



Good Governance for an NDIS Environment



Ethnic Communities' Council of Victoria

Version 1, July 2018

This work is a collaboration between the Ethnic Communities' Council of Victoria (ECCV) and Early Childhood Intervention Australia Victoria/Tasmania (ECIA VIC/TAS).

The *ECCV Good Governance for an NDIS Environment Guide* leveraged the expertise of the NDIS Business Readiness teams at ECIA VIC/TAS and ECCV and open source materials available to the sector. Brian Kirk is acknowledged as the author of this work.

ECCV would like acknowledge the following organisations and government departments:

- Australian Government (Department of Human Services, Department of Families, Housing, Community Services and Indigenous Affairs)
- Australian Charities and Not-for-Profit Commission
- Australian Institute of Company Directors
- Community Door (Queensland Government Department of Communities)
- Governance Institute of Australia
- Not-for-Profit Compliance Support Centre (Victorian Government)
- National Disability Services (NDS)(QLD, NSW, TAS)
- National Disability Insurance Agency (NDIA)
- NSW Government (Department of Family and Community Services)
- Our Community
- Think HQ
- Victorian Managed Insurance Authority (VMIA)

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- Marion Lau OAM - ECCV Secretary

Every effort has been made to list and acknowledge source material, any omission was not intentional.

Ethnic Communities' Council of Victoria (ECCV)

The ECCV mission is to work to ensure that we remain a member driven peak body committed to empowering people from culturally diverse backgrounds. We strive to give voice to multicultural Victoria. We strive to advocate for human rights, freedom, respect, equality and dignity for ethnic and multicultural communities and in building a socially cohesive and inclusive Victorian community.

The organisation advocates and lobbies all levels of government on behalf of multicultural communities in areas like human rights, access and equity and improving services. We advocate on any issue that is of concern to our members, and coordinate capacity building projects for multicultural communities.

We are proud to have been the key advocate for culturally diverse communities in Victoria since 1974.

Early Childhood Intervention Australia Victoria/Tasmania (ECIA VIC/TAS)

ECIA VIC/TAS is the peak body for the early childhood intervention sector in Victoria and Tasmania. Our members include not-for-profit and for-profit early childhood service providers, allied health practitioners, educators, child care professionals, academics, peak bodies, parents and individuals.

- We provide leadership and stewardship for the early childhood intervention sector.
- We represent the views of providers and practitioners of early childhood services.
- We champion universally inclusive, evidence-based and culturally appropriate early childhood policy and practice.

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Strategy / Planning

Chapter 3: Strategic Planning Guide (Source: NDS)

A practical approach to understanding strategic planning principles. Includes tools, resources and checklists.

Item: 1 | Expanded Link: drive.google.com/file/d/1LUZAK8WB8j7Tc6u7p2qQ5FrBTxhtdI4n/view

NDIS Provider Toolkit (The Toolkit) (Source: NDS)

Self-assessment of business practices for the NDIS

Item: 9 | Expanded Link: drive.google.com/file/d/1ojoKeXH7T9J9rnI6HOLZ_ZV5NvWGWock/view

Strategic Plan Template (Source: Australian Institute of Company Directors)

Expanded Link: N/A

Risk

Chapter 6: Risk Management (Source: NDS)

A practical approach to understanding and managing risk, including tools, resources and checklists.

Item: 2 | Expanded Link: drive.google.com/file/d/1VmMeLWL00YJ1408AeJaDVVWrNF6sZuv2/view

VMIA Risk Management Guide (Source: VMIA)

Designed as a guide and resource to introduce risk management principles and practices into your organisation.

Item: 24 | Expanded Link: drive.google.com/file/d/1iAX8HDTkM8bZUYU47Lh5I3nQRKHYZCX8/view

Risk Management & Controls Model (Source: NDS/VMIA)

Providing a risk management model with supporting resources specifically for disability service providers.

Item: 28 | Expanded Link: drive.google.com/file/d/18VOQNdeXZgPnZzdkaEfU-K-9T94NNRPq/view

Chapter 4: Financial Management (Source: NDS)

A practical approach to understanding financial reports, including resources and policy checklists.

Item: 3 & 17 | Expanded Link: drive.google.com/file/d/1bKmZfxuGQSaN6zo2y71rCgEkqh6hprU2/view

Damn Good Advice for Board Members (Source: Our Community/CAN)

Twenty-five questions a not-for-profit board member needs to ask about the finances.

Item: 4 & 18 | Expanded Link: drive.google.com/file/d/1URFfh36I6zL5K5Bs2wzawcxf17E_uNZB/view

Financial Literacy for Community Groups (Source: Our Community/Westpac)

A board members guide to financial reporting.

Item: 5 | Expanded Link: drive.google.com/file/d/1kPpBuY337RnXkRjkzgt07tQApoCOAsN0/view

NDS/Curtin Costing & Pricing Manual (Source: NDS/Curtin)

Used in conjunction with the Costing & Pricing Tool, to calculate the costing and pricing of services, including workforce, overheads and so on.

Item: 14 | Expanded Link: drive.google.com/file/d/1n8unHdajPI9j0FfGL3A6LeKnrytRJe0I/view

NDS/Curtin Costing & Pricing Tool (Source: NDS/Curtin)

Designed to assist organisations undertake an activity based costing exercise, to determine the comprehensive cost of running a business under the NDIS.

Item: 15 | Expanded Link: drive.google.com/file/d/1M7hpSV9DSrZRhI8CD8XZyjsLLtrTjEs/view

HR / People / Workforce

Chapter 5: Strategic Human Resource Planning (Source: NDS)

A practical approach to understanding and establishing a human resource planning environment within your organisation.

Item: 6 | Expanded Link: drive.google.com/file/d/1Ob8QpoNAoteQoezyhLrPwwBu5HiBxptO/view

Chapter 10: Quality Management (Source: NDS)

A practical approach to understanding the quality and safeguards requirements of the NDIS.

Item: 7 | Expanded Link: drive.google.com/file/d/1eQNBfYsCr7S55uv_THjYiEPF2na9odF8/view

Person Centred Practices (Source: NDS)

A series of resources that highlight and provide insight to person centred practices within your organisation.

Item: 8 & 23 | Expanded Link: drive.google.com/drive/folders/1sUr_Wrg9j_tnl4DFwa7qIM3wgPkEK0xK?usp=sharing

Workforce Planning Template (Source: CS&HISC)

Designed to assist organisations develop and implement its own Workforce Plan.

Item: 21 | Expanded Link: drive.google.com/file/d/1jG1ONjxc8UZ7mV0PeEpGESQr-mJ0LunF/view

Analysing Time - A guide to understanding key elements of workforce costs under the NDIS (Source: NDS/Baxter Lawley)

A guide to assist organisations to understand factors affecting the mechanics of workforce utilisation.

Item: 22 | Expanded Link: drive.google.com/file/d/13S6H924fSDEFx_Waw9x2bavEzO_emGNe/view

Board Recruitment Tool (Source: NDS)

A toolkit designed to assist organisations in the board recruitment process.

Item: 28 | Expanded Link: drive.google.com/file/d/15eMmcdMjJceOmPYgE7Dz5u-u9b7lfiOiY/view

IT

ImproveIT4NDIS

A website designed to assist the community sector to build understanding around ICT (Ref: <https://improveit.org/ndis>)

Expanded Link: drive.google.com/file/d/1PPOXrUgRN3AhKenhvKVPVZQR9Z5PoRil/view?usp=sharing

Marketing & Client

Video - Tipping Foundation (Source: NDS/ThinkHQ)

A case-study video that expands on the idea of how marketing should be considered under the NDIS.

Item: 19 | Expanded Link: drive.google.com/drive/folders/1EtvC3d3bHAtA2ie8-SFgyv9AsQnZetzy

NDIS

NDIS Provider Toolkit (Source: NDIS)

A guide to assist providers in understanding the requirements of becoming and being a registered NDIS Provider. A series of modules.

Item: 10 | Expanded Link: drive.google.com/drive/folders/1EFqcxwNKY12cr_6qZPsd0eHUGVVljjhZ

Module 3: NDIS Provider Toolkit: Terms of Business (Source: NDIS)

NDIS Provider Toolkit that specifically covers the terms of business that provider must agree to become a registered provider.

Item: 11 | Expanded Link: drive.google.com/file/d/17bMGbaqUIHUEaHweQcl0FZMP8NDkLK5j/view

Module 4: NDIS Provider Toolkit: Guide to Suitability (Source: NDIS)

NDIS Provider Toolkit that specifically covers the suitability requirements of provider to become a registered provider.

Item: 12 | Expanded Link: drive.google.com/file/d/1d3nNAaWK0eq_PRmxJYHoBLz_jqZS4oR/view

Skills

Board Skills Matrix (Source: NDS)

Included in Chapter 1 – Corporate Governance, provides a series of tools and exercises to assist boards identify the skills of the board.

Item: 25 | Expanded Link: drive.google.com/file/d/1MDHEZZG0dVb1RrJPilmGPM3TrxsF3RVm/view

Leading Change Guide (Source: NOUS)

A practical resources with tools to assist organisations in changing their current service to become NDIS ready.

Item: 26 | Expanded Link: drive.google.com/file/d/1M2qd7yLpT25M02WKYYFfrkulFxc_tsiz/view

Your role as a board or management committee member (Source: QLD Dept of Communities)

Self-assessment for individual board members to review strengths and weakness as a board member.

Item: 27 & 28 | Expanded Link: drive.google.com/file/d/1A-teGirt4FNNfOcxYc89o2CaKhYcP4Va/view

Introduction - Message from ECCV

The Ethnic Communities' Council of Victoria (ECCV) is pleased to partner with Early Childhood Intervention Australia Victoria Tasmania (ECIA VIC/TAS) on the ECCV Good Governance for NDIS Pilot Program in 2018.

It is a privilege to serve as a board member of a community organisation, which gives you the opportunity to make a real difference to your community. With this opportunity comes significant responsibilities, such as decision making, providing leadership and developing the strategic direction of the organisation, as well as the ultimate legal responsibility.

The National Disability Insurance Scheme (NDIS) introduces new responsibilities and additional demands on the skills and knowledge of boards – and moving to a consumer driven model of social and community services can be a challenge. It is vital that your board understands the implications of the NDIS reform, and takes steps in ensuring that the organisation transitions to the new NDIS environment effectively.

The NDIS is also an exciting and new opportunity for organisations to provide culturally appropriate disability services that are targeted to the communities you support and represent, and ECCV hopes that this will be a successful endeavour for you.

I would highly recommend this guide to service providers working with culturally and linguistically diverse communities throughout Victoria, who are on the journey to becoming NDIS providers. It will support community boards to understand the implications of the NDIS and assist you to become Governance Ready for this transformation of the disability services sector.



Kris Pavlidis

Chairperson
Ethnic Communities' Council of Victoria



Who is this guide for?

Whether you're taking up the responsibilities of a Board Member for the first time or you're an experienced Board Member looking for a refresher, there's always something you can do to improve your knowledge and the governance of your organisation.

- ACNC Good Governance Guide

Being a board member of an ethnic and/or community organisation can be a very positive and rewarding experience. It can give you the opportunity to make a real difference to your community. As a board member you are responsible for decision making, providing leadership and developing the strategic direction of the organisation, as well as bearing the ultimate legal responsibility.

For boards of disability service providers, the NDIS introduces new responsibilities and additional demands on the skills and knowledge of boards. It can be a challenge for many community organisations to understand the transformation to the consumer driven model, where organisations are required to invoice for specific NDIS supports provided (paid in arrears). This is a stark contrast from the block funding model that the community sector is used to operating within.

Board members have an obligation to understand the implications of the NDIS reforms, and take steps in ensuring that their organisations are well prepared to be NDIS providers, prior to undertaking this endeavour.

The primary purpose of this guide is to support existing community boards to understand the implications of the NDIS and assist them to become Governance Ready for the NDIS. It is not designed as a "Governance 101", as there are many useful ones available (see Appendix 1).

This guide includes general information, links to tools and resources that will provide background information for new board members, or existing board members aiming to upskill for the NDIS environment. If you are an experienced board member looking to build capacity and understanding for the NDIS in the first instance, go to Section 2.

HOW TO USE THIS GUIDE

This guide is divided into 4 sections. Within each section, there are links to either external resources on a Google Drive or to a checklist or resources located in the Appendix. In some cases, the same resource is used in multiple locations. Look for the following icons:



This icon will take you to an external **Google Drive**.



This icon is a **shortcut to a resource** within the guide.



This icon will take you to an external **website link**.

To make the best use of this guide, we recommend you review the list below and start in Section 1 or Section 2, depending on your requirements.

SECTION

01

- Considering becoming a board member
- A new board member
- An existing board member wishing to upskill
- A board chair seeking to build the capacity of the board and/or for governance resources

SECTION

02

- An experienced board member seeking to understand the implications of the NDIS
- A board chair looking for resources to build the capacity of the board for the NDIS

SECTION

03

- A series of self-assessments and checklist for NDIS Governance Readiness

SECTION

04

- The appendix provides links to additional resources, governance websites and templates

WHEN ARE COMMUNITY BOARDS GOVERNANCE READY FOR THE NDIS?

Boards can feel confident that they are on the road to being Governance Ready for the NDIS when they

1. Understand the legal implications of the NDIS, including the **Quality and Safeguarding Framework**
2. Understand and address the financial implications of the NDIS
 - Block funded and paid in advance, to individualised funding paid on invoice for NDIS supports provided
3. Undertake a strategic planning exercise that addresses
 - Other business implications of the NDIS, including
 - Marketing; research and market re-orientation
 - Workforce planning & service design
 - Information and Communication Technology (ICT)
4. Address the significant organisational and behavioural changes required that are brought about by the NDIS reform
5. Understand the risk and compliance issues
6. Review the skills of the board for the new environment

Are our decision-making processes robust enough to manage the key risks, challenges and opportunities facing our business? How do they support our operation in a competitive environment?

Section 1

Good Governance for All



1.1

What is good governance?

This section provides details around the definition of governance and introduces an expansion of the traditional governance framework. It also includes internal and external links to resources.

The concept of 'governance' is not new. However, some research on the topic clearly indicates that 'governance' and particularly 'good governance' has different meanings for different people.

The basic concept of governance focuses on the operation of an organisation:

- 'the act or process of governing, specifically authoritative direction and control' – World Bank
- 'a system by which organisations are directed and controlled' – Organisation for Economic Co-operation and Development (OECD)
- 'the systems, processes and procedures put in place to steer the direction, management and accountability of an organisation' – Birmingham City Council
- '... the process whereby organisations make their important decisions, determine who has voice, who is engaged in the process and how account is rendered' – Institute on Governance

While these concepts are valid, they reflect an institutionalised prescriptive approach, and ECCV believes that a human rights' based approach to good governance is more appropriate for the community-based organisations in which this guide and subsequent program was intended.

The rights-based approach in this context implies that the communities the organisation represents have a right to participate in decision making regarding programs and services that they are involved in.

