

Corporate Governance – a reactive irrelevance?

Advisor's opinion

Many owner-managed businesses tend to give sceptical or lukewarm responses to the notion that corporate governance is something of importance to their business. On first glance, it is an issue for multinational conglomerates reacting to the Enron or Worldcom scandals. However, to truly consider the relevance of corporate governance, stakeholders have to escape the image of an Enron and consider what it realistically means for each business.

On page four of the Combined Code on Corporate Governance the first principle states "Every company should be headed by an effective board, which is responsible for the success of the company".

Success is the ultimate aim of any business and the first principle clearly states that the ultimate responsibility for this success resides collectively with the board. This is a clear and simple instruction that is of practical use to many businesses.

Indeed, on closer inspection, there are a number of principles of corporate governance that have practical relevance to the running of a business.

- **The board should meet regularly** – Surely, not only a more accountable, but a more responsible board would result if meeting dates were honoured and haphazard rescheduling was avoided.

- **Directors should receive accurate, timely and clear information** – Lines of communication must avoid the "back of an envelope" syndrome in order to give Directors the ability to make fully informed decisions.

- **Ensure all items are recorded in the minutes** – Although some find them a tiresome task, an accurate set of minutes provide an invaluable resource for referring to the views of relevant stakeholders and holding board members to account.

Corporate Governance is an idea that can become overblown and vague in many instances. However, it ultimately exists to promote responsible procedures within businesses, and the fact these are also often the most effective and cost-efficient methods means this is an issue of relevance to most businesses.



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