



Federation of European Accountants  
Fédération des Experts comptables Européens

To:

Vincent Tophoff  
IFAC Senior Technical Manager  
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3 September 2013

Dear Mr Tophoff,

**Re: Good Governance in the Public Sector – Consultation Draft for an International Framework**

FEE (the Federation of European Accountants) is pleased to provide you with its comments on the Consultation Draft for an International Framework on Good Governance in the Public Sector (the Framework).

Good governance has a critical role to play in delivering efficient and effective public services, as well as helping to increase public trust and confidence now and well in to the future. FEE had already organised a high level meeting in Brussels on Wednesday 9 November 2011 to discuss what good governance means and its implications for strong financial management in the public sector. We therefore welcome IFAC's initiative to develop a set of core principles that can be used by those who develop and set national governance codes for the public sector.

Overall, the Framework and its seven fundamental principles are comprehensive, well thought through and thoroughly elaborated; the examples and evaluation questions are well selected. We do not see a need to comment on all parts and address all matters raised in the consultation. Our comments refer to sections A (integrity, ethical values), C (sustainable economic, social and environmental benefits) and G (reporting).

**A. Strong commitment to integrity, ethical values and the rule of law**

We welcome that strong commitment to integrity, ethical values and the rule of law has been included as first part in the guiding principles of the Framework.

Personal and professional integrity is the first and foremost ethical principle for behaviour both in business and in the public sector. As ethical behaviour is fundamental for public trust and confidence, FEE had already in September 2009 promoted a debate amongst stakeholders and the public at large about the importance of integrity in the accountancy profession and more in general.<sup>1</sup>

The analysis of responses to this FEE Discussion Paper is available in the FEE Comment Paper published in March 2011

[http://www.fee.be/index.php?option=com\\_content&view=article&id=594&Itemid=106&lang=en](http://www.fee.be/index.php?option=com_content&view=article&id=594&Itemid=106&lang=en).

The majority of the respondents including audit firms, FEE Members, other professional (accounting) bodies, regulators and individuals agreed that integrity constitutes the basis for determining ethical behaviour.

While most agreed that more discussion on integrity would be appropriate, the extent to which it should be incorporated in codes of ethics and disciplinary arrangements of accountancy bodies was subject to different views. Should it be coordinated at international level or rather not? Should there be definitions or rather guidance on integrity? The basic behavioural characteristics such as being honest and truthful, dealing fairly, showing consistency, complying with the spirit as well as the letter of regulations, taking the public interest into consideration, being open-minded to consider new ideas and information and taking corrective action were generally accepted with some additional proposals for instilling organisational integrity.

Furthermore, we welcome that principles for whistle-blowers' protection are outlined in the Framework in the section "Principle A: Examples".

Especially in the context of the fight against money-laundering, FEE has always highlighted that reporting should be safe. Those who report money laundering protect the public interest: they deserve to be protected. They should be assured that they will not face retaliation and that they can count on public solidarity and protection. Governments should have an obligation to provide legal certainty and resolve conflicts of obligations in their respective legal systems. More importantly, they should have an obligation to ensure the confidentiality and safety of those who report.<sup>2</sup>

### **C. Defining outcomes in terms of sustainable economic, social and environmental benefits**

We welcome that the Framework highlights the importance of defining planned outcomes, which must be sustainable.

In this context, a broader disclosure of environmental, social and governance issues is equally important. FEE believes it can make a difference to the most necessary transition to a sustainable economy.

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<sup>1</sup> Integrity in Professional Ethics – a Discussion Paper

[http://www.fee.be/index.php?option=com\\_content&view=article&id=590&Itemid=106&lang=en](http://www.fee.be/index.php?option=com_content&view=article&id=590&Itemid=106&lang=en)

<sup>2</sup> FEE comments on the proposed Fourth Anti-money Laundering Directive and Speech of FEE CEO Olivier

Boutellis-Taft, [http://www.fee.be/index.php?option=com\\_content&view=article&id=1304&Itemid=106&lang=en](http://www.fee.be/index.php?option=com_content&view=article&id=1304&Itemid=106&lang=en)

The FEE paper Environmental, Social and Governance (ESG) indicators in annual reports published in May 2011 aims at providing information on documents prepared by various bodies and most commonly referred to when considering the identification and use of ESG indicators (also Key Performance Indicators (KPIs) and reporting principles).<sup>3</sup>

## G2. Implementing good practices in reporting

The Framework suggests that financial statements published by a public sector entity should be prepared using internationally accepted high-quality standards and highlights that International Public Sector Accounting Standards (IPSAS) provide the most complete suite of international financial reporting standards developed specifically for the public sector.

We do not disagree with this suggestion, FEE has always supported the implementation of IPSAS, provided that they will be completed on public sector specific issues and become a stabilised referential point for public sector accounting.

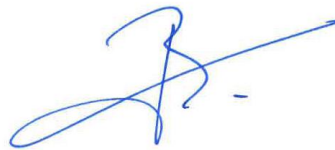
Nevertheless, as the Framework promotes transparency and comparability of public sector reporting, it might be helpful to explicitly mention in the Framework that accruals-accounting is recommended and should be implemented at all levels of governments. For example, the vast majority of EU Member States have already implemented accruals-accounting or are at least in the process of doing so. The Framework's reference to IPSAS, which also comprise five standards for cash-accounting, is not sufficiently clear in this regard.

For further information on this letter, please contact Petra Weymüller, FEE Senior Manager at +32 (0)2 285 40 75 or via email at [petra.weymuller@fee.be](mailto:petra.weymuller@fee.be).

Yours sincerely,



André Killesse  
President



Olivier Boutellis-Taft  
Chief Executive

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<sup>3</sup> [http://www.fee.be/index.php?option=com\\_content&view=article&id=1151&Itemid=106&lang=en](http://www.fee.be/index.php?option=com_content&view=article&id=1151&Itemid=106&lang=en)