For community organisations

- Good governance creates a strong future for an organisation by continuously steering towards a vision and making sure that day-to-day management is always lined up with the organisation's goals. At its core, governance is about leadership, and decision making.
- Good governance helps make sure that the day-to-day work of an organisation aligns with its purpose. It is important that board members ask:
 - Why are we here?
 - What are we doing?
 - How will we do it?
- Asking these questions (and trying to answer them) helps organisations to stay true to their vision and mission.
- Good governance should be an all-pervading attribute within an organisation. It should be regarded as the key enabler to aid decision making, ultimately helping an organisation to achieve its objectives and fulfill its obligations through sound business practices.

What are the consequences of poor governance?

Poor governance can put community organisations at risk of commercial failure, financial and legal problems for directors/trustees, or allow an organisation to lose sight of its purpose and responsibilities to the community and people who benefit from its success.

1.1.1

CHARACTERISTICS OF GOOD GOVERNANCE FOR COMMUNITY ORGANISATIONS

The following characteristics for good governance in community organisations area consolidation of a number of resources.

GOOD GOVERNANCE IS	
Accountability	Accountability is a fundamental requirement of good governance. Community organisations have an obligation to report, explain and be answerable for the decisions they have made on behalf of the community they represent.
Transparency	People that the community organisation support/represent should be able to follow and understand the decision-making process. This means that they will be able to clearly see how and why a decision was made – what information, advice and consultation the organisation considered, and which legislative requirements (where relevant) the organisation followed.
Following the Rule of Law	This means that decisions are consistent with relevant legislation, legal, compliance and quality and safeguarding requirements that the organisation is bound to.
Responsiveness	Community organisations should always try to serve the needs of the entire community while balancing competing interests in a timely, appropriate and responsive manner.
Equitability and Inclusiveness	A community's wellbeing results from all of its members feeling their interests have been considered by the organisation in the decision-making process. This means that all groups, particularly the most vulnerable, should have opportunities to participate in decision making.
Effectiveness and Efficiency	Community organisations should make decisions and follow processes that make the best use of the available people, resources and time to ensure the best possible results for the community that they represent and/or support.
Participation	Anyone affected by or interested in a decision should have the opportunity to participate in the process for making that decision. Organisations should provide opportunities for community members to participate – for example, by providing information, asking for opinions or being involved in focus groups.

Table 1: Characteristics of Good Governance

1.1.2

PRINCIPLES OF GOOD GOVERNANCE

Board members should consider whether they have suitable structures and rules in place to enable the organisation to fulfill its purpose, regardless of the size and maturity of the organisation. The self-assessment process for NDIS Governance Readiness, found in Section 3, draws on the ten principles of good governance below.

10 PRINCIPLES OF GOOD GOVERNANCE	
Principle 1 Roles and Responsibilities	Individual responsibilities and the role of the board or committee should be clear and understood by all members.
Principle 2 Board Composition	A board needs to have the right group of people, with a good mix of skills and experience that are matched with the organisation's objectives and strategic goals.
Principle 3 Purpose and Strategy	The board plays an important role in setting the vision, purpose and strategies of the organisation, and adapting these as circumstances change.
Principle 4 Risk Management	A key function of a board is making sure that risk management systems are in place and are being used.
Principle 5 Organisational Performance	Boards should have a view of 'what success looks like' and set performance categories and indicators to monitor the success of the organisation.
Principle 6 Board Effectiveness	The way in which the board is structured and operates can have a direct impact on the ability of an organisation to achieve its objectives.
Principle 7 Integrity and Accountability	The board is ultimately responsible for everything your organisation does and does not do. In order to make good decisions, the content and quality of the information it receives is a crucial consideration.
Principle 8 Capacity Building	As part of their overall leadership responsibility, the board plays a strategic role in ensuring that the organisation has the required capacity and capabilities to deliver on its purpose.
Principle 9 Culture and Ethics	A board and its individual members have a leading role to play in promoting a healthy culture within the organisation they serve.
Principle 10 Engagement	Non-profit and community organisations are required to collaborate with other organisations, including government agencies, private businesses, other non-profit organisations, their membership base and the broader community. The board has a leading role in representing the organisation publicly and building strong relationships with stakeholders.

Table 2: 10 Principles of Good Governance

Duties of Board Members

The Australian Charities and Not-for-Profit Commission (ACNC) *Guide for Good Governance* suggests that there are four main duties of board members:

1. To act in the best interests of your organisation and for proper purpose
2. To act with reasonable care and diligence
3. Not to improperly use information or your position
4. To disclose and manage conflicts of interest

The specific duties of boards depend on the organisation's legal structure, but all board members must be careful and conscientious within their roles and act with common sense and integrity. The board bears responsibility for decision making, leadership and strategy, and bears ultimate legal responsibility. To be successful under the NDIS, the implications of the reform must be addressed, but it is important to realise that the overarching duties and function of the board will not change.

Questions for Board Members

1. To act in the best interest of your organisation and for proper purpose
 - When acting as a board member, you must show a standard of care and diligence that a reasonable person would use if they were in your place.

Ask yourself "is this decision in the best interests of my organisation and does it further its mission and vision?"

2. To act with reasonable care and diligence
 - When acting as a board member, you must show a standard of care and diligence that a reasonable person would use if they were in your place.
 - In practice, do your best to participate - for example, before a meeting, read and try to understand any materials you have been given.
 - In practice, if you have any questions about any of your board's business, always ask the other board members or staff and make sure to leave time for thinking about your decision. If your view differs from other board members on an issue, it may be appropriate to request that your opinion may be recorded separately in the minutes.

Ask yourself "would someone who was observing me think that I was being careful and conscientious in my duties?"

- An aspect of duty of care is to make sure your organisation can pay its debts when they are due (being solvent)
- In practice, you have a duty of care to understand the financial reporting of your organisation, even if that is not your individual area of expertise as you will still be liable if the organisation operates in an insolvent

situation. Ask for explanations or summaries of the financial situation, such as key financial ratios, as they are an effective reporting mechanism.

Ask yourself "can my organisation pay its bills?"

3. Not to improperly use information or your position
 - When acting in as a board member you will come across information that could be used for your personal or other interests.

Ask yourself "am I using my position as a board member, or information I have received in this position, for the benefit of my organisation?"

4. To disclose and manage conflicts of interest
 - Conflicts of interest occur when your duty to act in the best interest of your organisation is in conflict with (or may conflict) with the opportunity or potential to get a personal benefit (or a benefit for a person or organisation you have a relationship with).
 - If you have a real or perceived conflict, inform your board as soon as possible. Generally, it is best (and often required by your rules or legislation that applies to your organisation) not to take part in any discussion or decision-making where you have a conflict of interest.
 - Conflicts of interest are common and do not have to be a serious problem. However, if not managed properly, they may damage your organisation's reputation, and your own, and, in serious cases even break the law. Perception is critical – even if there is no actual conflict of interest.

Ask yourself "would an independent observer be sure that I was acting in the best interests of my organisation?"

Common Questions for Board Members

The following questions have been taken from the ACNC *Governance For Good*.

Can board members resign?

Yes, board members can resign at any time. Check your governing rules to find out whether there are any steps you need to take and consider providing a notice period to minimise the impact on the organisation.

Can board members be paid?

This depends on whether there are governing rules for your organisation, around paying board members but it is sometimes possible.

For registered charities:

- Board members can be paid if the payment advances the charitable purpose of the organisation and the payments are clearly authorised (for example, by a meeting of the members).

- If the charity is a trust, the trustees cannot be paid unless the trust deed specifically sets out that they are to be paid.

For not-for-profits (which includes charities):

- Organisations that are registered with the Australian Securities and Investments Commission (ASIC) that omit the word 'limited' from their company name must not pay their board members.

Payment of reasonable expenses is different to payment for services. Board members can be reimbursed for reasonable expenses they incurred while carrying out their duties. Details can be found in your governing documents and in relevant legislation.

Can board members be personally liable?

Provided that board members are complying with their duties as board members, in many cases they will not be personally liable in the case of legal issues. However, this depends on the particular action and type of organisation. For example, board members may be personally liable for legal action taken against an unincorporated charity or for criminal/serious misconduct.

Can board members be employees of their organisation?

It may be possible for board members to also work as employees of an organisation, depending on what is found in the specific governing rules. However, this may cause real or perceived conflicts of interest that must be managed correctly.

How long does a board appointment last?

The terms of board appointments varies between organisations, but is generally set out in the governing rules. Some boards will elect an entirely new board on a fixed term basis, or their terms will rotate so that only half or a third change at any given time. Different models will suit different organisations and it is important to ensure that the rules are clear and the process of changing boards is followed.

Can a board member tell a staff or volunteer member what to do?

Board members cannot direct the work of staff or volunteers unless they have been given authority to do so. Generally, the board can only direct the CEO as a collective, but individual members can be authorised by the board to do so.

It is important to be clear about the role of staff members, volunteers and board members. Everyone should understand their role, and where it fits in the organisation to prevent any misunderstandings amongst staff and board members.

Can boards delegate their responsibilities?

Some responsibilities of boards may be delegated (formally handed over) to others, depending on the governing rules of the organisation. In organisations with paid staff, most boards will delegate responsibilities to the CEO. In others, the delegation can be to a particular volunteer or sub-committee of volunteers.

It is important to set out delegated activities in writing, especially as the board bears ultimate legal responsibility for decisions made on their behalf.

Can a member, staff or volunteer tell a board member what to do?

Board members are independent and generally cannot be directed by any general member, staff or volunteer of the organisation.

Can a board member be removed?

Board members can be removed before the end of their term of appointment, either automatically according to governing rules, or through a majority vote at a meeting of the members. The governing rules of organisations indicate situations where board members can be removed – for example, failing to attend a set minimum amount of meetings or by becoming bankrupt.

Relevant legislation outlines situations where board members can be suspended or removed by the governing authority (this would be the ACNC for registered charities).

1.2

A good governance framework

A good governance framework is a conceptual structure and set of rules that outlines how an organisation is governed, managed and controlled. The framework outlines the rules and procedures by which decisions are made and the policies and procedures that support the delivery or execution of these rules.

This resource is designed to assist board members in their conversation on good governance, and how they might practically approach improving governance outcomes, and identify gaps and required actions to become NDIS ready.

The diagram below is a synthesis of a number of existing frameworks, in an attempt to cover all relevant structures and expand on the roles and responsibilities of board members. This guide is focused on the business practices associated with becoming governance ready for the NDIS.

GOOD GOVERNANCE FRAMEWORK

The Board has governance over

- Mission and vision
- Legal obligations
- Governance rules
- Governance documents
- Policy and procedures
- Engagement and communication
- Roles and responsibilities

Boards are effective when they

- Know and understand the organisation's business
- Have the right structure and composition
- Have members with the right skills
- Ensure the board is viable (recruitment and succession)
- Measure their performance
- Clearly understand their role and responsibilities
- Have an effective relationship with stakeholders
- Conduct effective meetings

Board is responsible for

- Accountability
- Strategy
- Resourcing
- Advocacy
- Performance & Monitoring

Business practices used to meet board responsibilities

- Strategic and business planning
- Risk management
- Financial management and reporting
- Human resource planning and control
- Compliance and accountability systems

Table 3: Good Governance Framework

1.2.1

BEING AN EFFECTIVE COMMUNITY BOARD

The governance framework of the organisation provides the foundation in which the board's effectiveness can be measured and reviewed. An effective community board will improve the organisation's results, both financial and social, and ensure that assets and funds are used appropriately.

If board members are to be effective in their role, they need to:

- Ensure that the board's structure and composition are suited to the organisation
- Ensure board members have the necessary skills to govern the organisation
- Ensure the viability of the board by having recruitment and succession planning in place
- Maintain and develop board skills and overall performance
- Establish a good working relationship with the organisation's senior staff and have strong accountability framework for the board
- Conduct productive meetings and get through the board's business efficiently

Are you an effective board? See [Chapter 3.5](#) to complete the exercises and questionnaires.

What is the difference between governance and management?

The boundary between governance and management is not always clearly defined. The size and maturity of the organisation will influence the dividing line and the degree of separation between an organisation's governance and management structures. Less mature organisations may have legacy situations and lack formal governance frameworks. Equally, smaller organisations with limited staffing and financial resources may tend to blend responsibilities between those who govern and those who manage. These organisations often call on board members to be more involved in specific day-to-day management decisions.

The board members should help your organisation to stay focused on its objectives, manage its finances effectively and comply with the legal, operational and ethical requirements of your organisation.

- ACNC Good Governance Guide

What type of board model is your organisation using? See [4.2 Appendix 2](#) to make an assessment.

1.2.2

ROLE & RESPONSIBILITY OF THE BOARD

The board is responsible for decision making, providing leadership and strategy as well as bearing the ultimate legal responsibility.

Generally, boards delegate some of their responsibilities to staff or volunteers. However, there are some things that are usually reserved for boards such as appointing a CEO or equivalent, adopting a strategic plan, overseeing the management of organisational risks and calling meetings of the members.

Every organisation is different and so are their boards. However, there are some responsibilities that are common to almost all boards.

1. Accountability – making sure your organisation meets its obligations, manages its finances and operates transparently
2. Strategy – setting the organisation's long-term goals and making sure it pursues its mission, vision and values
3. Resourcing – securing and/or ensuring the organisation has enough resources to support the work of the organisation
4. Advocacy – representing the organisation to the community and its members and/or stakeholders
5. Performance – making sure the organisation is run as required under its governing documents and the law

Your role as a board member (rate your ability).

Accountability

Accountability encompasses a number of the items listed in the governance framework. This includes but is not limited to:

- Meeting the legal obligations
- Roles and responsibilities
- Governance rules and governance documents
- Policies and procedures

Accountability is more than meeting regulatory requirements or explaining how things went wrong. For example: If an organisation is preparing for the NDIS from an accountability perspective, the board will ensure its board members have the right information and systems to make the right decisions and enable the organisation to address the business and governance implications of the NDIS.

The principle of accountability relates to the board's ability to ensure they conduct and present a fair, balanced and understandable assessment of the company's position and prospects. In reporting, accountability should be addressed throughout the annual report and relate back to the company business model and strategy, as well as how the board is addressing the business risks and viability. The audit committee is particularly important, clearly demonstrating accountability in its reporting on key matters of consideration in preparing the accounts, principal risks and risk management, internal control systems and how they are monitored, and the selection, use of and interaction with internal and external auditors.

Reference: Simon Lowe: Grant Thornton; five principles of accountability. 15 Dec 2016

Strategy

Directors have a responsibility for organisational planning and setting and reviewing strategic goals. Taking a strategic approach to planning enables the board to carefully consider the longer term financial sustainability of services and activities, and the best options for future diversification or expansion.

The strategic plan gives a high-level overview of the aspirations and purpose of the organisation, identifies the organisation's priorities for future strategic direction and defines key performance indicators. The strategic plan is a key document to support good governance and helps the board to do their job well.

As a result of significant policy reforms (aged care, community health, housing, disability, etc.) many organisations will operate in an increasingly competitive and customer-centric environment. A strategic planning approach can assist organisations to assess their current business model, operations and capabilities and consider the necessary changes which would allow the organisation to be successful and sustainable in the NDIS environment.

