



INSTITUTE OF
PUBLIC
ACCOUNTANTS®

Governance Overview

April 2021



WELCOME

Welcome to this guide to the governance of the Institute of Public Accountants.

Induction of Board members is vital to the new Board member becoming a valued contributor and fully effective as quickly as possible. This manual has been developed to assist you in providing a solid basis for excellent governance practices and explain the member's expectations in relation to the conduct expected of the Board.

'Governance' is about how an entity is controlled and managed. It includes the relationship between an entity's core stakeholders (members and the public), Board and Chief Executive and the administrative arrangements that underpin these relationships.

This document has been produced to provide a brief overall picture of the governance arrangements.

For any issue, question or concern, please feel free to contact us at any time on the following numbers:

Head Office: 03 8665 3100

OUR WHY

'To improve the quality of life of small business'

VISION

'For every small business to have one of our members by their side'

VALUES

*'We respect our membership,
We respect and foster flexibility,
We respect and foster innovation,
We respect each other,
We respect that we're ALL on the same team.'*

Once again, thank you for your interest in our governance and we look forward to working together to advance the Institute.

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1.0 Organisational inheritance

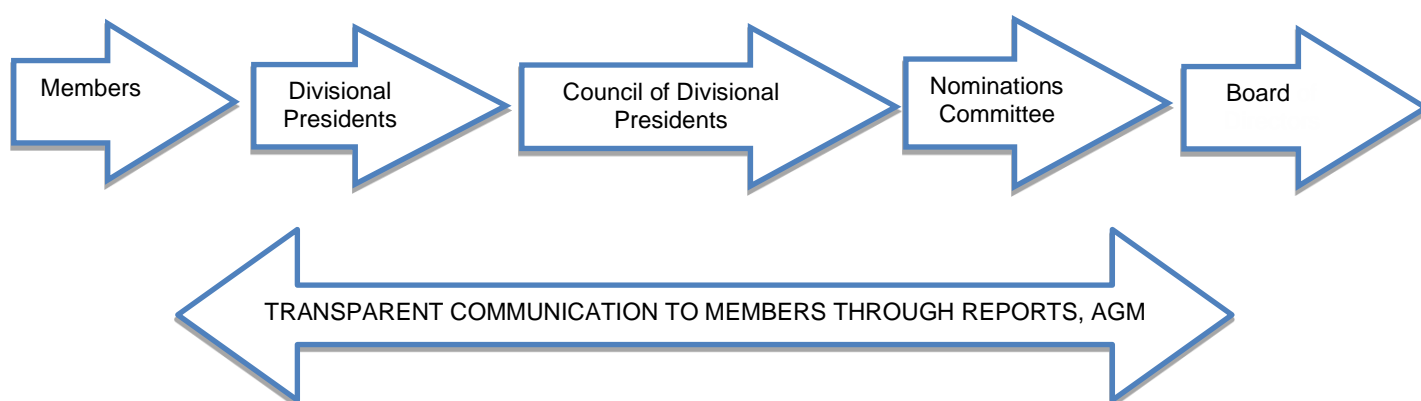
It can be a daunting experience for a new Board member in the first few weeks of their appointment. The following material is deemed as essential reading within the first month of appointment. This material should form a written brief as part of both the induction manual and a formal Board briefing.

- The Board needs to review its governance structure to ensure it is catering for the organisation’s Inheritance.
- There needs to be scheduled a methodology which enables the Board to be in touch with and to reaffirm the Inheritance issues.
- Decisions made, especially at strategic planning sessions, must be framed with Inheritance aspects.
- A clear knowledge and understanding of Inheritance by all Board members is essential and must be appropriately managed.
- A strong Inheritance presence must be evident in the governance actions and management implementation program.

1.1 Background to governance and operations

We believe that good governance provides the foundation for high performance. It strengthens community confidence in an entity and helps ensure brand reputation is maintained and enhanced. Good governance involves the efficient and effective use of resources and the capacity of the organisation to plan strategically in a proactive and reactive manner.

Our governance model is predicated on the oversight of members ultimately determining the most appropriate composition of the Board in response to clearly articulated competency requirements. This involves the direct member-election model of the Nominations Committee of the Board of Directors. This ensures that members ultimately appoint the vast majority of Directors which also preserves a member-led governance model. Applications to the Board are encouraged from the broad membership set against the requirements articulated by the Nominations Committee. This enables direct member engagement with the Board nominations process.



The Nominations Committee comprises the Chair of the Board (or Nominee), Chair of the Council of Divisional Presidents and an Independent External member. The Nominations Committee appoints Board members.

In addition to the Directors, the Executive office holders of the Institute are:

- President and Chairman of the Board
- Deputy President (x2)
- Immediate Past President (ex-officio)
- Company Secretary (Chief Executive Officer)

All office holders are non-executive with the exception of the Company Secretary and Chief Executive Officer who is an Executive appointed by the Board under the Constitution (Clause 138). The Board of Directors typically comprises twelve members; ten of whom are appointed by the Nominations Committee for a term of two years and two Directors are appointed directly by the Board on a twelve-month term.

