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Difference between Management and Those Charged With Governance (TCWG)

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For Accounting Professionals and Students it is very much of relevance to know the **DIFFERENCE BETWEEN MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE (TCWG)** in relation to SA-260 (Communication of audit matters to those charged with governance) in Standards on Auditing.

The clear cut definition of Management and Those charged with governance has remained the point of so much discussion as they were not clearly defined in the International Auditing Standards as well.

Some of the following definitions will help to know the meaning of both the term:

- **Those charged with Governance** — Describes the role of persons entrusted with the supervision, control and direction of an entity. Those charged with governance ordinarily are accountable for ensuring that the entity achieves its objectives, financial reporting, and reporting to interested parties. Those charged with governance include management only when it performs such functions.

Management — Comprises of officers and others who also perform senior managerial functions. Management includes those charged with governance only in those instances when they perform such functions

- **Those charged with governance** means the person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. In some cases, those charged with governance are responsible for approving the entity's financial statements (in other cases management has this responsibility). For entities with a board of directors, this term encompasses the term board of directors or audit committee used elsewhere in generally accepted auditing standards. Whereas,

Management means the person(s) responsible for achieving the objectives of the entity and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for the financial statements, including designing, implementing, and maintaining effective internal control over financial reporting.

Further,

- **Those charged with governance** refers to those persons within the entity who are having the following two responsibilities:-

- a) Accountability of the entity AND
- b) Strategic direction of the entity

For Example: Various committees of Board of directors such as audit committee, share holders committee etc.

Management refers to those persons within the entity who are having the executive responsibility about code of conduct of the entity.

For example: Board of directors of the company.

If the above definitions are still too complicated to understand then remember the following:

- **Those charged with governance** means such personnel who will supervise the work done by the ENTITY and are responsible for **approving** financial statements.. And,

Management means such personnel who are responsible to perform day to day functions of the business and are also responsible for **making** financial statements.

THOSE CHARGED WITH GOVERNANCE	MANAGEMENT
TCWG is also known as <i>Policy Implementing</i> body	Management is also known as <i>Policy making</i> Body
TCWG is lower than management.	Management is a higher body

It should be noted that in respect of small entities like partnership firms, Both management and TCWG lies in same hands.

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