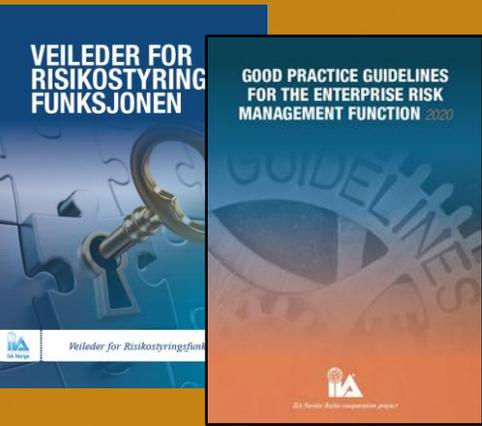
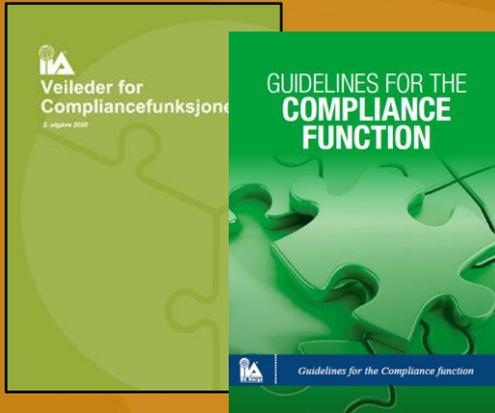


Guidelines for governance





Prepared by: IIA Norway's Network for Risk Management and in cooperation with IIA colleagues in Nordic and Baltic countries



Prepared by: IIA Norway's Network for Compliance and Business Ethics



Prepared by: IIA Norway's Professional Practices and Methodology Committee

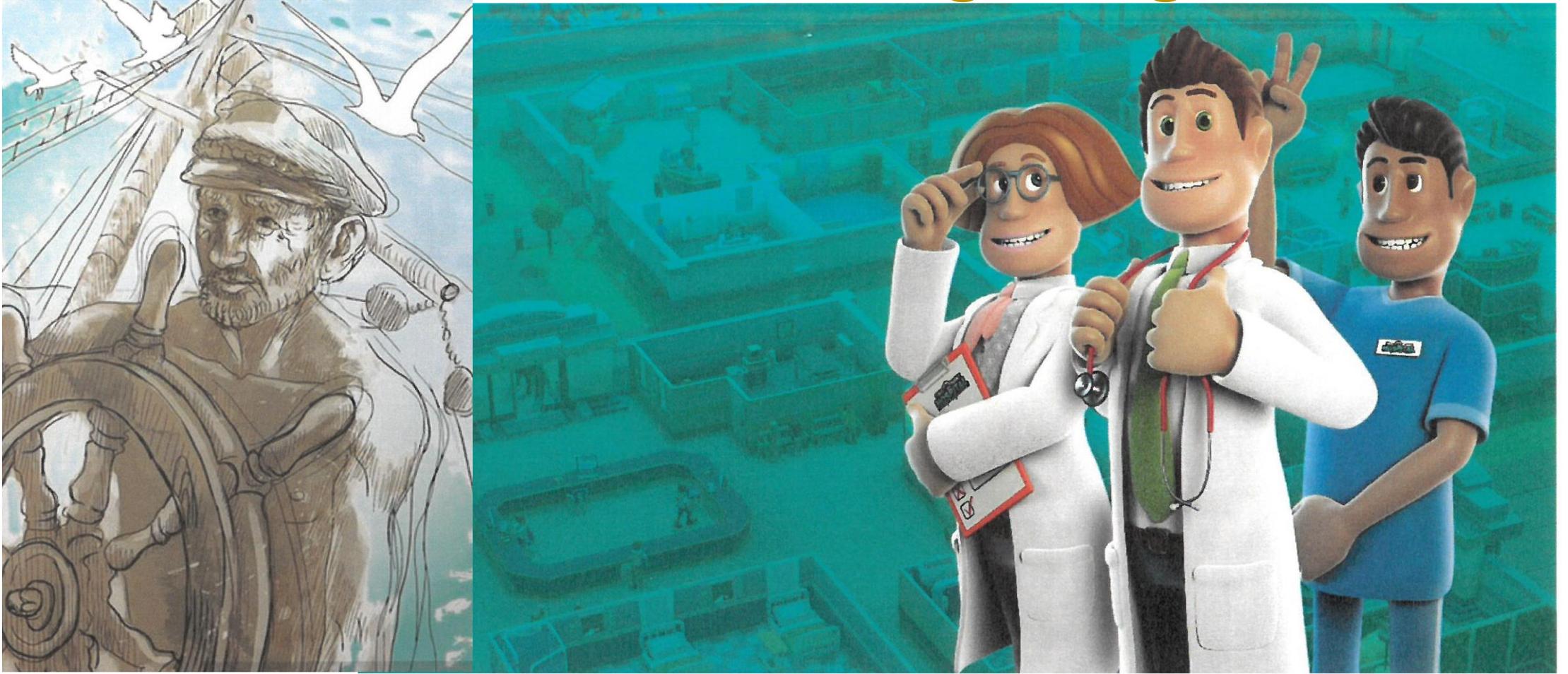


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The Enterprise needs steering and guidance



But governance is not just about a single person, the one seasoned skipper...

