



Independent Review of Governance Arrangements 2017: The Rice Marketing Board for the State of NSW

(IRGA Report)

Prepared for the NSW Department of Primary Industries

22 March 2018

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1. Executive Summary

Crowe Horwath (Aust) Pty Ltd (“Crowe Horwath” or “CH”) were engaged to finalise the Independent Review of Governance Arrangements 2017: The Rice Marketing Board for the State of NSW (“IRGA Report”). In completing the IRGA Report, Crowe Horwath examined Draft Recommendations to the Minister for Primary Industries and Draft Opportunities for implementation by the Rice Marketing Board for the State of NSW (“RMB”). These Draft Recommendations and Draft Opportunities originated from the Draft Review completed by the business advisory firm NixonClarity (“Draft Review”).

The process of confirming the Crowe Horwath Recommendations was designed to investigate the central concerns expressed in the submissions to the NSW Department of Primary Industries (“DPI”) during the review of the NSW Rice Vesting Proclamation conducted in 2016, relating to:

- Potential and perceived conflicts of interest arising from the present governance structure of the Rice Marketing Board; and
- Directors of Ric growers Ltd (which trades as SunRice) being privy to commercially sensitive information about competitors in their capacity as RMB board members.

Crowe Horwath finalised the Draft Recommendations and Draft Opportunities resulting in 8 Crowe Horwath Recommendations to the Minister for Primary Industries and 14 Crowe Horwath Recommendations to the RMB. In reaching the finalised Recommendations the IRGA Report addressed concerns expressed in the submissions by assessing that:

- The RMB, through its processes and policies, had not displayed any practices that suggest a breach of conflict of interest principles or the possession of commercially sensitive information about competitors by dual RMB/SunRice board members.
- The RMB’s current governance arrangements require revisions to strengthen governance to reduce potential for conflict of interest, and to continue to address perceptions of access to commercially sensitive information for conflicted board members.

The following tables display Crowe Horwath’s Recommendations to the Minister for Primary Industries and Crowe Horwath’s Recommendations to the RMB. They address the revisions evaluated as being important to evolve the NSW rice sector’s governance arrangements. The significance scale exhibits the relevance of each Recommendation to the engagement scope. i.e. The central concerns identified by the submissions (as set out above).

Crowe Horwath Recommendations to the Minister for Primary Industries	Significance
1. That the current structure and governance of the RMB be maintained and supplemented with oversight of a probity advisor for the duration of the implementation of the recommended governance improvements.	High
2. That while there is no evidence that a constraint of competition exists due to the current governance arrangements, several governance issues highlighted by the IRGA Report should be addressed.	High
3. That the RMB reports 6-monthly to the Minister for Primary Industries on its progress in implementing the Recommendations finalised in this report. The first report shall be provided by 30 June 2018.	Low
4. That the RMB appoint an independent Audit and Risk Committee as required by Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), develop an Audit and Risk Committee Charter based on the model charter and publish it on its website, by 30 June 2018.	Med
5. That an amendment be made to the relevant RMB regulations and/or legislation to restrict the maximum term served by an elected director to a cumulative total of 12 years.	Low

Crowe Horwath Recommendations to the Minister for Primary Industries	Significance
6. That the RMB reviews its risk management system in accordance with the Internal Audit and Risk Management Policy for the NSW Public Sector (TTP 15-03), by June 2018.	Low
7. That the RMB immediately appoint an independent probity advisor, for the duration of the implementation to: <ul style="list-style-type: none"> • oversee the implementation of the governance improvements; and • provide the Board and committees with real time advice on probity issues. 	Med
8. That the position of Deputy Chair be restricted to a nominated member, by the end of 2018.	Med

Crowe Horwath Recommendations to the RMB	Significance
1. That the Sole and Exclusive Export Agreement (“SEEL”) be reviewed with the addition of a “Service-Level Agreement” (or similar) detailing the requirements of SunRice’s reporting, information exchange, performance metrics, compliance and improvement initiatives to be undertaken during the vesting period, by the end of June 2018	Med
2. That the Audit and Risk Committee regularly monitors and reports on the risk mitigation of all issues on its risk register to the RMB.	Low
3. That the RMB includes all compliance requirements in its Directors’ Induction.	Low
4. That the RMB develop Charters for all Sub Committees and place them on its website, by the end of June 2018.	Low
5. That the RMB adopts a policy requiring all current and future members to complete the Australian Institute of Company Directors, “Company Directors Course” within 12 months of becoming a board member.	Low
6. That the RMB ensures no individual supplier provides the independent verification for more than five consecutive years, commencing June 2018.	Low
7. That the RMB develops a communications plan with rice growers and the rice industry, by the end of 2018.	Med
8. That RMB members review their pecuniary interest declarations, by the end of June 2018, to ensure they provide adequate detail to describe the scope and scale of any interest.	Low
9. That the RMB review its Gifts and Benefits policy and require the identification of benefits received as part of dual directorships and/or combined events by the end of June 2018.	Low
10. That the RMB updates its Code of Conduct to address specific conflict of interest risks and appropriate mitigation measures, and that the Code of Conduct be published on the RMB’s website by the end of June 2018.	Low
11. That the RMB adds a standing list of interests to all board agendas and minutes by the end of June 2018.	Low
12. That all RMB Members undertake Code of Conduct and Conflict of Interest training by the end of 2018.	Med
13. That the RMB publish the “Service-Level Agreement” as a public document with regular status reports on its website.	Low
14. That the RMB develops a charter and that it be placed on the website to increase the transparency of the role of the RMB, by the end of June 2018.	Med

2. Introduction

2.1 Crowe Horwath Firm and Team Profile

Crowe Horwath International, ranked as the eighth largest global accounting network, consists of more than 200 independent accounting and advisory services firms in close to 130 countries around the world. With over 110 offices throughout Australia and New Zealand, our vast geographical footprint provides direct access to over 3,000 expert advisers and professionals.

The greatest strength of member firms is their ability to understand the strategic needs of their clients and create customised solutions. Instead of seeking merely to export professional services, Crowe Horwath has established an international network of business experts drawn from the leaders of their professional communities.

Specialising in organisational strategy, expert reporting within regulatory frameworks, operational improvement, and change management, Crowe Horwath consulting group have extensive industry knowledge and technical expertise. Crowe Horwath works closely with clients to develop and implement practical solutions to optimise their organisation's performance.

Responsible for the overall delivery of this engagement is Karl Adolfsson. Karl is a Senior Partner within Performance Consulting Australasia and has over 20 years' experience on a range of advisory projects, including public sector, utilities and large enterprise, business strategy alignment, policy, regulatory and operational improvements. Karl's first-hand experience has been to work with public agencies to review their activities and design solutions that position them for productivity and governmental policy compliance.

Previous projects undertaken by Karl include:

- Reform across Transport for NSW and its shared services function, including the NSW Trains Maintenance division.
- Project lead and management of several NSW and QLD infrastructure projects, including Energy, Water, Transport and Resources.
- Economic and feasibility studies on behalf of NSW, TAS, QLD governments and state-owned entities.
- Development programs for NFP's and Corporates relying on government funding.

In completing this report Karl has been supported by Mik Rodricks, a Senior Consultant within the Performance Consulting group. Mik has a Law and Economics educational background.

2.2 Engagement Background

The following series of events resulted in the DPI engaging Crowe Horwath to prepare the IRGA Report:

- During a review of the NSW Rice Vesting Proclamation conducted in 2016 by the DPI, submissions received expressed concerns about potential and perceived conflicts of interest arising from the present governance structure of the RMB.
- Several submissions raised concerns that directors of Ricegrowers Ltd (which trades as SunRice) might be privy to commercially sensitive information about competitors in their capacity as RMB board members¹.

¹ Dual directors sit on the board of SunRice and the RMB.

- In response, the Minister for Primary Industries requested that DPI commission an independent review of the governance arrangements of the Board.
- A Draft Review was provided to the DPI. With DPI unable to retain the services of the consultant who prepared the Draft Review, Crowe Horwath were engaged to finalise the IRGA Report. In this respect, Crowe Horwath examined the 10 Recommendations to the Minister for Primary Industries and 23 Opportunities for implementation by the RMB originating from the Draft Review.

2.3 Scope and Conduct of Work

IRGA Report: Scope and Conduct of Work

The following sets out the scope and conduct of work communicated to Crowe Horwath (Aust) Pty Ltd by the DPI:

1. Scope of work

- a) The consultant will examine whether the 10 Recommendations and 23 Opportunities for improvement contained in the Draft Review report have been made on the basis of sound evidence and reasonable expert judgement.
- b) The consultant will provide alternate Recommendations and a justification for them if any of the Recommendations or Opportunities for improvement in the Draft Review report are found to be unreasonable.
- c) The consultant will prioritise implementation of the Recommendations.
- d) The consultant will provide a revised Draft Review report for the Department's consideration.
- e) The consultant will consult the Rice Marketing Board on the revised Draft Review report; and
- f) The consultant will finalise the revised Draft Review report following feedback from the Department and the Rice Marketing Board.

2. Conduct of the work

- g) The consultant will refer to the Terms of Reference for the independent review in coming to its conclusions and finalising the review report
- h) The consultant will consult relevant parties to verify facts where necessary

Draft Review: Scope of Work and Conduct

The following sets out the original scope and conduct of review provided by the DPI for the purposes of the Draft Review:

1. Scope of review

- a) The review will examine whether the current governance arrangements for the Board could result in a conflict of interest for its Board members.
- b) The review will examine whether perceptions that commercially sensitive information that Board members may possess constrains competition in the domestic rice market.
- c) If there is potential for a conflict of interest, or if perceptions of access to information are an impediment to competition, the review will recommend how to strengthen governance and suggest a suitable time period for such changes to be enacted.

2. Conduct of the review

- d) The review will identify and consider the governance requirements of the Board in the Rice Marketing Regulation 2015, as well as non-statutory practices that may pertain to its governance.

- e) The review will provide due consideration to a range of stakeholder perspectives and conduct interviews where necessary. Those stakeholders who previously expressed concerns during the 2016 review should be consulted.
- f) The review report will be provided to the Minister by the end of August 2017.

2.4 Organisation Profiles

The following are the organisational descriptions relating to the various key stakeholders:

- The NSW DPI is part of the Department of Industry, Skills, and Regional Development, also known as the Department of Industry. The DPI works to increase the value of primary industries and drive economic growth across NSW.
- The Rice Marketing Board for the State of NSW is a commodity marketing board established in New South Wales under the Marketing of Primary Products Act, 1927. The board's primary function is to obtain the best possible monetary return to ricegrowers consistent with the maintenance of orderly marketing and operates under the authority of and in accordance with the Rice Marketing Act 1983.
- The domestic rice market was deregulated in July 2006. Parties wanting to participate in the domestic rice market can make an application the Board to become an Authorised Buyer. Under the Rice Marketing Act 1983, the Board has appointed Ricegrowers' Limited (trading as SunRice) as the Sole and Exclusive Export Licence holder.

