Whitepaper

Effective Information is the Lifeblood of Good Governance

Camms.

Governance is structure. It is the system by which an organisation is controlled and operates, and the mechanisms by which it, and its people, are held to account. Without this structure, an organisation will lack the transparent rules, relationships, systems, and processes needed to guide leadership and align the interests of all stakeholders. This stark reality underscores the role good governance plays in delivering the long-term success of a business.

According to the Institute of Chartered Accountants Governance is:

> **The system by which companies are directed and controlled that is concerned with the internal procedures and controls an organisation adopts to govern itself, make effective decisions, comply with the law, operate in alignment with its stated values and meet the needs of external stakeholders.**

This cornerstone of a healthy organisation signposts how it functions and behaves both internally and within the market it operates, and defines the relationships between the board, management, and wider business.

To embed this vital structure within an organisation, a good governance programme requires some stability of its own in the form of a robust framework; one that ensures the right people can access relevant information that informs dynamic decisions. Without this, governance cannot be built into a holistic process that engages and influences all stakeholders. From employees, management, and investors, to customers, clients and wider society, organisations must get a hold on how it is perceived by and how it influences those different stakeholders - and good governance is key. Governance is also a fundamental part of meeting government requirements, industry standards & certifications, and environmental laws - amid a recognition that ESG factors can create long-term value for an organisation.

However, to its detriment governance is often side-lined by senior executives who want to skip straight to achieving goals without laying the foundations for long term success.

In this whitepaper, we explore how to implement a governance framework that enables a business to operate in line with government guidelines, regulations & legislation, company policies, investor requirements, and environmental obligations.

We will go into detail about how to capture the right information as part of your governance framework, in order to:

Prove to auditors and regulators that you are operating in line with standards, legislation, and government guidelines.

Structure operating procedures so they align with legislative & regulatory requirements, with clearly defined step-by-step processes for staff.

Provide a clear picture of how operations are running for business leaders, enabling them to make critical decisions based on real-time information.

Integrate governance with risk and compliance processes and strategic planning tools to ensure all governance guidelines dovetail with strategic goals and objectives.

Good governance: what does it look like?

Before we can fully appreciate good governance, we must understand what constitutes bad – or weak – governance. Broadly speaking this typically stems from a myopic view of governance, with business leaders making assumptions without engaging the wider business or defining policies, procedures, rules, and guidance. Badly governed businesses rely on manual siloed processes that lack automation, leaving boards with little information about how the business is performing & meeting regulatory & legislative requirements. While corporate governance failures don't happen overnight, businesses that deprive themselves of the pre-defined tolerances and processes that underpin it will be exposed to significant financial and reputational risks over time.

Weak corporate governance can lead to corruption, fraud, and lack of accountability. But it's not just scandals, negligence, and criminal activity that point to governance failures; stunted business growth, repetitive complaints, and high levels of waste also indicate a lack of control and strategic alignment.

Good governance is reinforced by four key principles that must be weaved into the fabric of an organisation:

Transparency

Clearly defining the organisation's structure, operations, and performance – internally and externally – and opening a robust dialogue with stakeholders.

Accountability

Facilitating informed decision-making by implementing policies and processes that provide the right people with the right authority to make expeditious decisions and clearly defining ownership for certain laws, processes, policies & procedures.

Stewardship

Establishing an enterprise-wide view that the organisation is managed for the benefit of its shareholders/members, while considering the interests of other stakeholders.

Integrity

Creating a culture committed to ethical behaviour and regulatory compliance.

Adherence to these principles will foster governance that's focused on tackling operational challenges and meeting legal obligations - without compromising the overall business strategy. This ability to continuously add value ensures good governance seeks the best outcomes for all stakeholders - and promotes the long-term sustainability of the business.

The benefits are compelling and enable an organisation to preserve & strengthen stakeholder confidence, provide the foundation for the organisation's output to accelerate, and ensure the organisation is agile enough to respond to the dynamic external environment.

The Good Governance Institute identifies ten principal themes that illustrate the different elements of good governance:

1 Clarity of purpose, roles, and behaviours

The purpose of the organisation, and the vision set by the board to support that purpose, is the starting point for any system of good governance. Rules end behaviours must be defined for all positions & teams across the organisation.

