

The 20 Critical Questions Series

What Directors should ask about Corporate Governance

Updated 2022

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

Corporate Governance Foundations

1. Does the organisation have a comprehensive approach to corporate governance that encapsulates the definition from the Institute of Internal Auditors?
Corporate governance: '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.'
2. Does the organisation's corporate governance framework rise above the usual basic approach focusing on boards / committees / internal audit / risk management / compliance / external auditor, and adopt a holistic multi-dimensional approach covering all structures and processes across the organisation?
 - Strategic management, based upon risk and with strategically-based budget-setting.
 - Risk management, including fraud and corruption risks.
 - Resource management.
 - Information management.
 - Compliance and reporting.
 - Assurance covering all assurance activities across all the lines.
3. Does the board and management maintain a heightened visibility, promoting organisation values through a clear 'tone at the top' in both messaging and action?
4. How does the board and audit committee satisfy themselves the organisation has a good corporate 'lived culture', strong ethical backbone, and integrity safeguards?
5. Does the board have direct engagement with business unit and support function owners about significant governance issues, and hold them accountable for timely and effective closure of these issues?
6. Does the board ensure it receives adequate non-financial risk information, including early indicators of emerging risks, to support constructive debate and challenge?
7. Have corporate governance activities and responsibilities been clearly defined specifically for the organisation, and detailed in a well-defined corporate governance framework and manual that is regularly reviewed and updated?
8. Is corporate governance taken seriously, with sufficient support from the board, audit committee, chief executive officer and senior management?
9. Is the overall governance budget and resources adequate, is the total cost known to the organisation, does it represent value-for-money, and has benchmarking confirmed this?
10. How does the audit committee gain assurance all government and regulatory requirements have been identified and assigned to appropriate management, and the organisation is in conformance with these requirements?

Corporate Governance Planning

11. Are corporate governance activities integrated to assure duplication is minimised and effectiveness is achieved for the most reasonable cost? Is this proved to the board and audit committee?
12. Is there a holistic corporate governance plan prepared each year that embeds quality assurance and continuous improvement into operations, includes an improvement work plan to achieve recognised good practice, and is monitored by the audit committee?
13. Are planned corporate governance activities 100% delivered in the year they are due, with any exceptions to planned governance activities reported to the audit committee?

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Corporate Governance Performance

14. Are there robust performance measures for the various corporate governance activities across the organisation to prove effectiveness, and are they achieved?
15. How do the various corporate governance activities demonstrate competency of their resources, and good governance awareness across the organisation?
16. Is there a periodic independent review regime for the various corporate governance activities that is reported to senior management, the audit committee and the board?

Corporate Governance Reporting

17. Are periodic integrated corporate governance reports prepared for the audit committee so they have visibility of all corporate governance activities, including their effectiveness?
18. Do the various corporate governance activities have an annual report, or a combined annual report, showing value added over the year, and trends to better position the organisation in the future that are aligned with recognised good practice?
19. Is the board, audit committee and senior management kept informed of all breaches and breach reporting, and the results of government and regulatory reviews?
20. Are recommendations from government and regulatory reviews implemented in a timely manner, and do the board and audit committee have visibility of this?

The Big Question

How does management, the audit committee and the board clearly know that its corporate governance is operating effectively?