

Government response to the NRC governance audit report

The table below outlines the recommendations from the NRC, the proposed NSW Government response, and the key strategies which are in place, will be implemented, or are being implemented, in line with each recommendation.

Description of recommendation	NSW Government Response	Response Actions
Recommendations to the NSW Government		
G1 Adopt the recommendations within this report, and oversee implementation by LLS.	Supported	<ul style="list-style-type: none"> ○ As below.
G2 Request LLS to provide reports, including a timetable and progress in implementing the recommendations three months from adoption of the recommendations and on a six monthly basis thereafter.	Supported	<ul style="list-style-type: none"> ○ Provide a report to the Minister regarding progress in implementing audit recommendations three months from adoption and every six months thereafter.
G3 Improve the governance structure by taking the following actions: <ul style="list-style-type: none"> a. Add two independent members with appropriate corporate governance and public sector expertise to the Board of Chairs as a matter of urgency. b. Evaluate, in collaboration with the incoming Chair of Chairs, the potential for reducing the number of regional representatives on the Board of Chairs, while maintaining independent members, in preparation for the next review of the Local Land Services Act 2013. 	Supported	<ul style="list-style-type: none"> ○ Restructure the central Board (Board) to include fewer members, provide independent members with voting rights and include only some local board chairs * ○ Undertake board skill review/gap analysis (complete) and recruit appropriate skills mix to new central Board.
Over-arching recommendations to Local Land Services		
A1. Clarify and simplify roles and responsibilities: As a matter of priority, LLS should define clear roles and responsibilities, particularly for boards, management, and support units. These roles and responsibilities should be consistently reflected in LLS policies and procedures and fully adopted by all members of LLS.	Supported	<ul style="list-style-type: none"> ○ Include functions for the central Board in the LLS Act, to clarify the demarcation of responsibilities between the central Board and local boards. Additional central Board functions relate to: <ul style="list-style-type: none"> ▪ Elaborating the state-wide vision, priorities and strategic direction for LLS, reflecting consideration of priorities as advised by the Minister, the recommendations of local boards, and its own assessment of threats and opportunities. ▪ Supporting the development of and approving plans and key performance indicators with local boards so that their activities will help attain both State and local priorities; ▪ Holding local boards to account to drive compliance with legislative requirements, plans, key strategies, policies and agreements;

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		<ul style="list-style-type: none"> ▪ Oversighting centrally provided frameworks and systems for activities it believes are most efficiently and effectively provided once for the whole organisation; ▪ Promoting a 'one LLS' staff and board culture; and ▪ Providing advice to the Minister. * ○ Retain the functions of local boards as set out in the LLS Act. ○ Remove the term "operational" from Object 3(c) to clarify the local boards' roles in setting regional strategic direction and priorities, guiding region-wide management and planning in consultation with regional LLS staff, and working with regional management to establish business plans, work plans and budgets. While local boards have a role in higher-level regional management and planning, such as setting regional priorities, day-to-day operational management and planning is the immediate responsibility of regional LLS staff and management. * ○ Restructure the Executive Support Unit (ESU) and Senior Executive Team to align roles with the new Board structure and ensure all staff and management clearly understand their roles and responsibilities.
<p>A2 Prioritise and resolve critical issues: The Chair of the Board of Chairs should take responsibility for ensuring that the Board of Chairs urgently identifies and resolves critical state-wide issues. A governance and business plan should be developed to ensure this occurs in a timely manner. The Board of Chairs should also clarify what policy and process issues require a state-wide approach, and allow all other issues to be devolved to local boards.</p>	Supported	<ul style="list-style-type: none"> ○ The Executive Chair (previously Chair of the Board of Chairs) to lead development and implementation of a clear process for identifying and resolving critical state-wide issues, in collaboration with the Board and local boards. ○ Develop a Business Plan to guide the development and implementation of LLS policies, programs and businesses processes, and to assist in identifying and resolving critical state-wide issues. ○ Develop a governance framework to clearly define the governance structures, processes and roles and responsibilities within LLS (under development).
<p>A3 Improve accountability: The Board of Chairs should take responsibility for fundamentally improving accountability across the organisation. Given the current level of maturity, formal processes for driving accountability are necessary. These should include implementing a simple system for</p>	Supported	<ul style="list-style-type: none"> ○ Develop and implement a robust system to monitor regional implementation of mandated state-wide policies. ○ Implement an improved organisational-wide performance reporting program.