2 Application of principles

An organisation must define a set of principles that are of fundamental value and embraced by all stakeholders, these principles should underpin your governance framework, policies and procedures.

3 Leadership and strategic direction

Without a clear strategic vision and strong leadership embedded within the governance system, organisations will be reactive in their approach.

4 Effective external relationships

Good governance has the best interests of all stakeholders at its core. Good governance will consider how the business will be viewed by, customers, prospects, and potential investors, as well as any associated governing bodies and regulators.

5 Effective internal relationships

Boards must establish robust channels of communication throughout the organisation and nominate governance champions across all departments.

6 Transparency and public reporting

Mature organisations understand that communication builds confidence and early disclosure drives improvement and mitigates impact.

7 Systems and structures

Organisations must benchmark themselves against relevant best practices and track compliance against defined standards and targets. Following best-practice compliance frameworks and risk management processes builds a solid approach.

8 Challenge on delivery of agreed outcomes

Boards should be well-informed about specific causes of failure and how their organisation measures up against relevant benchmarks.

9 Risk and compliance

The risk management programme used by boards should properly alert the organisation when it's in danger of failing to meet compliance obligations. It is the job of the board to ensure compliance processes are always observed.

10 Organisational effectiveness

'Good governance' includes several crucial processes that combine to build the wider programme. Boards must identify a vision and develop a strategy and select supporting leadership to deliver the strategy - ensuring progress is being made.

Boards that engender good governance recognise that it's a dynamic process that requires them to continually question their approach. It's their duty to remain focused on broad, strategic goals while tackling day-to-day operational issues and meeting their responsibilities. They must also understand that the best-laid governance plans made in the boardroom will remain rudderless without effective channels of communication that convey transparent messages to internal and external stakeholders. Once established, this will allow governance to be driven from the top down and delivered from the bottom up by an engaged workforce. In addition to providing control of standard daily operation procedures a good governance framework will provide boards with the flexibility to easily change processes and implement new procedures to ensure the business remains agile.

How to establish a governance framework

Amid heightened regulatory expectations and escalating scrutiny from governments, investors and society, organisations are seeking a consistent and holistic framework that boards can embrace to establish and assess critical processes and activities. However, before an organisation can begin building a governance framework, it must understand what they are and what they do.

A governance framework provides a mechanism that equips the entire organisation – from senior management to operational level – with a clear understanding and oversight of their expectations, objectives, performance, risk appetite, and reporting requirements. It also ensures that these elements of good governance are effectively communicated throughout the organisation.

This guidance system is composed of standard management practices that are tailored to the organisation. It articulates the elements of the governance programme, clarifies the roles of the board and management, and illustrates an appropriate relationship between governance, risk management, and organisational culture.

PwC identifies what a comprehensive corporate governance framework will typically address:

- Oversight of the company's performance and the contribution to corporate success from the board in the context of the company's strategic goals and objectives.
- The relationship of the board with the President or Chief Executive Officer.
- Appointment and performance of the directors.
- Board membership, conduct, operations, and performance.
- The ethical tone of the organisation and the transparency of its conduct.
- Effective oversight of risk management, corporate compliance, and the integrated framework of internal controls.
- Communication, reporting and information flows between the board and management.
- Communication with - and protecting the rights and interests of - shareholders and all other stakeholders.
- Division of responsibility between the board and management.
- Reliability of financial reporting – both internal and external.

The first step when establishing a robust governance framework is to understand the internal and external forces that influence auditors, regulators, the board, management, employees, and investors from a governance perspective – including:

