



Compliance Essentials e-bulletin September 2011

Corporate Governance dilemmas

It isn't a case of 'one size fits all' when it comes to corporate governance – below are snapshots of two recently reported matters. The damage to reputations is food for thought.....

Centro

Take a look at the Centro case as a reminder of directors' duties and responsibilities and the duty of care owed to the organisation, shareholders and stakeholders.

The debacle that has become the Centro case hinged on the accounting treatment of a financing arrangement of \$4.6 billion which was incorrectly classified in the company's accounts for the financial year ending June 2007.

What were the issues? The main issue was the classification of the liability in the audited financial statements, which was not in harmony with the timing of due payment for the debt, taken in conjunction with information that was not disclosed to the auditors. The matter went to court in 2011 (*ASIC v Healy & Others*) where it was found that the undisclosed information related to matters that should have been known to the directors.

The penalties imposed on the organisation's CEO, CFO and six non-executive directors were held by the media to be lightweight, nevertheless the damage had been done.

The message from this judicial decision is that company directors need not be financial experts but do need to be financially literate, must exercise due care and attention when reviewing accounts and as well maintain an acceptable level of knowledge with regard to company operations.

Small Miracles Foundation

This Victorian based charitable organisation is reported to be in disorganisation stemming from alleged mismanagement and lack of financial transparency.

Whilst the organisation contests the adverse publicity and allegations against it, Small Miracles Foundation is reported as jeopardising retention of a federal funding arrangement and having lost commercial sponsorship from a major retailer.

Occupational Health and Safety

OH& S Harmonisation is just over three months away, there is however still time to determine what this major legislative change will mean to your organisation.

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