Code of Public

Sector Governance

2019 Edition

Use of the Code

This Code of Public Sector Governance does not need necessarily replace existing governance codes. Instead, it is anticipated that those Organisations who develop and set governance codes, will either adopt this Code or refer to it for updating and reviewing their own codes. In case of a conflict between legislation and the Code, the law prevails.

Acknowledgements

The New Governance Team, operating under the auspices of the Institute of Directors (Cyprus Branch), would like to give its sincere thanks to all those Organisations that have supported the creation of this Code.

The following are worthy of special mention:

- the Institute of Certified Public Accountants of Cyprus
- the Cyprus Institute of Internal Auditors
- the European Institute of Management & Finance
- the Cyprus International Institute of Management
- the Cyprus Quality Association

We are especially grateful to the individuals within these Organisations that have given their professional support, on a purely voluntary basis. Beyond individuals within the Organisations listed above, other people, too numerous to mention, have, over the past few years, also provided expert guidance and advice which has proved to be of incalculable value. Also - and perhaps most importantly - the moral support and encouragement provided by everybody we have consulted with since the inception of this project, has been a critical factor to reaching this stage and is truly appreciated. The New Governance Team looks forward to continuing its association and collaboration with all the aforementioned.

The New Governance Team

The major members of the New Governance Team are:

Petros Florides — Senior Director, Global Governance (Europe, Middle East & Asia), World Vision International

Marios Siathas — CEO, European Institute of Management and Finance (EIMF)

Chrystalla Asimenou — Former Director of Audit, Audit Office of the Republic of Cyprus

Sotos Shiakides — Former Head of the Cyprus Academy of Public Administration

Andreas Ioannides — In charge of Quality Administration and Risk Management, EAC.

Chairman of the Cyprus Quality Association

Every member of the Team worked under his/her personal capacity and not as a representative of the organisation at which he works/worked. In addition, other people at times worked with and supported the Team.

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A Foreword

Following the global financial crisis of 2008-09 and the subsequent economic difficulties that plagued Cyprus in 2013, it has become evident that good governance can no longer be considered optional nor can it be applied voluntarily.

When discussing the provision of essential public services supported by the taxpayer and/or operating in a monopolistic environment, who would argue against transparency, accountability, responsibility, honesty, fairness, efficiency, effectiveness and sustainability? The purpose of this code is to maximise the value received by the general public from these service providers through enhanced public administration and better governance. This Code, has been written to apply to the wider-public sector organisations that are governed by Board of Directors. However, we consider the principles contained within this Code to be applicable to all organisations and encourage its widest adoption.

The value of good governance is emphasised in the European Commission's recent recommendation for Cyprus which calls the country to adopt key legislative reforms aimed at improving efficiency in the public sector, including governance of state-owned entities and local authorities (COM(2018) 412 final).

Under the auspices of the Institute of Directors (Cyprus Branch) and in response to the overwhelming public demand, the New Governance Team (NGT), comprised of volunteers from the public, private and other sectors with long experience in this or related fields, has developed a code of governance specifically to cover the needs of the Cypriot public sector. The work of the team is supported by: The Institute of Certified Public Accountants (ICPAC), the Cyprus Institute of Internal Auditors (IIA Cyprus), the European Institute of Management and Finance (EIMF), the Cyprus International Institute of Management (CIIM) and the Cyprus Quality Association (CyQA).

This Code builds on the strong foundations laid out by other local organisations, whilst incorporating more recent developments such as reporting on both financial and non-financial activity and outcomes and more active engagement in the governance process by interested parties. Furthermore, this Code has been written to provide practical guidance regarding the implementation of the main governance principles contained herein. This should ensure that any Organisation can implement practices that lead to good outcomes, irrespective of its current proficiency in governance.

In developing this Governance Code for the public sector, the NGT was informed by a variety of sources, including:
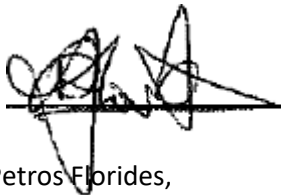
- A public survey commissioned after the 2013 financial crisis regarding Cypriot public expectations on a range of relevant issues;

- All current relevant legislation;

- A 'best-in-class' selection of existing national and international governance frameworks and codes;

- Private consultation with experts on the subject matter;

- Discussions with public sector representatives;

- Academic and professional experience in the fields of organisational learning and development, risk management, accounting, audit, quality assurance and governance, and; ,' which should be understood as follows:

  An organisation that adopts the code must either comply with all the provisions contained under each principle or, in case of non-compliance with a particular provision, explain, with sufficient detail and clarity, how the relevant principle is still being upheld. **In other words, the only issue to consider is 'how' the principles are upheld and not 'if'.**

Governance regulates the inter-relationship between the owners, directors and managers, in a way that ensures transparency, accountability, honesty, fairness and sustainability. Good governance can only occur when those who have entrusted others with management and the oversight of resources hold them accountable for their performance against clear expectations. In the public sector's case, this does not only refer to government authorities but to all interested parties, including the consumers of goods and services of the Organisation and the wider tax-paying public. In turn, Boards of Directors in the public sector must engage with these interested parties in an open and constructive manner and fully appreciate the value of the trust that will accrue as a result.

It is our pleasure to offer this Code of Governance to the public sector as a means of advancing ever- higher standards and the development of a culture of good governance in Cyprus that is the ultimate desired outcome.