Internal

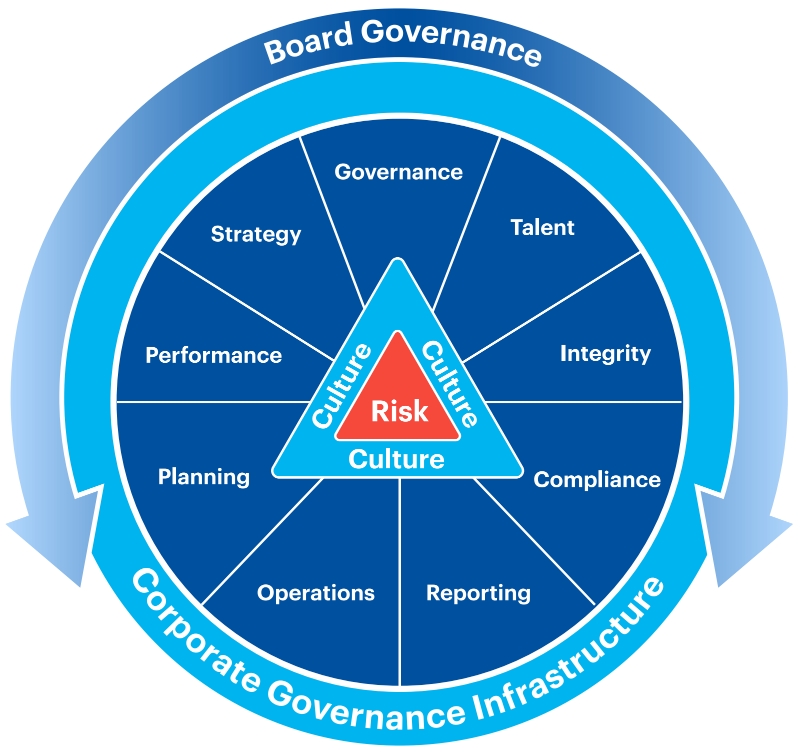
Organisational structure, investor goals, board objectives, corporate strategy, policies & procedures, compliance obligations, operating procedures, enterprise performance goals, employee engagement, and integrity.

External

Government & environmental requirements, legal & regulatory environment, and industry standards & certifications.

The aim is to establish a framework that structures step-by-step processes around these factors ensuring processes are being adhered to at all levels of the organisation, and to capture relevant information that informs business decisions by management and the board.

The underlying assumptions in Deloitte's governance framework can be tailored to an organisation's specific requirements. The framework outlines areas of board governance and how the board's oversight role aligns with the business operating model – it provides a clear context for building a common understanding of the role of the board. This framework provides a launchpad for the development of a common governance view and enhances the board's efforts to continuously improve.



Using this governance framework provides boards and management with a comprehensive view of corporate governance - adding the structure needed to quickly identify potential opportunities to improve effectiveness and efficiency.

Underlying all the elements of the framework is the corporate governance infrastructure, which Deloitte defines as:

