TCU TRIBUNAL DE CONTAS DA UNIÃO

BASIC GOVERNANCE REFERENCE GUIDE

for Public Sector Organizations

2nd VERSION

Federative Republic of Brazil

Federal Court of Accounts

TRIBUNAL DE CONTAS DA UNIÃO

BASIC GOVERNANCE REFERENCE GUIDE

for Public Sector Organizations

2nd VERSION

Brasília, 2014

TRIBUNAL DE CONTAS DA UNIÃO

Brazil. Federal Court of Accounts.

Basic governance reference guide for public sector organizations / Federal Court of Accounts. Version 2 - Brasília: TCU, Secretariat of Planning, Governance and Management, 2014.

74 pages

1. Governance. 2. Accountability. 3. Transparency. I. Title.

Cataloguing by the Ministro Ruben Rosa Library

Summary

Introduction

Brazil's recent history, notably following the re-democratization process, which occurred at the end of the 1980s and the approval of the current Federal Constitution, demonstrates many aspects of the country's evolution. In spite of these advances, the Brazilian Federation faces colossal challenges to complete the transition from underdeveloped to developed, and to meet the other objectives outlined in Article 3 of our Federal Constitution: to build a free, just and caring society; to eradicate poverty and reduce social and regional inequities; and to promote the good of all, without any type of discrimination.

In our talks all over the country, we have been relating some of these big challenges, all of which are linked to the State, to which our Constitution has assigned a set of duties in the political, economic and social realms. Among the challenges, we highlight the following: maintaining fiscal equilibrium and monetary stability; improving the efficiency of public spending; and investing in key sectors such as education, technological innovation and infrastructure (transportation, energy, telecommunications, etc.).

It is within this context that this publication, "**Basic Governance Reference Guide"** fits, since we at the Federal Court of Accounts (TCU) uphold the strong conviction that improving public governance at municipal, state and federal levels is Brazil's major challenge, a requirement such that the other challenges mentioned above may be overcome. This conviction arises from the constitutional direction used to guide our development model, with heavy participation by the State, and from the various types of efforts, we carry out to evaluate the quality of this participation.

In this Reference Guide, which we are offering to all public leaders and to society in general, and which is available online at *http://www.tcu.gov.br/governanca*, we define PUBLIC SECTOR GOVERNANCE as a set of leadership, strategy and control mechanisms which are put into practice to EVALUATE, DIRECT And MONITOR management, in the implementation of public policies and the provision of services which are of interest to society.

The document gathers and organizes best practices for public governance that, if observed, may enhance the performance of public bodies and agencies.

In addition to enlightening and encouraging public officials to adopt good governance practices, to improve its internal governance. In fact, some of our operations were guided by the best practices mentioned, or indeed inspired their definition.

At the beginning of our term as President of TCU in 2013, we pushed a broad evolution in the structure of the external control secretariats located in Brasília, which then became specialized in certain functions of government. Now, in 2014, we have reviewed the model of the units located within the states, specializing and regionalizing their operations. For each of them, we created four general divisions to facilitate the **direction and tracking of their operation.**

Thus, following the successful model of our Secobs, which specializes in works, and the Sefids, which specializes in privatization processes and concession of public services, all of our secretariats have begun to focus their attention on topics, which are of great interest to our development, such as health, education, environment and others. With greater specialization, the units become better able to assess the governance environment in which they operate, contributing to the submission of proposals that in turn contribute to their improvement.

To improve our capacity to **evaluate** the environment and scenarios, as well as society's receptiveness towards our new strategic direction, we are organizing meetings and talks with the political class, business people and representatives of organized society. We also reinstated "Public Dialogues", through which we stay in close touch with Mayors, Governors, managers and public servants from all units of the Federation.

The **evaluations** collected in these meetings are used to guide or re-direct our strategy and the work of our managers.

Governance concepts are now being used to evaluate subjects relevant to the public sector. For example, we have carried out several audits which evaluated the governance in the area of information technology (IT) (Court

Ruling 2,308/2010 - Plenary Session), of staff (Court Ruling 3,023/2013 - Plenary Session) and of public acquisitions. In all of these audits, the public bodies which were evaluated were grouped into three stages of governance - Beginner, Intermediate and Advanced - in order to enable a diagnostic which could be easily visualized and which would contribute to their improvement and tracking.

Aware of our federative model and of the need to advance in a uniform manner in the three branches of government, the TCU has **directed** its efforts towards coordinated audits at national level: the first focusing on basic education, which will be discussed below; and the second focusing on the Amazon Conservation Units (Court Ruling 3,101/2013 - Plenary Session).

These coordinated audits are also being made possible for external control bodies of neighboring countries. It is important to note that the TCU has assumed the presidency of the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) for the 2013 - 2015 term, because of Brazil's position of leadership on the Continent and following our strong coordination with member countries. Revenue from oil and gas exploration and water resource management have already been audited, and the Coordinated Audit on Biodiversity is being performed now.

To **evaluate** the scenarios and environment outside our borders, we are leading an international study in partnership with the Organization for Economic Cooperation and Development (OECD), with the participation of 12 countries. The study aims to identify public governance best practices implemented by central bodies of national governments - Finance, Planning and Chief of Staff's Office - as well as Supreme Audit Institutions, within the scope of a group of selected countries.

These are some of the practices and projects initiated by the TCU to improve its ability to govern, to implement its strategies, and to make them more compliant in terms of expectations for Control by Brazilian society, and even Latin American society.

The success we have had until now reaffirms our conviction that better governance will enable us to do more with the same resources, increase the pace of work, improve the quality of service provided in hospitals, schools, research, and the environment. This will be possible in the short term, and even without structural reforms such as for social security, labor, political and fiscal.

We hope that the publishing of this Basic Governance Reference Guide is the starting point for a great public governance pact to fulfil the desire of the people for more effective public policies.

Minister João Augusto Ribeiro Nardes
President of the Federal Court of Accounts

GOVERNANCE *in* PERSPECTIVES

Chapter 1 | *Historical Perspective*

The origin of governance is associated with the moment when organizations stopped being managed directly by their owners (e.g. the owners of the capital), and started to be managed by third parties, who were given the authority and power to administer resources belonging to the owners. In many cases there are differences of interest between the owners and the administrators, which, as a result of an imbalance of information, power and authority, leads to a potential conflict of interest between them, with each one trying to maximize their own benefits.

To improve organizational performance, reduce conflicts, align operations and offer more security to the owners, studies have been carried out and multiple governance structures have been developed.

Although the term "governance" dates back to remote times, the concept and importance that the term is given nowadays have been defined over the last three decades, initially in private organizations. According to Berle and Means (1932), who produced one of the first academic studies on matters of governance, it is the State's job to regulate private organizations. Along these same lines, the US Securities and Exchange Commission was created in 1934 in the United States. Today this organization is still responsible, within the American context, for protecting investors and ensuring justice, order and efficiency of markets, and facilitating capital formation.

Years later, in the 1990s, which was a historical point in time marked by financial crises, the Bank of England formed a commission to develop the Code of Best Practices for Corporate Governance, resulting in the Cadbury Report. In 1992, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published the Internal Control - Integrated Framework. Later, in 2002, after scandals involving fraudulent accounting statements ratified by auditing companies, the Sarbanes-Oxley Law came into effect in the United

States, whose objective was to improve controls to ensure the reliability of the information in financial reports. That same year, with the aim of supporting independent investigation and improving governance, the European Corporate Governance Institute (ECGI) was founded. In 2004, COSO published the Enterprise Risk Management - Integrated Framework, a document which is still held up as a reference in risk management.

In the following years dozens of countries started to become concerned with aspects related to governance, and several other codes were published. Currently, the G8 (a forum of the eight most developed countries) and organizations such as the World Bank, the International Monetary Fund (IMF), and the Organization for Economic Cooperation and Development (OECD) are dedicated to promoting governance (ECGI, 2013).

In Brazil, the growing interest surrounding this subject is no different. In both the public and private sectors, there are initiatives for improving governance, which are related and complementary to each other.

In 2001, an overview of corporate governance in Brazil was published (MCKINSEY; KORN/FERRY, 2001). That same year, Law 10,303/2001 changed Law 6,404/1976 (for Corporations), and sought to reduce risks to minority investors, as well as to ensure their participation in the control of the company. In 2002, the Securities and Exchange Commission of Brazil (CVM) also published recommendations on governance.

Since then, the Brazilian Institute of Corporate Governance (IBGC) has issued new versions (2004 and 2009) of the Corporate Governance Code for Best Practices, a document which defines four basic governance principles which apply to the national context: **transparency, fairness, accountability and corporate responsibility.**

According to the IBGC, although the code was developed primarily with a focus on corporate organizations, the term "organizations" was used throughout the document, in order to make it as broad-ranging as possible and adaptable to other types of organizations such as not-for-profits, cooperatives, state-run companies, foundations and government bodies, among others.

Governance in the Public Sector

Especially in the public sector, the fiscal crisis of the 1980s demanded a new international economic and political arrangement, aiming to make the State more efficient. This context led to a discussion about governance in the public domain, and resulted in the establishment of the basic principles which guide governance best practices in public organizations (IFAC, 2001): transparency, integrity and accountability.

In the following years, other works were published, such as Study no. 13 - Good Governance in the Public Sector, by the International Federation of Accountants (IFAC), published in 2001. Along the same lines, in 2003 the Australian National Audit Office (ANAO) published the Public Sector Better Practice Governance, which endorses the principles established by the IFAC and adds three more: leadership, commitment and integration.

This trend of making the public sector more efficient and ethical was reinforced by the joint publication, in 2004, of the Good Governance Standards Guide for Public Services by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office for Public Management Ltd (OPM). The six principles of the guide are aligned with those discussed above, with an emphasis on efficiency and effectiveness. In addition to IFAC, CIPFA and OPM, organizations such as the Independent Commission for Good Governance in Public Services (ICGGPS), the World Bank and the Institute of Internal Auditors (IIA) have evaluated the conditions necessary to the improvement of governance in public organizations and they agree that, in order to better serve society's interests, it is important to: ensure ethics, integrity, responsibility, commitment and transparency in leadership; control corruption; effectively implement a code of conduct and of ethics and values; observe and ensure organizations' compliance with regulations, codes, norms and standards; ensure transparency and effectiveness of communications; balance interests and effectively involve stakeholders (citizens, users of services, shareholders, private enterprise).

According to a compilation by IFAC (2013b), the organizations mentioned in the previous paragraph understand that **good governance in the public sector allows them to:**

a) ensure economic, social and environmental benefits for citizens;
b) ensure that the organization is, and has the appearance of being, responsible towards citizens;
c) have clarity around which products and services are effectively provided to citizens and users, and to keep their focus on this goal;
d) be transparent, keeping society informed regarding decisions made and the risks involved;
e) be in possession of and use quality information and robust support mechanisms for decision-making;
f) have a dialogue with and be accountable to society;
g) ensure the quality and effectiveness of services provided to citizens;
h) promote the continuous development of leadership and associates;
i) clearly define the processes, roles, responsibilities and limits to power and authority;
j) institutionalize adequate governance structures;
k) select leadership based on aspects such as knowledge, skills and attitudes (individual competencies);
l) evaluate the performance and compliance of the organization and leadership, keeping an appropriate balance between them;
m) ensure an effective rick management system is in place;
n) use internal controls to keep risks to appropriate and acceptable levels;
o) control finances in a careful, robust and responsible way; and
p) provide citizens with high-quality data and information (reliable, timely, relevant and understandable).

In Brazil, several laws and decrees have been put into place in order to directly or indirectly institutionalize governance structures. The 1988 Federal Constitution established, in the main body of Article 1, that "The Federative Republic of Brazil [...] is a Democratic State Governed by the Rule of Law." In terms of governance, this means that citizens have the power to choose their representatives and that power is not concentrated within the government, but comes from the people. The 1988 National Constituent Assembly, with a view to creating the conditions necessary for governance of the State, established citizens' fundamental rights and guarantees[1], organized the State[2] and Authorities[3] politically and administratively, defined and separated roles and responsibilities, instituted a system of checks and balances[4], and instituted structures for internal and external control[5].

