----------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Roles and responsibilities for positions within the financial management team structure, and the prerequisite skills, qualifications and experience have been defined and documented</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The position which contains the CFO role is part of the council’s executive team</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Management 8.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have a risk management policy and internal control system in place which addresses the risks associated with the activities of the council</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The risk management policy is reviewed on a regular basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delegations 8.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The council has adopted delegations of authority which conform to the requirements of the relevant local government act</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The delegations have been reviewed by the council during its current term</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subject area</td>
<td>Reference in manual</td>
<td>We haven’t really considered it</td>
<td>We consider it occasionally</td>
<td>We have a documented policy/procedure and/or address the issue regularly</td>
<td>Action Plan</td>
</tr>
<tr>
<td>--------------</td>
<td>---------------------</td>
<td>--------------------------------</td>
<td>-----------------------------</td>
<td>------------------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>Principle 4 – Accountability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Performance management</strong></td>
<td>9.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have a performance management process which involves reporting to the council against the council plan on a regular basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We always meet all our statutory reporting requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The council and the CEO are clear on the performance which the council requires of the CEO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Audit committees</strong></td>
<td>9.3.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have an audit committee which has a membership that is consistent with the relevant statutes and regulations. The audit committee has functioned within the parameters of a charter, which has been approved by the council and provided to each member of the audit committee.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The audit committee has had direct access to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• internal and external auditors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• the CEO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• the CFO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subject area</td>
<td>Reference in manual</td>
<td>We haven’t really considered it</td>
<td>We consider it occasionally</td>
<td>We have a documented policy/procedure and/or address the issue regularly</td>
<td>Action Plan</td>
</tr>
<tr>
<td>------------------</td>
<td>---------------------</td>
<td>---------------------------------</td>
<td>----------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Internal audit</td>
<td>9.3.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>An internal audit function exists and works within the parameters of a charter and an internal audit plan, both of which have been approved by the audit committee</td>
<td></td>
</tr>
<tr>
<td>Consultation</td>
<td>9.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The council has adopted a consultation policy</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Our major activities and projects contain a consultation plan as part of their developmental stage</td>
<td></td>
</tr>
</tbody>
</table>