



CPA Ireland Skillnet


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The CPA Ireland Skillnet provides excellent value CPE (continual Professional Education) in accountancy, law, tax and strategic personal development to accountants working both in practice and in industry. However our attendees are not limited to the accountancy field as we welcome all interested parties to our events.



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The Institute of Certified Public Accountants in Ireland www.skillnets.ie



Trainee Accountant Webinar

P1 –Governance

Presented By: Mary Kelly



Developing and embedding effective governance in an organisation



Effective corporate governance is paramount for the long term success of a business.

The Corporate Governance Code has been instrumental in developing and supporting good business practice since 1992.



Principles of good governance

- Accountability
- Transparency
- Probity and focus on the sustainable success of an entity over the longer term.



In practice:

- board composition and effectiveness,
- the type and role of board committees,
- risk management,
- remuneration and incentive schemes
- relations with shareholders.

Comply or explain



Good corporate governance is not a “tick-box” exercise.

The board of directors of a business are responsible for shaping the business’s culture, monitoring the actions of employees, at all levels in times of robust and difficult financial times, and overseeing the culture that operates within the business.

Strong governance underpins a healthy culture, and boards should demonstrate good practice in the boardroom and promote good governance throughout the business. The company as a whole must demonstrate openness and accountability, and should engage constructively with shareholders and wider stakeholders about culture.



Culture report: Corporate Culture and the Role of Boards. FRC 2016

Identified three important issues:

1. *Connect purpose and strategy to culture.*
2. *Align values and incentives.*
3. *Assess and measure.*



Role of the investor

Investors and other stakeholders should engage constructively to build respect and trust, and work with companies to achieve long-term value.

Investors should consider carefully how their behaviour can affect company behaviour and understand how their motivations drive company incentives



Challenge to the board of directors' decision making:

Short term focus in satisfying investors demands in contrast to the long term sustainable business growth.



Developing and embedding good governance:

Recognise the value of culture: buy-in

Demonstrate leadership

Be open and accountable

Align values and incentives

Assess, measure and engage

Exercise stewardship



Developing a governance culture: business model and strategy

Identify a clear purpose – why the company exists and what it is there to do? – is the starting point for a successful company and closely tied to culture .

Aligning business decisions with purpose and values and focus on how financial targets will be achieved, will over the long-term lead to more sustainable value creation.

Governance needs to focus on the substance of what boards do, who they engage with, what information they are given and what questions they ask.



Role of the Board of Directors.

Boards should see that good governance runs through all areas of the business, including the executive committee and the layers of middle management. Boards must be actively engaged in the business of shaping, overseeing and monitoring culture and holding the executive to account where they find misalignment with company purpose and values.

Chairman will set the tone in the boardroom so that NEDs are empowered to raise concerns where they have doubts.

It is the chief executive that sets expectations and drives behaviour and change throughout the organisation.

One of the most important tasks for boards is to hold the chief executive and senior executives to account.



Human resources

Aligning Human Resource policies and processes with the values is a critical step in driving culture.

1. Recruitment, induction and training
2. Developing leadership capability and succession planning
3. Incentives, remuneration and reward



Risk management

They should be ensuring that their approach to risk taking – their risk appetite – is aligned to their values and an intrinsic part of their culture.

Consider the impact the incentive schemes may have on the levels of acceptable risk.



Stakeholders

Customers
Employees
Suppliers
Regulators
Shareholders



Assessing and monitoring culture within the business

Spending time in the business

“Conduct deep dives into business units and engage with local management”

Cultural indicators. HR, internal audit (IA), risk and compliance and other business functions such as finance to provide much of this data.



“Culture is not a separate item but there are elements of it in all other discussions, decisions and actions – customer service, measuring and managing people, how we are dealing with suppliers and agents – and they all come together”

Philip Rogerson, Chairman, Bunzl.
Culture report: Corporate Culture and the Role of Boards. FRC 2016