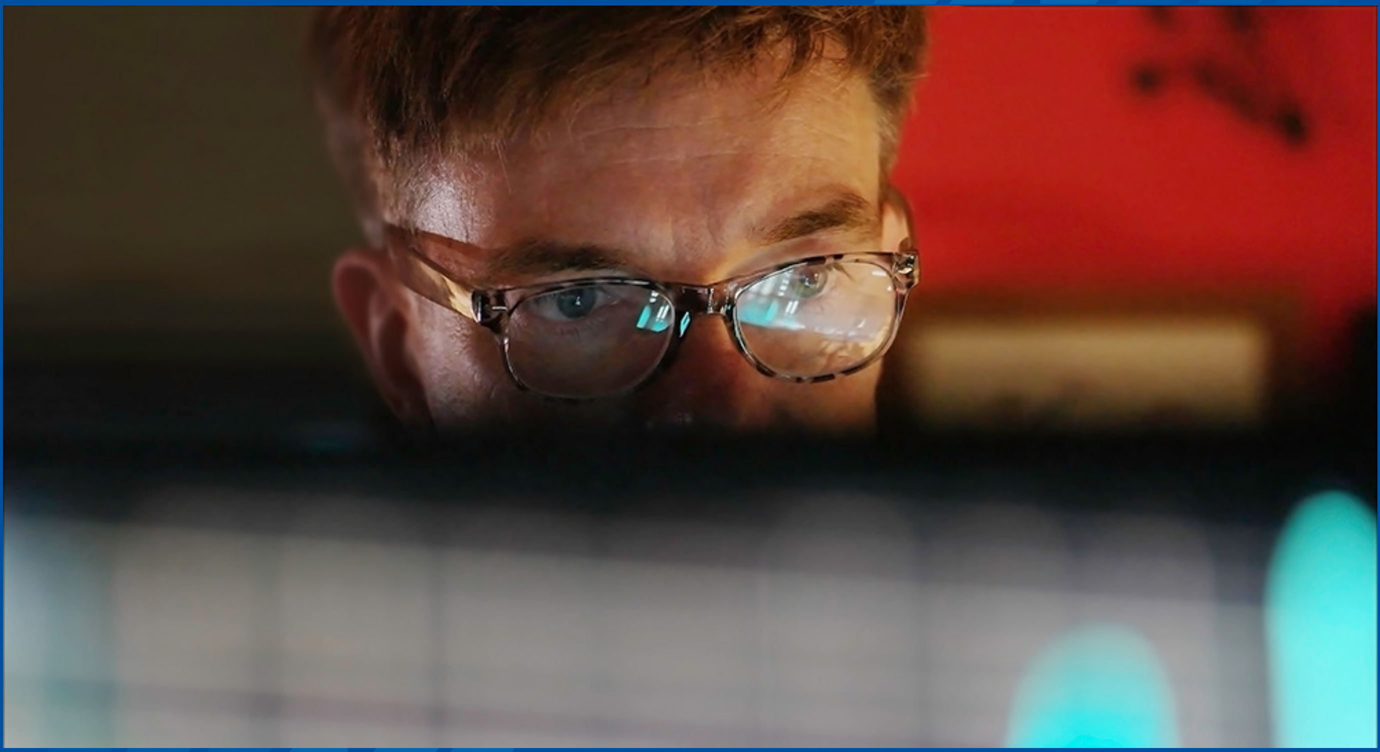
> **the aggregation of governance operating models — the people, processes, and technologies — that executive management has put in place to govern the day-to-day activities of the company, as well as the processes used to accumulate information and report it to the board and external stakeholders.**

The board's role in managing the various elements depicted in the framework is split in two. Stakeholders can either be an 'overseer' or an 'active participant' in the processes. The top half of the framework outlines areas where the board's responsibility is typically heightened and the bottom half outlines areas where the board's responsibility is more of an active monitor.

The oversight of risk and culture are at the core of any governance framework. Risk Intelligence lays the foundation for everything the board and management do to govern the organisation effectively. Risk isn't always a harbinger of doom; it's an inevitable part of doing business and plays a fundamental role in uncovering opportunities to enhance performance, drive value creation, and ensure sustainability. This proactive approach to risk must be driven by the organisation's culture, which begins at board level. Risk management should be intrinsically linked to the organisation's culture and characterised by its values, the motivations of employees, and the executive decision-making process.

There is no one size fits all approach to developing a framework for a process as complex and interconnected as corporate governance. Therefore, a framework should not be prescriptive; it should be tailored to fit the unique requirements of each organisation – from regulatory & legal requirements to ownership structure and stakeholder expectations.

Achieving governance through policies, rules, regulations, instructions, and process documents



Governance frameworks should be designed around the policies, rules, regulations, instructions, process documents and codes-of-conduct that set the tone for an organisation's culture and ethics – ensuring relevant details are captured and clear direction is given.

Policies & procedures should be clearly communicated across all levels of the organisation and stored in a central, easily accessible location. Staff should receive regular training on key policies and procedures and online attestations are a good way to ensure staff have read and understood the policy. Employees should feel comfortable reporting incidents when they notice another employee is not following rules and behaving in a way that does not align with company policy. Many organisations choose to implement anonymous whistle blowing hotlines and portals where employees can log any potential problems. This helps governance and compliance professionals get early insights into potential problems.

A good corporate governance policy delineates legal obligations, terms of risk management, strategies, compliance rules, hiring practices, and the role of board members. This establishes a clear expectation and standard for the manner and process in which an organisation's risk exposure is managed, resulting in key outcomes:

- Laws and regulations are adhered to.
- The organisation's culture is reflected.
- Decision-making is based on clearly defined policies.
- Risk appetite is managed.
- Internal processes are streamlined.

Underpinning these rules and guidelines should be an alignment with the organisation's goals & strategy and relevant laws & regulations. To protect the public, investors, and other external stakeholders, some policies will be shaped by mandatory regulatory requirements or internal rules such as conflicts of interest and whistle-blower policies.

