The Role of Professional Bodies in Malaysia: Supporting Good Corporate Decision-making

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CORPORATE INTEGRITY SYSTEM
A SYSTEM-BASED FRAMEWORK

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(a) Introduction

Much has been said on corporate failures - mainly due to mismanagement and fraudulent transactions - notably from Enron in America in 2001, Worldcom in 2002, and lately ending in mini-Enrons in Malaysia (Zaimee, 2007). Good corporate governance requires trustworthy relationships between stakeholders and those in the organisation, more so for board of directors and management. Even before agency theory (Jansen & Meckling, 1976) was first introduced, the notion of corporate managers (which would include directors) as trustees has been debated since 1932 (Berle Jr., 1932; Dodd Jr., 1932).

Mutual trust goes beyond mere compliance. A decision to undertake and implement a business strategy involves not just one individual. Interdependencies of those in governance create expectations of performing to the best of our abilities in ensuring success. Many guidelines, policies and standard operating procedures have been established, for example by the Malaysian authorities, professional bodies and the companies themselves, to help in performing daily operations but, in my view, being successful requires introspection, recognition of weaknesses and willingness to change for improvements. Notwithstanding the presence of almost perfect guidelines, policies and standards, the human factor is fundamental in preventing systematic fraud or other wilful conduct.

In this chapter, certain aspects of corporate governance that are related to three professional bodies in Malaysia, namely the Malaysian Institute of Accountants, the Institute of Internal Auditors Malaysia, and the Malaysian Institute of Chartered Secretaries and Administrators are outlined. The focus is also on the corporate governance structure and the professionals involved in some aspects of corporate decision-making process. To begin with, a discussion of particular dimensions of governance that relate to integrity and two theories - institutional theory and agency theory - surrounding the way organisations are structured and managed by professionals. This gives an indication of why certain individuals with the necessary qualification and professional background are needed to perform certain tasks in organisations. The roles of the accounting and auditing professions and corporate secretaries, specifically with regards to best practices and codes of ethics will be discussed. The discussion should provide reasonable expectations for the work performed by these professionals, further stimulating the professionals to undertake
their roles conscientiously. The chapter concludes by suggesting areas of research on corporate governance.

(b) Corporate governance structure

Corporate structure and business strategies in Malaysia are continually changing to strive for competitive advantage. However, the key players in the decision-making process are the directors and senior managers. The actions of these individuals influence the integrity of an organisation and its continued sustainability. An organisation’s key dimensions in governance, as identified by The World Bank (1991), are information and transparency, legal framework, accountability, and improvements in management. These dimensions together with the key players that I will touch on are depicted in my galaxy of corporate governance (Figure 2.22). The members of the professional bodies are situated in the legal framework and accountability.

![Figure 2.22: The galaxy of corporate governance adapted from The World Bank (1991)](image)

These dimensions will not be discussed in detail but references will be made in the various sections relating to the professionals and the professional bodies. Briefly, information and transparency in decision making and the level of accountability of individual players in organisations reflect the internal control environment that is established by management. This environment includes controls instituted by management through policies and procedures to safeguard and manage assets, for risk management and monitoring of operational activities in the organisations, culminating in reliable financial reporting. The feedback from monitoring activities such as internal audits, external audits and customer feedbacks are used in making improvements as organisations strive to stay competitive and build trust in the quality of their goods and services. A major setback to organisational excellence is corporate failure, which in recent years as mentioned earlier, has resulted from mismanagement and fraudulent transactions.

The organisational field for companies encompasses key suppliers of goods and services, competitors, resource and product consumers, and regulatory agencies.
Usually, organisations adopt structures and business processes to achieve compatibility and homogeneity with others in similar industries. Different business ventures of a holding company, for example, manufacturing and trading, are carried out under several subsidiaries. The group will have departments or divisions situated in the holding company where major decisions for the group are made such as corporate finance, internal audit, human resource, legal and compliance. Decision-makers acquire or tend to gravitate towards appropriate responses and practices to avoid criticism, which in most cases, would point to compliance of various rules, regulations and guidelines. Some business strategies also include having product credentials and certified management systems, which were disclosed in the companies’ websites. Institutional theory explains why organisational structures, reporting systems, and to a certain extent, disclosures in annual reports such as matters on corporate governance and internal control, are similar. Further, DiMaggio and Powell (1983, pp. 148-149) state that various societal forces contribute to similarities occurring. Expectations and pressures in an organisational field create the impetus for practices considered as ‘norms’ to be adopted, whereas organisations may be involved in diverse activities. The homogeneity in organisational structure, placement of personnel and the adherence to best practices (as recommended by professional bodies or regulators) demonstrate that the organisations are acting in a proper and appropriate manner, ultimately, exhibiting to the society, the legitimacy of actions in their business decisions.

