



Pacific Association of Supreme Audit Institutions (PASAI)

Governance Code

Access to information

Governing Board, PASAI members, Donors, International and Regional Partners

PASAI Reference Number

CD_1_GOV_2016

Issued and effective

Approved by the Governing Board resolution of 1 August, 2016.

Review

Policy reviewed in November 2022 and to be reviewed every two years [next review November 2024]

Content

Principles of corporate governance
PASAI's governance systems and practices
PASAI's expectations of those in governance roles

Applicable to

PASAI Chairperson, Secretary-General, Governing Board members, and Chief Executive

Issuer

Governing Board

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SECTION 1 – Introduction and purpose

1. PASAI’s governance systems have evolved since they were established in 2009. The revision of PASAI’s Charter in 2016 and 2018 encourages PASAI’s Governing Board to function as a true governance body, supported by the Secretary-General and the Chief Executive and Secretariat, and accountable to the Congress.
2. This Code supplements the governance framework of the Charter. The purpose is to enable PASAI and those who work within it to continue developing the quality of our corporate governance practices, so that PASAI can be a leading example of a regional organization in the Pacific.
3. With that purpose in mind, this Code:-
 - (a) Describes the principles of corporate governance applicable to PASAI.
 - (b) Outlines the governance framework established by PASAI’s Charter (and reflected in the rules of PASAI’s incorporated society), and the associated governance practices.
 - (c) Sets out PASAI’s expectations for its Board members (including the Secretary-General) and the Chief Executive in relation to their corporate governance responsibilities.
4. The Code is intended as a guide, stating expectations but not imposing binding rules.

SECTION 2 – Scope

5. This Code applies to all members of the Governing Board (including the Chairperson and the Secretary-General), and to the Chief Executive in respect of his or her interactions with the Board.

SECTION 3 – Principles of Corporate Governance

6. The term “governance” refers to the system by which an entity is directed or controlled.¹ A system of governance includes the rules, relationships, systems, and processes within and by which authority is exercised and controlled in an entity.²
7. The approach to governance varies from one country to another, and for different types of entity. But there are recognized principles and values which are common to most. They include what are known as the “RAFT” principles – responsibility, accountability, fairness, and transparency.³

¹ Cadbury Report, UK Financial Reporting Council, quoted in Office of the Auditor-General of New Zealand: Reflections from our audits: Governance and accountability (2016), page 3.

² HIH Royal Commission, Commonwealth of Australia, 2003, page xxxiii.

³ Institute of Directors in New Zealand, The Four Pillars of Governance Best Practice (2012), page 8.

8. Those principles can best be seen in an entity which has well-defined roles, effective separation between roles, and shared understandings about responsibility and accountability.
9. Most commonly, there are two broad types of corporate governance roles and responsibilities: those of **oversight** (normally exercised by the governing body and its committees, and often also referred to as “governance”); and **management** (normally performed by the entity’s staff, headed by a chief executive).
10. The governing body is responsible for ensuring that the entity has:
 - a shared sense of purpose, goals and strategy, which are “owned” at the highest level in the entity and shared throughout;
 - a strong governance culture, which permeates the entire entity;
 - regular holding to account, both internally (of management, by the board) and externally (of the entity, by its members, funders, and other stakeholders); and
 - a strong sense of organizational risk, and the ability to comply with the entity’s legal obligations.
11. A chief executive is responsible for working with and supporting the board to meet its responsibilities. This includes:
 - assisting the development of, and then putting into practice, the shared sense of purpose, goals, and strategy;
 - ensuring that the strong governance culture permeates the entity;
 - providing sufficient, accurate, relevant, and timely information to the board, and ensuring the board can meet the entity’s external reporting requirements; and
 - actively managing, and reporting to the board on, the entity’s risks and compliance obligations.
12. These principles can readily be put into practice in an entity such as PASAI. The Charter gives effect to the standard corporate governance model, by establishing an appointed board and providing for the appointment of a chief executive who is responsible to the board. PASAI’s *Long Term Strategic Plan 2014-2024* embodies its strategic direction, and the governance culture is promoted through the Code of Conduct, office policies, and risk register.
13. However, PASAI has some characteristics, and faces operational challenges, which make effective corporate governance more complex and difficult than it might otherwise be. In particular:
 - As an international organization, PASAI has no corporate form. It relies on its body corporate (the Pacific Association of Supreme Audit Institutions Incorporated⁴) for its legal capacity. This requires a parallel corporate governance structure, which is

⁴ An incorporated society registered under the law of New Zealand.

documented in the incorporated society rules but requires specific attention in governance terms.

- It operates in multiple jurisdictions, with multiple and varied accountabilities to its members, funders, and other stakeholders. This heightens PASAI’s obligations in relation to communications, project planning and management, the monitoring and evaluation of results, and reporting (both internal and external).
- Its Congress has ultimate authority, to an extent that exceeds that of the shareholders of a company. This heightens the need to communicate and explain strategy and direction to the membership, and to continually find means by which the Congress can guide the Board and the Chief Executive on strategy implementation.
- Its Governing Board meets infrequently, at six-monthly intervals. The Board places particular reliance on the Secretary-General to perform many of its oversight responsibilities between meetings. This heightens the need for clarity of roles and responsibilities, and for systems and policies to ensure effective and lawful operation.

