ICAS response to consultation – Higher Education Governance Bill

ICAS (the Institute of Chartered Accountants of Scotland) is a professional body for more than 20,000 Chartered Accountants across the UK and internationally. We are an educator, examiner, regulator and thought leader. Our Public Sector Committee is a broad based committee of ICAS members with representation from across the public sector. ICAS’s Charter requires its Committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first.

We welcome the opportunity to comment on this consultation. ICAS supports the overall principle of a balanced board and to help deliver its responsibilities effectively, the prime objective should be to ensure that members of the governing body should have the right skill sets, experience, knowledge, culture and characteristics to perform the role expected and provide appropriate scrutiny. This is consistent with the approach taken by the UK Corporate Governance Code (page 10).

We are not convinced that sufficient evidence exists to support a legislative approach or that this more rules-based proposal on membership and composition of governing bodies/ academic boards is the best means to achieve diversity on governing bodies/boards/committees.

Our preference is for a non-statutory approach based on complying with good practice principles and explaining the reasons for any non-compliance. A clearly articulated high level principle set out in good practice Codes (such as the Scottish Code of Good HE Governance and the Guide for Members of Higher Education Governing Bodies in the UK) can be used to provide a clear expectation of what should be achieved. This approach maintains flexibility for organisations to develop their own most appropriate way of implementation.

We understand that a legislative approach can drive greater consistency however, a recent review by the FRC on compliance with the Corporate Governance Code 2014 confirms that “Levels of compliance with the UK Corporate Governance Code have continued to increase” and “94% of companies complied with all, or all but one or two, of the Code’s 54 provisions” (page 8).

This ‘comply or explain’ approach as an alternative to regulation is one which ICAS strongly supports. It is used by the FRC for the UK Corporate Governance Code and is being adopted by the European Commission to harmonise different approaches across member states regarding non-financial reporting.

We agree with the proposal to describe the head of the university as a ‘chief executive officer’ as a clearer articulation of the role within legislation. We would add that the continued use of the working job title ‘Principal’ is better as an option rather than mandatory.

We support the suggestion to offer a ‘reasonable’ remuneration to elected chairs. Indeed this principle should be applied more widely, for example to include other important governance controls such as the Audit
Committee, to broaden the pool of capable applicants and avoid stretching goodwill. We note that in some, if not all institutions these posts are unpaid.

We would also like to draw to your attention to our key messages in the evidence ICAS submitted to the Von Prondzynski review of higher education governance in 2011 which still stand.

Annex E has been completed and attached. If you have any questions, we would be happy to discuss further.

Yours faithfully,

ALICE TELFER
Assistant Director Business Policy and Public Sector
ICAS