Resourcing

Resourcing is simply explained as providing resources to support the work of the organisation. From a practical perspective, any organisation planning to transition or transform their business to operate in the NDIS should ensure that the adequate resources (human, financial and organisational) have been allocated on top of existing resources. Some scenario examples of this are provided for you.

Appointment of an NDIS Readiness Officer

- This role is included in the strategic plan and 'Sarah', a current staff member has been appointed in this role on top of her existing responsibilities – this is questionable resourcing.
- A better approach is to consider this new role as part of a transitional workforce budget; the position is part of a whole of organisation approach to the NDIS readiness. A new staff member is appointed; or 'Sarah' takes on the new role and a replacement is found for her previous position. This is good resourcing.

Business readiness planning

- 'Frank' has been asked to plan business readiness for the NDIS. While he is an effective manager, 'Frank' receives no direction or support from the CEO or the Board. This is questionable resourcing.
- A better approach is that the board signs off on an NDIS strategic plan. 'Frank' is appointed to implement the deliverables of the plan. The plan is part of a whole of organisation approach, and will be more effective.

Advocacy

As a community based organisation, it is likely that your organisational purpose (mission and vision) will include advocacy for the people that you support. As part of your strategic planning process, you will need to ensure that you retain a balance between the commercial and the community objectives.

Maintaining the balance between the pursuit of your organisation's community objectives and ensuring financial sustainability is one of the major challenges faced by not-for-profit organisations. A strong financial capacity provides the means to achieve social outcomes. Maintaining this balance can and often does create conflict when it comes to decision-making.

It is therefore critical that the composition of a Board includes people with a direct interest in an organisation's outcomes (for example, members of the targeted ethnic community) and those with professional skills. Having an effective governance framework can assist in achieving this balance.

Board Performance and Monitoring

The increasing governance and compliance requirements placed on community boards includes the expectation that boards and board members evaluate their performance on a regular basis.

Board Performance

- An ongoing evaluation of the organisation's performance against its strategic goals in delivering on its mission and vision.
- Regular evaluation of the effectiveness of the board as a whole and as individuals.

Board Monitoring

- An ongoing review of the performance of the organisation using performance indicators (financial and non-financial).
- Achieved by use of specific business practices that provides the data, which enables the board to make decisions.

The board's performance needs to focus on results rather than on the level of activity or amount of effort expended by the CEO and staff. A broad and balanced concern with all aspects of organisational performance, rather than on particular areas, is also useful. Similarly, a focus on short-term organisational achievements and issues needs to be balanced with attention to building enhanced organisational capability over the longer term.

Board performance

The degree in which an organisation is delivering on its purpose can be difficult to assess, but this can be aided by the board assessing and determining appropriate performance categories and indicators for the organisation.

Often a board performance review is undertaken by an external consultant. Typically, the following areas are covered in a performance review:

- Mission and Goals
- Performance against the strategic plan
- Performance against governing laws & legislation
- Performance against quality and safeguards
- Board operations and processes
- Relationships with stakeholders
- Competencies and skills of Board Members (individually and as a whole)

Monitoring

The board is responsible for monitoring the organisation's performance and ongoing viability by identifying appropriate resources; Key Performance Indicators (KPIs); and processes, systems and tools for regularly monitoring the KPIs.

Monitoring is about getting the right information that tells board members if the strategy is achieving the organisation's purpose (mission & vision). For organisations with a tightly defined mission, monitoring is comparatively easy. Organisations in the disability, aged care, homelessness and health sectors operate in a more complex environment, meaning that results are often long-term, (sometimes generational). Without defined outcome measures, boards rely on operational activities that can be measured.

The use of financial and non-financial indicators is an effective method of monitoring the performance of the organisation against the strategic goals of the organisation. The next section reviews the business practices that support the monitoring process.

1.2.3

BUSINESS PRACTICES TO MEET THE BOARD'S RESPONSIBILITIES

It is critical that the business practices of the organisation are set up to provide the board members with the right information to enable decisions to be made and performance to be monitored.

The Corporate Governance Handbook suggests that the business practices that support effective information provision is embedded in the business practices of:

- Strategic and business planning
- Risk management
- Financial management and reporting
- Human resource planning and control
- Compliance and accountability systems

3.4 Business Practices Checklist

Strategic and Business Planning

An effective strategic plan is a key tool for good governance. A strategic plan enables a board to provide leadership and maintain an overview of the organisation's priorities and direction.

A strategic plan is a considered plan for the organisation's future; based on an assessment of the present, and presents an informal estimate about the future. While the strategic planning process enables board members to fulfill their governance responsibilities, it is also a valuable opportunity to actively engage with staff and build commitment for achieving a shared vision for the future.

As part of the strategic planning process, the board will agree on a vision, purpose and set of values, approve the steps needed to achieve strategic objectives and determine how progress and success will be measured. The strategic planning process encourages an organisation to be innovative, creative, open to change and forward thinking.

The strategic planning process helps the board to:

- fulfill its governance responsibility to set direction and monitor performance
- enable the board to practice due diligence regarding the future sustainability of the organisation
- understand, communicate and demonstrate the organisation's vision and purpose
- identify opportunities and challenges
- develop and confirm a shared commitment
- develop robust decision-making processes to act in the best interests of the organisation

- be confident the organisation will remain financially viable and sustainable
- identify clear responsibilities, resource needs and time frames
- monitor and guide the organisation's progress towards the future vision.

Chapter 3: Strategic Planning Guide and Tools

Risk Management

Risk management is increasingly important for boards, volunteers, paid staff and stakeholders of all services and is an essential component of good governance and should be incorporated into every board agenda along with financial sustainability.

Effective risk management practices can be achieved through the implementation of relevant principles, a sound framework and a robust process for managing risks. The board has a responsibility to ensure that management and staff have in place an appropriate risk management framework to treat risks that have been identified.

An organisation that undertakes a risk management approach will:

- reduce the likelihood and/or consequences of potential adverse events;
- maximise the results of positive events;
- provide decision-makers with information to assess risks in their business operations;
- ensure that the application of risk management practices adds value to the organisation; and
- ensure that the organisation implements strategies that are cost effective.

Chapter 6: Risk Management

Financial Management and Reporting

The board is responsible for ensuring that the organisation remains solvent, complies with financial obligations and standards and is financially healthy.

To meet these responsibilities, board members need to:

- be able to read financial reports, be aware of taxation and regulatory requirements and understand compliance requirements;
- set financial directions for the organisation;
- ensure the organisation complies with financial requirements and accounting standards; and
- monitor and review the finances of the organisation.

Chapter 4: Financial Management

Financial Literacy for Community Groups

Damn Good Advice for Board Members

As a board member, you have legal duties in relation to the finances of the organisation. You also have statutory obligations related to your organisation's legal entity.

Board members are expected to be able to examine and understand the key financial statements and reports of their organisation. A full set of financial statements should be regularly reviewed by the board. It is important for board members to understand financial statements and to be able to use them to make informed enquiries and decisions about the organisation's business.

Human Resourcing and Control

Human resources planning involves considering the staffing resources needed to meet the organisation's business objectives. It is a means of ensuring that available talent is retained and correctly allocated to achieve priorities and deliver services. It is also a means of controlling staff costs, ensuring staff numbers are appropriate and improving productivity.

The board is responsible for:

- ensuring that the organisation's approach to human resources management supports its current and future plans and needs;
- ensuring that the costs of staff have been accurately budgeted for and that funds are available to cover these costs;
- ensuring appropriate policies and procedures are in place to guide the recruitment and work of employees and volunteers;
- providing a fair, equitable and safe workplace;
- meeting legislative and contractual requirements in relation to the employment; and
- understanding, monitoring and ensuring the effectiveness of the organisation's human resources management strategy.

Chapter 5: Strategic Human Resource

Compliance and Accountability Systems

Quality management provides a framework for service providers to understand what works well in their organisation, what needs to be improved and what needs to change to meet the needs of service users.

It is an important part of making sure that there are consistent and effective ways of managing service delivery and that the services provided are working well for the people you support. Providing assurance of quality services is particularly important in the context of person-centred approaches to service delivery.

A person-centred approach to service delivery is a way of supporting and working with people with disability that puts the person at the centre of planning, funding and support and service arrangements. In a person-centred human services system, quality is crucial in supporting choice for service users. It is a basic part of good practice in service delivery and ensures there is a strong, vibrant and sustainable service sector which offers choice of service providers and high-quality supports.

The board needs to ensure that they have a quality management system and that internal controls are in place to comply with relevant standards within a person-centred, individualised funding environment.

The board is responsible for the overall activity and performance of the service provider. This includes ensuring that services are well planned, effective in meeting needs and provided at the best possible level of quality by:

- ensuring that the service provider has a quality management system and that internal controls are in place to comply with relevant standards;
- monitoring the results of quality reviews and making changes as needed;
- ensuring compliance with reporting and related requirements;
- implementing organisational risk management; and
- pursuing organisational goals of service excellence.

The board also has the responsibility for providing leadership in quality management. To provide this leadership, the board needs to work with senior staff to:

- foster a positive attitude to quality improvement across the staff team;
- implement policy and procedures for quality management that will provide guidance to staff;
- identify key indicators for quality for the service; and
- establish documentation and reporting processes that will enable the ongoing tracking of quality improvement.

Quality management and continuous improvement occur at all levels within an organisation. The board and staff should foster a culture which critically reflects on current practice, explores new ways of doing things and embraces change when needed.

This may require a change in existing attitudes and ways of working. Any organisational changes need to be introduced in a planned and considered manner that:

- identifies existing attitudes and perceptions challenges old ways of thinking;
- provides good reasons for a different way of thinking and working; and
- ensures that resistance is addressed through board and staff members becoming engaged in the change process.

Chapter 10: Quality Management

Person-Centred Practice

Section 2

NDIS Good Governance



2.1

Overview of the NDIS Reform

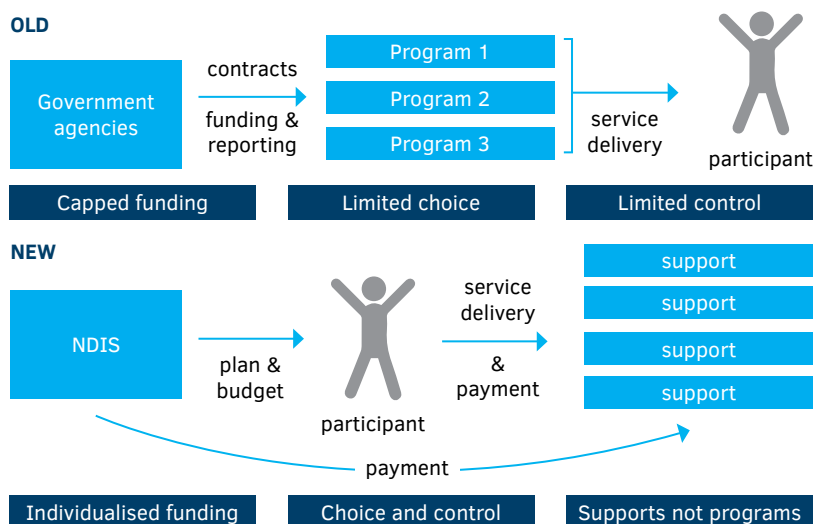
This section addresses the implications of the NDIS and provides questions and resources to assist community organisations become Governance Ready for the NDIS.

The introduction of the NDIS provides a new way of providing supports and services to people (children and adults) with a disability. The NDIS reform represents a fundamental shift in how disability support is delivered. Under the NDIS, participants are assessed for what supports they require to live an ordinary life; within the framework of what is considered under NDIS legislation as 'reasonable and necessary'. Participants engage in a planning process, where these needs are articulated; and are then provided with an NDIS plan. Each plan developed with the participant and their family or other informal support networks – this is what is meant by 'individualised funding'. Based on what is listed within that plan, participants then 'purchase' their supports directly from providers; and providers will invoice back to that plan after the support has been provided. Participants therefore have a much greater variety of options for where they can purchase these supports – determined to be 'exercising choice and control'.

This is in contrast to the previous funding model, where providers were supplied with 'blocks' of funding in advance by the government, and then expected to use these funds to support their clients.

A significant amount of work has been done on the implications of the NDIS for the community sector, which can be summarised well visually.

The Service Model has changed



The Business Model has changed

Welfare model to a business model of operation	
From	To
Outputs	Outcomes
Welfare	Social business
Command & Control	Innovation & Collaboration
Standardisation	Personalised & Customised

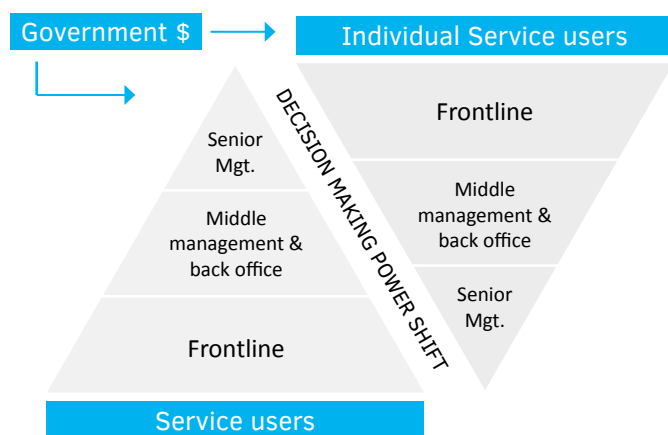
The Marketing Orientation has changed

Disability Marketing Orientation	
Advocacy based	Consumer based
Internal	External focus
Informing	Engaging

Funding has changed

Past: Funding Sourced from Government	Future: Funding Sourced from Customers
<ul style="list-style-type: none"> Sell the organisations strengths Good at servicing contracts Focus on Outputs and Services Quality and Standard determined by "client" 	<ul style="list-style-type: none"> What are the benefits for me choosing you? What will you do for me? How easy are you to work for? Will you be on time?

The organisation dynamics have changed



As a result, organisations need to become business and governance ready for the NDIS, to drive their operational readiness for NDIS.

2.1.1

WHAT DOES SUCCESS LOOK LIKE?

Many organisations will need to change their business practices for the NDIS environment. To develop a strategic plan, organisations should undertake internal and external consultation, including stakeholders and NDIS subject-matter experts.

Research has identified the five activities needed to thrive under the NDIS.

Successful boards have:

1. Robust and considered change management strategy
2. The right employee culture
3. Integrated systems
4. Market and communicate services effectively
5. Adopt a person-centred approach to engagement of stakeholders

Therefore, the strategic plans should include:

- An organisational change approach that includes strong staff engagement
 - New leadership skills (board and management)

- Workforce planning across all business domains
- Market research and stakeholder consultation
 - Investment in an ICT (IT) system that supports the business financial sustainability
- Changes to current and future services

Core management competencies for NDIS are required in:

- Financial sustainability
- Marketing; research and market re-orientation
- Workforce planning and service design
- Organisational change
- Leadership and business skills

Testing your Organisation's Business Readiness for the NDIS

In 2014, the National Disability Services (NDS) developed a business self-assessment tool based on a business excellence framework, entitled 'The NDIS Provider Toolkit (The Toolkit)'. The Toolkit is extremely useful in assessing business readiness for NDIS.

