



Financial Management for the Higher Education Sector

Theme: Innovation for Sustainability in the Higher Education Sector

Date: 22nd – 23rd August 2019

Venue: Hilton Hotel, Nairobi

TIME: 9am to 4pm

CPA Anthony Muthee Njiru



Good Corporate Governance Practices For Higher Education Institutions

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Uphold public interest

Governance



Governance is the manner in which power is exercised in the management of economic and social resources for sustainable human development.

Corporate Governance



Corporate Governance is a system by which Corporations are directed, controlled (or led) and held to account.



- It is the manner in which the power of, and power over a corporation is exercised in the stewardship of its assets and resources so as to increase and sustain shareholder value as well as satisfying the needs and interests of all stakeholders.
- It embraces all forms of enterprise in the private and public sector.



Why Governance



- It is a vital ingredient in the maintenance of a dynamic balance between the need for **order** and **equality** in society as well as:
 - the **efficient** production and delivery of goods and services, **accountability** in the use of power;
 - the **protection** of human rights and freedoms; and
 - the maintenance of a corporate framework in which each citizen can **contribute fully** towards finding **innovative solutions** to common problems.

Good Corporate Governance



Good Corporate Governance provides a level of disclosure and transparency regarding the conduct of Corporations, their Boards and Directors that enables the supervision of their accountability



Good corporate governance ensures that Corporations, their Boards and Directors **comply with their legal** obligations and remissions; are accountable to shareholders and responsible to stakeholders including employees, suppliers, creditors, customers and communities; and act responsibly regarding the environment.

- Well governed corporations attract investors because they are successful or are on the path to success.
- Good corporate governance ensures the protection of the environment.

Good Corporate Governance



- Corporate governance covers the systems, practices and procedures by which individual corporations regulates themselves in order to remain competitive, sustainable, relevant and legitimate for competitiveness and sustainability.

Areas Corporate Governance Manifests



Some of the issues corporate governance is concerned with are:

- Promoting an enabling environment and effective regulatory framework for economic activities,
- Ensuring that corporations act as good corporate citizens with regard to human rights, social responsibility and environmental sustainability,

- Promoting adoption of codes of good business ethics in achieving the objectives of a corporation,
- Ensuring corporations treat all their stakeholders in a fair and just manner, and
- Providing for accountability of corporations, directors and officers.

Good Corporate Governance Seeks To Promote:



- Efficient, effective and sustainable corporations that contribute to the welfare of society by creating wealth, employment and solutions to emerging challenges;
- Responsive and accountable corporations;
- Legitimate corporations that are managed with integrity, probity and transparency;
- Recognition and protection of stakeholder rights; and
- An inclusive approach based on democratic ideals, legitimate representation and participation.

Need for good corporate governance



- Good Corporate Governance is necessary in order to:
- Attract investors – both local and foreign – and assure them that their investments will be secure and efficiently managed, and in a transparent and accountable process;
- Create competitive and efficient companies and business enterprises;



- Enhance the accountability and performance of those entrusted to manage corporations; and
- Promote efficient and effective use of limited resources.
- To Remain viable, sustainable and competitive in the global market place.
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Characteristics Of Good Corporate Governance



Good Corporate Governance has seven distinguishing characteristics, namely:

Discipline

Transparency

Independence

Accountability

Responsibility

Fairness

Social Responsibility

Principles of corporate governance



1. Owners of a corporation shall jointly and severally protect, preserve and actively exercise the supreme authority of the corporation

Principles of corporate governance



- 2. Every corporation shall be headed by an effective board which should exercise leadership, enterprise, integrity and judgment in directing the corporation - in a transparent, accountable and responsible manner.

Principles of corporate governance



- 3. The process of appointing Directors to the Board should ensure a proficient mix of individuals who add value and bring independent judgment in decision-making.