Well-rounded policies have the power to deliver these broad positive outcomes:

- Compliance with mandatory laws & regulations.
- Support management to make quick decisions without heavy input from the board.
- Guide employees to behave in a certain way by following predefined and agreed rules.
- Reduce risk in the organisation.
- Ensure the company culture reflects the direction from the executive leadership team.
- Protects the company from any prosecutions and tribunals.

Well-crafted policies speak to every level of the organisation, are consistent with the company's values, and are clearly communicated. This clarity ensures everyone understands their governance obligations – and is willing to adhere to them. Mature organisations use policy management software to house their vast library of policies - this enables them to initiate policy approval workflows, version control and policy attestations and builds an audit trail for regulators. These solutions offer automated workflows for policy sign off and approvals and enable leadership to report on policy status. Meanwhile, arbitrary policies & processes that are formed without consulting the wider business and are shared manually on an ad hoc basis fail to engage the people that are impacted by them daily.

Other codes, regulations, rules, and instructions that should be considered when designing a robust corporate governance framework include:

Staff regulations, rules, and instructions:

These set out the fundamental conditions of service, namely the duties, obligations, and basic rights of all staff members. This guidance is often found in employment contracts & health & safety policies.

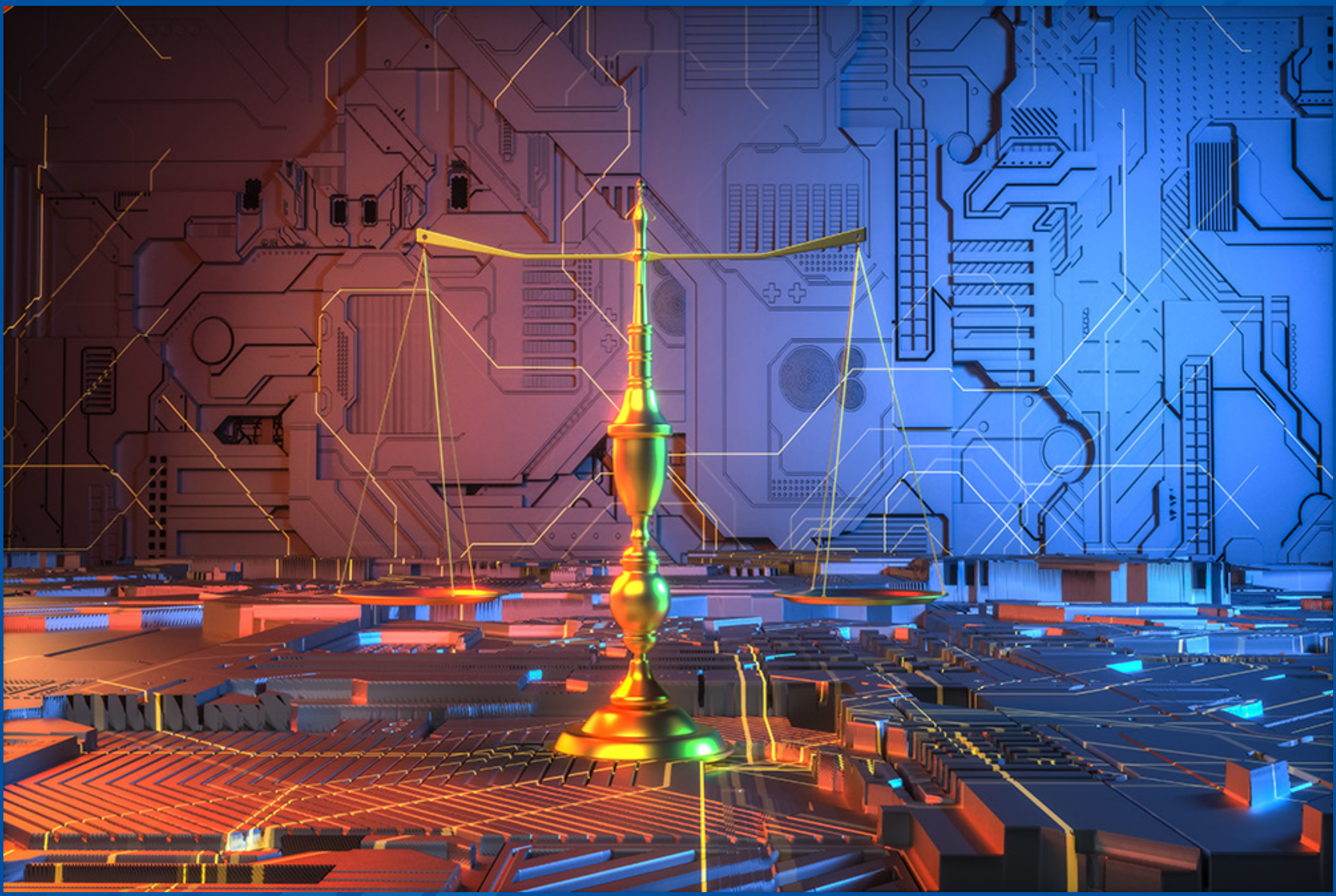
Code of conduct

This sets out in simple and clear terms the standards of professional ethics applying to all staff members - usually shared in the format of an employee handbook. These standards are to be regarded as the professional values and culture the organisation wants to promote and uphold.

Government regulations

A regulatory requirement is a government-legislated regulation or legislation that establishes a legal obligation for an organisation and increases its compliance burden. Regulatory compliance constitutes the organisational processes, policies, and procedures that enable compliance with the laws, rules, regulations, mandates, and guidelines issued by legislators in the jurisdictions in which an organisation operates.

Aligning a governance framework with risk & compliance



Treating governance, risk, and compliance (GRC) as separate requirements is an outdated, myopic view that exposes an organisation to inefficiencies, redundancies, and inaccuracies. It causes a lack of oversight of the complete risk landscape and an inability to comply with industry regulations. This fractured approach produces reactive responses to a specific event – such as new regulations – with little or no consideration of their impact on the organisation as a whole. A governance framework will allow you to map relevant regulations to the business processes and policies they directly affect. Therefore, when a change happens, you are well equipped to alter the relevant policies and procedures to reflect the required changes.