Directors have statutory responsibilities as contained in the Corporations Act 2001 and associated regulations. These responsibilities are broadly known as fiduciary duties or Directors Duties and are underpinned by the Institute's guidance to conduct.

The Institute operates nine offices including five divisional offices in Australia, head office in Melbourne, Beijing, Kuala Lumpur and London. We also operate representative offices in Hong Kong and Guangzhou and a presence in more the 13 provinces throughout China as training and member service centres.

In 2015 the Institute acquired the Institute of Financial Accountants in the United Kingdom which was designed to leverage our investments in ICT and operating model. This also delivered a considered policy focus on small-medium practice (SMP) and small-medium enterprise (SME). The combined entity is referred to as the IPA Group and we consolidate our financial statements. As more than 75% of our member work in or with SMPs or SMEs. Collectively we have more than 42,000 members and students. The IPA Group has more than 100 employees including representative officers and agents. In 2020, the Association of Accounting Technicians joined the IPA Group and we are a Full Member of the International Federation of Accountants, Confederation of Asia Pacific Accountants and the Accountants Professional and Ethical Standards Board.

1.1.1 IPA strategic objectives

1. Membership Growth
2. Brand Integrity
3. Consistent Member Services
4. Education Pathways
5. Global Advocacy
6. Mutual Recognition and Collaboration frameworks

1.2 Association Incorporation legislation

1.2.1 Governance issues

- There are specific provisions in the relevant State's Associations Incorporation Act which require members of the Committee to be responsible for actions and duties to be carried out.
- Common law fiduciary duties of acting in good faith and acting with skill and care are owed by Committee members to the organisation itself.
- Committee members of a Not for Profit organisation may be liable if the Not for Profit organisation acts outside the powers entrusted to it by the Act and Rules.
- Since the Committee and each member of the Committee of a Not for Profit organisation is entrusted with specific duties and responsibilities on behalf of the Not for Profit organisation, the Committee needs to have policies and monitoring systems in place to ensure that compliance is occurring.

1.2.2 Governance response

- The Public Officer referred to under the legislation should provide evidence to the Committee (for example, via statement from the organisation's external auditors) that he/she is:
 - carrying out the duties of office prescribed in the associations incorporation legislation;
 - acting honestly in the consideration of relevant views and material; and
 - exercising due care, which means at the very least observing the objects of the organisation stated in the Rules and meeting the obligations placed on Committee members in the associations incorporation legislation.
- The Committee needs to regularly scrutinise the continual observance of the Public Officer's responsibilities and record them in the Committee minutes.

1.3 Corporations Act 2001

1.3.1 Governance knowledge

A number of organisations are incorporated as 'companies limited by guarantee' under the Corporations Act 2001. An incorporated organisation has a separate legal status from that of its Directors. The Corporations Act 2001 imposes a demanding regime of obligations and duties on Directors of organisations registered under this legislation.

1.3.2 Governance issues

- There is a range of duties imposed on Directors:
 - common law and fiduciary duties of acting in good faith and with skill and care in the performance of Directors' roles on a Board of the Not for Profit organisation;
 - legislative duties, some of which are similar to common law, such as being honest; and
 - additional specific legislative duties concerning such issues as the incurring of debts when insolvent, the use of information in relation to accounts, disclosure of conflicts of interest and lodgement of returns and accounts.
- Duties are owed by Directors to the Not for Profit organisation and not to those organisations, committees or members who have appointed them.
- The failure to comply with these duties may expose Directors to the risk of personal liability.

1.3.3 Governance of response

- Performance of duties as a Director must be impartial and undertaken in a professional manner.
- Directors must become acquainted with the role of Director, by understanding and complying with governance issues (for example, as contained within this publication).
- Directors must act in the best interests of the Not for Profit organisation by declaring all potential conflicts of interest.
- Directors need to satisfy themselves that the organisation is not violating the Corporations Act (for example, trading while insolvent), by monitoring financial reports.
- Critical assessment of all reports from the external auditor must be undertaken and monitoring of implementation of agreed recommendations.

1.4 Legal responsibilities

1.4.1 Governance knowledge

A range of State and Commonwealth legislation has applicability for the operations of an organisation. Each organisation operates within a particular legislative framework which may require knowledge of specific legislation.

1.4.2 Governance issues

- Many obligations and responsibilities are imposed by all levels of Government.
- Each piece of legislation identifies aspects of organisational compliance.
- Breaches of legislation may result in severe penalties and even imprisonment.
- Key aspects of relevant legislation should be known to Board members, together with the broad implications of this legislation on their role and the activities of the organisation.