3. Assessment Methodology

3.1 Crowe Horwath Examination Approach

The following entails Crowe Horwath's approach to examining material for purposes of the IRGA Report:

- Overview the Draft Review and publicly-available reference documents, regulations and legislation;
- Assess whether the Draft Review Recommendations and Opportunities are within the scope set out in Section 2.3, Draft Review: Scope of Work and Conduct.
- Analyse whether those Draft Review Recommendations and Opportunities within scope, are made on the basis of sound evidence and reasonable expert judgement, where necessary, provide alternate Recommendations and Opportunities with justification;
- Submit draft IRGA Report containing the finalised Crowe Horwath Recommendations for review to the DPI and the RMB for a factual consultation;
- Review feedback and finalise report; and
- Submit final report to the DPI.

3.2 Access to material

Crowe Horwath has relied exclusively upon material from publicly available sources and information contained in the Draft Review provided by the DPI for undertaking its examination and finalising the IRGA Report.

For consistency with Crowe Horwath professional standards, and where necessary, material extracted from the Draft Review has been paraphrased for formal presentation.

3.3 Factual Accuracy of Draft Review material

In light of Crowe Horwath's utilisation of, and reliance on, the Draft Review material in making its reasoned assessment, an accuracy check was conducted by sampling sentences from the segment "Section 1: Background" of the Draft Review.

A random set of data was generated by obtaining one sentence from every 3rd paragraph in Section 1: Background of the Draft Review. The data was then tested for accuracy against publicly available sources.

Of the 12 sentences in the data set, 11 were deemed accurate representations and 1 was unable to be determined for accuracy as it was likely retrieved from interviews with stakeholders. On the basis of the sampling, and without taking any responsibility for the accuracy of the Draft Review material, Crowe Horwath concluded that it was likely that material contained within the overall Draft Review document was generally representative of its sources and without material distinction.²

² Section 6.3 of the Appendix contains the Factual Accuracy Check table.

4. Assessment of Draft Review Recommendations to the Minister for Primary Industries

The following table sets out the finalised Crowe Horwath (“CH”) Recommendations to the Minister for Primary Industries, together with a significance scale setting out the relevance of the Recommendation to the engagement scope:

Crowe Horwath Recommendations to the Minister for Primary Industries	Significance
1. That the current structure and governance of the RMB be maintained and supplemented with oversight of a probity advisor for the duration of the implementation of the recommended governance improvements.	High
2. That while there is no evidence that a constraint of competition exists due to the current governance arrangements, several governance issues highlighted by the IRGA Report should be addressed.	High
3. That the RMB reports 6-monthly to the Minister for Primary Industries on its progress in implementing the Recommendations finalised in this report. The first report shall be provided by 30 June 2018.	Low
4. That the RMB appoint an independent Audit and Risk Committee as required by Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), develop an Audit and Risk Committee Charter based on the model charter and publish it on its website, by 30 June 2018.	Med
5. That an amendment be made to the relevant RMB regulations and/or legislation to restrict the maximum term served by an elected director to a cumulative total of 12 years.	Low
6. That the RMB reviews its risk management system in accordance with the Internal Audit and Risk Management Policy for the NSW Public Sector (TTP 15-03), by June 2018.	Low
7. That the RMB immediately appoint an independent probity advisor for the duration of the implementation to: <ul style="list-style-type: none"> • oversee the implementation of the governance improvements; and • provide the Board and committees with real time advice on probity issues. 	Med
8. That the position of Deputy Chair be restricted to a nominated member, by the end of 2018.	Med

The following assessment tables exhibit the detailed analysis completed by Crowe Horwath in distilling the 8 CH Recommendations to the Minister for Primary Industries from the 10 Draft Review Recommendations.³ The basis for the assessment was the core material in the Draft Review which was factually supplemented by consultation with the DPI and the RMB. The layout of the assessment tables⁴ are as follows:

- Draft Review Recommendation: Displays the Draft Review Recommendation being assessed.
- Assessment Material: Exhibits the Draft Review’s discussion material and reasoning in support of the Draft Review Recommendation.
- CH Examination: Provides Crowe Horwath’s examination of the Assessment Material and the Draft Review Recommendation to determine whether it has been made on the basis of sound evidence and reasonable expert judgement.

³ Section 6.4 of the Appendix contains further information on the examination of the 10 Draft Recommendations.

⁴ Recommendations deemed as being not within the scope of the review do not follow a structured layout, however, they do contain a summary explanation.

- CH Recommendation: Presents Crowe Horwath’s finalised Recommendation upon consideration of the Assessment Material and CH Examination.

Draft Review Recommendation:

1. That the current structure and governance of the RMB be maintained.

<p>Assessment Material</p>	<p>The RMB currently consists of 7 Board Members, 4 nominated by the Minister and 3 elected by the industry.</p> <p>Generally, the board governance options include:</p> <ul style="list-style-type: none"> • Current Structure – 7 directors: 4 nominated (independent) and 3 grower-elected • Fully independent directors with industry advisory board • Fully independent directors • Current structure with oversight <p><u>Current Structure - 7 directors: 4 nominated (independent) and 3 growers</u> The current structure has been in place for over ten years with only minor changes. The board has mechanisms to deal with conflicts of interest in place and apart from minor improvement opportunities they are working very well. The RMB currently operates with 1 fulltime staff member which raises concerns of workload and succession planning.</p> <p><u>Fully independent directors with industry advisory board</u> A reduced board of five nominated directors could act as the RMB, with an industry advisory board of three elected growers. This model is likely to result in an increase in costs to operate the RMB, an additional nominated director, an additional staff member to coordinate the committees, and the loss of industry information. The board papers may further require expansion to counter the lack of knowledge of the independent members of the industry. This model would be more independent and is likely to lessen the perception of governance issues. Under the current SEEL the RMB would lose the right to have RMB directors sit as dual SunRice directors and hence the information channel would need to be made more formal, resulting in increased staff. This model is unlikely to gain industry support.</p> <p><u>Fully independent directors</u> A reduced board of five nominated directors could act as the RMB. Industry information would then be received by an increase in staff, likely to be in the order of fivefold. This model is likely to result in a significant expansion in costs to operate the RMB. Again, board papers may further require expansion to counter the lack of knowledge of the independent members of the industry. The model would be more independent and is likely to lessen the perception of governance issues. Similarly, under the current SEEL the RMB would lose the right to have RMB directors sit as dual SunRice directors and hence the information channel would need to be made more formal, resulting in increased staff. This model is unlikely to gain industry support.</p> <p><u>Current structure with oversight</u></p>
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Draft Review Recommendation:

1. That the current structure and governance of the RMB be maintained.

	<p>In addition to the current board arrangement a probity advisor would be appointed by the RMB, reporting to the Chairman. The role of the probity advisor would be: 1. To oversee the implementation of the governance improvements, 2. To keep a watching brief on the RMB, committees and advise on probity issues, 3. Act as an independent member of the Audit and Risk Committee.</p>
CH Examination	<p>CH supports the well-reasoned approach to determining what structure is suitable for the organisation moving forward. The Report sets out a very descriptive consideration of alternate structures.</p> <p>It is evident from the Assessment Material that the RMB performs its roles with the necessary level of diligence to ensure that matters that require independence are adequately supported to retain independence in a mixed board environment. Further, the net benefits of mixed board structure are clear and the argument in support is well canvased. The challenge is to evolve the effectiveness of governance arrangements to minimise real inconsistencies with conflicts of interest principles and the sharing of confidential trading material with dual directors. The success in communicating this with stakeholders in the NSW rice industry will determine what perceptions are held.</p> <p>For consistency, CH would like to point out that despite Draft Recommendation 1 suggesting the first option “Current Structure - 7 directors: 4 nominated (independent) and 3 growers” be maintained the actual Recommendation in effect is the fourth option termed “Current Structure with Oversight”. The rationale for this clarification is that the Draft Review subsequently recommends at Draft Recommendation 9 that a probity advisor be appointed.</p> <p>Notwithstanding the above clarification, CH believes the RMB’s structure moving forward should be the fourth option: “Current structure with oversight”. This is due to the various governance improvements that are to be overseen and the minimal staffing (one full-time staff member). The appointment of a probity advisor will ensure the RMB contains adequate resourcing to oversee the implementation of governance improvements and continues to operate with a lean cost structure.</p> <p>The consultation process with the RMB determined that the additional cost of a probity advisor relative to the value provided was only substantiated for the period of implementation.</p> <p>This approach is consistent with the 7th Crowe Horwath Recommendation to the Minister for Primary Industries.</p>
CH Recommendation	<p>Supported with amendment/s.</p> <p>Change of wording to:</p>

Draft Review Recommendation:

1. That the current structure and governance of the RMB be maintained.

	<p>“1. That the current structure and governance of the RMB be maintained and supplemented with oversight of a probity advisor for the duration of the implementation of the recommended governance improvements.”</p> <p><i>Listed as Recommendation 1 in the Crowe Horwath Recommendations to the Minister for Primary Industries</i></p>
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Draft Review Recommendation:

2. There is no evidence that a constraint of competition exists due to the current governance arrangements, though, several regulatory governance issues need to be addressed.

<p>Assessment Material</p>	<p>While the involvement of individual rice growers as elected board members creates a general conflict of interest, the benefits to the industry as a whole have been demonstrated to outweigh the risks. These risks are well managed, though further transparency would reduce the perception of conflicts of interest.</p> <p>The Draft Review investigated concerns that dual directors of the RMB and SunRice might be privy to commercially sensitive information about competitors as SunRice is an Authorised Buyer itself.</p> <p>Some of the examples supporting the lack of evidence of current governance structures causing a constraint of competition are as follows:</p> <ul style="list-style-type: none"> • Where there are issues that have the potential for conflict of interest they are delegated to a nominated director’s subcommittee; • The Board has developed a Code of Conduct based on the NSW Government Boards and Committee Guidelines; • The Chairman of SunRice is invited to attend part of each meeting and delivers a report on the SunRice operations under the SEEL. Once he has left, additional information is provided by the elected directors; • The Authorised Buying Licence (“ABL”) applications policy to ensure confidential consideration has a conflicts of interest clause of which requires: <ul style="list-style-type: none"> ▪ Only nominated board members sit on the ABL Committee; ▪ The confidentiality of all applications; and ▪ The use of redaction for all identifying features of applications to the broader board. <p>Assessments of the minutes and discussions with the applicants, nominated board members and elected board members demonstrate compliance with this policy; and</p> <ul style="list-style-type: none"> • The annual report gives a good explanation of the governance arrangements of the RMB. The chairman’s reports identify issues such as: Industry Issues, Rice Vesting, Authorised Buyers, Crop Audit, and
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Draft Review Recommendation:

2. There is no evidence that a constraint of competition exists due to the current governance arrangements, though, several regulatory governance issues need to be addressed.