The Toolkit is a self-assessment of business readiness across 7 business domains:

1. Strategy
2. Corporate Governance
3. Clients and Market focus
4. Financial Sustainability
5. People and Capability
6. Safeguarding, Quality Management & Improvement
7. Information and Knowledge Management (ICT)

It is not the intent of this guide to build your business readiness; however, we would recommend you explore The Toolkit, as the self-assessment provides valuable data on the gaps from a business and management perspective. Please note that the NDIA has also developed a Provider Toolkit; however this document is designed to assist organisations with the registration process for NDIS, rather than business readiness.

[\(NDS\) NDIS Provider Toolkit](#)

2.2

Good Governance in an NDIS Context

In establishing the NDIS, the Federal and State governments adopted the Productivity Commission's definition of governance.

“Governance is how an agency or system manages its functions... it includes the processes and internal culture that gives different people power in the organisation; monitors the utilisation of support services and outcomes; creates incentives for its performance; provides information for good decisions and verification of performance; maintains probity and accountability; and manages its finances. It also includes how an organisation chooses to structure itself: what it chooses to do itself and what it might contract to other parties, and the basis for these boundaries.”

(Productivity Commission 2011 report “Disability Care and Support” p. 402 – “NDIS 2011 Report”).

2.3

Governance Implications of the NDIS

As noted in the introduction, the NDIS reforms have brought transformative change to how disability service providers operate; and not-for-profit organisations must be largely or fully commercial in order to work in this environment. This section will cover the implications for boards in working in an NDIS environment.

Some organisations will need to transform from the block-funded, paid in advance arrangements that they are accustomed to and become organisations that must be largely or fully commercial in their orientation.

1. Understand the legal implications of the NDIS, including the Quality and Safeguarding Framework
2. Understand and address the financial implications of the NDIS
 - Block-funded, paid-in-advance to individual funded, paid-in-arrears
3. Undertake a strategic planning exercise that addresses
 - Other business implications of the NDIS, including:
 - Marketing; research and market re-orientation
 - Workforce planning and service design
 - ICT
4. Address the significant organisational and behavioural changes required of organisations, brought about by the NDIS reform
5. Understand the risk and compliance issues
6. Review the skills of the board for the new environment

Are our decision-making processes robust enough to manage the key risks, challenges and opportunities facing our business? How do they support our operation in a competitive environment?

Questions for the Board

- Where are our roles, responsibilities and expectations of directors and managers defined? Have they been updated to reflect the new NDIS environment?
- What information do we need to allow us to make decisions about the key risks, challenges and opportunities facing our business?
- Does our Constitution need to be updated because of the new environment?
- How do we collaborate with and support our executive managers in the transition/transformation journey?
- How do we assess our own performance, individually as directors and collectively as a board?
- What processes do we use to check that our board has the range of skills and knowledge required to be effective and sustainable under the NDIS? Does the board have a succession plan?

2.3.1

LEGAL IMPLICATIONS OF THE NDIS

Board members need to be aware of the additional legal requirements of the NDIS on their governance framework, including:

1. The legislative framework in which the NDIS is enshrined
2. The terms of business that NDIS providers agree to when they register as a provider with the NDIA
3. The NDIS Operating Guidelines

Legislation Policies and Guidelines for NDIS Providers

Victorian approved NDIS providers must ensure that their services are provided in compliance with all applicable Victorian and Australian Laws. This may include, but is not limited to:

- Disability Act 2006 (Vic)
- Mental Health Act 2014 (Vic)
- Children, Youth and Families Act 2005 (Vic)
- Charter of Human Rights and Responsibilities Act 2006 (Vic)
- Privacy and Data Protection Act 2014 (Vic)
- Health Records Act 2001 (Vic)
- Public Records Act 1973 (Vic), including applicable standards established by the Keeper of Public Records (Public Record Office Victoria)
- Associations Incorporation Reform Act 2012 (Vic)
- The Australian Consumer Law (Cth)
- Corporations Act 2001 (Cth)
- National Disability Insurance Scheme Act 2013 (Cth)

Other policies and guidelines that may be relevant include but are not limited to:

- Victorian Charter of Human Rights and Responsibilities –[policies and guidelines supporting implementation of the Act]
- Carers' Recognition Act
- Privacy, data protection and protected disclosures
- Funded Organisation Performance Monitoring Framework
- Record keeping obligations detailed in the Service Agreement Information Kit of Funded Organisations (3.6.2).
- Assignment and subcontracting

Some legislation policies and guidelines are specific to particular provider groups, such as:

- Critical incident management and reporting
 - Disability, Mental Health, Early Childhood

Intervention Services (ECIS), Home and Community Care - Program for Younger People (HACC-PYP)

- Responding to allegations of physical or sexual assault
 - Disability, Mental Health, ECIS
- Staff Safety screening
 - Disability, ECIS, HACC-PYP
- Emergency preparedness policy
 - Disability, Mental Health, HACC-PYP
- Complaints management policy
 - Disability, ECIS, HACC-PYP
- Vulnerable people in emergencies
 - Disability, Mental Health, HACC-PYP
- Child Safe Standards
 - Disability, Mental Health
- Offering Residency in Specialist Disability Accommodation Policy and Standards – Policy and Standards
 - Disability, Mental Health
- Building Code of Australia requirements for fire risk management in NDIS Specialist Disability Accommodation in Victoria - Summary guidelines
 - Disability, Mental Health

[A detailed list including links can be found in the NDIS Provider Toolkit - Guide to Suitability](#)

NDIS Provider Toolkit

The NDIS Provider Toolkit is the primary resource for providers intending to provide NDIS supports. There are three key modules that board members should be aware of from a governance perspective.

Module 3 - Terms of Business

- *'The Terms of Business establishes protocols and processes that are binding on a Registered Provider of Supports in the NDIS.'*

Module 4 - Guide to Suitability

- *'The Guide to Suitability assesses your suitability to provide supports and understand your obligations as a service provider. It outlines the relevant Quality and Safeguards legislation, with consideration to the registration group that corresponds to the supports you intend to provide.'*

Module 7 - Payment and Assurance Program

- *'In order to get paid it is important that your organisation puts in place systems and processes to collect specific information related to the supports that you are registered to provide'*

Terms of Business

To register as an NDIS provider, organisations must accept the Terms of Business listed in the Provider Toolkit. These are the commercial requirements that apply to registered providers under the NDIS.

For organisations currently dealing with the Department of Health and Human Services (DHHS) or the Department of Education and Training (DET), the terms of business are similar to the existing service agreements your organisation would have with the particular department.

NDIS Terms of Business

Registered Providers must act in good faith and in the interests of the participant. When delivering supports or conducting a business in relation to the delivery of supports, Registered Providers must comply with each of the following:

- The NDIS Act, the Rules, all relevant NDIS guidelines, and all policies issued by the NDIA (as in force from time to time).
- The Registered Provider's own Code of Conduct, Code of Ethics or Service Charter.
- Any Commonwealth, State or Territory laws, and any other requirements that are applicable to the Registered Provider, including, but not limited to the Privacy Act 1988 (Cth), the Australian Consumer Law, and any relevant quality and safeguard laws, including Quality Assurance and Safeguards Working Arrangements.

Compliance	<ul style="list-style-type: none">• Providers must act in good faith and in the interest of the participant• Providers agree to comply with all aspects of the legislation, policies, standards and guidelines.
Business Practice & Service Delivery	<ul style="list-style-type: none">• Outlines the use of Service Agreements• Outlines procedure & policy related to: Withdrawal or Termination of services by the ECI Provider
Identification as a NDIS Provider	<ul style="list-style-type: none">• Registered providers may identify their NDIS registration by stating "Registered NDIS Provider"
Conflicts of Interest	<ul style="list-style-type: none">• Actions to manage actual or perceived conflicts• Provision of services• Gifts, benefits and commissions
Payments & Pricing	<ul style="list-style-type: none">• Providers: Must adhere to the NDIS Price Guide• Providers: Must declare relevant prices to participants before delivering services• Providers: Can make a payment request after support has been delivered• Providers: Cannot charge cancellation fees, except when allowed in the NDIA Price Guide
Maintenance, Records & Audit	<ul style="list-style-type: none">• Contact details• Provision of information• Maintaining records• Inspection of records• Fraudulent claims

Complaints	<ul style="list-style-type: none">• Providers must have clear and accessible complaints handling and dispute resolution processes• Records related to complaints are to be maintained for at least 5 years• Complaints may also be referred to the relevant complaints body for investigation
Interpretation	<ul style="list-style-type: none">• Providers must ensure that their officers, agents and subcontractors comply with the Terms of Business

[NDIS Provider Toolkit](#)
[Module 3: Terms of Business](#)

Guide to Sustainability

The Guide to Sustainability demonstrates the required professional qualifications, experience and expertise in order to be a registered service provider; and outlines the quality, safeguarding and compliance obligations for NDIS providers.

Importantly, this module includes the declaration of suitability, which becomes your signed contract with the NDIS.

[NDIS Provider Toolkit](#)
[Module 4: Guide to Sustainability](#)

Payment and Assurance

The Payment and Assurance program outlines how providers are paid, and the obligations that an organisation agrees to adhere to for the provision of services. The NDIA also conducts auditing of providers, which is outlined in the Terms of Business. To meet the payment and assurance requirements, organisations need:

- A system for documenting NDIS supports in accordance with the payment and assurance requirements for which are registered.
- To undertake an independent review against the relative standards (for example the Early Childhood Intervention (ECI) Standards 2016) within 18 months of registration. The audit is an additional expense for providers that should be included in the organisational budget.

[NDIS Provider Toolkit](#)
[Module 7: Payment and Assurance](#)

2.3.2

QUALITY & SAFEGUARDS FRAMEWORK

Until the National NDIS Quality and Safeguards Framework is in place, or 30 June 2019, whichever is sooner, Victoria's existing quality and safeguards framework will apply to NDIA providers delivering specialist disability services.

Providers registering with the NDIA to deliver specialist disability services in Victoria must meet the requirements of the NDIA provider registration process and:

- adhere to the safeguards as set out in the Disability Services Act 2006 (DSA) and other Victorian State Government legislation; and
- submit with their NDIA registration, evidence of compliance with the Victorian Human Services Quality Framework and/or the DET ECI Standards.

The National Standards along with the Quality and Safeguarding Framework are the instruments that will be used to monitor service quality once the NDIS is fully implemented.

All stakeholders are increasingly concerned with the safeguarding of people with disability. Alleged and actual cases of provider failure to assure safety of people being supported have received significant media and government attention. A recent Senate inquiry suggested that directors of disability services providers should have individual legal liability for failure to establish appropriate systems for the safeguarding of people their organisation supports. Boards need to be concerned with clinical governance if their organisations are providing high-risk services, such as supporting people with complex behaviour or high medical needs. It is also important to consider the additional needs of people who do not speak English as a first language, and have systems in place so that consumers can communicate effectively with providers.

Questions for the Board

- How do we make sure that the people we support have access to independent advocacy and training?
- How do we ensure that our practices support our compliance with legislation and standards?
- What is our review process to monitor the level of use of restrictive interventions?
- How are we, as a board, championing the use of an evidence-based, positive behaviour support framework to eliminate and minimise the use of restrictive interventions?
- What mechanisms are in place for the organisation to learn from mistakes and incidents, including learning from small mistakes and incidents to prevent big ones in the future?
- How do we make sure that the people who use our services know how to make a complaint with us and where they can turn if not satisfied with the outcome?

- Do we, as the board, periodically review complaints and how they have been handled and what can be learnt from the complaints? How do we ensure that the organisation actually improves service delivery rather than just promising to improve service delivery?
- If we work with children, how are we, as the board, championing a culture of child safety throughout the organisation?
- How do we measure and record the outcomes for and the impacts on the lives of the people using our service? How are we using this information to improve our service quality and review our strategic direction?

2.3.3

FINANCIAL IMPLICATIONS OF THE NDIS

The fundamental change of the NDIS is the change from block-funding, paid in advance to individual funding paid in arrears. This has four major consequences for providers:

It removes certainty of demand

Instead of being funded to 'operate at a size', providers will operate in a consumer driven market, in which individually funded participants can pick and choose between providers and services. This forces providers to forecast demand, including what their mix of services might be, and to develop an understanding of what the individual costs of the services will be.

It forces organisations to identify precisely what services they offer

Under the 'block funding arrangement', providers did not have to be particularly specific about what service types were and what was not included. Under the new arrangements, providers must be very clear as to what they can and cannot provide, to communicate this to participants effectively. They also need to understand what can be funded by the NDIS and what cannot.

This does not mean that only NDIS-funded services should be provided, but it does mean that alternate funding sources need to be identified in order to support activities and services that do not attract funding from the NDIS; or that some services are only available by charging fees.

It impacts providers' working capital

Instead of providers receiving their annual income quarterly in advance with considerable certainty as to the amount, they will issue an invoice once the service has been provided and will receive the funds up to 30 days after invoicing. If providers do not have working capital reserves, they may not have sufficient funds to manage operations while awaiting payments. This also means that the certainty of funding has been removed, and providers need to manage this risk that they do not know whether enough participants will

purchase their services to cover operational costs. Services also must be provided in a timely fashion, so that costs can be recovered.

There also may be payment delays, as a result of government fiscal policy changes and should also be planned for.

It completely changes the relationship dynamics between the organisation and funder

The NDIS intends for participants to drive the relationships with providers, as they are individual customers; and the primary relationship should be between the participant and the front line staff, who work with participants directly. The NDIA's relationship to providers is transactional and regulatory in nature.

In addressing the implications of the NDIS, the Board:

- retains ultimate responsibility for the financial sustainability of the organisation
- is expected to understand and check the financial situation
- is responsible for setting financial parameters and policies
- ensures financial reporting is effective and promotes effective decision making from board members

To be sustainable, community organisation boards need to generate income (profit) while adhering to their mission, vision and values.

Financial Sustainability

To achieve financial sustainability under the NDIS, organisations need to consider their operational and change capacities.

1. Operational capacity

Organisations need to continue to operate by delivering services in a sustainable way. Financially, organisations need to ensure they are sustainable in the short, medium and long term to be able to provide services that participants need, and that they can replace their assets (solvency).

2. Change capacity

Organisations need to invest in change in order to be sustainable under the NDIS, by responding to the NDIS pricing structure, the services being sought (via NDIS Plans) and the person-centred and individualised funding environment. Organisations need to make allowances for the time and money (resources) associated with the investment in change.

Capacity Questions

Does your organisation...

1. Have the skills base to implement change effectively?
 2. Have money to invest in infrastructure such as a client management system?
 3. Have the financial capacity to invest in staff training?
-

Cash Flow

The NDIS is the most significant reform to affect the community services sector in a long time; and will result in a fundamental change in cash flow for organisations, and the sector as a whole. Working capital will be diminished, in some cases, to very low levels as organisations will be continuously awaiting payments for services delivered. Organisational billing systems also need to be able to process complex bills and reconciliation procedures frequently.

