26 June 2015

Robert Watt

Secretary General

Department of Public Expenditure & Reform

Government Buildings

Upper Merrion Street

DUBLIN 2

Ireland

Dear Robert

**Draft Corporate Governance Standard for Central Government Departments**

Thank you for your invitation of 5 June 2015 to CIPFA to contribute to the development of this Corporate Governance Standard, which we are very pleased to do.

The Chartered Institute of Public Finance & Accountancy (CIPFA) is the only professional body that is dedicated to improving public financial management, governance and performance in public bodies. Whilst UK-based, CIPFA now has members in virtually all time zones in the world and we are now training more public accountancy students outside the UK than inside the UK. Recognising the public sector reform programme in Ireland, we have appointed a senior executive Brian Donnellan to help develop our presence in Ireland’s public services.

Brian and I had the opportunity to meet with your Head of Government Reform and his colleagues late last year to discuss governance issues and to share CIPFA’s professional expertise. For information, CIPFA is holding an event to promote good governance by highlighting the IFAC/CIPFA standards on 2 September in Dublin. We would be pleased for your Department to participate in this event, which could provide a platform to reinforce the Standard and to provide a pathway to good governance in central government.

CIPFA welcomes the lead taken by the Department of Public Expenditure and Reform (DPER) to produce this Draft Standard for government departments in Ireland and is a very welcome initiative in seeking to improve governance. Overall, we consider this draft document to be a solid foundation which can be enhanced further by considering the general and specific responses we make below.

*General response*:

1. CIPFA recognises that in all jurisdictions there will be a debate (and sometimes tensions) between central ‘control’ and devolved ‘autonomy’. In CIPFA’s view, in the area of corporate governance in public bodies, there is a strong argument for a central approach to ensure that the basics of corporate governance are consistently understood and applied in practice across all public bodies on a ‘comply or explain’ basis. The need for consistency is particularly relevant given the generalist nature of civil servants in central government and the movement of personnel across departments during their careers.
2. Our preference for a centralised lead, as taken by DPER, is also supported by the generic nature of aspects of governance that should be consistently applied irrespective of the function and remit of the government department. We welcome the reference in the Draft Standard to the IFAC/CIPFA International Framework ‘Good Governance in the Public Sector’ (2014) which provides high level principles as well as practical guidance on good governance that can be adopted and applied across the span of public entities.
3. In the Draft Standard, you may wish to present the IFAC/CIPFA principles as inter-related with the core principles, Behaving with Integrity and Ensuring Openness, depicted at the heart of good governance.
4. The Draft Standard (for example on Page 4) appears to us to narrow the broad principles of governance into ones that ‘are appropriate to departments’ and these focus on accountability, the management board, roles and responsibilities and compliance. This structure is used for the rest of the document. The Draft Standard therefore has a lot of material on roles, responsibilities and relationships, but contains less guidance on other governance aspects. CIPFA believes it would be beneficial to have greater reference to how the other governance principles (referred to on page 3) can flow through the Draft Standard. For example:

* Department values, behaviour and culture are mentioned on page 9 - how values underpin decisions and reporting could be referred to on page 24.
* Departments should seek to achieve sustainable outcomes and consider the combined economic, social and environmental impact of policies, plans and decisions. This could be encouraged in the Draft Standard, for example where the terms of reference for the Management Board are mentioned on page 24.
* The International Framework stresses that acting in the public interest means taking a longer term view despite short term factors – such as political cycles- which favour short term decision making. Being transparent about where there are potential conflicts is an aspect that could be considered in the Draft Standard.

1. For the Draft Standard to be effective, CIPFA recommends the document should set out each specific standard as clearly as possible. As it currently stands the Draft Standard intermingles general governance principles with the required ‘standards’. DPER may find the HM Treasury ‘Corporate Governance in Central Government Departments’ (2011) useful as it sets out a very clear approach.
2. In CIPFA’s experience, departmental management boards need to move away from a ‘management’ function to a ‘leadership’ function. It may fall outside the scope of this consultation process, but changing the nomenclature to drop ‘management’ and have a Departmental Board would signal change. This will also allow Government Departments to be governed by a Board in the true sense of the word and one which is commonly understood.
3. In a number of places the Draft Standard rightly emphasises the need for roles and responsibilities to be embedded, e.g. in chapter 2 and on page 19 for staff. For this to happen effectively, CIPFA recommends that structured training is developed to enable politicians and staff (at all relevant levels) to understand governance in public bodies, the Standard, their roles and responsibilities and how these should operate in practice.

