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ROYAL AUSTRALIAN MINT
Independent Governance Review
30 April 2019

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1. The review

BellchambersBarrett was engaged to '*Independently assess the Mint's Governance Framework to confirm if it is operating effectively and aligns to better practice governance arrangements.*'

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) sets out the requirements for the governance, reporting and accountability of Commonwealth entities and Commonwealth companies. The Royal Australian Mint (the Mint) is a non-corporate Commonwealth entity, with the Chief Executive Officer (CEO), as Accountable Authority, responsible for the establishment and maintenance of the governance and accountability arrangements operating across the Mint.

The Governance Institute of Australia defines governance as:

Governance encompasses the system by which an organisation is controlled and operates, and the mechanisms by which it, and its people, are held to account. Ethics, risk management, compliance and administration are all elements of governance.

The Mint is seeking an independent review of its governance framework to ensure elements within the framework are fit-for-purpose, operating effectively and where identified, provide opportunities for further strengthening of the Mint's governance arrangements.

2. Review scope

Scope Inclusions

The period of coverage includes governance arrangements and accountability mechanisms operating across the Mint during the 2018-19 financial year (i.e. from 1 July 2018 to the commencement of the review in April 2019). The task involved mapping the Mint's current governance structure including the following elements:

- CEO – role and reporting arrangements, including to the Department of the Treasury Secretary
- The direct or indirect oversight by Treasury Officials who sit on both the Advisory Board and the Audit Committee and who review all Currency Determinations
- Advisory Board – role and responsibilities, members and reporting relationship, including the role of the Chair
- Audit Committee – role and responsibilities, members and reporting
- Assurance framework – including audit processes from both ANAO 'external' and internal audit, and other independent quality assurance reviews
- Organisational management reporting
- Risk management reporting.

The review approach is included at Appendix B.

Scope Exclusions

The review team did not test the effectiveness of each individual element of the Mint's governance framework.

The Mint's governance framework was not assessed against the governance frameworks of other entities.

3. Principles of an effective governance framework

To support the review, better practice governance principles from the following entities were used as a framework against which the Mint's governance framework could be assessed:

- Australian National Audit Office
- Australian Public Service Commission
- Australian Institute of Company Directors
- Australian Stock Exchange.

Key principles common across the above frameworks included:

Leadership – executives of an entity must establish, communicate and maintain, flexible and fit-for-purpose governance arrangements that will contribute to its strong, sustainable and accountable performance. They must be seen to support and drive the importance of the governance arrangements at every level and across the organisation.

Engagement – entities should actively engage with internal and external stakeholders to ensure that their requirements and concerns are identified, understood and have been appropriately considered with respect to the operations of the business and the requirements of government.

Direction – all employees must understand their governance responsibilities and be active participants in driving the entity's governance processes. There should be clarity regarding individual roles and responsibilities and ongoing training to support those with decision making responsibilities.

Oversite – any boards/committees must comprise the right group of people with the right experience and skills to operate effectively. Responsibilities and duties of the boards/committees must be reflected in an appropriate charter or similar document.

Risk management – establishing processes to identify, understand, address, monitor and communicate risks. Such risks could either prevent the entity from achieving its business objectives or provide the opportunity for extra benefits to be realised. Section 16 of the PGPA Act requires the accountable authority of a Commonwealth entity to establish and maintain systems relating to risk and control.

Performance – entity governance arrangements must be designed to enable the entity to achieve its purpose, goals and objectives. They should optimise entity performance through - effective planning, operations, monitoring, evaluation and review. Entities should also actively promote innovation to drive continuous improvement and more effective and efficient service delivery.

Accountability – governance arrangements that demonstrate what the entity has done and how it conforms with all applicable legislative, policy requirements as well as public expectations of openness, transparency and integrity.

4. Observations

The review team made the following observations:

Item	Comment
1	<p>Advisory Board Chair - an independent appointment by Treasury who is required to report to the Secretary of the Department of the Treasury at least annually.</p> <p>The Advisory Board participates in the Mint's strategic planning, monitors and discusses financial performance, risk, internal audit, external audit, and business wide strategic issues.</p> <p>The Advisory Board also reviews, considers and comments on investment proposals over \$250,000.</p> <p>The Advisory Board Chair could report more frequently to the Secretary e.g. quarterly or bi-annually.</p> <p>The Advisory Board set-up, operation and reporting is considered appropriate for the Mint.</p>
2	<p>Charter for the Advisory Board – remains in draft form with Treasury and should be finalised as soon as possible.</p>
3	<p>Position of the Chief Executive Officer was extended for 24 months to 5 June 2020.</p>
4	<p>The following meetings/committees are integral to the Mint's governance framework and therefore, formal documentation should exist to contextualise why they occur and guide the operation of the meetings (e.g. members, standing items for discussion, reporting, meeting times). The meetings/committee are:</p>