	<p>Financial Performance. It has also been highlighted that the Board could only refuse the application of an ABL under very limited circumstances. No applications have been rejected by the current Board.</p> <p>Some examples where the RMB can reduce opportunities for conflicts of interest, improve transparency in the management of commercially sensitive information and minimise the perception of constraints on competition are as follows:</p> <ul style="list-style-type: none"> • Currently there is no restriction on the length of service of elected and nominated board members. There is a concern that directors may lose the independence and the external viewpoint that they were intended to bring to the board if they remain on a board for an extended period; • The Audit and Risk Committee does not have a charter as required by TPP 15-03. The Board should develop a charter based on the Model Audit and Risk Committee Charter; • The Audit and Risk Committee is not independent as required by TPP 15-03. The Board needs to appoint an independent Audit and Risk committee as required by TPP 15-03; • On an annual basis, the Board engages an external party to undertake a review entitled “Verification of the export price premium and freight scale advantage calculations”. The reports for the 2014/2015 and 2015/2016 years were undertaken by Grant Thornton. The RMB should ensure no individual supplier provides the independent verification for more than three consecutive years; and • The board should investigate the delegation of the full approval to Authorised Buyers Licensing to the ABL and hence remove the requirement for it to be further assessed by the full board. <p>Notwithstanding the areas for improvement, many of the concerns are perceived and not real. The counter balance to the concerns is that the RMB, and consequently their stakeholders, retrieve several advantages in having dual directors. These advantages include:</p> <ul style="list-style-type: none"> • Full access to all SunRice information and operations lowering regulatory compliance costs; • Early access to information enabling early dealing with issues; and • Ability to gain industry knowledge and insight at little to no cost. <p>With the close relationship between RMB and SunRice it is important that the regulatory relationship is well determined, documented and transparent.</p>
CH Examination	To form the opinion of the lack of evidence of a constraint on competition, the Draft Review’s commentary undertakes a comprehensive reasoning of an array of information, including stakeholder interviews, public submissions, legislation, and policy guidelines. There is also sufficient

Draft Review Recommendation:

2. There is no evidence that a constraint of competition exists due to the current governance arrangements, though, several regulatory governance issues need to be addressed.

	<p>material displayed that identifies the need to address several existing governance issues.</p> <p>CH believes the Recommendation is warranted in light of the logical reasoning and the supporting material.</p>
CH Recommendation	<p>Supported with amendment/s.</p> <p>Change of wording to:</p> <p>“That while there is no evidence that a constraint of competition exists due to the current governance arrangements, several governance issues highlighted by the IRGA Report should be addressed.”</p> <p><i>Listed as Recommendation 2 in the Crowe Horwath Recommendations to the Minister for Primary Industries</i></p>

Draft Review Recommendation:

3. That the RMB implement the Recommendations identified in this report and give due consideration to the Opportunities for improvements, which will:

- a. improve governance;
- b. reduce opportunities for conflicts of interest;
- c. improve transparency in the management of commercially sensitive information; and
- d. minimise constraints on competition in the domestic rice market.

Assessment Material	Commentary is exhibited alongside individual Recommendations.
CH Examination	CH cannot analyse a Recommendation for implementing all the Recommendations contained within the Draft Review. Each Recommendation is considered and addressed in turn and further review is not required.
CH Recommendation	No additional Recommendation possible. Each Draft Review Recommendation discussed in the IRGA Report needs to be considered individually to obtain the related CH Recommendation.

Draft Review Recommendation:

4. That the RMB reports 6-monthly to the Minister for Primary Industries on its progress in implementing the Recommendations identified in this report. The first report shall be provided in March 2018.

Assessment Material	A suggestion for the Minister of Primary Industries to monitor the adoption of the Draft Review Recommendations is for the RMB to report 6-monthly on its progress in implementing the Recommendations.
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Draft Review Recommendation:

4. That the RMB reports 6-monthly to the Minister for Primary Industries on its progress in implementing the Recommendations identified in this report. The first report shall be provided in March 2018.

CH Examination	CH recommends the implementation of the report insofar as the Recommendations are finalised in the IRGA Report. A twice annual progress report is not overly burdensome and ensures the minister is adequately updated. As a method of illustrating its commitment to transparency of its governance arrangements, the RMB can also utilise the progress report information in any updates it may provide to the NSW rice industry.
CH Recommendation	<p>Supported with amendment/s – Change to time for practicality.</p> <p>Change of wording to:</p> <p>“That the RMB reports 6-monthly to the Minister for Primary Industries on its progress in implementing the Recommendations finalised in the IRGA Report. The first report shall be provided by 30 June 2018.”</p> <p><i>Listed as Recommendation 3 in the Crowe Horwath Recommendations to the Minister for Primary Industries</i></p>

Draft Review Recommendation:

5. That the RMB appoint an independent Audit and Risk Committee as required by Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), develop an Audit and Risk Committee Charter based on the model charter and publish it on its website, by March 2018.

Assessment Material	<p>The Draft Review does not contain significant commentary in support of its Recommendation aside from the statements shared below:</p> <ol style="list-style-type: none"> 1. The Audit and Risk Committee is not independent as required by TPP 15-03. The Audit and Risk committee comprises one nominated Board Member and two grower-elected Board Members, with the Board Chairman as observer. 2. The Audit and Risk Committee does not have a charter as required by TPP 15-03. The Board should develop a charter based on the Model Audit and Risk Committee Charter and post the charter on the RMB website. <p>The role of the Audit and Risk Committee is to oversee the engagement and methodology of the external auditors, review the risk profile of the Board, monitor the audit process, review the completeness and accuracy of the financial statements prior to consideration and approval by the Board, and review emerging risks identified by the Board or management and ensure that risks are appropriately addressed.</p>
CH Examination	As mentioned above, the Draft Review does not contain significant commentary that reasons through its Recommendation. In its absence, CH

Draft Review Recommendation:

5. That the RMB appoint an independent Audit and Risk Committee as required by Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), develop an Audit and Risk Committee Charter based on the model charter and publish it on its website, by March 2018.

	<p>reasoning is as follows and results in the support of the Draft Review Recommendation:</p> <p>1. The Internal Audit and Risk Management Policy for the NSW Public sector was published to strengthen internal audit, risk management and governance processes across the NSW public sector and promote the integrity of, and accountability for, the allocation and management of the State's resources. The policy is issued as a direction and supports statutory bodies to meet their obligations under section 11 of the Public Finance and Audit Act 1983.</p> <p>Per Schedule 2 of the Public Finance and Audit Act 1983, the RMB is deemed a statutory body. The effect of this is that section 11 of the Public Finance and Audit Act 1983 requires that departments and statutory bodies establish and maintain an effective internal audit function.</p> <p>The Policy's latest version, TPP 15-03, at Part B clause 3.1.4 states: "the agency head must appoint only 'independent members' (including an 'independent chair') to the agency's Audit and Risk Committee (ARC) from the panel of pre-qualified individuals maintained by the Department of Finance, Services and Innovation."</p> <p>The Draft Review sets out that the ARC contains one nominated Board Member and two grower-elected Board Members, with the Board Chairman as observer. Whilst reasoning on the point is lacking from the Draft Review the implication is that the current personnel make-up is not compliant as the individuals are not derived from the panel and/or they would not meet the independence criteria set out in Part B clause 3.1.5 of TPP 15-03. The presence of the Board Chairman as an observer also raises questions. CH supports the Recommendation based on the reasoning set out above and believes the Recommendation receives further mandate from the fact the TPP 15-03 is a well-considered policy document set out by the NSW Treasury.</p> <p>2. Development of a charter would import best practices into the ARC function and further shape it to address perceptions of conflicts of interest and access to sensitive information. TPP 15-03 standards and core requirements have been largely modelled on Australian/New Zealand Standard (AS/NZS) ISO 31000: 2009 Risk management – Principles and guidelines, which are recognised as industry best practice.</p> <p>CH supports the Recommendation for a charter that is consistent with the content of the 'model charter' (per Annexure A of TPP 15-03) as well as its publication on the RMB website for transparency.</p>
CH Recommendation	Supported with amendment/s – Change to time for practicality.

Draft Review Recommendation:

5. That the RMB appoint an independent Audit and Risk Committee as required by Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), develop an Audit and Risk Committee Charter based on the model charter and publish it on its website, by March 2018.

	<p>Change of wording to:</p> <p>“That the RMB appoint an independent Audit and Risk Committee as required by Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), develop an Audit and Risk Committee Charter based on the model charter and publish it on its website, by 30 June 2018.”</p> <p><i>Listed as Recommendation 4 in the Crowe Horwath Recommendations to the Minister for Primary Industries</i></p>
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Draft Review Recommendation:

6. That Section 30 of the Rice Marketing Regulation 2015 (NSW) be amended to read “A candidate is not eligible to be nominated if they have previously served on the RMB for more than ten years”. This should be introduced for elections after July 2018.

<p>Assessment Material</p>	<p>There is a concern that directors may lose the independence and the external viewpoint that they were intended to bring to the board if they remain on a board for an extended period.</p> <p>Currently, there is no restriction on the length of service of elected and nominated board members. A long-serving director’s contribution and usefulness can wane or become less relevant to the organisation’s future. Nominated members tend to have restricted lengths of service due to changes of governments and Ministers. The ASX Corporate Governance Principles and Recommendations suggest that terms of over 10 years need to be challenged.</p>
<p>CH Examination</p>	<p>The election process is governed by the Rice Marketing Regulation 2015 (NSW) and the Board procedure for “Conduct of Elections”. Section 30 of the Rice Marketing Regulation 2015 (NSW) currently reads: “Eligibility for nomination: Any person is eligible for nomination as a candidate for election.”</p> <p>CH agrees with the conclusion drawn that no restriction currently applies. It acknowledges that there are significant challenges to the independence and level of productivity that directors retain when serving on boards for extended periods without restriction.</p> <p>An amendment of the recommended wording is necessary for practical purposes given the 4-year terms that the RMB currently adopt in appointment and renewal of board members. The amendment also offers the relevant NSW Government legal team the opportunity to draft the restriction having full consideration for the various sources of law.</p>
<p>CH Recommendation</p>	<p>Supported with amendment/s – Change to time for practicality</p>

Draft Review Recommendation:

6. That Section 30 of the Rice Marketing Regulation 2015 (NSW) be amended to read “A candidate is not eligible to be nominated if they have previously served on the RMB for more than ten years”. This should be introduced for elections after July 2018.

	<p>Change of wording to:</p> <p>“That an amendment be made to the relevant RMB regulation and/or legislation to restrict the maximum term served by an elected director to a cumulative total of 12 years. The amendment should be introduced for elections after July 2018.”</p> <p><i>Listed as Recommendation 5 in the Crowe Horwath Recommendations to the Minister for Primary Industries</i></p>
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Draft Review Recommendation:

7. That the RMB reviews its risk management system in accordance with the Internal Audit and Risk Management Policy for the NSW Public Sector (TTP 15-03), by June 2018.

Assessment Material	<p>No evidence of an overall risk management system was found. There is no indication of how the monitoring of the risks is undertaken, nor do the minutes of the Audit and Risk Committee show any systematic review of the risks. The risk approach does not comply with the requirements of Internal Audit and Risk Management Policy for the NSW Public Sector - TPP 15-03.</p> <p>The current risk register is dated April 2016 which indicates that it hasn't been reviewed in over 12 months. There is no indication of how the monitoring of the risks is undertaken, nor do the minutes of the Audit and Risk Committee show any systematic review of the risks.</p>
CH Examination	<p>There is a core requirement to undertake the monitoring of risk on a regular basis. Clause 1.2 of Part B, TPP 15-03 requires a risk management framework that is appropriate to the agency be established and maintained, and that the framework is consistent with AS/NZS ISO 31000:2009.</p> <p>CH accepts the Recommendation as it is warranted given the absence of an overall risk monitoring system.</p> <p>This approach is consistent with the 2nd Crowe Horwath Recommendation to the RMB.</p>
CH Recommendation	<p>Supported as originally drafted.</p> <p><i>Listed as Recommendation 6 in the Crowe Horwath Recommendations to the Minister for Primary Industries</i></p>

Draft Review Recommendation:

8. That the RMB review its Computing Security Policy to ensure it meets its requirements under the NSW Government Digital Security Policy, by June 2018.