Although the actions to expand business ventures by decision-makers (for example, the board of directors and senior management) are legitimate, being supported by related documentations and approvals, the success of organisations cannot be sustained without careful deliberations. Lessons from the Bumiputera Malaysia Finance case in Hong Kong or BMF scandal in 1980s should not be taken lightly. The case entails a series of irregular loans totalling almost RM2.5 billion to Carrian Group without appropriate collateral which could not be recovered and also resulted in death of a senior officer of Bank Bumiputra Malaysia Bhd, who was conducting the audit (Mohamad & Muhamad Sori, 2011; The Malaysian Bar, 2008). Fraudulent and irregular practices as in BMF involving loans to unincorporated companies and lack of documentation and appraisals should not be the norm.

There are many examples of misconduct in the business world. The Enron collapse pointed to mismanagement and lapses in internal controls, especially in terms of ethics and breaches of codes of conduct. Problems with auditing and internal control were identified as one of the reasons for organisations failing to prevent corporate failures (Imhoff, 2003; Mohamad & Muhamad Sori, 2011). Both the external and internal audit functions are now subject to closer scrutiny. The Asian financial crisis in 1997/98 also created a stimulus for better corporate governance in Malaysia and the South East Asian region (Liew, 2007; Mohamad Ariff, Othman, & Ibrahim, 2007). Several corporate managerial upheavals in Malaysia, dubbed as mini-Enrons, have surfaced such as Southern Bank Bhd., Transmile Group Bhd. and Media Holdings Bhd. (Associated Press, 2007; Lee, Ali, & Kandasamy, 2008; Shah, 2007). Without doubt, corporate integrity is vital. The confidence of those dealing with any organisation depends very much on the transparency of market transactions and the manner in which the organisation’s disclosed information is validated through processes of auditing and approvals.
Generally, decision making authority is delegated by the shareholders and stakeholders to the board of directors and the management team. Often, an agency relationship is cited to exist when managers and those employed perform a service on behalf of owners or shareholders, with the delegation of some decision-making authority (Jansen & Meckling, 1976; The Institute of Chartered Accountants in England and Wales [ICAEW], 2005). Jansen & Meckling argued that principals or shareholders are profit-maximisers and will assume that agents in an organisation are acting primarily for their own interest including using confidential information for personal gain, and which adversely impact on the principals. In precaution, monitoring mechanisms such as proper accounting of funds and auditing are conducted. To reduce monitoring cost, the agents have the incentive or they provide a bond to perform the monitoring activities themselves. Audits are done by external and internal auditors. Financial statement audits are undertaken by external auditors who are independent third parties, thereby, increasing the perceived reliability of financial data and other information in annual reports. Where an internal audit function exists, a certain degree of reliance is placed on the work of internal auditors by external auditors in assessing an organisation’s system of internal control. The assurance on the strength of internal control is dependent on the perceived independence of the internal audit function.

Good corporate governance is the qualitative state of excellence in an organizational decision-making (Bridgman, 2007). It implies those involved in decision making and disclosure would act with due care and diligence. Qualified professionals, whether they are the accounting practitioners, auditors or company secretaries, are put in positions of trust, as is the case for legal practitioners mentioned by Dodd, Jr. (1932). Collectively, the transparency of their actions and the values they uphold affect integrity. These professionals are affiliated to professional bodies who champion best practices in corporate governance, accounting principles, auditing standards and codes of conduct. Being professionals and having the support of their professional bodies, governing the organisations is entrusted to be implemented with the necessary due care and risk management.

(c) The key players and their professional bodies
Returning to the key players in governance, elaboration is made on the roles of accountants, internal auditors, company secretaries and selected professional bodies - Malaysian Institute of Accountants, Institute of Internal Auditors Malaysia, Malaysian Institute of Chartered Secretaries and Administrators - in supporting good corporate governance.

(d) Accountants, external auditors and the Malaysian Institute of Accountants
Accountants maintain the accounting system which is used to collect and process financial information, showing the end results of business strategies that have been laid by management. This process forms part of accountability in corporate governance. The financial reports produced may be specific to the needs of management for decision making purposes or for the use of parties external to the organisation. These users expect honest financial information and the reports should present the true picture of the companies’ financial health. The way in which transactions are recognised, measured and reported in financial statements are highly regulated through accounting standards and other regulations. In preparing the financial statements, the Malaysian Financial
Reporting Standards, which is equivalent to the International Financial Reporting Standards, are used. Even though companies apply these standards, deliberate overstatement of revenues and assets as in Transmile Group Bhd and Southern Bank Bhd are financial irregularities amounting to creative accounting frauds. Changes to the use of accounting rules and conventions will lead to differences in reported profits and net assets. Accordingly, the manner in which financial information is disclosed in the annual reports including financial ratios, segmental information and sustainability reporting, affects the decisions of investors and other users of financial information such as auditors, research analysts, lenders and bankers.

