11.7 Governance cases

Name: _____ Class: _____ Date: _____ **Total: 14 marks**

KEY WORDS corporate governance

Objective

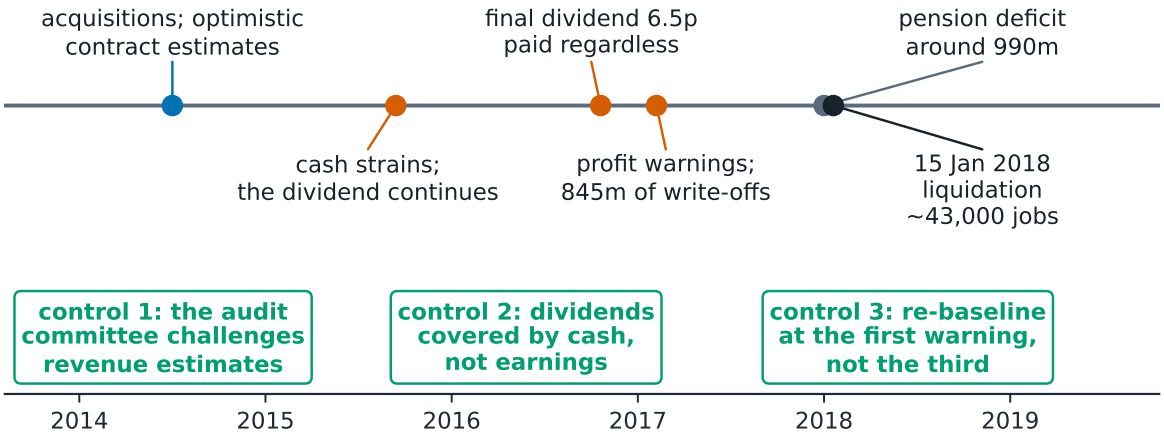
Read a governance failure as missing controls, and scale the controls down to your own calendar.

1 Key knowledge and worked examples

■ The case and the controls

Carillion: liquidation 15 January 2018, about 43,000 jobs, pension deficit around 990m, 845m of write-offs in 2017. Controls: challenge revenue estimates; cover dividends in cash; re-baseline at the first warning.

Carillion: the timeline reads as missing controls, not bad luck



Every failure has a control that would have caught it

■ Worked example. The mini checklist

Payroll 8,000 a month: dividends wait until 24,000 (3 months) sits behind them ✓; first missed forecast = written re-baseline ✓; related-party deals minuted with interests declared ✓.

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2 Practice

2.1 The Carillion numbers: jobs at liquidation; the pension deficit; the 2017 write-offs. [3]

2.2 Payroll is 9,500 a month and the board wants a 15,000 dividend. The cash-cover test, applied. [4]

2.3 Revenue estimates flattered three years running and the audit committee accepted them. Which control failed, and what does it look like in practice? [4]

2.4 Comply-or-explain: what makes it honest? [3]

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