Governance

Corporate Governance/
Governance is a well known term

295 million items from a Google search of “Corporate Governance”

Governance is concerned with:

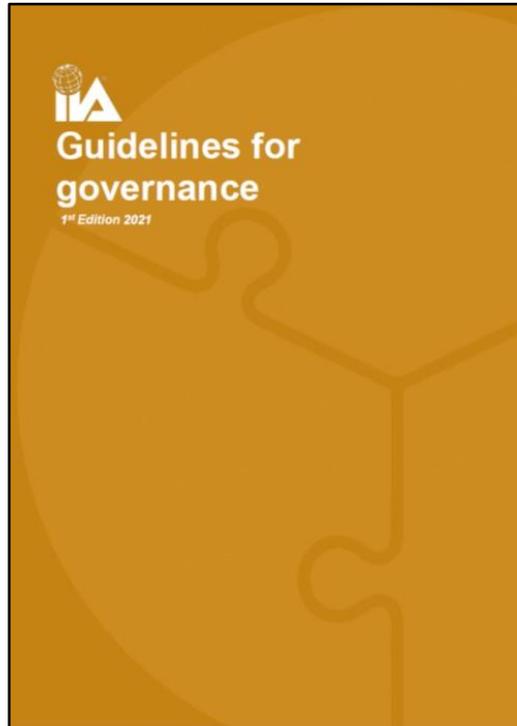
The relationship/interaction between an enterprise’s

- owners
- governing bodies
- management
- and other relevant players

and how this interaction leads to the management of

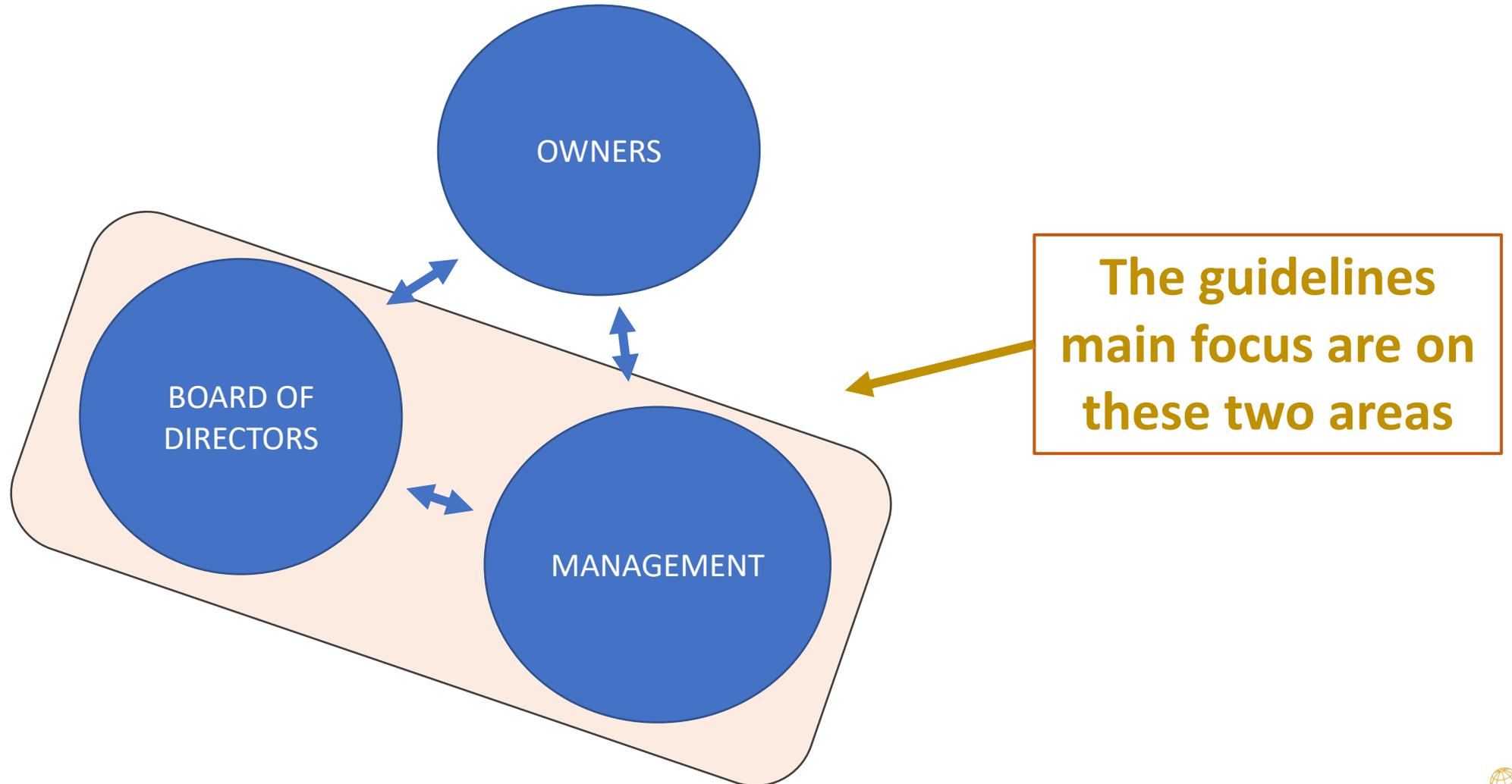
- activities
- resources
- risk
- as well as the structures and means **to accomplish the organisation’s objectives**

Guidelines for governance



- **The objective of the guidelines:**
Identify components which are key to an enterprise's good management, survival, and success over time.
- Independent of industry and sector
– applicable to both the private and public sector

Key players in Governance



The structure and content of the Guidelines

Introduction (kap. 0):

1. The objective of the Guidelines
2. Relationship to other frameworks and guidance
3. Terminology and definition
4. The private and public sectors – differences in terminology and responsibility for governance

5. Risk management and internal control as elements of governance
6. External context
7. The components of governance

The **Board** (of directors) is used as shorthand to describe either the enterprise's highest decision-making body or the highest position responsible for internal governance
Enterprise is used as shorthand for any organisation in the private and public sector

The main body of the Guidelines (chapters 1-4):

Treatment of each individual component, grouped into four subjects

Attachments:

1. Components
2. The Three Lines Model

The structure and content of the Guidelines

Introduction (kap. 0):

1. The objective of the Guidelines
2. Relationship to other frameworks and guidance
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5. Risk management and internal control as elements of governance

