

## Corporate Governance and Law

The Corporate Governance and Law (CGL) module provides an introduction to elements of law, governance and ethics that apply to commercial organisations and to public service organisations in the UK. For topics in which separate legislation is in place for each part of the UK, this module focuses on the legislation that applies in England. The module is of particular relevance to the steward, enabler & innovator and business partnering roles that the finance professional performs in modern public service organisations.

Students are firstly introduced to the contextual topics, setting out the framework of constitutional law in the UK, the English legal system and public administration law. Students then study the essential features of commercial and business law: ie the law in relation to contracts, employment, companies, partnerships, and insolvency. The focus then turns to topics that have general relevance and application across all types of organisation and sector, including data protection, freedom of information, whistleblowing, bribery, money laundering, insider dealing, and fraudulent and wrongful trading. Finally, the student studies the main issues in governance that apply to various types of organisation in the UK, together with related ethical issues and guidance.

CGL builds on the knowledge of the professional ethical principles covered in Financial Accounting, linking these to issues of governance and business ethics, and testing their application in practical situations.

## Syllabus topics

A	UK constitutional law and the English legal system	10%
B	Public administration law	5%
C	Law of contract, agency law and tort	15%
D	Employment law	10%
E	Business structures; company formation, constitution and administration; partnership law	10%
F	Company financing and insolvency	10%
G	Data protection; whistle-blowing; freedom of information; bribery; money laundering; insider dealing	10%
H	Corporate governance and ethics	30%

## Other information, including assessment

Prior knowledge:	Financial Accounting (ethical principles)
Standards:	n/a
Assessment:	A 120 minute exam with 60 marks available consisting of 60 multiple choice questions of 1 mark each. The pass mark is 50%.
Validity:	2021 examinations

Overall Aim	Learning outcome	Content
A <b>Identify and describe the essential elements of UK constitutional law and the English legal system</b> (10%)	A1 Identify and describe the roles of parliament, the government, the judiciary and the monarchy in the UK constitution	(i) Parliamentary sovereignty, cabinet and national government, the judiciary, royal prerogative, separation of powers (ii) National and local government
	A2 Identify and describe the nature and sources of English law	(i) Civil and criminal law (ii) Sources of law: common law and equity; case law and precedent; interpretation of statutes by the court; primary and delegated legislation; EU law; devolution (iii) EU law and its implications for UK law (iv) Human rights law and the role of the ECHR
	A3 Identify and describe the operation of English law	(i) Structure and operation of the courts and tribunals in England and Wales; the appeals system (ii) Judicial precedent (iii) Comparison with other UK judicial systems
B <b>Identify and describe the legal aspects of public administration in the UK</b> (5%)	B1 Identify and describe the nature of public administration within the UK and judicial review of administrative actions	(i) The nature of public administration and administrators (ii) Public bodies; tribunals; boards; commissions (iii) Judicial review: Administrative Court; tests of irrationality and proportionality; Parliamentary and Health Service Ombudsman
C <b>Explain the formation and termination of contracts, the law relating to agents and the law relating to tort</b> (15%)	C1 Describe and apply the law relating to the formation of a contract and contract terms	(i) Contract formation: offer and acceptance; consideration; intention to create legal relations (ii) Privity of contract (iii) Contractual terms; warranties; representations

		(iv) Implied terms: sale of goods and supply of services
		(v) Contractual defects: misrepresentation; mistake; duress and undue influence; illegality and incapacity
	C2 Describe and apply the law relating to termination of a contract	(i) Discharge of contract (ii) Breach of contract and frustration (iii) Remedies for breach of contract. (iv) Exclusion clauses in contracts.
	C3 Identify and describe the law that governs agency relationships	(i) Creation of an agency relationship (ii) Rights and duties of the agent and principal (iii) Authority of the agent to enter into contracts on behalf of a principal.
	C4 Identify and describe the law relating to tort	(i) The nature of tort (ii) Negligence: duty of care and its breach; causality and remoteness of damage (iii) Professional negligence
<b>D Explain the legislation relating to employment, employment contracts, employee rights, dismissal and redundancy (10%)</b>	D1 Identify and describe the law relating to contracts of employment and employee rights	(i) Distinguish between contracts of service and contracts for service (ii) Nature and terms of the contract of employment (iii) Statutory duties of employer and employee; employee rights (iv) Discrimination and employment law.
	D2 Identify and describe the law relating to termination of employment	(i) Termination of employment by notice (ii) Dismissal; constructive dismissal (iii) Wrongful dismissal: definition and remedies

- (iv) Unfair dismissal: definition; eligibility; grounds and remedies
- (v) Redundancy: definition; eligibility and remedies.