Principles of corporate governance



- 4. The BOD should determine the purpose and of the corporation as well as its strategy.

values

Principles of corporate governance



5. The Board should ensure a proper management structure (organization, systems and people) is in place and make sure that the structure functions to maintain corporate integrity, reputation and responsibility

Principles of corporate governance



- 6. The Board should monitor and evaluate the implementation of strategies, policies and management performance criteria and plans of the corporation, as well as the viability and financial stability of the enterprise – at least every year.

Principles of corporate governance



- 7. The Board must ensure that the corporation complies with the relevant laws, regulations, governance practices accounting and auditing standards.

Principles of corporate governance



- 8 The Board should serve the legitimate interests of all members and account to them fully.

Principles of corporate governance



- 9 The Board should ensure that no one person or group of persons has unfettered power and that there is an appropriate balance of power on the Board so that it can exercise objective and independent judgment.

Principles of corporate governance



- 10 The Board should regularly review systems, processes and procedures to ensure the effectiveness of its internal systems of control so that its decision-making capability and the accuracy of its reporting and financial results are maintained at the highest levels at all times.

Principles of corporate governance



11 The Board should regularly assess its performance and effectiveness as a whole and that of individual members, including the CEO.

- 12 The Board should recognize the need for new members to be inducted into their roles and for all Board members to develop and strengthen their governance skills in light of technological developments, changing corporate environments and other variables.

Principles of corporate governance



- 13 The Board should appoint a competent CEO and participate in the appointment of all senior management and ensure appropriate training for management and other employees, and put in place a clear succession plan for senior management.

Principles of corporate governance



- 14 The Board must recognize that to survive and thrive, it has to ensure that the technology, skills and systems used in the corporation are adequate to run the corporation and that the corporation constantly reviews and adopts the same in order to remain competitive.

Principles of corporate governance



- 15 The Board must identify key risk areas and key performance indicators of the corporation's business and constantly monitor these factors.

Principles of corporate governance



- 16 The Board must define, promote and protect the corporate ethos, ethics and beliefs on which the corporation premises its policies, actions and behavior in its relationship with all who deal with it.

Principles of corporate governance



- 17 The corporation must operate within the mandate entrusted to it by society and shoulder its social responsibility. It should not short-change beneficiaries or customers, exploit labor, pollute the environment, evade taxes, fail to conserve resources and neglect the needs of the local community.

Principles of corporate governance



- 18 The Board must recognize and encourage professional development and seek independent professional advice when necessary.

Threats To Good Corporate Governance



- The most frequent causes of trouble for Directors are *incompetence* and *dishonesty*.
- More money, resources and opportunities are lost through incompetence than through criminal wrong doing.

- When they allow themselves to be drawn into unfortunate situations. Eg. Joining Boards they don't know too well.
- When dishonest (stealing, lying etc.).



- When ignorant (lack of understanding their roles and responsibilities as well as the organization they lead).
- When lacking independence (if a Director is very close to the CEO, they may find it difficult to speak their mind).

- When there is conflict of interest (eg. When a director profits or benefits from a decision or action at the expense of the shareholders).
- When they fail to exercise the duty of care (Directors should understand issues well and make the right decisions).

- Conspiring in or tolerating legal violations.
- Poor business performance – hence the wrath of shareholders;
- Lack of Board leadership;
- Inadequate or inappropriate involvement in management;

- Entrenchment (high % of members remaining in the Board too long);
- Internal political or personal conflicts;
- Ineffective Board organization and process; and

Conclusion



- Directors in their waking hours must be continually vigilant if they do not wish to experience the most horrible nightmares possible (Prof. Baxt).
- Good governance in corporations / organizations prevents and exposes fraud and corruption.

Hardworking Ant

A Corporate Story

Execution





Expectation.



Reality.

Leverage on cause (lead) measures as opposed to effect (lag) measures..



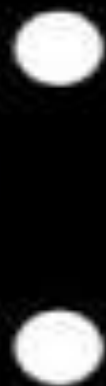


The score board.



MANCHESTER UNITED
ARSENAL

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2



HOME

PER

VISITOR



Questions & comments



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End



GOD BLESS YOU ALL