In addition to what was defined in the 1988 Constitution, other instruments were created to strengthen public governance, such as: (a) the Professional Code of Ethics for Public Civil Servants of the Federal Executive Branch (Decree no. 1,171 of June 22, 1994) and the Fiscal Responsibility Law (Complementary Law no. 101, of May 4, 2000), both of whose focus is on ethical and moral aspects and the behavior of leadership; (b) the National Program for Public Administration and Debureaucratization (GesPública), instituted in 2005 and revised in 2009 and 2013, and whose thirteen foundations[6] are guided by the constitutional principles of public administration, and by the foundations of contemporary managerial excellence; (c) Law no. 12,813 of May 16, 2013, which governs conflicts of interest in the exercise of duties for office within the Federal Executive Branch; and (d) transparency instruments, such as the Access to Information Law (Law no. 12,527 of November 18, 2011), which ensure the fundamental right to access to information, and facilitate monitoring and tracking of administrative practices by public officers.

1 Art. 5 of the Federal Constitution

2 "The political-administrative organization of the Federative Republic of Brazil includes the Union, the States, the Federal District and Municipalities, under the terms of the Constitution" (BRAZIL, 1988, Art. 18).

3 "The Branches of the Union, independent and harmonious, are the Legislative, the Executive and the Judiciary" (BRAZIL, 1988, art. 2º).

4 "When the Constitution stated that the Legislative, Executive and Judiciary are the independent and harmonious Branches of the Republic, it adopted the American constitutional doctrine of checks and balances, since at the same time as it planned for different state functions for each of the Branches, giving them privileges to exercise them properly, it established a complex system of checks and balances to harmonize them in favor of society." (MORAES, 2003).

5 "Accounting, financial, budgetary, operational and proprietary monitoring of the Union and direct and indirect administration agencies, in terms of legality, legitimacy, economy, granting of subsidies and waiver of income shall be exercised by the National Congress, through external control, and by the internal control system of each Branch." (BRAZIL, 1988, art. 70).

6 Foundations of GesPública: (1) systemic thinking, (2) organizational learning, (3) culture of innovation, (4) leadership and duration of resolutions, (5) guidance for processes and information, (6) vision of the future, (7) value generation, (8) commitment to people, (9) focus on citizens and society.

In spite of the advances that these structures represent for improving the Brazilian State's capacity for governance and management, it is important to recognize that, in order to meet social demands, it is critical to further strengthen governance mechanisms as a way of bridging the gap between the State and society.

Society must exercise its role as the main stakeholder in the State's results and demand new governance structures which allow it to perform its functions of evaluation, guidance and monitoring of operations. For this reason, more ethical and professional conduct is expected from government leadership, and its results are expected to be focused on achieving results which are aligned with society's expectations.

Chapter 2 *Observational Perspectives*

According to IFAC (2013), governance constitutes a structure (administrative, political, economic, social, environmental, legal and others) put into practice to ensure that the results desired by stakeholders and defined and achieved.

According to the Federal Court of Accounts' Strategic Plan (BRAZIL, 2011), governance can be described as a system by which organizations are run, monitored and encouraged, involving relationships between society, top management, public servants and control bodies. In essence, the purposes of good public governance are to earn and keep the trust of society, through an efficient set of mechanisms, in order to ensure that the operations that are carried out are always in line with public interest.

Governance is a term which is broadly used in several sectors of society, with different meanings depending on the perspective of the analysis.Amongst the most well-known and widely used definitions are those that are related to corporate, public and global governance.

Corporate governance: this may be understood as the system by which organizations are run and controlled (CADBURY, 1992; ABNT NBRISO/IEC 38500, 2009). It refers to the set of mechanisms to bring together the interests of direct and indirect stakeholders who are impacted by the organizations' activities (SHLEIFER; VISHNY, 1997). These mechanisms protect external investors from expropriation by internal investors (managers and controlling shareholders) (LA PORTA et al., 2000).

Public governance: this may be understood as the system which determines the balance of power between the parties involved - citizens, elected representatives (public leaders), top management, management and associates - aiming to enable the common good to prevail over the interests of individuals or groups (MATIAS-PEREIRA, 2010, adapted).

Global governance: this can be understood as the set of institutions, mechanisms, relationships and processes, both formal and informal, between the State, the market, citizens and organizations, both internal and external to the public sector, through which collective interests are articulated, rights and duties are established and differences are mediated (WEISS; THAKUR, 2010).

Therefore, public sector governance refers to mechanisms for evaluation, guidance and monitoring, as well as to the interactions between structures, processes and traditions, which determine how citizens and other stakeholders are heard, how decisions are made and how authority and responsibilities are exercised (GRAHN; AMOS; PLUMPTRE, 2003). Consequently, it is concerned with capacity of political and administrative systems to act in an effective and decisive way in order to resolve public problems (PETERS, 2012).

Observational Perspectives

Public sector governance can be analyzed through four observational perspectives: (a) society and State; (b) levels of the federation, branches of power and public policies; (c) public sector organizations; and (d) intraorganizational activities.

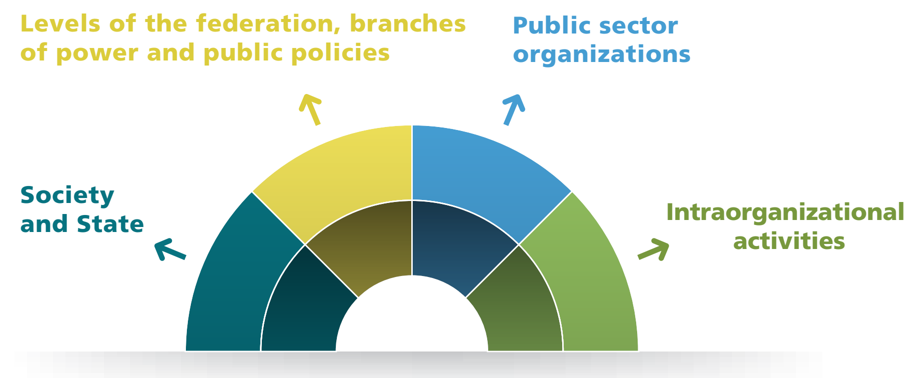

FIGURE 1: Observational perspectives for public sector governance

Whereas the first group defines the rules and principles which guide the operation of public and private agents governed by the Constitution and creates the structural conditions for administration and control of the State, the second is concerned with public policies and with the relationships between structures and sectors, including different branches, powers, levels of government and representatives of organized civil society; the third ensures that each body or entity fulfils its duties; and the fourth reduces risks, optimizes results and adds value to bodies or agencies.

We will describe in detail below each of the observational perspectives related to public sector governance.

Society and State Perspective

This is the political side of public governance, which focuses on a State's national development, socioeconomic relationships, structures that ensure governability [the capacity of a political system to produce public policies that solve societal problems (MALLOY, 1993 from SANTOS, 1997)], and meeting society's demands.

From this perspective, governance can be understood as "the way power is exercised in the administration of a country's economic and social resources, for the purpose of development" (WORLD BANK, 1991). Therefore, it includes "the traditions and institutions through which authority is exerted in a country" (WORLD BANK, 2006).

Within this context, the analytical objectives of governance are (WORLD BANK, 2012): (a) democratic structures; (b) the processes by which governments are selected, monitored and replaced; (c) the organization of the State and the distribution of power and authority between the institutions; (d) ethical conduct of public leaders [elected representatives]; (e) institutional control instruments (e.g. checks and balances system, social control, governance bodies); and (f) citizens' respect for the institutions that govern the State's economy.

This is all with a view to "the common good prevailing over the interests of individuals or groups" (MATIAS-PEREIRA, 2010) and to "achieving the collective objectives of a society" (PETERS, 2012).

Perspective of Levels of the Federation, Branches of Power and Public Policies

This is the political/administrative side of public sector governance, which focuses on the formulation, implementation and effectiveness of public policies (WORLD BANK, 2012); on Transorganizational networks which seek to overcome the functional barriers of an organization (STOKE, 1998); and on the capacity for self-organization of the parties involved.

According to Rhodes (1996), governance from this perspective deals with matters related to: (a) the coordination of efforts; (b) the exercise of control in situations where various organizations are involved; (c) structures of authority; (d) the distribution of power and responsibility between the various stakeholders; (e) the timely and sufficient allocation of resources; and (f) the governance of operations, understood here as the government's capacity to coordinate the efforts of stakeholders in order to enact public policies.

Thus, it may be defined as the government's ability and capacity to effectively formulate and implement public policies by establishing coordinated relationships and partnerships between public and/or private organizations.

Perspective of Public Sector Organizations

This is the corporate side of public sector governance, which focuses on organizations (bodies and agencies) (ANU, 2012), on keeping promises and the optimization of the results offered by them to citizens and users of services (CIPFA, 2004). According to IFAC (2013), the function of governance is to ensure that organizations' actions are aligned with the public interest.

Hence, it considers important: (a) integrity, values and ethics; (b) openness and engagement of stakeholders; (c) the definition of sustainable results and benefits in economic, social and environmental terms; (d) the definition of operations necessary to drive and optimize results and benefits; (e) building of capacities (of organizations, leadership and individuals) necessary for this purpose; (f) risk and performance management (supported by internal controls and robust instruments for management of public finances); and (g) transparency and accountability (made possible through the implementation of best practices).

Perspective of Intraorganizational Activities

Governance from the perspective of Intraorganizational activities can be understood as a system by which an organization's resources are directed, controlled and evaluated.

From this perspective, decision-making processes, specific governance structures and Intraorganizational relationships are analyzed, aiming, among other things, to optimize use of resources, reduce risks and add value to bodies and agencies and to contribute to the achievement of expected results by stakeholders both internal and external to the organization.

Typical examples of implementation from this perspective include: governance of staff, information technology, logistics, investment, budget and finance, regulations, etc.

Relationship Between Perspectives

In the public sector, there is a relationship of interdependence and complementation between the four observational perspectives (society and State; levels of the Federation, branches of power and public policies; public sector organizations and intraorganizational activities) (Figure 2). Thus, the governance structures established through the perspective of public sector organizations must be aligned and integrated to the structures that exist in the other perspectives. Similarly, strategies, policies and initiatives which affect more than one organization must be coordinated in order to ensure the effectiveness of their results.

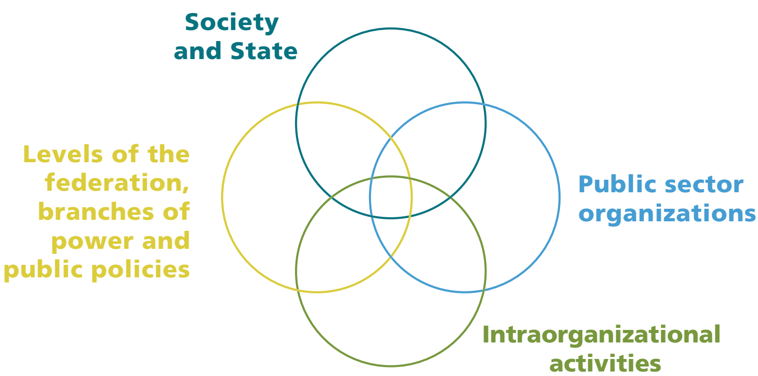

FIGURE 2: Relationship between the observational perspectives of governance in the public sector.