Petros Florides,

President of the New Governance Team,

On behalf of the Institute of Directors (Cyprus Branch)

B   Governance Principles

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Organisational Values & Engagement with Relevant Interested Parties

The Board ensures the Organisation upholds clearly defined values and constructively engages with relevant interested parties

2

Vision, Mission & Strategy

Based on the Organisation's vision and mission, the Board adopts a properly resourced strategy that considers the needs and expectations of relevant interested parties whilst ensuring the sustainability of the Organisation over the long term.

3

Developing the Capacity of the Organisation

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

4

Risk and Internal Control Oversight

The Board governs risk and internal control in a way that supports the Organisation in setting and achieving its strategy.

5

Monitoring, Reporting & Decision-Making

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

6

Effectiveness of the Board of Directors

The Board is comprised of members with the appropriate balance of knowledge, skill, experience and diversity, who are independent so as to enable the Board to discharge its governance role and responsibilities competently and objectively.

Governance Principles

Vision, Mission & Strategy

Developing the Capacity of the Organisation

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Monitoring, Reporting & Decision-Making

Effectiveness of the Board of Directors

Organisational Values & Engagement with Relevant Interested Parties
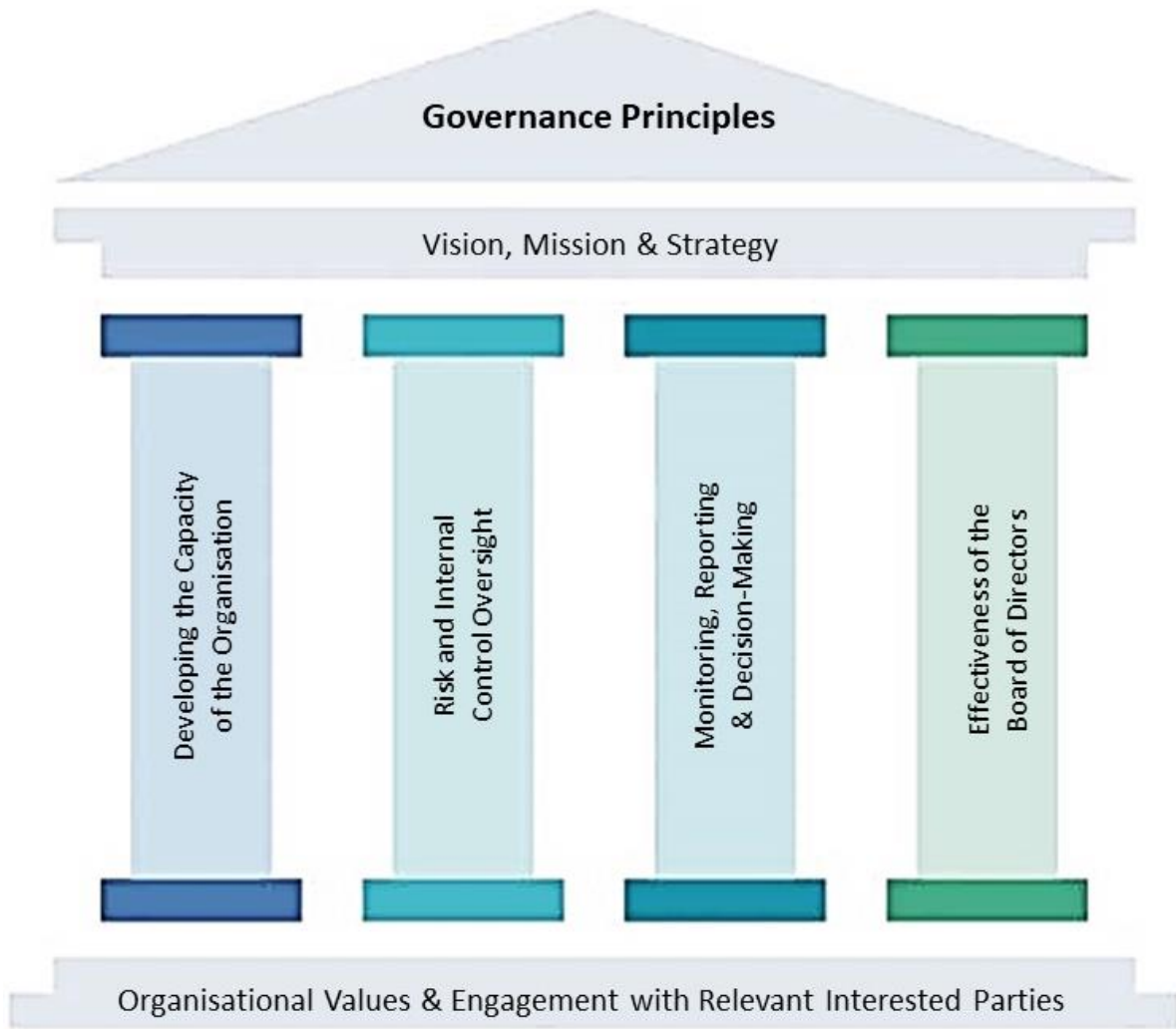
1. Organisational Values & Engagement with Relevant Interested Parties

> **The Board ensures the Organisation upholds clearly defined values and constructively engages with relevant interested parties.**

1.1 The Board ensures the existence of clearly defined and well-communicated organisational values, and delegates to Management the responsibility for applying and instilling these values throughout the Organisation.