After each financial year, an audited financial statement together with a report of the directors must be lodged with the Companies Commission of Malaysia. At the annual general meeting, the statement and the report are presented and adopted by members of the company. The board of directors is responsible for the preparation of financial statements in accordance with relevant accounting standards and the Companies Act, 1965; a duty which invariably is assigned to the accountants. Misconceptions exist on the external auditors’ role in preparing the financial statements. This misconception has contributed to the criticism against external auditors whenever financial scandals arise, whereby demands are made for the examination of their roles. The external auditor’s responsibility in statutory audit is to express an opinion on whether the financial statements are free from material misstatement and have indicated a true and fair view of the company’s performance (Zaimee, 2007). Sufficient background knowledge on the company’s business and work processes would aid the auditors to identify fraud risk factors. Unlike investigative audits where the focus is on fraud detection, work done by the auditors assesses risks of material misstatement of the financial statements, whether due to fraud or error. Evaluation is made on the appropriateness of accounting policies used, reasonableness of accounting estimates and the overall presentation of the financial statements. They will consider the internal control that is relevant to the preparation and fair presentation of the financial statements. However, no opinion is expressed on the effectiveness of the internal control unless called for even though the assessment has been made as part of the audit work. Usually the task of evaluating and expressing an opinion on the state of internal control is undertaken by the internal auditors.

Persons who held themselves as accountants must be members of the Malaysian Institute of Accountants (MIA), a statutory body incorporated under the Accountants Act, 1967. All company auditors must be a Chartered Accountant or Licensed Accountant with MIA before an audit license is granted by the Minister of Finance. A valid practising certificate for the auditors issued by MIA (Mahendra, 2006) is required prior to applying for an audit licence. However, the provision of services to a certain industry sector or organisation requires specific approvals, for example, approval from Bank Negara Malaysia is required for audits of banks and financial institutions; and an audit licence is required from the Cooperative Commission of Malaysia for audits of co-operative societies.

MIA enhances the integrity of the accountancy profession through three approaches: education and development, professional standards and practices and finally, surveillance and enforcement (Malaysian Institute of Accountants, 2012). MIA sets the benchmark for member qualification and the requisite relevant practical working experience in areas related to accounting of not less than 3 years. Members are
mandated to be updated on new knowledge and skills through continuing professional education, comprising of at least 20 CPE credit hours annually of structured learning.

Secondly, MIA establishes the By-Laws (On Professional Conducts and Ethics) and the auditing standards. Of interest is the new By-Law on Professional Independence, more stringent than the International Federation of Accountants (IFAC) Code of Ethics (Mahendra, 2006). MIA’s By-Law sets out guidelines in assurance engagements in managing risk or threats to independence, specifically threats involving self-interest where close relationships exist or through receipt of significant fees from certain clients; self-review in out-sourced internal audit or information technology system services; familiarity and intimidation due to employment and long association of senior audit personnel with the audit firm’s client. The auditing standards – Malaysian Approved Standards on Auditing (MASA) - are in line with those issued by IFAC and the International Auditing and Assurance Standards Board. Significant differences from the international standards relating to Malaysian law and practices are given as explanatory foreword in MASA. In addition, MIA also issues guidance notes - Recommended Practice Guides – on specific areas of audit engagements.

Finally, MIA enforces the standards and the By-Laws through monitoring and disciplinary processes. Monitoring of the quality of financial statements is made by the Financial Statements Review Committee in determining compliance with legal requirements, accounting and auditing standards and accepted practices. The review encompasses listed and non-listed companies and government-linked corporations (Shah, 2007). Apart from this, a peer practice review, a form of self-regulation similar to those in Canada, United Kingdom, Singapore and Hong Kong, is conducted. The practice review in Malaysia started in 2002. The activities of members with practising certificates are assessed on the level of professional standards in audit engagements. Practice reviews are aimed to assure the business community and the public on the audit quality, instilling trust and confidence in the accounting profession. Moreover, suggestions for improvements on the application of best auditing practices would propel member audit firms to uphold their professional credibility. Apparent failure to comply with auditing standards could be regarded as a discreditable conduct, including any breaches of the By-Laws. In situations of breach of conduct as in Transmile and Megan Media, complaints needed to be made against the members for MIA to initiate investigation and avoid unnecessary litigations (Zaimie, 2007). Even failure to comply with the continuing professional education requirements might lead to disciplinary action being taken.