Board members and senior managers will need to consider cash requirements, activity levels and profitability in ways that may not have been relevant under previous funding arrangements.

Not-for-Loss

Most community organisations are not-for-profit, but organisations are starting to use the term 'not-for-loss', to recognise the importance of making a small profit, even if that is not their key goal. The ability to do so is critical for NDIS providers in order to be sustainable.

While developing the strategic plan, profit allows:

- Working capital = Solvency
- Cash in support of deferred cash outflows (e.g. annual leave entitlements) = Medium Term Solvency
- Reinvestment capacity for replacing assets, service improvement, maintenance, innovation and change management = Sustainability
- The ability to meet the organisation's strategic plan objectives = Sustainability
- The ability to provide resources necessary to react to unexpected change = Viability

NDIS Pricing

Much of the financial capacity of organisations will depend on the price being offered for the services provided. The ability to cost and price services is a critical element in the preparation for NDIS.

If organisations do not know what their cost of service delivery is, they cannot determine whether or not they are sustainable.

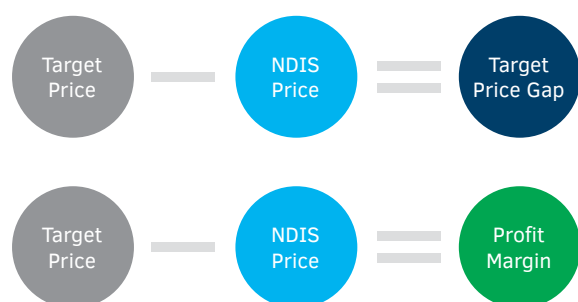
Senior managers must recognise that the price being offered by the NDIA is not an efficient price (market derived), or determined by an understanding of service delivery costs, but determined by the budget capacity of the NDIA as a government body. Individual organisations must assess their capacity to deliver quality services within the price offered.

An understanding of the NDIS by the board is critical to financial sustainability — boards need to understand it in order to be in a position to respond to it. After gaining this understanding, some organisations may decide not to provide disability services if they do not believe it will be a

viable aspect of their business. Many organisations provide a variety of services, such as aged care, settlement services, housing services or some other human services offering. In particular, organisations with small numbers of clients receiving services under HACC-PYP need to be able to attract new disability clients to create a sustainable business.

The ability to understand pricing in the NDIS is vital in making decisions on the future direction of an organisation's disability service provision.

The NDS, in partnership with Curtin University and Baxter Lawley, has provided extensive resources on the costing and pricing of disability services. Links are provided at the end of this section, and in the appendix. The resources are based on Activity Based Costing (ABC) methodology. If we assume that organisations have conducted a costing and pricing exercise, the results indicate either a profit margin or a target price gap. For example:



Once the pricing exercise has been done, if there is a demonstrated profit the decision to provide services is easy. However, if there is a target price gap, the board will need to make some decisions. These may include (but are not limited to):

1. to accept any shortfalls in pricing and try to make it up elsewhere;
2. cut costs in certain areas to make good on the shortfall;
3. to seek or source alternative funding; and
4. not deliver that particular product or service. This decision is particularly hard if the service or support is related to your organisation's mission or vision.

Each of these options raises important strategic questions. An organisation is likely to choose the first option (in many ways the easiest in the short-term) if there is a compelling reason to supply the item, even if it does not meet the target. The second option is one that probably should be explored, whether or not the problem exists.

The third and fourth options in some ways depend on which other providers may be able to offer that service to your community, but your costing data should certainly be useful to make a case to potential funders for why you should provide that service.

The last option, not to supply, can be particularly hard to make, especially when redundancies are required or there is a concern that your community won't be effectively serviced by other providers.

Services or goods that can be delivered at substantially under the list (or market) price also require decisions – but these are easier. As always, the Board will need to be involved in and informed about the decisions made.

Questions

If the NDIS price makes it impossible for you to deliver services related to your mission and vision. Do you...

- change your mission and vision; or
- find a way to deliver it?

Financial Leadership

The key responsibilities faced by the Board and CEO relate to what change is required and the financial impact (where are we now and where do we need to be?) and how we know we are moving in the right direction.

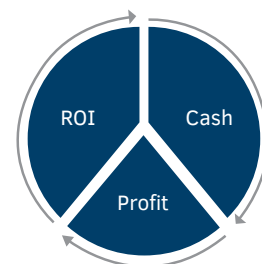
The Board and CEO are responsible for making this clear, via a communications plan, to the organisation and describing to the organisation how outputs and outcomes from the process will be measured.

It is important to remember that change causes concern amongst staff and service users and so there needs to be an admission from leaders that these stakeholders will be concerned. If expectations are set out clearly, less concern will be raised and more time and effort can be spent on implementation, rather than human resources management processes.

In addressing the financial implications of the NDIS, the Board needs to take a leadership position in developing a financial strategy. The management team will provide input and ultimately implement the plan but the board will instigate this.

Where to begin:

1. Identify sustainability (solvency) for short, medium and long term
2. Arrive at a comprehensive cost (the costing and pricing process)
3. Determine a profit (?) margin
4. Build balance sheet strength (cash management)
5. Develop a relevant range concept that includes:
 - Quality of services
 - Types of services – Service mix and service volume (including constraints)
 - Location(s) of service delivery
6. Identify and manage risks



Financial Reporting for Board Members

As you are aware, the financial risk is increased under the NDIS because of the move from block funding paid in advance to individual funding paid in arrears. In this context it is critical for board members to monitor and manage activity around three areas:

- Cash flow;
- Profit; and
- Return On Investment (ROI).

There is no 'one-size fits all' remedy for monitoring and reporting, however, as mentioned earlier, the Board:

- retains ultimate responsibility for the financial sustainability of the organisation;
- is expected to understand and check the financial situation;
- responsible for setting financial parameters and policies; and
- ensure financial reporting is effective and promotes effective decision making from board members.

Regardless of whether an organisation is impacted by the NDIS or not, the key goals identified here are important goals for sustainability of all community organisations. While the NDIS represents a significant change in funding arrangements, the fact remains that organisations should incorporate key financial objectives as part of the strategic planning process.

Such objectives allow decision makers to consider the issue of mission versus financial outcome and to develop monitoring mechanisms in order to evaluate the mission against purely financial goals. It is absolutely necessary that a Disability Service Provider is sustainable; however, it is also critical that they pursue their mission. Therefore, the financial planning process also has to take into consideration the development of a balanced review of financial reward (i.e. profitable activities) versus mission reward (perhaps those activities that are less financially rewarding, but central to the Disability Service Provider's purpose).

Questions for the Board

- Are we clear on our unit costs and the associated NDIS prices? Is there sufficient margin for our needs?
- How are we monitoring our cash position? Do we monitor and respond to key indicators?
- What contingency do we have in place if our cash flow is at risk?
- Based on modelling, how is our financial situation likely to change over the next two years?
- How are we tracking financially compared with other similar organisations?
- Is our budget aligned with our strategic plan? Will our target for profit/surplus adequately support our organisation's needs and goals in the longer term?

- Are we maximising the return on our assets? Is our appetite for risk appropriate?
- How are we investing in innovation to contain costs and boost productivity?
- How are we testing the viability of the funding packages of existing and new clients?
- Have we discussed diversification vs specialisation of income sources?
- Does our financial software minimise overheads in terms of transaction processing, budget monitoring and reporting?
- How do we know that the current organisational structure minimises overhead?
- Are the current financial reports adequate for directors to make the necessary timely decisions?

Costing & Pricing Checklist

- ☐ Has your organisation undertaken a comprehensive costing and pricing exercise?
- ☐ Do you know what it takes to deliver a unit of service/support?
- ☐ Do you know what your relevant range is for each service/support?
- ☐ What costing model have you used (i.e. activity based costing)?
- ☐ Do you have an understanding of your service and volume mix?

[NDS CPLP Learning Program](#)
(registration required)

[Costing & Pricing Toolkit /](#)
[Costing & Pricing Manual](#)

[Guide for Community Board Members](#)
(Financial Literacy for Community Groups)

Chapter 4: Financial Management

[Damn Good Advice for Board Members: 25 Questions a NFP board member needs to ask about finances](#)

2.3.4

STRATEGIC PLANNING PROCESS

Strategic planning should take into consideration that the NDIS reforms are disruptive for organisations and the community services sector. The NDIS provides opportunities for growth and expansion for organisations, but there are challenges, including:

- Maximum prices set by NDIA for many supports
- Regulation changes that have occurred since the trial phase of the NDIS, based on internal and external reviews, in the areas of support coordination, supported independent living, specialist disability accommodation, and early childhood services
- The absence of detailed data on what scheme participants are seeking

Sustainable growth and setting the strategic direction for this growth is a critical role of the board.

How does our strategy allow us to be agile, flexible and responsive to the changes in our sector?

Questions for the Board

- Do we have a clearly articulated strategic direction that both serves our purpose and responds to our external environment?
- How does our strategic plan allow us to be both agile and resilient?
- How do we keep on track with implementation of our strategic plan?
- Have we discussed how the business models of our competitors will impact our strategy?
- How do we know if the organisation is doing ok or not?
- How do we know whether we are financially strong or not? Boards need to review and update or adopt performance indicators. There might be a need for indicators on: profitability/sustainability per service type or location, conversion rates of prospective clients, as well as exit rates.
- How do we measure and demonstrate outcomes and impacts of changes made (short, medium or long-term, depending on support types).

Business Implications of the NDIS

Board members need to understand the business implications of the NDIS so they can make informed decisions on how to address them.

Clients, Market Research & Market Re-Orientation

Organisations must use observations and anecdotal information to understand what is happening in the disability marketplace. The NDIA provides Market Position Statements and Quarterly Reports (internal data), on what the market is demanding, but the detail available is limited.

Organisations can also seek information directly from the people they currently support. While most organisations already have some sort of annual client satisfaction survey, boards might consider whether the organisation needs other means of understanding – and reporting – what existing and potential customers need and want from their organisation. In this market, it is critical that boards seek to grow their marketing expertise.

How will we differentiate ourselves to retain and attract clients in an increasingly competitive market?

Questions for the Board

- Do all board members understand how NDIS funding is administered and distributed?
- How do we know what the people we support and their families need and want?
- How do we connect with the communities we operate within?
- What are our target market(s) within the sector?
- Do we have processes in place to make sure the people we currently support receive sufficient funding to maintain their existing supports?
- What do we know about the activities of competitors in the communities where we are working as well as the market segments we are targeting?

Marketing Checklist for the NDIS

- ☐ Does your organisation have a marketing strategy?
- ☐ Where is marketing situated in your organisational chart?
- ☐ Who in your organisation is responsible for delivering your marketing strategy?
- ☐ Have you undertaken any market research? If yes, what type and what were the outcomes?
- ☐ Can you provide a marketing plan?
- ☐ Who are your target market, will this change under the NDIS?

[Marketing Video: Tipping Foundation](#)

Workforce Planning

NDIS pricing is built to include organisational administrative costs, however there is a very small margin for this (what is considered lean pricing). Service quality is extremely important, and the experiences that participants have with frontline staff can make a big impact on their choice to stay or leave a provider.

At present, there is a shortage of staff in the disability workforce. This impacts on the ability to meet client needs, but may also impact on the organisation's financial performance.

Staff shortages are compounded by the maximum prices that NDIA has established for many support categories, which limit the ability for organisations to increase wages and salaries to attract and retain preferred staff. Some organisations are adopting or exploring new organisational models (known as High Performance models) adopted by overseas and Australian organisations, as a means of improving the experience of the people they support, increasing staff satisfaction, and reducing overhead costs.

How will we attract, recruit and retain staff with the right values, skills and capabilities to support the changing needs of our clients and our business?

Questions for the Board

- Does our current workforce match the needs of our strategy?
- How are we managing the need for changes in the size, organisation and skill requirements of the workforce in each business service area?
- Do we have succession plans in place for critical positions?
- What workforce metrics should we be monitoring, for example, employment type, demographics, turnover?
- Have we made sufficient investment in recruitment and skills development of our staff?
- How do we know our staff understand how their roles relate to the purpose and strategic direction? Is their work consistent with our agreed culture and values?
- What do we know about our employees' engagement with our organisation and their future intentions?
- How do we as a board support and review the performance of the executive?
- Have we considered whether the innovative organisational and workforce models adopted by overseas and Australian organisations might be appropriate for our organisation?

Workforce Checklist

- ☐ Does your organisation have a workforce plan?
- ☐ What type of workforce data do you collect?
- ☐ Do you use the Workforce Wizard? (an NDS resource that collects organisations workforce details and creates benchmark reports – refer NDS Workforce Wizard)
- ☐ How will your workforce needs change under the NDIS?
- ☐ Do you know your workforce profile?

Workforce Planning Template

Workforce Report

Person-centred Practices

Information & Knowledge Management (ICT)

ICT is increasingly a source of competitive advantage, or disadvantage, in the NDIS marketplace. Some organisations have found ICT vendors have not delivered on their promises, or that software products that were previously useful no longer meet their needs. Other organisations have experienced cost blow-outs in their ICT implementation.

Increasingly, providers seek ICT software that is user-friendly, functionally powerful and suitable for mobile workforces.

It also needs to allow client access, facilitate client/staff matching, and facilitate integration across customer relationship management systems (CRMs), staff rostering and finance systems. Boards should thoroughly explore proposed ICT investments, and be rigorous in their due diligence in relation to the cost. For some organisations that have already made substantial investments, the challenge will be in determining whether to persevere with existing systems because of sunk costs, or to make substantial new investments.

How do our systems, processes and people help us to maintain and improve our quality and competitiveness? How will we know when we are doing well, or at risk?

Questions for the Board

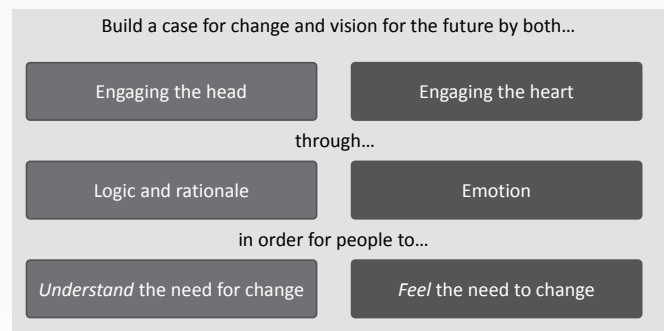
- Do the information systems we use enable effective communication, make record keeping easier, reduce overhead and assist us with demonstrating compliance?
- Are we maximising the potential of our information systems?

- Are staff sufficiently skilled in using our information systems?
- What is our business continuity strategy? Have we tested the strategy?
- Have we planned for an adequate surplus to upgrade and/or replace redundant technology as needed?
- Do we have processes in place, such as quality systems and succession planning, to make sure corporate knowledge is retained as staff leave the organisation?

IMPROVEIT4NDIS

We would like to acknowledge NDS Tasmania for allowing us to use their resource.

stakeholder group is especially invested. Demonstrating how the change helps preserve or enhance those points of investment (or reduces threat to them) is key to making an emotional connection and giving stakeholders a personal stake in the change.