A clear set of values that define the way in which the Organisation conducts itself should be developed, approved and communicated by the Board.

The values referred to above may include, inter alia: integrity, objectivity, responsibility, accountability, fairness and transparency.

It is the responsibility of the Board to oversee how Management instils these values in the way the whole Organisation conducts its affairs.

The Board should invite relevant interested parties to judge organisational actions and results related to its stated values.

Self-Help Questions

Does a Board-approved value statement exist for the Organisation?
Is this value statement communicated to the employees and instilled throughout the Organisation?
Is special emphasis given to accountability and transparency?
Does this value statement feature in the orientation for new members to the Board?
Has the Board ensured the existence of robust and reliable mechanisms (e.g. code of conduct, training & development systems) for communicating and reinforcing the desired values?
Is the Board able to provide evidence to support the answers to the above?

1.2 The Board exemplifies the organisational values in the way it fulfils its role and responsibilities.

It is essential the Board to set the right tone at the top.

It is important for the Board not only to do the right thing, but also to be seen doing the right thing. This will facilitate the nurturing of an appropriate organisational culture and provide the Board with the legitimacy and credibility to demand the same level of integrity from others in the Organisation.

The Organisation's values also provide guidance to the Board with regard to managing actual, or perceived, conflicts of interest.

The Board also ensures that Management action and behaviour inspires staff and creates a culture of involvement and accountability.

Self-Help Questions

Is the value statement referred to during Board deliberations to guide its conduct and decisions?
Is there a Board-approved conflict of interest policy that clearly defines restrictions on members, disclosure requirements of possible conflicts of interest and situations when a member of the Board should recuse him or herself from proceedings?
Is the Board able to provide evidence to support the answers to the above?

1.3 The Board ensures the Organisation's adherence to systematic communication and consultation with relevant interested parties, in order to identify their legitimate needs and expectations and receive feedback for consideration.

The aims of an Organisation should be considered from the perspective of all its relevant interested parties. By knowing and understanding their legitimate and reasonable needs and expectations, the Organisation can identify, manage and balance these interests more effectively.

As a result, it is incumbent upon the Board to ensure that appropriate approaches are established to engage relevant interested parties in a respectful manner using their collective knowledge to generate ideas and identify opportunities to innovate.

As cooperation with institutional stakeholders such as other public sector entities is unavoidable, the Board should ensure that appropriate relationships with such entities are developed.

Self-Help Questions

	Is there a mechanism in place to identify the full range of relevant interested parties of the Organisation?
	Does the Board make intentional efforts to understand the perspective of its relevant interested parties, including the most vulnerable ones, when making decisions?
	Is there continuous communication between Management and relevant interested parties, and is the Board regularly informed?
	Does the Board seek to balance the long-term needs of interested parties?
	Is there a full analysis of relevant interested parties' needs, supported by relevant action plans, to facilitate the satisfaction and alignment of objectives?
	Is the Board able to provide evidence to support the answers to the above?

2. Vision, Mission & Strategy

> **Based on the Organisation's vision and mission, the Board adopts a properly resourced strategy that considers the needs and expectations of relevant interested parties whilst ensuring the sustainability of the Organisation over the long term**

2.1 The Board ensures adherence to a well-defined organisational vision and mission that clearly identifies the outcomes and quality required by relevant interested parties.

A clear sense of vision and mission (stated in the legislation or elsewhere) provides guidance and inspiration for everybody associated with a public sector Organisation. Staff morale and team spirit is also enhanced with a common cause guiding decisions and actions throughout the Organisation, including the Board.

Establishing and communicating widely a clear vision and mission also provides relevant interested parties with greater opportunity to hold an organisation accountable.

Self-Help Questions

Do Board-approved vision and mission statements exist for the Organisation?
Do the vision and mission statements feature in the orientation for new members to the Board?
Are the vision and mission statements referred to during Board deliberations to guide its decisions and interaction with Management?
Does the Board ensure that the vision and mission statements are communicated to the Management and staff?
Is the Board able to provide evidence to support the answers to the above?

2.2 The Board establishes the goals and objectives of the Organisation that are aligned with its organisational vision and mission.

A clear vision and mission require equally clear goals and objectives to steer the organisation in the right direction and in accordance with relevant interested parties' expectations. On the basis of these goals and objectives, a robust strategy can be devised.

Clear goals and objectives also help communicate the organisational vision and mission to relevant interested parties, facilitating transparency and enhancing accountability.

In defining goals and objectives, it must be ensured that the expected outcomes can be delivered on a sustainable basis, i.e. meeting the economic, environmental and social expectations within the limits of authority and resources of the Organisation.

Self-Help Questions

	Are there clearly defined goals and objectives established by the Board to support the fulfilment of the organisational vision and mission?
	Are the goals and objectives established only after sufficient deliberation between Board members, providing for independent thinking and constructive challenge?
	Are goals and objectives established considering their economic, social and environmental impact?
	Are these goals and objectives communicated to relevant interested parties?
	Is the Board able to provide evidence to support the answers to the above?

2.3 The Board approves organisational strategy and ensures it is regularly reviewed, updated, properly resourced and supported by Key Performance Indicators.

With clear goals and objectives established by the Board, a robust strategy covering a period of at least three years (but longer if appropriate) should be devised either by the Board or Management to provide a clear plan of action of how it proposes to meet these goals and objectives.

