



**INTERNATIONAL FRAMEWORK:
GOOD GOVERNANCE IN THE PUBLIC SECTOR**
EXECUTIVE SUMMARY



International
Federation
of Accountants®

CIPFA / The Chartered Institute of
Public Finance & Accountancy

International Framework: Good Governance in the Public Sector

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times.

Purpose of the Framework

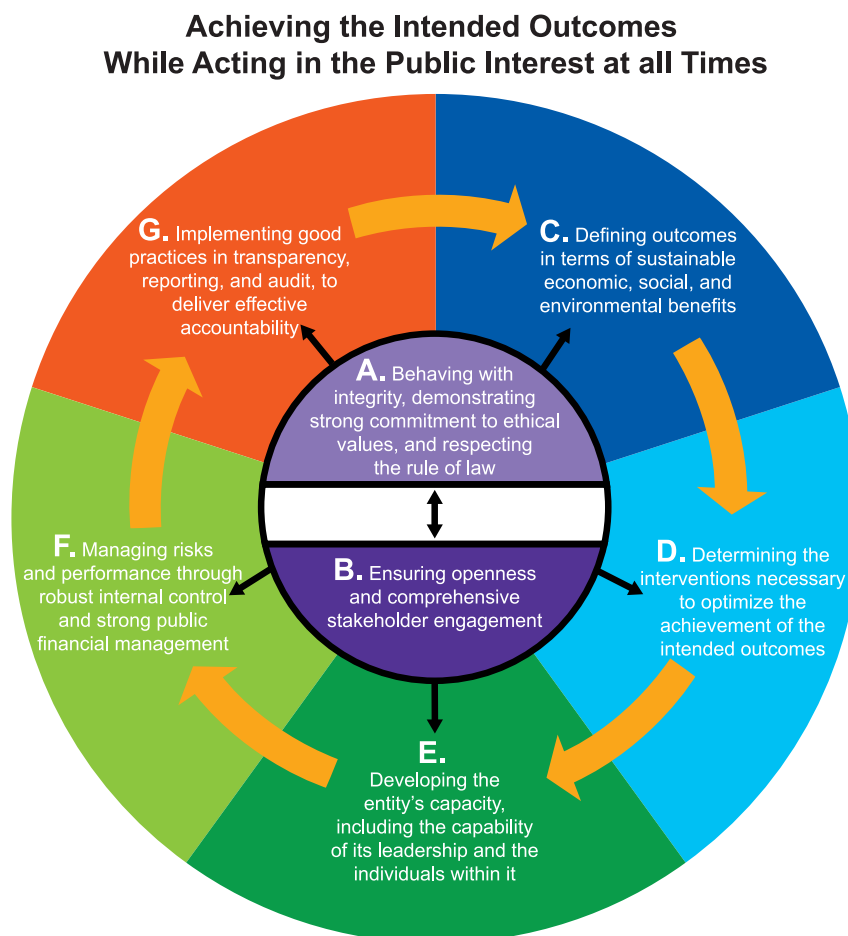
The aim of *Good Governance in the Public Sector* (the Framework) is to encourage better service delivery and improved accountability by establishing a benchmark for aspects of good governance in the public sector. It is intended to apply to all entities that comprise the public sector.

The Framework is not intended to replace national and sectoral governance codes. Instead, it is anticipated that those who develop and set governance codes for the public sector will refer to the Framework in updating and reviewing their own codes. Where codes and frameworks do not exist, the Framework will provide a powerful stimulus for positive action.

The real challenge for public sector entities, however, remains in the implementation of such codes and frameworks, as it is often their application that fails in practice. The supplement to the Framework provides more detailed explanatory material for each of the principles—a series of examples, evaluation questions, and references to other sources of information. The aim is to assist public sector entities in interpreting the principles in a way that is appropriate to their structures, taking account of the legislative and constitutional arrangements that underpin them.

Principles for Good Governance in the Public Sector

The diagram below illustrates how the various principles for good governance in the public sector relate to each other. Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.



The core, high-level principles characterizing good governance in the public sector set out above bring together a number of interrelated concepts. Principles C to G are linked to each other via the “plan-do-check-act” cycle.¹

¹ The “Plan-Do-Check-Act Cycle,” also called the Deming Cycle, is an iterative management process organizations typically use for the control and continuous improvement of processes and products. For more information, see the International Organization for Standardization’s website www.iso.org/iso/home.html

Implementing the Principles

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times, consistent with the requirements of legislation and government policies, avoiding self-interest and, if necessary, overriding a perceived organizational interest. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders. It therefore requires:

<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<p>Public sector entities are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. Public sector entities are accountable to legislative bodies for the exercise of legitimate authority in society. This makes it essential that each entity as a whole can demonstrate the appropriateness of all of its actions and has mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>
<p>B. Ensuring openness and comprehensive stakeholder engagement</p>	<p>As public sector entities are established and run for the public good, their governing bodies should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance in the public sector also requires effective arrangements for:

<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<p>The long-term nature and impact of many of the public sector's responsibilities mean that it should define and plan outcomes and that these should be sustainable. The governing body should ensure that its decisions further the entity's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>
<p>D. Determining the interventions necessary to optimize the achievement of the intended outcomes</p>	<p>The public sector achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of interventions is a critically important strategic choice that governing bodies of public sector entities have to make to ensure they achieve their intended outcomes. Public sector entities need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimized.</p>
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<p>Public sector entities need appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. The governing body must ensure that it has both the capacity to fulfill its own mandate and to make certain that there are policies in place to guarantee that an entity's management has the operational capacity for the entity as a whole. Because both individuals and the environment in which an entity operates will change over time, there will be a continuous need to develop the entity's capacity as well as the skills and experience of the leadership of individual staff members.</p>
<p>F. Managing risks and performance through robust internal control and strong public financial management</p>	<p>The governing bodies of public sector entities need to ensure that the entities they oversee have implemented—and can sustain—an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity's outcomes.</p> <p>A strong system of financial management is essential for the implementation of public sector policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.</p>
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	<p>Accountability is about ensuring that those making decisions and delivering services are answerable for them, although the range and strength of different accountability relationships varies for different types of governing bodies. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the entity plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>

The *International Framework: Good Governance in the Public Sector* was developed jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the International Federation of Accountants® (IFAC®). The full Framework is available on the CIPFA and IFAC websites, www.cipfa.org and www.ifac.org.

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