



Auditing Corporate Governance within your organisation

Introduction

The essence of effective corporate governance within any organisation allows the board and senior management team the freedom to pursue their objectives within a framework of transparency and accountability.

Effective corporate governance is essential for every organisation irrespective of their sector. For public sector it is particularly important due to the public money aspect. Many boards are now appreciating this fact (due in no small part to the major corporate disasters recently witnessed) and are looking to their internal auditors to provide them with assurance that their corporate governance framework is operating effectively.

But how do we audit something as broad as corporate governance and what might a corporate governance framework look like? These are the two questions that I will attempt to address in this brief article.

Corporate governance framework

A framework is important to ensure that the organisation has covered all key aspects of corporate governance. The precise framework will need to be developed for each organisation. Some of the areas to be considered might include:

- Board structure and composition
- Board and senior management effectiveness
- Risk management processes
- Appropriate committee structures
- Transparency in disclosure
- Effective and reliable audit processes
- Corporate citizenship

Each of these elements are broad headings only and there will be underlying issues that need to be considered. For example, if we take one of the items in the framework we can drill down and explore some of the underlying features.

Robust risk management processes

Some of the issues here might include:

- A risk management strategy that has been communicated and accepted throughout the organisation
- Allocated responsibilities and accountabilities to all staff within the organisation
- Risk management processes including risk identification, risk assessment and risk mitigation
- Effective responses to risk including internal control
- Effective monitoring and reporting of risks

Regular review and update of the risk profile