If Management is tasked with originating the strategy to achieve approved goals and objectives, it is the role of the Board to provide appropriate insight and guidance during its development before providing final approval.

It is also important to recognise that the environment within which an organisation operates is rarely static and may even change to an extent that it invalidates the approved strategy. It is the responsibility of the Board to apply its knowledge of current and expected future context to ensure the strategy is adjusted accordingly.

The Board should continuously evaluate results achieved for purposes of improved future performance whilst providing sustainable benefits to all relevant interested parties.

Self-Help Questions

	Is there a clearly defined Board-approved strategy that supports the fulfilment of Board-established goals & objectives?

	Has the strategy been approved by the relevant government authority, if required?
	Is the strategy communicated to Management and Staff?
	Does the Board devote time to review the relevance of the strategy of the Organisation and make necessary changes as required?
	Have Key Performance Indicators been established to appraise progress towards implementing the Organisation's strategy?
	Are results continuously measured and reviewed to determine remedial action or identify opportunities to enhance future performance in a sustainable manner?
	Is the Board able to provide evidence to support the answers to the above?

2.4 The Board approves consecutive operational plans and related annual budgets that support the strategy.

The approved strategy should be divided into shorter periods to support implementation and alignment with other organisational activities, including reporting to relevant interested parties.

Accompanying each consecutive operational plan there must be a corresponding Board-approved budget that ensures the necessary financial resources are in place to fund implementation. .

Operational plans, accompanied by a complementary annual budget, should be prepared by Management for approval by the Board and the appropriate government authority.

Self-Help Questions

	Is there a Board-approved annual operating plan that defines the objectives, milestones, deliverables & targets to be achieved during the current year?
	Is there an adequate budgeting process?
	Is there a Board-approved budget that supports the operating plan?
	Has the budget been approved by the appropriate Authority?
	Is the Board-approved strategy and operational plan supported by secured and/or anticipated funding?
	Has the Board ensured adequate contingency planning to respond, in good time, to any shortfall of funding?
	Is the Board able to provide evidence to support the answers to the above?

3. Developing the Capacity of the Organisation

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

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3.1 The Board ensures the Organisation has the human resource capability to carry out its strategy.

Management and staff play an important role in enabling the Organisation to operate efficiently and effectively and achieve its intended outcomes.

Organisational performance is enhanced when appropriate structures exist and when Management, as well as staff with the right skills, appropriate qualifications and mind-set, are engaged. As the environment in which the Organisation operates changes over time, appropriate reviews should take place ensuring that staff continues to have the right skills and workplace morale.

The Board should develop a culture that continuously seeks to improve the effectiveness of collaboration throughout the value chain. This should include, as far as reasonably possible, alignment with the values adopted by the Organisation.

In addition, the Board is responsible for defining the internal governance arrangements of the Organisation. With regard to human resources, this includes proper allocation of responsibility and clear lines of reporting throughout the executive function.

The executive function should report to the Board through the General Manager.

Self-Help Questions

	Does the Board ensure the appropriate management and staffing structures are in place?
	Is there an appropriate process of recruitment and promotion in place?
	Does this process ensure that staff with the right profile is engaged?
	Does new staff receive thorough induction that is tailored to its duties?
	Is the capacity of Management and staff developed through a specific strategy to enable response to changing circumstances?
	Is there a clear process for appraising the performance of the staff?

	Is there appropriate evaluation of the level of skill and knowledge so that gaps in capabilities are observed and suitably addressed?
	Is there a Human Resource Committee for new engagements and development of capabilities, as well as for overviewing capacity requirements?
	Is the Board able to provide evidence to support the answers to the above?

3.2 The Board appoints an appropriately qualified, experienced and capable General Manager to lead the executive function in pursuit of the Organisation's vision, mission, goals and objectives.

The decision of who leads the executive function is one of the most important decisions a Board can make and must be done only after serious consideration of the needs of the Organisation. A formal hiring process should support the recruitment of the General Manager, including a succession plan that accommodates future leadership needs.

In addition to technical knowledge and experience, the Board must also ensure the General Manager is aligned with the approved organisational values and has the personal ethics to lead by example.

The Board must ensure that it holds the General Manager accountable in a way that is fair, honest and transparent. This is facilitated by reference to Board-approved policies, goals and objectives, strategy, budget and significant risk exposure.

Self-Help Questions

	Is there a clear Board-approved profile for the General Manager?
	Is there a clearly defined and objective process for hiring the General Manager?
	Is there a clear job description regarding the role and responsibilities of the General Manager?
	Is there a clear process for appraising the performance of the General Manager?
	Is the Board able to provide evidence to support the answers to the above?

3.3 The Board oversees the adequacy and effectiveness of the Organisation's technology and information management.

The Board ensures Management considers all opportunities offered by technology and digital developments that enhance the efficiency of the Organisation. There should be appropriate integration of technology and information solutions within the Organisation

including those related to finance, human resources, management systems and wider operations.

The Board oversees the management of cyber-security risk and its integration into the wider risk management process.

Self-Help Questions

Does the Board provide strategic direction regarding technology and information management?
Does the Board approve policies that articulate parameters related to technology and information decision-making by Management?
Does the Board exercise appropriate monitoring of technology and information risk (including cyber-security), and ensure adequate responses by Management?
Is the Board able to provide evidence to support the answers to the above?