BASIC REFERENCE GUIDE

Chapter 3 | *Basic Concepts*

For the structure of this Reference Guide, several related documents were consulted, such as scientific articles, standards, models and codes from different countries, including:

- Code for Best Practices in Corporate Governance (IBGC, 2009);
- Enterprise risk management - integrated framework (COSO, 2004);
- Good Governance in the Public Sector (IFAC, 2013);
- Good Governance Standard for Public Services (CIPFA, 2004);
- Corporate Governance for Information Technology (ABNT, 2009);
- Government Governance: Corporate Governance in the Public Sector (NETHERLANDS, 2000);
- Direct for Board Members of Public Bodies in Scotland (SCOTLAND, 2006);
- Guidelines for Internal Control Standards for the Public Sector (INTOSAI, 2004);
- Internal Control - Integrated Framework (COSO, 2013);
- Internal Control Management and Evaluation Tool (GAO, 2001);
- International Professional Practices Framework (IIA, 2009);
- International Public Sector Study 13 (IFAC, 2001);
- Risk Management Norm - Principles and Guidelines (ABNT, 2009b);
- National Program for Public Administration and Debureaucratization (BRAZIL, 2013b); and
- Public Sector Governance in Australia (ANU, 2012).

Considering these and other sources, concepts, bases and principles were synthesized that are relevant to the understanding and improvement of governance and management in the public sector context. This analysis resulted in the formulation of the following conceptualization:

Governance in the public sector essentially includes mechanisms for leadership, strategy and control which are put into practice to evaluate, direct and monitor management with a view to enacting public policies and providing services for society.

As was discussed in Chapter 2, public sector governance can be analyzed through four observational perspectives: (a) society and State; (b) levels of the federation, branches of power and public policies; (c) Public sector organizations; and (d) intraorganizational activities.

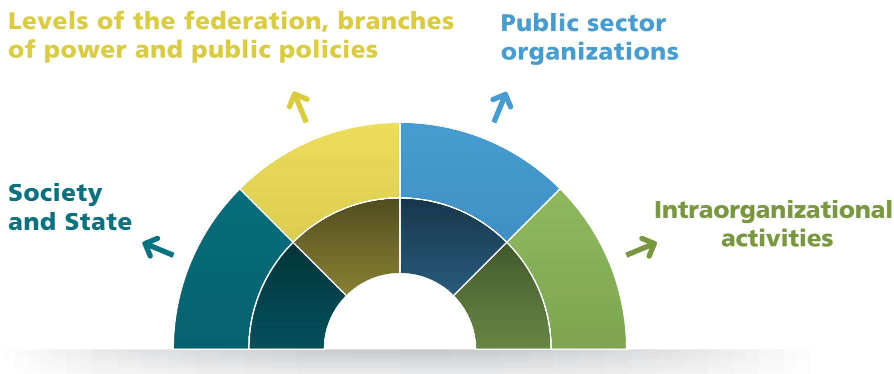

FIGURE 3: Observational perspectives on governance in the public sector

Whereas the first group defines the rules and principles which guide the operation of public and private agents governed by the Constitution and creates the structural conditions for administration and control of the State, the second is concerned with public policies and with the relationships between structures and sectors, including different branches, powers, levels of government and representatives of organized civil society; the third ensures that each body or entity fulfils its duties; and the fourth reduces risks, optimizes results and adds value to bodies or entities.

The objective of this Reference Guide is to analyze the governance of public sector organizations (bodies and agencies). It can be applied (with adaptation), to other observational perspectives.

Principal-Agent Relationship in the Public Sector

When talking about governance, two main players are involved: principal and agent. Who are these players in the public sector?

According to the only paragraph in Art. 1 of the 1988 Federal Constitution, "All power comes from the people, who exert it through their elected representatives or directly, under the terms of this Constitution." This infers, in the public context, that society is the "principal", since it shares purposes and value perception, and holds the social power, which it can exert jointly and in an orderly fashion through the structures created to represent it (DALLARI, 2005). Conversely, the "agents", in this context, are those to whom authority has been delegated to administer public assets and resources, i.e. public sector authorities, leaders, managers and associates (Figure 4). The principal and the agents, when performing their duties, may have relationships with other stakeholders (production and not-for-profit sectors) in order to create a facilitating environment for social development.

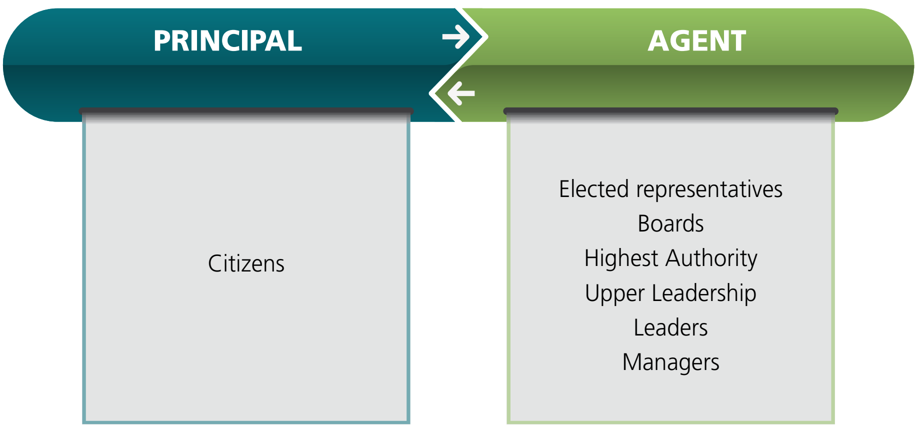

FIGURE 4: The principal-agent relationship in a direct interaction model.

Governance System in the Public Sector

The governance system reflects the way different stakeholders organize themselves, interact and proceed to achieve good governance. Therefore, it involves administrative structures (entities), work processes, instruments (tools, documents, etc.), flow of information and the behavior of the persons directly or indirectly involved in the evaluation, the guidance and the monitoring of the organization. In a simplified way, this system can be represented as follows (Figure 5):

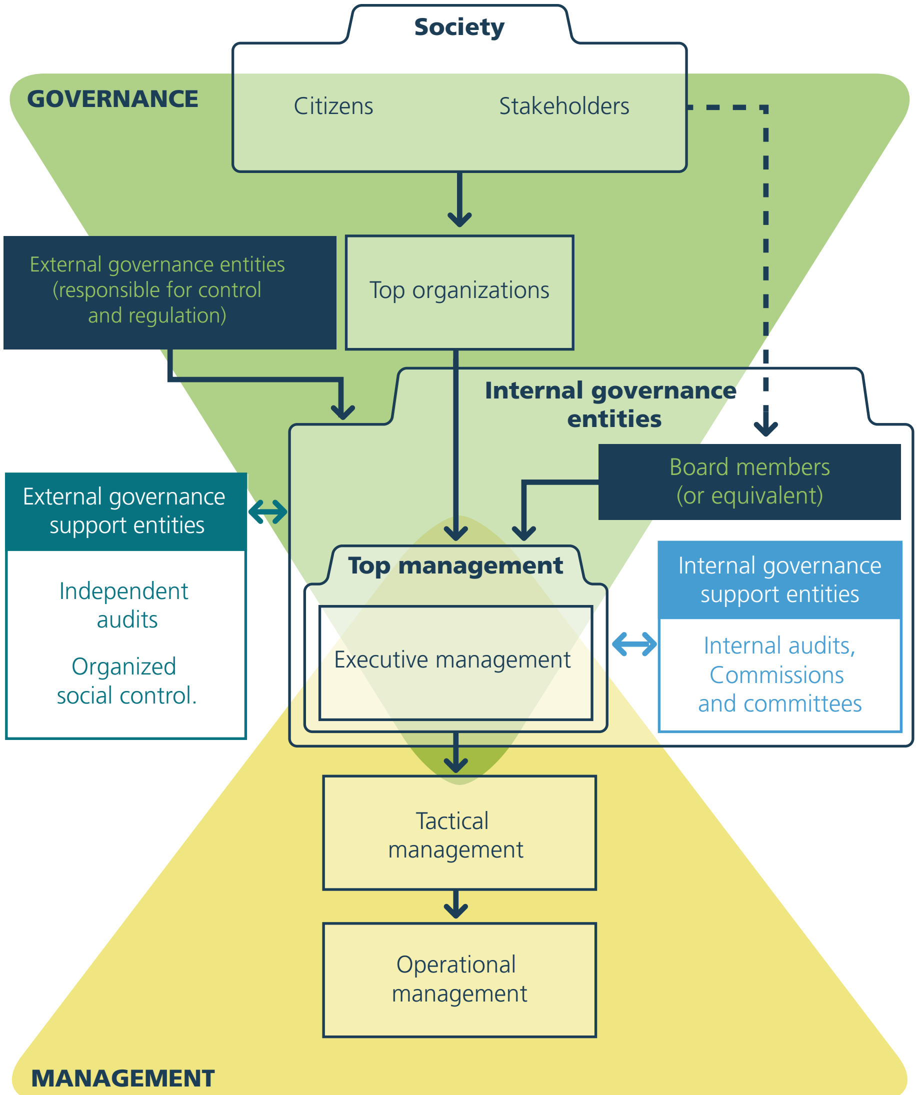

FIGURE 5: Governance System in Public Sector Organizations

In this system, it can be noted that some entities[7] have been highlighted: External governance entities; external governance support entities; Internal governance entities; and internal governance support entities;

a) **External governance entities** are responsible for supervision, control and regulation, and they play an important role in promoting governance in public organizations. They are autonomous and independent, and are not linked to one organization aloe. Typical examples of these structures are the National Congress and the Federal Court of Accounts.

b) **External governance support entities** are responsible for evaluation, auditing and independent monitoring and, in cases where irregularities are identified, they are responsible for the communication of the facts to superior governance entities. Typical examples of these structures are independent audits and organized social control.

c) **Internal governance entities** are responsible for defining or evaluating the strategy and policies, as well as monitoring their compliance and performance, and must act whenever cases of deviations are identified. They are also responsible for ensuring that the strategy and policies formulated are in the interest of the population, acting as a liaison between principal and agent. Typical examples of these structures are boards of directors ur equivalent, and in their absence, top management.

d) **Internal governance support entities** perform the communication between the internal and external stakeholders and administration as well as internal audits that evaluate and monitor risks and internal controls, and communicate any irregularities identified to top management. Typical examples of these structures are ombudsmen, internal audits, the audit board, commissions and committees.

In addition to these entities, there are other structures that contribute to good governance in an organization: executive management, tactical management and operational management.

a) **Executive management** is responsible for internally evaluating, directing and monitoring the body or agency. It is the organization's highest

7 Examples of organizations and administrative structures that typically play roles related to each one of the governance entities are listed in Appendix I.

authority and upper leadership are the public officials who typically work in this structure. In general, while the highest authority is the main one responsible for the organization's management, upper leadership (managers at the strategic level and executive managers who are directly connected with the highest authority) are responsible for establishing policies and objectives and for providing direction to the organization.

b) **Tactical management** is responsible for coordinating the operational management in specific areas. The leaders who make up the organization's tactical level (for example secretaries) are the public officials who typically work in this structure.

c) **Operational management** is responsible for the execution of the organization's productive processes and for support. Managers, members of the organization in positions or with functions at the operational level and higher (for example directors, managers, supervisors, chiefs) are the public officials who typically work in this structure.

Governance and Management Functions

Governance of public sector organizations involves three basic functions, aligned with tasks suggested by ISO/IEC 38500:2008:

a) **evaluate** the environment, scenarios, performance, and future and current results;

b) **direct** and guide the preparation, articulation and coordination of policies and plans, aligning organizational functions with stakeholders' needs (users of services, citizens and society in general) and ensuring that objectives are met; and

c) **monitor** results, performance and compliance with policies and plans, checking them against the targets set and the expectations of stakeholders.

According to the World Bank, **governance** is about organizational structures, functions, processes and traditions which aim to ensure that planned actions (programs) are executed such that they meet their objectives and results in a transparent way (WORLD BANK, 2013). Therefore, it seeks greater effectiveness (to produce the desired effects), and greater economy (to obtain the largest benefit possible using the resources available. Governance functions are:

a) to define strategic direction;
b) to supervise management;
c) to involve stakeholders;
d) to manage strategic risks;
e) to manage internal conflicts;
f) to audit and evaluate the management and control system; and
g) to promote accountability and transparency.

