



[BOOKS]

Ethical Corporate Governance

The topic of ethics and compliance has become an important issue in companies of all shapes and sizes and in all industries. It is critical for anyone involved in corporate governance, oversight, and even day-to-day operations. As recent corporate scandals have demonstrated, a lapse in ethical conduct not only has the potential to cost a company and its investors millions—even billions—it can even send the most well-established and respected company to the brink of bankruptcy.

To prevent that, those involved with governance processes in particular must keep abreast of the recent developments affecting organizational ethics and compliance. That's why *Ethics and Compliance: Challenges for Internal Auditing*, written by Curtis C. Verschoor and published by the Institute of Internal Auditors (IIA), explains how ethics and compliance are vital to strengthening the governance process. [Disclosure: Verschoor also is the editor of the monthly ethics column for *Strategic Finance*.] With the increase of legislative and regulatory measures aimed at keeping organizations in line, this book identifies who is responsible for monitoring the ethical climate of the company, explains how this can be done effectively, and discusses how it all relates to the role of the internal audit function. *Ethics and Compliance* outlines the responsibilities for the internal auditor, audit committee members, corporate counsel, external auditors, and all executive management involved in governance and internal controls.

Other major topics covered include:

- ◆ Ethics and compliance as related to IIA's *International Standards for the Professional Practice of Internal Auditing*. Practitioners of internal auditing need to understand the necessity for complying with these standards in the performance of their duties.

- ◆ The interrelationships between ethics and compliance and internal control. COSO's (The Committee of Sponsoring Organizations of the Treadway Commission) guidance on internal control places considerable importance on ethics as part of the control environment.

- ◆ Statutory rules created by the 2002 Sarbanes-Oxley

Act require an effective ethics and compliance program. Effective programs support good governance practices based on a strong ethical climate that benefits all stakeholders.

- ◆ Characteristics of effective ethics and compliance programs and the best practices for assessments. The ethical climate and other "soft" ethical controls are critical for complying with legal, regulatory, and stock exchange requirements.

- ◆ The value of an organization's code of conduct and confidential reporting process. The code of conduct serves as the core of an effective

ethics and compliance program, while a confidential reporting system (a help/hotline) should be able to obtain truthful and complete information.

- ◆ A sample code of conduct from Google, Inc., a unique company with a diverse culture. The code is tailored to fit the personality, core values, and culture of the company and is used to clarify the important values that underlie its business practices.

Ethics and Compliance is a valuable learning tool that examines the latest challenges and practical solutions for internal auditors in their role as it relates to organizational governance. All personnel with increasing responsibilities for ethics and compliance (including audit committees, corporate counsel, and external auditors) will also benefit by improving their "best practice" knowledge.—Lance A. Thompson, Thompson Management Consulting Services, LLC, lancephx@aol.com

