

Quality Governanceor Bust!

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Poor Quality Governance: As Useful as a Chocolate Teapot!



Independent Commission on the Future of the Cyprus Banking Sector: Final Report and Recommendations

It is no exaggeration to say that the effectiveness of corporate governance in Cyprus' banking sector, while possibly compliant in a formal sense, was close to non-existent in practice as the crisis evolved.

Paragraph A.9 (Extract)

**What does “Governance”
mean to you?**

Some Definitions of Governance

Corporate governance is the **system** by which companies are **directed** and **controlled**.

UK CORPORATE GOVERNANCE CODE

Some Definitions of Governance

Corporate governance is to help build an **environment of trust, transparency and accountability** necessary for **fostering long-term investment, financial stability and business integrity**, thereby **supporting stronger growth and more inclusive societies**.

**G20/OECD PRINCIPLES
OF CORPORATE GOVERNANCE**

Some Definitions of Governance

Governance comprises the **arrangements** put in place to **ensure** that the intended **outcomes** for **stakeholders** are **defined** and **achieved**.

**CIPFA / IFAC GOOD GOVERNANCE
IN THE PUBLIC SECTOR: SUPPLEMENT**

Some Definitions of Governance

The function of governance is to **ensure** that an **organization** or partnership **fulfils** its overall **purpose**, **achieves** its intended **outcomes** for **citizens** and **service users**, and operates in an **effective**, **efficient**, and **ethical** manner.

**THE GOOD GOVERNANCE STANDARD
FOR PUBLIC SERVICES**

Some Definitions of Governance

Governance is concerned with **structures, processes for decision making, accountability, control, and behaviour at the top** of the organization.

**GOVERNANCE IN THE PUBLIC SECTOR:
A GOVERNING BODY PERSPECTIVE, IFAC 2001**

Some Definitions of Governance

Public sector governance covers the set of **responsibilities** and **practices, policies,** and **procedures,** exercised by an agency's executive, to provide **strategic direction,** ensure **objectives** are agreed, **manage risks,** and use resources **responsibly** and with **accountability.**

**AUSTRALIAN PUBLIC
SERVICE COMMISSION, 2006**

strategic
stakeholders decision
relationships defined
achievement
transparency management
accountability
arrangements
objectives board ensure
risks purpose
ethical control
performance structure processes
policies monitoring
shareholders practices
procedures leadership effective manage
efficient structures
outcomes