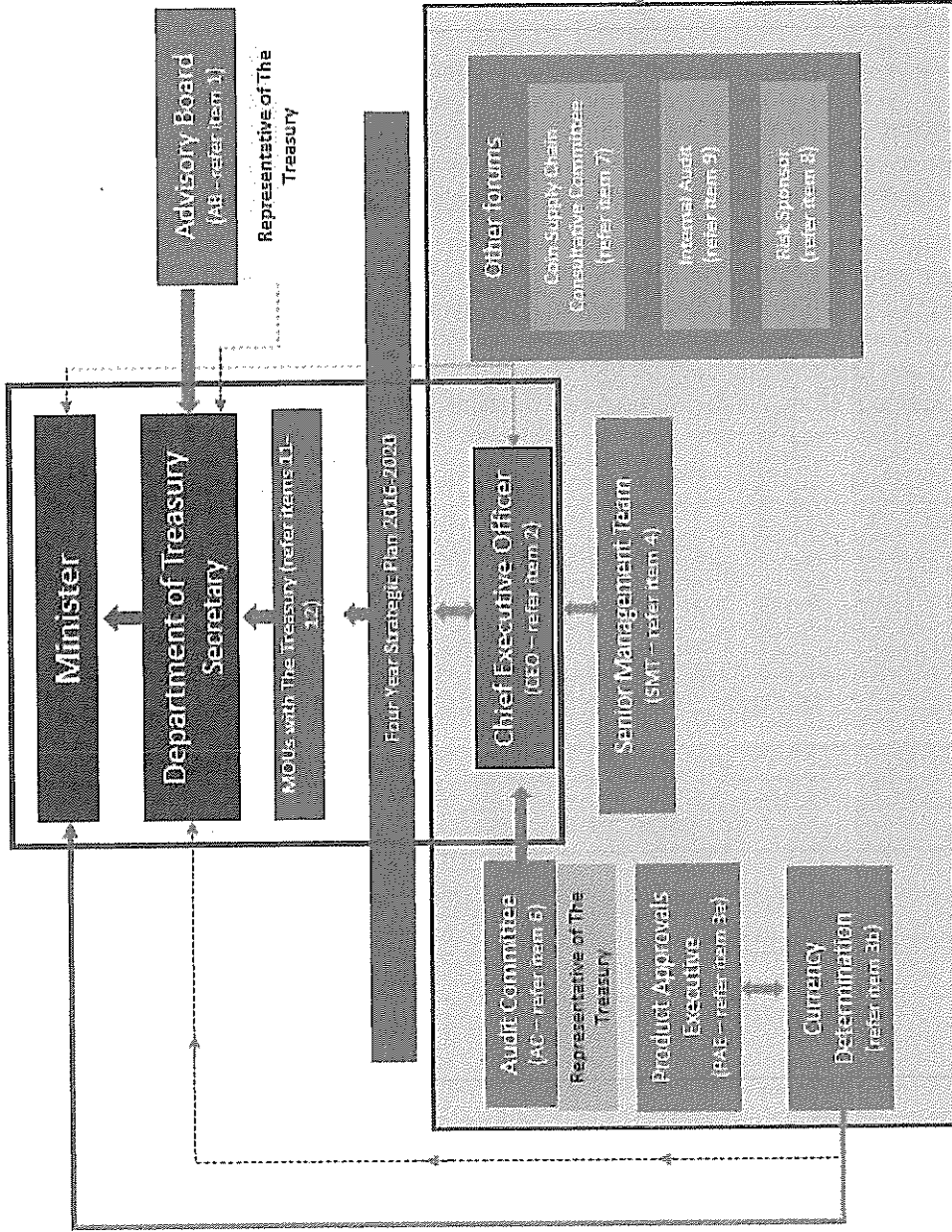
Item	Comment
	<ul style="list-style-type: none"> • Product Approvals Executive meetings • Senior Management Team meetings • Coin Supply Chain Consultative Committee • Risk meetings with the Risk Sponsor.
5	Agendas and Minutes appeared to support discussion, reporting and issue tracking of Mint business and risks.
6	The Mint's business units are well represented across governance committees providing a conduit to the executive to discuss performance, opportunities, issues and risks.
7	For an organisation of the Mint's size, the governance framework is appropriately structured and suitable to the operations of the business.
8	The Risk Management Policy was updated in March 2019. The Mint is due to commence an independent review of the Governance Framework in May 2019.