2.3.5

IMPACT OF SIGNIFICANT ORGANISATIONAL CHANGE

All major changes involve some dip in performance for an organisation, during which clients, employees and other stakeholders are looking to understand what it means for them and learning how things work under new arrangements. Organisations can risk damaging their relationships with stakeholders (such as employees) when they do not actively manage change, as they can be left confused and anxious by conflicting information.

There are three main types of change:

1. Developmental
2. Transitional = Participants and New Providers
3. Transformational = Existing Provider

To address the NDIS reform changes effectively, organisations must have a clear understanding of their vision for the future. This means knowing what is changing, why it is happening, and how outcomes will be improved. For this to be successful, organisations must be committed to change and provide opportunities for stakeholders to have an active role in the change management processes. Knowing what is important to all stakeholders versus what is of particular interest to specific groups is key to your framing and communication efforts.

Building a Case for Change

Boards play a leadership role in building the case for change. This should focus on both the rational and emotional side of change. The rational side of change is about identification of 'hard' or tangible improvements, actions and evidence. The emotional case for change is about addressing emotional resistance.

Being compelling in the emotional case for change depends on understanding in which part of the organisation each

Things to Think About

Communicating with stakeholders – What do I tell them?

You will have to communicate the change to each of your stakeholders. Communicating to each stakeholder group becomes a significant activity in the change plan.

Financial impacts – What do I need to do to prepare for change?

New and/or changed services will almost certainly have financial implications for your organisation, to varying degrees. An example of minor change might be how budgeting is done in future, a major change might be how the organisation accesses capital.

Non-financial impacts – What do I need to do to prepare for change?

There will also be other, broader impacts as a result of new and/or changed services, which may include:

- strategic direction
- place in the market
- workforce
- operational enablers
- capital assets

Marketing – What do I need to do to launch the change?

In order to implement a marketing plan, it is important to schedule your marketing activities and create an environment to 'launch' your change.

Who is responsible for each of these activities?

The board is the driver of change planning, but can consider who else within the stakeholder network can contribute to these activities. For example, employees who have strong relationships and influence with clients are well placed to communicate with them about changes that are occurring. In other cases, it may be appropriate to delegate leadership for a particular activity to a particular staff member or team based on their expertise, such as the marketing plan.

2.3.6

RISK MANAGEMENT & COMPLIANCE

Risk management is essential for boards to engage in a systematic way, considering all possible risks, problems or disasters that could result in financial, reputational or other significant loss or damage to the organisation. Risk is an essential and unavoidable element in the growth and development of any organisation, but risks can be managed effectively.

Strategic thinking tools and external specialist advice can assist boards to make a realistic evaluation of the level of risk. It is the responsibility of boards to establish a level of acceptable risk but up to senior managers to implement actions to avoid or minimise risk, enable the organisation to manage any negative impact, and maximise the positive opportunities arising from risk.

External risks can be managed through development of a strategic framework which is supported by operational plans developed by senior managers whilst 'internal' risks can be managed with development of board level policies that address areas of operational weakness.

NDIA Compliance Review

Registered Providers may be reviewed by the Agency in relation to supports funded for a NDIS participant. As part of a review or other reasonable request by law, Registered Providers must cooperate fully with the Agency officers who are undertaking review activities, by giving the Agency (or authorised persons) access to premises where there are accounts and records, and allow authorised persons to inspect and copy all records associated with the provision of services to participants. A Registered Provider must provide all reasonable assistance requested, including making all accounts and records available at their registered office, principal place of business or another suitable place.

Preparing for a NDIA Compliance Review

Review the nature and extent of ALL governance structures, such as board charter, code of conduct, terms of reference subcommittees, meetings' minutes, delegations, board approved policies.

- Do not wait for a NDIA review – periodically check your internal controls and board monitoring of governance and management indicators and take corrective action as necessary
- Review completeness and integrity of all documentation and records of NDIS funded services and ensure accessing these records is a simple process for authorised staff
- Assign a senior manager the responsibility of liaising with NDIA officers

- Ensure all relevant key staff are appropriately briefed at all stages of the review – pre-, during and post-review – to follow up on any required actions

[VMIA Risk Management Toolkit](#)

[NDS/VMIA Risk Management Model](#)

2.3.7

TOOLS AND RESOURCES

The following tools may be useful in ensuring that boards of community organisations are equipped to handle the NDIS reforms.



[Board Skills Matrix](#)

[Leading Change Guide](#)

[Your Role as a Board or Management Committee Member](#)

[Board Recruitment Tool](#)

Section 3

Self- Assessments & Checklists



3.1

Principles of Good Governance Checklist

How would your organisation rate against the 10 Principles of Good Governance? This is a useful tool for the Chair or for the whole of board to gain an understanding of how they rate compared with best practice.

PRINCIPLE 1 - ROLES AND RESPONSIBILITIES

Individual responsibilities and the role of the board or committee should be clear and understood by all members.

	Are your board members clear about their roles, legal responsibilities and the organisation's purpose?
	Are your board members aware of the additional legislative, compliance and quality and safeguard regulations of the NDIS? Have they reviewed the NDIS Provider Toolkit (Modules, 3, 4 & 7)?
	Do new board members receive an induction to the organisation, their role and legal responsibilities including conflict of interest?
	Is the role of the board and your organisation's management clearly set out in the governing rules (or constitution)?
	Are there clear delegations of authority between the board and management, with the protocols for communication and decision-making?

PRINCIPLE 2 - BOARD COMPOSITION

A board needs to have the right group of people, with a good mix of skills and experience that are matched with the organisation's objectives and strategic goals.

	Do you have a variety of experience and skills within your board? This may include strategic planning, accounting and finance, legal issues, risk management, human resources, fundraising or specific sector knowledge.
	Will the existing skills and experience support the function of the organisation now and in an NDIS environment?
	Are there any potential skills' gaps or learning needs?
	Has the board undertaken an analysis of skills they require under the NDIS?

PRINCIPLE 3 - PURPOSE AND STRATEGY

The board plays an important role in setting the vision, purpose and strategies of the organisation and adapting these as circumstances change.

	Does your board have a clear vision and purpose for the organisation?
	Has this been shared with the organisation and stakeholders?
	Does the strategic plan support your vision and purpose for the organisation?
	Do all of your organisation's NDIS activities align with the strategy?
	Does your board regularly review your organisation's vision, purpose and strategic plan?
	Has the board developed a clear NDIS plan that addresses the disruptive nature of the NDIS on the organisation? If so has this plan been adequately resourced?

PRINCIPLE 4 - RISK MANAGEMENT

Risks are very much part of any organisation's activity. A key function of a board is making sure that risk management systems are in place and are being used.

	Does your board or committee review and endorse policies and procedures related to risk management?
	Does management regularly report to the board on its efforts to mitigate and manage risk?
	Does your board devote time in meeting to consider risks and discuss its risk appetite?
	Has your board developed and/or incorporated a risk management plan as part of the NDIS strategic plan?

PRINCIPLE 5 - ORGANISATIONAL PERFORMANCE

Boards should have a view of 'what success looks like' and set performance categories and indicators to monitor the success of the organisation. In regard to the NDIS...

	Has your board established objectives for the organisation?
	Have performance indicators been set for each objective?
	If so, are these realistic and measurable?
	Does your organisation have suitable record-keeping systems in place that help to measure and track performance over time?
	Has the organisation established 'what success looks like' under the NDIS?

PRINCIPLE 6 - BOARD EFFECTIVENESS

The way in which the board is structured and operates can have a direct impact on the ability of an organisation to achieve its objectives.

	Do your board meetings run on time and cover all agenda items?
	Are discussions constructive and respectful?
	Does your board regularly assess the performance of its members and the overall quality of governance?
	Does your board set time aside to think about and plan for the future?
	Is succession planning being considered?
	Does your board make use of sub-committees or advisory panels for larger pieces of work?
	Does the board agenda and reporting reflect the new business practices required for decision making under the NDIS environment? For example: use of Key Financial Ratios.

PRINCIPLE 7 - INTEGRITY AND ACCOUNTABILITY

The board is ultimately responsible for everything your organisation does and does not do. In order to make good decisions, the content and quality of the information it receives is a crucial consideration.

	For each meeting, does your board receive reports from management that show the financial health and overall performance of the organisation?
	Do the reports contain relevant and timely updates?
	Are the reports provided in a format that is easily understood by all?
	Where appropriate, do the reports include an update on strategic projects and risk management activities?
	Does your board have sufficient financial skills to understand the organisation's financial position?

PRINCIPLE 8 - ORGANISATION CAPACITY BUILDING

As part of their overall leadership responsibility, the board plays a strategic role in ensuring that the organisation has the required capacity and capabilities to deliver on its purpose.

	Does your board have a collaborative relationship with the organisation's executive and senior managers?
	Does your organisation's management provide regular reports on resource planning and capacity?
	Does the organisation have the financial resources to retain skilled workers and/or provide development opportunities for workers?
	Does your organisation have the cash flow required to operate in a consumer driven model?
	Has your organisation made and/or identified the workforce requirements required to be sustainable under the NDIS?

PRINCIPLE 9 - CULTURE AND ETHICS

A board and its individual members have a leading role to play in promoting a healthy culture within the organisation they serve.

	Does your board have a code of conduct?
	Is it provided to new members?
	Is there a formal policy on declaring and handling conflicts of interest?
	Does your organisation have a formal code of conduct and agreed set of values and behaviours?
	Does your strategic plan address the need for cultural and behavioural change as a consequence of the NDIS?

PRINCIPLE 10 - ENGAGEMENT

Relationships matter and most of the work not-for-profit and community organisations do requires collaboration with its membership, government agencies, other organisations, businesses and the community.

	Has your organisation identified its key stakeholders and current relationships?
	Is there a plan for two-way communication?
	Are there policies and practices in place that actively encourage your organisation's membership to participate in, and vote at, member meetings?
	Does your board regularly assess its own stakeholder communications?
	Are they transparent and effective?
	Has the organisation effectively engaged and communicated with staff, members, and clients about the NDIS, and engaged these stakeholders in the decision making process?

Acknowledgments

Source: Not For Profit Compliance Support Centre www.nfcompliance.vic.gov.au/print/411/print.

Reference: Good Governance Principles and Guidance For Not-for-Profit – Australian Institute of Company Directors

3.2

Checklists for Business Readiness for the NDIS

COSTING & PRICING CHECKLIST

- | | |
|--|--|
| | Has your organisation undertaken a comprehensive costing and pricing exercise? |
| | Do you know what it takes to deliver a unit of service/support? |
| | Do you know what is your relevant range for each service/support? |
| | What costing model have you used (i.e. Activity based costing)? |
| | Do you have an understanding of your service & volume mix? |

MARKETING CHECKLIST

- | | |
|--|--|
| | Does your organisation have a marketing strategy? |
| | Where is marketing situated in your organisational chart? |
| | Who in your organisation is responsible for delivering your marketing strategy? |
| | Have you undertaken any market research? If yes, what type and what were the outcomes? |
| | Can you provide a marketing plan? |
| | Who are your target market, and will this change under the NDIS? |

WORKFORCE CHECKLIST

- | | |
|--|--|
| | Does your organisation have a workforce plan? |
| | What type of workforce data do you collect? |
| | Do you use the Workforce Wizard? |
| | How will your workforce needs change under the NDIS? |
| | Do you know your workforce profile? |

3.3

Corporate Governance Self-Assessment for the NDIS

THE RATING SYSTEM

Practices not relevant	Practices no yet addressed	Addressing some essential practices	Addressing all essential practices	Addressing all essential practices & some advanced practices	Addressing all essential and all advanced practices
N/A	1	2	3	4	5

CONSTITUTION

Essential practices

	The constitution is relevant and responsive to the organisation's purpose and needs
	The constitution complies with legislative requirements in the Corporations Act, ACNC Act (if a charity) and any other relevant legislation
	The constitution has been reviewed and, if needed, updated to ensure that it suits the new operating environment of the NDIS and is consistent with the organisations strategy

Advanced practices

	The constitution contains contemporary language
	The rules of the constitution facilitate greater organisational transparency

TOTAL:

ROLES AND RESPONSIBILITIES

Essential practices

	The responsibilities of board members are clear in relation to accountability, strategy, resourcing, advocacy and monitoring
	The particular roles of board members and the roles of staff, volunteers and members are well understood
	The particular roles of board members and the roles of staff, volunteers and members have been updated to reflect the changes in the operating environment
	Principles of corporate governance are applied in establishing roles and responsibilities
	Delegations balance the need for agility and effective risk management

Advanced practices

	Roles, responsibilities and delegations are made clear, including for frontline staff, support person-centred, customer-oriented and outcomes-based practice
	Directors work actively with the CEO to position the organisation for the NDIS environment
	Roles with responsibility for managing the transition to the NDIS have been identified and are clearly designated

TOTAL:

CLIENT AND STAKEHOLDER CONSULTATION AND FEEDBACK

Essential practices

	The organisation has a good understanding of the customer experience
	The organisation actively seeks clients' input in developing and reviewing services
	Client engagement methods are responsive to diverse client needs, and support meaningful participation (for example, use of alternative and augmented communication tools where required)
	A complaint and incident management procedure is promoted, well understood and effectively utilised by clients and staff
	Complaints and incidents are reviewed and acted upon

Advanced practices

	Clients and their families are engaged through a board advisory committee or other formal mechanism
	Feedback is used to gain an understanding of other supports people are seeking which may inform business planning around identified gaps
	Clients participate in meaningful roles in the organisation, including paid roles
	Incident management software systems are in use to collect, store and analyse trends for continuous improvement

TOTAL:

RISK MANAGEMENT AND COMPLIANCE

Essential practices

	The organisation has a formal process for identifying, evaluating and responding to financial and other risks which may affect the organisation
	Risk management policies are implemented and regularly reviewed, including tolerance for different types of risks associated with the new operating environment
	Risk is a standing agenda item for management and the board for review
	Compliance obligations are documented and maintained, including those under: <ul style="list-style-type: none"> • Disability services legislation and standards • NDIA Terms of Business for Registered Support Providers • Carer Recognition Act/s • Disability Discrimination Act (including the Act's requirement for an Action Plan) • Any contractual obligations including to funding agencies • The Corporations Act and the ACNC Act (if a charity) • Other relevant key legislation • Key organisational policies and procedures

Advanced practices

	A comprehensive risk analysis has been completed of the impact of changes in government policy, legislation, and changing customer expectations on the organisation
	Risks concerning clients are managed in a way that maximise independence while meeting duty of care obligations
	Staff at every level of the organisation are supported to fulfill their risk management and compliance responsibilities
	Compliance audits are conducted periodically
	Risk management and compliance software systems are in use
	A Business Continuity Plan exists and is regularly reviewed and tested

TOTAL:

POLICIES AND PROCEDURES

Essential practices

	<p>Policies and procedures are:</p> <ul style="list-style-type: none">• Developed and reviewed in conjunction with those affected by the policies and procedures• Sufficiently comprehensive in scope• Easy to understand• Accessible to all users• Consistent with the NDIS Terms of Business for Registered Service Providers• Updated for relevant quality standards• Documented using a standard template and style• Effectively disseminated throughout the organisation
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Advanced practices

	<p>Policies and procedures are:</p> <ul style="list-style-type: none">• Readily accessible using a single point of reference• Regularly reviewed in light of the evolving NDIS• Updated for new information about good practice approaches to service delivery
--	--

TOTAL:

DECISION MAKING PRACTICES

Essential practices

	The level at which decisions are made, documentation requirements and recording of decisions are all specified and recorded
	The level at which decisions are made is proportionate to the significance of the subject matter and associated risk, and allows timely decision-making
	Any key messages associated with decisions are identified and communicated with relevant stakeholders (board, staff and clients)
	Decision making practices concerning clients always presume capacity and enable supported decision-making

Advanced practices

	Standard templates are used to assist decision-making, for example, templates for board papers and for proposed policies
	Directors are aware of their rights to information and advice, to be heard and to delegate

	Criteria are established for making significant organisational decisions
	Decision making practices maximise employee engagement through effective delegation

TOTAL:

BOARD PROCESSES

Essential practices

Board processes:

- are documented (for example, in a Board Charter);
- help directors and the organisation to discharge their legal responsibilities;
- assist the board to balance compliance and performance roles;
- help the board to focus more on strategic issues than operational ones;
- include regular reporting about financial and non-financial performance;
- include a 'closing the loop' mechanism to ensure that the board's decisions are implemented; and
- are periodically reviewed.

