

Development of ASX Corporate governance guidelines

The ASX Corporate Governance Council published the *Principles of Good Corporate Governance and Best Practice Recommendations* in March 2003. Principle 4 of the recommendations is entitled 'Safeguard integrity in financial reporting'. This principle seeks to ensure companies have 'a structure to independently verify and safeguard the integrity of the company's financial reporting' (ASX, p. 29). David Knott played a key role in ensuring that the ASX developed these corporate governance guidelines.

On 16 July 2002, David Knott gave a speech launching the Monash Governance Research Unit wherein he criticised the ASX for not following the trend of overseas exchanges in reviewing best corporate governance guidelines. Knott suggested that ASIC could take over responsibilities in this area. After government pressure, on 1 August 2002, the ASX changed its mind and established the Corporate Governance Council, which later issued corporate governance guidelines. For a discussion of the above events, see the August 2002 edition of *Current Affairs in Auditing*. An editorial in the *Australian Financial Review* (13 August 2003, p. 54) acknowledges this as one of Knott's achievements when it states that:

Mr Knott found the right balance in the corporate regulation debate, and won his argument with the Australian Stock Exchange over the need for corporate governance guidelines to be effectively annexed to the listing rules.

Pheasant (2003, p. 4) suggests another skill of David Knott was his ability to read the public's mood in relation to the corporate sector and to use this to his advantage. He states:

Knott shrewdly tapped into the public cynicism which the wider community held for the corporate sector. Incisive barbs directed at the need for the Australian Stock Exchange to take up the cudgels for better corporate governance were initially repelled but ultimately found their mark as a political movement for action grew, culminating in the first speech by an Australian Prime Minister urging business to reform its own house.

The Prime Minister's speech to the Securities Institute of Australia (SIA) and the Institute of Chartered Accountants of Australia (ICAA) was delivered on 6 August 2002. It was a significant event that ensured Australia would adopt a co-regulatory approach where companies would self-regulate using corporate governance practices. This speech is reported in the August 2002 edition of *Current Affairs in Auditing*.

References

ASX Corporate Governance Council 2003, *Principles of Good Corporate Governance and Best Practice Recommendations*, March, www.asx.com.au.

'Knott shoes hard to fill', *Australian Financial Review*, 13 August 2003, p. 54.

Pheasant, Bill 2003, 'Following his father's footsteps', *Australian Financial Review*, 13 August, p. 4.