

# [Business scandal essay](https://assignbuster.com/business-scandal-essay/)

Corporate culture and ethics are very important source to sustain positive working environment in an organization. Based on the pattern that caused the fraud, the management style of HealthSouth is clearly practice very authoritative which the reason for Richard orders fulfilled dutifully in order to partake in the fraudulent schemes.

It??? s clearly stated that the company not practicing a strong code of ethics. It has been proved that an effective antifraud environment is a culture with a strong value system founded in integrity. The value system is reflected in a code of ethics. The code of ethics of HealthSouth Corporation should reflect the core values of the company and guide employees in making appropriate decisions during their workday.

The elements of code of ethics include confidentiality, conflict of interest, intellectual property, sexual harassment and fraud. HealthSouth Corporation should develop a comprehensive code of ethics, which shall be well-communicated to each employee. Each employee shall sign a statement that they have received and understand the code of ethics. The code of ethics shall be included in an employee handbook or policy manual so that it can be referred to when needed. Training and seminar provides guides for management to practice a strong code of conduct and also will create awareness on whistle blower program.

New employees should be trained at the time of hiring about the company??? s values and its code of ethics. This training should explicitly cover expectations of all employees regarding their duty to communicate certain matters, a list of types of matters including actual or suspected fraud to be communicated along with specific examples and information on how to communicate those matters. In addition to training at the time of hiring, employees will have knowledge regarding whistle blower program. They will come forward to expose the fraud to related parties as they know that they will be protected by Whistle Blower Protection Act.

This will prevent fraud cases to happen in future and also from heavy loss. HealthSouth Corporation should impose heavy penalties and fines on those who have commit fraud. The employees will think twice before they commit any unethical behavior under an effective internal control system. The person who will observe the executor??? s action is the Board of Directors. It will create an ownership environment. Employees who tend to act and feel them as owners of the company are generally less likely to commit fraud.

A culture of ownership promotes shared responsibility of company successes and failures and a more committed workforce. Employees will hesitate to commit fraud as they are afraid that their illegal actions will be discovered by the management and the penalties that will be imposed on them. Fraudulent act that leads to a big loss to company might be brought to the court and may cause the perpetrator to be sentence to jail. Internal control is process use by a company to protect them from risk exposure and bankruptcy. By implementing internal control, a company is much likely hood become less risk and their financial reporting are reliable, the percentage of investor might increase and the company have 0% to collapse.

Under Internal control there is several parts which are control environment, risk and management, control activities, information and communication and lastly is monitoring. Risk management is a process of identification, analysis and either acceptance or mitigation of uncertainty in investment decision-making. Essentially, risk management occurs anytime an investor or fund manager analyzes and attempts to quantify the potential for losses in an investment and then takes the appropriate action (or inaction) given their investment objectives and risk tolerance. Inadequate risk management can result in severe consequences for companies as well as individuals. Risk management can help the management to protect the shareholders and stakeholders.

Forming an audit committee is vital for an organization to detect fraud in the company. The audit committee who are the sub-committee of board of directors and external auditors should always check the process and the person doing it. Other than that, the external auditor should perform audit trail more carefully and ensure the service performed to an original person not to fictitious person. Before performing audit trail, the auditor has to ensure whether there is segregation of duties implemented and the person doing it. This can make the auditor to perform their job in correct path and give a correct audit report. Internal auditors also playing a main role in management to make information given to customer are reliable and relevant.

The detection process the company can do is by adding number of sampling or larger amount of participant. By increasing number of size of sampling, the auditor can detect the fraud committed and reduce the percentage. Other than that, the company should implement more evidence gathering procedure to ensure the evidence collect are right and the auditor can rely on it to give opinion on the financial statement presented. This ensures the auditor can issue unqualified report or ??? clean report???. HealthSouth can comply with Statement of Auditor Standard No . 99 as rehabilitation process.

Statement of Auditor Standard is used as a platform in detect the fraud occurred which provide lot of relevant information and procedure to detect the fraud happened which is hard to detect by performing auditing procedure that already exist. By imply it, the fraud which is hard to detect can be detected. Key segregation of duties which is part of internal control system give a impact on the fraudulent case in Health south Cooperation at where Richard Scrushy, CEO of company have take control of all the duties and no proper segregation of duties practice in the company . Control activities are used to help the company management to perform well and all employees follow it. Segregation of duties is dividing a job to be done by more than 1 person to ensure no fraud occurs. In other terms, no single person performs 1 job individually.

The job is divide base on few functions which is authorization, custody and recordkeeping. HealthSouth have to take high effort to imply these functions in their management and make sure every work is done in proper manner and employee in the company does not collaborate to commit fraud. HealthSouth Corporation should revise the company policies and procedures. HealthSouth Corporation must establish clear written policies for all procedures and processes. It can include an Ethics Policy that specifies how the company defines fraud and the actions management will take when it is discovered.

All the employees must have a copy of policies so no one can claim ignorance later. Then, HealthSouth Corporation must enforce the policies fairly and consistently. Furthermore, when employees are in a positive work environment, they are more likely to follow policies and procedures whereas without a positive workplace environment, there are more opportunities for poor employee morale, which can adversely, affect an employee??? s attitude about committing fraud against the corporation. Referenceshttp://www. arxisfinancial. com/images/pdfs/Fraud-Health\_South\_Case. pdfhttp://www. investopedia. com/terms/r/riskmanagement. asp