<p>Within original scope?</p>	<p>No.</p> <p>The Draft Review provides supporting information that suggests “The Computing Security Policy establishes guidelines and responsibilities to protect the information assets of the RMB associated with the provision of Information Services.”</p> <p>CH believes the methodology and policy of ensuring adequate data protection is a generic challenge for all organisations. Abating cyber security breaches via sound computing policy is not a subject that addresses the adequacy of governance arrangements. It does not address the report’s focus on two key concepts:</p> <ol style="list-style-type: none"> 1. Whether current governance arrangements for the Board could result in a conflict of interest for its Board members; and 2. Whether perceptions that commercially sensitive information that Board members may possess constrains competition in the domestic rice market.
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Draft Review Recommendation:

9. That the RMB immediately appoint an independent probity advisor for the duration of the implementation to:

- **oversee the implementation of the governance improvements; and**
- **provide the board and committees with real time advice on probity issues.**

<p>Assessment Material</p>	<p>Probity advisors have been used extensively in Boards and projects where it has been publicly difficult to demonstrate good governance and probity and to address perception of conflict of interest.</p> <p>The Board has a unique arrangement with its industry. A close comparison in uniqueness could be made with the medical industry with AHPRA as the national body, and at a state level, the Governments Health Care Complaints Commission. Extensive conflicts of interest also occur in that industry and are primarily addressed by process, transparency and oversight.</p>
<p>CH Examination</p>	<p>CH agrees with the basis and benefit of the probity advisor. It is in line with the CH assessment under Draft Recommendation 1 which supported the continuation of the current board structure with oversight.</p> <p>The rationale for the Recommendation was the various governance improvements that are to be overseen (in light of the IRGA Report) and the minimal staffing (one full-time staff member). The appointment of a probity advisor would ensure the RMB contains adequate resourcing to oversee the implementation of governance improvements and continues to operate with a lean cost structure.</p>

<p>Draft Review Recommendation:</p> <p>9. That the RMB immediately appoint an independent probity advisor for the duration of the implementation to:</p> <ul style="list-style-type: none"> • oversee the implementation of the governance improvements; and • provide the board and committees with real time advice on probity issues. 	
	<p>This approach is consistent with the 1st Crowe Horwath Recommendation to the Minister for Primary Industries.</p>
CH Recommendation	<p>Supported as originally drafted.</p> <p><i>Listed as Recommendation 7 in the Crowe Horwath Recommendations to the Minister for Primary Industries</i></p>

<p>Draft Review Recommendation:</p> <p>10. That the position of Deputy Chair be restricted to a nominated member, by the end of 2017.</p>	
Assessment Material	<p>There was evidence that an elected board member, serving as Deputy Chair had acted as Chair on several occasions. This is contrary to the provisions of the Rice Marketing Act, which specifies that only a nominated director can be the Chair.</p>
CH Examination	<p>The Draft Review highlighted via its review of agendas and minutes that there was evidence that the Deputy Chair, who wasn't a nominated board member, had previously acted as Chair.</p> <p>Under s1 of Schedule 6 of The Rice Marketing Act, a chairperson is to be elected only from the pool of nominated board members. Under s3 of Schedule 3 of the same Act, in the absence of the chairman the deputy may preside for board meetings.</p> <p>The Act makes no reference to situations where the deputy is not a nominated member. There is therefore a question as to whether the RMB is compliant with the Act in instances where the Deputy Chair, who isn't a nominated board member, acts as the chair.</p> <p>CH cannot provide legal assurance as to whether the RMB has operated in contravention of the Act given the occasional performance by the deputy of the Chair role. However, in order to avoid such instances where elected individuals are filling nominated roles, CH supports the Recommendation that the position of Deputy Chair be restricted to a nominated member.</p>
CH Recommendation	<p>Supported with Amendment/s – Change to time for practicality</p> <p>“That the position of Deputy Chair be restricted to a nominated member, by the end of 2018.”</p> <p><i>Listed as Recommendation 8 in the Crowe Horwath Recommendations to the Minister for Primary Industries</i></p>

5. Assessment of Draft Review Opportunities to the RMB

The following table sets out the finalised Crowe Horwath (“CH”) Recommendations to the RMB, together with a significance scale setting out the relevance of the Recommendation to the engagement scope:

Crowe Horwath Recommendations to the RMB	Significance
1. That the Sole and Exclusive Export Agreement (“SEEL”) be reviewed with the addition of a “Service-Level Agreement” (or similar) detailing the requirements of SunRice’s reporting, information exchange, performance metrics, compliance and improvement initiatives to be undertaken during the vesting period, by the end of June 2018	Med
2. That the Audit and Risk Committee regularly monitors and reports on the risk mitigation of all issues on its risk register to the RMB.	Low
3. That the RMB includes all compliance requirements in its Directors’ Induction.	Low
4. That the RMB develop Charters for all Sub Committees and place them on its website, by the end of June 2018.	Low
5. That the RMB adopts a policy requiring all current and future members to complete the Australian Institute of Company Directors, “Company Directors Course” within 12 months of becoming a board member.	Low
6. That the RMB ensures no individual supplier provides the independent verification for more than five consecutive years, commencing June 2018.	Low
7. That the RMB develops a communications plan with rice growers and the rice industry, by the end of 2018.	Med
8. That RMB members review their pecuniary interest declarations by the end of June 2018 to ensure they provide adequate detail to describe the scope and scale of any interest.	Low
9. That the RMB review its Gifts and Benefits policy and require the identification of benefits received as part of dual directorships and/or combined events by the end of June 2018.	Low
10. That the RMB updates its Code of Conduct to address specific conflict of interest risks and appropriate mitigation measures, and that the Code of Conduct be published on the RMB’s website by the end of June 2018.	Low
11. That the RMB adds a standing list of interests to all board agendas and minutes by the end of June 2018.	Low
12. That all RMB Members undertake Code of Conduct and Conflict of Interest training by the end of 2018.	Med
13. That the RMB publish the “Service-Level Agreement” as a public document with regular status reports on its website.	Low
14. That the RMB develops a charter and that it be placed on the website to increase the transparency of the role of the RMB, by the end of June 2018.	Med

The following assessment tables exhibit the detailed analysis completed by Crowe Horwath in distilling the 14 CH Recommendations to the RMB from the 23 Draft Review Opportunities.⁵ The basis for the assessment was the core material in the Draft Review which was factually supplemented by consultation with the DPI and the RMB. The layout of the assessment tables⁶ are as follows:

⁵Section 6.4 of the Appendix contains further information on the examination of the 23 Draft Opportunities.

⁶Opportunities deemed as being not within the scope of the Review do not follow a structured layout, however, they do contain a summary explanation.

- Draft Review Opportunity: Displays the Draft Review Opportunity being assessed.
- Assessment Material: Exhibits the Draft Review’s discussion material and reasoning in support of the Draft Review Opportunity.
- CH Examination: Provides Crowe Horwath’s examination of the Assessment Material and the Draft Review Opportunity to determine whether it has been made on the basis of sound evidence and reasonable expert judgement.
- CH Recommendation: Presents Crowe Horwath’s finalised Recommendation upon consideration of the Assessment Material and CH Examination.

Draft Review Opportunity:

1. That the Sole and Exclusive Export Agreement (“SEEL”) be reviewed with the addition of an “operating licence” (or similar) detailing the requirements of SunRice’s reporting, information exchange, performance metrics, compliance and improvement initiatives to be undertaken during the vesting period, by the end of June 2018.

Assessment Material	<p>Commentary has been split to address both points of the Draft Opportunity:</p> <ol style="list-style-type: none"> 1. The current Sole and Exclusive Export Agreement (“SEEL”) was signed in 2006 at the time of domestic deregulation and industry reform. It has not been changed since this period and no evidence of significant review was found after the 2012 Vesting Review conducted by the NSW Government. It would be appropriate to conduct a RMB and legal review of the SEEL after each vesting review. 2. It would be appropriate to incorporate an operating licence, or similar, as an appendix to the SEEL. The operating licence should detail reporting, information exchange, performance metrics, compliance and improvement initiatives to be undertaken during the vesting period. <p>Annually an independent “Verification of the export price premium and freight scale advantage” is undertaken by the RMB with the support of SunRice.</p> <p>Other reports and information are requested of SunRice by the RMB on a one off or regular basis and to date have been provided. The current process is an informal process, which works due to the relationships between the parties. It though, does not maximise transparency in the relationship between RMB and SunRice.</p> <p>A common approach to improve the transparency of the relationship between a regulator and operator is to include an operating licence on the agreement. Examples of this can be seen with the NSW Independent Pricing and Regulatory Tribunal (“IPART”) use of operating licences with State Owned Corporations e.g. Sydney Water.</p>
CH Examination	<ol style="list-style-type: none"> 1. The Assessment Material proffers evidence that a significant review of the SEEL has not been undertaken since its inception in 2006. It is clear that both, the existence and the retention of a sole export licence, is highly valuable to its holder. SunRice has also noted in communications to the NSW government, the NSW rice industry, and shareholders, that they retrieve significant benefits from this agreement. <p>The restriction on competitors from exporting NSW rice and the substantial length of terms for renewals, as displayed by the announcement of a 5-year</p>

Draft Review Opportunity:

1. That the Sole and Exclusive Export Agreement (“SEEL”) be reviewed with the addition of an “operating licence” (or similar) detailing the requirements of SunRice’s reporting, information exchange, performance metrics, compliance and improvement initiatives to be undertaken during the vesting period, by the end of June 2018.

	<p>renewal term in December 2016 by the Minister for Primary Industries, further supports the necessity for a thorough review of the SEEL. Given this, CH supports the Opportunity recommending a review of the SEEL.</p> <p>2. CH opines that a reasonable method (instead of an operating licence) of detailing SunRice's contributions to the sector, so as to warrant the ongoing provision of a SEEL to SunRice, is via the introduction of a Service-Level Agreement. As discussed above, single export rights are a highly valuable arrangement for any organisation and necessitate a higher level of detail. It also offers industry stakeholders an opportunity to scrutinise SunRice's priority of the NSW rice sector within its overall operations.</p> <p>The consultation process with the RMB clarified that the recommended action was not for the purposes of sharing confidential commercial details. It was to provide comprehensive transparency to stakeholders about the nature of information that flows to the RMB from SunRice in justification of the ongoing vesting arrangements and the SEEL.</p> <p>CH believes that the transparency of the relationship derived via the Service-Level Agreement serves to maintain the confidence of the NSW rice industry and the NSW Government who continue to permit the market structure.</p>
CH Recommendation	<p>Supported with Amendment/s – Change for clarification of required action.</p> <p>“1. That the Sole and Exclusive Export Agreement (“SEEL”) be reviewed with the addition of a “Service-Level Agreement” (or similar) detailing the requirements of SunRice’s reporting, information exchange, performance metrics, compliance and improvement initiatives to be undertaken during the vesting period, by the end of June 2018.”</p> <p><i>Listed as Recommendation 1 in the Crowe Horwath Recommendations to the RMB</i></p>

Draft Review Opportunity:

2. That the Audit and Risk Committee regularly monitors and reports on the risk mitigation of all issues on its risk register to the RMB.