3.4 The Board ensures all other capacity needs of the Organisation are identified and met.

The Board ensures there are policies in place to develop the required capacity in all areas critical to the success of the Organisation. In addition to those mentioned above, the capacity requirements include, *inter alia*: financial and infrastructure.

Because both individuals and the environment in which an entity operates change over time, there is a continuous need to identify and address areas that require development in capacity. The Board is responsible for ensuring this activity takes place in a comprehensive manner.

The Board also ensures appropriate networks are established, enabling the Organisation to identify potential partnership opportunities to enhance their ability to generate additional value to relevant interested parties.

Self-Help Questions

Is there a Board-approved policy related to developing and maintaining organisational capacity necessary to achieve organisational objectives?
Is there evidence of the Board reviewing the capacity needs of the Organisation?
Is there evidence of the Board reviewing the implementation of the activities undertaken to address the shortfalls in organisational capacity?
Is the Board able to provide evidence to support the answers to the above?

4. Risk and Internal Control Oversight

> **The Board governs risks and internal control in a way that supports the Organisation in setting and achieving its strategy**

4.1 The Board approves organisational limits to risk exposure and ensures adherence by Management.

Risk management and internal control are integral parts of a performance management system and crucial to the achievement of outcomes. The Board is responsible for defining the risk management strategy of the Organisation and the internal control policies, in line with international risk management standards. Whilst recognising the existing level of risk, the Board is responsible for setting risk limits for the Organisation as it pursues the achievement of approved goals and objectives. These risks include, *inter alia*: strategic, operational, financial, ethical, social, quality, safety, environmental and business continuity risks.

In deciding the appropriate level of risk exposure, the Board must take into account two factors:

a) Organisational capacity to accommodate any future opportunities and threats, and;

b) The level of organisational capability in terms of knowledge, skill and experience of managing risk.

Self-Help Questions

Is there a Board-approved mechanism in place to identify, assess and manage risks?
Are there Board-approved limits to the Organisation's exposure to clearly defined risks?
Is the Board assisted by a Risk Committee and an Audit Committee in its monitoring duties?
Is there a process that ensures that the Board and other decision makers consider risk consistently and continuously, while setting objectives and assessing progress towards achieving these objectives?
Is the Board able to provide evidence to support the answers to the above?

4.2 The Board ensures that Management establishes a comprehensive, effective and robust system of risk management and internal control.

The Board should task Management with the operationalisation of the risk limits which it has approved, whilst monitoring compliance with these risk limits. The Board should also ensure that Management implements the necessary risk management and internal control processes upon which the Board can place reliance.

Risks should be considered before designing and implementing control processes, in order to ensure cost-effective and efficient internal control processes and systems suitable for the risk environment of the Organisation.

Regular reviews should be conducted by the Board (or a designated Board Committee reporting to the Board) to ensure that risk management and internal control procedures continue to be robust and reliable, and that it overviews the extent to which the aforementioned procedures are being complied with.

Self-Help Questions

Is there a Board Risk Committee that has been tasked with the responsibility of providing greater oversight of the risk management process and recommendations to the Board as necessary?
Did the Board prepare a mandate for the risk management function that defines its role in the Organisation as well as its reporting lines?
Has a Head of the risk management function with the appropriate experience and competency, been appointed? Has the function been provided with adequate resources?
Did the board approve a policy for the implementation of risk management including the framework to be used, responsibility and reporting?
Does the Board satisfy itself on the robustness and reliability of the process of risk management and internal control procedures at regular intervals?
Is there an Audit Committee that has been tasked with the oversight of compliance with the process of risk management and internal control procedures?
Does reporting on governance cover the effectiveness of the risk management system in addressing significant risk issues?
Is the Board able to provide evidence to support the answers to the above?

4.3 The Board reviews the significant risk exposure of the Organisation, and Management's planned and actual responses to existing and emerging risks.

In addition to establishing risk management and internal control procedures upon which the Board could place reliance, the Board should satisfy itself on the adequacy of the risk responses proposed by Management.

As well as the existing risks the Organisation is exposed to, the Board is responsible for ensuring the Organisation is sufficiently aware of and responsive also to emerging risks. This requires the Board to utilise its collective foresight to anticipate changes to the Organisation's strategic and operating environment and ensure it responds in a timely and appropriate manner.

Self-Help Questions

Is there a clear process for the Board to review all exposures to risks that have been evaluated as significant?
Is there a register of significant risks to which the Organisation has exposure to that is regularly reviewed by the Board?
Does the Board take adequate remedial action to ensure re-alignment of risk exposure with Board-approved limits?
Does the Board-approved register of significant risks feature in the orientation for new members to the Board?
Does the Board (or Committee) monitor and review Management's planned and actual response to significant risks?
Does the Board (or Committee) monitor and review Management's planned and actual response to emerging risks?
Is the Board able to provide evidence to support the answers to the above?

5. Monitoring, Reporting & Decision-Making

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

5.1 **The Board ensures it receives quality information in the appropriate form to enable its members to review organisational performance against agreed standards and targets, holding Management accountable accordingly.**

The Board has the responsibility to ensure it is availed with the financial and non-financial information it needs to satisfy its role and responsibilities related to the achievement of strategic goals and objectives. The Board should define and use a balanced set of results to review progress, provide and review long and short-term priorities, and manage the expectations of the key relevant interested parties.

Monitoring reports should give a clear indication of the variances against Board approved targets and highlight areas where corrective action is necessary.