5. Conclusion

Overall, the review team was satisfied that a comprehensive fit-for-purpose governance framework is operating to facilitate the effective governance of the Mint. The governance framework aligns with the common governance key principles identified, and while it was not subjected to detailed testing, it is considered an appropriate mechanism to support effective governance of the Royal Australian Mint. An overview of the Mint's Governance Framework is provided at Appendix A.

A detailed governance review was previously conducted by Synergy in 2015. Their review of the Mint's Governance and Risk Management Framework commented that 'The Mint's governance arrangements were found to be effective and reflect the requirements of the PGPA Act.' The report also commented 'The Mint's Risk Management Framework is aligned with the Commonwealth Risk Management Policy, Australian/New Zealand Standard (AS/NZS) ISO 31000:2009 and Comcover's Better Practice Guide for Risk Management (June 2008).' No recommendations were identified.

Appendix A – Governance framework overview



Mapping of business units to the Governance Framework (refer item 5)		
Business units	Representative	Committee/s
Lean	Quality Systems Manager	AB, SMT, AC
Marketing	General Manager - Sales, Marketing and Distribution	AB, SMT, PAE
Finance and Logistics	Chief Financial Officer	SMT, AC
Business Development and Facilities	Position no longer exists, functions have moved into Marketing and TCE respectively	
Human Resources and, Health and Safety, and Environment	Human Resource Manager	AB, SMT
Systems and Process Management	Chief Information Officer	AB, SMT
Tooling, Coining and Engineering (TCE)	Tooling, Coining and Engineering Branch Manager	AB, SMT
Engineering Services	Position no longer exists, functions have moved into TCE	
Numismatic Business Line (NBL) Operations	NBL Operations Manager	AB, SMT, AC
Quality Management Systems	Quality Systems Manager	AB, SMT, AC

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1. Advisory Board

As per the draft Advisory Board Charter (currently) with the Treasury since 2016, the Advisory Board is directly responsible to the Secretary of the Treasury. It is a non-decision making body and has no executive powers or supervisory functions. The Board specifically:

- considers the Mint's financial objectives, corporate plan strategies and reviews and provides advice in relation to significant policies and procedures to encourage and promote the Mint's principal accountabilities
- reviews, considers and comments on any investment projects in excess of \$250,000.

The Board, through the Chair, regularly but at least once a year reports to the Secretary on its operation and activities. The Board may at any time, report to the Secretary, any other matter it deems of significance.

Members:

1. [Redacted] (Chair) - Independent (appointed by the Treasury)
2. [Redacted] (CEO) - Royal Australian Mint
3. [Redacted] - The Treasury
4. [Redacted] - Independent Member
5. [Redacted] - Independent Member

Observers:

1. [Redacted] - Royal Australian Mint
2. [Redacted] - Royal Australian Mint
3. [Redacted] - Royal Australian Mint
4. [Redacted] - Royal Australian Mint
5. [Redacted] - Royal Australian Mint
6. [Redacted] - Royal Australian Mint
7. [Redacted] - Royal Australian Mint
8. [Redacted] - The Treasury

The Advisory Board meets quarterly and holds one additional strategy meeting

2. Chief Executive Officer

The Chief Executive Officer is the accountable authority of the Mint who is responsible for managing the Mint on behalf of the Secretary of the Department of the Treasury.

A key responsibility of the CEO is to establish, implement and periodically review a risk management policy and framework.

The CEO is a member of all primary governance committees except the Audit Committee.

The CEO meets 2/3 times annually with the Minister.

The current CEO is Mr Ross MacDiarmid (contract expires June 2020).

3a. Product Approvals Executive

The Product Approvals Executive is the decision-making body within the Mint that provides formal endorsement for proposed commercial products.

Business cases developed for proposed commercial products are presented to the Product Approvals Executive for approval by the Chair, Chief Executive Officer and General Manager of Marketing, Sales and Distribution.

Members:

1. [Redacted] - De (Chair) - Independent
2. [Redacted] - (CEO) - Royal Australian Mint
3. [Redacted] - GM (MSD) - Royal Australian Mint

The Product Approvals Executive meets fortnightly.

3b. Currency Determination

On approval of the PAE, all coin programs using the Queen's effigy are submitted to the Treasury for review prior to obtaining approval from the responsible Minister.

4. Senior Management Team

The purpose of the Senior Management Team is to discuss policy and corporate governance issues and to review Mint-wide activities.

Matters dealt with include financial performance, individual branches performance, risk management, coin supply chain, strategic plan implementation, human resources issues, updates on capital expenditure project proposals, and updates on projects and activities undertaken.

