IT Governance is an integral part of enterprise governance. As a subset discipline of corporate governance, it focuses on information technology (IT) systems and their performance as well as risk management. It allows an organization to measure the success of the company’s business needs being served by IT activities. Over time, the focus of IT has shifted from being an enabler of an organization’s strategy to an integral part of an organization’s overall strategy. Today, a great emphasis is placed on the strategic alignment between an organization’s information technology and business objectives. It has also been recognized that IT plays a pivotal role in improving governance practices as business processes are increasingly automated thus directors rely on information provided by these IT systems for their decision making. Ultimately the Board of Directors is responsible for ensuring that IT, along with other critical activities, is adequately governed.

It is argued that firms with above average IT governance have more than 20% higher profits than firms with lower IT governance. Governance ensures greater alignment of IT functionality with business needs. The most commonly experienced outcomes of implementing governance are improvements in management of IT-related risk reduce cost and enhance relationships between business and IT. Governance can also help to
transition IT’s role to a more proactive one. This can be done through the use of mechanisms such as governance boards/committees, an appropriate organization structure encompassing roles for managing business relationships and standardized processes to effectively bridge the business demand with the IT supply. IT governance offers opportunities for IT to play a more proactive role.

**The framework to assess IT Governance**

A basic assessment of IT governance within a company will mainly focus on verifying that IT is doing the right things, in the right ways and that the company is getting the expected results out of it.

Addressing the first aspect, i.e., whether IT is doing the right things, requires making sure that:

a) IT activities are aligned with enterprise objectives

b) IT initiatives are prioritized in order to achieve enterprise goals

c) Proper policies and procedures are in place to support IT activities

d) The right committees to help in steering IT initiatives are in place.

Addressing the 2nd item should be through answering the following questions:

a) What frameworks are the executives using to reference their activities

b) How are they measuring their performance (KPI’s key performance indicators or BSC’S balanced score cards), due to the pace and dependencies on IT a lack of enterprise control is resulted; therefore, enterprises use key performance indicators (KPIs) to measure the performance of IT service delivery.

The above mentioned points and questions determine the level of IT governance.

c) Do they have a benchmark to relate to, or quality standards to adhere to?

d) Do they have a risk management mechanism in place in order to determine, measure and treat the surrounding risks?

Finally, the third concern relates to measure benefits realization can be done through answering the following questions:

a) Are the stated benefits to the business achieved after concluding the activities? Does the company generate business value from IT related investments? Although many enterprises today conduct return on investment (ROI) analysis of new IT projects and sometimes incorporate the total cost of ownership (TCO) calculation into the business case that they present to the board of directors for approval, only around 25 percent of enterprises conduct ROI analysis after the completion of a project. However, ROI and TCO are not the only criterion for approving IT projects; they are only two of the many considerations in the decision-making process.

b) Does the company optimize its IT resources to maintain quality information for the business?

c) Did the company achieve operational excellence through reliable and efficient application of technology? How can it benchmark performance?

d) Does the company keep IT risks at an acceptable level?

e) Did the company optimize the cost of IT services and technology?
How to audit IT Governance

An audit on IT governance should deliver diagnostics on:

a) Incomplete, inaccurate or inconsistent policies, procedures and processes

b) Gaps in governance practices against an acceptable framework

c) Changes to processes, revisions to existing policies or areas where new policies are required

This information should provide a better understanding of what governance issues exist in the organization and the actions required to achieve an appropriate level of governance. Audit Methodology proposes five steps for the audit of governance, which can be summarized as follows:

• Step 1 Audit preparation—Prepare in advance to make the audit process smoother and less time intensive, this may include; estimating resources, preparing requirements, designing tests, and selecting applied controls.

• Step 2 Data gathering—collecting required information about the governance practices, which may include; policies, procedures, roles, responsibilities, risk management practices, capacity planning, training, project management, performance management and vendor management.

• Step 3 test controls—determine what controls are applied to assure proper governance, using for example (COBIT) control objectives to test whether controls are efficient and effective.

• Step 4 Audit results and recommendations—detailing audit findings based on the weakness identified through testing controls, measuring its associated risks and assessing impact, then make recommendations to key stakeholders from IT, the business and management.

• Step 5 Audit reporting—Summarize key risk audit findings and recommendations to top management accompanied by agreed upon resolutions from stakeholders from IT, the business and management.
Board level IT Governance

The Board of Directors is ultimately accountable for strategic decision-making and control in organizations and thus playing a vital role in IT Governance. However, the potential impact of IT on the enterprise is still not fully recognized by many boards and hence does not reach the level of attention on their agenda. Boards should not look at the technical details of IT but rather on how IT enables business transformations and business risks.

The organization must assess the current IT governance practices and the effectiveness and maturity level by also integrating the assurance areas into the board agenda ensuring a sound IT Governance.

The Board level IT governance is subject of many research papers which identify the role of the Board and the key areas on enterprise IT governance.

First, to ensure effective IT Governance boards need to assure the strategic alignment of information technology with the business. Value generation or delivery needs to happen by the information technology assets for the benefit of stakeholders. This is reachable by concentrating on optimizing expenses and providing the value of IT, with the Protection of Information as a strategic asset.

Risk Management, addressing the IT related business risks and in a way that does not hinder innovation. The Human capital Management of IT resources optimizing IT related knowledge and sourcing and the performance management of the critical IT processes that run the organization monitoring IT enabled investment and service delivery.

The board should engage actively in IT governance. Due to the high importance of the impact on the overall business IT related topics should be on the board’s agenda permanently.

Boards need to establish an understanding of the role of IT within their organization. Boards firstly need to understand and determine the significance as well as the specific role which IT plays within and for the business.

According to the outcome of the role that IT plays within the organization, an appropriate governance structure needs to be established by the board. Within establishing this governance structure boards need to think of appointing members with appropriate IT expertise or alternatively establishing a separate IT committee for the IT strategy and oversight.