

Auditing Corporate Governance

Course Outline

The key aspects of Public Sector Corporate Governance

- Meeting Stakeholder requirements
- How the organisation is managed on behalf of the stakeholders
- The key parties within Governance
 - Audit Committee
 - Cabinet
 - Scrutiny Committee
 - External Assessors
 - Chief Officers/ Board
- Why a positive approach to auditing Corporate Governance is needed
- Who needs to sanction the audit?
- *Exercise 1 – Defining the parties and the key governance issues for each party*

The key issues to consider in the audit

- The Risk management process
- The Audit Committee process
- The Statement of Internal Control
- Managing Reputation
- Crisis Management
- Social Responsibility and ethics
- Meeting public expectations

Planning the Governance audit

- *Exercise 2 – The challenges in carrying out a Governance Audit*
- Who to meet with to discuss the assignment
- Holding a pre-meeting – do's and don'ts
- Developing a terms of reference for the assignment
- Should this be a review only – will evidence be gathered?
- Determining who to interview and in what sequence
- The use of diagnostic questions and thought-provokers

The Risk Management process

- **The Board / Chief Officers**
 - **Establish the position regarding RM in the business**
 - **Establish corporate targets and monitor overall progress**
 - **Keep apprised of the most significant risks**
- **Heads of Service**
 - **Assessment of RM capabilities**
 - **Review of risk evaluations in own function**
 - **Ensuring actions to treat exposures implemented**
- **Risk Management function (if you have one)**
 - **Ensuring all functions evaluate their risks using a consistent approach**
 - **Evaluating the results and challenging where necessary**
 - **Defining policy etc**
 - **Overall responsibility**
 - **Identification of exposures**
- **Internal Audit (needs to be independently assessed)**
 - **Auditing the RM process and its implementation**
 - **Basing programme on most significant risks**
 - **Comparing perceived versus actual controls**

Exercise 3 –The challenges in meeting RM Governance requirements

Auditing The Audit Committee process

- **Are the CIPFA Audit Panel Requirements met?**
- **Are Members independent of executive and scrutiny committees**
- **Are there clear reporting lines and right of access to other committees and the risk management group**
- **Does the Committee meet regularly – about 4 times a year**
- **Does The Chairperson meet privately with external audit and the Head of internal audit**
- **Does the Committee include as regular attendees the Director of Finance, Head of IA, the External Auditor, the Monitoring officer, Chief Executive.**
- **Do these officers should have access to the Committee when required**
- **Does the Committee has the right to call any other officer it deems necessary**
- **Are members properly trained to fulfil their role**
- **Does the Committee approve (but not direct) internal audit strategy, plan and performance**
- **Does the Committee review summary IA reports and the main issues arising and seek assurance that action has been taken**

- Does the Committee consider the reports of external audit and other external agencies
- Are effective relationships between IA and EA and other bodies reviewed
- Is the effectiveness of the risk management environment and anti fraud arrangements assessed
- Are The Committee satisfied that assurance statements including the SIC properly reflect the risk
- Does the Committee review the financial statements, external auditor's opinion and reports to members and monitor actions taken in response to issues raised

Reputational Management

- Do the goals and values of the business, as well as its principal policies on conduct, sufficiently address the main areas of reputational risk?
- Are our corporate values within the public arena?
- How is sufficient coverage of different business issues achieved within the policy statements and codes of practice, and is reputational risk addressed appropriately in each case?
- How does the organisation ensure it has a reputation for observing the highest standards of corporate governance?
- How are unfulfilled promises and misleading assertions avoided in the Chief Executive's report and in other parts of the published interim and annual report and accounts and other public statements
- Are policies governing reputation management clearly communicated internally?

Exercise 4 –Assessing Reputation drivers

Social Responsibility, Ethics and meeting public expectations

- Is communication with main stakeholders taken seriously?
- Are the expectations of the public accurately understood, and what are the risks that these will not be met?
- Are opportunities taken to develop the ethical reputation of our services?
- How do we ensure that staff have and display the right attitudes?
- Are the expectations of the wider body of stakeholders accurately understood, and what are the risks that these will not be met?
- How specifically do we ensure we maximise the commitment of staff to promote the organisation positively?
- Have we assessed our reputation for social responsibility and its impact on our business prosperity?
- How do we ensure that staff understand what constitutes acceptable conduct?

- **Is the Board, and in particular the Chief Executive, sensitive and responsive to the concerns of the public**
- **Is the Board well set up to respond swiftly and capably in a crisis?**
- **Is there an appropriate contingency plan ready to be used to manage a crisis?**

Exercise 5 –CSR and meeting expectations – the audit challenges