

Recognition, reliance and realisation: Key steps to maintaining accurate data for good governance

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- In the face of increasing demands, company secretaries are struggling to find time to ensure the quality and accuracy of their corporate data.
- Regulators and other governance authorities are increasingly interested in all aspects of an organisation's legal entities and subsidiaries.
- To ensure the accuracy of data, more prominence must be given to regularly reviewing and updating information relating to each entity.

The role of the company secretary has evolved beyond a purely administrative position. Although still heavily embedded in board activity, the company secretary now holds a strategic leadership function. As the role has grown in diversity and responsibility, the onus of managing accurate and reliable corporate data remains.

It is becoming more apparent that company secretaries are struggling to find time to ensure the quality and accuracy of their corporate data. This could be because of too many concurrent projects, including board activity, and fulfilling ongoing statutory or regulatory obligations. Company secretaries in dual roles, such as general counsel or chief financial officer and company secretary, might need to delay general tasks, such as updating and reviewing corporate data, in favour of larger projects with stricter deadlines.

Recognising the importance of good data

Quality data is made up of core information relating to an entity within the company. Entity management, or subsidiary governance, is a

widely established component of an organisation's broader governance and compliance program. The role of subsidiary or entity management in one group can be vastly different to a similar function in a different company. Today, regulators and other governance authorities are placing increased interest on all aspects of an organisation's legal entities and subsidiaries, asking: Where are they? Why are they there? What do they do? What is the ownership structure? Who is running them and what changes are being implemented? Organisations also need to record and manage data for alternate relationships, such as joint ventures or partnerships.

The importance of quality data is often recognised too late, and in many cases the urgency to review a corporate database is prompted by a failure in data accuracy. A recent conversation with a company secretary of an ASX50 organisation highlighted that they had incurred substantial fines for non-compliance because of a lack of accuracy over data relating to one of their foreign subsidiaries.

With a company's regulatory and statutory compliance hinging on the accuracy of its data, more prominence must be given to ensure that information relating to each entity is regularly reviewed and updated. Furthermore, it is important that there are processes in place to properly manage ongoing changes to details of those entities.

Reliance on data within an organisation

Having a systematic database of key data for each entity can create distinct efficiencies, not just for the company secretary, but across the business. This can include data from a list of all your entities, including relevant jurisdictions, addresses, ABN/ACN and directors, to more in-depth information, such as bank accounts, tax obligations, and IP.

The key to a quality database is ensuring that it is maintained regularly. You want to avoid situations where you cannot rely or trust your internal database to provide up-to-date information, and as a result need to rely on ASIC data for comparison. This can be time consuming and frustrating and can cause irreparable damage to historical information.

Perhaps the best perspective is to look at the uses of good data to better establish the benefits of an effective database. How often does the secretariat receive requests for information? Common requests such as, organisational charts, basic information on a particular entity, and a list of directors across an organisation can be received daily and can be required urgently. Having a reliable source of up-to-date information can be critical to respond to such requests.

In more complex scenarios, it is also important to consider what reporting obligations are held by the company secretary. Your database should make it easy to extract and manipulate data for clear and concise reporting. For example, you may want to create a report of each entity's majority shareholders, or require a comprehensive history of each entity in the event of a merger or acquisition. Your data needs to be accurate and structured in a way that can be used as a reliable reporting tool.

Realising accurate data requires fit-for-purpose processes

The importance of developing fit-for-purpose processes is critical. Each organisation and its structure are unique, requiring management

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processes that are designed to suit the operations of the company, including its subsidiary management protocol.

We have already established that accurate data is the crux of best practice subsidiary management. The next consideration is the sort of database that will work best for the organisation. A spreadsheet may fulfil your basic requirements, but may soon become obsolete and difficult to maintain.

Spreadsheets can be powerful tools. Often a spreadsheet is the most straightforward and obvious option when first structuring a corporate database. It can be a solid foundation to build from, however even the most sophisticated spreadsheets can become limiting after time.

A good database should provide the company secretary with a current view of the organisation and a retrospective view of each entity at a certain point in time — a valuable tool when tracking the life-cycle of an entity, the growth of ownership, or a history of share transactions. Spreadsheets often fail in these circumstances.

The use of spreadsheets also encourages the temptation to create multiple documents. Whether this is one for each business unit, or local subsidiaries creating their own separate records, the outcome is the same — multiple truths do not provide accuracy.

In some situations spreadsheets can operate well, however, it is important to recognise the point in which the system is no longer fulfilling its purpose and when the organisation needs a more sophisticated database.

A number of subsidiary management software options are available and can create significant efficiencies in management procedures, including process automation. While a spreadsheet requires significant manual maintenance, an online option can provide time saving measures and enhanced accuracy by automating functions.

Automation can also be utilised to create specific configurations designed around the organisation's processes, adding a level of customisation to the database.

There are multiple considerations when implementing subsidiary management technology. With any new technology it's important to establish who is providing the service and where it is hosted. The solution must also be easy for your employees to use, to increase user adoption. More practically, consider who may gain advantage through using the technology and whether this could be an enterprise tool rather than just technology for the company secretary.

Good compliance is driven by accurate data. The importance of a quality database is critical when laying the foundation for achieving a high level of compliance and ensuring regulatory and statutory obligations are met in time. An accurate database with clear processes will also make it easier to manage and administer core data. ■

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