

CORPORATE GOVERNANCE AUDITS AND BOARD EVALUATIONS

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CORPORATE GOVERNANCE AUDIT

- *Governance Audit:* Objective assessment of the governance mechanisms: policies, structures, processes, information and ethical practices through which an Entity achieves its mandate.
- *Rationale:*
 - Strong link between corporate governance and performance.
 - Effective mechanism for gauging compliance with all regulations.
 - Organisational development and growth.
 - A self-regulatory mechanism & routine health check.
 - Focuses Board, Management and Stakeholders.
- *Coverage:* Leadership and strategic management; Board independence and governance; Board systems and procedures; transparency and disclosure; CSR and investment; Shareholders and Stakeholders' value enhancement and communication; compliance with laws and regulations.

CORPORATE GOVERNANCE AUDIT: *Leadership and Strategic Management*

- Board appointments.
- Size of the Board.
- Diversity, mix of skills and competencies.
- Financial expertise, professional membership.
- One third of Board Members are independent.
- Appointment of the the Chairperson.
- Board Members sit in their individual capacity.
- Signifying acceptance of appointment.
- Fit and proper requirements.
- Board may recommend removal of a Member.
- Determines mission, vision purpose & values.
- Board sets & oversees strategy and policies.
- Strategy aligned to purpose & long term goals.
- Directors exercise role collectively, not individually.

By Dr. Joshua A. Okumbe, CEO, CCG, November 22, 2018

CORPORATE GOVERNANCE AUDIT: *Leadership Role & Functions of the Board*

- Approving structure.
- Approving the annual budget.
- Monitoring performance and ensuring sustainability.
- Corporate image.
- Adequacy of resources.
- Hiring the CEO.
- Effective communication with stakeholders.
- CSR policies and practices.

CORPORATE GOVERNANCE AUDIT: Duties of Individual Board Members

- Highest degree of care, skill and diligence.
- Acts in the best interest of the Entity.
- Acts honestly at all times.
- Independent judgment at all times.
- Principle of collective responsibility.
- Sufficient time to carry out responsibilities.
- Updates knowledge and skills.
- Promotes transparency and accountability.
- Promotes teamwork.
- Promotes the image of the Entity.
- Owes duty to the Entity.
- Owes duty of confidentiality.

CORPORATE GOVERNANCE AUDIT: Leadership

Role of the Chairperson

- Overall leadership. Setting agenda. Effective meetings.
- Full Board deliberations.
- Harnesses collective skills. Board Evaluation process.
- Performance of the CEO.
- Close, independent working relationships.
- Balance of power. Availability for consultations.
- Formal succession plan for Board members. Induction of new Board Members.
- Board developing skills, competencies. Positive image.
- Culture of transparency and teamwork.
- A linkage role.

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CORPORATE GOVERNANCE AUDIT: *Term Limits, Multiple Directorships*

- The tenure of Board Members.
- Renewal of Directors' tenure subject to evaluation.
- Multiple Directorships.
- Board appoints and removes the CEO.
- CEO is recruited through a competitive process.
- Defines and approves authority levels for the CEO.
- Sets the performance targets for the CEO.
- Succession plans for CEO and Senior Management Staff.

CORPORATE GOVERNANCE AUDIT: *Accountability Risk Management, Internal Control and Financial Reporting*

- Books of accounts prepared on a timely basis.
- Responsibility for preparing the annual report and accounts.
- External audit of the financial statements is timely.
- Independent, competent and qualified Auditors.
- Assurance on financials.
- Development of policies on risk management, ICT, procurement, good corporate citizenship, whistle blowing.
- Risk management in the Board Charter. Approves risk management policy and management framework.
- Approves the annual procurement plan.
- Reviews the implementation of the procurement plan.
- Ensures Business Continuity Plan is in place.
- A sustainable and appropriate budget is allocated for CSR.

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CORPORATE GOVERNANCE AUDIT: Consistent Shareholders', Stakeholders' *Value Enhancement and Communication*

- Safeguards the rights of all Shareholders and Stakeholders.
- Effective Shareholder dispute resolution mechanism.
- Shareholders receive adequate and timely information.
- Financial statements are presented to Shareholders in time.
- Facilitates consultations amongst Shareholders on key issues.
- Shareholders' education on their rights and obligations.
- Appointing the Board through a transparent and formal process.
- Appointing the external auditor.
- Attending and participating in the general meetings.
- Providing an environment for exercising independent judgment.
- Facilitates the participation of minority Shareholders.
- Carries out stakeholder mapping.
- Effective communication with Stakeholders.

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CORPORATE GOVERNANCE AUDIT: *Leadership Role of the CEO*

- The day-to-day operations.
- Provides leadership to Senior Management and staff.
- Annual budgets and proper internal controls.
- Execution, communication of strategies and policies.
- Develops and recommends strategies to the Board.
- Effective management structure, succession plans.
- Board papers: accurate, relevant, timely.
- Linking the Board and the Management.
- Achievement of the objectives.
- Regular, thorough, prompt communication.
- Stakeholder management, corporate image.

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BOARD EVALUATION

- Annual evaluations.
- Link - Board's effectiveness & Entity's performance.
- Regular evaluations focus Board attention.
- Enhances accountability.
- "Who watches the watchers"?
- Let everybody understand their deliverables.
- Levels: Board; Chairperson; Individual Directors; CEO; CS; Committee Chairs; Committee Members; Senior Managers.

BOARD EVALUATION

- Separation of roles; performance management.
- Ethical leadership; code of conduct and ethics.
- Corporate reputation and image.
- Sustainability goals and strategy.
- Independence and governance; Board systems, procedures; transparency and disclosure.
- Induction and skills development; Board Charter.
- Succession and Remuneration.
- Accountability; Risk management.
- Appointment of Company Secretary.

BOARD EVALUATION

- Internal controls; Shareholders', Stakeholders' value enhancement and communication.
- Compliance with laws & regulations; Board Meetings.
- General operations of the Board.
- Board structure - mix, size, diversity.
- Board effectiveness: Board Work Plan. Board Agenda. Meetings and Notices.
- Strategic direction; formulation, review of strategy. Setting KPIs. Monitoring of strategy.
- Compliance with laws, regulations, codes.
- Assessing performance: quantitative & qualitative.
- Accountability framework.

BOARD EVALUATION

- **Chairman of Board:** Effective leadership, commitment, experience, intelligence, competence, acumen, vision, inspiration, taking calculated risks, decision making in meetings, discipline, mentorship, targets.
- **Board Structure:** Experience, competencies and skills, commitment, attendance and participation, values, vision, mission & strategy, best interest, soundness of understanding, commitment towards achievement of the Performance Contract and organisational targets.
- *Also Evaluate The CS; Committee Chairs; Members of Committees.*

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BOARD EVALUATION

- **The CEO:** Effective leadership: focus, commitment, experience, intelligence, competence, acumen, vision, imagination, inspiration and taking calculated risks, communication, implementation of decisions and policies, mentoring and the Management, clarity in understanding the strategy, achievement of the PC targets.
- **With Governance Audit is a separate Board Evaluation now necessary?*
- **How can Corporate Governance Audits and Board Evaluations be improved?*