

FMM 02.1 Governance and the Control Environment

There is no direct definition of governance for a public entity in the PFMA. It is ensuring the efficient and effective performance of the agency in the delivery of services to the public, enforcing compliance with legislation and implementing Government Policies (Section 22A (4)(c) of the *Public Services (Management) Act*) and establishing internal controls and taking all necessary actions to ensure the efficient, effective, economical and ethical use of the public money and property (PFMA S5 (1)).

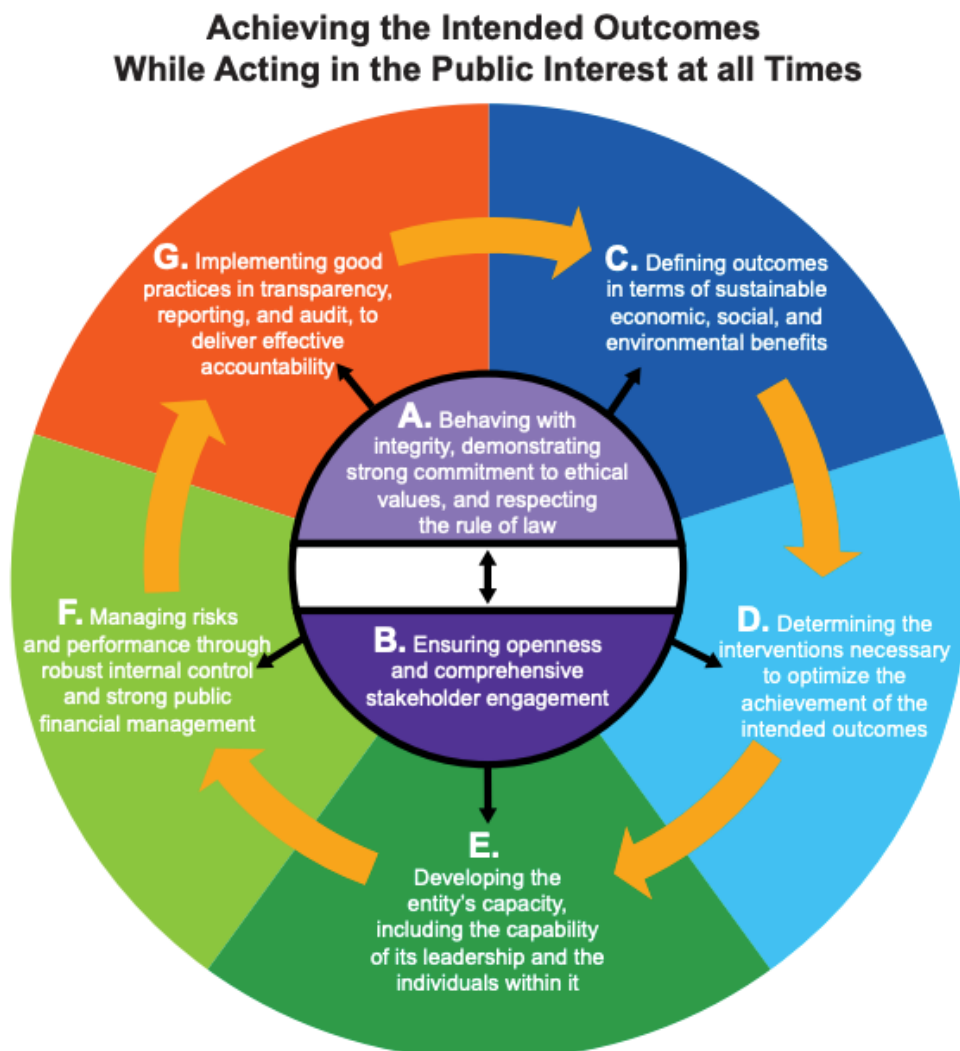


Figure 1 The international framework good governance in the public sector CIPFA

For a statutory body it is:

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(1) A statutory body shall ensure that it applies governance rules appropriate for the statutory body, to manage the implementation and performance of its programs, activities, functions and operations.

(2) Governance rules shall -

(a) incorporate the cultural and operational aspects of the statutory body that are

influenced by its actions and decisions; and

(b) include the concepts of -

(i) openness, integrity and transparency; and

(ii) due care; and

(iii) public accountability; and

(c) include establishing a performance management system, a risk management system and an internal control structure.

1.1.1 What does this mean?

For a statutory body, governance is a fundamental pillar that ensures its effectiveness in implementing and managing its programs, activities, functions, and operations. To achieve this, the statutory body must establish governance rules that are specifically designed to fit its structure and purpose.

These governance rules should be deeply rooted in the organisation's cultural and operational landscape, recognising that its decisions and actions significantly impact both internal stakeholders and the broader public. As a result, governance must embrace key principles, including openness, integrity, and transparency, ensuring that decision-making processes are clear, ethical, and accessible to scrutiny. Furthermore, the governance framework must be built on due care, emphasising responsibility and diligence in managing resources and executing functions. Above all, the concept of public accountability must remain at the core, reinforcing the statutory body's obligation to justify its actions and decisions to the public and other relevant authorities.

To support this governance structure, the statutory body must put in place essential management systems. A well-defined performance management system should be established to measure and enhance the efficiency and effectiveness of its activities. Alongside this, a risk management system should be implemented to identify potential threats and develop strategies to mitigate them. Finally, an internal control structure must be in place to oversee compliance, safeguard resources, and maintain operational integrity.

Through this governance approach, the statutory body ensures that it remains transparent, responsible, and capable of fulfilling its mandate while fostering public trust and accountability.

The following principles underpin any agency’s governance framework:

- The agency’s corporate plan and mission is well understood by everyone in the agency and this is embedded within a persons job description;
- The department head and executive of the agency have adopted and enforce the agency’s corporate plan and mission through actions and performance monitoring;
- The establishment, documentation and communication of the agency’s organisational structure, delegations and clearly defined job descriptions;
- The creation and implementation of sound systems of cost effective internal controls, guidelines and operational processes;
- An effective internal audit function;
- Appropriate committees such as the audit and risk management committee

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