Advanced practices

Board processes:

- include a structured orientation program for new directors;
- are structured around organisational priorities;
- include measures of service quality aligned to person-centred and outcomes-focused practice;
- include evaluation of the board and individual directors; and
- include an independent and qualified Company Secretary.

Board reporting allows comparison with strategic goals, historic performance, divisional comparison, or comparison to other organisations

TOTAL:

BOARD MEMBER PERFORMANCE

Essential practices

Directors in the organisation:

- understand and comply with their duties;
- have core competencies of a director, including the ability to think strategically, work as part of a team, understand financial statements and possess business acumen;
- attend meetings on a regular basis;
- constructively engage in the business of the board;
- follow up on a timely basis on commitments made; and
- declare and manage potential conflicts of interest.

The Chair and CEO have established a productive working relationship

Advanced practices

Directors in the organisation:

- link the company to important knowledge and resources in the community;
- can access learning and development for knowledge and capability gaps;
- actively engage with other information sources to increase their understanding of the NDIS and other disability reforms; and
- have been exposed to external knowledge of good practice in other organisations that is relevant to the NDIS reform.

TOTAL:

BOARD STRUCTURE AND COMPOSITION

Essential practices

The Board in my organisation:

- has the necessary size and composition to carry out its responsibilities and duties, including to lead the organisation through the NDIS reform; and
- includes a blend of relevant specialist knowledge, skills, experience and backgrounds, including lived experience of disability.

Advanced practices

Rigorous recruitment processes are used for targeting new directors

The board has an active Governance Committee, or a similar mechanism, which supports its effectiveness and continuing development

There are an adequate number of board sub-committees for managing the collective workload

There is a structured board renewal process, including succession planning for key office-holders such as the Board Chair

TOTAL:

3.4

Business Practices Checklist

The following suggested Checklist has been prepared to allow an organisation to review its current corporate governance business practices with an aim to identifying those areas that may require action. The checklist does not attempt to be all inclusive and should be tailored to suit the needs of each organisation.

BETTER PRACTICE CHARACTERISTIC	ASSESSMENT	
	Criteria Met Y/N	Actions Required to Meet Criteria
Strategy and Planning		
Do the Board and management understand the importance of achieving both business profits and social outcomes for clients?		
Does the organisation have a Strategic Plan and is it supported by a Risk Management Plan?		
Is there appropriate involvement of the Board, senior management and staff in the development of the Strategic Plan?		
Are clearly definable performance measures (operational and financial) and accountabilities incorporated into the Strategic Plan?		
Does the organisation have systems and processes in place to monitor performance against the Strategic Plan?		
Does the organisation review the Strategic Plan on a regular basis?		
Are there appropriate links between the Strategic Plan and planning at the Board, senior management and individual levels?		
Does the organisation develop an annual Business Plan which is linked to the Strategic Plan and outlines what it will be undertaking in the year ahead and which is endorsed and monitored by the Board?		
Operations of the Board and Senior Management		
Does the Board and each Board Member understand that, individually and collectively, that they are responsible for governing the organisation?		
Does each Board Member know the legal governance framework under which its organisation operates?		
Does each Board Member have access to an up-to-date copy of the legislation under which the organisation is registered?		
Does each Board Member have an up-to-date version of the organisation's Constitution or Rules?		
Are the roles, responsibilities and powers of the Board, Board Members and the Chairperson or President defined in a Board Charter?		
Is there a clear identification of the powers, roles, responsibilities and accountabilities between the Board and the Chief Executive Officer or equivalent?		

BETTER PRACTICE CHARACTERISTIC	ASSESSMENT	
	Criteria Met Y/N	Actions Required to Meet Criteria
Does the Board have collectively, a mix of appropriate skills, knowledge and experience?		
Are appointments made to the Board with regard to the skill requirements of the Board?		
Have steps been taken to provide the Board, management and relevant staff with training and documentation as to their role and the roles and responsibilities of the Board?		
Are there adequate induction processes in place for new Board Members?		
Are there arrangements to support ongoing professional development for Board Members?		
Is there a sound system of procedures and financial delegations in place approved by the Board?		
Does the Chairperson or President facilitate the Board working as a team?		
Are members of the Board able to challenge the organisation and other Board Members constructively?		
Does the operation of the Board promote efficiency as well as control so that the Board is not involved in low level detail unless specifically required?		
Does the Board spend most of its time on strategic issues facing the organisation?		
Does the Board have a clear process for discussion and decision making, with the Chairperson or President encouraging views and insights from all members?		
Does the Board consult with key and/or relevant stakeholders about issues before making decisions which might affect them?		
Does the Chairperson or President ensure that the Board follows clear procedures in discussing and reaching decisions which ensures that the full implications in relation to a matter are identified and considered by the Board?		
Does the Board have adequate processes for dealing with decision deadlocks such that decisions are reached through discussion rather than vote-taking, where possible, and dissenting views are fully explored and that there is a focus on achieving the best outcome?		
Does the Board monitor the implementation of its decisions on a regular basis?		
Is there full and transparent explanation for decisions that are made by the Board which are clearly recorded in Board Minutes?		
Are there processes in place governing policy development, implementation and review, and which ensures that the Board approves new policies?		
Does the Board have an Annual Agenda or Board Calendar which balances the need to focus on future development with monitoring current performance and conformance?		
Is the Annual General Meeting (AGM) on the Board Calendar?		
Are Board papers and Minutes circulated in sufficient time for Board Members to consider and review them before Board Meetings?		
Does the Board meet regularly?		

BETTER PRACTICE CHARACTERISTIC	ASSESSMENT	
	Criteria Met Y/N	Actions Required to Meet Criteria
Do Board Members demonstrate an interest in the business of the organisation outside Board Meetings to facilitate their knowledge and understanding of the business affairs of the organisation?		
Does the Board assess its performance against agreed criteria at least once a year?		
Where the Board has identified areas for improving its operations, does it develop and monitor an action plan for their implementation?		
Does the Chairperson or President provide mentoring and support to the Chief Executive Officer or equivalent?		
Does the Chief Executive Officer or equivalent and other key managers attend Board Meetings to inform Board decision making and share information freely with the Board?		
Where the Chief Executive Officer or equivalent is an Executive Director, is time allowed on the agenda of Board Meetings for discussion which excludes the Chief Executive Officer or equivalent?		
Does the organisation have an Executive Management Group or equivalent, comprising its senior managers, which meets on a regular basis?		
Has the Chief Executive Officer or equivalent, or the Board established appropriate internal management committees or equivalent to develop strategies and policies in relation to such things as financial management and reporting, human resource management etc?		
Do established Board Sub-Committees and internal management committees or equivalent have documented terms of reference which clearly define their roles, responsibilities and accountabilities?		
Has the Board established an Audit and/or Risk Board Sub-Committee?		
Do the Chief Executive Officer or equivalent and/or the Board monitor and review the performance and value of Board Sub-Committees and internal management committees or equivalent?		
Does the organisation have regular staff meetings to ensure that employees are aware of current issues facing the organisation and to encourage feedback to management?		

Statutory and Contractual Compliance

Is the Board aware of the relevant statutory reporting requirements and does it have processes in place to monitor compliance?		
Is the Board aware of its legislative compliance obligations and does it have processes in place to monitor compliance?		
Has the Board approved an appropriate contract management framework for the organisation which has been developed with appropriate legal advice?		
Is the Board aware of its contractual compliance obligations and are processes in place to monitor compliance?		

BETTER PRACTICE CHARACTERISTIC	ASSESSMENT	
	Criteria Met Y/N	Actions Required to Meet Criteria

Organisation Policies and Procedures

Has the Board agreed the operating policies and procedures for the organisation? This covers such matters as:

Complaint handling;		
Delegation of authority;		
Environmental and social obligations;		
Ethical behaviour;		
Financial delegations;		
Financial management, including financial transactions and reporting;		
Tendering, contracts and procurement;		
Fraud control;		
Governance arrangements;		
Human resource management;		
Information Technology management;		
Media and public relations;		
Occupational Health and Safety;		
Risk Management; and		
Stakeholder management and relations		

Ethical Environment

Is there a Code of Conduct outlining standards of personal behaviour and the requirements for ethical conduct on the part of all Board Members, other officers, management and staff and which outlines the processes for dealing with these issues?		
Are mechanisms in place to gain assurance that decision making processes are not subject to prejudice or bias?		
Is there a mechanism that requires Board Members, other Officers, management and staff to declare any conflict of interest in all decision making processes?		
Does the organisation maintain a Register of Conflicts of Interest?		

Risk Management

Does the organisation have risk management policies and procedures and a framework to ensure risk is considered at all levels of the organisation – strategic, operational, project and single issue levels?		
Does the organisation have a Risk Management Plan linked to its Strategic and Business Plans?		
Does the Board regularly assess whether the risk management strategies are working effectively?		

BETTER PRACTICE CHARACTERISTIC	ASSESSMENT	
	Criteria Met Y/N	Actions Required to Meet Criteria
Is the Risk Management Plan reviewed regularly to ensure new and emerging risks and opportunities are identified and risk management strategies are put into place?		
Are there Disaster Recovery and Business Continuity Plans in place?		
Does the organisation have in place the required levels of insurance including Public Liability and Directors' and Officers' Liability Insurance?		
Does the organisation have appropriate plans in place to protect the physical security of its people, information and assets?		

Program Reporting and Monitoring Framework

Has the Board established appropriate mechanisms and processes for ensuring that the organisation can meet obligations under funded programs including the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs on aspects such as financial and performance reporting?		
Are there arrangements in place for management to report to the Board on progress with meeting funding conditions and achieving grant outcomes for all funding agreements?		

Financial Management and Reporting

Has the Chief Executive Officer or equivalent, or the Board established appropriate mechanisms and processes for budget development and financial planning for the organisation?		
Does budgeting documentation include operational and capital budgets for the medium to long term, and do these budgets link to the Strategic and Business Plans?		
Are there appropriate performance measures, financial and operational (non-financial), which enable the efficiency, effectiveness and economy of the organisation to be assessed?		
Does the Board receive timely financial reports on a regular basis?		
Do the financial reports presented to the Board communicate relevant financial data and information efficiently and effectively?		
Are the financial reports accrual based?		
Do financial reports show, at a minimum, a comparison between year to date, budget, last year to date, and full year data and provide information on the cash position of the organisation?		
Are financial reports supported by explanations of significant variances between budget targets and actual results?		
Are financial reports supported with appropriate financial and operational analysis – ratios, service delivery benchmarks and other performance indicators?		
Are accounting policies, procedures and systems in place to ensure that accounting records and derived financial statements present a true and fair view of the financial position and performance of the organisation?		
Are financial reports derived directly from the underlying accounting systems and is there a quality assurance process over the compilation of the reports?		

BETTER PRACTICE CHARACTERISTIC	ASSESSMENT	
	Criteria Met Y/N	Actions Required to Meet Criteria
Do adequate accounting systems and records support financial reports?		
Are financial reports provided to the Board in sufficient time to enable review before meetings?		
Is each member of the Board made aware of their financial responsibilities as a Company Director or Committee Member?		
Do members of the management team provide the Board with an appropriate briefing with the tabling of financial reports?		
Do the Board and management teams each include a person with appropriate financial management qualifications, expertise and experience?		
Does the Chief Financial Officer or equivalent have a direct reporting line to the Chief Executive Officer or equivalent?		
Are the roles and responsibilities of the Chief Financial Officer or equivalent, relative to other managers, clearly defined to avoid overlap of accountabilities and responsibilities?		
Is the Chief Executive Officer or equivalent responsible for the strategic and operational aspects of financial planning, management, record-keeping and financial reporting?		
Are there appropriate controls in place to effectively manage payments made by the organisation?		
Has the Board appointed an independent, appropriately qualified external Auditor?		
Have arrangements been made for the conduct of the audit of the Annual Financial Statements?		

Human Resource Management

Does the Board receive timely reports on human resource management issues on a monthly basis covering such matters as:

Recruitment;		
Departures;		
Training and development;		
Occupational Health and Safety;		
Equal Employment Opportunity;		
Staff complaints and harassment; and		
Succession planning?		
Is there an appropriate performance management system in place for the Board, Board Members, other officers, management and other employees that is aligned to the organisation's Strategic Plan and includes a formal review of the performance of the Chief Executive Officer or equivalent by the Board?		
Is there appropriate succession planning in place for the Board, Chief Executive Officer or equivalent, management and other employees?		
Does the organisation have appropriate policies in place relating to the recruitment, retention and disengagement of staff?		

BETTER PRACTICE CHARACTERISTIC	ASSESSMENT	
	Criteria Met Y/N	Actions Required to Meet Criteria
Are there adequate induction processes in place for new management and staff members?		
Does the organisation have a strategy for ensuring that its employees have and maintain the necessary skills to achieve its key business objectives and meet its responsibilities for program delivery?		
Information Technology and Systems Management		
Does the organisation have an appropriate Information Technology infrastructure to enable it to support its business needs and deliver key program outcomes?		
Does the organisation have in place appropriate policies, strategies and mechanisms for ensuring that its Information Technology facilities and systems are secure?		
Information and Knowledge Management		
Does the organisation have in place appropriate policies and procedures for the keeping, accessing and disposal of records and their security?		
Does the organisation make available key information about its operations through a Website and other appropriate mechanisms – for example, Strategic and Business Plans, Annual Reports, policies and other relevant information?		
Asset Management		
Does the organisation have an Asset Management Plan?		
Stakeholder Management		
Has the organisation identified its stakeholders (for example, parents, clients, funding bodies and community organisations), their needs and the associated business risks?		
Has the organisation established clear channels of communication with its clients and other stakeholders?		
Has the organisation implemented appropriate mechanisms and processes to ensure that stakeholders are consulted and engaged in the development and implementation of policies and programs, as appropriate?		
Fraud Control		
Does the organisation include fraud risks as part of its Risk Management Plan?		
Does the organisation have in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures?		
Project Management		
Does the organisation have an agreed project management framework in place?		
Are all relevant projects being undertaken in accordance with the mandated project management framework?		
Do the Board and management monitor project planning and implementation on a regular basis?		
Does the organisation provide project management training and support to its staff?		