The evolution of GRC from a fragmented set of requirements into an integrated set of processes and procedures has been fuelled by several driving forces that have reshaped the governance landscape:

- Escalating risks that have become more widespread, complex, and detrimental.
- The increasing pace and scope of regulatory requirements.
- The accelerating digitisation of risk management.
- The growing importance of risk management in business strategy.
- The evolving sophistication of analytics.

In today's interconnected business world, integrated GRC processes and procedures are cornerstones of an organisation's strategy for managing overall governance, enterprise risk and compliance with regulations. Successful organisations understand that the three elements are inextricably linked, and therefore impact the same technologies, people, processes, and information. This enlightened view empowers them to harness the symbiotic relationship between each discipline by implementing GRC in a joined-up, holistic manner – and build a stronger more resilient organisation in the process.

According to an OCEG GRC maturity survey:

93% **of organisations report that GRC integration provided benefits that met or exceeded expectations.**

This brings the need to align the corporate governance framework with risk and compliance into sharp focus for any organisation. A good governance framework serves to reinforce an organisation by managing enterprise risk and meeting regulatory compliance obligations. It achieves this by aligning risk management activities with the organisation's goals and objectives, and by strengthening and rationalising compliance – helping to unshackle both elements from the silos they previously languished in.

Boards and senior decision-makers are suddenly empowered to answer important questions:

Consequently, they can guarantee that all risk and compliance-related decisions are made in line with the governance programme and that all procedures dovetail with it – so the entire organisation can work in unison to achieve strategic goals.

A comprehensive governance framework's ability to unify and align an organisation's approach to risk management and regulatory compliance can help improve performance and enhance decision-making. It can also demonstrate to stakeholders that the organisation is being managed effectively and that the best interests of all stakeholders are protected.

Data governance

With more GRC data available to organisations than ever before and the volume growing exponentially, ambitious organisations are attempting to harness its power to optimise operations and drive informed decision-making – bringing reliable data that's enabled by strong governance into sharp focus. Failure to embrace this process of managing the availability, usability, integrity, and security of the data in enterprise systems can expose organisations to a range of risks – from misinformed decisions to data breaches.