1.4.3 Governance responses

- Legal responsibilities can be addressed by Directors adopting a strategic approach to managing the risk of non-compliance with relevant legislation.
- Directors should periodically undertake a legal responsibilities assessment which should cover potential areas of relevant legal risk, encompassing:
 - financial reporting;
 - relevant State associations incorporation legislation or Commonwealth Corporations Act 2001;
 - employment;
 - defamation;
 - taxation obligations and the Superannuation Guarantee Act;
 - contract law;
 - trade practices;
 - insurance;
 - privacy; and
 - other (specific to the individual Not for Profit organisation).
- Resulting from this assessment, Directors should:
 - review existing policies to ensure that they are sufficiently comprehensive;

- review existing practices and procedures to ensure that they are sufficiently comprehensive;
- assign responsibility for compliance to a designated Committee and Chief Executive Officer and ensure that a periodic report on compliance is presented to the Board;
- ensure that record-keeping is a high-priority management responsibility; and
- ensure that the external audit reports on the legal responsibilities assessment compliance.

1.5 Duties and good faith

1.5.1 Governance knowledge

The courts require people in positions of responsibility or trust to exercise reasonable skill, to act in good faith and in the best interests of their organisation.

1.5.2 Governance issues

- A fiduciary duty of good faith is owed to a Not for Profit organisation. This means a Director must discharge his or her duties in the best interests of the organisation. While this fiduciary duty is owed to an organisation, in the event of insolvency it may also be owed to creditors of the organisation. The best interests of an organisation override the personal interests of the Director or the constituents that the Director represents.
- A duty of diligence and care is required in the performance of the role of Director. The level of care is that which would be reasonably expected from a person with that Director's knowledge and experience. Reasonable diligence is required in discharging that role.
- Legislative duties under the *Corporations Act 2001* adopt, modify and add to these common law duties and may be applicable to Directors of a Not for Profit organisation.

1.5.3 Governance response

- The exercise of powers as a Board member must always be for the purpose for which those powers were conferred by the Constitution of the Not for Profit organisation. Board members must have access to the Constitution and review it prior to any major decision.
- Directors must be cognisant of the organisation's Inheritance and ensure its dimension is sufficiently weighted in decisions being taken.
- Directors' decisions should consider reasonable commercial, industrial and educational considerations. Before taking a decision or voting on an issue, establish what is honestly in the best interests of the Not for Profit organisation and the interests of those the organisation seeks to serve.
- A degree of care or skill should be exercised which a reasonably prudent person with the Director's skills and experience would demonstrate in similar circumstances.
- Specific statutory duties as imposed by the *Corporations Act 2001* should be ascertained.
- It must be clearly understood what constitutes property of the Not for Profit organisation (for example, intellectual property) as distinct from public domain.

1.6 Conflict of interest

1.6.1 Governance knowledge

At common law, as fiduciaries (holding the interests of others in trust), Directors must not use their power and position to gain personal advantages either directly or for related parties.

A Director must act in the best interests of the organisation. Likewise, State associations, incorporation legislation and the Corporations Act 2001 prohibit conflict of interest.

1.6.2 Governance issues

- The best interests of a Not for Profit organisation are paramount to the interests of the Director or the nominator of the Director.
- Self-interest of a Director in contracts, secret profits or privileged information will affect a Director's judgement in seeking the best result for a Not for Profit organisation.
- A Not for Profit organisation may be able to recover profits derived from a conflict of interest from an individual Director.

1.6.3 Governance responses

- The first port of call to determine the degree and existence of a conflict is the President and CEO for determination.
- An Annual General Meeting can ratify certain conflicts of interest other than where such a conflict has resulted in a misappropriation of property or information.
- If a conflict of interest is to be ratified, the interested Director must refrain from the vote of ratification.
- A useful practice is to have a standing question asked at Board meetings as to whether any individual has a potential conflict of interest (this question can be the first agenda item). Alternatively, this question can be raised on an ad hoc basis when the Chair or any Director believes that there may be a potential conflict of interest with a particular item.
- Declarations of private interests must be completed by candidates for appointment to the Board. Every Board member is required to review and update their declaration of interests as their circumstances change, and at least once annually.
- Directors and Senior Staff are required to complete a Declaration of Interests form to ensure complete transparency of any potential conflict and related party transaction.
- A record of interests declared at meetings (declaration of interests) should be provided in the minutes.

2.0 Role of the Board of Directors

2.1 Role of the Board

Members directly elect a Nominations committee to perform the functions of appointing 10 of the 12 Board positions. The Nominations Committee is elected annually. The Nominations Committee comprises the Divisional Presidents directly elected by members.

2.1.1 Governance knowledge

The role of the Board is to:

- discern, affirm and be guardians of the organisation's Inheritance;
- develop a Strategic Plan including the Vision, our Why, goals, strategies and policies for the IPA;
- appoint the Chief Executive Officer and external auditor;
- review implementation of policy by the Chief Executive Officer and management; and
- monitor performance against the Strategic Plan objectives.

2.1.2 Governance issues

- The IPA operates within the regulatory environment (conformance) of:
 - common law and legislative obligations;
 - its own Inheritance;
 - expectations of stakeholders and the broader community;
 - self-regulating codes; and
 - government/community expectations and accountability.
- Fiduciary duties are owed to the Government, community and stakeholders.
- Ethical decision-making is required from the Board, Chief Executive Officer and management of the organisation.
- The Inheritance of the organisation must be cultivated and affirmed.
- The 'Why' of the organisation needs to be articulated.

