
Governance



You could be forgiven for thinking the Government does not bother about governance with the Private Limited company. If you are of a size where you can now get by with only one director, you don't need to have an Annual General Meeting; you don't require a statutory audit; you only need file abbreviated accounts. The list goes on.

However, you need to pay attention to your governance because otherwise you will end up breaking the Law. You need to focus on three key areas:

1. Shareholders
2. Management
3. Risk

Shareholders are the investors in, and the owners of, the business. They are your first priority. Many owner managed businesses forget the shareholder until they need to pass a special resolution, realising only too late that they require a 75% majority. No first past the post here.

The interaction between the company and the shareholder is often the board of directors. The board's role is to provide leadership for the company within a framework of prudent and effective controls which enable risk to be assessed and managed. Report regularly and use their skills and networks. They can be a valuable resource to your business. In an isolated place, the ear of a friendly shareholder can be a blessing. The management of the company is crucial to your governance, attitudes within your team will determine whether or not the law is broken. Although in many instances this can happen through ignorance, it never proves a robust defence in front of the courts or an industrial tribunal. Maintain a policy of continuous professional development for yourself and your team.

Risk and the acceptance of risk is a personal judgment. There are three potential routes to take: - accept it having analysed the consequences, don't do it, or insure your self against it. But be very aware of the legal implications.

Your tasks:

- 1 Understand the legal requirements for your business
- 2 Create a solid board of advisors
- 3 Understand your risk