In this sense, governance is related to processes of communication; analysis and evaluation; leadership, decision-making and direction; control, monitoring and accountability.

Conversely, **management** involves the day-to-day functioning of programs and organizations in the context of strategies, policies, processes and procedures established by the organization (WORLD BANK, 2013); it is concerned with **efficacy** (carrying out priority actions) and **efficiency** of actions (performing the actions the best way possible, in terms of cost-benefit).

Management functions are:

a) to implement programs;
b) to ensure compliance with regulations;
c) to revise and report on progress of actions;
d) to ensure administrative efficiency;
e) to maintain communication with stakeholders; and
f) to evaluate performance and to learn.

While management is inherent to, and integrated with organizational processes, since it is responsible for planning, executing, controlling and acting, i.e. for the management of resources and power placed at the disposal of bodies and agencies in order to achieve their results, governance provides direction, monitors, supervises and evaluates management's operation, with an aim to meeting the needs and expectations of citizens and other stakeholders.

FIGURE 6: Relationship between governance and management.

Governance is also concerned with the quality of the decision-making process and its effectiveness: How to achieve the greatest value possible? How, by whom and why were decisions made? Were the expected results achieved?

Management, in turn, bases itself on the assumption that there is already a direction handed down and that public officials are responsible for ensuring that this is executed in the best way possible in terms of efficiency.

Chapter 4 *Principles, Guidelines and Levels of Analysis*

CONSIDERING THAT there is not one single definition for the term "governance", and keeping in mind that the subject of the analysis of this Reference Guide are public sector organizations (bodies and agencies), for the purposes of this model the following definition has been adopted:

> Governance in the public sector essentially includes mechanisms for leadership, strategy and control which are put into practice to evaluate, direct and monitor management with a view to enacting public policies and providing services for society.

Basic Governance Principles for the Public Sector

In order for it to be effective, public governance prerequires that the State be governed by rule of law; a participative civil society where public matters are concerned; a bureaucracy in place that is based on professional ethics; policies that are planned in a predictable, open and transparent way; and an Executive Branch which is responsible for its actions (WORLD BANK, 2007).

As suggested by the World Bank, the principles of good governance are: legitimacy, fairness, responsibility, efficiency, probity, transparency and accountability.

a) **Legitimacy:** fundamental legal principle of a Democratic State governed by the rule of law and informative aspect of the external control of public administration, which takes the notion of control beyond the mere aspect of legality. It is not enough to verify that the law was obeyed;

it is also necessary to check if public interest- the common good- was achieved. Professional skepticism is accepted, that what is legal is not always legitimate (BRAZIL, 2012).

b) **Fairness:** to promote fairness is to ensure the proper conditions such that everyone is able to exercise their civil rights - freedom of expression, access to information, association, to vote, gender - political and social rights- health, education, housing and security (BRAZIL, 2010c).

c) **Responsibility:** this concerns the care that agents of governance must have for the sustainability of organizations, aiming for their longevity, incorporating social and environmental considerations in the definition of business and operations (IBGC, 2010).

d) **Efficiency: t**his is to do what is necessary with an adequate level of quality and at the lowest cost possible. It is not about reducing costs in any way possible, but about seeking the best balance between service quality and expenses (BRAZIL, 2010c).

e) **Probity:** this relates to the duty of public servants to demonstrate probity, care, economy and compliance with the rules and procedures of the body when using, raising, managing and administrating public assets and securities. That is, it is regarding the obligation that public servants have to demonstrate that their trustworthiness (IFAC, 2001).

f) **Transparency:** this is characterized by the ability to access all information relative to the public organization, as one of the control requirements of the State by civil society. Proper transparency results in a climate of trust, both internally and in the relationships of bodies and agencies with third parties.

g) **Accountability:** INTOSAI's auditing norms define accountability as the obligation of persons or entities with whom resources have been entrusted, including public companies and organizations, to assume the fiscal, managerial and programmatic responsibility that was given to them, and to report to whoever delegated these responsibilities to them (BRAZIL, 2011). It is expected that agents of governance voluntarily offer reports on their operations, wholly assuming the consequences of their acts and omissions (IBGC, 2010).

Guidelines for Good Governance

According to the CIPFA (2004), to achieve good governance in public sector organizations, it is important to:

a) focus the organization's purpose on results for citizens and users of services;
b) effectively carry out defined functions and roles;
c) make decisions based on high-quality information;
d) manage risks;
e) develop the capacity and the efficacy of organizations' board of directors;
f) report and effectively involve stakeholders;
g) be clear on the organization's purpose, as well as on the expected results for citizens and users of services;
h) ensure that users receive high-quality services;
i) ensure that taxpayers receive value in exchange for their financial contributions;
j) clearly define the functions of the organizations and the responsibilities of top management and managers, ensuring their compliance;
l) be clear on the relationships between members of top management and society;
m) be rigorous and transparent on how decisions are made;
n) have and use advisory and support structures, and high-quality information;
o) ensure that an effective risk management system is in place;
p) ensure that agents (commissioned or elected) have the skills, knowledge and experience necessary for a good performance;
q) build the capacity of persons with governing responsibilities and evaluate their performance, both as individuals and as a group;
r) balance continuity with renewal in the composition of the board of directors;
s) understand formal and informal accountability relationships;
t) take proactive and planned actions to dialogue with and be accountable to society, and effectively engage partner organizations and stakeholders;
u) take proactive and planned actions in regards to agents' accountability;

v) ensure that top management behaves in an exemplary manner, promoting, sustaining and ensuring the effectiveness of governance; e

x) put organizational values into practice.

Levels of Analysis

Considering that governance is not without cost and that the mechanisms, in isolation, potentially may not produce the expected results, this Reference Guide was conceived based on four levels of analysis: governance mechanisms, and the components, practices and control elements (Figure 7).

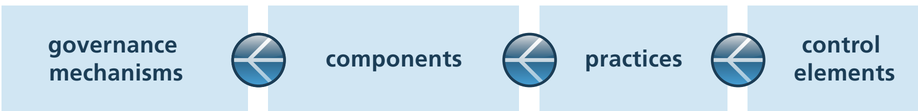

FIGURE 7: Levels of Analysis in the Basic Governance Reference Tool.

Governance Mechanisms

In order for governance functions (evaluation, direction and monitoring) to be exercised in a satisfactory manner, a few mechanisms must be adopted: leadership, strategy and control (Figure 8).

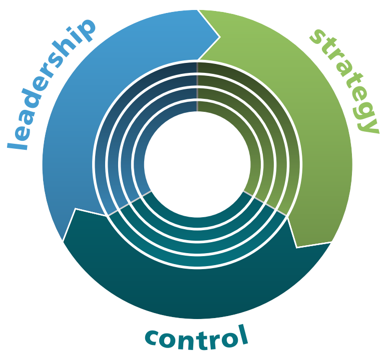

FIGURE 8: Governance Mechanisms

Leadership refers to the set of practices of a human or behavioral nature, which ensures that the minimum conditions are in place for good governance, which are: people with integrity, who are trained, competent, responsible and motivated, occupying the main positions in the organizations and leading work processes.

These leaders are responsible for conducting the process to establish a **strategy** necessary for good governance, involving aspects such as: actively listening to the demands, needs and expectations of stakeholders; evaluation of the organization's internal and external environment; evaluation and prediction of scenarios; defining and following the strategy; defining and monitoring short-, medium- and long-term objectives; aligning the strategies and operations of the business units and the organizations that are affected or involved.

Nevertheless, in order for these processes to be carried out, there are risks that need to be evaluated and addressed. For this, it is important to establish **controls** and their evaluation, transparency and accountability, which involves, among other things, reporting and taking responsibility for actions.

In general, the three mechanisms proposed (leadership, strategy and control) can be applied to any of the four **observational perspectives** (society and State; levels of the Federation, branches of power and public policies; public sector organizations; and intraorganizational activities), which must, however, be aligned in order to ensure that direction from top management is reflected in the actions at subordinate levels.

Components of the Governance Mechanisms

Each one of the mechanisms was associated with a set of components which contribute directly or indirectly to meeting the objectives (Figure 9). These are:

Leadership

- People and Competencies (L1);
- Principles and Behaviors(L2);
- Organizational Leadership (L3);
- Governance System (L4);

Strategy

- Stakeholder Relations (E1);
- Organizational Strategy (E2);
- Transorganizational Alignment (E3);

Control

- Risk Management and Internal Control (C1);
- Internal Auditing (C2); and
- Accountability and Transparency (C3).

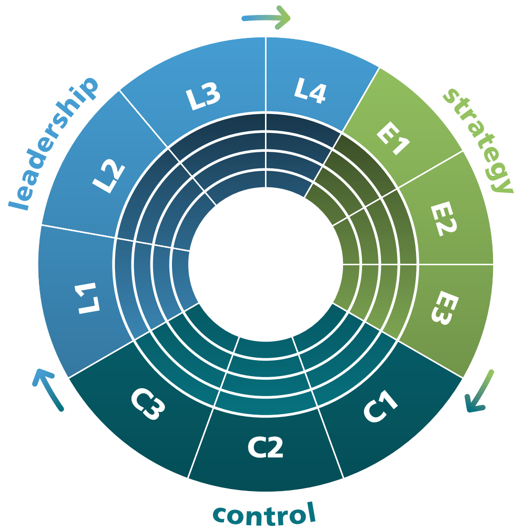

FIGURE 9: Components of the Governance Mechanisms

Each component was associated with a set of **governance practices, d**escribed in Chapter 6, whose objective is to contribute to the achievement of the result desired by the stakehol**ders.** Similarly, each practice was linked to a set of **control elements**[8], which are included in the document attached to this Reference Guide. It is important to note that the practices presented herein represent a basic Reference Guide, and are not meant to be exhaustive.

8 Control elements are available for consultation on the TCU's corporate website: **http://www.tcu.gov.br/governanca**

Chapter 5 *Governance Practices*

For each component of the governance mechanisms, a brief description was developed, identifying practices and an associated glossary of related terms.

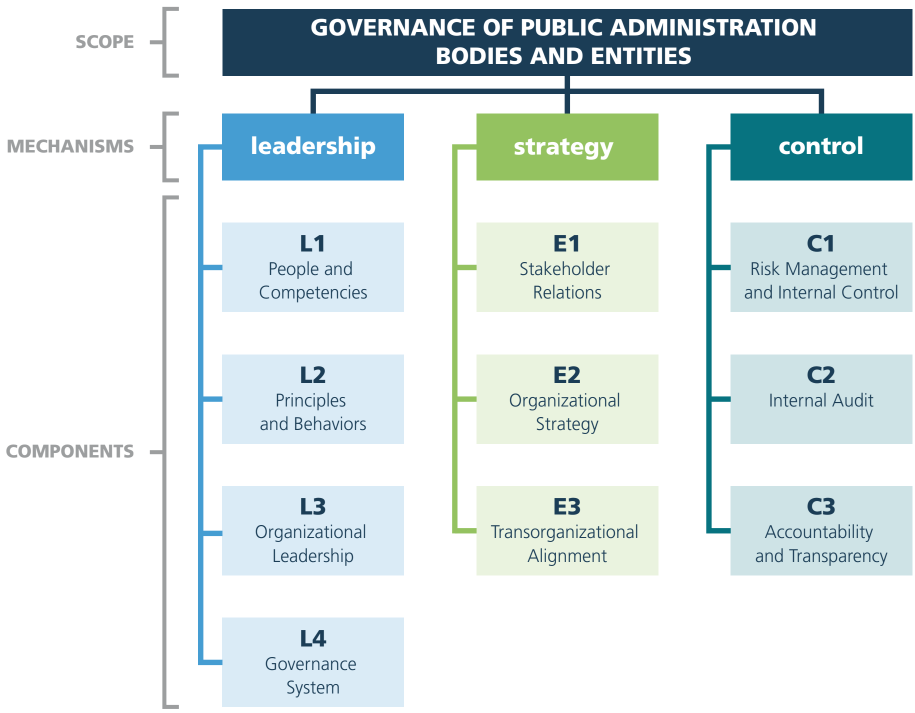

FIGURE 10: Components of the Governance Mechanisms

Below, each of the components will be characterized, and related governance practices will be described. It is important to note that the practices presented herein represent a basic reference guide, and are not meant to be exhaustive.

