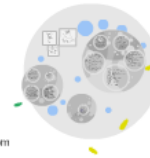


Chapter # 1 Corporate Governance

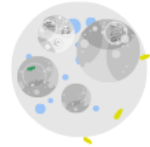


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Chapter # 2 Approaches to Corporate Governance



Chapter # 3 CG Practice and Reporting



PART B - Internal Control and Risk

Chapter # 4 Internal Control Systems

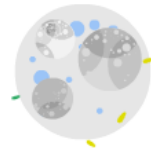


Ways to assess risk:
- Sensitivity analysis
- Discounted Monte Carlo
- Probabilities
- Likelihood and
- Consequence Matrix
- ALARP Principle

Strategic and Operational risk
Market Risk
Health and Safety risk
Liquidity risk
Chapter 7 Risk Response



Chapter # 10 Professional Ethics



Chapter # 1 Corporate Governance



PRINCIPLES

- Fairness
- Transparency
- Independence
- Probity/Honesty
- Responsibility
- Accountability
- Reputation
- Judgement
- Integrity

Characteristics of Corporate Governance

- Ensures Assessment, Evaluation management and Mitigation of Risk through effective Internal controls
- Provides Effective Supervision and Management
- Provides Framework for effective and ethical decisions
- Offers safeguard against the misuse of the assets of the company
- Requires a willingness to be applied with the best faith and spirit
- Helps Attract new investment through more trust and confidence in the Capital Market
- Promoting Accountability for the decision making at every level in the organization, by all stakeholders
- Protects the value of the shareholder investment

Definitions

Corporate Governance is the system by which organizations are directed and controlled
(Cadbury Report)

According to the OECD (Organization of Economic Co-operation and Development) CG is:

- the set of relationship between the company`s directors its shareholders and Its stakeholders
- It provides a structure through which objectives of the company are set
- the means of achieving those objectives
- And, the ways of monitoring performance are determined

Fiduciary duty

It is the duty of care and trust that one entity / person owes to another. It can be legal or ethical obligation

For eg. acting in the best interest of the organization is a fiduciary duty of the directors

Accountability

Accountability means that the agent is answerable under the contract to his principle for the resources that have been provided to him.

Note: Keep in mind that Agency concept is general concept and can be used in other relationships as well

Other types of agency relationship

- 1- Shareholder VS Auditor relationship
- 2- Public sector organizations - Political leaders / taxpayers VS Elected managers
- 3- Charities- Donors VS Managers

Agency Theory

Agency Relationship is when one or more persons (the principles) engage another person (the agent) to perform some service on their behalf that involves delegating some decision making authority to the agent

Agency Problem :

Is mainly due to the ownership and control being different in the joint stock companies.

And as agents (directors) have more control over the operations and since they have more information about the company than the principles (shareholders).

Therefore, conflict of interest arises , where agents would want to pursue their personal interest rather than the interest of the principles.