Acknowledgement

Source: Corporate Governance Handbook for Company Directors and Committee Members. A reference Guide to Understanding the Serious Commitment of being a Company Director or Committee Member. Second Edition June 2010. Australian Government.

3.5

Being an Effective Board - Questionnaire

Exercise 1 - Your Understanding

To answer each question in relation to your understanding of it, place a tick under the column headed YES, NO or Limited;

Your understanding of how to be an effective board	Yes	No	Limited
The board's composition and skills basis			
The board's independence			
Working with subcommittees			
Appointing and selecting the directors			
Planning for board succession			
Induction and training for the directors			
Reviewing the board's performance			
Transparency and disclosure of both information and decision making: in relation to strategy, decision making, and financial and operational performance, your organisation's system is 'open' to all relevant stakeholders.			
Lack of conflict of interest - in relation to decision making, no person in the system has either an actual or a perceived conflict of interest and is not in a position to influence the outcome of any decision.			
A process-based system, not a people-based one - for your organisation's system to continue being operational, it is not reliant on any person and his or her skills.			
Linkages between responsibility and accountability - in your organisation, the people who are responsible for an activity or an outcome are also held accountable for it.			
Practicality and reliability - your organisation's system is not overly complex and is flexible in relation to change.			

Exercise 2 - The Responsibility Matrix

The purpose of this exercise is for you to determine the person or people in your organisation who should be responsible for each itemised activity. If no one is responsible for an activity, write None under the Other column heading, and consider whether someone should be responsible for it and how to address the need.

Note, both the activities and the level of them will vary from organisation to organisation.

Activity / Responsibility	Senior Manager/s	Committee or Sub-Committee	Chair	Board	Other
Recruiting someone to chair the committee or subcommittee					
Proposing budgets					
Approving budgets					
Acting as the organisation's spokesperson					
Running meetings					
Lobbying					
Marketing					
Engaging the senior manager/s					
Terminating the senior manager/s					
Formulating strategies					
Developing policies					
Approving policies					

Exercise 3 - Measuring Your Board's Effectiveness

The purpose of this questionnaire is to determine:

- How effective the board is in achieving its short and long-term goals
- How effective the board is in managing conflict
- How effective the directors are in communicating both with each other and with the organisation's stakeholders

Complete this questionnaire as an individual, and complete again with the whole of board. Circle the answer that best reflects your existing board, and add any explanatory information in the space provided.

Does the board have clear short and long-term goals?

Yes / No

If you answer 'yes', how are the goals communicated to the directors?
If you answer 'no', why doesn't the board have clear goals?

Does the board have a clear role?

Yes / No

If you answer 'yes', how is the role determined and communicated?
If you answer 'no', why doesn't the board have a clear role?

On a scale of 1 to 5, how well does the board resolve issues?

1
Not
Well

2

3
Moderately
Well

4

5
Very
Well

If you gave the board a rating of 1 or 2, how can the rating be improved?

Does the board manage conflict productively?

Yes / No

If you answer 'yes', who is managing the conflict?
If you answer 'no', what measures need to be put in place to ensure the board does manage any conflict?

How well does the board make decisions?

1
Not
Well

2

3
Moderately
Well

4

5
Very
Well

If you gave the board a rating of 1 or 2, how can the rating be improved?

What is the quality of the communication between the directors?

1 Low	2	3 Average	4	5 High	If you answered 'high', what tools are used?

What is the quality of the communication between the board and the organisation's staff?

1 Low	2	3 Average	4	5 High	If you answered 'high', how is this communication facilitated?

Does the board receive enough information for the directors to base collective decisions on?

Yes / No	If you answered 'no', why doesn't the board receive enough information to base collective decisions on?

If you could change two aspects of how the board members work together, what would they be? Use space provided.

3.6

What makes an Effective Board of Management under the NDIS?

Quick Test

1. Does your board maintain a focus on governance level issues and concerns rather than operational issues?
 - Do you have a clear delineation of responsibility between the board and the organisation's management?
2. Have you developed and communicated a coherent vision and set of goals for the organisation to become NDIS ready?
3. Do your strategic planning process involve effective consultation with people using your service, their families and carers and other stakeholders?
4. Has your strategic planning process adequately resourced the organisation for the transformational and/or transitional nature of the NDIS reform
5. Does your board monitor organisational performance through periodic reviews of all policies and procedures within your organisation?
 - Have these policies and procedures been updated to reflect the implications of the NDIS?
6. Does your board take appropriate action where performance expectations are not met?
7. Do you have a formal risk management framework for your organisation?
8. Do you have clear financial delegations and financial controls?
 - Does the board have an understanding of financial sustainability under the NDIS
9. Do board members have the necessary skills to confidently, effectively and independently assess advice and recommendations?
 - Does the board undertake a 'gap analysis' to determine shortfalls and abilities prior to recruiting new members?
 - Has the skill requirements been identified for the NDIS environment?
10. Are all board members aware of their individual responsibilities?
11. Is there periodic review of performance scheduled (individuals and as a collective board)?

Reference: NDS – Disability Act 2006 Booklet

Section 4

Appendix



4.1 Appendix 1

Useful Links and Resources

1.1 Good Governance Guides and Resources

Source	Name	Description	Link
Governance Institute of Australia	<i>Good Governance Guides</i>	A website library of useful and informative guides, resources and tools covering all aspects of 'good governance'	Click Here
NSW Government - Ageing, Disability and Home Care	<i>Good Governance: Its Your business</i>	A website library of business practices related materials	Click Here
QLD Government	<i>Community Door: Boards and Management committees</i>	Materials developed for QLD, but resources remain relevant for Victorian community organisations	Click Here
ACNC	<i>Australian Charities & Not-for-profit Commission</i>		
Australian Government Department of Social Services	<i>Corporate Governance Handbook for Company Directors & committee Members</i>	The Handbook provides a useful reference guide and resources to organisations and board members. The resources has been heavily used in this project	Click Here
Australian Institute of Company Directors	<i>Role of the board</i>		Click Here

1.2 Resources to Build Business Knowledge and Capacity

Source	Name	Description	Link
Board member Recruitment	<i>NDS</i>	A toolkit that includes templates, guides to assist organisations recruit board members	Click Here
Finances	<i>Our Community Pty Ltd</i>	Damn Good Advice for Board Members: 25 questions a Not-for-Profit board member needs to ask about the finances	Click Here
Strategic Planning	<i>Australian Institute of Company Directors</i>	A simple strategic plan template that provides organisations with the foundation for a more detailed organisational plan	Click Here
Financial Sustainability	<i>Key Financial Ratios Tool</i>	A component of the (NDS) NDIS Provider Toolkit, is a self-assessment of key financial indicators that all board members should have	Click Here
Governance Documents	<i>Governance Institute of Australia</i>	A series of documents that demonstrates best practice documents	Click Here
Costing & Pricing	<i>NDS Costing and Pricing Learning Program</i>	An online learning resource developed to build capacity and understanding on how to cost & price your services	Click Here
Business Readiness	<i>The NDIS Provider Toolkit (The Toolkit)</i>	Built around a business excellence framework, the self-assessment tool	
ICT	<i>ImproveIT4NDIS</i>	Online resources designed to assist providers to make effective ICT decisions	Click Here

4.2 Appendix 2

Useful Questions

2.1 What type of board model do you operate?

Every organisation is unique and different factors must be considered in achieving the 'best' governing system for the organisation. Factors can be the age and stage of the organisation, its size and complexity, and its values and culture, or the need to adjust to significant changes in the sector, such as the introduction of the NDIS (or any significant reform).

While the legal obligations of the board are dictated by legislation, the board model in which they operate is often less clearly defined, but will have significant impacts on how the organisation functions. Please note, we use the term 'CEO' in this section to refer to the leader of the organisation, but individual organisations may use different terminology based on their governance structure and constitution.

Description	Board Model
Cause Based Small organisation, no paid staff, everyone pitches in.	Board Management Model Individually or in committees, board members take on all governance, management and operational tasks including strategic planning, bookkeeping, fundraising, newsletter production, and program planning and implementation. <ul style="list-style-type: none">• Board members are chosen for their willingness to work.• Board meetings conduct working activities Risk: The danger with this approach is that the Board will continue trying to run things at the micro level even after the organisation has grown and hired staff and set up its own administrative structures, leading to conflict and confusion between paid and unpaid workers.
Follow the Leader Small to medium organisation built around one person (often the founder) as CEO or president.	Advisory Board Model This model emphasises the helping and supportive role of the Board. The Board's role is primarily that of helper/advisor. <ul style="list-style-type: none">• Board members are recruited because they are trusted as advisors by the CEO, or because they have a professional skill that the organisation needs but does not want to pay for; or because they are likely to be helpful in establishing the credibility of the organisation for fundraising and public relations purposes.• Board meetings tend to be informal and task-focused, with the agenda developed by the CEO. Risk: Legally, the board is responsible for the organisation, not the CEO, and a Board that is not willing to supervise and overrule the CEO where necessary is risking its accountability.
Cash Cow Larger organisations with routine administration and few debates about direction. Have a clear job to do and just want to get on with it.	Patron Governance Model Similar to the Advisory Board Model. The main difference between the two models is that the primary purpose of the board members under the Patron Model is to perform duties related to fundraising. <ul style="list-style-type: none">• Board members are typically individuals who have personal wealth or influence within the field. The primary role of board members under the Patron Model is to contribute their own funds to the organisation and to use their network to gain outside contributions for the organization. Under this model, the board members have less influence over the CEO or organization's board than in the Advisory Board Model.• Board meetings are held infrequently, as the real work is done outside the board meetings. Many organisations maintain a board of patrons as a supplement to their governing boards, making it a committee or some form of separate operation. Risk: This kind of board is ineffective for significant governance tasks, such as vision development, organisational planning, or program monitoring.

<p>Representative Democracy</p> <p>The organisation is there to service or support its members, and the board should as far as possible follow the view of the members on any particular issue. In some circumstances clients can be members, and the organisation is therefore client-run.</p>	<p>Membership Model</p> <p>The board is seen as a condensed version of the organisation, and its job is to deliver what the majority of members want.</p> <ul style="list-style-type: none"> • Board members are chosen for their opinions as well as their ability. • Board meetings involve frequent votes to see which opinion predominates. <p>Risk: There can be problems relating board priorities to administrative structures and systems.</p>
<p>The Collective</p> <p>Some organisations try to avoid hierarchical structures through “peer management” or “collective management”. In this model, all responsibility is shared and there is no Chief Executive Officer. Decision-making is normally by consensus and no individual has power over another.</p>	<p>Cooperative Governance Model</p> <p>The organisation strives to fit the board of directors into its organisational philosophy by creating a single managing/governing body composed of official board members, staff members, volunteers, and sometimes clients. If all goes well, the organisation benefits from the direct involvement of front-line workers in decision-making and the camaraderie from the interaction of Board and staff.</p> <ul style="list-style-type: none"> • Board members need a shared sense of purpose, an exceptional level of commitment by all group members, a willingness to accept personal responsibility for the work of others, and an ability to compromise (however, as cooperatives often arise out of strong ideological or philosophical commitments, compromising may be easier said than done). • Board meetings work by exhaustive debate leading (sometimes) to consensus. <p>Risk: The wide and shifting membership can make it difficult to pursue a consistent direction. Accountability is also often a problem in the absence of structure.</p>
<p>Board Manager</p> <p>The Board has functions, not constituencies, and has real, not nominal, direction of the organisation. The Board is at the top of a managerial hierarchy.</p>	<p>Management Team Model</p> <p>A Management Team model organises committees and activities along functional lines. The structure of the Board and its committees usually mirrors the structure of the organisation’s administration. The board creates committees with responsibility for these areas, such as based on different program types.</p> <ul style="list-style-type: none"> • Boards have a high degree of involvement in operational and administrative activities. In organisations with professional management, this normally takes the form of highly directive supervision of the CEO and staff at all levels of the organisation. Structurally, there may be many committees and sub-committees. Decision-making extends to working with the administration on details about programs, services, and administrative practices. • Board members are chosen by the existing Board for their fit to the organisation’s needs for specific skills and abilities. This model emphasises the systematic selection, induction and training of Board members. The goal is to put in place a Board that works effectively as a team. It’s common for the CEO to sit on the Board ex officio or at least to be present to serve as board liaison. • Board meetings deal both with policy and with aspects of administration. <p>Risk: This can lead to the Board wasting time on day-to-day matters which are the responsibility of staff, and may cause them to be frustrated if the board is too involved in their work.</p>

<p>Carver Board</p> <p>The originator and most influential proponent of the Policy Board Model is John Carver, whose book <i>Boards that Make a Difference</i> has had a great effect on thousands of not-for-profit organisations.</p> <p>Boards operating under the Policy Board Model are characterised by a high level of trust and confidence in the CEO. In the Policy Governance Model the CEO is the only employee of the board, and all other staff are employees of the CEO.</p>	<p>Policy Board Model</p> <p>The Board adopts the policy decisions that will add value to the organisation.</p> <p>The tasks of the Board are to establish the guiding principles and policies for the organisation, to delegate responsibility and authority to the CEO (who is then responsible for enacting these principles and policies), to monitor compliance with those guiding principles and policies, and to ensure that the CEO (and the staff through the CEO) is held accountable for their performance.</p> <p>The Board evaluates the CEO's performance regularly and thoroughly.</p> <p>Risk: The policy board model needs ideal Board members to function properly. Board members must know how the organisation works and possess exceptional understanding of its strengths and weaknesses. Board members of this calibre are difficult to find, and their time demands are high, as they need both to be briefed on internal matters and to connect with external stakeholders.</p>
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2.2 Communication and Engagement is Critical - 7 key questions that should be asked, the board, management and staff

- **Strategy:** How does our strategy allow us to be agile, flexible and responsive to the changes in our sector?
- **Corporate Governance:** Are our decision-making processes robust enough to manage the key risks, challenges and opportunities facing our business? How do they support our operation in a competitive environment?
- **Clients and Market Focus:** How will we differentiate ourselves to retain and attract clients in an increasingly competitive market?
- **Financial Sustainability:** What impact will individualise funding have on our business and the way our services are costed, priced and funded? What changes do we need to make?
- **People and Capability:** How will we attract, recruit and retain staff with the right values, skills and capabilities to support the changing needs of our clients and our business?
- **Information and Knowledge Management:** How do our systems, processes and people help us to maintain and improve our quality and competitiveness? How will we know when we are doing well, or at risk?
- **Safeguarding quality management and improvement:** Do we have the right systems in place for reform? How will our systems support the necessary changes to our business, clients, operations and finances over the next decade?