6. External context

7. The components of governance

Internal control is not identified as a separate component in these Guidelines as the components of internal control (ref. COSO) are key elements of both risk management and of many other components in these Guidelines

The main body of the Guidelines (chapters 1-4):

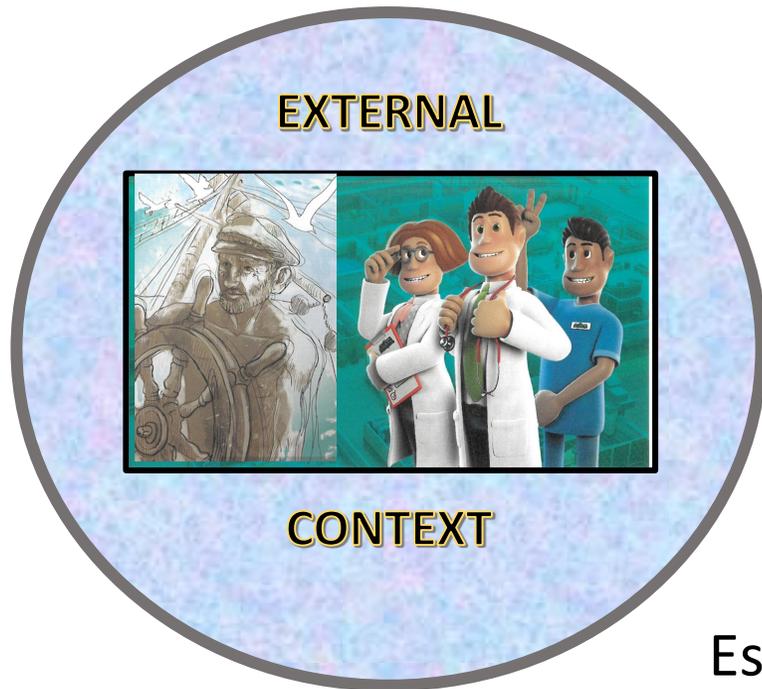
Treatment of each individual component, grouped into four subjects

Attachments:

1. Components
2. The Three Lines Model

External context

Various events and activities which arise external to the enterprise, in addition to the demands and expectations from public authorities, markets and other stakeholders. These conditions lie **outside** the organisation, which can only **to a limited extent control or influence** them.

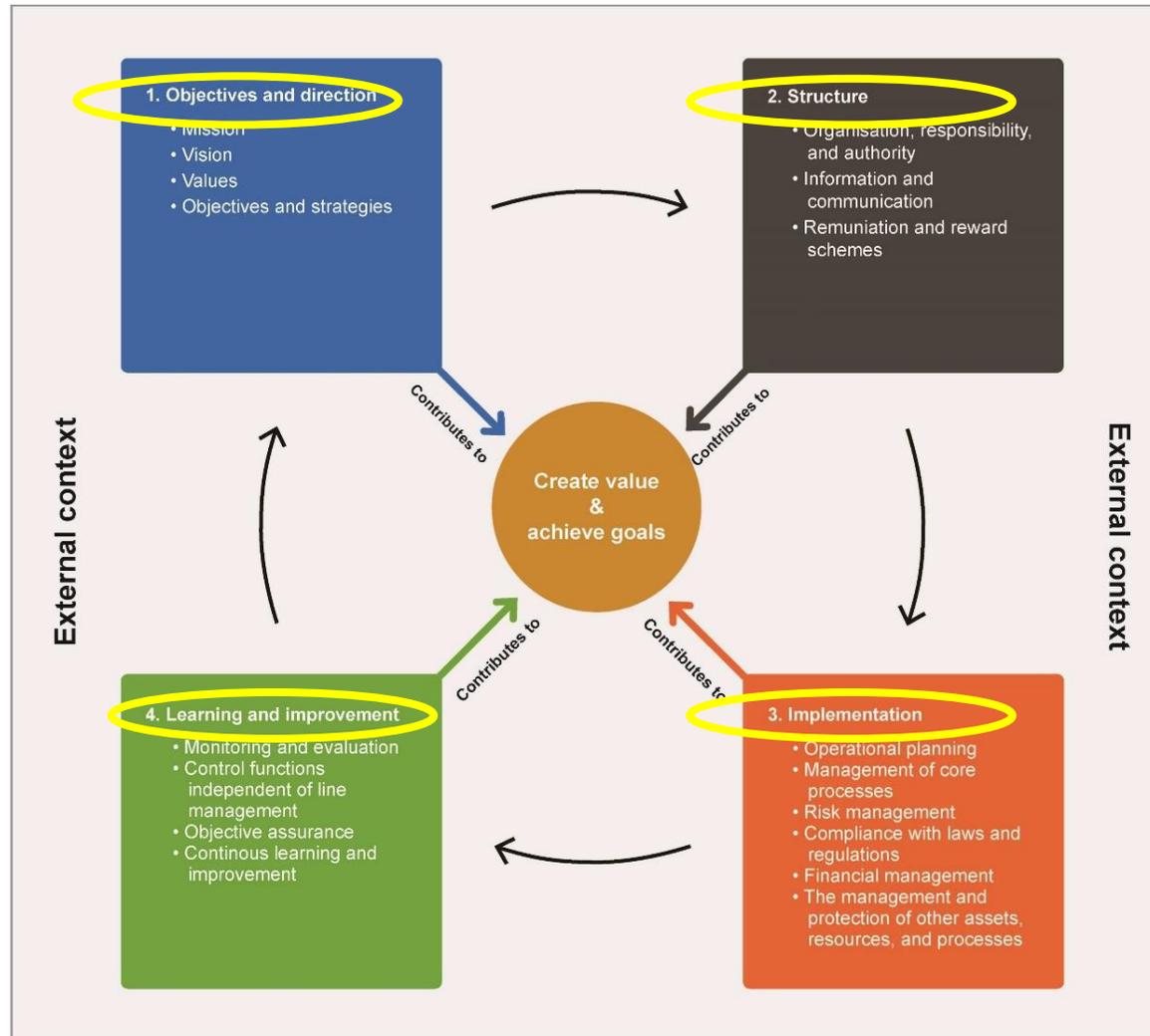


Examples:

- laws and regulations,
- generally accepted accounting principles
- listing requirements
- business norms
- societal expectations
- new competitors in the market
- changes to grants and external financing

Essential to perform a regular and systematic review of **changes** in the external context

Subject matters and components in the Guidelines



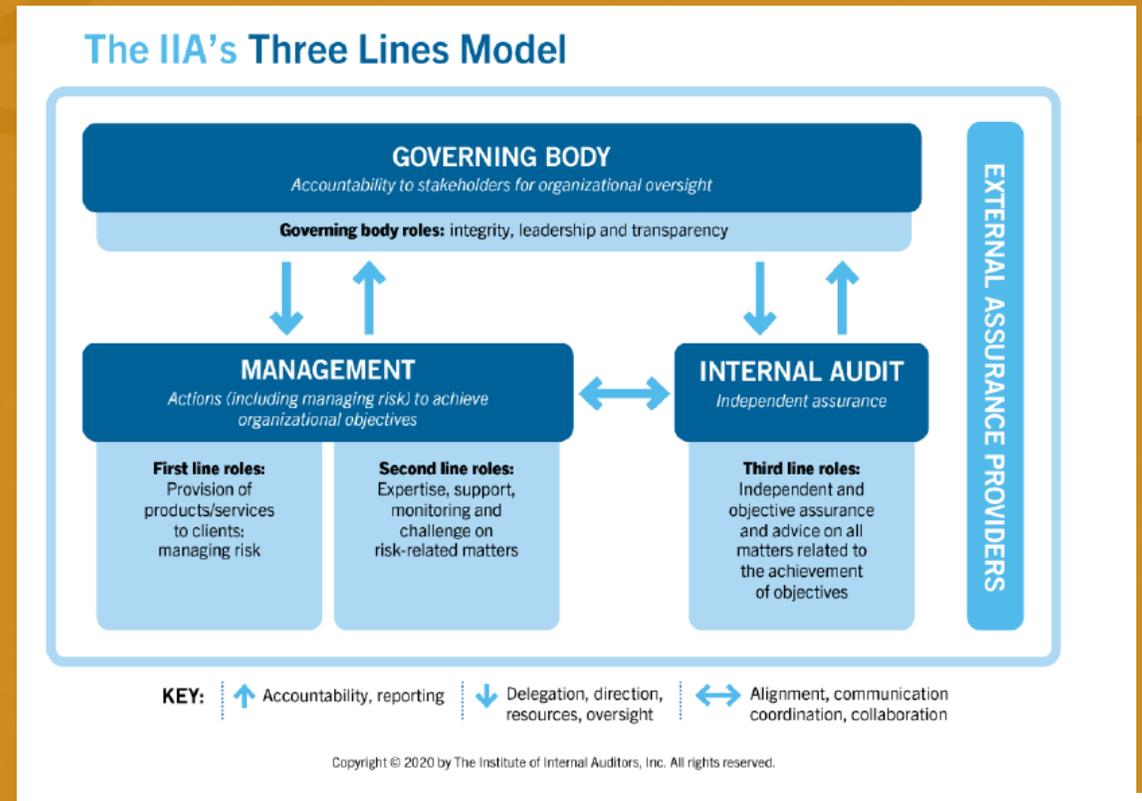
The components are grouped into four unique subjects which are structured as separate chapters in the Guidelines

Attachments to the Guidelines

Objectives and direction	
Mission	The mission describes the enterprise's reason for existence as well as delineates the bounds of its operations and activities
Vision	The enterprise's vision expresses the idea over the longer term of what the enterprise aims to achieve and forms the basis for objectives and strategies
Values	The enterprise's values express the values that the enterprise wishes to uphold and will form the basis for building a cultural identity
Objectives and strategies	Objectives and strategies support the enterprise's vision and values
Structure	
Organisation, responsibility, and authority	The organisational structure with a clear delineation of responsibility and authority is appropriate to the enterprise
Information and communication	Relevant, reliable, and sufficient information is made available and timely communicated
Remuneration and reward schemes	Remuneration and reward schemes support the organisation's objectives and values
Implementation	
Operational planning	Strategic objectives are rendered into specific goals and action plans
Management of core processes	Core processes are defined, managed and documented
Risk management	Risk management assists in the management of uncertainty in respect of the achievement of the organisation's objectives
Compliance with laws and regulations	The organisation operates in compliance with laws and regulations
Financial management	Financial management supports decision-making and contributes to the organisation's access to and use of resources
The management and protection of other assets, resources, and processes	Other assets, resources and processes are identified, managed and protected
Learning and improvement	
Monitoring and evaluation	Systematic monitoring and evaluations are established for all key activities so that deviations and undesired trends may be discovered and mitigated
Control functions independent of line management	Control functions independent of line management contribute to the development and improvement of the enterprise's governance and operations
Objective assurance	Objective assurance and advice provide the Board and management with a more reliable and sufficient basis for decision-making
Continuous learning and improvement	The need for improvement and learning is continually identified and actions are implemented

1. Components

2. The Three Lines Model



Structure of the components (chapters 1.1 - 4.4)

3.1 Operational planning

The component's name

Strategic objectives are rendered into specific goals and action plans

A summary definition of the component

The enterprise's strategic objectives must be rendered into specific goals and action plans for organising and implementation. The plans should provide clear direction as to how the strategies are to be implemented and the goals achieved, whilst ensuring that organisational values are taken into account and realised in practice.

A description of the component

The achievement of goals is monitored in relation to plans made and the desired progress.

