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Dear Mr Tophoff,

ICSA Response to the consultation on good governance in the public sector

I am pleased to enclose the response of the Institute of Chartered Secretaries and Administrators (ICSA) to the above consultation document.

About ICSA

ICSA is the professional body qualifying and supporting governance and compliance professionals in all sectors of the UK economy. Members are educated in a range of topics including finance, law, HR, administration, ethics, strategy, governance and compliance, enabling them to add value at various levels to organisations operating in different sectors.

As a leading authority in corporate governance and compliance, ICSA, and its members, are well placed to provide input on the proposal relating to an international framework for public sector governance, given the breadth of their practical experience and understanding relating to the regulation and governance of organisations. The response below has been developed in partnership with members and non-members working within the governance and compliance arena.

General comments

ICSA has developed a number of governance codes and supporting documents in a range of sectors, including the UK corporate governance code, the code for charities and community organisations and governance principles for NHS clinical commissioning groups. We therefore believe that we are well placed to provide comments to inform your thinking regarding the development of an international framework. Before responding to the specific questions highlighted in the consultation document, ICSA would like to offer the following observations.

International reference group:

Given the suggested definition of governance used within the proposed framework, it would be beneficial to be informed of the collective experience of the reference group.

Demonstrating that the experience of the group fully encompasses all aspects of good governance: political, economic, social, environmental, administrative, and legal, would add to the value of the final document by extending its relevance to audiences beyond the accountancy field.

Audience:

On reading the document it is unclear as to what types of entities the document is aimed at. The proposed framework refers to the public sector, but sections 1.11 to 1.14 appear to focus on arrangements more familiar to governments; both national and local. Public sector

organisations may primarily be local authorities, but as the document mentions in the foreword, this is not exclusive and other types of organisations can also be deemed to operate in the public sector. A clear and consistent statement as to the target audience and more supporting descriptions as to the governance arrangements within them would help to improve clarity and understanding.

Governance and management:

Within decision-making bodies it is not unusual for there to be some confusion between governance and management activities. The framework would benefit from ensuring that the final version provides clarity between the two, especially principle D and the references to joint working.

Specific comments to questions asked

Q1. Do you support the proposed definition of governance, including how it is applied to define good governance in the public sector? If not, how do you think it could be improved?

There have been many attempts to define governance in the different sectors of the economy in order to make the term specific and acceptable. In the view of ICOSA, the Cadbury definition continues to be the clearest and simplest to understand. ICOSA would therefore suggest the following as a more appropriate definition of governance:

Governance is the system by which organisations are directed and controlled.

Q2. Are the definitions used for other terms in Appendix C suitable for this international framework? If not, how do you think they could be improved? Should additional terms be included?

Assurance: An additional focus should cover the difference between board assurance and reassurance. The ability of governing bodies to be aware of the difference is fundamental to them performing their monitoring and oversight role. It is therefore suggested that the definition be included to cover this important aspect of governance.

Impact: A definition of the wider impacts a decision has could be included to cover those intentional and unintentional aspects a decision may have had on society in the short, medium and long term.

Q3. Do the principles cover all the fundamental areas of good governance for the public sector? If not, how do you think they could be improved?

The principles are suitably high level to be adapted and implemented in a range of organisations. What may require further explanation is the definition of 'public interest' and how competing interests need to be balanced. The reality of competing public interests will impinge on the ability of good governance benefiting all society. The final document may therefore wish to include more information on recognising and managing competing interests and qualifying the definition of public benefit.

Q4. Is the commentary for each principle and sub-principle adequate to promote best practice? If not, how could it be improved?

The draft framework rightly tries to link decisions to objectives, values and outcomes. There appears little regard, however, to the wider impact of those decisions which may have an adverse effect on the stated intentions of the governing body.

Q5. Do the examples provided help explain how to apply the principles in practice? If not, how could they be improved? Can you suggest further examples that could be included?

The examples are useful to flag up areas of governance practice. They could be improved by providing more information to enable readers to gain meaningful insight as to how and why certain actions and activities are in place. Fewer examples with greater detail would be more beneficial to illustrating each principle.

Q6. Do the evaluation questions for each principle help assess its application in practice? If not, how could they be improved?

The questions pose interesting challenges to governing bodies to answer.

Q7. Do you have any other suggestions or recommendations for further improvement of this international framework?

Nothing other than the comments previously mentioned.

Q8. Are there any important resources missing from Appendix D?

The document would benefit from references in governance that focus on the broader aspects, as defined in the document, of governance. Ensuring the final framework includes a balance of questions, examples and references that reflect the political, economic, social, environmental, administrative, and legal aspects of governance would add value to the document and add relevance to a wider audience.

Historically, governance may have been concentrated on the checks and balances involved in ensuring good governance. That perspective has now been expanded to include board behaviours and diversity. The document would therefore benefit from greater inclusion and reference to the importance of behavioural aspects in sound decision-making and the benefits of diversity within the governing body.

Should you have any questions regarding the Institute's response to this consultation, please do not hesitate to contact me.

Yours sincerely,

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