Some organisations fail to recognise the value that a robust data governance model can create. In a Deloitte Dbriefs polling survey, gathering organisational insights on key business priorities and data governance:

19% **of respondents indicated that they currently have a strong governance structure in place**

11% **believed that data governance is a key benefit to the organisation**

These statistics show that there is vast room for improvement surrounding the awareness of the benefits of strong data governance.

Effective data governance based on internal standards and policies ensures that data is consistent, reliable, and used appropriately. The structure it provides throughout the data lifecycle – collection, transmission, storage, processing, sharing, and destruction – is critical amid a wave of new data privacy regulations and an increasing reliance on data analytics.

By establishing methods, responsibilities, and processes to standardise, integrate, protect, and store corporate data, organisations can:

- Access accurate operational data to make critical business decisions and improve processes.
- Minimise risk, by understanding overall risk exposure.
- Establish internal rules for data use to ensure data is captured consistently - making it easy to report on.
- Understand compliance exposure, by closely tracking employee activity related to compliance obligations.
- Increase the value of data with better reporting and insights into business operations.

Data governance helps to standardise data and prevent inconsistent and unreliable data from entering the data stream. Standardisation is the process of transforming data gathered from different sources into a consistent format that adheres to specified standards, enabling users to process and analyse it. Standardised data requires less oversight and supports fast, risk-informed business decisions by optimising the downstream flow of data. This is often facilitated by using systems with preconfigured fields and menu dropdowns - to ensure data is entered in the required format.

Data governance can also contribute toward achieving shared goals. For example, data underpins digital transformations – a fulcrum of success in the digital age – with the capture of the right data, management can clearly see how each organisational initiative is tracking and understand progress to support the realisation of strategic goals.

A subset of this discipline – data security governance – can safeguard against data breaches and data loss by securing data throughout its full life cycle. This specifically deals with protecting corporate data – in both structured database and unstructured file-based forms – through defined data policies and processes.

Forward-thinking organisations embrace software that allows them to implement strict data governance rules using standardised fields with dropdowns, reducing the chance of human error when entering data. Organisations should select a highly configurable tool so they can amend fields and dropdowns themselves, rather than relying on the vendor for costly assistance.

Many solutions offer out-of-the-box frameworks to implement data governance rules pertaining to key regulations like GDPR. Pre-defined workflows ensure breaches are reported in line with GDPR guidelines, missed deadlines are flagged through automated emails, and the solution provides a complete audit trail to prove to auditors & regulators that the organisation reacted appropriately.

Automated control monitoring

Governance is concerned with the internal procedures and rules an organisation adopts to govern itself. Therefore, governance frameworks should be reinforced by robust internal control monitoring - a set of rules that can be defined to flag; anomalies in data, missed deadlines, or when you have reached your risk tolerance or achieved a KPI. Rules can be set against any data and can be used to oversee operational processes and spot problems. Internal control monitoring is like an extra layer of policing to flag problems that aren't always visible to the human eye. Robust internal controls help to develop an efficient operating environment that drives business growth, delivers value to stakeholders, and achieves strategic objectives, while assuring compliance with laws, regulations, and industry standards.

Internal control monitoring is the process of performing ongoing evaluations to determine whether governance controls are operating as intended. This series of actions comprises the following five interrelated components:

1 **Control environment**

This sets the tone when it comes to management and employees' attitude toward internal controls - by providing discipline and structure.

2 **Risk assessments**

This process of identifying and evaluating risks and deciding how to respond to them – accept, reduce, or eliminate – prevents them from disrupting the achievement of organisational objectives.

3 **Control activities**

These manual and automated tasks – such as policy approvals, procedure workflows, authorisations, and allocation of duties – take place across an organisation to ensure risk responses are conducted properly.

4 **Communication**

The control structure should capture and communicate information about any deficiencies within the organisation and with external third parties in a timely and accurate manner via automated workflows and alerts.

5 **Ongoing monitoring**

This constant evaluation an organisation's risk exposure, KPI's, KRI's and deadlines is used to identify and correct problems early before they have a detrimental effect on the business. Automated control monitoring adds a second line of defence.

