



20 September 2013

Our ref: ICAEW Rep 128/13

Vincent Tophoff
IFAC Senior Technical Manager

By email: vincenttophoff@ifac.org

Dear Vincent

Good governance in the public sector – consultation draft for an international framework

ICAEW welcomes the opportunity to comment on the consultation draft *Good governance in the public sector – consultation draft for an international framework* published by the International Federation of Accountants (IFAC) in June 2013, a copy of which is available from this [link](#).

ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 140,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

This response reflects input from two ICAEW committees: The ICAEW Corporate Governance Committee includes representatives from the business and investment communities and is responsible for ICAEW policy on corporate governance issues and related submissions to regulators and other external bodies. The ICAEW Public Sector Audit Committee includes members who have public sector expertise from either working in the public sector or having public sector clients. This Committee is responsible for a range of issues related to the public sector as well as submissions to both international and national bodies.

We support IFAC's aim to promote robust governance in the public sector. The public sector plays a major role in many societies: public expenditure forms a significant part of gross domestic product; public sector entities are substantial employers and major capital market participants; and tax is the largest part of many household budgets. The public is interested in the effectiveness of public sector entities' performance and service delivery as well as their efficiency in using resources. Public confidence and trust are therefore of great importance in how society perceives the sector.

Internationally, public sector entities vary significantly in type and size. Some share many characteristics with private sector entities while others do not and some good practices transfer across the sectors while others do not. It is however generally difficult to compare public sector governance directly with governance in the private sector where we expect market participants to provide accountability mechanisms.

Accountability mechanisms in the public sector vary more widely and this affects how governance principles are implemented. Many other factors, including funding, organisational structure and the existence of competition will also affect how IFAC's proposed framework is implemented.

We recommend therefore that the proposed framework should focus clearly on the key high-level public sector principles of governance that are fundamental across different types and sizes of entities. Key principles should be concise and stand out from other guidance material. Such an approach should increase applicability of the framework across different jurisdictions. You may find ICAEW's recent publication: [*What are the overarching principles of corporate governance?*](#) helpful in this regard. Overarching principles can facilitate better application of national or sectoral corporate governance codes.

We also recommend that the proposed framework should present key principles and high-level guidance up front. Our view is that the framework should focus on building a consensus on aspirational and credible overarching principles. Detailed guidance, case studies, and further reading should be presented separately in the document, possibly in an appendix as reference material for those who might develop, where appropriate, more detailed principles, codes or rules. In this way, the proposed framework could encourage the production of more guidance material where there is an interest in this.

Please contact us if you wish to discuss any aspect of our comments in further detail.

Yours sincerely

Jo Iwasaki FCA

Head of Corporate Governance

T +44 (0)20 7920 8786

E jo.iwasaki@icaew.com