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**E Explain the legal requirements relating to the formation and management of companies and partnerships (10%)**

- E1 Identify and describe the main types of business structure and the effect of limited liability on the legal status of business owners
- (i) Sole traders, partnerships and companies (public and private)
  - (ii) Meaning and effect of limited liability

- E2 Identify and describe the procedures for the formation of a company
- (i) Formation of a company; company constitution; model articles
  - (ii) Consequences of company incorporation: legal personality; the veil of incorporation; legal liabilities of the company and its members
  - (iii) Business names and company names

- E3 Describe and apply the law relating to the main features of company administration
- (i) Directors: powers and statutory duties; types of director (executive and non-executive); appointment and re-election of directors
  - (ii) Administrative consequences of company registration: company records; role and functions of the company secretary. Procedures for registering a company
  - (iii) Company meetings: types; procedures and conduct; voting; proxies; resolutions
  - (iv) Rights and powers of shareholders.

- E4 Identify and describe the main features of law relating to business partnerships
- (i) Legislation governing unlimited and limited partnerships
  - (ii) Partnership agreement
  - (iii) Authority of partners and liability for debts of the partnership
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iv) Termination of partnerships

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**F Explain the legislation relating to company financing and insolvency (10%)**

F1 Identify and describe the law that governs raising and maintaining capital by companies

- (i) Types of shares: classes of shares; class rights; treasury shares
- (ii) Procedures for issuing (allotting) and transferring shares; rights issues; scrip issues; share premium
- (iii) Capital maintenance; reduction/alteration of share capital; distribution of dividends; share buybacks
- (iv) Protection of minority shareholders
- (v) Ability of a company to borrow money; loan capital and debentures; security for lending – fixed and floating charges; registration of charges
- (vi) Issuing securities at a discount

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F2 Identify and describe the law that governs companies in financial difficulties

- (i) Receivership
- (ii) Company voluntary arrangements
- (iii) Company termination/insolvency: members' voluntary liquidation; creditors' voluntary liquidation; compulsory liquidation; priorities in the distribution of assets
- (iv) Administration as an alternative to liquidation; powers and duties of an administrator
- (v) Fraudulent and wrongful trading

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**G Explain the legislation relating to data protection, whistle-blowing, freedom of information, bribery, money-laundering and insider dealing (10%)**

G1 Describe and apply the law in relation to data protection, freedom of information and protected disclosures

- (i) General Data Protection Regulation (GDPR)
- (ii) Freedom of Information Act 2000
- (iii) Public Interest Disclosure Act 1998 in relation to whistle-blowing

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G2 Describe and apply the criminal law relating to business behaviour

- (i) The law on insider dealing

- (ii) The law on money laundering and financing of terrorism
- (iii) The law on bribery

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**H Explain and describe the principles of governance and ethical conduct, and key provisions relating to the governance of companies and public service organisations (30%)**

H1 Identify and describe the main principles of governance

- (i) The need for good governance; agency theory
- (ii) Stakeholders and governance relationships
- (iii) Principles of good governance: integrity; accountability; transparency; public good
- (iv) Models of corporate governance
- (v) Key differences in governance arrangements across public service organisations, including joint-working situations

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H2 Identify, describe and apply the principles and main provisions of governance for UK premium listed companies

- (i) The UK Code of Corporate Governance: applicability; comply or explain
- (ii) Role of the board of directors; composition of the board; non-executive directors; financial and business reporting; governance and audit; risk management and internal control; remuneration; relations with shareholders

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H3 Identify, describe and apply the principles and main provisions of governance in the public services

- (i) CIPFA/IFAC's *International Framework: Good Governance in the Public Sector*
  - (ii) Governance in the public sector: role of governing body; appointed and elected governors, executives and non-executives; engaging with stakeholders; risk management; responsibility, accountability and transparency
  - (iii) Nolan Committee on Standards in Public Life: the Nolan principles
  - (iv) Codes of governance in the public sector
  - (v) Civil Service Code
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	(vi) Independent Parliamentary Standards Authority; Ministerial Code
H4 Identify, describe and apply principles and concepts of ethical behaviour	(i) Good governance and ethics: business ethics; ethical standards in government; professional ethics  (ii) Corporate codes of ethics  (iii) IFAC Code of Ethics, adopted by CIPFA in the CIPFA Statement of Professional Practice on Ethics  (iv) Consequences of unethical behaviour

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