2.1.3 Governance responses

- In meeting stakeholder needs, ensure there is compliance with legal obligations.
- Discern the organisation's Inheritance and affirm its influence in guiding the future framework of the organisation.
- Ensure statements of Vision and Mission guide the strategic planning and monitoring process.
- The Board needs to regularly monitor compliance with Strategic Plan objectives.
- Establish clear limits of authority for Directors.
- Approve financial plans and budgets consistent with the Strategic Plan and monitor results on a regular basis.
- Implement regular reporting to all stakeholders.
- Engage a competent Chief Executive Officer and enter a professional agreement which provides regular performance appraisal.
- Monitor risk management strategies to identify risks: for example, insurance, internal controls.

- Critique the culture of the organisation based on ethical principles and commitment to the organisation’s values.
- Monitor the adherence of the organisation to its ‘Why’ and ensure its integrity with what it stands for and carries out.

It is expected that each Board member will participate in at least one Board committee. The following committees exist within the framework of the Institute:

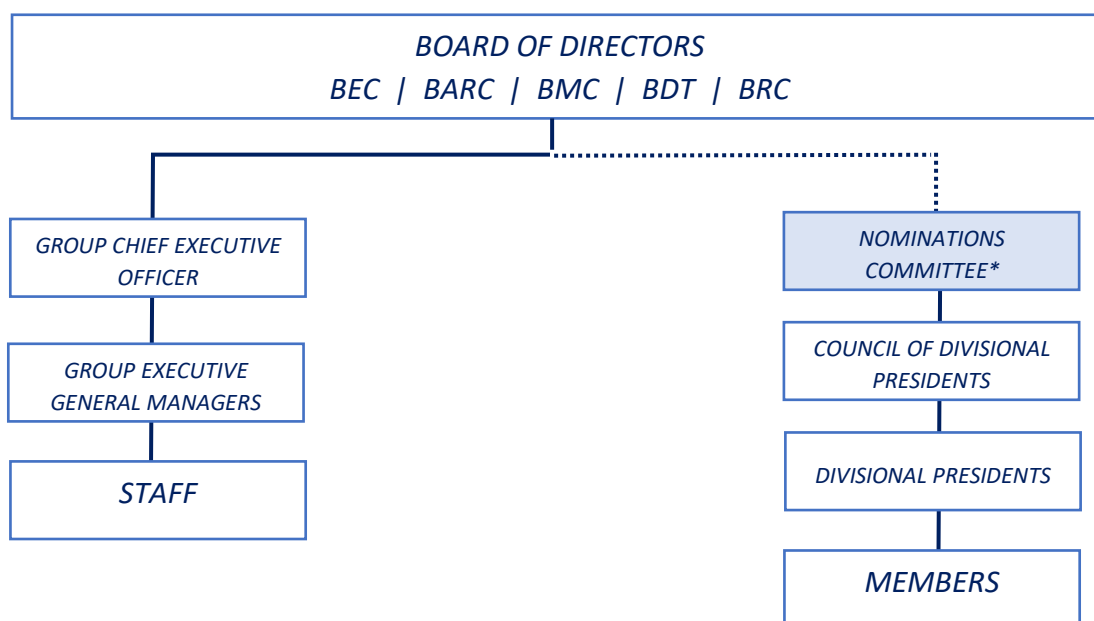
- Board Executive Committee (BEC)
- Board Audit and Risk Committee (BARC)
- Board Membership Committee (BMC)
- Board Disciplinary Tribunal (BDT)
- Board Remuneration Committee (BRC)

The President is an ex-officio member of all committees with the exception of the Board Audit and Risk Committee.

2.1.4 Nominations Committee

The Nominations Committee is responsible for ensuring independent review mechanisms are in place to conduct a peer review process to review its effectiveness as a governing body. This should include policies to guide the Nominations Committee on the scope of peer reviews, dealing with reappointments, applications of new directors, poor performance of directors, and resolving disputes between directors.

2.1.5 Governance structure



* In 2020, a new Nominations Committee was formed, chaired by the Chair of the Board (or Nominee) with the Chair of the Council of Presidents and an Independent Expert member. The Nominations Committee has the power to appoint Board members and reviews Director competencies, reviews and compensation.

2.2 Role of a Director

Board members do not participate in day-to-day management or operations; that is the role of the Chief Executive Officer (CEO). The ongoing interface between the operations and the Board is vested in the relationship between the President and the CEO. The CEO is appointed by the Board; remuneration and benefits determined by the Board, principally in negotiation with the President and the Executive Committee acting as the Remunerations Committee. (See Remuneration Policy). The Board believe that it is critical to preserve the specific details of the remuneration of the Chief Executive Officer however the Board seeks to ensure members interests are protected by imposing a series of covenants on the remuneration processes of the Institute.

2.2.1 Governance knowledge

Whilst Directors assume the legal duties and responsibilities as a Director which are owed to the organisation as a whole, they may have connections with specific constituents.