Assessment Material	<p>No evidence of an overall risk management system was found. There is no indication of how the monitoring of the risks is undertaken, nor do the minutes of the Audit and Risk Committee show any systematic review of the risks. The risk approach does not comply with the requirements of Internal Audit and Risk Management Policy for the NSW Public Sector - TPP 15-03.</p> <p>The current risk register is dated April 2016 which indicates that it hasn't been reviewed in over 12 months. There is no indication of how the</p>
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Draft Review Opportunity:

2. That the Audit and Risk Committee regularly monitors and reports on the risk mitigation of all issues on its risk register to the RMB.

	monitoring of the risks is undertaken, nor do the minutes of the Audit and Risk Committee show any systematic review of the risks.
CH Examination	<p>There is a core requirement to undertake the monitoring of risk on a regular basis. Clause 1.2 of Part B, TPP 15-03 requires a risk management framework that is appropriate to the agency be established and maintained, and that the framework is consistent with AS/NZS ISO 31000:2009.</p> <p>CH accepts the listed Opportunity as it is warranted given the absence of an overall risk monitoring system.</p> <p>This approach is consistent with the 6th Crowe Horwath Recommendation to the Minister for Primary Industries.</p>
CH Recommendation	<p>Supported as originally drafted.</p> <p><i>Listed as Recommendation 2 in the Crowe Horwath Recommendations to the RMB</i></p>

Draft Review Opportunity:

3. That the RMB establishes a business plan and reviews it on an annual basis.

Within original scope?	<p>No.</p> <p>The Draft Review provides supporting information that suggests “The identification of future markets, options for growth and dealing with new entrants are all issues that are currently not being addressed.”</p> <p>CH opines that strategic planning via the assessment of avenues for growth and the competitive environment is crucial to the financial wellbeing of the sector. However, the establishment of a business plan to tackle commercial challenges does not address the report’s focus on two key concepts:</p> <ol style="list-style-type: none"> 1. Whether current governance arrangements for the RMB could result in a conflict of interest for its board members; and 2. Whether perceptions that commercially sensitive information that board members may possess constrains competition in the domestic rice market.
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Draft Review Opportunity:

4. That the RMB includes all compliance requirements in its Directors Induction.

Assessment Material	<p>The Government Information (Public Access) Act (“GIPA Act”) applies to all NSW government agencies, including boards and committees. The RMB and committee members should be appropriately briefed on their obligations under the GIPA Act. A review of the 2015-2016 GIPA Act - Annual Report demonstrated that no applications were made under that Act. Members of the RMB are required under the GIPA Act to be made aware of it. The RMB should include all compliance requirements, including GIPA requirements, in its Directors Induction sessions.</p>
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Draft Review Opportunity:

4. That the RMB includes all compliance requirements in its Directors Induction.

CH Examination	The Assessment Material and its consequent listed Opportunity serves as a reasonable reminder that any relevant compliance requirements should be reflected in the Directors Induction training and materials. CH supports the Opportunity as a timely prompt for the RMB to maintain its diligence around compliance in an evolving regulatory environment.
CH Recommendation	Supported as originally drafted. <i>Listed as Recommendation 3 in the Crowe Horwath Recommendations to the RMB</i>

Draft Review Opportunity:

5. That the RMB develop Charters for all Sub Committees and place them on its website, by the end of 2017.

Assessment Material	The RMB has three Sub-Committees: Authorised Buyer License (“ABL”) Committee, Governance Nominations & Remunerations Committee, and the Audit & Risk Committee. The RMB’s sub committees do not operate under a publicly published charter. There is however several internal documents and plans that detail the membership and activities undertaken by the committees.
CH Examination	CH agrees with the Draft Review Opportunity. The manner in which the three sub-committees operate are very relevant to the perception of what commercially sensitive information may come into the possession of dual board members. In respect of the ABL, the RMB demonstrates a strong commitment to good governance principles. Excerpts from the Draft Review state: "The Committee strictly separates the business of other ABL holders to manage any conflict of interest and no details are provided to the full board" and "This Committee regularly reviews RMB policies and practices to ensure compliance with legislative and other regulatory requirements". Ultimately, compiling charters for the three sub-committees would give the RMB an opportunity to formalise these diligent practices. They would contribute to industry understanding of the system by adding a layer of process and structural transparency. This approach is consistent with the 4 th Crowe Horwath Recommendation to the Minister for Primary Industries.
CH Recommendation	Supported with Amendment/s – Change to time for practicality “That the RMB develop Charters for all Sub Committees and place them on its website, by the end of June 2018. ” <i>Listed as Recommendation 4 in the Crowe Horwath Recommendations to the RMB</i>

Draft Review Opportunity:

6. That the RMB works with Industry Stakeholders to prepare a long-term Strategic Plan for the NSW Rice Industry, by the end of 2018.

<p>Within original scope?</p>	<p>No.</p> <p>The Draft Review provides supporting information that suggests “There appears to be a lack of strategic direction for the rice industry. The strategy in southern NSW appears to concentrate around the current and upcoming years’ markets. No strategy exists for other areas of the state including the Northern Rivers. There is no evidence of strategy focused on the mid or long-term future of the industry. There is a general belief that all current strategic thinking is only provided by SunRice.”</p> <p>CH opines that the assessment of a lack of long-term planning with consideration of the different regions is immaterial to whether the existing governance arrangements are suitable in protecting from conflict of interest incidents. Recommending RMB work with stakeholders in respect of this matter does not address the report’s focus on two key concepts:</p> <ol style="list-style-type: none"> 1. Whether current governance arrangements for the RMB could result in a conflict of interest for its board members; and 2. Whether perceptions that commercially sensitive information that board members may possess constrains competition in the domestic rice market.
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Draft Review Opportunity:

7. That the RMB prepares a mid-term Delivery Plan for its activities for the duration of the current vesting period, by the end of March 2018.

<p>Within original scope?</p>	<p>No.</p> <p>The Draft Review provides supporting information that suggests “There appears to be a lack of strategic direction for the rice industry. The strategy in southern NSW appears to concentrate around the current and upcoming years’ markets. No strategy exists for other areas of the state including the Northern Rivers. There is no evidence of strategy focused on the mid or long-term future of the industry. There is a general belief that all current strategic thinking is only provided by SunRice.”</p> <p>CH opines that the assessment of a lack of mid-term planning with consideration of the different regions is immaterial to whether the existing governance arrangements are suitable in protecting from conflict of interest incidents. Recommending RMB prepare a mid-term delivery plan for its activities does not address governance challenges and the report’s focus on two key concepts:</p> <ol style="list-style-type: none"> 1. Whether current governance arrangements for the RMB could result in a conflict of interest for its board members; and 2. Whether perceptions that commercially sensitive information that board members may possess constrains competition in the domestic rice market.
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Draft Review Opportunity:

8. That the RMB develops a formal succession plan for the Chairman and Secretary positions by the end of 2017.

<p>Within original scope?</p>	<p>No.</p> <p>The Draft Review provides supporting information that suggests “The Board currently operates on a very small staff level of one which raises concerns both on workload and succession planning”.</p> <p>CH believes succession planning is critical to the RMB in adequately resourcing itself to perform its duties. Discussion around succession planning is appropriately addressed in a general organisational health check but its relation to the effectiveness of governance arrangements is not well defined. It does not address the report’s focus on two key concepts:</p> <ol style="list-style-type: none"> 1. Whether current governance arrangements for the RMB could result in a conflict of interest for its board members; and 2. Whether perceptions that commercially sensitive information that board members may possess constrains competition in the domestic rice market.
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Draft Review Opportunity:

9. That the RMB adopts a policy requiring all current and future members to complete the Australian Institute of Company Directors “Company Directors Course” within 6 months of becoming a board member.

<p>Assessment Material</p>	<p>New members who have not undertaken the Australian Institute of Company Directors Company Directors Course (CDC) are offered this course. This however is not a formal policy.</p> <p>All current members and future members should be required to complete the CDC. No additional training in Code of Conduct or conflict of interest management has been undertaken by the RMB. Formal training should be provided to the directors as part of the implementation of the Recommendations of this review.</p>
<p>CH Examination</p>	<p>CH agrees a formal policy is likely to bring professionalism to the directorship postings and an ability to critically analyse conflict of interest challenges. It is essential that directors are up to speed about their responsibilities as soon as practically possible. It is also likely that some board members enter their roles having previously possessed the certification. Therefore, the formal policy is not an overly burdensome suggestion or a costly exercise for the RMB to meet.</p> <p>CH does believe that the timeline for compliance should be extended to 12 months. This allows for the individual to, foremost, understand the operations of RMB in a comprehensive manner and complete the existing board induction training, before undertaking the CDC.</p>
<p>CH Recommendation</p>	<p>Supported with amendment/s – Change to time for practicality</p> <p>Change of wording:</p>

Draft Review Opportunity:

9. That the RMB adopts a policy requiring all current and future members to complete the Australian Institute of Company Directors “Company Directors Course” within 6 months of becoming a board member.

“That the RMB adopts a policy requiring all current and future members to complete the Australian Institute of Company Directors, “Company Directors Course” within 12 months of becoming a board member.”

Listed as Recommendation 5 in the Crowe Horwath Recommendations to the RMB

Draft Review Opportunity:

10. That the RMB reviews its risk register and controls, including issues associated with international trade, by March 2018.

Within original scope?

No.

The Draft Review’s commentary in relation to this Opportunity surrounds the risk register not including risks regarding:

- The RMB’s uneasy relationship with the Northern NSW rice farmers on availability of rice milling facilities, independent access to foreign markets and lack of strategy for development of the Northern NSW rice industry;
- The loss of vesting in the event of the inclusion of rice in an international trade agreement; and
- The reputational and legal exposure arising from a breach of compliance with foreign bribery and anti-corruption practice by SunRice.

The Draft Review contained no commentary or evidence as to the aforementioned risks being imminent or likely to occur.

In respect of international trade it is worth making two points:

- Despite the Draft Review discussing the potential for reputational damage in the event of corrupt practices, it also highlighted that no similarities between the RMB were found compared to the failures of the Australian Wheat Board.
- The loss of vesting via a Federal government trade deal is a possibility but rice production has historically been a sensitive political subject by nations who produce comparatively large amounts. This has meant that rice historically has not been included in trade agreements. Consideration should be had for the net effect of any changes. The commercial impact of the loss of vesting due to a trade deal may be offset, in part or full, by the opening of new markets for Australian rice exports.

The listed risks are specific considerations for the RMB to mitigate exposure and maintain the financial health of the NSW rice industry. Support for the overall monitoring and reporting of the risk register is addressed in Recommendation 2 as it relates to governance arrangements. However, the

Draft Review Opportunity:

10. That the RMB reviews its risk register and controls, including issues associated with international trade, by March 2018.

