

assurance adviser

Grant Thornton 

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Grant Thornton International Business Owners Survey

Grant Thornton has conducted a study of the attitudes, plans and trends of owner managed business around the world. The 2004 survey covered 26 countries and 6,900 medium-sized businesses, 150 of them in New Zealand for the first time.

The key issues explored by the survey include:

- constraints on business expansion
- optimism of business owners
- significant threats to businesses
- methods to improve profitability
- areas of formal policy
- key export destinations
- linguistic abilities of key staff.

Results of the survey are available by country and enable comparison of results from New Zealand business owners to business owners elsewhere in the world. The survey provides another tool to New Zealand business owners in focusing their business to perform on the global stage.

For further details visit:
www.grantthorntonibos.com

Checks and balances: Tips to establish effective internal controls

In light of recent accounting scandals at both the public and private level and increased media focus on corporate governance issues, many organisations are choosing to evaluate their internal control structures.

What are internal controls?

Internal controls are mechanisms that are in place to either assist in preventing errors from entering the process or detecting errors once they have. In simple terms, internal control can be defined as processes that management rely on to make sure things don't get goofed up.

The following steps will help you diminish potential risks and create effective internal controls:

Internal control starts with good corporate governance - Executive management and the board of directors ultimately decide how well internal controls will function. Internal controls must apply to everyone in the organization. There is a trickle-down effect from the top management to the rest of the organisation.

As part of its duties, a board is responsible for management oversight. It should also include the creation of a monitoring program, which sends a message that the board of directors and management are accountable.

Assess how to control the risk - Ask the questions: Has the board developed policies and procedures with respect to high-risk areas? If so, is there a system in place to periodically test those procedures?

Focus on what's material and significant - Don't try to do everything at once. Depending on the organisation, it might need to focus on financial controls rather than operational controls, for example. The adage of, 'crawl, walk and then run,' applies to internal controls too.

Not a one time shot - Organisations must remember that effective internal controls require continual monitoring and improvement.

Adopt best practices - Consider taking independent advice to provide non-audit services, including internal audit co-sourcing and outsourcing, and internal control evaluation.

Blowing the whistle on fraud

Internal fraud is often brought to light through employees, or "whistle-blowers". We believe many not-for-profit and company organisations don't have the correct policies in place through which employees who suspect fraudulent activity can voice their concerns - confidentially and anonymously.

Today, not having a whistle-blower programme in place is no longer an option for public companies. The Sarbanes-Oxley Act requires public boards of directors to create a confidential avenue for employees to air their concerns and review the allegations in a timely manner. The legislation further protects whistle-blowers by attaching substantial penalties for companies found guilty of retaliating against an employee who reports suspected fraud.

Even though almost every not for profit organisation would benefit from having a policy that clearly states how an employee or stakeholder with the organisation can raise a concern or question about an internal control or financial reporting issues, it is thought that only a small percentage actually have one.

"Although not for profit organisations are not bound by the act, almost every organisation should have procedures in place that facilitate whistle-blowers' access to the proper decision makers," Brent says. "And, maybe most importantly, organisations must ensure that whistle-blowers are protected from retaliation or punishment".

Getting started

Most organisations already have in place a code of ethics. A whistle-blower policy is simply an extension of the existing code with the following additions:

- A whistle-blower policy describes a clear and simple procedure for raising and reporting concerns/issues;
- It is clearly and consistently communicated to employees and stakeholders, so they know the policy exists and how to use it; and
- The policy incorporates a process that ensures confidentiality and protection for individuals reporting issues or concerns.

Additionally, a successful policy often requires that someone within the organisation adopt the "compliance officer" role. This person has the specific and exclusive responsibility to investigate all reports of code violations. The officer should then advise the audit committee of all suspected violations and fraud.

A whistle-blower policy is a risk management tool for the board of directors. It minimises the risk of serving on a board and provides another avenue for dictating compliance.

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