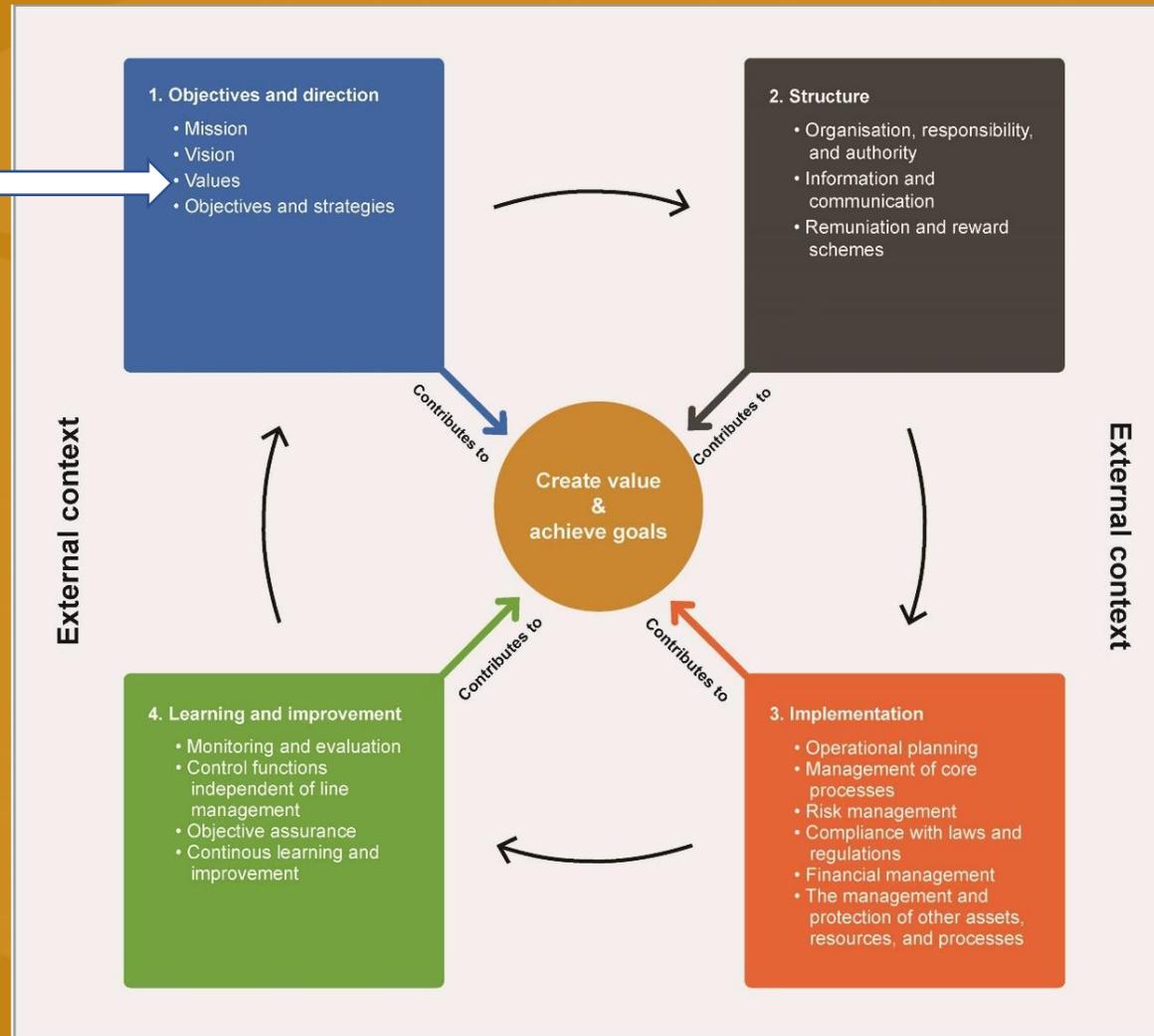
Practical approach

The enterprise should:

- develop operational goals which are realistic, meaningful, relevant and as far as possible measurable
- prepare action plans that describe responsibilities, roles and deadlines for the various actions and activities
- establish a set of measurement indicators or criteria as a basis for monitoring progress as well as the degree of achievement of objectives, and as a basis for corrective actions in the case of adverse development

Recommendations/tips

1. Objectives and direction



Objectives and direction

Fundamental conditions for the operation and management of the enterprise

Components	
1.1 Mission	The mission describes the enterprise's <u>reason</u> for existence as well as delineates the bounds of its operations and activities
1.2 Vision	The enterprise's vision expresses <u>the idea</u> over the longer term of what the enterprise aims to achieve and forms the basis for objectives and strategies
1.3 Values	The enterprise's values express <u>the values</u> that the enterprise wishes to uphold and will form the basis for building a cultural identity
1.4 Objectives and strategies	Objectives and strategies <u>support</u> the enterprise's vision and values

1.3 Values

The enterprise's values express the values that the enterprise wishes to uphold and will form the basis for building a cultural identity

- Define, communicate and comply with core values.
- Act in an ethically responsible manner and display social responsibility.
- Promote transparency.

