

## CORPORATE GOVERNANCE

Prior to the introduction of the Companies Act 1993 all companies were obliged to appoint a company secretary.

Since that date many companies, especially newly formed smaller ones, have operated without the benefit of a company secretary and the perceived burden of the associated paperwork. However, the lack of correct corporate governance, which a company secretary can provide, has often created problems of its own that may only become apparent as the company expands, is audited, or becomes the subject of an acquisition.

Many of the duties a company is legally obliged to perform and which were dealt with by the company secretary are now frequently placed in the hands of various other people throughout the company, or are dealt with in a rudimentary fashion by the company's accountant. As well as being a recipe for unnecessary, expensive bureaucracy, this practice can also lead to inaccuracies and mistakes, and may mean that the company's legal obligations are not being met.

In addition to ensuring that a company meets its legal obligations, the work undertaken by a company secretary can greatly assist the directors in the smooth running of the business by providing an effective and efficient central reference point. Some of this work might include: organising board meetings, keeping accurate minutes, filing annual returns, maintaining the share register and compiling the annual report.

The cost of not having an efficient system of corporate governance can at times be very high and may not be immediately apparent. For example, what if a key director were to leave, taking with him or her a raft of essential information stored only in his or her head? And what if the shareholders wanted to sell the company? Any due diligence by a potential buyer may be severely hampered by the lack of accurate, well maintained records.

Many companies may see the benefits of improving their corporate governance but do not see the need for, or cannot afford, a full-time company secretary. The solution may be as simple as employing someone on a part-time or even on an "as you need" basis. This is where Lane Neave may be able to help.

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