Control monitoring is a vital cog in the governance process because it demonstrates that the controls an organisation adopts to govern itself are adequately designed, properly executed and effective at any given point in time – allowing an organisation to achieve its strategic, operating, compliance, and reporting objectives.

Automation addresses control monitoring proactively by breathing new life into previously siloed data and using it to create a holistic approach that facilitates the rapid detection of issues based on predetermined rules. Controls can be set to automatically alert stakeholders to things like missed deadlines, anomalies in data, and budget overspend, allowing action and intervention to be taken expeditiously. Meanwhile, organisations that adopt an ad hoc approach to monitoring create gaps in their control environment that can lead to costly issues.

Integrating governance with transactional and operational data

By integrating governance processes – including rules regarding risk management and regulatory compliance – with other business systems, organisations can yield insights based on real-life transactional and operational business data. This single source of truth builds a concise view of how they're operating, instilling the agility needed to detect any problems early and make necessary improvements.

Transactional data describes business events, such as buying products from suppliers, selling products to customers, delivering items to customer sites, and hiring employees – and is typically created and updated within the operational systems. The frequency of these events means transactional data is generated in large volumes.

Transactional data can be used to measure the efficiency of operations and highlight any issues that need resolving from a governance perspective. Real-time transactional data can also be used to understand buyer behaviour and how products and services are adopted – vital insights that can be used to deliver better customer experiences, acquire new business, and boost profitability.

Operational data should be viewed as a form of strategic intelligence. Data regarding customer profiles, browsing & purchase history and transactional data can provide critical insights, enabling businesses to reduce risk, maximise opportunities and make strategic decisions. These details support the processes and systems by which an organisation operates and should be linked to information and technology assets.

Customer data isn't the only data that can be used as part of a GRC programme. Data from finance, IT, HR, Sales, purchasing and procurement should all be considered as part of a governance framework to get a complete understanding of how the business is operating. Forward thinking organisations use GRC software to build out their governance framework. They can then leverage API integrations to pull in any data relevant to the governance programme from other business systems and sources to build a solid operational structure.

If leveraged properly through good governance, operational data provides an overview of the critical processes of an organisation and can be used to identify risks and optimise operations.

Organisations that adopt a data-driven approach to governance are empowered to make strategic decisions based on thorough data analysis and interpretation. This allows them to assess and systematise their data and utilise it to direct actions that foster a more customer-centric approach.

Conclusion

Good corporate governance is about effectively supervising the management of a company to uphold integrity, achieve more open and rigorous procedures and ensure legal compliance. Without the right information to inform the governance programme these aims will remain a pipe dream.

Organisations perform best from a governance perspective when they have a single source of truth that gathers and analyses data that feeds into a robust governance framework to create actionable information. This structured approach produces vital business intelligence that senior decision-makers can use to shape a governance programme that's the bedrock of long-term sustainability.

Inefficient governance frameworks rely on disconnected disciplines, isolated tools, and siloed data. This dislocated approach restricts the scope of governance by scattering vital information and processes across multiple systems in unstructured formats. To overcome these hurdles, proactive organisations adopt innovative software solutions that communicate and exchange data – and leverage it using automated dashboards, audit trails, and reports. This unified approach aligns the rules, relationships, systems, and processes that form the governance framework with the overall strategy.

The result is a holistic governance programme that optimises the organisation in several compelling ways: enhances the relationships between the management, board, shareholders, and other stakeholders; provides the structure through which the objectives of the company are set; and determines the means of attaining those objectives and monitoring performance.

Discover how Camms is helping businesses create a governance framework that aligns with risk, compliance, and Strategic planning

Camms offers a cloud-based SaaS solution to manage your GRC programme and your strategy planning & execution. Set up a governance framework, house your obligation's library and risk register, manage incidents, monitor compliance, administer policies & regulations, and roll out your corporate strategy – all within one solution.

Automatic workflows & alerts link to a defined framework of KPIs, controls, and tolerances, to form a complete end-to-end solution. With integrated solutions across governance, risk, compliance, strategy, and projects, Camms software is helping organisations manage risk, make the right decisions, and create long term sustainability.

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