

# Factsheet: Corporate Governance

Updated 2023

## What is Corporate Governance?

Corporate governance is a widely used business term that can mean different things to different people in different organisations. Its overall intention is to promote confidence with stakeholders. There is a lot written about it. But considering how widely the term corporate governance is used, it is surprising there is not more definitive information on holistic frameworks, capability maturity guidance, and the link between governance and assurance.

The governing body of an organisation is ultimately responsible for an organisation's governance. In a company, this will be the board of directors. In the public sector where there is not a board of directors, governance arrangements are implemented by the head of the organisation such as the secretary, director-general or chief executive.

The Institute of Internal Auditors in its 'International Professional Practices Framework' defines corporate governance as:

*The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward achievement of its objectives.*

## Why is an Holistic Approach to Corporate Governance Needed?

A focus of corporate governance is often on committees. This sets a sound foundation, however corporate governance comprises a much wider focus.

While many corporate governance frameworks include commentary on other governance processes and structures such as internal audit, external audit and compliance, a more holistic approach that clearly defines the universe of corporate governance elements, inter-relationships and owners is needed.

Corporate governance is a key component of successful organisations. This needs to be supported by a strong and cost-effective assurance program.

A well-defined and implemented corporate governance framework can:

- › Help to understand where overall governance accountability resides.
- › Assess governance coverage against key organisation strategies, risks and assurance requirements.
- › Ensure there is a comprehensive corporate governance process.
- › Minimise duplication of governance effort.
- › Identify governance gaps.
- › Minimise governance cost.
- › Provide comfort to stakeholders about the level of governance.
- › When coupled with an assurance program, provide comfort to stakeholders about governance effectiveness.

## What Does a Corporate Governance Model Look Like?

Reliance on committees is problematic as governance requires individual accountability and committees do not provide this.

The following model seeks to apply a holistic approach to corporate governance. Rather than a one-dimensional approach that relies almost entirely on the board and its sub-committees as the primary governance components, this model seeks to wrap-up organisational activities in a holistic way so there is an inter-connected approach and nothing is missed.

- › Strategic Management is development and implementation of a plan by the board of directors / governing authority and management to help an organisation achieve its long-term objectives. The strategic planning process specifies the organisation's mission, vision and measurable performance objectives, together with plans and projects designed to achieve the objectives, and then allocating resources to implement the plans and projects.
- › Risk Management is anticipating and managing risks that may have an impact on the organisation.
- › Resource Management is the efficient and effective use of resources when they are needed for an organisation to achieve its objectives.
- › Technology Management refers to the collection, recording, processing, securing and distribution of information throughout an organisation that is essential

for assisting management to make informed decisions.

- › Compliance and Reporting – It is important for an organisation to demonstrate compliance with laws and policies if it is to be seen as ethical and a good organisation for customers and investors. Reporting organisation performance and financial results is important to show

## Strategic Management

- Board of directors / governing authority
- Organisation objectives
- Values and ethics
- Committee structure
- Learning and development
- Governance framework

## Assurance

- Audit committee
- Integrated assurance
- Internal audit
- External audit
- Regulator and independent reviews
- Feedback and improvement

## Compliance and Reporting

- Compliance
- Quality
- Health and wellbeing
- Corporate social responsibility and ESG
- Reporting



## Risk Management

- Risk management
- Culture and anti-fraud
- Complaint management
- Projects and business initiatives
- Business continuity
- ICT disaster recovery

## Resource Management

- Financial management
- Human resource management
- Asset management

## Information Management

- Information and ICT management
- Cybersecurity
- Information security
- Data governance and privacy management

## Helpful References

'Audit Committees – A Guide to Good Practice' 3rd edition, AICD / AUASB / Institute of Internal Auditors-Australia

'Good Governance Principles' Standards Australia - Australian Standard AS 8000:2003

'Corporate Governance Principles and Recommendations' Australian Stock Exchange (ASX)

Factsheet 'Integrated Assurance 3 Lines Model' Institute of Internal Auditors-Australia

Factsheet 'Audit Committees' Institute of Internal Auditors-Australia -

Factsheet 'Integrated Assurance' Institute of Internal Auditors-Australia

Factsheet 'Internal Auditing' Institute of Internal Auditors-Australia

'Governance Lighthouse' Audit Office of New South Wales

'Internal Audit in Australia' Institute of Internal Auditors-Australia

'International Framework: Good Governance in the Public Sector' IFAC / CIPFA

'International Professional Practices Framework' IIA Global

The 20 Critical Questions Series 'What Director should ask about Corporate Governance'. Institute of Internal Auditors-Australia