The Board is obligated to understand the reason for material differences between planned/budgeted and actual results, and decide on additional action to be taken, if appropriate and/or necessary.

Self-Help Questions

Does the Board ensure that there are relevant, objective and reliable reports, analysis and advice made available to decision makers?
Does the Board receive reports that provide clear comparison between planned and actual activities and results, with any variances between the two clearly identified and explained?
Are reports on execution (e.g. strategy, budget, risks & internal control, etc.) submitted to Management, the Board and other appropriate authorities at regular intervals during the year?
Does the Board receive relevant reports within a reasonable time before each Board meeting?
Does the Board (or relevant Committees) hold substantive discussions between its members, and with Management, regarding the information contained in the reports?

	Is the Board able to provide evidence to support the answers to the above?

5.2 The Board takes proactive and remedial action necessary to ensure organisational compliance with applicable laws & regulations and alignment with required standards.

As part of its legal duties, the Board is responsible for ensuring that the Organisation complies with the legal and regulatory framework within which it operates.

The Board must ensure it is neither reckless nor negligent towards its legal and regulatory obligations when making decisions and overseeing the work of Management. As a result, the Board must be prepared to seek professional advice and counsel in any areas of uncertainty.

Self-Help Questions

	Is there a process in which developments in laws and regulations are communicated to the Board and other appropriate persons?
	Do the applicable laws & regulations and other required standards feature in the orientation for new members to the Board?
	Are legal and regulatory considerations given sufficient attention in the monitoring and reporting process?
	Does the Board seek appropriate advice with regard to legal and regulatory risk exposure?
	Is the Board able to provide evidence to support the answers to the above?

5.3 The Board implements reporting practices in accordance with relevant standards to facilitate effective accountability.

The Organisation needs to demonstrate whether, and how, it is delivering its planned outcomes and uses its resources efficiently and effectively in line with its strategy. To this end, it needs to report to relevant interested parties at least annually.

A key responsibility of the Board is to promote and support transparency. The activity of reporting to relevant interested parties should be conducted in a way that is informative, relevant and fosters dialogue.

An Organisation's accountability is enhanced by providing assurance through external audit. Appropriate and timely disclosure to the wider public of an Organisation's external audit results facilitates the required transparency and accountability. In addition, external

auditing assists the Board in discharging its responsibilities by responding to the recommendations made.

The Board should also determine the best use of internal audit results for external reporting purposes and achieving the desired level of transparency and accountability. This includes consideration of internal audit findings regarding the implementation of the governance code adopted by the public sector Organisation.

Self-Help Questions

Does the Board provide clear and accurate reports to interested parties, at least annually, reports regarding the fulfilment, inter alia, of the Organisation's vision, goals, governance and internal audit, as well as financial statements accompanied by the audit report?
Are internationally-recognised standards used for the preparation of the relevant reports?
Is there evidence of the Board seeking feedback from relevant interested parties?
Is there evidence of the Board responding to legitimate questions raised by relevant interested parties?
Do relevant interested parties receive reports on the extent to which the Organisation applies the principles of good governance?
Is the Board able to provide evidence to support the answers to the above?

5.4 The Board implements integrated reporting to communicate to interested parties the outcomes of its financial and non-financial activity.

Board members should communicate with relevant interested parties through an approach to reporting that explains how resources are utilised by the Organisation in order to create value for all interested parties. Value should be understood as not only concerning financial aspects, but also non-financial impact and returns. This could include, inter alia: social, environmental and other qualitative factors.

The submission of the integrated report regarding the activities of the Organisation should be monitored through appropriate measures.

This approach should be considered by the Board as an opportunity to communicate how the Organisation fulfils its mission to the benefit of wider society. The most appropriate approach to integrated reporting should be determined by the Board, in line with international best practice.

The integrated report should be in addition to any reporting that is required by law or regulation.

Self-Help Questions

	Does the Board provide reports for both its financial and non-financial activities, regarding, inter alia, environmental, social, employment, human rights and fighting corruption and bribery issues?
	Does this reporting include the approved policies on the relevant issues and their effectiveness, the risks involved and how the Organisation manages these risks?
	In case the Organisation does not apply policies for all or any of these issues, does it sufficiently explain the absence of such policies?
	Is the Board able to provide evidence to support the answers to the above?

6. Effectiveness of the Board of Directors

The Board is comprised of members with the appropriate balance of knowledge, skill, experience, and diversity who are independent to enable the Board to discharge its governance role and responsibilities competently and objectively.

6.1 The Board seeks appropriate member composition and ensures appropriate Committee structures in order to provide opportunities for informed discussion and sound decision-making procedure.

The members must have the necessary diversity of knowledge, skills and experience, including collective knowledge of the industry and the Organisation, to fulfil their responsibilities with professionalism. Where one exists, the selection process of Board members should facilitate this requirement.

In addition, a diversity of style and persuasion should be sought, in order to ensure that issues are considered from different perspectives. Where a selection procedure for Board members is applied, members with diversity in terms of age, gender and social backgrounds could be selected, thus facilitating diversity.

To ensure that its members continue to be independent, term limits should be established to restrict the time that each individual member serves on the Board. Notwithstanding, the Board should still benefit from continuity of membership over a reasonable period of time.

In order to increase the efficiency of its meetings and in support of good governance in general, the Board is responsible for establishing Committees as required, including: an Audit Committee, a Risk Committee, an Investment Committee and any other Committee deemed necessary with appropriately qualified Chairs.