Practices Related to the Leadership Mechanism

Component L1 - People and Competencies

The results of any organization fundamentally depend on the people who work there. For this reason, the organization must have professionals with the necessary competencies.

In the context of governance, it is essential to mobilize leaders' knowledge, skills and attitudes for the optimization of organizational results. For this, best practices call for members of top management having the necessary skills to perform their functions.

Practices related to people and competencies

Practice L1.1 - Establish and make transparent the selection process for members of the board of directors or its equivalent and for top management.

This involves defining and publishing the competencies desirable or necessary for board members (or equivalent) and top management, as well as selection criteria to be observed. Additionally, it requires that the selection process be carried out in a transparent way, based on previously defined criteria and competencies.

Practice L1.2 - Ensure adequate capacity building for top management.

This involves defining guidelines for the professional development of members of top management as well as identifying desirable or necessary competencies and developing them, taking into account any gaps observed.

Practice L1.3 - Establish a performance evaluation system for top management.

This means the definition of performance evaluation guidelines for members of top management, as well as performance indicators and targets. In addition, it requires carrying out the evaluation based on previously defined indicators and targets, and publishing results.

Practice L1.4 - Ensure that any existing benefits package for board members (or equivalent) and top management be transparent and adequate in

order to attract top professionals and motivate them to stay focused on organizational results.

This means defining guidelines and a benefits package, both financial and non-financial, to recognize board members (or equivalent) and top management. Furthermore, it requires that the defined set of benefits be reasonable and adequate considering the complexity and responsibility involved in the roles ad functions carried out, and that, in the case of top management, it consider organizational results as well as individual and collective performance. Finally, the set of benefits offered must be published, at least as an aggregate, to stakeholders.

Terms related to people and competencies

- **Management of people:** the set of management and institutional practices which aims to stimulate the development of competencies, performance improvement, employees' motivation and commitment to the organization, as well as to favor the achievement of institutional results (BRAZIL, 2006).
- **Competency:** the mobilization of employees' knowledge, skills and attitudes in the workplace context, to achieve the results expected by the organization, either individually or as a team (BRAZIL, 2013).
- **Knowledge**: information assimilated by an individual, which allows them to identify what to do, and why, in a given situation or context. This is acquired over a lifetime, not only through schooling or formal training, but also through reading, other informal strategies or even from experience (BRAZIL, 2013).
- **Skills**: result from an individual's capacity to apply knowledge in the sense of how to do something to deal with a given situation or context. This involves carrying out a physical (locomotory) or intellectual (mental processes or operations) task (BRAZIL, 2013).
- **Attitudes**: this involves an individual's actions, reflecting their predisposition or motivation to do something in order address a given situation or context. This results from feelings, beliefs and values related to acceptance or rejection of people, objects or situations (BRAZIL, 2013).
- **Performance evaluation:** this refers to the evaluation of an employee in relation to their professional activities over the course of a given evaluation period, and the achievement of previously negotiated goals (BRAZIL, 2013c).

- **Performance management**: performance management has come up in the last few years as an alternative concept to the techniques traditionally used for evaluation performance. The term "management" gives the evaluation mechanism the connotation of a process involving planning and monitoring activities, as well as evaluation itself (GUIMARÃES, 1998).

Component L2 - Principles and Behaviors

When striving for excellence in service provision, organizations must have on staff people who have the necessary competencies (knowledge, skills and attitudes) and who demonstrate high standards of ethical conduct.

IFAC (2013) suggests that one of the principles of good governance is top management's commitment to ethical values, with integrity and observance and compliance with the law. Therefore, it is the role of managers to exercise leadership in the promotion of ethical values and high standards of conduct (OECD, 2004).

The standards of behavior required of people linked to public sector organizations must be defined in codes of ethics and conduct, which must be clear, sufficiently detailed, and formally instituted, and must be observed by members of top management, management and associates (IFAC, 2001).

Practices Related to Principles and Behaviors

Practice L2.1 - Adopt a code of ethics and conduct which defines standards of behavior for board members (or equivalent) and top management.

This consists of publishing a code of ethics and conduct applicable to board members (or equivalent), as well as members of top management.

This document details expected values, principles and behaviors; defines how to deal with conflicts of interest; establishes the requirement to declare and record situations that may lead to a conflict of interest; and it forbids or establishes limits in regards to receiving benefits which may influence or have the appearance of influencing the actions of board members or top management.

Additionally, the code of ethics and conduct defines applicable penalties in case of non-compliance; mechanisms for monitoring and evaluating compliance; and roles and responsibilities of the people involved in monitoring and evaluation of the behavior of its target audience.

Practice L2.2 - Establish control mechanisms to prevent personal prejudices, biases or conflicts of interest from influencing the decisions and actions of board members (or equivalent) and top management.

This refers to the implementation of control mechanisms in order to prevent the people involved in possible conflicts of interest from participating in related decisions and actions, in addition to other mechanisms for receiving and dealing with complaints, submitting them directly to internal governance entities, and enabling the tracking of complaints by stakeholders.

Practice L2.3 - Establish mechanisms to ensure that top management act in accordance with standards of behavior based on constitutional, legal and organizational values and principles, and on the code of ethics and conduct in place.

This involves instituting an internal governance entity, responsible for reporting misconduct, responsible for evaluating the compliance of the conduct of top management with constitutional, legal and organizational values and principles, as well as the code of ethics and conduct in place. This presupposes that no instances of misconduct have been proven by current members of top management in any governance entity, whether internal or external.

Terms related to principles and behaviors

- **Principles of conduct:** these refer to the establishment of principles associated with legality, morality, impartiality, publicity, efficiency and ethics, as well as encouraging their implementation.
- **Ethics:** this means making decisions and acting based on respect and commitment to the common good, honesty, dignity, loyalty, decency, care, responsibility, justice, exemption, solidarity and fairness.

Component L3 - Organizational Leadership

The organizational leadership model, also called the leadership system (BRAZIL, 2013b), comes from the implementation of the principles of coordination, delegation of competency (BRAZIL, 1967), and the governance model in place.

With these principles and a basis, top management establishes a structure of functional units and sub-units, names managers to lead them and delegates authority to them (legal mandate and authority for allocated resources) to execute plans in order to achieve objectives and meet institutional targets.

The ultimate responsibility for the results achieved always lies with the delegating authority. For this reason, top management is responsible for the definition and evaluation of the internal controls that mitigate the risk of misuse of delegated power, and the internal audit is a support structure which is commonly used for this purpose.

Practices Related to Organizational Leadership

Practice L3.1 - Evaluate, direct and monitor the management of the organization, especially with regards to its organizational goals.

This involves defining guidelines to evaluate, direct and monitor the organization's management. It also requires that the performance of the organization's management, as well as its compliance with external norms and internal guidelines be evaluated, direct and monitored by top management.

Practice L3.2 - Be accountable for the establishment of policies and guidelines for the organization's management and for achieving expected results.

This consists of implementing an internal control system to mitigate the risks resulting from the actions of delegated agents, and defining targets for the organization's results. This requires that the highest leader of the organization be responsible for the establishment of policies and guidelines for the organization's management and for achievement of planned results.

Practice L3.3 - Ensure, through a policy of delegation and retention of authority, the capacity of internal governance entities to evaluate, direct and monitor the organization.

This involves defining guidelines and limits for the delegation of competencies associated with critical business decisions, in addition to defining the mandates of the members of internal governance entities and the requirements for remaining in a position or role. It also requires that transition guidelines be established for members of top management and other internal governance entities, as well as an escalation process for governance entities, on matters involving critical business elements.

Practice L3.4 - Be accountable for risk management and internal control.

This means that top management evaluates, directs and monitors the risk management and internal control system, and establishes measures that ensure that managers implement and monitor risk management and internal control practices. As a result, top management evaluates the key risks that could compromise the achievement of the main organizational objectives, and provides clear direction for their management.

Practice L3.5 - Evaluate the results of control activities and of auditing tasks and ensure that any necessary measures be taken.

This refers to the definition of guidelines for planning, implementation and the evaluation of control and auditing activities. It requires that top management take a position in relation to the results of control activities and recommendations arising from auditing tasks, whenever these are not related to acts or omissions of top management itself. In this case, it is the board or equivalent who must take a position. In both cases, measures are taken whenever necessary.

Component L4 - Governance System

The governance system refers to the way different stakeholders organize themselves, interact and proceed to achieve good governance. It includes internal and external governance entities, flow of information, work processes and activities related to the evaluation, direction and monitoring of the organization.

From there, it follows that the scope of good governance by the organization fundamentally depends on the definition and implementation of a governance system which is at once simple and robust.

Practices Related to the Governance System

Practice L4.1 - Establish the organization's internal governance entities.

This consists of defining the roles and responsibilities of the board of directors or equivalent, of top management, and of the internal governance support entities, including activities related to decision-making, to the development, implementation and revision of guidelines, and to monitoring and control.

In addition, it requires that the board of directors or equivalent, top management and internal governance support entities have designated members and that they regularly carry out their activities.

Finally, the governance system must be defined, evaluated, direct and monitored by the highest internal governance entity.

Practice L4.2 - Ensure balance of power and separation of duties.

This requires that critical decisions requiring segregation of functions be identified and that the functions related to them be segregated, such that the power for such decisions is not concentrated in one single entity. Furthermore, it requires the definition of a time limit so that the same individual carries out the function or role associated to critical business decisions, and the implementation of controls aimed at reducing the risk that critical decisions are made without ensuring the principle of segregation of functions.

Practice L4.3 - Establish the organization's governance system and publish it for stakeholders.

This requires that the organization's governance system be defined and implemented, and that stakeholders be made aware of administrative structures, the roles and responsibilities of governance entities, work processes and flow of information, and decision-making processes. As a result, it is expected that the governance system in place within the organization be executed in compliance with the definitions, and that stakeholders know and interact with this system, within the limits set.

Terms Related to the Governance System

- **Balance of power and authority:** suggests that the concentration of power, authority and responsibility should not be concentrated in the hands of a small number of individuals. As a basic rule, critical decision and activities should be taken or executed by a panel composed of competent and mutually independent members.

- **Roles** and responsibilities of governance entities: refers to the assignment of responsibilities to the members, both executives and non-executives, of the top of the organization.

Practices for the Strategy Mechanism

Component E1 - Stakeholder Relations

Considering that the focus of organizations is necessarily on the efficient provision of services, it is essential that they align their actions with stakeholders' expectations in order to optimize results.

In general, these organizations need to meet a broad range of political, economic and social objectives, which requires them to submit to a set of external restrictions and influences which are different to those faced by private sector companies (IFAC, 2001). Thus, a governance model must foster

a balance between the legitimate expectations of the different stakeholders, the responsibility and discretion of leaders and managers, and the need for accountability (IFAC, 2001).

To ensure this alignment, it is essential that organizations be open to listening to stakeholders to understand their needs and demands; evaluate organizational performance and results; and be transparent, reporting and providing complete, accurate, clear ad timely information (IFAC, 2001).

Practices Related to Stakeholder Relations.

Practice E1.1 - Establish and publish communications channels among the different stakeholders and ensure their effectiveness, considering the characteristics and access possibilities of each target audience.

This involves defining guidelines from top management for open data; publishing of information related to the organization's field of work and communication with the different stakeholders; and identifying stakeholders and their information needs as a result of court requirements and norms relating to publicity, and stakeholders' demands.