	<p>specific risks identified and the suggested review of the risk register, do not address the focus of the review on two key concepts:</p> <ol style="list-style-type: none"> 1. Whether current governance arrangements for the RMB could result in a conflict of interest for its board members; and 2. Whether perceptions that commercially sensitive information that board members may possess constrains competition in the domestic rice market.
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Draft Review Opportunity:

11. That the RMB ensures no individual supplier provides the independent verification for more than three consecutive years, commencing June 2018.

Assessment Material	<p>On an annual basis, the RMB engages an external party to undertake a review entitled “Verification of the export price premium and freight scale advantage calculations”. The report provides independent verification of the current SEEL arrangement and is used in support of the ongoing rice vesting arrangements. It also provides the RMB with suggested improvements which are then presented to SunRice for comment and implementation.</p> <p>The verification reports for the last two years were performed by the accounting firm Grant Thornton. Therefore, by awarding the verification review to a new party there is an opportunity to increase the perception of the independence of the report.</p>
CH Examination	<p>This area is vitally important from a real and perceived conflict of interest perspective. Awarding the verification to a new party seeks to ensure that the firm (supplier) will not rely on providing a favourable export premium valuation assessment in order to retain the engagement the following year. Furthermore, strong valuations argue advantageously for the existing vesting arrangements and the continuation of the RMB because they corroborate greater benefits being generated for the sector.</p> <p>CH agrees that the restriction of an individual firm to undertake the verification process would support industry opinion of the neutrality of the governance arrangements. CH believes however, in light of the challenge of developing an accurate model and the lack of regular/timely market data, an increase in the period to five years is warranted and a reasonable medium-term outlook.</p>
CH Recommendation	<p>Supported with Amendment/s – Change to ensure sufficient time to develop an accurate verification model</p> <p>“That the RMB ensures no individual supplier provides the independent verification for more than five consecutive years, commencing June 2018.”</p> <p><i>Listed as Recommendation 6 in the Crowe Horwath Recommendations to the RMB</i></p>

Draft Review Opportunity:

12. That the RMB develops a communications plan with rice growers and the rice industry, by the end of 2018.

<p>Assessment Material</p>	<p>There were concerns that grower elected directors gain an advantage over other growers due to beneficial access to markets and pricing. This appears to be a perception and no specific complaints or examples were highlighted during the Draft Review. There is however a general lack of understanding across industry of the role of the RMB and the authorised buyers process.</p> <p>While the RMB is a regulatory authority, some components of the industry fail to recognise the separation between the RMB, the Rice Growers Association and SunRice. The act of growers electing representatives onto the RMB suggests industry ownership as opposed to representatives on a regulatory authority. The independent role of the RMB needs to be promoted to the industry on an ongoing basis.</p> <p>All growers and authorised buyers that raised concerns about the ABL process did not understand how the procedure operated and the respective roles of the ABL committee and the full board. The governance arrangements surrounding the ABL process are very robust but need to be communicated to the industry.</p> <p>Most growers are not aware of the current arrangements as to the management of conflicts of interest on the RMB. The key conflict of interest issue surrounds access to buyer's information and the ABL process.</p>
<p>CH Examination</p>	<p>The Draft Review undertook extensive analysis on point and CH is in agreement with the need for a communications plan. Material provided throughout the Draft Review substantiates the opinion that many concerns around conflict of interest and dual director access to confidential trading material is perceived and not real. It is evident therefore that communication is a major challenge.</p> <p>A well drafted and publicised communications plan would ensure stakeholders continue to retain confidence in the RMB as an organisation that operates transparently and without prejudice.</p>
<p>CH Recommendation</p>	<p>Supported as originally drafted.</p> <p><i>Listed as Recommendation 7 in the Crowe Horwath Recommendations to the RMB</i></p>

Draft Review Opportunity:

13. That RMB members review their pecuniary interest declarations, by the end of 2017, to ensure they provide adequate detail to describe the scope and scale of any interest.

<p>Assessment Material</p>	<p>The forms are basic and somewhat general in their descriptions of the interest. Providing a more detailed explanation of the scope and scale of the interest would help improve transparency and allow members to more accurately identify potential conflicts of interest.</p>
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Draft Review Opportunity:

13. That RMB members review their pecuniary interest declarations, by the end of 2017, to ensure they provide adequate detail to describe the scope and scale of any interest.

CH Examination	CH agrees. While Pecuniary Interest Declarations are relevant to boards across all organisations and industries, their contents are particularly critical here. The RMB is operating in a niche industry where there is a high likelihood of overlapping interests. A higher level of detail would allow for interests to be better scrutinised. The effect of this is to give interested parties comfort in the knowledge that their concerns of impartiality are adequately addressed.
CH Recommendation	Supported with Amendment/s – Change to time for practicality “That RMB members review their pecuniary interest declarations by the end of June 2018 to ensure they provide adequate detail to describe the scope and scale of any interest.” <i>Listed as Recommendation 8 in the Crowe Horwath Recommendations to the RMB</i>

Draft Review Opportunity:

14. That the RMB reviews its Gifts and Benefits policy and require the identification of benefits received as part of dual directorships and/or combined events by the end of 2017.

Assessment Material	A Gifts and Benefits register has been established by the RMB. However, no gifts or benefits have been listed in the register. Examples of travel, accommodation and expenses received by board members in their capacity as SunRice directors were identified during the consultation. As these members only hold SunRice directorships by virtue of their appointment to the RMB, it would be appropriate for any such benefits to be declared on the Gifts and Benefits registers of both boards.
CH Examination	CH agrees that Gifts and Benefits policy should include coverage for all gifts and benefits received in relation to dual directorships (RMB and SunRice). It is reasonable to suggest that the policy wording, if it does not currently cover such matters, be updated to include SunRice gifts and benefits. It is however worth noting that the examples of travel, accommodation and expenses, as listed in the Assessment Material, may not necessarily come within the definition of "gifts and benefits" if they are incurred in the course of undertaking directorship duties.
CH Recommendation	Supported with Amendment/s – Change to time for practicality “That the RMB reviews its Gifts and Benefits policy and require the identification of benefits received as part of dual directorships and/or combined events by the end of June 2018 .” <i>Listed as Recommendation 9 in the Crowe Horwath Recommendations to the RMB</i>

Draft Review Opportunity:

15. That the RMB updates its Code of Conduct to include appropriate case studies on managing conflicts of interest and the Authorised Buyers Licence committee process, and that the Code of Conduct be published on the RMB’s website by the end of March 2018.

Assessment Material	<p>Commentary has been split to address both points of the Draft Opportunity:</p> <ol style="list-style-type: none"> 1. The RMB Code of Conduct has been adapted from the standard NSW Government template. As the RMB has specific conflict of interest risks and has developed appropriate mitigation measures to address these risks, it would be appropriate to customise the Code of Conduct to include these requirements. 2. The RMB Code of Conduct is not currently published on the organisation’s website. To improve transparency, it should be published with the other polices of the RMB.
CH Examination	<ol style="list-style-type: none"> 1. CH agrees the RMB should ensure the Code of Conduct is fit-for-purpose by reflecting the unique nature of its conflict of interest challenges within its Code of Conduct. CH however believes that the inclusion of case studies is excessive and complicates the Code of Conduct by adding a further layer of material for interpretation. Additionally, the ABL process is already listed in the ABL application pack which hosted on the RMB website. It is unnecessary to repeat it within the Code of Conduct and multiply the RMB’s duties when updating material. 2.CH believes sharing the Code of Conduct on the website improves perceptions as to how serious the RMB takes its governance responsibilities and provides an ongoing assurance to stakeholders.
CH Recommendation	<p>Supported with amendment/s.</p> <p>Change of wording to:</p> <p>“That the RMB updates its Code of Conduct to address specific conflict of interest risks and appropriate mitigation measures, and that the Code of Conduct be published on the RMB’s website by the end of June 2018.”</p> <p><i>Listed as Recommendation 10 in the Crowe Horwath Recommendations to the RMB</i></p>

Draft Review Opportunity:

16. That the RMB adds a standing list of interests to all board agendas and minutes by the end of 2017.

Assessment Material	<p>Private Interest declarations are requested by the Chair at the commencement of each meeting and prior to specific discussions. These are well documented within the minutes of the board and committee meetings.</p> <p>Improved management of private interest declarations could be achieved by creating a standing list of interests on the agenda and minutes, so only arising issues will need to be added.</p>
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Draft Review Opportunity:

16. That the RMB adds a standing list of interests to all board agendas and minutes by the end of 2017.

CH Examination	CH believes this Opportunity further evolves the perceived openness of personal interests. The benefit of a standing list is that it is always in frontal view.
CH Recommendation	Supported with Amendment/s – Change to time for practicality “That the RMB adds a standing list of interests to all board agendas and minutes by the end of June 2018. ” <i>Listed as Recommendation 11 in the Crowe Horwath Recommendations to the RMB</i>

Draft Review Opportunity:

17. That all RMB Members undertake Code of Conduct and Conflict of Interest training by June 2018.

Assessment Material	No additional training in Code of Conduct or Conflict of Interest management has been undertaken. Formal training should be provided to the directors as part of the implementation of the Recommendation of this review.
CH Examination	Specific Code of Conduct and Conflict of Interest training is essential given the sensitive nature of the overall operations of the RMB. The relatively small size of the industry means that many elected board members continue to have strong relationships to the NSW rice community. Despite the fairly robust governance arrangements there is a high likelihood that elected board members, in particular, find themselves in situations which carry a real or perceived conflict of interest. Consequently, the manner in which they respond is crucial to maintain the confidence of the industry and regulators who continue to permit this market structure.
CH Recommendation	Supported with Amendment/s – Change to time for practicality “That all RMB Members undertake Code of Conduct and Conflict of Interest training by the end of 2018. ” <i>Listed as Recommendation 12 in the Crowe Horwath Recommendations to the RMB</i>

Draft Review Opportunity:

18. That the RMB consider holding meetings in public and disclosing minutes on its website to increase transparency.

Assessment Material	Many organisations conduct their business completely in public to increase the transparency. Whilst this is common in local government, it is rare but not unusual in government boards. The Sydney Harbour Federation Trust, with responsibility for planning and management of many Sydney Harbour sites, holds several of its meetings in public and posts minutes on its website.
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Draft Review Opportunity:

18. That the RMB consider holding meetings in public and disclosing minutes on its website to increase transparency.

	An option for the RMB to increase transparency would be to hold alternative meetings in public and post its minutes on its websites. The meeting would need to be separated into confidential and public components as would the minutes.
CH Examination	CH believes the recommended Opportunity is excessive in nature and rejects it. Holding public meeting and disclosing minutes on the website is a very time-consuming, costly, and inefficient exercise for an organisation that only has one employed staff member. CH believes that the other Recommendations listed within the IRGA Report sufficiently address methods of increasing transparency.
CH Recommendation	Rejected without amendments.

Draft Review Opportunity:

19. That the RMB publish the Sole and Exclusive Export Agreement “operating licence” as a public document with regular status reports on its website.