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<p>communicating, monitoring and enforcing regional implementation of state mandated policies, processes and systems, and initiating performance agreements for all Chairs. LLS should report progress on the implementation of these audit recommendations to the Minister and the Commission.</p>		<ul style="list-style-type: none"> ○ Provide reports to the Minister every six months regarding progress in implementing audit recommendations. ○ The Minister to provide a written direction to the Chair of the Board to implement the identified priorities for action for LLS for 2016-2019.
<p>Supporting detailed recommendations to Local Land Services</p>		
<p>Roles and accountability</p>		
<p>1 The Board of Chairs should provide leadership in articulating and reinforcing a clear organisational purpose that is adopted by all members of LLS and is accessible by stakeholders.</p> <ul style="list-style-type: none"> ▪ This purpose should be consistent with both the LLS State Strategic Plan and <i>LLS Act 2013</i>. It should also support a shared understanding that LLS is a single NSW Government statutory corporation, with 11 local boards providing tailored services in line with state priorities. ▪ Decision-making, policies and communications should consistently reflect this shared purpose. 	<p>Supported</p>	<ul style="list-style-type: none"> ○ Develop LLS organisational vision and mission statements (complete). ○ Develop and implement a branding strategy for LLS (underway). ○ Release state and regional strategic plans (complete). ○ Update relevant policies and procedures to align with strategic plans (underway). ○ Ensure communications documents align with strategic plans and other relevant statewide strategies (underway).
<p>2 Clarify separation of state and local responsibilities by implementing the following actions:</p> <p>a. Determine and communicate the separation of responsibilities between the Board of Chairs and local boards, including which issues require Board of Chairs decision-making and which issues belong to local boards.</p> <p>b. Apply the following principles to determine which board should make which decisions:</p> <ul style="list-style-type: none"> - Adopt the principle of only having a Board of Chairs policy if necessary for critical strategic state-wide issues, otherwise let the local boards decide. - For governance, finance, IT, corporate services, communications and performance reporting lead a consolidation phase devising standardised policies and systems where there is a cost benefit and/or a 	<p>Supported</p>	<ul style="list-style-type: none"> ○ Include functions for the central Board in the LLS Act, to clarify the demarcation of responsibilities between the central Board and local boards (see A1). * ○ Retain the functions of local boards as set out in the Act. ○ Develop a governance framework to clearly define the governance structures, processes and roles and responsibilities across LLS (under development). ○ Develop a robust, clearly understood process to determine which board should make specific decisions, based on the principles noted in Recommendation 2b.

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<p>compliance requirement for standardisation.</p> <p>- State policies should be principles based and strategic, allowing for appropriate flexibility in implementation and delivery of services at the local level.</p> <p>c. Ensure that LLS documentation consistently reflects adoption of the specified separation of responsibilities.</p>		
<p>3 Develop a clear governance framework by:</p> <p>a. Articulating clarified roles and responsibilities, including separation of responsibilities. In particular LLS should clarify roles for the Chair of the Board of Chairs, Board of Chairs, Executive Support Unit, chairs of local boards, local boards, Senior Executive Team, Cross-Regional Teams, and General Managers.</p> <p>b. Restructuring and resourcing the Executive Support Unit to be the Office of the Chair. The Office of the Chair should be responsible for implementing decisions of the Chair and Board of Chairs, driving coordinated activity on state-wide issues and advising the Board of Chairs on strategic state-wide issues as requested. This role should be reflected in governance documentation, including an approved terms of reference.</p> <p>c. Clarifying the role of the Senior Executive Team. The Senior Executive team should function as an operational coordination, collaborative learning and advisory group of General Managers and the Executive Manager. This role should be clearly and consistently reflected in governance documentation, including an approved terms of reference. Implement measures to enhance communications between the Senior Executive Team and local boards.</p> <p>d. Clarify lines of accountability between boards, Executive Support Unit (to be made the Office of the Chair), the Senior Executive Team, and General Managers.</p>	Supported	<ul style="list-style-type: none"> o Develop a governance framework to clearly define the governance structures, processes and roles and responsibilities across LLS (under development). o Retain the functions of local boards as set out in the Act. o Include functions for the central Board in the LLS Act, to clarify the demarcation of responsibilities between the central Board and local boards (see A1). * o Restructure and appropriately resource the ESU.
<p>4 Improve accountability by implementing standardised performance agreements for chairs of the twelve boards (the Board of Chairs and 11 local boards) and a standardised board performance review process.</p>	Supported	<ul style="list-style-type: none"> o Develop performance agreements for all board members and chairs (underway). o Implement revised performance and development scheme for board members and staff, with KPIs for senior management to be set by the Executive Chair in consultation with the relevant

