

# Central Bank of Ireland

## Commission Effectiveness Review

November 2022

## Commission Effectiveness Review –Action Plan

In line with requirements of the Code of Practice for the Governance of State Bodies and with good practice generally, the Commission recently concluded an external effectiveness evaluation. The aim of the exercise was to review overall Commission effectiveness and performance, and included a review against governance practices in other similar organisations, interviews with Commission members and other key internal stakeholders, completion of a survey and a review of relevant documentation. The key considerations and findings, along with the agreed actions are set out below.

Rec #	Title	Recommendations	Priority	Actions agreed
<b>1. Effectiveness of the Commissions role</b>				
1	<b>Further clarification required on the mandate, roles and responsibilities of the Commission</b>	We recommend that Commission Members agree a shared vision on the role of the Commission. This should include clarifying the role of the Commission across the Bank’s remit and setting clear expectations relative to areas the Commission wants to decide on; have oversight of (including extent of that oversight); and should be informed of (including frequency).	High	Revised Terms of Reference due to be approved by Q1 2023.
2	<b>Improvements required to individual meeting agendas and development of forward looking agendas</b>	We recommend that: (i) the structure of the agenda is re-configured once the Commission’s mandate, roles and responsibilities are clarified; (ii) Agenda items are flagged for noting or for discussion; (iii) Emerging issues are included as a regular agenda item at Commission meetings; (iv) a forward looking agenda is developed on a yearly basis; and that (v) quarterly strategy deep dives are included in the annual calendar.	Medium	Agenda changes implemented. Annual forward agenda for 2023 to be finalised by year-end 2022.
3	<b>Consideration of emerging issues and requirement for a documented Business Plan</b>	We recommend that the Commission: (i) defines guidance in the form of escalation frameworks which articulate definitions for a range of events (financial, operational, etc.) tiering them by materiality, and using the existing governance to define how events should be escalated including associated timelines, e.g. material events should be escalated to the Commission within 24 hours; and (ii) Reviews and approves a business plan provided by Management which is underpinned by the new strategy.	High	Defined escalation process to be developed by end-2022. Annual Business Plan for 2023 to be presented at Commission in November 2022.

4	<b>Requirement for enhanced strategy monitoring and oversight processes</b>	We recommend that success measures including KPIs and outcomes based measures are defined to monitor and oversee the performance of running the Bank; and for the delivery on the various aspects of the mandate of the Bank. These measures should link to the strategy pillars and where appropriate be underpinned by business or operational plans	<b>High</b>	Performance Outcome Indicator Framework in development, due for initial presentation to Commission in December 2022. Operationalisation of Outcome Indicators to be implemented in 2023.
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## 2. Commission Composition

5	<b>Considerations in relation to Commission Composition</b>	We recommend that the Commission suggests to the Minister of Finance the option to appoint one or two additional Non-Executive Directors assuming the appointees bring specific expertise required by the Commission which is not available among its current membership.	<b>Low</b>	Underway. Secretary is liaising with Department of Finance.
6	<b>Skills needed on the Commission</b>	We recommend that the Bank suggests to the Minister of Finance the option to address the technology related skills gap by appointing a Non-Executive Director with the aforementioned skills. As an alternative to a formal appointment to the Commission, Members could avail of a broader range of external subject matters experts (SMEs) to assist with their understanding of specific topics.	<b>Low</b>	Underway. Secretary is liaising with Department of Finance.
7	<b>Improvements required to Succession Planning processes</b>	We recommend that the Commission engage with the Department of Finance on the succession of Non-Executive members and develop succession plans for Executive Members. The plan should address: (i) Expected rotation dates for all members of the Commission and unexpected events; (ii) The three time horizons/scenarios set out by the FRC; (iii) the provisions in place to ensure that there is staggered rotation of members; and (iv) any skill gaps both now and in the future.	<b>Medium</b>	Underway. Secretary is liaising with Department of Finance.

3. Commission dynamics and culture				
8	<b>Trust between Commission members</b>	Improving trust will be the result of other actions. The following recommendations seek to address some of the fundamental issues to enhance trust at the Commission: REC # 1 -Roles and Responsibilities; REC # 2 (ii) -Emerging issues as a standing agenda items; REC # 3 (i): Escalation framework for the communication of significant events; and REC # 4 -Strategy monitoring and oversight.	High	This recommendation will be addressed arising from implementation of recommendations 1-4.
9	<b>Requirement to change the process in relation to NED only meetings</b>	We recommend that the current practice of the NED only individual meetings with the Governor is reconsidered. As a replacement, we recommend that a two way feedback process between the NEDs and the Governor is established on a periodic basis.	Medium	Commission assessment of Governor performance is already in place. Two way feedback process will be formalised in 2023.
10	<b>Requirement to assess the external tone of the Bank towards industry</b>	We recommend that the Commission gauges the external tone that exists from the Bank towards industry and whether or not what exists is aligned to its objectives, e.g. use research and/or surveys.	Medium	Commission due to consider Communications at its meeting in December 2022.
5. Relations with stakeholders				
11	<b>Requirement for the identification of the Bank's key stakeholders and enhancement of stakeholder management processes</b>	We recommend that the Commission agrees a list of stakeholders the Bank wants to have direct relationships with including agreement of what those relationships should look like (i.e. success measures) and the engagement model it will employ with each of the stakeholder groups selected, e.g. consultations, visits, etc. Stakeholder management processes should be put in place with each of these stakeholder groups.	Medium	Commission due to consider Communications at its meeting in December 2022.