Assessment Material	<p>Consideration should be given to having the operating licence and ongoing reporting against it as a public document. For example, the completion of a requirement of the Verification Report should be made public not the actual report.</p> <p>With the close relationship between RMB and SunRice, it is important that the regulatory relationship is well determined, documented and transparent.</p>
CH Examination	<p>As discussed in Draft Review Opportunity 1, the Sole and Exclusive Export Agreement should be reviewed with the addition of an “Service-Level Agreement” laying out the requirements of SunRice’s reporting, information exchange, performance metrics, compliance and improvement initiative’s to be undertaken during the vesting period.</p> <p>The publication of the “Service-Level Agreement” and the introduction of status reports contributes to industry understanding of the value provided by SunRice. The dual directorship is a crucial point of perceived conflict of interest therefore demonstrating transparency would be well-received and easily accomplished.</p>
CH Recommendation	<p>Supported with Amendment/s – Change for consistency in wording across the document.</p> <p>“That the RMB publish the “Service-Level Agreement” as a public document with regular status reports on its website.”</p> <p><i>Listed as Recommendation 13 in the Crowe Horwath Recommendations to the RMB</i></p>

Draft Review Opportunity:

20. That the RMB investigate methods to make the Authorised Buyers Licence Process more transparent to industry and the public.

Assessment Material	<p>The Draft Review does not contain significant commentary in support of its Opportunity aside from the statement shared below:</p> <p>The RMB should investigate methods to make the Authorised Buyers Licence Process more transparent to industry and the public.</p>
CH Examination	<p>CH disagrees with the Draft Opportunity. The Authorised Buyer Licence process is already exhibited in the Authorised Buyers License application pack which is hosted on the RMB website. The current presentation of information is adequate and it is impractical to undertake an investigation for minimal net benefit.</p>
CH Recommendation	<p>Rejected without amendments.</p>

Draft Review Opportunity:

21. That the RMB develops a charter and that it be placed on the website to increase the transparency of the role of the RMB, by the end 2017.

Assessment Material	<p>A charter for the RMB should be developed and placed on the RMB website to increase the transparency of the role of the RMB. Per the NSW Government Boards and Committees Guidelines (“Guidelines”): Each NSW Government Board and Committee should have and maintain a document outlining its objectives, any powers or authorities it has, the roles and responsibilities of key participants and other relevant factors.</p>
CH Examination	<p>CH agrees with the Draft Review Opportunity. The Guidelines support the NSW Government's commitment to promote accountability and integrity in the public sector. Development of a charter would set out the roles and responsibilities of the RMB and outline its objectives. It is apparent that despite having much of the requisite information on its website the RMB does not have a common document that sets out the functions and priorities of the RMB. Ultimately, it would help stakeholders to monitor the RMB's performance against their duties.</p>
CH Recommendation	<p>Supported with Amendment/s – Change to time for practicality</p> <p>“That the RMB develops a charter and that it be placed on the website to increase the transparency of the role of the RMB, by the end of June 2018.”</p> <p><i>Listed as Recommendation 14 in the Crowe Horwath Recommendations to the RMB</i></p>

Draft Review Opportunity:

22. That the RMB publish all key documents including strategic, delivery and business plans on its website, by the end of June 2018.

Assessment Material	<p>It is likely that a Strategic Plan developed by the RMB for itself, can also serve as a strategic plan for the industry. This should be discussed with DPI.</p>
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Draft Review Opportunity:

22. That the RMB publish all key documents including strategic, delivery and business plans on its website, by the end of June 2018.

	A best practise arrangement would see the Board have a long-term strategy and a delivery plan for the vesting period. All strategic, delivery and business plans should be posted on the RMB website.
CH Examination	Sharing the strategic material allows industry stakeholders an ability to gauge the priorities of the RMB and demonstrates there is no conflicting behaviour. However, in this respect, CH believes the need for transparency does not outweigh the need for confidentiality. To post sensitive material setting out strategic, delivery, and business plans online that competitors can access is counter intuitive.
CH Recommendation	Rejected without amendments.

Draft Review Opportunity:

23. That the RMB reviews the Authorised Buyers Application Fee Policy to include the method of calculation and setting of fees and charges, to improve transparency of the licence process, by June 2018.

Assessment Material	The Authorised Buyers Application Fee Policy is a basic policy used to charge Authorised Buyers both an annual fee and a variable fee on an annual basis. The policy does not set out the method of calculation of these fees or how it is impacted by either the annual costs of the RMB or the Licence fee under the SEEL. These are issues raised by numerous parties during this review and the RMB should look to review this policy to include these issues.
CH Examination	Improving the transparency of the calculation and setting of fees and charges is generally supported across the public sector. However, at \$500, the licence appliance fee is relatively small and cannot be said to prohibit applications for licences. Further, when considered against the value retrieved from holding the licence and the board's time to assess the application, the sum appears justified. CH therefore rejects the Draft Opportunity
CH Recommendation	Rejected without amendments.

6. Appendix

The appendix highlights material relied upon or referred to within this report:

6.1 Report Sources

The Rice Marketing Act 1983;
The Rice Marketing Regulation 2015;
NSW Government Boards and Committees Guidelines;
NSW Public Sector Internal Audit and Risk Management Policy TPP 15-03.
Objects of the Rice Marketing Board
RMB Annual Report 2016
RMB GIPA Annual Report 2016
RMB Application Package for Authorised Buyer's Licence
RMB Authorised Buyers Fee Policy
RMB Authorised Buyers Application Policy
RMB Fact Sheet 3: Authorised Buyers

6.2 Draft Review Sources

The Rice Marketing Act 1983;
The Rice Marketing Regulation 2015;
DPI - Conflict of Interest Policy;
DPI – Code of Conduct Policy;
NSW Government Boards and Committees Guidelines;
Corporations Act 2001 - Sect 1043a;
Public Sector Toolkit - Managing Conflicts of Interest;
NSW Public Sector Internal Audit and Risk Management Policy TPP 15-03.
RMB Board Code of Conduct
12 months RMB Board Papers and Minutes
RMB Business Plan
RMB Risk Register
RMB Annual Report 2016
Verification of SunRice calculations (report by Grant Thornton Australia)
RMB GIPA Return 2016
RMB Authorised Buyers Application Policy
RMB Authorised Buyers Application Fee Policy
RMB Related Party Transactions Policy
RMB Compliance and Enforcement Policy
RMB Computing Security Policy
RMB Crop Auditing Policy
RMB Equity Suspense Policy
RMB Investment Policy
RMB Records Management Policy
RMB Responsible Computing Policy
RMB Staff Development Policy
RMB Board Directors Induction

Extensive consultation was undertaken during the Draft Review with some 30 persons invited to take part in interviews. This included:

- all current and recent Board members (individual conversations);
- all Authorised Buyers under the ABL Scheme;

- the Secretary of the Board;
- the President and Executive Director of the Ricegrowers Association of Australia;
- the Chairman and CEO of SunRice (Ricegrowers Limited trading as SunRice);
- a representative of the Department of Foreign Affairs and Trade;
- a representative of the Department of Agriculture and Water Resources;
- a representative of the Australian Trade and Investment Commission (Austrade), persons of interest identified by DPI as having concerns regarding the Board's governance arrangements.

6.3 Factual Accuracy Check table

	Sentences checked for factual accuracy	Reference Resource	Accurate ?
1	"1980s International oversupply of rice and increased competition sees prices plummet and the NSW rice industry rationalises its structure in response."	https://www.SunRice.com.au/media/6662/detailed_history_of_the_australian_rice_industry.pdf	Yes
2	"The Rice Marketing Board is the statutory arm of the rice industry in NSW, providing Authorised Buyers licences to enable entities and individuals to purchase NSW grown"	http://www.rmbnsw.org.au/files/Application_Package.pdf?v2	Yes
3	The Rice Marketing Board (Board or RMB) is formed under the Rice Marketing Act 1983 (the Act), which prescribes the constitution of the Board, the winding up and dismissal of the Board, the functions of the Board in relation to the commodity rice, and the powers of the Board.	https://www.legislation.nsw.gov.au/#/view/act/1983/176	Yes
4	The Secretary is the Board's only employee and is responsible to the Board for the management of finance, administration and compliance.	http://www.rmbnsw.org.au/files/Fact%20Sheet%20%20Introducing%20the%20RMB.pdf	Yes
5	The four nominated members are nominated by the Minister for Primary Industries. Their terms are also usually four years.	http://www.rmbnsw.org.au/board-members	Yes
6	Authorised buyers of rice in NSW are licensed by the Board and agree to include a clause prohibiting the export of rice in rice sales contracts.	http://www.rmbnsw.org.au/files/Application_Package.pdf?v2	Yes
7	SunRice: With sales, marketing and operations spanning the globe, it supplies domestic markets and approximately 60 countries with diverse food products, from table rice, flour and snacks, to rice meals and pet and livestock products.	https://www.SunRice.com.au/corporate/campaigns/corporate/	Yes
8	SunRice has proposed a restructure of the company which could include: <ul style="list-style-type: none"> • Changing the share structure to allow increased access to increased capital as part of an international expansion plan and increased exposure to Asian supply chains • The reduction in the number of RMB (dual) Directors to two and the addition of a third external director. 	Cannot locate material on the reduction of the number of RMB directors - however this is likely from the conversations/interviews	Indeterminable

	Sentences checked for factual accuracy	Reference Resource	Accurate ?
9	The SEEL was renewed in 2011 and in 2016 for one year, and has just been renewed for another five-year term.	http://www.rmbnsw.org.au/files/Vesting%20Renewed%202017.pdf	Yes
10	All rice grown in NSW must be sold to an authorised buyer.	http://www.rmbnsw.org.au/files/Application_Package.pdf?v2	Yes
11	The RGA represents farmers in the main rice growing areas of New South Wales and Victoria, with headquarters in Leeton NSW.	http://www.rga.org.au/the-rga/the-organisation.aspx	Yes
12	The RGA conference is held annually and is an Opportunity for members to discuss topics brought forward by the Branches and Central Executive.	http://www.rga.org.au/the-rga/the-organisation.aspx	Yes

6.4 Draft Review – Recommendations & Opportunities

The examination of the 10 Recommendations contained in the Draft Review resulted in:

- 2 of the 10 Recommendations receiving Supported as originally drafted;
- 6 of the 10 Recommendations receiving Supported with amendment/s;
- 1 of the 10 Recommendations receiving No Recommendation possible; and
- 1 of the 10 Recommendations receiving Out-of-Scope.

Note: It is possible that Recommendations and Opportunities denoted as “out-of-scope” were based on sound reasoning, however, in light of their irrelevance this report did not provide further discussion/consideration.