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		local chair.
Culture and leadership		
5 Board of Chairs should promote a culture of open communication, trust, transparency and accountability across all levels of LLS.	Supported	<ul style="list-style-type: none"> ○ Develop and implement Culture Development Project to promote improvements in line with the recommendations of the audit, and other reviews (underway).
6 Continue to develop a culture of 'one LLS' and actively promote expected staff values by: <ul style="list-style-type: none"> a. Holding chairs to account to ensure all board members consistently act in the best interests of LLS as a whole when making and implementing decisions. In performance reviews for Chairs and boards, appraise consistency of behaviours and actions with organisational values and defined roles and responsibilities, including whether members consistently act in the best interest of the state. b. Setting clear expectations for management and staff about acting in accordance with the best interests of LLS as a whole and within their defined roles and responsibilities. In performance reviews, appraise consistency of staff behaviours and actions with expectations and values. c. Other steps as necessary to achieve the overall recommendation. 	Supported	<ul style="list-style-type: none"> ○ Develop and articulate clear expectations for new central and local board members. ○ Develop and implement Culture Development Project to promote improvements in line with the recommendations of the audit, and other reviews (underway). ○ Develop performance agreements for all board members and chairs (underway).
7 Improve LLS' approach to operating within Government by taking the following actions: <ul style="list-style-type: none"> a. Develop a strategic approach to operating efficiently within the structures and processes of government. b. Ensure the Office of the Chair has staff with significant government corporate experience (e.g. corporate services, contract and service level agreement negotiations, industrial relations, human resources). These staff should work with the Chief Financial Officer and Executive Manager to provide advice to the Chair of Chairs, or act as an official delegate in negotiations with other NSW and federal government agencies, Department of Industry cluster representatives and the Ministers' Offices. 	Supported	<ul style="list-style-type: none"> ○ Restructure and appropriately resource the ESU. ○ Review and improve current approaches to dealing with other Government agencies. ○ Improve and maintain working relationships with key staff in relevant government agencies.

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<p>8 Ensure critical issues are identified and resolved by the Board of Chairs by:</p> <p>a. Reviewing the style of chairing, agendas and board papers to prioritise discussion and timely resolution of critical risks and opportunities.</p> <p>b. Within the recommended performance appraisal process, monitoring whether the Board of Chairs addresses and resolves critical issues in a timely manner.</p>	Supported	<ul style="list-style-type: none"> ○ Develop process for the Board to track progress against critical state-wide issues. ○ Undertake a review of board meeting processes and procedures, including chairing arrangements and development of agendas and board papers. ○ Establish system for dissemination of board papers and communiques as appropriate.
<p>9 Introduce an external, transparent review of skills for all nominees for future board member appointments and elections to ensure that boards have the appropriate breadth of skills to adequately fulfil their responsibilities.</p>	Supported	<ul style="list-style-type: none"> ○ Undertake board skill review/gap analysis (complete) and recruit appropriate skills mix to new central Board. ○ Develop standard merit selection criteria for all appointed local board nominees (complete).
<p>10 Seek a staggered approach to appointment of future board members to promote continuity.</p>	Supported	<ul style="list-style-type: none"> ○ Extend the maximum length of board member terms to support improvements in staggering of elected and appointed terms. *
<p>11 Provide targeted capacity building to board members in key functional areas by:</p> <p>a. Conducting a gap analysis of board member skills against the skills listed in the <i>LLS Act 2013</i> and <i>LLS Regulation 2014</i>.</p> <p>b. Providing ongoing, targeted training and development in areas identified as current gaps, particularly corporate governance, strategic leadership, risk management, finance, compliance and NSW government processes.</p> <p>c. Implement measures to foster greater cross-regional collaboration at the local board level, including informally benchmark internal governance practices across local boards, and convening forums for local board members to share learnings.</p>	Supported	<ul style="list-style-type: none"> ○ Undertake board skill review/gap analysis (complete) and recruit appropriate skills mix to new central Board. ○ Provide communications-related capacity building to communications officers and other relevant staff across the organisation; this includes opportunities for communications officers to engage with managers, clients, and key stakeholders. ○ Develop a program of ongoing, targeted training and development for LLS board members, management and staff, in areas including corporate governance, strategic leadership, risk management, finance, compliance and NSW government processes. ○ Develop systems to facilitate improved cross-regional collaboration.
<p>12 Monitor and enforce regional implementation of priority policies, processes and systems that have been mandated by the Board of Chairs. Require chairs of local boards (or their official delegate) to provide reports to the Office of the Chair demonstrating progress on implementation of priority Board of Chairs policies, processes and systems in their region. The Chair of Chairs should hold the Chairs of local boards to account for non-conformance.</p>	Supported	<ul style="list-style-type: none"> ○ Retain the functions of local boards as set out in the Act. ○ Develop and implement a robust system to monitor regional implementation of mandated state-wide policies. ○ Develop Terms of Reference for the central Board, Board sub-committees and local boards.

