
THOUGHT LEADERS

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Corporate Governance in the Public Sector: It's Time!

One of the key pillars of economic development and a clear indication of a healthy economy is corporate governance, and the financial crisis has increased the focus on effective governance frameworks both regionally and globally. This is evidenced by the recent introduction of corporate governance codes for banks and the Capital Markets Authority in Kuwait, and continuous enhancement of the existing codes in Qatar, UAE and KSA.

With 24/7 social media alerts, as well as scrutinized government budgets, past scandals, and legislation around the world targeting corruption, there is an increased demand for accountability. Public skepticism, combined with unprecedented transparency, is placing everyone under scrutiny. The boundaries of accountability and responsibility are rapidly expanding, challenging individuals in authority to consider the public and its agenda.

Consequently, a well-functioning public sector, delivering quality public services consistent with citizen preferences that fosters market growth while managing fiscal resources prudently, is considered critical.

Equally, if not more important, with special emphasis on Gulf Cooperation Council (GCC) states, due to the high-concentration of wealth within the public sector, state-owned enterprises, and national oil companies play a key role in society. As such, effective governance within the public sector would encourage efficient use of resources, strengthen accountability for the stewardship of those resources, and improve management and service delivery, thus contributing to enhanced quality of living. Effective governance is also essential for building confidence in public sector entities, which is in itself necessary if public sector entities are to be effective in meeting their objectives.

In the GCC, public sector governance has not received a significant degree of attention. Certain states have taken active steps towards the same, while others still lag behind, despite economic prosperity. This is perhaps a result of the lack of strategy and clear definition of expectations of the public sector and

public service at large. Driving a shift in the mindset, a focus on the quality of services needs to be the target, laying the foundation on an overall strategy focusing on integrity, and transparency, as well as efficient and effective use of resources through:

- Proper definition of strategy and purpose, including clear citizen and service users' quality of service measures, and defined key performance indicators.
- Clear organizational structures, reporting lines and processes, defining clear roles and responsibilities, as well as governance oversight bodies, such as audit and risk committees.
- Talent management, as the public sector should be regarded as a good attraction and development of talent.

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- Promotion of ethical conduct by establishing codes of conduct and whistleblowing hotlines.

- Clear definition of accountability for public wealth policies, transparent internal and external reporting, and use of appropriate accounting policies and standards, as well as clear performance measures.

- Focusing on the Lines of Defense (internal audit, risk management, control and compliance); ensuring compliance with applicable

laws, regulations and internal mandates; stronger internal controls; and, enhanced risk management (including business continuity and information security). The relationship between internal auditors, external auditors and the State Audit Bureau/Regulators should also be integrated as applicable.

Proper governance frameworks strengthen accountability mechanisms and open channels of communication within and across the various market players. Accordingly, the public sector can be more confident about delivering defined outcomes and being accountable for the way in which results are achieved.

Good governance also leads to good management, good stewardship of public wealth, good public engagement and, ultimately, better outcomes for citizens and service users. All organizations should aim to meet the highest governance standards; as such, governance arrangements should not only be sound but also be seen to be sound. 