



## **PSI Submission on the Department of Public Expenditure and Reform's Draft Code of Practice for the Governance of State Bodies 2015**

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The Pharmaceutical Society of Ireland (PSI), the pharmacy regulator, welcomes the opportunity to present its views on the Department of Public Expenditure and Reform's draft Code of Practice for the Governance of State Bodies 2015.

The PSI is the independent statutory regulator of pharmacists and pharmacies in Ireland. The PSI carries out this function in the interest of public health and safety.

### **Overview**

The PSI welcomes the new and revised provisions of the Code. The draft revisions provide necessary updates and afford a more structured guide to assist and support state bodies and their boards in the implementation of best practice corporate governance standards.

The PSI recognises that the Code is a framework document, and that its introductory text provides an understanding that existing statutory provisions may override those set down in the Code.

Due to the generalities that the Code must contain in order to apply to all state bodies, it could be inferred by the Code that all organisations and their boards are constituted equally. This is not the case, and the PSI believes it would be important to mention the position of independent, self-funding organisations and those acting with regulatory authority. In addition, it would be useful to note the existence of other board structures.

Comments on particular sections of the draft Code are provided below.

## **Section 1: Leadership**

### **1.1 Leadership**

The draft Code is a welcome tool to strengthen the position of the board, its oversight and strategy functions. Rightly, the Code has sought to recognise and balance this with the management position and the statutory functions attributed to both.

In the case of the PSI and other organisations, the CEO also has a specific statutory role and acknowledgement of that role could be included.

### **1.13 Statement of Strategy**

The PSI acknowledges the importance of aligning the organisation's strategy to that of the Department of Health and other relevant national policy where these relate to the organisation's statutory functions.

### **1.16 Ministerial Views:**

The PSI notes the extended 12 week consultation period being specified in order that the strategy/corporate plan can be considered by both the parent department and Department of Public Expenditure and Reform.

In order to reduce the likelihood of conflicting commentary from the Departments, an appropriate mechanism might be to furnish the draft strategy to the parent department, who would have responsibility to furnish it to DPER and co-ordinate a joint response. It would also be useful to make some reduction in the 12 week consultation period so that the board might more expeditiously fulfil its responsibilities.

### **1.24 Chairpersons Responsibilities:**

The details of the role laid down in the Code are to be welcomed.

Again, ensuring representation of the remits of the Chair and management, including the particular functions attributable to the CEO, is relevant.

The Chair's role should ensure that they act to further the organisation's agreed strategy, policies and objectives and promote those as appropriate. The Chair should represent and advance the board's interests in the public arena.

## **Section 2: Effectiveness**

### **2.2 Board Appointments:**

The inclusions regarding the need for sufficient time to discharge duties effectively and mentoring are valuable.

### **2.8 Statement of How the Board Operates:**

It would be useful to provide further clarification as to the extent of detail envisaged in the requirement to name the delegation of functions between a board and management. This requirement is included in more than one section of the draft Code.

### **2.9 Minimum Attendance Requirement:**

Minimum attendance requirements are welcomed. The PSI agrees that the full board complement is vital to the proper functioning of the board. It might be useful to include a note of clarification regarding genuine absences that may occur over a period of time.

It would also be valuable for a board to have direction during the term of office of a member whose inability to attend is leaving the board with a skills deficit.

In this respect, and in relation to other provisions of the Code, it would be useful for the document to provide guidance as to any impact that failure to comply with the standards and ethics of the Code would have on the board, how they might seek to address those, or indeed what impact this might have in its interaction with the parent department.

## **Section 4: Accountability**

### **4.3 Annual Report:**

As per 2.8 above, further clarification would be beneficial in presenting the delegation of functions in the annual report.

### **4.6 Reporting requirements:**

#### **iii Annual Report and Accounts:**

As is the case for the PSI and other organisations, the reporting requirements set down in legislation may be at variance with the Code.

**v. Key Management Compensation:**

It would be useful to clarify whether it is intended that aggregate figures are to be provided under each of the headings a, b and c.

**vi Pay Costs:**

It is understood that there is need for transparency of reporting in particular in relation to external advisor costs, and current financial statement reporting makes that information available. External consultation/adviser costs can be a necessary and useful addition to an organisation that may be limited by its own resources. Adviser or consultant services are procured by means of competitive tendering subject to some confidentiality clauses.

**4.10 xi)** A suggested re-wording that organisations furnish details 'outlining any legal disputes involving other State Bodies;'

**Section 5: Risk Management, Internal Control and Internal Audit**

In general the details newly provided in this section regarding the establishment, responsibilities and considerations, assessment and development of Audit Committees is to be welcomed.

To avoid any confusion, the Code should be particularly clear on the Audit Committee and management roles and responsibilities relating to risk management and oversight.

Other comments for consideration:

**5.6 and 5.9 Terms of Reference & Letter of Appointment:**

It would be helpful to provide guidance to the board, or other relevant persons, in relation to the provisions regarding performance management of Audit Committee Members. The intention is a helpful one that may require support as to appropriate review and managing outcomes.

**5.7 Relevant Skills and Experience**

The potential to co-opt on a short term basis for particular requirements is a useful extension to the 2009 Code.

**5.18 Audit Committee Work Programme:**

**iv. Effectiveness:**

There is an inference, although not clearly stated, that there should be a healthy, co-operative

working relationship, including access to information requested, between the Audit Committee, External Auditor and Internal Audit Unit.

In this respect, and in relation to other provisions of the Code, it would be useful for the document to provide guidance as to how 'ineffective' relationships or structures might be addressed.

With reference to **Appendix 10 Checklist for the Effectiveness of Audit Committees** the PSI notes the more onerous requirements for oversight of financial reporting. The specified increased responsibilities for the Audit Committee will significantly increase its workload, and should be noted will place greater demands and time constraints on smaller organisations in particular.

**v. Review:**

The PSI suggests that there should be consideration of the timing provided for in this section.

**Section 6: Relationship with Department and Minister**

The PSI welcomes a focus on performance indicators and metrics to provide improved mechanisms for reporting and oversight of the effectiveness and efficiency of delivery on the key functions of an organisation.

The PSI would suggest that there be included some recognition of the different measures that will exist for those organisations that are self-funding, and/or regulatory in nature, and where there exists a different set of mutual commitments between the organisation and parent department.

In addition, as is the case for the PSI, the functions particularly prescribed in the organisation's establishing legislation (eg. the Pharmacy Act 2007) underpin and provide the effective basis of any corporate strategy or performance delivery agreement.

**6.14 Periodic Critical Review (PCR):**

The PSI has no objection to any necessary external review and considers the principles in Appendix 8 to be valid. It would be useful to clarify that a PCR would take place in addition to regular, existing organisation – department governance review meetings.

Some guidance as to the expectations and requirements of those subject to a review might be helpful in preparing for a PCR.

**4<sup>th</sup> June 2015**

## Addendum

### Section 1: Leadership

#### **1.25 Civil Servants:**

The PSI appreciates measures included in the Code that acknowledge the position of civil servants serving on boards.

The PSI would ask that the Department note the PSI's concern that this provision, referencing Finance Circular 12/2010, should consider and reflect, as appropriate, the requirements, and address any conflicts that might arise in light of the more recent Protected Disclosures Act 2014, and incorporate in its final drafting reference to that legislation, as may be required.

**7<sup>th</sup> July 2015**