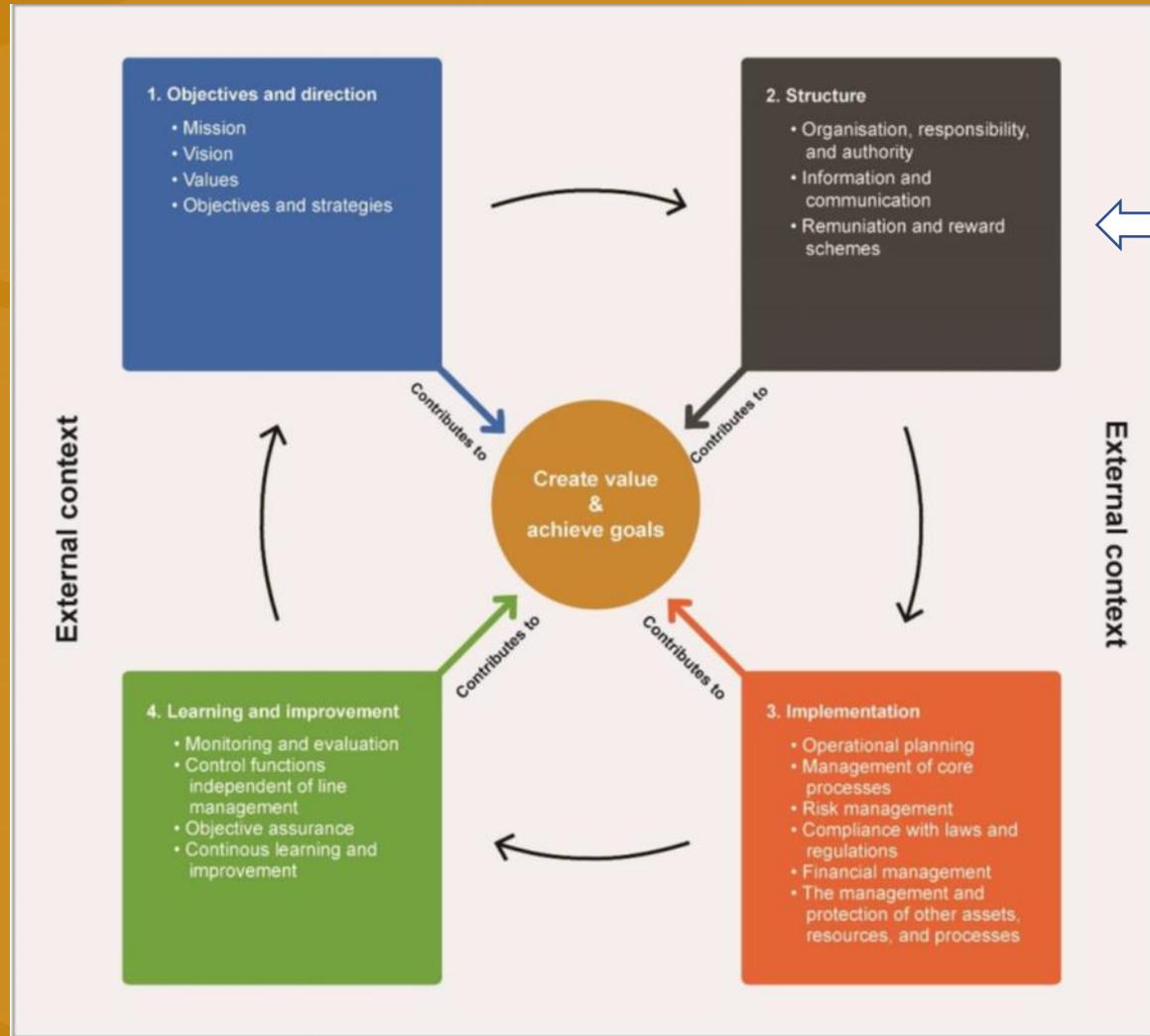
1.4 Objectives and strategies

Objectives and strategies support the enterprise's vision and values

The enterprise should:

- define clear strategic objectives for key areas of activity within the areas of operational effectiveness and efficiency, safeguarding of value and assets, compliance with laws and regulations as well as accurate reporting
- carry out a required analysis of the current situation e.g. a SWOT-analysis which provides an oversight of strengths, weaknesses, opportunities, and threats
- prepare various scenarios for possible future development including an evaluation of the related risks
- identify critical success factors (matters, assumptions or prerequisites that must be addressed to achieve success)
- approve and document the strategy and plans required to achieve the strategic objectives
- approve operational objectives with related action plans (cf. chapter 3.1)

2. Structure





Structure

Essential for the implementation of strategies and achievement of objectives

Components	
2.1 Organisation, responsibility and authority	The organisational structure with a clear delineation of responsibility and authority is appropriate to the enterprise
2.2 Information and communication	Relevant, reliable, and sufficient information is made available and timely communicated
2.3 Remuneration and reward schemes	Remuneration and reward schemes support the enterprise's objectives and values