It also requires that communications channels be implemented for access to, request for, and provision of data and information, as well as mechanisms for handling data and information receive through the communications channels.

As a result, it is hoped that the target audience actually uses the communications channel(s) or acknowledges their availability and adequacy.

Practice E1.2 - Promote social participation, with involvement of users, society and other p in the organization's governance.

This is related to the definition of guidelines for social participation in the organization's governance and the identification of stakeholders, in addition to implementing mechanisms which enable social participation in the organization's governance.

As a result, it is hoped that social participation would occur in compliance with established guidelines.

Practice E1.3 - Establish an objective and professional relationship with the media, other organizations and auditors.

This means defining guidelines and implementing mechanisms for interacting with the media, auditors and other organizations. As a result, it is hoped that the media, internal and external auditors, and other public and private organizations acknowledge that their relationship with the organization is satisfactory.

Practice E1.4 - Ensure that decisions, strategies, policies, programs, plans, actions, services, and products for which the organization is responsible reach the largest possible number of stakeholders, in a balanced way, without allowing the interests of specific persons or groups to predominate.

This requires not only that stakeholders be identified, but also the similarities and differences between them, as well as their needs and expectations. From there, it is necessary to define the criteria for balancing and prioritizing stakeholders' needs, and to implement prioritization and balancing processes for decision, strategies, policies, programs, plans, actions, services and products for which the organization is responsible.

As a result, it is hoped that the prioritization and balancing criteria used are transparent and trackable, and that the different stakeholders acknowledge that their needs and expectations are being taken into account.

Terms Related to Stakeholder Relations.

- **Stakeholders: people, groups or institutions with an interest in public goods, services or benefits, who can be affected positively or negatively, or even who are involved in the process of public services provision.** In summary, they are those whose operations and opinion must be taken into account in the formulation of strategies, in accountability and in transparency. In the public sector, this includes: political officials, public servants, service users, providers, media and citizens in general, each with a legitimate interest in the public organization, but not necessarily with rights of ownership (IFAC, 2001).

- **Effectiveness:** the relationship between the results of an intervention or program, in terms of the effects on the target population (observed impacts), and the planned objectives (expected objectives).This means verifying the frequency of changes in the target population which can reasonably be attributed to the actions under evaluation. It refers to the scope of the planned results over the medium and long term (BRAZIL, 2012).

- **Balance:** in recent studies on governance, what stands out is the importance of ensuring that stakeholders' expectations and needs are known and taken into consideration by managers, in order to balance the forces of the different stakeholder groups and minimize the risks that could negatively impact results.

- **Relationship:** public servants must treat citizens in a forthcoming, timely, reliable and courteous manner, in order to preserve the organization's reputation. They must also relate to their co-workers with respect and consideration, and, with regard to suppliers, they must honor contracts, pay within the agreed-upon timeframe, observe rules and quality standards, in order to ensure the organization's reputation (IFAC, 2001).

Component E2 - Organizational Strategy

The fundamental role assigned to public organizations is, through service provision, to systematically and integrally increase the social well-being and opportunities for citizens. In order to perform their duties well, public administration must have adequate resources and the necessary human capital in order to work effectively and efficiently, with economy and in a way that benefits society. For this, it is important to clearly define their objectives as well as their overall strategy, and to implement tools which guide their improvement efforts.

Based on its vision for the future, an analysis of the internal and external environments, and their organizational mission, the organization must formulate its strategies, turn them into action plans, and monitor their implementation (BRAZIL, 2010), offering the means necessary for achieving institutional results and maximizing results.

Practices Related to Organizational Strategy

Practice E2.1 - Establish a strategy management model that takes into account aspects such as transparency and stakeholder involvement.

This involves defining the strategy management model, taking into account aspects such as transparency and stakeholder involvement. Such a model must detail the necessary processes, including strategy formulation, deployment and monitoring. In addition, it lays out how internal governance entities participate in the evaluation, direction and monitoring of the strategy, and how stakeholders are involved in these activities.

Practice E2.2 - Establish the organization's strategy.

This consists of defining the organization's mission, vision and strategy, including performance objectives, initiatives, indicators and targets. It also requires the involvement of parties interested in the formulation of strategy and its execution.

Practice E2.3 - Monitor and evaluate the execution of the strategy, primary indicators and the organization's performance.

This requires that the organization's strategy be defined, as well as guidelines for monitoring and evaluating the execution of this strategy. It also involves following up on the execution of the strategic initiatives and evaluating the organization's performance, putting improvement measures into place whenever necessary. As a result, it is hoped that the organization's strategy is executed in accordance with the defined objectives and targets.

Terms Related to Organizational Strategy

- **Purpose of the organization:** related to the reasons for which the organization was created. It includes its mission, vision and the results it aims to achieve.

- **Mission**: represents the raison d'être of an organization, that is, what it does, why it does what it does, for whom it works, and what impact it aims to have on its clientele.

- **Vision for the future:** this expression articulates the desired future situation of the organization. It is the image it has of its own future. It represents its dream for its future, and serves as a guide. The vision is established based on the organization's purpose and corresponds to the ultimate direction it wishes to achieve.

- **Strategic objectives:** these are the ends to be pursued by the organization for the fulfilment of its mission and he achievement of its vision for the future. They act as a link between an organization's guidelines and its strategic reference tool. They articulate the challenges to be faced in a given time period, considering clients' demands and expectations.

- **Planning:** this refers to the development of processes, techniques and administrative attitudes which enable the evaluation of the future implications of today's decisions, in order to reduce the uncertainty involved in decision-making processes, and, consequently, to increase the likelihood of reaching the objectives and overcoming the challenges established by and for the organization, maximizing results and minimizing weaknesses.

- **Strategic management:** the set of strategic decisions which determines the performance of an organization over the long term. This type of management includes

- a detailed analysis of the internal and external environments and the strategy's formulation, implementation, evaluation and control.

- **Policy**: set of actions and decisions by the government towards a solution (or not) to society's problems. It is the sum of actions, goals and plans that governments (national, state or municipal) put into place for society's well-being and the public interest (BRAZIL, 2008).

- **Evaluation**: systematic analysis of processes or results, compared to an explicit or implicit set of standards, with the objective of contributing to its improvement.

Component E3 - Transorganizational Alignment

MARINI and MARTINS (2006) defend the need for horizontal integration between public policies, meaning that the actions and specific objectives of the interventions carried out by diverse entities must be aligned in order to mutually reinforce each other. In the case of cross-cutting policies, especially, it is essential that there be institutionalized coordination mechanisms in place, in order to create the conditions for joint action and synergies, thus avoiding overlap or efforts which are mutually counter-productive.

To meet its objective of ensuring the common good, the public sector must be capable of coordinating multiple public, administrative, economic and social stakeholders. In this sense, it is important to keep strategies and objectives consistent and aligned between the organizations involved; to institutionalize mechanisms for communication, collaboration and articulation between the stakeholders involved; and to regulate operations.

Each of the multiple stakeholders within the government has its own objectives. Thus, for an effective governance, it is necessary to define consistent and aligned objectives between all involved in the implementation of the strategy so that the expected results can be achieved.

More and more, the achievement of results for the nation requires that public organizations work together. Otherwise, the fragmentation of the mission and the overlap of programs become the norm within government and many cross-cutting programs cease to be coordinated well. When they work together, public organizations can improve and sustain collaborative approaches to meet national targets, objectives, or collective goals.

Practices Related to Transorganizational Alignment

Practice E3.1 - Establish joint action mechanisms for the formulation, implementation, monitoring and evaluation of crosscutting and decentralized policies.

This initially involves defining governance entities for cross-cutting and decentralized policies, as well as the norms and regulations necessary to the execution of these policies. It also requires the identification of the organizations involved in such policies, and the joint definition of objectives, indicators and targets, in addition to the responsibilities of each organization.

This requires that the actions related to cross-cutting and decentralized policies under the organization's responsibility be executed in compliance with the established agreement, and that they be evaluated, direct and monitored by the internal governance entities.

Finally, the relevant information related to cross-cutting and decentralized policies are shared and communicated to the governance entities and other stakeholders.

As a result, it is hoped that the other organizations involved in cross-cutting and decentralized policies acknowledge that the organization works in an aligned manner.

Terms Related to Transorganizational Alignment

- **Public policy:** articulated and structured set of actions and incentives which seek to change a given situation in response to demands and interests of the stakeholders involved (MARTINS, 2007).

- **Coordination of policies:** this means enabling the different institutional and management systems that develop policies to work together (MARTINS, 2003).

Practices for the Control Mechanism

Component C1 - Risk Management and Internal Control

The challenge of governance in public sector organizations is to determine how much risk to accept when seeking the best value for citizens and other stakeholders, which means providing services of public interest in the best way possible (INTOSAI, 2007). The governance instrument to deal with this challenge is risk management.

The inherent risk can be defined as the risk that is intrinsic to the activity that is being carried out. If the inherent risk is of an unacceptable level to the organization, internal controls must be put into place by managers in order to mitigate these risks.

Practices Related to Risk Management and Internal Control

Practice C1.1 - Establish risk management and internal control system

This refers to the definition of guidelines for the risk management and internal control system, and the implementation of said system. This requires that the organization's critical risks be identified and that the internal controls to mitigate them be implemented. It also demands the implementation of a continuity plan for the critical business elements and the assignment of responsibility for the coordination of the risk management system. The information resulting from the system is used by the internal governance entities to support its decision-making processes.

Practice C1.2 - Monitor and evaluate the risk management and internal control system, in order to ensure that it is effective and that it contributes to the improvement of organizational performance.

This requires that the risk management and internal control system be monitored and evaluated by the organization's highest internal governance entity, taking into account aspects such as legal and regulatory compliance, implementation of best practices, alignment of the organization's strategies and overall performance. As a result of monitoring and evaluation, measures for improving the system are implemented whenever necessary.

Terms Related to Risk Management and Internal Control

- **Risk** is the effect of the uncertainty around the organization's objectives (ABNT, 2009b). It includes positive events with the potential to add value, as well as negative ones, with the potential to destroy value.

- **Internal control** is an integrated and dynamic process carried out by management and by the body of associates, which is structured to address risks and provide the reasonable security that, in carrying out the organization's mission, the following general objectives are met: (1) orderly, ethical, economical, efficient and effective execution of operations; (2) fulfilment of accountability obligations; (3) compliance with applicable laws and regulations; (4) protection of resources, to avoid loss, misuse and damage (INTOSAI, 2004).

- **Event**: incidence or occurrence deriving from internal or external sources, which affects the implementation of the strategy or the meeting of objectives (INTOSAI, 2007).

Component C2 - Internal Audit

The internal audit exists basically to evaluate the effectiveness of the internal controls put into place by managers. It is an independent activity and its objective is evaluation (assurance) and consulting; it is designed to add value and improve an organization's operations. It aids an organization to meet its objectives based on a systematic and disciplined approach to evaluating and improving the effectiveness of the risk management, control and governance processes (IIA, 2011).

Recently, the internal audit function has expanded, such that it now evaluates not only control processes, but also the risk management process and the organization's governance.

Practices Related to Internal Auditing

Practice C2.1 - Establish the internal audit function.

This involves defining the purpose, authority and responsibility of the internal audit in a statute which establishes its position within the organization, authorizes access to organizational resources necessary to the performance of its tasks, and defines the scope of its activities. It also requires the implementation of auditing duties, which results from the production of relevant reports meant for internal governance entities.

Practice C2.2 - Provide conditions for the internal audit to be independent and proficient.

This requires that the internal audit reports functionally to the highest internal governance entity, and administratively to top management. It also involves the definition of guidelines for dealing with conflicts of interest for the internal audit function and the identification of the competencies necessary to the execution of their responsibilities, providing conditions so that internal audits, collectively, have the competencies identified.

Practice C2.3 - Ensure that the internal audit adds value to the organization.

This involves developing guidelines so that the internal audit contributes to the improvement of governance and risk management processes and controls, as well as guidelines for planning work and approving the internal audit plan, based on the objectives and goals that are in place.