2.2.2 Governance issues

- The stakeholders' interests are appropriately represented and protected by the appointment of a Director.
- As a conduit, a Director can convey to and obtain from constituents information concerning the organisation.
- A Director contributes to the strategic approach developed by the Board.
- A Director is accountable primarily to the organisation and then to the broader community.

2.2.3 Governance responses

- Directors need to have sufficient affinity with and commitment to the organisation's Mission and empathy with the organisation's Inheritance. Directors need to offer, in addition, specific skills, knowledge and status within the sector to provide authoritative advice.
- Participation as a Director or as a team member is required in a number of key processes including:
 - Mission discerning and affirmation;
 - establishing the Board job description;
 - strategic direction setting;
 - key strategy formulation;
 - performance monitoring; and
 - risk assessment.
- Meetings must be attended regularly. i.e. 75% attendance
- Questions must be asked and insist on answers.
- Informal exchanges between Directors and staff should be promoted.
- Substantive knowledge needs to be acquired of the Not for Profit organisation's activities.
- Directors must have a preparedness to act with integrity.

2.3 Directors roles and responsibilities

A Board needs to agree on its roles and responsibilities in order to function effectively. Once roles and responsibilities have been agreed, it is much easier to establish performance measures for the Board, and to discuss any instances of Board member behaviour in terms of these roles and responsibilities.

Individual Board members hold the key to the overall effectiveness of the Board. This applies to the capacity of the Board to deliver the required output and whether it operates in an ethical and appropriate way.

Board members need to have the right skills and qualities to carry out their roles. The specific skills set required on the Board of Directors are ultimately up to the Nominations Committee (members) to monitor and influence as required. This may include seeking expressions of interests from certain segments of the membership to fill positions on the Board to ensure breadth of knowledge, skills and capacity is provided to the Board. For example, it may be appropriate for the Board to have a blend of experience from professional practice, academe, public sector, commerce and not for profits to represent the various segments of the membership. Or, if the Institute is seeking to acquire another entity as part of its strategic direction, it may be appropriate to seek a member with specific skills related to mergers and acquisitions. The key point is that the Nominations Committee, will be required to ensure the Board is equipped with the appropriate diversity to govern the organisation, to plan strategically and to execute the agreed strategy.

Whilst the IPA does not adopt formal gender quotas, we seek to ensure the appropriate balance of individuals and capacities. We are committed to a target of 50/50 gender diversity in our Board and governance positions (including Divisional Advisory Committee office bearers).

2.3.1 Organisational inheritance

- Board members promote the organisational Inheritance, Values and Mission in all possible instances. This is encapsulated by our Why which is to improve the quality of life of Small Business.

2.3.2 Legal

- The Board operates under and upholds the Constitution of the organisation.
- The Board and its members are responsible to various legislative and regulatory bodies, for example, WorkCover, Australian Securities and Investments Commission, Corporations Act 2001, Associations Incorporation Act.
- A Board member who fails in his or her duties may face a variety of consequences. For minor technical breaches, there may be counselling by the President. For significant breaches, the Board member may not be reappointed, or there may be action to remove a Board member in accordance with the Constitution. The Board member may face legal action if the breach causes loss or damage to another person or organisation.
Where a Board member/Office holder acted honestly and properly and is confronted with legal action, he or she may be protected by insurance (Directors and Officers Insurance).

2.3.3 Policy and strategy

- The Board approves and monitors the Strategic Plan.
- The Board monitors any strategic changes likely to affect the organisation.
- The Board approves and monitors policy.

2.3.4 Accountability

- The Board is responsible for overall performance of the Not for Profit organisation.
- The Board represents the best interests of the Not for Profit organisation rather than individual constituencies.

- The Board approves and monitors a Code of Ethics.
- The Board is responsible for the composition and performance of the Board.
- The Board hires and fires the Chief Executive Officer.
- The Board approves and monitors financial plans, approves budget and monitors financial performance.

2.3.5 Risk management

- The Board understands all risks faced by the organisation.
- The Board monitors appropriate risk management strategies.

2.3.6 Public relations

- The Board ensures that constituents are kept informed.
- The Board represents the Not for Profit organisation at activities.
- The Board approves public relations policies and the desired image to be projected.

2.4 Board President roles and responsibilities

2.4.1 Leadership

- Builds an effective Board with the necessary skills and capabilities
- Leads the Board members and develops them as a cohesive and effective team
- Assists the Board members' understanding of their role, responsibilities and accountability
- Sets the Board's agenda in concert with the CEO and ensures key issues are discussed and there are no potential conflicts of interest or duty
- Ensures interactive participation by all Board members
- Arranges adequate support for Board members
- Welcomes new members and leads the process for their induction
- Manages the evaluation of the performance of the CEO and negotiates with the CEO on remuneration and benefits
- Represents the Board to external parties as an official spokesperson for the Institute at the request of the CEO.