The Senior Management Team comprises the following Royal Australian Mint officers:

1. [Redacted] - Chief Executive Officer
2. [Redacted] - Tooling, Coining, Engineering, Facilities and Planning
3. [Redacted] - NBL Operations
4. [Redacted] - Systems and Process Management
5. [Redacted] - General Manager of Sales, Marketing and Distribution
6. [Redacted] - Quality Management System, Continuous Improvement and Risk Management
7. [Redacted] - Finance

The Senior Management Meeting occurs monthly with a rotating Chair from the team.

5. Royal Australian Mint Internal Business Groups

Internal Business Groups are well represented across governance committees providing a conduit to the executive to discuss performance, opportunities, issues and risks relevant to each business group.

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6. Audit Committee

The Chief Executive Officer of the Royal Australian Mint has established the Audit Committee in accordance with section 45(1) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The Audit Committee reviews and provides independent advice and assurance regarding the appropriateness of the Mint's financial reporting, performance reporting, and system of risk oversight and internal controls.

The audit committee through the inclusion of the Treasury CFO can indirectly report to the Treasury Secretary.

Approximately eight individual audits are conducted annually.

Members:

1. [Redacted] - Chair - Independent
2. [Redacted] - The Treasury CFO
3. [Redacted] - Royal Australian Mint
4. [Redacted] - Australian Office of Financial Management

Observers:

- [Redacted] - Royal Australian Mint
- [Redacted] - BellchambersBarrett
- [Redacted] - BellchambersBarrett
- [Redacted] - Deloitte (ANAO)
- [Redacted] - Deloitte (ANAO)
- [Redacted] - ANAO
- [Redacted] - ANAO

The Audit Committee meets five times per year.

7. Coin Supply Chain Consultative Committee

The Committee considers data and analysis by the Mint on coin holdings and the underlying demand for coins in Australia. At a broader level, it monitors and reviews industry wide issues that may impact on coins. It also has a keen interest in identifying opportunities for improvements in coin usage, production, handling, transport and storage. Periodically, guests with specialist industry knowledge are invited to meet with the Committee to discuss specific issues.

Members

1. [Redacted] (Chair) - Royal Australian Mint
2. [Redacted] - Royal Australian Mint
3. [Redacted] - Westpac Banking Corporation
4. [Redacted] - Commonwealth Bank of Australia
5. [Redacted] - Australia and New Zealand Banking Group
6. [Redacted] - National Australia Bank

The Coin Supply Chain Consultative Committee meets quarterly.

8. Risk Sponsor

Risk sponsor: Esther McVicar - responsible for providing strategic and operational oversight and advice to the Senior Management Team, Advisory Board and Audit Committee with regard to the Mint risk governance and ensuring compliance with relevant legislation and approved Risk Policy & Framework.

Risk Support Officer - responsible for providing support to the Risk Sponsor and Senior Managers in respect to the ongoing management and reporting of operational level risks in the organisation.

9. Internal Audit

Internal audit works with the Audit Committee and executive to help the organisation to achieve its objectives. It is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in an organisation.

Audits are undertaken as part of an annual audit plan.

Internal audit services are provided by BellchambersBarrett.

11. MOU with the Treasury for Commercial Business

The MOU sets out obligations for the Mint and the Treasury for the manufacture of base metal and precious metal coins, foreign circulating coin and other minted products.

12. MOU with the Treasury for Circulating Coin (to be finalised)

The MOU sets out obligations for the Mint and the Treasury for the manufacture, warehousing, logistics and security of Circulating Coin and associated materials.

13. 2017 bilateral Coin Supply Agreements between the Mint and each of the four major commercial banks



Appendix B – Approach

A preliminary scoping meeting was held 5 April 2019 to discuss the review scope, key areas of focus, our approach and timeframes. A further meeting was held on 18 April 2019 to discuss key governance roles and request supporting information to support the review.

The following actions were undertaken:

- Held preliminary discussions with key Mint stakeholders/management with governance and accountability responsibilities, including:
 - the CEO
 - the acting Chief Financial Officer.
- Obtained and reviewed key documentation associated with the Mint's governance framework, including:
 - Terms of reference for the Advisory Board
 - Audit Committee Charter
 - Recent meeting minutes and supporting papers for key governance boards and committees
 - the Mint's Risk Management Policy
 - Overview of assurance activity across the Mint, including ANAO 'external' and internal audit coverage.
- Identified key governance criteria to support a comparison with the Mint's governance framework.
- Developed a schematic of the Mint's current governance framework.
- Discussed preliminary observations with key Mint stakeholders, including review of the Mint Governance Map.
- Prepared a draft report.
- Consulted with key Mint stakeholders on the draft report.
- Prepared a final report.