This requires executing internal auditing tasks in compliance with the guidelines and plans defined, and evaluating the performance of the internal audit, implementing measures for its improvement whenever necessary.

Terms Related to Internal Auditing

- **Internal audit statute:** formal document which defines the purpose, authority and responsibility of the internal audit. The internal audit statute establishes the position of the internal audit within the organization; it authorizes access to records, staff and relevant physical property for execution of the audit; and defines the scope of the internal audit (IIA, 2011).

- **Proficient:** having the knowledge, skills and other competencies required for the effective performance of professional responsibilities (IIA, 2011, item 1210).

- **Due professional care:** care and skills expected from a reasonably and competent internal auditor (IIA, 2011, item 1220).

Component C3 - Accountability and Transparency

Members of top management and of boards of directors or equivalent are responsible for being accountable for their work and must wholly assume the consequences of their acts and omissions (IBGC, 2009).

Traditionally, the implementation of a governance system should include mechanisms for reporting to ensure adequate accountability. IFAC (2013) adds to these mechanisms the need for a context of transparency to ensure the effectiveness of the accountability.

Accountability must not limit itself to economic and financial performance; it must also include other factors (including intangible ones), which guide management and lead to the creation of value for the organization (IBGC, 2009).

Practices Related to Accountability and Transparency

Practice C3.1 – Make the organization transparent to stakeholders, allowing for confidentiality, as an exception, under the terms of the law.

This involves identifying the publicity regulations, court rulings and stakeholders' requests for information. It is also related to top management's development of guidelines for open data, release of information related to the organization's field of work, and communication with the different stakeholders.

It requires that the catalogue of information for which the organization commits to being transparent be defined and accessible to stakeholders, and that the very information for which the organization commits to being transparent be available for consultation, as per regulations and court rulings.

As a result, it is hoped that the stakeholders acknowledge that their information needs have been met.

Practice C3.2 - Report on the implementation and results of governance and management systems, in accordance with existing legislation and the principle of accountability.

This consists of publishing, in accordance with regulations and court rulings, organizational reports and information produced by external governance entities regarding the implementation and results of governance and management systems, in order that stakeholders acknowledge the reporting as satisfactory.

Practice C3.3 - Evaluate the organization's image and stakeholder satisfaction with its services and products.

This includes monitoring and evaluating the organization's management towards stakeholders, as well as their satisfaction with the services and products for which the organization is responsible, taking care that improvement measures are implemented whenever necessary.

Practice C3.4 - Ensure that all indications of irregularities be routinely investigated and that those responsible for confirmed cases be held accountable.

This means the calculation of rates of irregularities and handing down penalties for proven cases, always in compliance with previously defined guidelines. It further ensures that proven cases of irregularities result in a timely reporting to the applicable control bodies.

Terms Related to Accountability and Transparency

- **Accountability**: set of mechanisms and procedures that lead government decision-makers to report on the results of their actions, ensuring greater transparency and exposure of the public policies (MATIAS-PEREIRA, 2010). Promotion of transparency through clear and fair information (IIA, 2011). Accountability includes, in addition to the duty and responsibility to report, the desire to do so voluntarily.

- **Transparency**: timely publishing of all matters relevant to the organization, including financial statements, performance, composition and governance of the organization (SLOMSKI, 2008). Transparency in information, especially highly relevant information, which impacts business and which involves results, opportunities and risks. Transparency must stay within the limits of exposure which do not conflict with the protection of information (MATIAS-PEREIRA, 2010).

REFERENCES

ABNT. Brazilian Technical Standards Association. NBR ISO/IEC 38500: Governança corporativa de tecnologia da informação (Corporate Governance for Information Technology), Rio de Janeiro, 2009. Available at: <http://www.abntcatalogo.com.br/norma.aspx?ID=40015>. Accessed on: Oct. 1, 2013.

ABNT. Brazilian Technical Standards Association. ABNT NBR ISO 31000: Gestão de riscos - princípios e diretrizes (Risk Management – Principles and Guidelines), 2009b. Available at: <http://www.abntcatalogo.com.br/norma.aspx?ID=57311>. Accessed on: Oct. 1, 2013.

ALURI, R.; REICHEL, M. Performance Evaluation: a Deadly Disease? The Journal of Academic Librarianship, v. 20, n. 3, July 1994. 145-155.

ANAO. Australian National Audit Office. Public Sector Governance: Better Practice Guide. Framework, Processes and Practices, 2003. Available at: <http://www.anao.gov.au/~/media/Files/Better%20Practice%20Guides/Public%20Sector%20Governance.pdf>. Accessed on: Oct. 1, 2013.

ANU. The Australian National University. Public Sector Governance in Australia, 2012. Available at: <http://unpan1.un.org/intradoc/groups/public/documents/un-dpadm/unpan050127.pdf>. Accessed on: Oct. 1, 2013.

BERLE, A.; MEANS, G. The Modern Corporation and Private Property. New York: Macmillan, 1932.

BRAZIL. *Decree-Law 200, of February 25, 1697*: governs the organization of Federal Administration, establishes guidelines for administrative reform and other measures, 1967. Available at: <http://www.planalto.gov.br/ccivil_03/decreto-lei/del0200.htm>. Accessed on: Oct. 1, 2013.

BRAZIL. *Constitution of the Federative Republic of Brazil*, BRAZIL, 1988. Available at: <http://www.planalto.gov.br/ccivil_03/constituicao/constituicao-compilado.htm>. Accessed on: Oct. 1, 2013.

BRAZIL. *Decree 1,171, of June 22, 1994*: governs the code of professional ethics for public servants of the Federal Executive Branch, 1994. Available at: <http://www.planalto.gov.br/ccivil_03/decreto/d1171.htm>. Accessed on: Oct. 1, 2013.

BRAZIL. *Complementary Law 101, of May 4 2000*: governs the fiscal responsibility law, 2000. Available at: <http://www.planalto.gov.br/ccivil_03/leis/lcp/lcp101.htm>. Accessed on: Oct. 1, 2013.

BRAZIL. *Law 10,303, of October 31, 2001*: changes and adds provisions to Law no 6,404, of December 15, 1976, which governs Corporations, and Law no. 6,385, of December 7, 1976, which governs the real estate securities market, 2001. Available at: <http://www.planalto.gov.br/ccivil_03/leis/leis_2001/l10303.htm>. Accessed on: Oct. 1, 2013.

BRAZIL. Federal Court of Accounts (TCU). *TCU Resolution 187, of April 5, 2006*: governs personnel management policy in the TCU, 2006. Accessed on: Oct. 1, 2013.

BRAZIL. SEBRAE/MG. *Políticas Públicas*: conceitos e práticas (Public Policies: Concepts and Practice), 2008. Available at: <http://www.mpce.mp.br/nespeciais/promulher/manuais/MANUAL%20DE%20POLITICAS%20P%C3%9ABLICAS.pdf>. Accessed on: Oct. 1, 2013.

BRAZIL. Ministry of Planning, Budgeting and Management. Secretariat of Management. *National Program for Public Administration and Debureaucratization - GesPública, 2010.* Available at: <http://www.gespublica.gov.br/projetos-acoes/pasta.2010-04-26.8934490474/Instrumento_ciclo_2010_22mar.pdf>. Accessed on: Oct. 1, 2013.

BRAZIL. Federal Court of Accounts. *TCU Normative Instruction 63, of September 1, 2010*: establishes norms for the organization and presentation of management reports and complementary memos which constitute accounting processes in federal public administration, 2010b.

BRAZIL. Federal Court of Accounts. Secretariat of Supervision and Evaluation of Government Programs. *Portaria-Segecex 4, February 26, 2010*: Operational Auditing Manual, 2010c. Available at: <http://portal2.tcu.gov.br/portal/pls/portal/docs/2058980.PDF>. Accessed on: Oct. 1, 2013.

BRAZIL. Federal Court of Accounts. *TCU Strategic Plan 2011-2015*, BRASÍLIA, 2011. Available at: <http://portal2.tcu.gov.br/portal/page/portal/TCU/planejamento_gestao/planejamento2011/index.html>. Accessed on: Oct. 1, 2013.

BRAZIL. *Law no 12,527, of November 18, 2011*: governs access to information, 2011b. Available at: <http://www.planalto.gov.br/ccivil_03/_ato20112014/2011/lei/l12527.htm>. Accessed on: Oct. 1, 2013.

BRAZIL. Federal Court of Accounts - TCU. *Glossary of Control Terms, 2012*. Available at: <http://portal2.tcu.gov.br/portal/page/portal/TCU/comunidades/fiscalizacao_controle/normas_auditoria/Glossario_termos_ce.pdf>. Accessed on: Oct. 1, 2013.

BRAZIL. Ministry of Planning, Budgeting and Management. *National Program for Public Administration and Debureaucratization - GesPública, 2013b.* Available at: <http://www.gespublica.gov.br/folder_rngp/folder_nucleo/RJ/pasta.2013-05-20.0206812602>. Accessed on: Oct. 1, 2013.

BRAZIL. Federal Court of Accounts. *TCU Ordinance 158, of June 24, 2013*: governs the management of Senior Specialist positions of trust within the Secretariat of Federal Court of Accounts, 2013c. Available at: <http://portal2.tcu.gov.br/portal/page/portal/TCU/BTCU/bib_btcus/BTCU_23_de_26_06_2013.pdf>. Accessed on: Oct. 1, 2013.

CADBURY. The Committee on the Financial Aspects of Corporate Governance. *The Report of the Committee on the Financial Aspects of Corporate Governance*, 1992. Available at: <http://www.jbs.cam.ac.uk/cadbury/report/>. Accessed on: August 18, 2012.

CIPFA. Chartered Institute of Public Finance and Accountancy. The Good Governance Standard for Public Services, 2004. Available at: <http://www.jrf.org.uk/system/files/1898531862.pdf>. Accessed on: Oct. 1, 2013.

COSO. Committee of Sponsoring Organizations of the Treadway Commission. Enterprise risk management: integrated framework, 2004. Available at:<http://www.coso.org/guidance.htm>. Accessed on: Oct. 1, 2013.

COSO. Committee of Sponsoring Organizations of the Treadway Commission. *Internal coCntrol*: Integrated framework, 2013. Available at: <http://www.coso.org/guidance.htm>. Accessed on: Oct. 1, 2013.

DALLARI, D. D. A. *Elementos de teoria geral do Estado*. São Paulo: Saraiva, 2005.

ECGI. European Corporate Governance Institute. *Index of codes*, 2013. Available at: <http://www.ecgi.org/codes/all_codes.php>. Accessed on: Oct. 1, 2013.

FREEMAN, R. E. *Strategic Management*: A Stakeholder Approach. Boston: Pitman, 1984.

GAO. United States General Accounting Office. *Internal Control Management and Evaluation Tool*, 2001. Available at: <http://www.gao.gov/assets/80/76615.pdf>. Accessed on: Oct. 1, 2013.

GAO. Government Accountability Office, 2013. Available at: <http://www.gao.gov/>. Accessed on: Oct. 1, 2013.

GOVACC. Government Accounting Section, Department of Public Expenditure and Reform. *Code of practice for the governance of state bodies*, 2001. Available at: <http://govacc.per.gov.ie/files/2012/03/codepractstatebod09.pdf>. Accessed on: Oct. 1, 2013.

GRAHN, J.; AMOS, B.; PLUMPTRE, T. Institute of Governance - IOG. *Governance Principles for Protected Areas in the 21st Century*, CA, 2003. Available at:<http://iog.ca/sites/iog/files/pa_governance2.pdf>. Accessed on: September 11, 2011.

GUIMARÃES, T. A. *Gestão do desempenho em organizações públicas descentralizadas*. In: CLAD International Conference, 3. Madrid: Clad, 1998.