With respect to the Audit Committee, this should be established in accordance with the relevant Auditors Law currently in force.

Self-Help Questions

Is there a process that provides guidance to the competent authority making the appointments of the Board members for the required profile of Board members?

Does the Board have the required collective knowledge to provide sufficient insight, foresight and oversight in fulfilment of the Board's role and responsibilities?

	Is there sufficient diversity among the Board members to provide different opinions and perspectives for the purpose of ensuring more informed and rounded decision-making?
	Are Board members able to commit the time required to effectively undertake their role?
	Have the necessary Board Committees been established?
	Is a sufficient number of Board members serving on each Committee, and do these Board members possess the necessary knowledge, skills & experience to properly fulfil the Committee's function?
	Do Board Committees have clear terms of reference that are adhered to?
	Are Committee meetings held to the same high standard as the Board meetings, with the adequate administrative support?
	Do Committees follow an approved process for reporting to the Board?
	Is the Board able to provide evidence to support the answers to the above?

6.2   The Board has a clearly defined governance role to be able to exercise its associated duties and responsibilities

The Board must have a clear description of its responsibilities that establishes its governance role. It is the responsibility of the Board to clearly define those decisions that require its approval.

Ideally, the Board members role will also have a clear description in order to facilitate transparency and accountability.

As part of the internal governance arrangements, the Board will ensure that key control functions are able to raise issues and concerns either directly to the Board or indirectly through a relevant Committee.

The members of the Board are expected to exercise their duties with due care and diligence.

Self-Help Questions

	Is there a clear Schedule of Matters Reserved for the Board and/ or other restrictions on management authority?
	Is there a job/role description for Board members?
	Are Board members informed of their legal duties and responsibilities, and have acknowledged their understanding and acceptance of them?

	Do Board members receive adequate orientation tailored to their role?
	Are decisions taken with due care and diligence?
	Is there an organisational organogram that clearly defines the interaction between the Board and Management?
	Does the organisational organogram enable control functions to report directly to the Board or relevant Committee, particularly in instances of a sustained policy breach?
	Do the above principles feature as part of the orientation for new Board members?
	Is the Board able to provide evidence to support the answers to the above?

6.3 The Board ensures compliance with the policies it has approved, including those that establish the parameters within which Management must operate.

Policies are approved for regulating the activities of the Organisation to support the achievement of mission and values, whilst enhancing its efficiency and effectiveness.

It is essential for the Board to understand that its role is to govern -a role that is different and distinct to the role of Management. To establish this distinction between Governance and Management, there should be clear policies to serve the dual purpose of:

> 6.3.1 Limiting the actions of Management by either placing restrictions or requiring further Board approval in key areas needing additional oversight and control, and;

> 6.3.2 Empowering Management to function without interference from the Board provided it is operating within the defined limits.

The Board governs, primarily, through the policies it approves. However, if Management breaches any approved policy, the Board must take necessary action to ensure that the Organisation and Management return to compliance.

Key policies for consideration by the Board to approve include those relating to: conflicts of interest, risk, anti-bribery, anti-corruption, investment, data protection and privacy.

Self-Help Questions

	Is there a clear process to help the Board determine and define the areas of the Organisation's operations that require a Board-approved policy?
	Are there Board-approved policies in the key areas the Organisation operates in?
	Are there Board-approved policies that establish parameters within which Management must operate?

	Do Board-approved policies feature in the orientation for new members to the Board?
	Are the Board-approved policies referred to during Board deliberations to guide its decisions?
	Does the Board monitor compliance with Board-approved policies?
	Is the Board able to provide evidence to support the answers to the above?

6.4 The Board seeks to be led by an effective Chair who is responsible for leading and managing the Board.

The importance of good Chair selection regarding Board effectiveness cannot be overstated. The selection, where it applies, of the Chair should occur only after the most careful consideration, which is facilitated by an objective process ensuring the appropriateness of the person required. The Chair should lead by example in the execution of his/her duties.

The Chair is responsible for ensuring that an appropriate culture is nurtured by the Board, one that provides for open and honest discussion on all issues critical to the success of the Organisation.

The role and responsibility of the Chair should be clearly defined for the purposes of transparency and accountability. Ideally, there will be a serving member of the Board assigned to lead the annual evaluation process of the Chair.

Self-Help Questions

	Is there a job/role description for the Chair defining performance expectations?
	Are there procedures in place to provide monitoring and review of the Chair's performance, providing suitable counsel and support if required?
	Is the Board able to provide evidence to support the answers to the above?

6.5 The Board adopts administrative processes that will ensure that the Board functions efficiently and to a high professional standard.

The Board must lead by example and set the standards expected of Management and staff. It is the responsibility of the Chair, supported by the Board secretary or equivalent, to ensure Board activities are efficiently planned and effectively executed.

Each member has the responsibility to attend Board meetings and be well prepared to engage in robust discussion leading to informed decision-making. Board members must be supported in this responsibility by quality Board papers before and after Board and Committee meetings.