Draft Review Recommendations	Within scope of original Terms of Reference?	Recommendation Status
1. That the current structure and governance of the RMB be maintained.	Yes	Supported with amendment/s
2. There is no evidence that a constraint of competition, due to the current governance arrangements exists, though several regulatory governance issues need to be addressed.	Yes	Supported with amendment/s
3. That the Board implement the Recommendations identified in this report and give due consideration to the Opportunities for improvements, which will: a. improve governance; b. reduce Opportunities for conflicts of interest; c. improve transparency in the management of commercially sensitive information; and d. minimise constraints on competition in the domestic rice market.	Yes	No Recommendation possible
4. That the RMB reports 6-monthly to the Minister for Primary Industries on its progress in implementing the Recommendations identified in this report. The first report shall be provided March 2018.	Yes	Supported with amendment/s

Draft Review Recommendations	Within scope of original Terms of Reference?	Recommendation Status
5. That the Board appoint an independent Audit and Risk Committee as required by Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), develop an Audit and Risk Committee Charter based on the model charter and publish it on its website, by March 2018.	Yes	Supported with amendment/s
6. That Section 30 of the Rice Marketing Regulation 2015 (NSW) be amended to read "A candidate is not eligible to be nominated if they have previously served on the RMB for more than ten years". This should be introduced for elections after July 2018.	Yes	Supported with amendment/s
7. That the Board reviews its risk management system in accordance with the Internal Audit and Risk Management Policy for the NSW Public Sector (TTP 15-03), by June 2018.	Yes	Supported as originally drafted
8. That the Board review its Computing Security Policy to ensure it meets its requirements under the NSW Government Digital Security Policy, by June 2018.	No	N/A
9. That the Board immediately appoint an independent probity advisor, for the duration of the implementation to: <ul style="list-style-type: none"> • oversee the implementation of the governance improvements; and • provide the Board and committees with real time advice on probity issues. 	Yes	Supported as originally drafted
10. That the position of deputy chair be restricted to a nominated member, by the end of 2017.	Yes	Supported with amendment/s

The examination of the 23 Opportunities contained in the Draft Review resulted in:

- 3 of the 23 Recommendations receiving Supported as originally drafted;
- 11 of the 23 Recommendations receiving Supported with amendment/s;
- 4 of the 23 Recommendations being Rejected without amendments; and
- 5 of the 23 Recommendations being Out-of-scope.

Note: It is possible that Recommendations and Opportunities denoted as "out-of-scope" were based on sound reasoning however in light of their irrelevance this report did not provide further discussion/consideration.

Draft Review Opportunities	Within scope of original Terms of Reference?	Opportunity status
1. That the Sole and Exclusive Export Agreement ("SEEL") be reviewed with the addition of an "operating licence" (or similar) detailing the requirements of SunRice's reporting, information exchange, performance metrics, compliance and improvement initiatives to be undertaken during the vesting period, by the end of June 2018.	Yes	Supported with amendment/s

Draft Review Opportunities	Within scope of original Terms of Reference?	Opportunity status
2. That the Audit and Risk Committee regularly monitors and reports on the risk mitigation of all issues on its risk register to the Board.	Yes	Supported as originally drafted
3. That the Board establishes a business plan and reviews it on an annual basis.	No	N/A
4. That the Board includes all compliance requirements in its Directors' Induction.	Yes	Supported as originally drafted
5. That the Board develop Charters for all Sub Committees and place them on its website, by the end of 2017.	Yes	Supported with amendment/s
6. That the Board works with Industry Stakeholders to prepare a long-term Strategic Plan for the NSW Rice Industry, by the end of 2018.	No	N/A
7. That the Board prepares a mid-term Delivery Plan for its activities for the duration of the current vesting period, by the end of March 2018.	No	N/A
8. That the Board develops a formal succession plan for the Chairman and Secretary positions by the end of 2017.	No	N/A
9. That the Board adopts a policy requiring all current and future members to complete the Australian Institute of Company Directors, "Company Directors Course" within 6 months of becoming a board member.	Yes	Supported with amendment/s
10. That the Board reviews its risk register and controls, including issues associated with international trade, by March 2018.	No	N/A
11. That the Board ensures no individual supplier provides the independent verification for more than three consecutive years, commencing June 2018.	Yes	Supported with amendment/s
12. That the Board develops a communications plan with Rice Growers and the rice industry, by the end of 2018.	Yes	Supported as originally drafted
13. That Board members review their pecuniary interest declarations, by the end of 2017, to ensure they provide adequate detail to describe the scope and scale of any interest.	Yes	Supported with amendment/s
14. That the Board review its Gifts and Benefits policy and require the identification of benefits received as part of dual directorships and/or combined events by the end 2017.	Yes	Supported with amendment/s
15. That the Board updates its Code of Conduct to include appropriate case studies on managing conflicts of interest and the Authorised Buyers Licence committee process, and that the Code of Conduct be published on the Board's website by the end of March 2018.	Yes	Supported with amendment/s
16. That the Board adds a standing list of interests to all Board agendas and minutes by the end of 2017.	Yes	Supported with amendment/s
17. That all Board Members undertake code of conduct and conflict of interest training by June 2018.	Yes	Supported with amendment/s
18. That the Board consider holding meetings in public and disclosing minutes on its website to increase transparency.	Yes	Rejected without amendments

Draft Review Opportunities	Within scope of original Terms of Reference?	Opportunity status
19. That the Board publish the Sole and Exclusive Export Agreement “operating licence” as a public document with regular status reports on its website.	Yes	Supported with amendment/s
20. That the Board investigate methods to make the Authorised Buyers Licence Process more transparent to industry and the public.	Yes	Rejected without amendments
21. That the Board develops a charter for the RMB and that it be placed on the website to increase the transparency of the role of the Board, by the end 2017.	Yes	Supported with amendment/s
22. That the Board publish all key documents including strategic, delivery and business plans on its website, by the end of June 2018.	Yes	Rejected without amendments
23. That the Board reviews the Authorised Buyers Application Fee Policy to include the method of calculation and setting of fees and charges, to improve transparency of the licence process, by June 2018.	Yes	Rejected without amendments

6.5 Table of Amendments

#	Section(s)	Amendment	Rationale
1	Title page	Removal of “Commercial in Confidence”.	Required for formal release of document into public domain.
2	Executive Summary, 4. Assessment of Draft Review Recommendations to the Minister for Primary Industries	<p>From:</p> <p>3. That the RMB reports 6-monthly to the Minister for Primary Industries on its progress in implementing the Recommendations finalised in this report. The first report shall be provided by 31 June 2018.</p> <p>To:</p> <p>3. That the RMB reports 6-monthly to the Minister for Primary Industries on its progress in implementing the Recommendations finalised in this report. The first report shall be provided by 30 June 2018.</p> <p>From:</p> <p>4. That the RMB appoint an independent Audit and Risk Committee as required by Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), develop an Audit and Risk Committee Charter based on the model charter and publish it on its website, by 31 June 2018.</p> <p>To:</p> <p>4. That the RMB appoint an independent Audit and Risk Committee as required by Internal Audit and Risk Management Policy for the NSW Public Sector</p>	Date incorrectly entered.

#	Section(s)	Amendment	Rationale
		(TPP 15-03), develop an Audit and Risk Committee Charter based on the model charter and publish it on its website, by 30 June 2018 .	
3	Executive Summary, 4. Assessment of Draft Review Recommendations to the Minister for Primary Industries	<p>From:</p> <p>5. That an amendment be made to the relevant RMB regulation and/or legislation to restrict the maximum term served by a nominated director to a cumulative total of 12 years. The amendment should be introduced for elections after July 2018.</p> <p>To:</p> <p>5. That an amendment be made to the relevant RMB regulation and/or legislation to restrict the maximum term served by an elected director to a cumulative total of 12 years. The amendment should be introduced for elections after July 2018.</p>	Type of director incorrectly entered.
4	Executive Summary, 5. Assessment of Draft Review Opportunities to the RMB	<p>From:</p> <p>1. That the Sole and Exclusive Export Agreement (“SEEL”) be reviewed with the addition of an “Operating licence” (or similar) detailing the requirements of SunRice’s reporting, information exchange, performance metrics, compliance and improvement initiatives to be undertaken during the vesting period, by the end of June 2018.</p> <p>To:</p> <p>1. That the Sole and Exclusive Export Agreement (“SEEL”) be reviewed with the addition of a “Service-Level Agreement” (or similar) detailing the requirements of SunRice’s reporting, information exchange, performance metrics, compliance and improvement initiatives to be undertaken during the vesting period, by the end of June 2018.</p> <p>From:</p> <p>13. That the RMB publish the Sole and Exclusive Export Agreement “operating licence” as a public document with regular status reports on its website.</p> <p>To:</p> <p>13. That the RMB publish the “Service-Level Agreement” as a public document with regular status reports on its website</p>	Change for clarification of required action, Change for consistency in wording across the document.
5	Executive Summary, 5. Assessment of Draft Review Opportunities to the RMB	<p>From:</p> <p>6. That the RMB ensures no individual supplier provides the independent verification for more than three consecutive years, commencing June 2018.”</p> <p>To:</p> <p>6. That the RMB ensures no individual supplier provides the independent verification for more than five consecutive years, commencing June 2018.</p>	Change due to challenge of developing an accurate model and the lack of regular/timely market data.

7. Limitations and Disclaimer

This report has been prepared for the sole purpose of providing advice to DPI in accordance with an engagement letter dated 22 November 2017. It is not intended that this report should be used or relied upon for any other purpose without Crowe Horwath's prior written consent in each specific instance.

It is issued on the understanding that the management of DPI and/or other relevant parties have disclosed all available information required to perform our review and drawn our attention to all matters which may have an impact on our report up to the date of issue.

By their nature, reviews of this nature cannot be regarded as an exact science. The conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement.

DPI has agreed to indemnify Crowe Horwath, its partners and employees from any action arising as a result of deliberate misstatement or omission in information or materials supplied by DPI, its subsidiaries, directors or employees on which we have relied upon in the preparation of this report.

In preparing this Report, we relied on information provided by Management of DPI that we believe to be reliable and accurate. We understand that no material facts (that a reasonable person would expect to be disclosed) have deliberately been withheld from us. Accordingly, we have not taken steps to verify the completeness or fairness of the data provided, and our procedures and enquiries have not included verification work of source data, nor constituted an Audit in accordance with Australian Auditing Standards, nor a Review in accordance with Auditing Standards on Review Engagements.

We have no responsibility to update the report for events and circumstances occurring after the date of this report but will be pleased to discuss further instructions as may be required. This report is not to be reproduced or shared with any third party, without the written approval by Crowe Horwath (Aust) Pty Ltd or its appointed representative. We reserve the right to review and alter the conclusions reached in this report, should information that is relevant to our conclusions come to our attention after the date of this report.

The Report may include assumptions and opinions based on economic, financial market and other conditions prevailing at the time of its preparation. Accordingly, if circumstances change significantly subsequent to the issue of the Report, our conclusions and opinions may be impacted. Notwithstanding this, there will be no requirement for us to update the Report for information that may become available subsequent to the date of issue.

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Crowe Horwath have no opinion and make no representation or warranty as to the accuracy or reliability of the information provided to Crowe Horwath and we have assumed for the purposes of this report that this information is both accurate and reliable.

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Disclaimer

This report is intended as an information update only and has been prepared for the sole purpose of DPI. It is issued on the understanding that the Management of DPI and/or other relevant parties have disclosed all available information required to perform our review and drawn our attention to all matters which may have an impact on our report up to the date of issue. We have no responsibility to update the report for events and circumstances occurring after the date of this report but will be pleased to discuss further instructions as may be required. This report is not to be shared with any third party, without the written approval by Crowe Horwath (Aust) Pty Ltd or its appointed representative.