14. The next section of this Code expands on these characteristics, and explains the key elements of the governance framework.

SECTION 4 – PASAI’s governance framework

15. This section sets out the key elements of the corporate governance framework, both under the Charter and in practice.

The Congress

16. **The Congress** is PASAI’s supreme authority, but operates above the systems of oversight and management. The Charter requires that the Congress meets at least once every two years. It:
- endorses PASAI’s strategic direction (in particular, through the *Long Term Strategic Plan 2014-24*)
 - appoints the Governing Board, designates the Secretary-General, and decides where the Secretariat is to be located
 - provides guidance to the Governing Board on attaining PASAI’s objective.

17. **In practice:**

The Congress meets annually. The exception is when travel is not permitted annually due to a disaster such as a global pandemic. In this instance, Congress will physically meet at the earliest available opportunity. Every meeting includes a business session, at which the Governing Board and the Secretariat will present and seek guidance on PASAI’s strategies, and report on their implementation.

- (a) The Congress also functions as the “membership” of PASAI Incorporated. The rules of PASAI Incorporated require an annual general meeting of the society, at which the audited financial statements are presented by the Governing Board for approval and then publication. In practice, the annual general meeting takes place during each Congress’s

business session. The exception is when Congress cannot convene physically, when travel is not permitted due to a disaster such as a global pandemic. In this instance, the annual general meeting takes place virtually after a Governing Board Meeting.

The Governing Board

18. The **Governing Board** has primary responsibility for the oversight and governance role under PASAI's corporate governance system. It:
- oversees and directs PASAI's activities, and its reporting to its funders
 - sets PASAI's direction, under the Congress's guidance, through long term strategic plans (currently, the *Long Term Strategic Plan 2014-24*)
 - oversees the monitoring and evaluation of, and reporting against, PASAI's strategic objectives
 - appoints the Chief Executive, and holds him or her to account through a performance agreement
 - approves the annual operational plan and budget, which is prepared by the Secretariat under the oversight of the Chief Executive
 - approves rules and operational policies.
19. **In practice:**
- (a) The Governing Board meets quarterly each year. Decisions can also be made by remote resolution, both under the Charter and in accordance with the rules of PASAI Incorporated. This, and the growing reliability of communications in the Pacific, enables the Board to operate more effectively than in the past.
- (b) The Governing Board is also the governing body of PASAI Incorporated. In this capacity, it has authority to enter funding arrangements, incur legal obligations, engage staff, and authorize the expenditure of PASAI's funds. The Board is also responsible for signing PASAI's financial statements and presenting them (with the auditor's report) to the Annual General Meeting (as described above).
- (c) The Charter and the Rules of PASAI Incorporated each contain provisions about the delegation of financial and other authority to committees of the Board, the Secretary-General, and the Chief Executive. Financial delegations are made to the Chief Executive and the Secretary-General (up to specified financial limits).

The Secretary-General

20. The **Secretary-General** has a secondary oversight role of PASAI's management, which is exercised between meetings of the Governing Board. The current Secretary-General is the Head of the SAI of New Zealand. Supported by the staff of the Office of the Secretary-General at the SAI, the Secretary-General:
- is responsible to the Board for the oversight of PASAI's operations between meetings of the Board, as carried out by the Secretariat;

- oversees the Chief Executive’s ongoing performance, and facilitates the Chief Executive’s relationship with the Board;
- gives leadership and guidance to the Secretariat, and advises the Congress, the Chairperson, and the Board;
- is responsible for PASAI’s relationship and interactions with INTOSAI and other regional working groups, in conjunction with PASAI’s representative on INTOSAI’s Governing Board.

21. **In practice:**

- (a) The role of the Secretary-General has diminished since the establishment of a professionalized Secretariat, the appointment of a Chief Executive, and the evolution of the Governing Board into a fully-fledged governance body. However, the Secretary-General continues to perform an essential function in ensuring that PASAI’s operations are carried on effectively, efficiently, and in accordance with the Board’s directions and strategies.
- (b) The Board’s expectation is that the Secretary-General will undertake the majority of the Board’s governance responsibilities between meetings, including oversight of the Chief Executive’s performance and the approval of financial expenditure that exceeds the Chief Executive’s level of delegated authority.
- (c) However, the Board retains authority for major financial transactions, and also expects that the Secretary-General will seek Board approval for decisions of strategic significance (using the provisions for remote decision-making).

The Chief Executive

22. The **Chief Executive** has primary responsibility for the management dimension of PASAI’s corporate governance system. Under the Charter, the Chief Executive is responsible to the Governing Board under the oversight of the Secretary-General. S/he:

- leads and manages the Secretariat and its resources, including the appointment and oversight of staff;
- supports the Chairperson, the Governing Board and the Secretary-General;
- maintains PASAI’s long term strategic focus, and ensures that PASAI communicates effectively with its stakeholders;
- works with development organizations, and seeks funding, to implement PASAI’s strategies, operational plans and work programs.

