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Best practice for Corporate Governance and benefits for audit assurance

How does good corporate governance increase the benefits for audit assurance? A great way to find out more is by reviewing the newly revised Swiss Code of Best Practice for Corporate Governance (SCBP), released by economiesuisse in February 2023.

Why are corporate governance standards subject to change?

Corporate governance (CG) has been modernised, including new environmental and social aspects, and addressing the importance and development of new technologies.



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The original purpose of CG standards was to improve the credibility of financial reporting in response to crises like the dot-com bubble and accounting scandals such as Enron in the early 2000s.

Despite new areas of focus in CG, the primary actors – management, board of directors, auditors, shareholders, stakeholders – have remained the same. CG is about harmonising the interests of the parties involved, and therefore about balancing power through responsible leadership and sustainable corporate culture.

The 2023 edition of the SCBP was thoroughly revised to address the above mentioned developments.

Influence of sustainability on the further development of corporate governance

When discussing sustainability, an orientation towards stakeholders as opposed to only shareholders has become popular not only in Switzerland but worldwide. The new SCBP is part of a broad environment-social-governance (ESG) approach, and its application will be extended to include social and environmental concerns. Sustainably oriented CG systems will overcome the valuing shareholders above stakeholders. Forward-thinking governance balances diverse shareholder and stakeholder interests so companies can continually reinvent themselves to create value for customers.

As a wealthy country, Switzerland is leading the way in shaping CG approaches. In 2021, the International Organisation for Standardisation (ISO) published *ISO 37000:2021 – Governance of Organizations – Guidance*, a global standard for organisational governance. CG was originally understood as a set of rules, principles, regulations and recommendations with the restricted aim of monitoring, oversight and control of business activities, however, a behavioural science approach has broadened this focus to informal aspects of governance such as culture and leadership.

A new understanding of CG is important for all organisations and represents more than a set of rules. Sustainability efforts (with respect to ecological, social, and governance issues) have a significant impact on balancing interests within the framework of CG. Responsible corporate management recognises ESG issues as opportunities and uses them innovatively to create a competitive advantage.

CG strengthens the importance of GRC functions (governance, risk management, and compliance) in internal control systems (ICS)

Risk management, compliance management and financial monitoring as components of ICS are clearly gaining in importance in the new understanding of CG. Professional risk management is essential in times of uncertainty. In Swiss company law revision, as of 01 January 2023, financial control oversight was strengthened by requiring boards of directors to continuously monitor states of liquidity.

Benefits for audit assurance services

The newly revised SCBP stresses that an external audit can enhance the quality and credibility of both financial and non-financial information.

An organisation must not only provide financial data, but also high quality social and ecological information. As this type of information becomes more important, confirmation of its validity and accuracy by an independent external audit is key.

An evolved view of governance also requires a different audit approach – financial audits are often accompanied by non-financial audits, and as a result, aspects of governance are likely to become more relevant.

Tags: Wirtschaftsprüfung, Standards, Entwicklung, Technologie, Corporate Governance, Nachhaltigkeit