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Processes and systems		
13 Finalise, communicate and implement LLS' draft process for developing policies and procedures. The Board of Chairs should clarify authorities for policy and procedure approval at each scale, with the policy revised accordingly prior to finalisation.	Supported	<ul style="list-style-type: none"> ○ Develop and implement a robust policy development process that clarifies procedures and approval authorities and facilitates effective policy implementation by local boards.
14 Review the LLS policy register in light of the proposed principles for identification of state-level versus regional policies, and LLS' draft <i>Policy for policy and procedure development</i> . <p>a. Ensure that it is complete and easily accessible by all board members and staff.</p> <p>b. Identify critical policies that are not yet established, and then implement a timetable for developing them.</p> <p>c. Review existing policies within two years (both those adopted from the cluster and developed by LLS) to ensure they are fit-for-purpose and effective.</p> <p>d. Following this initial review, implement a rolling program of review to maintain compliance with legislative and other requirements.</p>	Supported	<ul style="list-style-type: none"> ○ Undertake a policy review process to urgently identify and implement critical policies. ○ Develop and implement a robust policy development process that clarifies procedures and approval authorities and facilitates effective policy implementation. ○ Implement measures to ensure an LLS organisational policy register is easily accessible by all central and local board members.
15 Implement improved systems and processes for communicating Chair and Board of Chairs discussions and decisions to local boards and staff, including: <p>a. Share Board of Chairs agendas and minutes with local boards and General Managers, allowing for the Board to blackout information only where essential for confidentiality purposes.</p> <p>b. Share Board of Chairs communiques with all staff.</p>	Supported	<ul style="list-style-type: none"> ○ Establish system for dissemination of board papers and communiques as appropriate. ○ Develop systems to facilitate improved cross-regional collaboration. ○ Develop standard processes to share Board agendas and minutes with local boards and General Managers.
16 Finalise and adhere to a state-wide governance calendar, specifying key dates for strategic and business planning, policy development and review, performance monitoring, and compliance reporting. Ensure state and regional agendas are in line with the calendar, including agendas of board sub committees.	Supported	<ul style="list-style-type: none"> ○ Develop and periodically review governance calendar (underway).
17 Continue to take steps to advance financial management, performance, transparency and accountability to ensure that	Supported	<ul style="list-style-type: none"> ○ Review financial management, performance, transparency and accountability (underway).

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<p>board members can fulfil their fiduciary obligations, and systems meet government requirements, including by taking the following actions:</p> <p>a. The Chief Financial Officer should take the lead on improving budgeting processes to increase funding certainty for local boards and staff.</p> <p>b. Revise the existing financial policy framework to provide clarity on roles and responsibilities for financial management at the state and local levels and confirm targets for financial performance, including balancing of regional budgets.</p> <p>c. Review all funding sources and internal allocations across the organisation including the Office of the Chair.</p> <p>d. Streamline accounting and reporting systems to ensure that there is a consistent approach across LLS and improved financial reporting to local boards and the Board of Chairs.</p>		<ul style="list-style-type: none"> ○ Revise financial policy framework in line with review outcomes. ○ Review and revise accounting and financial reporting systems.
<p>18 Complete work recently commenced to develop an organisation-wide performance evaluation framework, including key performance indicators, metrics, tools, systems and processes. Use internal feedback loops to drive timely identification and broader adoption of good practice and innovation.</p>	Supported	<ul style="list-style-type: none"> ○ Implement an improved organisational-wide performance reporting program. ○ Implement revised performance and development scheme for board members and staff.
<p>19 Improve board procedures by:</p> <p>a. Developing standardised governance charters and systems across local boards where appropriate, while allowing some regional flexibility.</p> <p>b. Setting guidelines to ensure that board papers are strategic in nature, of a reasonable length, and provided with enough time prior to meetings for board members to fully review them.</p>	Supported	<ul style="list-style-type: none"> ○ Review and make improvements where necessary to board procedures, in line with Recommendation 19. ○ Develop a governance framework to clearly define the governance structures, processes and roles and responsibilities across LLS (under development).
<p>20 Better leverage skills and expertise of the whole organisation when making state-wide policy, including reviewing the requirements in existing policy development guidelines to:</p> <p>a. Incorporate better methods to promote collaboration with local board members and the Senior Executive Team on state</p>	Supported	<ul style="list-style-type: none"> ○ Develop systems to facilitate improved cross-regional collaboration. ○ Review current cross-regional team arrangements (underway). ○ Undertake board skill review/gap analysis (complete) and recruit appropriate skills mix to new central Board.