## 6. Reporting to the Commission

12	<b>Enhancements required to the Quality of MI and papers</b>	We suggest the following: (i) Papers to be succinct, insights driven, tailored to the Commission, and focused on options or recommendations for the Commission to consider and opine on; (ii) the preparers of each standing report review their current report with a view to considering whether additional context can be provided using other metrics as well as actuals; and where information on comparators is applicable, this could also be included for context; (iii) Individual reports should draw out the highlights for discussion or include short 2 page summaries of the key areas for Directors attention ;and (iv) workload and time commitments required from Commission members is reviewed once the Commission's roles and responsibilities are clarified.	Medium	Implemented. Guidance on papers has been updated.
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## 7. Chairmanship

13	<b>Requirement for clearer recording of actions from Commission meetings and appropriate follow up of these items</b>	We recommend that the Chair in collaboration with the Secretariat Function ensure that at the end of each discussion point actions are recapped and agreed with Commission members. Owners and timelines should also be summarised or clarified as appropriate. The Secretariat should engage proactively with Commission Members to update them on progress made including how actions have been addressed.	Low	Implemented.
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## 8. Secretariat

14	<b>Minimise delays in paper circulation for Commission meetings</b>	We recommend that (where possible) the one week cut-off date is adhered to and that all papers are circulated at the same time.	Low	Implemented.
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15	<b>Perform Internal Assessments of Commission Members</b>	We recommend that: (i) The Secretariat supports the Chair of the Commission in conducting the evaluation of Directors performance on an annual basis. This should include NEDs and Ex-Officio members (these assessments should be documented); and (ii) the Secretariat establishes a process to evaluate the performance of Commission Members on an annual basis.	<b>Medium</b>	Linked to recommendation 9. The performance of ex-officio members (excluding Sec Gen of DoF) forms part of the Bank's Performance Management Process and is already in place.
16	<b>Enhancements required to training and on-boarding processes</b>	We recommend that (i) following assessment of the Commission's training needs, the Commission develops an annual training plan including allocated budget. The training plan should be updated each year and should be approved by the Commission. In addition, consider linking the training plan with the schedule of seminars to be delivered; and (ii) Consider linking training plans and seminars so that these can be used as extensions of the on-boarding programme to allow new members to better understand the remit of the Bank over a longer period of time.	<b>Medium</b>	Future training needs will be identified and a training and seminar programme will be set for 2023.

## 9. Risk and Audit Committees

17	<b>Perform risk deep dives, update RC ToR, develop forward looking agendas and a risk and incidents escalation framework</b>	We recommend that: (i) the RC considers including deep dives on key risk areas during the calendar year based on materiality, incidents reported or other relevant criteria. For example, change risk or vendor and third party management risks; (ii) The RC updates its ToR to clarify its remit over the oversight of supervisory risks; (iii) The Commission develops a risk and incidents escalation framework. This should be based on existing governance structures and follow defined timelines based on the materiality of events. For example, material incidents to be reported to the Commission within 24hrs.	<b>Medium</b>	Items under review by Risk Committee – November 2022.
18	<b>Clarify remit and improve oversight of supervisory risks</b>	We recommend that: (i) the remit of the ORD, the RC and the Commission in relation to the oversight of supervisory risks is clarified; and (ii) Consideration should be given to appointing a CRO that will have visibility of all the material risks that the Bank is exposed to.	<b>High</b>	Items under review by Risk Committee – November 2022.

19	<b>Improve Risk MI, develop a Risk Assurance Plan, improve stress testing, and reinforce the 3LOD framework</b>	We recommend that ORD implements the improvements relative to: (a) Adequacy of risk MI; (b) Completeness of risk MI; (c) Presentation of risk MI; (d) Development and implementation of a Risk Assurance Plan; (e) Scenario analysis and stress testing; and (f) reinforcement of the 3LOD framework in the Bank. The Commission should also consider encouraging the completion of an external review of the Risk Management Framework.	<b>High</b>	Items under review by Risk Committee – November 2022.
20	<b>Minimise re-baselined actions at the AC</b>	From January 2022, actions can only be re-baselined one time and for a maximum of 6 months. We recommend that the AC monitors and ensures the effective implementation of these measures.	<b>Low</b>	Implemented.