2.4.2 Relationship management and prerequisites

- Establishes an effective and constructive working relationship with the CEO
- Acts as the key liaison point between the Board and the CEO
- Represents the Institute of formal/ceremonial occasions
- Understands the functioning of the Institute from a range of perspectives. This includes demonstrating being a member of the BEC for at least three (3) years.

2.5 Group Chief Executive Officer roles and responsibilities

The CEO plays a crucial role in the governance and direction of the Institute. Key aspects of the CEO's role are listed below. Following the change to the operating structure when the IPA acquired the assets and undertakings of the Institute of Financial Accountants, the Board resolved to adopt a Group Entity reporting concepts. According the IPA CEO is also the 'Group CEO'.

The CEO is employed to manage and lead the organisation. He or she is the primary link between the entity's Board and the staff of the entity. The CEO is accountable to the Board as a whole, rather than to individual members.

The CEO develops and implements the operational plans of the Institute and is accountable to the Board for expenditure, operational activities and administration of the entity in accordance with the Board's strategy and legal requirements. The CEO is responsible for implementing the policies of the Board and for achieving the outcomes and performance objectives of the Institute. The CEO is required to prepare a range of reports on a regular basis for presentation to the Board.

2.5.1 Roles of the CEO

- Oversee all aspects of the operations of the IPA Group of entities as Group CEO
- Manage the effective and efficient day-to-day operations of the Institute in accordance with the strategy, business plan and policies of the Board
- Translate the strategic plans of the Board into action
- Ensure the Institute's organisational functions are effective. These include financial management, human resource management, information systems management, risk management, communications, marketing, asset management and reporting
- Keep Board members informed about developments in the accounting profession and other critical issues related to the Board's functions and powers
- Ensure compliance with the Institute's Constitution and legal obligations
- Maintain effective communication and cooperation with stakeholders
- Oversee the employment and management of staff
- Implement Board decisions
- Provide advice and information to the Board of any material issues concerning strategy, finance, reporting obligations, or any other issue that may arise
- Prepare the annual strategic plan including the organisational targets for Board approval
- Prepare and oversee the preparation of the Institute's annual report
- Ensure the efficient resource allocation to the Office of the CEO for the CEO and Board to discharge the duties of their office.

2.6 Delegation

The By-laws and Policies of the Institute delegate a considerable amount of procedural decisions to the CEO. This enables the Board the capacity and time to focus on the strategic direction of the Institute. This includes such items as the admission of members, consideration of special classes of membership, discounts to members, interpretation of the Constitutional/By Laws.

There are important limitations on Board delegations. A Board can only delegate the right to engage in an activity if the Board has given the power to engage in that activity itself.

Delegating powers does not absolve the Board from accountability for those powers or functions.

3.0 Code of Conduct

3.1 Director's code of Conduct

3.1.1 Governance knowledge

A Code of Conduct articulates ethical issues and standards of behaviour. Ethical duties must be considered in conjunction with legislative and common law duties. Decisions of the Board are reflective of the collective values and ethics of the Board and of its Directors.

3.1.2 Governance issues

- Individual Directors of a Board need to have a focus and guidance for carrying out their duties and responsibilities.
- As legal duties and obligations vary with political environments, there is a need to establish a decision-making framework underpinned by strong values and ethics.
- The maintenance of high standards of behaviour and accountability enhances the organisation's reputation, credibility, standing and authority, and diminishes the likelihood of breaches of duties and responsibilities.

The organisation may need to resolve conflicts between the interests of the Director, constituents and other individuals while seeking to meet its legal duties and obligations.

3.1.3 Governance response

- All Directors, the Chief Executive Officer and staff should be involved in either the development and/or the affirmation of a Code of Conduct.
- A commitment to the highest standards of behaviour, including loyalty to the organisation and acting honestly, with integrity and fairness in all matters, should be obtained from Directors, the Chief Executive Officer and employees.
- use your position appropriately. Do not use your position as a director to seek undue advantage for yourself, family members or associates, or to cause detriment to the Institute; ensure that you decline gifts or favours that may cast doubt on your ability to apply independent judgment as a Board member of the Institute.
- act in a financially responsible manner. Understand financial reports, audit reports and other financial material that comes before the Board; actively inquire into this material through the appropriate channels.
- exercise due care, diligence and skill. Ascertain all relevant information; make reasonable enquiries; understand the financial, strategic and other implications of decisions.
- The IPA must abide by all relevant State and Federal laws (compliance schedule should be developed).
- The Code of Conduct should be continuously reviewed to ensure that it is relevant to current circumstances and reflects the Core Values of the IPA.
- The Code should be periodically reviewed for relevance and impact on the Board and the organisation.

3.2 Relations between Board and Staff

It is not preferable, as policy of the Board and to enable transparent communication, for Directors to directly contact and direct Institute staff without the knowledge of the CEO.

All contact with staff (if absolutely necessary) should be channelled through the President to the CEO.

3.2.1 Governance knowledge

The nature of the relationship between Board and staff needs to be articulated and communicated throughout the organisation. The Board and Board members relate to and communicate with the staff through the Chief Executive Officer, who may however, as a matter of mutual convenience, delegate another staff person to deal with or assist Board members in particular areas. Notwithstanding any such delegation, the Chief Executive Officer remains responsible for the actions and performance of staff.