*Specific response*

1. CIPFA welcomes the emphasis that the Draft Standard places on values, behavior and culture in departments because, in our experience, this is where the greater risk of governance failure lies. DPER may wish to emphasise this upfront in the introductory paragraph of the Standard on page 1 to augment the point about structures, policies and processes.
2. The Draft Standard helpfully sets out features of the Departmental Management Board on page 5. CIPFA welcomes the need for central government departments to have a more ‘corporate’ Management Board avoiding the risk of focusing only on functional areas. The Draft Standard helpfully emphasises this again on page 23.
3. However, CIPFA believes that Departmental Management Boards would benefit from external independent membership (in addition to the proposal for an independent Chair of the Audit Committee). For example, the Northern Ireland Civil Service model typically includes two Independent Board Members for each government department, which adds value in terms of objectivity, challenge and broad experience.
4. CIPFA welcomes the proposal for a periodic review of Board effectiveness. There are huge benefits to a Board taking time to reflect and assess the extent it is meeting its objectives, for example, as the Standard suggests, it can proactively help to identify and address governance weaknesses.
5. In CIPFA’s experience, whilst there are some benefits of self or peer assessment, there are also many risks and pitfalls, not least the practice of some Boards believing they are performing more effectively than they actually are because of a lack of objective and independent review. For this reason, CIPFA recommends external facilitation of a Board effectiveness review should be undertaken annually and a more comprehensive external governance review should be undertaken every five years.
6. CIPFA has developed tools that can help public bodies to undertake such reviews including our Governance Mark of Excellence which is formal accreditation recognizing the journey taken to good governance in a public body.
7. Chapter 2 of the Draft Standard helpfully sets out the various Ministerial and management roles in a department. In CIPFA’s experience, whilst understanding roles and responsibilities is important, the challenge is to ensure these roles are effectively carried out in practice. For example, ensuring Ministers do step over the mark to get involved in departmental operational matters; Secretary General’s do not hide risks or sensitive issues from Ministers; and Special Advisers do not have undue political influence that could undermine the best interests of the public.
8. In CIPFA’s view, the Draft Standard goes into unnecessary detail, e.g. on page 15 (3rd paragraph) by referring to ‘Governance standards should also recognise that the Ministerial, relationship can occur routinely at any time and not be confined to normal working hours.’
9. The Draft Standard on page 19 should clearly indicate in the paragraph heading ‘Special Adviser’ that it concerns ‘Special Advisers to the Minister. It is our view that, as it currently stands, a reader may initially think it refers to special advisers to the Management Board. We also recommend that this section be expanded and developed further to set out the governance requirements in relation to managing the interactions with the Special Advisers.
10. CIPFA welcomes the proposal that membership of the Management Board should be extended to augment the Board’s existing skills (reference page 5 of the Standard). However, CIPFA believes this should be strengthened to ensure each Management Board has a qualified accountant as a full member, who can advise the Board on strategic and operational financial management matters and act as a check against ‘ultra vires’ spending and risky projects. It would also strengthen the Board if there was an emphasis on it obtaining other specialist professional advice when required (e.g. legal advice).
11. In CIPFA’s experience, there is a wide variation in the quality and quantity of reporting to Boards of public bodies. We therefore agree (reference page 26) that each Board should be clear about the information it needs to help it function effectively and to support its decisions. We have found that the use of modern technology and bespoke software can help make better use of resources to support Boards.
12. The Draft Standard (in chapter 4) helpfully sets out governance arrangements in respect of bodies under their aegis. This is another area where a sensible balance between control (by the department) and autonomy (of the sponsored arms-length body) is required. CIPFA has found that the publication ‘It Takes Two – A Framework for Effective Relationships between Government and its ALBs’, jointly published by the UK-based Institute for Government and Public Chairs’ Forum, helpfully sets out principles and good practice guidance to help strengthen such relationships.
13. CIPFA supports the good practice for departments to have a governance framework that sets out its audit and assurance arrangements, as recommended on page 32 of the Draft Standard.
14. However, the Standard also proposes that a compliance framework should be developed to accompany the governance framework. CIPFA considers this requirement risks becoming exceptionally broad and onerous as it may be very difficult to certify that departments are in full compliance with every possible law that may be relevant.

In summary, CIPFA welcomes the Draft Standard. We believe there are many valid points included that will help to improve governance in central government departments; however, we believe the Draft Standard could be enhanced further. CIPFA is happy to advise, in any way we can, on how to strengthen the Standard and build governance capacity and capability in central government departments in Ireland.

Thank you for your consideration.

Yours sincerely



**Stephen G Mungavin**

Head of CIPFA Northern Ireland

T: 028 9026 6770

Email: [steve.mungavin@cipfa.org.uk](mailto:steve.mungavin@cipfa.org.uk)