Self-Help Questions

Is the Board supported by an appropriately qualified and experienced Board secretary?
Does the Board have a comprehensive forward agenda that covers its full governance responsibilities through at least the next twelve months?
Is each Board meeting supported by a detailed agenda that has been drafted in consultation with the Board members, including outstanding items still to be actioned or resolved?
Is Management appropriately engaged by the Board to provide the relevant and necessary information in a timely manner to facilitate informed decision-making?
Are Board pre-reads and meeting minutes prepared and circulated within a reasonable time of the Board meeting?
Are Board meeting minutes reviewed and approved by the Board in a timely manner?
Is there a Board manual that regulates the management procedures of Board meetings and activities?
Is the Board able to provide evidence to support the answers to the above?

6.6 The Board ensures that relations with Management and between members are respectful but still conducive to constructive challenge.

For a Board to be most effective, mutual trust and respect between Board members, and between the Board and Management, is essential. However, the Board must ensure it maintains its independence and objectivity to ensure decisions taken are in the best interest of the Organisation and without fear or favour.

The impact of inter-personal relationships on the performance of the Board should not be underestimated. As a result, the Board should pay extra attention to ensuring there is the correct balance of collegiality and challenge during Board proceedings.

Self-Help Questions

Is there a Board-approved code of conduct for Board members and Management?

	Does robust discussion between Board members and between the Board and Management take place?
	Is there a conflict resolution procedure in place, and is there evidence of its effective implementation?
	Is there intentional effort to ensure an appropriate Board culture is nurtured?
	Is the Board able to provide evidence to support the answers to the above?

6.7 The Board ensures it continues to improve its performance through regular self-evaluation leading to appropriate efforts to develop its capacity.

On a regular basis, at least biennially, the Board should review its own performance to ensure it is meeting the expectations of relevant interested parties.

Ideally, objective review and evaluation should also be conducted by an external third party, if practicable, within the period of the Board's tenure.

The results of the self-evaluation should result in structured and tailored development for Board members, both collectively and individually. In any case, continuous professional development regarding the execution of the role and responsibilities of every board member should be considered a key priority of the Board.

Self-Help Questions

	Is self-assessment conducted regularly by the Board of directors, individually and/or collectively, to ascertain its performance against objective standards, including the principles of good governance?
	Is there an evaluation of Board meetings to ascertain efficiency and effectiveness?
	Are there mechanisms in place to ensure that Board members can obtain additional support and guidance to enhance the fulfilment of their role and responsibilities?
	Is the Board able to provide evidence to support the answers to the above?

6.8 The Board ensures the implementation of this Code and reports on the non-implementation of any of its provisions.

The aim of good governance in public sector entities is to encourage better outcomes for its relevant interested parties with improved accountability facilitated by increased transparency.

Good governance, *inter alia*:

- Encourages better decision-making and efficient use of resources;

- Improves organisational leadership, management and oversight, and;

- Results in more effective interventions.

This Code is a useful tool for those involved in scrutinising the effectiveness of governance and a resource for all relevant interested parties to assess governance in a public sector Organisation. As such, it is useful for the evaluation of Board members and Management of the Organisation.

Self-Help Questions

	Does the Board sufficiently explain in the annual report of the Organisation the reasons for the non-application of any of the provisions of this Code and explains with sufficient detail and clarity how the relevant principle is still being upheld?
	Do the Auditors of the Organisation report as to whether the above report has been submitted?
	Is the Board able to provide evidence to support the answers to the above?

C Glossary

Term	Definition
Performance	The relationship between (a) inputs and outputs or (b) inputs and results. A performance indicator can be used to show when a service is more (or less) effective compared to (a) previous reference periods, (b) expected results (c) comparable service providers, or (d) resulting benchmarks from best practices within a group of similar service providers.
Mission	A mission statement is a short statement of an organisation's purpose, identifying the goal of its operations
Values	Beliefs regarding the proper conduct of the Organisation and its representatives.
Key performance indicator (KPI	A measure that enables monitoring of performance in terms of progress towards a specific, defined objective.
Viability/Sustainability	The ability of an Organisation to survive by achieving the economic, environmental, social and other outcomes it seeks, while remaining within the limits of its resources.
Governance	The arrangements (political, economic, social, environmental, administrative, legal and other) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
Transparency	Adequate information for informed decision-making and accountability.
Risk Management	Coordinated activities to manage and control the Organisation's risk.
Interested Parties/Stakeholders	Persons, groups or Organisations that have a direct or indirect interest or interest in the Organisation, having the ability to either influence the Organisation or be influenced by it.
Ethics	In the context of organisations, ethics refers to the ethical values that are applied to decision making, conduct, and the relationship between the organisation, its stakeholders and the broader society.

Risk	The effect of uncertainty on the achievement of goals, which can be positive or negative.(ISO 31000)
Vision	What an Organisation expects or would like to achieve or accomplish in the medium or long term future. The purpose of a vision statement is to provide a clear guide for the selection of the Organisation's current and future activities.
Strategy	The short-term, medium-term and long-term directions of an Organisation, towards the achievement of its values and its main purposes.
Responsibility/ Mandatory Accountability	Mandatory accountability in terms of performance of duties and compliance with responsibilities. Although responsibility can be delegated, accountability must remain mandatory. Assignment of responsibility does not constitute a waiver of accountability for the assigned responsibility.
Submission of an Integrated report	A process based on integrated thinking that leads to the submission, periodically, of a comprehensive report on the creation of value in the short, medium and long term, explaining how the Organisation uses its available resources to create value for all stakeholders . The value is understood not only in relation to the financial results of the Organization but also globally, in relation to all important non-financial results (social, environmental and others)