3.2.2 Governance issues

- Directors may have direct access to staff on specified issues.
- Staff, apart from the Chief Executive Officer, may attend Board meetings in particular circumstances.
- The Chief Executive Officer may formally delegate authority to staff regarding access to Directors in particular circumstances for specific Board-related matters only.

3.2.3 Governance responses

- All communication on substantive issues (for example, commitment of significant resources) should be conducted through the Chief Executive Officer - either upwards or downwards.
- Where delegated responsibilities exist, senior staff should be encouraged to present reports to the Board from time to time.
- Where a staff member considers that they are being requested by the Chief Executive Officer to contravene significant legal or policy guidelines, they should have the right to take the matter directly to the Chair.
- Whilst Directors should be free to seek information from any staff member, they should be mindful that the Chief Executive Officer has responsibility for implementing Board policy and they should be circumspect in their accessing of staff.

4.0 IPA Strategy

4.1 Planning Framework

4.1.1 Governance knowledge

Strategic planning is the managerial process of developing and maintaining a strategic fit between the organisation and its changing environmental opportunities. This involves determining the organisation's future direction and its Core values, roles and responsibilities - together with the basis on which management must direct its operation, monitor its performance and be rewarded for achievement against stated objectives.

4.1.2 Governance issues

- There are key stakeholders who have performance expectations of the Not for Profit organisation.
- Constituents are connected with the organisation at the Mission and Inheritance level and their involvement and views need to be accommodated.
- The core business of the organisation and the priority areas to be addressed need to be identified.
- Current resources and systems must be adequate to meet the current and emerging services likely to be required from the organisation.
- Control processes are needed to ensure that there is an appropriate performance monitoring and evaluation system in place for the Board.

4.1.3 Governance response

- Management of the organisation is delegated by the Board to the Chief Executive Officer in accordance with the Strategic Plan.
- To address the above governance-related issues, a comprehensive Strategic Plan needs to be prepared that includes topics such as the following:
 - background;
 - functions of the Not for Profit organisation;
 - Inheritance of the Not for Profit organisation;
 - Vision;
 - Core Values;
 - Our Why;
 - Goals;
 - Ethics;
 - Organisational plan: structural and management processes;
 - Services plan: development, implementation and review;
 - Promotion of services plan: marketing;
 - People management plan;
 - Financial management plan; and
 - Implementation plan.

4.2 Strategic risk management

4.2.1 Governance knowledge

All activity is risky. However, one cannot avoid all risk and therefore there is no point in trying. What the organisation and specifically the Directors must work towards, is to understand the risks that they and the organisation face and how best to manage these in a professional way.

4.2.2 Governance issues

- The Board's role is to assess proposed strategic initiatives, including those recommended by management, from financial, professional and governance viewpoints.
- The Board is responsible for ratifying strategy and any new direction the organisation undertakes to ensure that proposals put to them are consistent with policy, are well-analysed, and that the strategy proposed is an appropriate use of resources and meets the purpose of the organisation.

4.2.3 Governance response

- Ensure that all proposals which affect the strategic direction of the organisation are channelled through to the Board for approval.
- Establish appropriate business and ethical rules to guide management in the development and presentation of proposals.
- Ensure sufficient time is dedicated to Board discussion on proposals put to it.
- Ensure that a risk assessment is undertaken by the Board on all proposals.
- Request management to include a risk analysis section in specified documents put to the Board.
- The longer-term responsibility of the Board and Directors is to assess the calibre of the organisation's managers in strategy-making and implementation.
- Retain proper alignment of the organisation's Inheritance and strategic direction, and organisational activities.

4.3 Performance measurement framework

The Board utilises a Balanced Scorecard methodology to oversee the strategic direction of the Institute. The Balanced Scorecard presses particular strategic objectives within the following four perspectives of the Institute:

1. Member
2. Financial
3. Internal Process
4. Organisation Capability

In addition, the Board oversees the performance of the Group Chief Executive Officer through a comprehensive scorecard measuring performance against financial objectives, strategic objectives, special project deliverable, advocacy, leadership and organisational values.

4.3.1 Governance knowledge

The Board should establish robust accountability which seeks to monitor the alignment and harmony of the organisation's operations in keeping with its Inheritance, ethical culture, desired outcomes and expected standards of performance. To allow the Board to judge how well the organisation is performing it must first develop a measurement framework and processes.

4.3.2 Governance issues

- Clear understanding is required of what each funder, or collective source of funding, and stakeholder expects to be delivered by the Not for Profit organisation, the related performance standard and the frequency of reports.
- The performance achieved needs to be able to be measured against set objectives which meet stakeholder expectations.
- There is a need to be aware if milestones are not being achieved in a timely manner in order to ensure that appropriate corrective action can be put in place.