2.1 Organisation, responsibility, and authority

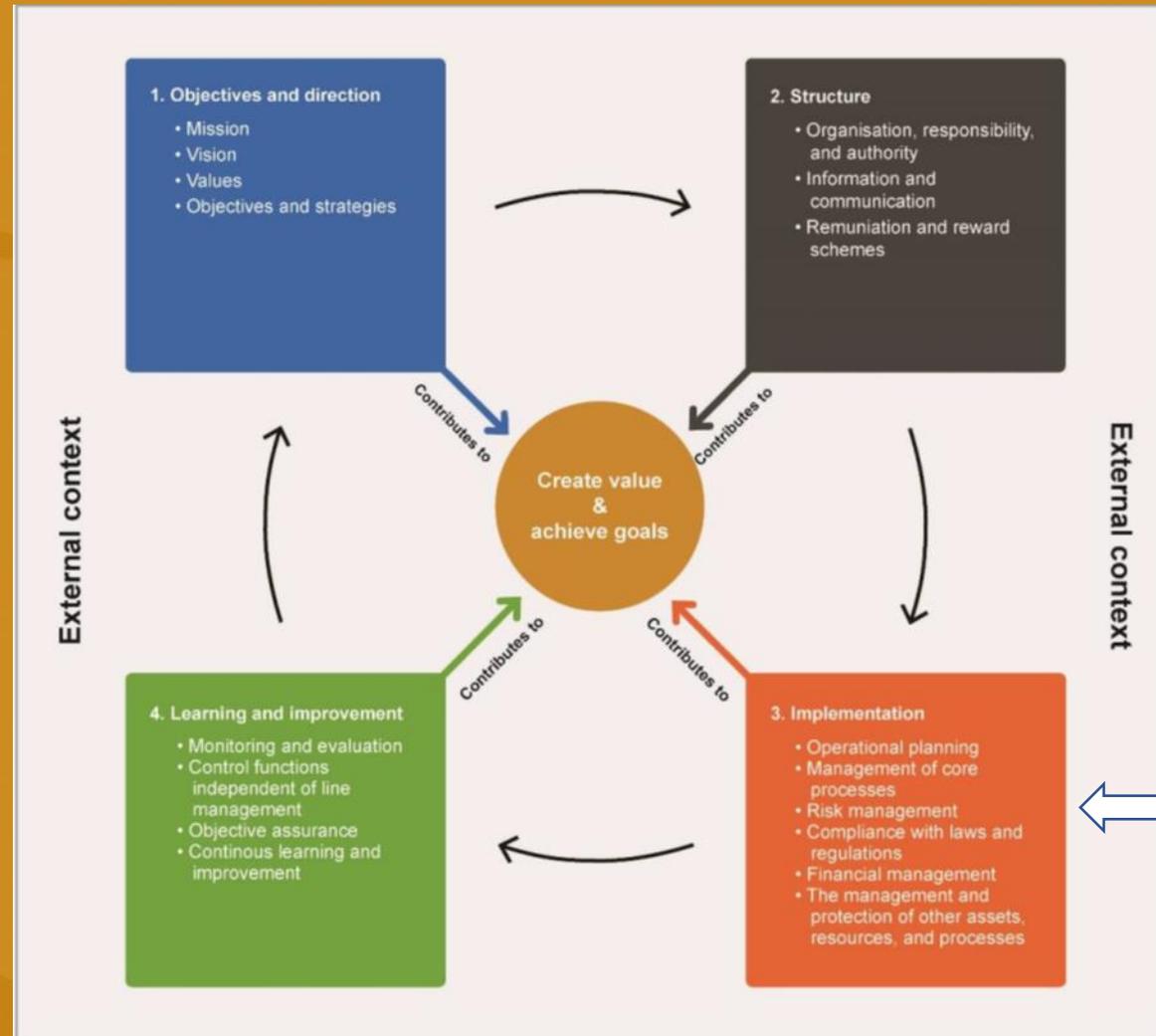


The organisational structure with a clear delineation of responsibility and authority is appropriate to the enterprise

The enterprise should

- prepare and approve the Board Charter and have a plan for the work of the Board which includes frequent evaluation of the functioning of its own activities
- establish and document a clear and appropriate responsibility and authority structure e.g. by way of a matrix for responsibilities and authorities
- prepare and approve written mandates, job descriptions etc.
- establish management structures which address, coordinate and prioritise portfolios, programs, projects and cross operational processes
- ensure necessary and regular training, awareness raising, and follow up and monitoring of roles, responsibilities and authorities
- ensure all decisions can be traced back to the person or persons responsible for the decision
- establish rules for handling conflict of interest which are communicated to all relevant parties and ensure their compliance.

3. Implementation



Implementation

The operationalisation of objectives and strategies, including efficient and effective operations with sound support processes.

Komponentene	
3.1 Operational planning	Strategic objectives are rendered into specific goals and action plans
3.2 Management of core processes	Core processes are defined, managed and documented
3.3. Risk management	Risk management assists in the management of uncertainty in respect of the achievement of the organisation's objectives
3.4 Compliance with laws and regulations	The organisation operates in compliance with laws and regulations
3.5 Financial management	Financial management supports decision-making and contributes to the organisation's access to and use of resources
3.6 The management and protection of other assets, resources, and processes	Other assets, resources and processes are identified, managed and protected

3.6 The management and protection of other assets, resources, and processes

Other assets, resources and processes are identified, managed and protected

There will normally be other important processes in an organisation in addition to those mentioned in chapters 3.1 to 3.5 above, and the organisation will also have additional assets and resources to those mentioned in chapter 3.5 under financial management. These processes and resources must also be managed, and their value advanced and protected. The subchapters below are not exhaustive but discuss some important areas which are relevant to most organisations.