The Value of Governance

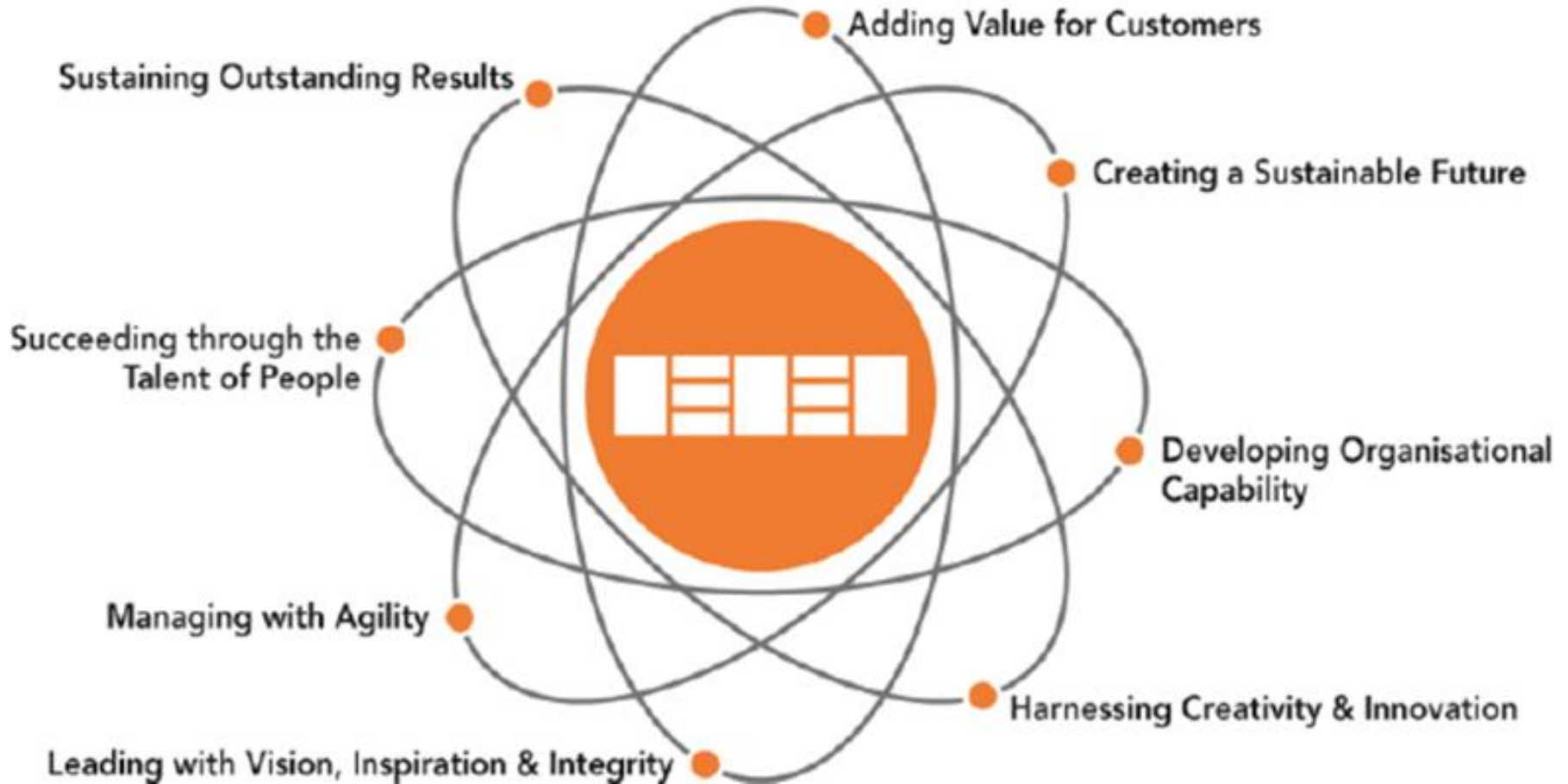
“...encourages the trust and participation of the public and allows the Organizations to improve the services they offer.”

Auditor General of the Republic of Cyprus

The “New Governance Team”: Governance in the Public Sector



The Eight Fundamental Concepts of Excellence



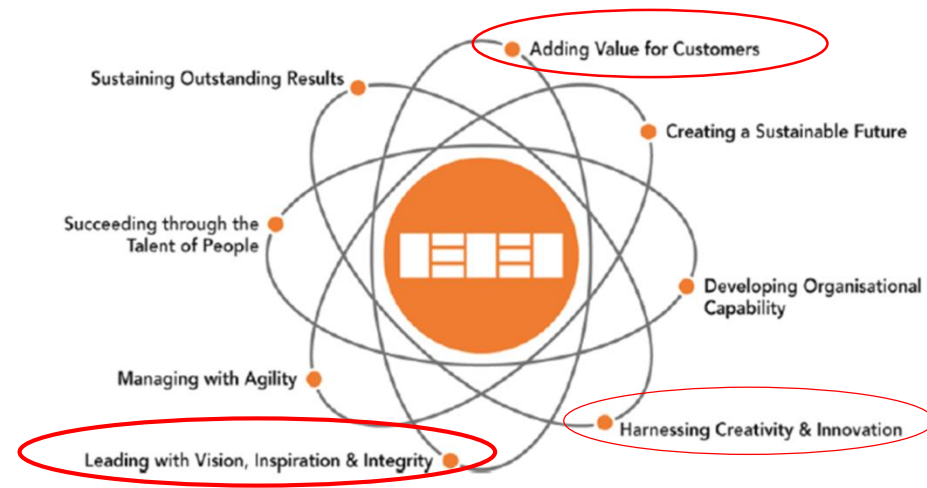
Public Sector Governance:

Mapping the Draft Code to an Excellence Framework

Main Principle A:

The Board ensures the organisation upholds clearly **defined values and engages its stakeholders as partners.**

1. The Board ensures the existence of **clearly defined and well communicated organisational values**, and holds management to account for applying and instilling these values throughout the organisation.
2. The **Board exemplifies the organisational values** in the way it fulfils its role and responsibilities.
3. The Board ensures the organisation adheres to **systematic communication and consultation with stakeholders**, in order to identify their legitimate needs and expectations and receive feedback for **enhanced service provision.**



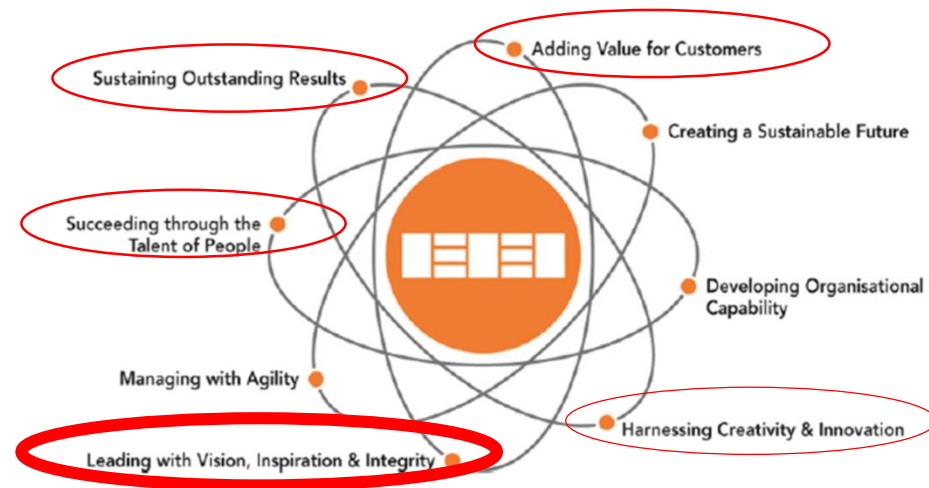
Public Sector Governance:

Mapping the Draft Code to an Excellence Framework

Main Principle B:

Based on the organisations purpose and vision, the Board adopts a **properly resourced strategy that balances the needs and expectations** of stakeholders in the best interest of the organisation **over the long term.**

1. The Board ensures adherence to a **well-defined organisational purpose and vision** that clearly identifies the **high quality goods and services** stakeholders should expect.
2. The Board establishes the **goals and objectives** of the organisation that are aligned with its organisational purpose and vision.
3. The Board ensures the existence of a current and approved strategy that is properly resourced and supported by **key performance indicators.**
4. The Board approves an **annual operational plan and related annual budget** that supports the wider strategy.



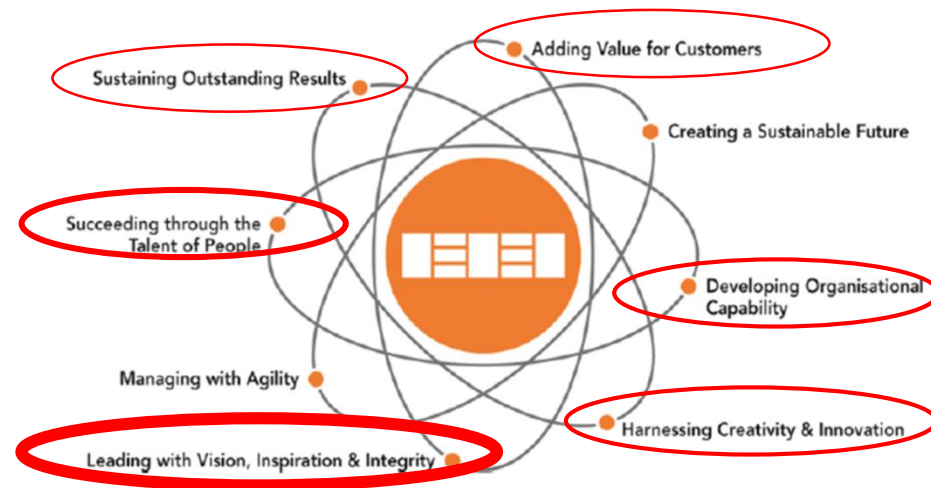
Public Sector Governance:

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Main Principle C:

The Board ensures the organisation has the **capacity** necessary to fulfil its strategy.

1. The Board ensures the organisation has the **human resource capacity** to carry out its organisational strategy.
2. The Board appoints an appropriately **qualified, experienced and capable Managing Director to lead the executive** function in pursuit of organisational purpose, vision, goals and objectives.
3. The Board oversees the adequacy and effectiveness of the organisation's **technology and information management**.
4. The Board ensures **all other capacity needs** of the organisation are identified and met.



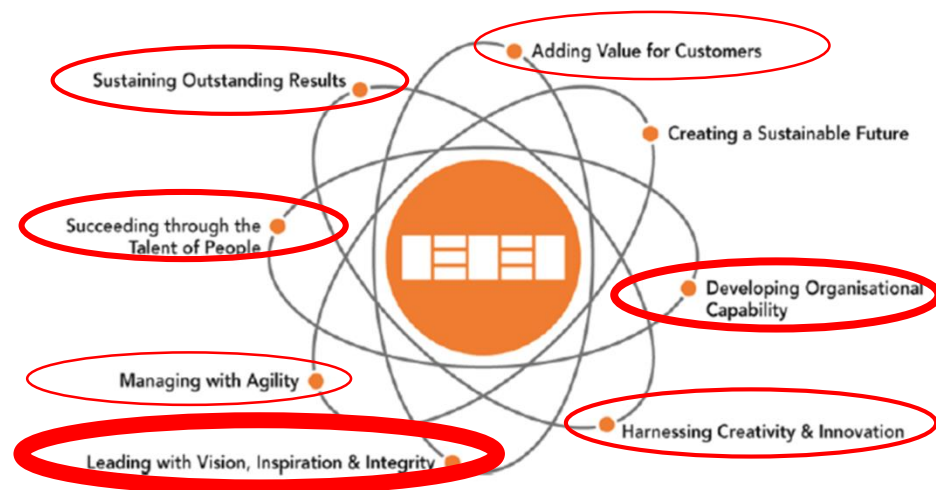
Public Sector Governance:

Mapping the Draft Code to an Excellence Framework

Main Principle D:

The Board **governs risks and internal control** in a way that supports the organisation in **setting, and achieving, its strategy.**

1. The Board approves **organisational limits to risk exposure**, and ensures adherence by management.
2. The Board ensures that management **establishes a comprehensive, effective and robust risk management and internal control system** upon which it can place reasonable reliance.
3. The Board reviews **significant risk exposure** of the organisation, and management's **planned and actual responses to existing and emerging risks.**
4. The Board ensures **compliance with other policies** it has approved, including those that establish the parameters within which management must operate.



