



ESS SMALL BUSINESS

CORPORATE GOVERNANCE OVERVIEW

Director's Responsibilities

The responsibilities of a director include:

- Workplace Health and Safety requirements – have proper procedures been implemented to safeguard employees, contractors and visitors to your work sites?
- Not trading whilst insolvent – it's very important that directors are monitoring cashflow, profit and loss accounts, payments of creditors' accounts, etc. Are payments being made in accordance with negotiated payment terms?
- Cashflow monitoring on an ongoing basis, including:
 - investment in debtors
 - stock
 - work in progress
 - payment of creditors
 - loans
 - taxation
 - capital expenditure
- Environmental issues can be a very significant problem for many businesses. Directors need to ensure that they and their management team are aware of appropriate environmental legislation and rules and regulations that apply to the business operations being conducted by the company.
- Financing arrangements – negotiations with the business' bank relative to overdraft facilities and stand-by facilities, to ensure the business can adequately finance its operations.
- Appointment of Managing Director/CEO – this is probably one of the most important appointments that the board needs to make. The board should set the parameters and then seek a person who can perform the duties and understands the obligations to report on an ongoing basis to the chair and to the board of directors.
- Directors need to allocate some "quality time" on a daily/weekly basis so they can adequately think about the future operations of the business. Directors shouldn't be "working on the tools" all of the time.

Corporate Governance Is Important

If you're a company director, you have the same corporate governance responsibilities as a director of a major public company, even though you're running a much smaller business.

Directors are responsible for appointment of a chief executive officer or a general manager and then monitoring the overall performance of the company. This means that directors' meetings should be held regularly. The directors should receive written reports on all matters to be discussed at the meeting, preferably at least 72 hours prior to the meeting, so that directors can read the material prior to the meeting.

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Directors should be conscious of declaring any interest that they have in matters being discussed at the Board of Directors' Meeting. There are many items to be considered under corporate governance, including:

- Ensuring assets are purchased in the company's name.
- Ensuring that any borrowings the company does are at the best possible terms.
- Implementing a system of internal control throughout the business.
- Reviewing budgets and cashflow forecasts.
- Ensuring regular financial reports and key performance indicators are prepared and analysed.
- Ensuring the staff is employed under appropriate agreements and that staff evaluations are conducted on at least an annual basis.
- At each Board of Directors' meeting, seeking assurance from the company's principal accounting officer that all debts are being paid in the normal course of business.
- Ensuring management is reviewing any environmental issues that may affect the business.
- Enquiring as to whether appropriate risk management strategies have been implemented relative to the Personal Property Securities Register (PPSR).
- Management strategies for other events that may affect the business have been introduced, including weather, armed robberies, death or inability of key personnel to perform their duties.

Professional Advice

If you are interested in any of the work discussed in this article being undertaken, we invite you to visit www.esssmallbusiness.com.au to utilise the "Find an Accountant/Adviser". Simply enter in your postcode and the Find an Accountant/Adviser directory will identify accountants located in or near your postcode, who are able to supply a range of business advisory services, including the types of services mentioned in this article.

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