

Tone at the Top

By [Mikhail Kuznetsov](#)

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Mikhail Kuznetsov

General Director

Independent Directors Association

According to most international corporate governance standards, boards of directors are obliged to oversee the integrity of the company's accounting and financial reporting systems, including the independent audit, and make sure that appropriate systems of control are in place — in particular, financial and operational control, and compliance with the law and relevant standards. This is the principle, but how is it realized in practice? What activities are expected from the board of directors to keep compliance in place? These questions are important for all Russian companies.

First of all, it's important that the company has set the relevant standards: corporate governance code, code of ethics, etc. are usually approved by the board.

Even more important than establishing the standards is keeping high standards in the decisions and behavior of board members. The concept "do as I say, not as I do" works neither with children nor managers. That's why including personal expenses in the company's accounts by a board member or a top manager is worse than 10 corrupt salespeople.

To put compliance in place, it's important to provide an appropriate system with necessary resources. Even additional attention from the board level (for example, via an audit committee) to the compliance function of the company (regular reports, budgets approval, conflict resolution) can be helpful.

And the last, but not least: Who controls the controller? How can we assure the shareholders that the board itself acts according to relevant standards of corporate governance? And all of human history teaches us that the only effective controller here is the moral and ethical values of the board member. So, setting tone at the top starts from the internal moral choice of the board members.

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