IF A JOB'S WORTH DOING, IT'S WORTH DOING WELL

TREASURERS HAVE A DUTY TO TAKE CORPORATE GOVERNANCE MATTERS SERIOUSLY AND TO KEEP UP WITH THE TRENDS – NOT ONLY FOR THE SAKE OF THEIR COMPANY'S REPUTATION BUT FOR THEIR OWN CAREER PROSPECTS TOO, SAYS **JOHN GROUT**, THE ACT'S TECHNICAL DIRECTOR.

Why is good corporate governance important to treasurers? To do their jobs, for their careers, as part of society. Every day, treasurers' personal and professional reputations are on the line. Whatever their job title, they are responsible for the financial policy of their company or group and for its financing and risk management – and, often, for a lot more besides.

The treasurer is directly responsible for the company's presence in financial markets generally and, broadly, for the use of the company's credit standing. In their daily work, treasury staff make use of the company's reputation.

THE NEED FOR GOOD GOVERNANCE. Treasurers and their staff daily, formally and informally, represent their 'good faith' belief that their company is a going concern, well-governed and managed; that its strategy is sound and subject to appropriate review; that the use of its credit is responsible; and that financial markets are not misled by the company's statements, or failure to make statements, or by its conduct.

Treasurers must positively (and not recklessly) believe these things to be true, otherwise their daily activity is ethically impossible. (See the Association's ethical code – at **www.treasurers.org/members/ethical-code.htm** or in *The Treasurer's Handbook*.)

Are treasurers able to establish informed belief that these things are true? As senior professional staff immediately below board level, they usually participate in the management process in their company, attend board committee meetings and make presentations to the board. Needing parent and subsidiary board resolutions to approve policies, facilitate or permit transactions of many kinds, treasurers work closely with company secretaries. They can judge the quality of the questions executive and non-executive directors (NEDs) ask them. In many ways, treasurers see the corporate governance process in action and can tell whether things are performed well, or not, with proper consideration, or not.

Treasurers are involved in review of strategic plans and budgets, the financing and risk management aspects, and impact on the company's target credit rating, of course, but often more broadly too.

Treasurers know how well the board and audit committee (and internal audit department) respond to questions involving risk analysis and risk management, or to any suspected financial irregularity. They understand the company's attitude to financial reporting (internal and external) and how accounting standards are interpreted in light of the company's business and circumstances. The auditors will interview the treasurer as part of the audit process.

So, the treasurer needs good governance in order to do his job and is generally in a position to form a view on whether it is in place. Treasurers are key professional advisers to the boards of their companies and can contribute to rectification of weaknesses. *In extremis*, they may have no alternative but resignation.

DIRECTED AT DIRECTORS. There are other reasons, however, for treasurers taking an interest in corporate governance. Many are themselves on the boards of subsidiary companies within their groups. Of course, these include financing vehicles – companies that exist to facilitate treasury (or sometimes insurance) activity within the group. But they can also include operating companies. Sometimes, companies want operating units to take financial risk into account in their activities. Often, it is considered useful career development activity and exposure for the treasurer. Sometimes, usually in the case of overseas units, the subsidiaries may themselves be listed companies in their own principal countries of operation.

Where companies operate to some extent through divisional, rather than multi-layer subsidiary organisations, treasurers may sometimes be members of divisional boards for similar reasons.

CAREER PROSPECTS. Treasurers' careers may take them eventually to board level, and knowledge of governance processes and the issues and controversies surrounding them is something they will need to take on board. The idea that they can absorb it later is misguided. There is so much else to pick up on an appointment – even if it is to the board of a company where they have worked for for some years. Working for a company that faces a collapse of good governance can be a big negative for immediate employment and for future employment, too, if potential employers consider that the individual was in a position to see what was going on but failed to recognise it and to act appropriately.

AS PART OF WIDER SOCIETY. And, of course, treasurers are part of wider society with an interest in good governance of organisations operating in the economy (and on which, it may be noted in passing, their pensions may ultimately depend).

A NEED TO KEEP UP WITH THE TRENDS. To do their daily jobs, in the interests of their companies and their own careers, treasurers should know as much about and take as keen an interest in corporate governance as any other finance professionals working in companies.

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