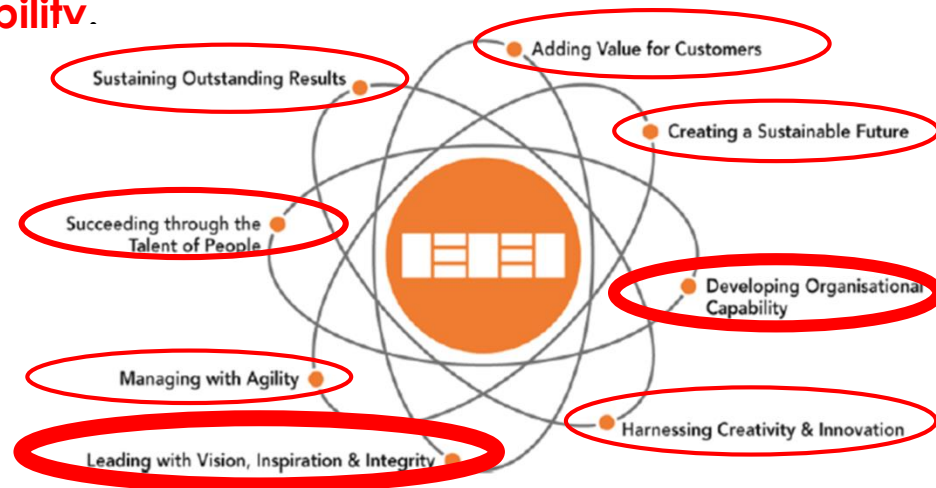
Public Sector Governance:

Mapping the Draft Code to an Excellence Framework

Main Principle E:

The Board provides the required oversight to assess organisational conformance and performance, ensuring timely and accurate reports are produced for **informed decision making**.

1. The Board ensures it receives **quality information** in the appropriate form to enable it to **review organisational performance** against agreed standards and targets, holding management accountable accordingly.
2. The Board takes **proactive and remedial action** necessary to ensure organisational conformance with applicable laws & regulations, and alignment with required standards.
3. The Board implements **reporting practices** in accordance with industry standards and expectations to **deliver effective accountability**.
4. The Board implements **integrated reporting** to **communicate to stakeholders** the outcomes of its **financial and non-financial activity**.



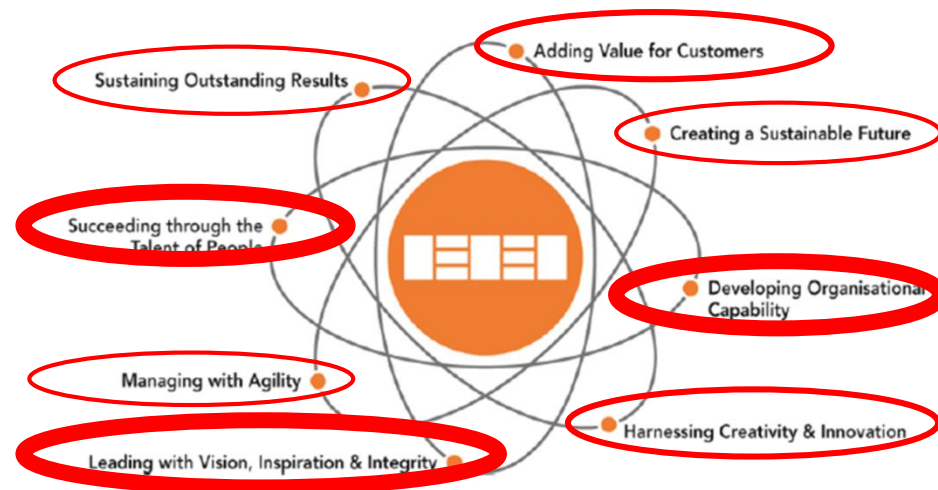
Public Sector Governance:

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Main Principle F:

The Board is comprised of the appropriate balance of **knowledge, skill, experience, diversity and independence** for it to discharge its governance role and responsibilities competently and objectively

1. The Board seeks appropriate **member composition** and ensures **appropriate committee structures** to provide informed discussion and sound decision making.
2. The Board has a **clearly defined governance role**, to exercise its associated duties and responsibilities.
3. The Board seeks to be **led by an effective Chair** who is responsible for leading and managing the Board.
4. The Board adopts **administrative processes** that will ensure the **Board functions efficiently and to a high professional standard**.
5. The Board ensures that **relations** with management and between members are **respectful but still conducive to constructive challenge**.
6. The Board ensures it continues to improve its performance through **regular self-evaluation** leading to appropriate efforts to develop its capacity.
7. The Board ensures the implementation of this Code and **will report on the non-implementation of any of its principles**.



The “New Governance Team”: Governance in the Public Sector