23. The Chief Executive is also accountable for the work of the Secretariat, which is described by the Charter as PASAI’s operational and administrative organ. The Secretariat’s responsibilities include developing, implementing, monitoring, reporting on, and evaluating PASAI’s long term strategies, annual operational plans, and work programs under the direction of the Governing Board.

24. **In practice**, the mechanisms for giving effect to these responsibilities, and being accountable for them, are:

- (a) The annual operational plan and budget, which is approved annually by the Governing Board and reported on at each six-monthly meeting.
- (b) Project plans and budgets, supported by a system of project management.
- (c) Quarterly financial statements and a performance report, prepared and sent to the Board.
- (d) The monitoring, evaluation and reporting framework for PASAI's Long Term Strategic Plan, which is aligned to the reporting requirements to PASAI's major development partners/funders.
- (e) The use of a risk register, which is managed by the Secretariat and reviewed by the Board at each six-monthly meeting.
- (f) Regular meetings with development partners/funders and other regional and global stakeholders, including through invitations to attend six-monthly Board meetings.
- (g) A communications strategy, implemented through a range of communication tools and the use of PASAI's website and PASAI's social media networks.
- (h) The annual report (including audited financial statements and performance information), which is approved by the Governing Board and the Congress respectively, and then published.

SECTION 5 – Governance expectations

25. This section describes the expectations which PASAI places on members of the Governing Board and the Chief Executive in meeting their respective corporate governance obligations. The expectations are based on good practice, and are designed both to drive good behaviour and to enable PASAI to lead by example as a regional organization in the Pacific.

Overarching principles

26. Membership of the Governing Board is an important responsibility for a member SAI. Membership attaches to the SAI itself, not the individual who heads the SAI. However, it is expected that as a Board member the head of the SAI will represent his or her organization, and the others in the SAI's language or geographical group, in the interests of PASAI, its members and stakeholders, and the citizens of the countries, states, and territories of Oceania.
27. Good corporate governance involves a shared sense of purpose, fostering a strong governance culture, ensuring accountability, and managing risks. Achieving these things requires a strong commitment by every Board member, under the leadership of the Chairperson and the Secretary-General, to understand and give effect to PASAI's Charter and this Governance Code. It requires similar commitment by the Secretariat, led by the Chief Executive.

Expectations of conduct

28. Board members will seek to meet the following expectations:

- (1) To act honestly and in good faith, in what the individual believes to be the best interests of PASAI and its members.
 - (2) To devote the time and attention reasonably required of a board member, having regard to the individual's other responsibilities (including as the head of a SAI).
 - (3) To observe high ethical and moral standards of behaviour, including under PASAI's Code of Conduct and other applicable codes and policies, and to ensure to the best of the individual's ability that others do so as well.
 - (4) To avoid conflicts of interest and, where conflicting interests do arise, declare them in accordance with PASAI's Conflict of Interest Policy and allow them to be managed appropriately by the Board.
 - (5) To avoid using PASAI's property, information or activities for personal gain or for inappropriate advantage of the individual's SAI.
 - (6) To work diligently to ensure that PASAI (including PASAI Incorporated) meets all its legal obligations, including those under its funding agreements and its obligations under the law of New Zealand for the health and safety of its workforce and those who attend its events.
 - (7) To work constructively with the Chief Executive in the interests of the organization, avoiding conduct that could undermine the Chief Executive's authority in relation to the Secretariat and his or her accountability to the Board.
 - (8) To protect confidential or private information, and to be active in disclosing information that is agreed should be disseminated to all PASAI's members.
29. The Chief Executive will also seek to meet the above obligations, to the extent they are applicable to the Chief Executive's roles and responsibilities. PASAI also expects the Chief Executive to:
- (1) Work constructively and professionally with the Board, ensuring that the Board and the Secretary-General are kept appropriately informed of the Secretariat's activities and that there are "no surprises".
 - (2) Act as the primary channel of communication between the Secretariat and the Board.
 - (3) Support the Board in meeting its accountabilities to the Congress.

SECTION 6 – Effective Date

The Code is effective as of 1 August 2016 in accordance with the Governing Board resolution of 1 August 2016.

SECTION 7 – Review Date

The Code was reviewed in November 2022 and is to be reviewed after two years from last review date.

SECTION 8 – Issuer

The Issuer of this Code is the PASAI Governing Board.

SECTION 9 – Contact and Access

1. **Contact.** For questions relating to this Governance Code, please contact PASAI Secretariat at secretariat@pasai.org.
2. **Access.** The Code can also be accessed at <http://www.pasai.org>

SECTION 10 – Related Documents

1. PASAI Charter
2. PASAI Incorporated Rules
3. PASAI Code of Ethics Policy
4. PASAI Conflict of Interests Policy
5. All other PASAI Policies