3.6.1 Project, program and portfolio management

3.6.2 IT-management

3.6.3 Contingency management and continuity planning

3.6.4 Safeguarding of assets

3.6.5 Human resource and competency management

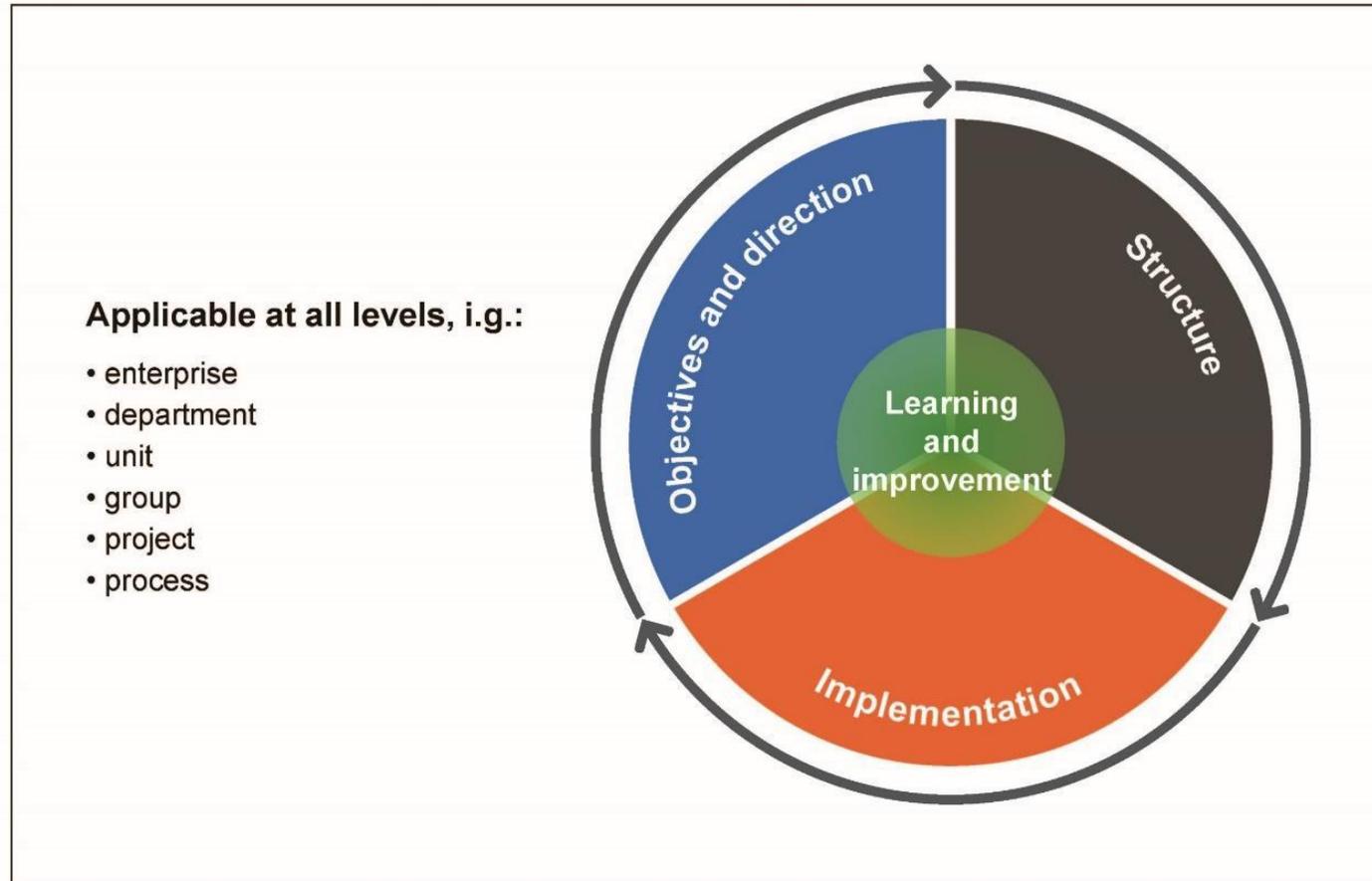
3.6.3 Contingency management and continuity planning



The organisation should:

- establish and make known the roles, responsibilities, and authorities in the relevant areas
- perform risk assessments and implement control measures when the organisation obtains possession of new physical or immaterial assets
- regularly review, identify and assess risk for the organisation's material and immaterial assets with the help of personnel with the requisite professional knowledge
- implement new control measures and as necessary remove or tweak already established controls, where this is called for by the risk assessments performed
- ensure that measures for the protection of values are also implemented by third parties
- enter into binding agreements and ensure that the parties are agreed as to ownership in those cases where employees or external parties are involved in projects or development work

Learning and improvement



Learning and improvement

Identify weaknesses, errors and other framework conditions, learn from these and put improvements in place

Components	
Monitoring and evaluation	Systematic monitoring and evaluations are established for all key activities so that deviations and undesired trends may be discovered and mitigated
Control functions independent of line management	Control functions independent of line management contribute to the development and improvement of the enterprise's governance and operations
Objective assurance	Objective assurance and advice provide the Board and management with a more reliable and sufficient basis for decision-making
Continuous learning and improvement	The need for improvement and learning is continually identified and actions are implemented

Second line functions such as the risk management, compliance and controller functions

Third line functions such as internal audit and other bodies external to the enterprise

4.4 Continuous learning and improvement

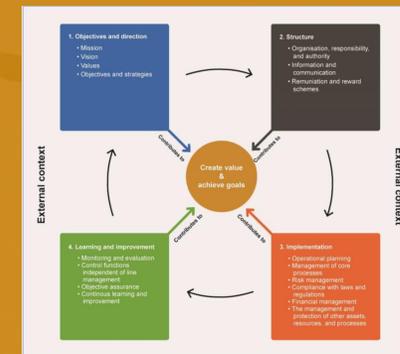
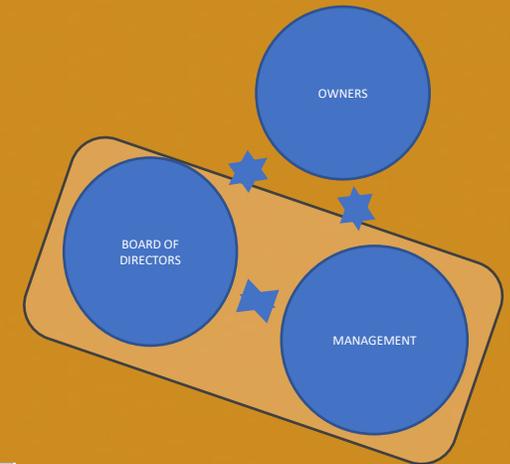
The need for improvement and learning is continually identified and actions are implemented

The enterprise should:

- emphasise the need to create a culture for continuous learning and improvement
- put in place systems which identify the need for change and improvement
- ensure that identified needs for change and improvement are reported to those responsible
- verify that resource requirements related to learning and improvement activities are included in the enterprise's budgets and plans
- establish routines for implementing learning and improvement activities

Summary

- **Governance** is concerned with the relationship between an enterprise's owners, governing bodies and management and other relevant players and how activities, resources, and risk are managed to achieve the organisation's objectives
- **The Guidelines for Governance** are focused on the Board and management («the internal governance»), and to a lesser extent on the owners
- The guidelines present **17 components** which are important elements of governance
- **How to use the Guidelines?**
 - It gives an **overview** of how to build a holistic and sound governance structure
 - It can be used as a **checklist and ideas bank** for building and maintaining the various elements of governance



Future development

- Feedback from users
- New standards and frameworks
- Updated version



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Questions

Use the chat function!

