

# King's Counsel\*

## High level assessment guide

This high-level assessment guide has been developed as a means of engaging with clients on six areas that have generated much interest and deliberation since the launch of King III. It is designed to encourage debate and discussion between the engagement team and the client. It is intended to give a high-level indication of areas where clients may need additional guidance from a corporate governance perspective and is not intended to be a complete checklist of all considerations.

The questions are based on the principles embodied within the King Report on Governance for South Africa – 2009 and assume a working knowledge thereof. The guide does not address the manner in which the principles of governance should be implemented and adopted, but rather focuses on key questions that clients should consider.

To the extent that 'no' responses are identified, this should prompt the engagement team to:

- Discuss the matter in more detail with the client;
- If applicable, complete the full diagnostic tool; or
- Engage with a PwC specialist in the relevant field.



## Internal audit

1. Does internal audit adopt a risk-based approach that is driven by the strategy of the company and aligned to business performance?
2. Is internal audit guided by a charter that has been formally defined and approved by the board?
3. Does the chief audit executive's (CAE) internal audit planning take the form of an assessment of risks and opportunities facing the company?
4. Have internal controls been established over financial matters as well as operational, compliance and sustainability issues?
5. Does internal audit provide a written assessment of the effectiveness of the system of internal control and risk management to the board?
6. Does the CAE attend all audit committee meetings and provide a written assessment of the effectiveness of the system of internal financial control?

## IT governance

1. Has the board established and implemented an IT governance charter and policies?
2. Does the board ensure an IT internal control framework is implemented; and does the board obtain independent assurance over the effectiveness of this control framework?
3. Does the board ensure that the IT strategy is integrated with the company's strategic and business processes?
4. Does the board oversee proper value delivery of IT, expected return on investment as well as information and intellectual property protection?
5. Does IT risk form part of the overall risk management activities for the company?
6. Has the board ensured that an information security management system (ISMS) is developed; implemented and recorded (that includes confidentiality, integrity and timely availability of information)?

## Risk management

1. Has the board implemented a formal process to demonstrate that it has comprehensively dealt with the governance of risk, which includes a documented and clearly communicated risk management policy and plan?
2. Does the board ensure that a systematic, documented risk assessment, as well as a review of its risk management plan is undertaken at least once a year?
3. Does the board continually monitor and understand the implications of significant risk taken by management?
4. Does the board ensure that organisational structures and resources provide for appropriate execution of risk management processes?
5. Does the board ensure that management considers and implements appropriate risk responses relating to risk identified during the risk assessment process, and are loss events measured/tracked against identified risks?
6. Does management provide the board with assurance regarding the effectiveness of the risk management process?

## Audit committees

1. Do audit committee members have the appropriate skills to deal with the additional responsibilities imposed by the Companies Act and King III, for example the expertise to oversee integrated reporting?
2. Does the audit committee provide a report in the integrated report in accordance with its statutory responsibilities?
3. Does the audit committee consider whether it is in a position to make a statement on the effectiveness of internal financial controls, and what information it will require in order to make that statement?
4. Does the company prepare a summarised integrated report?
5. Is there a mechanism in place that allows the audit committee to be informed of all significant actual or potential financial and non-financial risks that may have implications for the integrated report?
6. Does the audit committee monitor the appropriateness of the combined assurance model and ensure that significant risks facing the company are addressed?

## Integrated reporting

1. Does the integrated report convey adequate information about the operations of the company, the sustainability issues pertinent to its business and its financial results?
2. Does the information provided allow stakeholders to understand the key issues affecting the company as well as the effect the company's operation has had on the economic, social and environmental wellbeing of the community, both positive and negative?
3. Does the integrated report focus on substance over form?
4. Have controls been established to verify and safeguard the integrity of the integrated report, including a structure of review and authorisation designed to ensure the truthful and factual presentation of the company's financial position that includes a review and consideration of the financial statements by the audit committee?
5. Does the integrated report contain forward-looking information?
6. Has a formal process of assurance with regard to sustainability reporting been established?

## Boards and committees

1. Have the roles of the chairman, CEO, company secretary and other directors and officers been formalised?
2. Does the company have a policy in place for the staggered rotation of directors?
3. Does the board have a formal induction and training programme?
4. Do the directors receive regular briefings about matters relevant to the business of the company and changes in risks and applicable laws?
5. Are performance evaluations of the board and its committees performed annually?
6. Have remuneration practices and policies been developed for executives?

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