

HEADLINE: Step away from peril

AUTHOR: Shaun Drummond

Corporate governance specialist Regnan is agitating for improved risk management practices in the wake of the financial crisis, before which 'financial high jinks' were commonplace, managing director Erik Mather says. Ernst & Young's Rob Perry says boards are now taking seriously the ASX Corporate Governance Council guidelines, and Protiviti's Gary Anderson says financial firms are more inclined to value-test assets against real-world scenarios. Financial services firm Firstfolio says sensitivity analysis - where changes in external factors are tied to earnings - has become increasingly prevalent over the past 12 months, with biotech Circadian among the adopters. Vantage Performance head Michael Finland reports strong demand for stress-testing models as companies seek a competitive advantage in the downturn. Some experts warn that over-reliance on mathematical probability can be disastrous: 'You can eliminate from the radar screen what you really need to be looking at,' says Telstra's head of risk and assurance, Andrew Dix. Still, a welcome time of 'rational sobriety' is upon us, says the Accounting Professional and Ethical Standards Board's Peter Day, echoing remarks by Reserve Bank of Australia governor Glenn Stevens, who attributes the crisis to 'too much optimism, combined with too much leverage'.

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