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<p>policy development processes.</p> <p>b. Ensure membership of Cross-regional Teams, reference groups and working groups make best use of available skills and knowledge across the organisation.</p> <p>c. Develop a skills register for board members and management.</p>		<ul style="list-style-type: none"> ○ Develop and maintain a skills register for board members and management.
Strategic direction		
<p>21 Promptly finalise the development of state and regional strategic plans, ensuring that they appropriately address key risks and state priorities.</p>	Supported	<ul style="list-style-type: none"> ○ Release state and regional strategic plans (complete).
<p>22 Implement measures and take sufficient time to meaningfully engage with external stakeholders on strategic directions on an ongoing basis.</p>	Supported	<ul style="list-style-type: none"> ○ Develop stakeholder engagement strategy (underway). ○ Ensure communications documents align with strategic plans and other relevant statewide strategies (underway). ○ Implement strategies to improve relationships with media outlets, key stakeholders, and Industry cluster and other government agencies.
<p>23 For future strategic planning processes, the Board of Chairs to more actively set and monitor scope, priorities, risks and timeframes.</p>	Supported	<ul style="list-style-type: none"> ○ Facilitate continued involvement of the Board in strategic planning.
<p>24 Implement measures to advance the maturity of strategic direction-setting by boards. All boards should dedicate more time to strategic discussions in board meetings through standing agenda items, review of strategic plans, and discussion of progress towards strategic objectives. Ensure that board agendas allow time for open discussion of current and emerging strategic issues.</p>	Supported	<ul style="list-style-type: none"> ○ Develop Terms of Reference for the central Board, Board sub-committees and local boards. ○ Undertake a review and propose options to ensure the central Board and all local boards have sufficient capacity to devote appropriate time to strategic direction-setting.
Risk management and compliance		
<p>25 Improve risk management by implementing the following:</p> <p>a. Finalise and implement a comprehensive LLS risk management system that protects and creates value for LLS. Ensure that it is transparent and inclusive, and includes mechanisms to involve stakeholders in identification of risks.</p> <p>b. The Board of Chairs should set the strategic risk appetite for LLS at a state-level and local boards to set risk appetite for regional service delivery while aligning with the state wide strategic risk appetite.</p>	Supported	<ul style="list-style-type: none"> ○ The Executive Chair (previously Chair of the Board of Chairs) to lead development and implementation of a clear process for identifying and resolving critical state-wide issues, in collaboration with the Board and local boards. ○ Review current resourcing of risk management functions (underway). ○ Develop and implement risk management systems as required, based on the review.

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<p>c. The Board of Chairs should ensure common state-wide risks, including compliance risks are identified and organisation-wide systems to manage and monitor these risks, consistent with better practice risk management frameworks, are implemented.</p> <p>d. Local boards should identify risks to service delivery in their regions. Adopt the risk management system set by the Board of Chairs to oversee the management of these risks.</p> <p>e. Boards should implement measures to ensure that risk is routinely considered in strategy development and decision-making. Periodically evaluate whether a proactive risk culture is developing across LLS.</p>		<ul style="list-style-type: none"> ○ Develop performance agreements for all board members and chairs.
<p>26 Improve internal assurance process by:</p> <p>a. Continuing to develop internal assurance functions consistent with the NSW Treasury Policy Paper 15-03. Review the policy paper and address any identified gaps with LLS policies and processes.</p> <p>b. Ensuring the membership on the state-wide Audit and Risk Committee is compliant with the Treasury Policy Paper 15-03 requirements to have non-executive, independent chair and members with appropriate skills and clearly identify the Chief Audit Executive.</p> <p>c. Chair of Chairs ensuring there is an operational and adequately resourced internal audit function.</p> <p>d. Clarify roles and responsibilities for local boards in regard to internal assurance.</p> <p>e. Finalise the development of internal audit systems and processes in a timely fashion, ensuring that these meet good practice as well as NSW Government requirements.</p>	Supported	<ul style="list-style-type: none"> ○ Review current resourcing of assurance systems (underway). ○ Develop and implement assurance systems consistent with the NSW Treasury Policy Paper 15-03.