

Corporate Governance

A Pragmatic Guide for Auditors, Directors, Investors, and Accountants

Vasant Raval's *Corporate Governance: A Pragmatic Guide for Auditors, Directors, Investors, and Accountants*¹ clearly sets the tone for the reader in the preface by stating that the "primary purpose of this book is to provide as complete a picture of the current state of corporate governance in the USA."

The author has achieved this by clearly explaining corporate governance concepts and frameworks supported by examples that assist the reader in understanding the objectives and functions of governance; who has responsibility and, more important, accountability; and the interrelationships between the "actors" (i.e., shareholders, the board of directors [BoD], executive management, regulators and interested third parties). The book is organized into four parts:

- Foundation
- Governance roles and structure
- Governance in action
- Other related topics

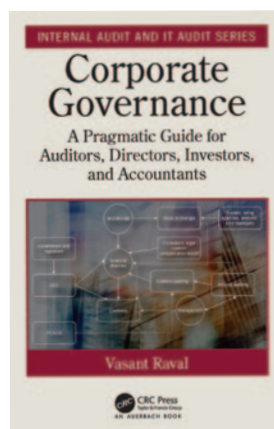
Foundations

In this section, the author explains the conceptual building blocks of corporate governance: governance framework, principles and best practices, role of regulation and regulatory authorities, governance, and risk management, and ethical dimensions. The author's explanation of the corporate framework is easily understood, even to a novice of the subject, and sets up the reader for the second step in the governance construct.

Governance Roles and Structure

This section introduces the reader to the stakeholders and explains their roles (rights and duties) in corporate governance. The key

stakeholders include shareholders (individual and institutional), the BoD and its various committees (e.g., audit, risk, remuneration, management, internal audit, financial reporting, and external auditing and regulators). Each of these stakeholders has obligations, both moral and legal, to act in the best interest of those they represent.



The author provides a number of examples to enable the reader to link the discussion on the stakeholders to the underlying corporate governance principles.

Governance in Action

In this section, the reader's understanding of corporate governance concepts and framework are applied in practice.

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Has more than 30 years of experience in the public and private sectors in a number of specialist areas, namely IT, IT audit, IT security, business continuity management, project management, IT and corporate governance, and risk management. He has lectured part time at a number of Australian universities and has had 31 papers and a book published in leading journals both in Australia and the United States. He is an internationally recognized speaker at seminars and conferences and has received a number of awards including the 2002 ISACA® International Best Speaker/Conference Contributor Award, the 2004 itSMF Australia President's Medal for Best ITIL Project and the 2006 ISACA Harold Weiss Award in recognition for his contribution to the field of IT audit education. He has served on various ISACA chapter and committees over the last 25 years.

The author first discusses the relationship between the BoD and management. “The board is exercising oversight on management, while management makes impactful decisions—operational, tactical and strategic—and implements them.” Regarding the issue of competing powers and the need for balance between the board and executive management, “the overriding intent should be to develop shared expectations between the board and management and for each to work toward them in their unique roles.”

The author also discusses the board’s balancing act of managing two competing roles (compliance vs. performance), where the board invests substantial effort on regulatory oversight duty relative to monitoring management’s performance. If there is no compliance with regulatory and legal obligations, then the organization may suffer reputational damage, which may lead to failure.

This section also covers strategic planning, performance, executive compensation, conflicts and challenges, shareholder communication and engagement, and organizational wrongdoing.

Conflicts and Challenges

The author states, “Most investors want quick results; they are not satisfied with prospective long-term promises ... this in turn causes what is called short-termism, managerial tendency to make things look good in the near term...Harnessing the powerful force of executives in the best interests of the stakeholders is a delicate balance.”

Organizational Wrongdoing

This chapter discusses how governance can be compromised in organizations. “A long-held belief is that such wrongdoing is an anomaly ... a more recent outlook on it suggests that such wrongdoing is a normal phenomenon and happens all the time in the conduct of an organization.” The author uses the Disposition-Based Fraud Model (DFM) to explain how compromises in organizations occur. The discussion

includes possible reasons for these occurrences and how corporate governance roles, such as auditors and the board, can minimize such crimes.

The author provides a number of recent examples including Volkswagen’s manipulation of monitoring auto emissions, Wells Fargo’s autocratic push for issuing payment cards, Satyam Computer Services’s manipulation of financial accounts, and Boeing’s governance failure with the design of the 737 Max airplane.

Other Related Topics

The final chapters cover governance of nonpublic organizations and horizons of corporate governance. The author states in part “... corporate governance is constantly evolving ... while a great deal has been done, there is much more to come ... the laws and regulations have taken the lead in defining threshold requirements of company governance this alone is not enough.” The author is suggesting that laws and regulations can do only so much; it is the main actors who need to step up in the form of leadership and behavior. Then, best practices will emerge, which will eventually become principles or even requirements for effective governance.

Conclusion

The book delivers on the premise of being a pragmatic guide. For any new auditors, accountants, directors and investors, it provides a thorough examination of the corporate governance framework and its actors. For experienced practitioners, it provides a refresh and update on the corporate governance framework.

Endnotes

- 1 Raval, V.; *Corporate Governance: A Pragmatic Guide for Auditors, Directors, Investors, and Accountants*, CRC Press, USA, April 2020