

It's a move in right direction, says MICG

MALAYSIAN Institute of Corporate Governance believes the amendments on the audit committee (AC) would enable it to function without fear and be more independent than before.

Chief executive officer and executive director Datuk Shahran Laili Abdul Munid said it was a move in the right direction.

“How can the committee work independently if executive directors can overrule any decisions or recommendations made and if some directors are non-independent?” he asked.

In addition, he wants at least half, if not all, of the members of the AC to consist of independent non-executive directors.

In view of the amendments, Shahran reckoned public listed companies (PLCs) would have to get to work to formulate new processes, get the right people, inform investors, and change job specifications and roles to comply with the amendments.

On the formation of a Public Companies Accounting Oversight Board (PCAOB), Shahran said the board would need to form sub-committees to monitor the ACs of PLCs.

“The minutes of AC meetings should be submitted to the sub-committees to be given to the PCAOB,” he said.

He said members of the PCAOB should ideally not be from any professional body as there could be conflicts of interest.

“Ideal candidates should be from non-governmental organisations (NGOs) – local or overseas. They should be highly competent and highly regarded, champions of corporate governance (CG) and have a strong sense of integrity,” he added.

Shahran said the Government needed to focus on training directors such as making training programmes for directors compulsory.

Training could include talks on the roles and responsibilities of directors, CG, and social and religious values.

“There is a need to have one body to approve the contents of the training programmes so that the quality can be controlled.

“MICG can be that body. We can even give accreditation for courses on corporate governance,” Shahran said.

He is calling for independent corporate governance audits to monitor the quality of CG in PLCs.

“The SC could appoint the auditors and make the audit compulsory for all PLCs,” he said, adding that the audit could be done on a yearly basis.

Shahran pointed out that as the Code of Corporate Governance was merely a guideline for PLCs, perks and benefits have been formulated to induce PLCs to practice good corporate governance.

In addition to the “green lane” status, Shahran said other perks that could be offered to PLCs which practice good corporate governance. This include tax incentives, low tariffs for electricity, water and imports, petrol subsidies, lower fees to bring in foreign labour, cheaper source of financing and so forth.

However, he added that the perks would also have to be based on the PLC's corporate social responsibility programmes.

Suggestions to improve corporate governance

- ❖ Number of members in audit committees (ACs) to increase to five
- ❖ Securities Commission (SC) to ensure AC members attend training courses
- ❖ SC to provide a standard manual on process and procedures for ACs
- ❖ AC to have regular meetings with shareholders
- ❖ AC chairman to be changed every three years
- ❖ AC members appointed every year with approval from shareholders
- ❖ Standard criteria for the selection of the AC
- ❖ Regular meetings between Public Companies Accounting Oversight Board (PCAOB) sub-committees and ACs
- ❖ PCAOB to have power to investigate companies and refer findings to SC

Source: Malaysian Institute of Corporate Governance