as the paper goes into more detail

**HUMAN WEAKNESS ..**

- .. is central to many of the issues highlighted.

- Where there is subjectivity and judgment in governance decision making

- individuals are *SUSCEPTIBLE* to internal biases and act in self-interest rather than in the interest of investors and other stakeholders

one of many points of subjectivity mentioned is the decision on what date to record a transaction in the reports.. while seemingly innocuous

- \* many investors in Worldcom *FELL VICTIM* to misreporting of this type

- a company that once listed over 100 billion dollars in assets - shortly after ceased to exist

**3 ENTITIES FROM THE PREVIOUS PAPER** are explicitly called out

- audit committee (and by inference the board), internal audit, external audit

- How they are

*CHOSEN*,

*REMUNERATED*, and

*EVALUATED* constitutes a pressure on those individuals to act in ways that undermine the quality and integrity of FR

- It is through relationships with management that these often come to bear

not mentioned in our previous paper – **ANALYST FIRMS**

- as actual or potential service providers to the company

- the analysts aren't interested in truly objective analysis and

- cease to represent a source of truth

The paper does highlight the Higgs and Smith Reports that were recent at the time of writing

They **RECOMMEND SPECIFIC ACTIONS** to enhance the effectiveness of CG

- at a high level that is to remove

- *SUBJECTIVITY*,

- *BIAS* and

- *SELF-INTEREST*

.. from CG

They point in large part to the

- SELECTION

- TRAINING and

- EVALUATION.

of directors and auditors

In large part the recommendations are to

- CONSTRAIN

- SYSTEMIZE and

- further FORMALIZE

Aspects of these processes