

Corporate Governance in the Public Sector

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A Definition:

“Corporate governance generally refers to the processes by which organizations are directed, controlled, and held to account.”

Australian National Audit Office

Another Definition:

“The framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives.”

Audit Commission for England and Wales

Public v. Private

Private:

- Accountable to shareholders
- Motivated by profit
- Regulated – by law or compliance
- Audit Committees
- Non-executive directors
- Competitors
- Efficient and ruthless
- Corporate governance principles established

Public v. Private

Public:

- Accountable to citizens?
- Motivated by service – making a difference
- Considerable regime of inspection
- Audit Committees?
- Politicians and bureaucrats
- Sole supplier of service – the citizen has no choice
- Inefficient and weak
- Corporate governance a new concept

Characteristics – Hard & Soft

- Leadership and vision
- Culture – based on openness and honesty
- Accountable – systems of internal control
- Focus on citizen need
- Ethical and moral – transparent in everything
- Effective decision making

A Framework

- Clear constitution
- Independent scrutiny function
- Clear rules and regulations
- Direct accountability to citizens?
- Audit Committee
- Effective risk management & internal control
- Effective internal and external audit
- Key decisions made in public

Key Risks – The Audit Challenge

- Inadequate risk management
- Poor financial management
- Questionable standards of conduct
- Ineffective internal audit
- Patchy adoption of audit committees
- Inadequate performance management
- Poor project management
- Lack of accountability and clarity
- Poor leadership

The Four Pillars

- The Board – Council, Executive Management etc.
- Audit Committee, Scrutiny function etc.
- External Audit
- **Internal Audit**

The Role of Internal Audit

- Provide independent, unbiased assessment of the governance structure and the operating effectiveness of specific governance activities.
- Acting as an advisor or advocate, being a catalyst for improvement in governance structure and practices.

Effective Public Sector Internal Audit

- Organisational independence
- A formal mandate or charter
- Unrestricted access
- Properly resourced
- Competent leadership and staff – CIA
- Stakeholder support
- Work to Professional Standards - IIA

The Role of Internal Audit

- Oversight –
 - Are they doing what they are supposed to?
 - Are they complying with laws and regulations?
 - Are managers managing risk?
 - Is policy being properly/effectively implemented?
 - Detection and prevention of fraud and corruption.

The Role of Internal Audit


- Insight –
 - Are programs and policies working?
 - Share best practices.
 - Cross-cutting reviews as well as service reviews.
 - Adding value by improving systems and practices.

Role of Internal Audit


- Foresight –
 - Identifying trends before problems arise.
 - Identifying risks that have yet to materialise.
 - Help the organisation to set its risk appetite taking into account all known current and future risks.

Role of Internal Audit

- Serve as check on abuse of power.
- Focus on the needs of the citizen.
- Ensure the citizen gets 'best value'.
- Evaluate performance against stated aims.
- Provide whistle-blower support – hotline.
- Help management see the 'big picture'.
- Audit the corporate governance regime.

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“Good governance is more than making sure that things do not go wrong or fixing them if they do. Good governance adds value; it ensures effectiveness in ever changing circumstances.....”



“.....It achieves more than meeting performance targets; it balances the need for compliance with the benefits of being creative about what the organisation does and how it does it.”

Audit Commission for England & Wales

Finally....



**Internal Audit protects the interests
of the citizen.**

They are our ultimate client!