

Corporate governance for public sector organizations

Corporate governance is as important in the public sector as it is to public companies. Taxpayers are demanding that public sector organizations be well governed and operate in an ethical and compliant manner.

Why Boards need to improve governance in public sector organizations

<p>Understanding governance requirements</p>	<p>Public sector organizations generally have no such specific governance requirements other than those prescribed by the Act under which they are incorporated or by a memorandum of understanding with the Government ministry to which they report.</p> <p>While some public sector organizations are following private sector developments and adopted several best practices in governance, many still have room to improve governance and accountability.</p>
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Developing your organization's corporate governance framework

<p>Elements of a comprehensive, effective, and robust governance framework</p>	<p>A comprehensive, effective, and robust governance framework is essential to improving and maintaining governance practices in public sector organization, and includes the following fundamental dimensions:</p> <ul style="list-style-type: none"> • Board mandate and committee charters • Board orientation and education • Audit committee essentials • Ethical business conduct • Disclosure and the annual report • Annual self-assessment <p>Each of these dimensions is explained in further detail below.</p>
<p>Board mandate and committee charters</p>	<p>Boards should adopt and disclose mandates and charters to clarify objectives and expectations and ensure clear lines of effective accountability. The mandate and committee charters should include the roles, responsibilities, and authorities of the committees, the chair and individual members. In addition, Board committees should create annual work plans that proactively specify areas of focus for the fiscal year. Annual work plans will determine meeting agendas and set out management's responsibilities for deliverables to the Board and the Committees. This mandate is separate from the one in the Act under which the entity is incorporated or in the Memorandum of Understanding between the entity and the Ministry to which it reports.</p>
<p>Board orientation and education</p>	<p>Governing a public sector organization is demanding and often straddles commercial business and public policy spheres, and the orientation and education of Board members is paramount to good governance. At a minimum, the standardized orientation program should provide sufficient detail on the business operations and operating environment, governance, and financial literacy. In addition, the Board should provide ongoing professional development to ensure that members maintain or improve their skills, and continue to deepen their understanding of the organization and its operating environment.</p>

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Developing your organization's corporate governance framework (continued)

<p>Audit committee essentials</p>	<p>Canada has kept pace by imposing new requirements on the membership and responsibilities of Audit Committees of public issuers (CSA MI 52-110, for example), following highly publicized corporate scandals and ensuing regulatory measures implemented in the United States. Although these regulations do not apply to public sector organizations the underlying practices are sound and improve corporate governance and accountability. Our report, Audit Committee Effectiveness – What Works Best (3rd Edition) identifies leading practices for Audit Committees to move from a reactive to a more proactive role in fulfilling its financial accountability and oversight responsibilities.</p>
<p>Ethical business conduct:</p>	<p>Ethical behavior at the Board level sets the “tone at the top” sends a clear message to management, staff, and organization stakeholders. As stewards of the public sector organization, directors are expected to demonstrate a high standard of professional conduct, integrity and ethical behavior, to maintain the public's confidence in the Directors, and the organizations they govern. Boards should adopt and disclose publicly, a code of conduct and ethics for directors, officers, and employees, which should address conflict of interest, protection and use of the organization's assets, compliance with laws, rules, and regulations, to name a few.</p>
<p>Disclosure and the annual report</p>	<p>Reporting on and disclosing on activities and performance is fundamental to good governance, and the annual report is the Board's primary vehicle for disclosure. The annual report, however, should go beyond its core elements of Management's Discussion and Analysis of results and the audited financial statements, to include information such as the governance structure, codes of conduct, and corporate social responsibility. The Canadian Institute of Chartered Accountants has prepared guidance on the preparation and disclosure of non-financial information in annual reports.</p>
<p>Annual self assessment</p>	<p>Like management, Boards require feedback on how they are performing as a group, how their committees are functioning, and how individual members are performing their responsibilities. Boards should conduct annual assessments, introducing evaluation in stages, starting with the Board and committees, then including the Chair and individual members. Assessments should be carried out against clear expectations, measure performance of duties and responsibilities against relevant charters and mandates, and determine areas of particular focus for the coming year.</p>

Next steps in improving public sector board governance

<p>How we can help</p>	<p>The transparency and rigour of governance and accountability regimes for public institutions is an area of growing concern for Governments and the general public. PricewaterhouseCoopers can provide independent, objective and experienced advice on improving Board effectiveness, and establishing a comprehensive, effective, and robust governance framework in public sector organizations.</p>	
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