4.3.3 Governance response

- The Board should approve the performance standard-setting process established for each of the critical success measures.
- The Board should not agree to any performance standard that it believes the organisation cannot reasonably achieve.
- Effective systems should be put in place to monitor the Institute of Public Accountant's performance against the agreed standards, including processes such as the following:
 - periodically audit the methods used in collecting data and calculating performance and service-level achievement;
 - establish member satisfaction surveys and review regularly against baseline parameters established at the beginning of the relevant period;
 - prepare regular review report comparing actual performance against planned;
 - discuss performance against objectives achieved with the responsible program manager and review any corrective action required; and
 - prepare financial statements which clearly indicate how funds have been spent and the achievement of objectives.

5.0 Reimbursement

5.1 Directors reimbursement, compensation and administrative arrangements

Director's employers are entitled to receive reimbursement from the Institute for the time provided to the Institute. This is allocated on a Board meeting basis and is paid once annually. Procedures for reimbursement are contained in the Institute's Policy Manual (ref BAC 1010). Each year, the CEO requests the Chief Financial Officer to contact Directors seeking invoices from the employers of Directors for the reimbursement. The amount specified in policy for reimbursement is \$2,500 per board meeting attended. This rate was approved by the Nominations Committee in November 1, 2018. The National President's employer is entitled to a rate of \$7,500 per board meeting attended and Deputy President shall receive \$3,750 per meeting attended.

The Nominations Committee is responsible for the review and determination of the rate of employer reimbursement. Whilst the Institute does permit remuneration of Directors, this is not currently the practice. Any change to these arrangements will be at the recommendation of members through the Nominations Committee.

All administrative arrangements for the Board are made via the IPA travel management platform, Egencia. This includes travel and accommodation.

For group bookings, every effort will be made to accommodate specific requests made by directors; however, the primary function of the Office of the CEO is to administer the organisation and the Board in the most efficient way.

The Institute will meet reasonable expenses of Directors in the exercise of their duties on a pre-approved basis (generally through the CEO or the President).

Directors are entitled to travel in economy class on flights less than 3 hours' duration. Flights beyond this duration, Directors will fly business class or equivalent. Requests for variation to these arrangements can be made to the CEO or President for consideration. These policies are articulated in the National Policy manual and shall be followed unless a formal agreement exists to the contrary expressly approved by the CEO or President.

Directors will be issued with access to Uber for Business account in the IPA's name for surface transport on Institute business and the Institute will arrange for the joining of an airline lounge (typically Qantas Club) for the Director's term of office.

5.2 Executive remuneration pool and covenants

The Institute recognises there is significant interest in the remuneration of Key Management Personnel. Accordingly, the Board provides the following information as the parameters of the Remuneration Policy of the Institute for the information of members. Please note that the policy and covenants below are determined in May each year taking account a full year impact aligned to the budget allocation approved by the Board at its May Board meeting.

5.2.1 Determination of the total pool

The remuneration pool of the Key Management Personnel including the Chief Executive Officer shall be not greater than a determined percentage of the total annual IPA Group Personnel Costs inclusive of UK operations. This pool is determined by the Board each year; however, it shall not exceed 30% of IPA Group Personnel costs. The Chief Executive Officer is responsible for managing the performance of the members of the Executive Management Group including determining the performance measures. The total Key Management Personnel Remuneration Pool includes all salary, superannuation and potential bonus payments.

The Total Remuneration Package of the Chief Executive shall not exceed 30% of the total pool. This is not a prescriptive figure and subject to the determination of the Board Executive Committee however the TRP shall not exceed this amount.

The Key Management Personnel pool encompasses nine employees including the Chief Executive Officer. Not all the Key Management Personnel were full-time positions.

5.2.2 External advice

The Board obtains regular salary benchmark information from a range of external sources and retains independent external counsel to determine the remuneration package and contract of the Chief Executive Officer.

6.0 Board meetings

6.1 Board schedule and commitments

There are typically four (4) board meetings per annum usually on a Tuesday. The proposed dates for 2022 are as follows:

2022

- 15 February
- 10 May – Canberra
- 6 September
- 15 November (aligned to National Congress)

As COVID-19 restrictions continue to ease, we anticipate returning to face-to-face Board meetings for Directors based in Australia. This will remain subject to government advice at the time.

Notwithstanding additional commitments (e.g. Board committees, representational roles etc), it is envisaged that Directors will actively participate in the Divisional Advisory Committee/Members Advisory Committee from the Director's home State/Territory where applicable.

Following each Board meeting, the Assistant Company Secretary will, as soon as practicable circulate to Board members the draft minutes from the Board meeting. This is to facilitate streamlined communications particularly if the Director is briefing their Divisional Advisory Committees.

On average, the Board of Directors' time commitments amounts to 1-2 days per month inclusive of Board meetings, travel, reading, representation etc. (President excluded).

7.0 Acknowledgment

It is acknowledged that the content of this document has been based on material sourced from the Australian Stock Exchange Corporate Governance Council, the Victorian State Government Shared Services Authority and Enterprise Care Directors Induction Manual. It is not designed to be an exhaustive document, rather to provide a framework for an efficient and effective governance regime.