HE Update

Corporate Governance Briefing

December 2014

Background

Good corporate governance is fundamental to the success of any organisation and particularly those that are operating within a challenging and changing environment. HEFCE expect HEIs to assess the effectiveness of their governance arrangements regularly and they check on this as part of their institutional assurance reviews.

The Financial Reporting Council has issued an updated version of the UK Corporate Governance Code. The Code is a guide to a number of key components of effective board practice. It is based on the underlying principles of all good governance: accountability, transparency, probity and focus on the sustainable success of an entity over the longer term. The updated Code places further emphasis on risk management.

In addition, the Committee of University Chairs (CUC) has issued a final draft of its Higher Education Code of Governance which reduces the number of principals from ten to seven.

Governance reviews

Guidance from the Chartered Institute of Internal Auditors sets out a number of risks that should be assessed when conducting a corporate governance review:

- the actions of the board, including the development of strategic objectives, are taken without due consideration of the impact on the organisation, its stakeholders, including employees and the wider community
- members of the board are unable to give independent, robust challenge to the executive / senior management
- the board does not have sufficient, complete or timely information on which to base its decisions
- the board is not monitoring or taking action on the most significant risks to the organisation
- evidence of the decisions made by the board, including the challenge process, is not retained and / or is not transparent in confirming the decision process.
- actions agreed by the board are not completed or not completed on a timely basis.
- committees set up by the board may not fulfil their obligations or there are too many committees each with individual roles, meaning that the oversight of the organisation is fragmented and not effective
- the board is not effective in covering the risks relating to remote offices or does not have responsibility / oversight for all parts of the organisation
- policies, procedures and projects are not aligned to the organisation's objectives

- risks are accepted or taken which are outside of the organisation's risk appetite
- the organisation's risk appetite may conflict with the objectives and values of the organisation
- the governance requirements of any regulatory or legislation requirements are not met leading to increased regulatory risk including sanction, censure or closure of the business.
- communications from the board are not effective as they are not timely or complete meaning that parts of the organisation may not be operating in line with board expectations and may not support the organisation in achieving its objectives.

How can we help?

We have extensive experience of undertaking board effectiveness reviews from within and beyond the sector. As part of the reviews, we can draw in practical and value adding best practice highlighting areas for development including:

- board member training and ongoing development programmes
- feedback from the Chair on member contribution and performance
- management information presented to the board and its value in assisting with decision making
- the board's strategic role and the authority and empowerment of its committees
- maximising the benefits of the institutional risk management process.

For further information on how we can help or any other aspect of Uniac's internal audit and assurance service please do get in touch.

Richard Young
Director

t: 0161 247 2959

e: ryoung@uniac.co.uk

www.uniac.co.uk