IBGC. Brazilian Institute of Corporate Governance. Code for Best Practices in Corporate Governance BRAZIL, 2009.2009); Available at: <http://www.ibgc.org.br/CodigoMelhoresPraticas.aspx>. Accessed on: Oct. 1, 2013.

IFAC. International Federation of Accountants. *Governance in the public sector*: a governing body perspective. In International Public Sector Study no. 13., 2001. Available at: <http://www.ifac.org/sites/default/files/publications/files/study13-governance-in-th.pdf>. Accessed on: Oct. 1, 2013.

IFAC. International Federation of Accountants. G*ood Governance in the Public Sector*: Consultation Draft for an International Framework, 2013. Available at: <https://www.ifac.org/publications-resources/good-governance-public-sector>. Accessed on: Oct. 1, 2013.

IFAC. International Federation of Accountants. *Comparison of Principles*, 2013b. Available at: <http://www.ifac.org/sites/default/files/publications/files/Comparison-of-Principles.pdf>. Accessed on: Oct. 1, 2013.

IIA. Institute of Internal Auditors. *The international professional practices framework - IPPF*, 2009. Available at: <https://na.theiia.org/standards-guidance/Pages/Standards-and-Guidance-IPPF.aspx>. Accessed on: Oct. 1, 2013.

IIA. Institute of Internal Auditors. *Normas internacionais para a prática profissional de auditoria interna*, 2011. Available at: <http://www.auditoriaoperacional.com.br/pdf/normas-ippf.pdf>. Accessed on: Oct. 1, 2013.

INTOSAI. International Organization of Supreme Audit Institutions. *INTOSAI GOV 9120*: Internal Control: Providing a Foundation for Accountability in Government, 2001. Available at: <http://www.intosai.org/issai-executive-summaries/view/article/intosai-gov-9120-internal-control-providing-a-foundation-for-accountability-in-government.html>. Accessed on: Oct. 1, 2013.

INTOSAI. International Organization of Supreme Audit Institutions. *INTOSAI GOV 9100*: Guidelines for Internal Control Standards for the Public Sector, 2004. Available at: <http://www.intosai.org/issai-executive-summaries/view/article/intosai-gov-9100-guidelines-for-internal-control-standards-for-the-public-sector.html>. Accessed on: Oct. 1, 2013.

INTOSAI. International Organization of Supreme Audit Institutions. *INTOSAI GOV 9130*, 2007. Available at: <http://www.intosai.org/issai-executive-summaries/view/article/intosai-gov-9130-guidelines-for-internal-control-standards-for-the-public-sector-further-inf.html>. Accessed on: Oct. 1, 2013.

LA-PORTA, R. Investor Protection and Corporate Governance. *Social Science Research Network,* 2000. Available at: <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=183908>. Accessed on: August 18, 2011.

LUCENA, M. D. S. *Avaliação de desempenho*: métodos e acompanhamento. São Paulo: McGraw-Hill do Brasil, 1977.

MARINI, C.; MARTINS, H. F. *Uma metodologia de avaliação de políticas de gestão pública. In. XI Congreso Internacional del CLAD sobre la Reforma del Estado y de la Administración Pública. Ciudad de Guatemala, 7-10 Nov.*, 2006.

MARTINS, H. *Uma teoria da fragmentação de políticas públicas: desenvolvimento eaplicação na análise de três casos de políticas de gestão pública*. Thesis submitted to the Brazilian School of Public Administration and Companies, for doctorate in administration. Brazil. 2003.

MARTINS, H. R*eforma do Estado na era FHC: diversidade ou fragmentação daagenda de políticas de gestão pública?* Electronic Journal on State Reform. Brazil. 2007.

MATIAS-PEREIRA, J. *Governança no setor público*. São Paulo: Atlas, 2010.

MCKINSEY, C.; KORN/FERRY, I. *Panorama de Governança Corporativa no Brasil*, 2001. Available at: <http://www.ecgi.org/codes/documents/kf_mck_governan.pdf>. Accessed on: Oct. 1, 2013.

MELLO, C. A. B. D. *Ato administrativo e direitos dos administrados*. São Paulo: RT, 1981.

MORAES, A. D. *Direito Constitucional*. 13. ed. São Paulo: Atlas, 2003.

NETHERLANDS. The Netherlands Ministry of Finance Government Audit Policy Directorate - DAR. *Government Governance*: Corporate Governance in the public sector, 2000. Available at: <http://www.ecgi.org/codes/documents/public_sector.pdf>. Accessed on: Oct. 1, 2013.

OECD. Organization for Economic Cooperation and Development. C*oerência nas Políticas*: relatório final de atividades. Comitê de Gestão Pública., 2003.

OECD. Organization for Economic Cooperation and Development. *Princípios da OCDE sobre o governo das sociedades*, 2004. Available at: <http://www.oecd.org/dataoecd/1/42/33931148.pdf>. Accessed on: Oct. 1, 2013.

OECD. Organization for Economic Cooperation and Development, 2013. Available at: <http://www.oecd.org/>. Accessed on: Oct. 1, 2013.

PETERS, B. G. A cybernetic model of governance. In: LEVI-FAUR, D. *Oxford Handbook of Governance*. Oxford: Oxford University Press, 2012.

RHODES, R. A. W. The new governance: governing without government. *Political Studies, XLIV*, p. 652-667, 1996.

SANTOS, M. H. D. C. Governabilidade, governança e democracia: criação decapacida de governativa e relações executivo-legislativo no Brasil pós-constituinte. *Dados*, Rio de Janeiro, v. 40, n. 3, 1997. Available at: <http://www.scielo.br/scielo.php?script=sci_arttext&pid=S0011-52581997000300003&lng=en&nrm=iso>. Accessed on: Oct. 1, 2013.

SCOTLAND. Scottish Government. *The Principles of Corporate Governance. In*: On Board: A Guide for Board Members of Public Bodies in Scotland, 2006. Available at: <http://www.scotland.gov.uk/Publications/2006/07/11153800/0>. Accessed on: Oct. 1, 2013.

SHLEIFER, A.; VISHNY, R. W. A Survey of Corporate Governance. *Journal of Finance*, USA, v. 52, n. 2, p. 737-789, 1997.

SLOMSKI, V. *Governança corporativa e governança na gestão pública*. São Paulo: Atlas, 2008.

SMITH, A. *An Inquiry into the Nature and Causes of the Wealth of Nations*. 2ª. ed. London: Clarendon Press, v. 2, 1776.

STOKER, G. Governance as Theory: Five Propositions. *International Social Science Journal*, v. 50 (155), p. 27-28, 1998.

USA. United States. *Sarbanes-Oxley Act*: Public Company Accounting Reform and Investor Protection Act, 2002. Available at: <http://www.soxlaw.com/>. Accessed on: Oct. 1, 2013.

WEISS, T.G.; THAKUR,R.*Global Governance and the UN*: An Unfinished Journey, 2010. Available at: <http://www.ethicsandinternationalaffairs.org/2011/global-governance-and-the-un-an-unfinished-journey-by-thomas-g-weiss-and-ramesh-thakur/>. Accessed on: Oct. 1, 2013.

WORLD BANK. The International Bank for Reconstruction and Development. *Managing Development*: the Governance Dimension, 1991. Available at: <http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/03/07/000090341_20060307104630/Rendered/PDF/34899.pdf>. Accessed on: Oct. 1, 2013.

WORLD BANK. The International Bank for Reconstruction and Development. *A decade of measuring the quality of governance*, 2006. Available at:<http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/1740479-1150402582357/2661829-1158008871017/booklet_decade_of_measuring_governance.pdf>. Accessed on: Oct. 1, 2013.

WORLD BANK. *Chapter 12. Governance and Management. In*: Global Evaluations Sourcebook, 2007. Available at: <http://siteresources.worldbank.org/EXTGLOREGPARPROG/Resources/sourcebook.pdf>. Accessed on: Oct. 1, 2013.

WORLD BANK. The International Bank for Reconstruction and Development. *Worldwide Governance Indicators (WGI)*, 2013. Available at: <http://info.worldbank.org/governance/wgi/index.aspx#faq>. Accessed on: Oct. 1, 2013.

APPENDIX I *Examples of Governance Entities*

Examples of governance entities associated with each of the Brazilian Federative Entities and Branches are listed below. This is a non-exhaustive list of administrative organizations and structures involved in the governance of public sector organizations.

Federal Government	Board of directors of equivalent	Top management	Internal governance support entity	External governance entity
Executive Branch	Council of the Republic National Defense Council National Education Council National Health Council National Private Insurance Council National Social Security Council National Supplemental Social Security Council National Traffic Council National Youth Council National Immigration Council National Council for Women's Rights National Council for Industrial Social Service National Tourism Council National Council for Elderly Rights National Council for Children and Youth Rights National Council for the Promotion of Racial Equality	President of the Republic Minister of State Executive Secretary	Internal Control Monetary Policy Committee	National Congress Federal Court of Accounts

Federal Government	Board of directors of equivalent	Top management	Internal governance support entity	External governance entity
Executive Branch	National Council for Energy Policy National Council for the Rights of the Disabled National Environment Council National Sports Council National Council of Cities National Council for Criminal and Penitentiary Policy National Metrology Council National Biosafety Council National Petroleum Council National Council for Drug Policy National Council for Cultural Policy National Council for Agricultural Policy National Council for Energy Policy National Council for the Integration of Transportation Policies			
Legislative Branch	Plenary Session of the House of Representatives Plenary Session of the Federal Senate	President of the House of Representatives President of the Federal Senate	Internal Control – Committees	Social Control Federal Court of Accounts
Judiciary Branch	Full Bench	President of the Court	Internal Control – Committees	National Congress National Justice Council Federal Court of Accounts

State Government	Board of directors of equivalent	Top management	Internal governance support entity	External governance entity
Executive Branch	State Health Council State Education Council State Housing Council State Traffic Council State Environment Council State Council for Water Resources State Council for Rural Development State Council for Urban Development State Council for Social Assistance State Council for Youth State Council for Culture State Tourism Council	Governor Secretaries	Internal Control – Committees	Legislative Assembly State Court of Accounts
Legislative Branch	Plenary Session of the Legislative Assembly	President of the Legislative Assembly	Internal Control Committees	Social Control State Court of Accounts
Judiciary Branch	Full Bench	President of the Court	Internal Control Committees	Legislative Assembly State Court of Accounts

Municipal Government	Board of directors of equivalent	Top management	Internal governance support entity	External governance entity
Executive Branch	Municipal Health Council Municipal Education Council Municipal Fundef Council Municipal Council for School Nutrition Municipal Council for Social Assistance Municipal Council for Social Control for the Bolsa Família Program Municipal Council for Women Municipal Council for the Elderly Municipal Council for Youth and Children Municipal Council for the Defense of the Rights of the Disabled Municipal Environment Council Municipal Council for Cultural Policy Municipal Council for Urban Transportation	Mayor Secretaries	Internal Control Committees	Municipal Court of Accounts State Court of Accounts
Legislative Branch	City Council	President of City Council	Internal Control	Social Control State Court of Accounts

Content Responsibility
Department of Planning,
Governance and Management
General Secretariat of Government Audit

Editorial Responsibility
General Secretariat of the Presidency
Serzedello Corrêa Institute
Documentation Center
TCU Publishing Department

Graphic Design, Layout and Cover
TCU Publishing Department

FEDERAL COURT OF ACCOUNTS – BRAZIL
Department of Planning,
Governance and Management
SAFS Quadra 4 Lote 1
Edifício Anexo I Salas 105 e 115
70.042-900 Brasília - DF
Tel.: (61) 3316 5035
seplan@tcu.gov.br

Office of the Ombudsman
Tel.: 0800 644 1500
ouvidoria@tcu.gov.br
Printed by Sesap/Segedam

MISSION STATEMENT
To oversee public administration and contribute to its improvement, for the benefit of society

VISION STATEMENT
To be an institution of excellence in government audit and to contribute to the improvement of public administration

www.tcu.gov.br