

**G**OVERNANCE **FORUM**

*Code of Practice for the Governance  
of State Bodies-2009*

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*September 2009*

# What should a Governance Code contain?



- A framework within which organisations can operate effectively
- Arrangements by which power is delegated and limited

# The 2009 Code - governance requirements for State Bodies

- Serve the interests of the taxpayer
- Pursue value for money
- Act transparently as public entities
- *...and* should comply with statutory requirements and meet the highest standards of corporate governance

# Governance Codes are influenced by recent events

- Transforming Public Service Programme
  - Role and structure of State bodies
  - Need for a performance framework
  - Capacity of Departments to discharge oversight?
- Governance controversies in private and public sector
- Crisis in public finances

# What is in the 2009 Code?

- Board Process
  - More detail on confirmation of compliance
  - Performance review of Board and Directors
- Performance framework
- Risk management process
- Specific procedures
  - Chairperson's report, Procurement ,Travel, Legal disputes

# Structure of the Code

## **Board Process**

- The Board and Directors
- Remuneration

## **Accountability**

- C. Risk Management, Accountability, Audit
- D. Relations with Oireachtas and the Minister
- E. Specific Procedures

# Board Obligations

- Statutory Functions
- Other relevant legislation
  - e.g., Employment, Health and Safety, Freedom of Information
- Ministerial direction
- Code of Practice

## Board role and responsibilities

- A formal schedule of matters reserved to it (2)
- Confidential disclosures
- Formal process for setting strategy
- Review composition of Board
  
- Procedures to manage conflicts of interest (5)

# Director responsibilities and supports

- Confirm responsibility for preparing accounts (3.3)
- Should bring any evidence of non-compliance to the attention of fellow board members (3.5)
- Compliance with written *Code of Business Conduct*
- Receive a formal induction and briefing

# Remuneration must reflect Government pay policy

- Government policy to be implemented in respect of remuneration
  - Board Fees to be at rates authorised by the relevant Minister
  - Confirmation in the Chairperson's annual report

# Issues to be developed

- Model of performance framework
- Stakeholder engagement
- Board appointments
  - Role descriptions
  - Competencies
  - Departmental officials as directors

# Accountability

- C. Risk Management, Accountability, Audit
- D. Relations with Oireachtas and the Minister
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# Public sector boards differ from private sector boards

- Complex objectives
- Private sector boards tend to have more discretion
- Composition
  - Different nomination process
- Relations with shareholders/ stakeholders
- Accountability

# Controls and Assurance

Board responsible for control environment and assurance arrangements

Management responsible for internal controls and management of risks

This incorporates:

**Compliance with  
policies, plans,  
procedures, laws  
and regulations**

**Reliability and  
integrity of  
information**

**Economical and  
efficient use of  
resources**

**Safeguarding  
of assets**

# **Risk management, Accountability, Internal control, Internal Audit**

- Risk management framework and policy as well as Boards oversight role
- Audit committee
- Internal audit function

# Relationships with the Oireachtas and Minister

- Performance framework including output statements
- Specific timelines for reports and accounts
- Annual report and Chairpersons report
- Accounting officer role to gain assurance and be satisfied

# Specific procedures to be followed

- Subsidiaries and Acquisitions
- Procurement
- Capital Investment Appraisal
- Travel
- Asset disposals
- Tax compliance ( no tax avoidance schemes)
- Legal disputes with other state bodies

# Appendices

- Ethics and Standards
- Code of Business conduct
- Internal Audit charter
- Quality customer service
- Chairperson report
- Travel policy

# Issues to be further developed

- Departmental oversight
- Growing a risk management culture
- Internal Audit Standards
- Dialogue with Oireachtas Committees

# Attributes of a good relationship with Minister and Department

- Clarity on expectations
- A two way dialogue
- Effective delegation

# Audit and controls

- Pursuing value for money
  - incentives to behaviours
- Skills can be an issue
- Variations in the capacity of internal audit functions

# In Conclusion

- The new Code provides greater clarity on many issues
  - Inevitably influenced by events - difficult financial environment, recent controversies
- Good Governance depends on
  - people and the values they adopt
  - “Focussing on the organisation’s purpose and outcomes for citizens and users”
- Good Governance makes the achievement of objectives more likely