On the question of what has MIA done with regards to situations like the mini-Enrons, amendments to the Accountants Act 1967 is under way to facilitate investigations on members suspected wrongdoings without any referrals or complaints (Zaimie, 2007). A commendable step taken by MIA is using referrals by the authorities, generally by the Securities Commission, as a basis of complaints in the due process by Council members to the Investigation Committee. So far, between 2001 and 2007, seven out of 18 cases heard were disciplined; the outcome includes three years suspension of membership and fines ranging from RM1,500 to RM3,000.
Internal auditors and the Institute of Internal Auditors Malaysia

Under the legal framework or corporate policies, the World Bank (1991) acknowledged that an organisation should have known rules or policies including mechanisms on rules application and enforcement, as well as conflict resolution. These rules or company policies on various business processes, authority limits and human resource management could be evidenced through standard operating procedures and manuals. Other corroborative documents also include board of directors’ resolutions on matters affecting the existence of the organisation. For listed companies, it is mandatory to have an internal audit function as a component of good corporate governance.

The assurance in internal auditing is clearly emphasised by the profession where internal audit is defined as an objective assurance with the aim “to evaluate and improve the effectiveness of risk management, control and governance processes” (The Institute of Internal Auditors, 2012). Apart from ensuring that there is a proper system of internal control in the audits conducted, the current trend for internal auditors is to place more emphasis on assurance services. The reviews carried would also determine whether the operations have been carried out efficiently, effectively and economically. Depending on the scope of audit, these internal audit activities carry various terms including management audit, operational or performance audit, systems audit, compliance audit, computer audit, value-for-money (VFM) audit, and quality audit (Pickett, 2003; Whittington & Pany, 2004). The assurance by internal auditors through compliance-based audits is geared towards the attainment of business objectives and, in this regard, the quality of information for decision-making purposes is enhanced (Bou-Raad, 2000).

For companies that have international certifications such as ISO or PCI DSS for their management systems or information technology infrastructures, the assurance made on the companies’ established systems creates trust in the integrity of these systems and helps in maintaining and expanding an organisation’s market niche. Where management aims to inculcate a quality culture amidst continuing globalisation and other organisational risks, a competent internal audit function is crucial in the monitoring and continuous improvement process (International Organisation for Standardisation [ISO], 2011; The Institute of Internal Auditors, 2012).

Internal audit as a management monitoring mechanism needs to be understood within the organisational structure. Although the internal auditors’ advice may be sought on control and risk issues as they are perceived to have the most knowledge in these areas, management should not make them be responsible for the actual mechanism or actions taken to implement the business processes. The management whose areas are being audited should not have direct influence on internal auditors. The independence of internal auditors should be observed to preclude the breakdown of internal control. Independence of the internal auditors and their organisational status will determine the degree of reliance of internal audits that will be placed by external auditors when performing the statutory audits on financial statements. Although the board as a whole is responsible for the accuracy and integrity of the financial reporting, the complexities of financial reporting necessitates the formation of a subcommittee, namely the audit committee. The oversight function of the audit committee provides the board with assurance of the quality and reliability of financial information before the financial information is issued to the public by the company (Bursa Malaysia, 2009a, p. 42). In facilitating the oversight function, audit committee members need to be financially literate with at least one of them being a member of an accounting body. MIA views
that there should be clear delineation of roles, powers and responsibilities of board of directors and senior management together with mechanisms of check and balance of the key players in corporations. Audit committees, independent non-executive directors and executive directors a vital in good governance (Shah, 2007). The reporting requirement for the internal audit function to the audit committee including the composition of the audit committee can be found in Chapter 15 of the Listing Requirements (Bursa Malaysia, 2009b). Additionally, the statement on internal control (Bursa Malaysia, 2000) which forms the basis of disclosure in annual reports in public listed companies also emphasises the important roles of internal auditors and audit committee members in the corporate governance framework.

The Statement on Internal Control ~ Guidance for Directors of Public Listed Companies was formulated by the Task Force on Internal Control (Bursa Malaysia, 2000). The disclosures required pertain to the description of the establishment of the company’s system of internal control in safeguarding shareholders’ investment and the company’s assets. Detailed descriptions include a strategic risk management framework, the review process of internal control, the audit committee and the internal audit function, management policies and other review processes.

The professional body for the internal auditors is the Institute of Internal Auditors Malaysia (IIA Malaysia), a non-profit organisation, first established in 1977 as a Chapter of The Institute of Internal Auditors Inc, USA (The IIA). IIA Malaysia was elevated to a National Institute in 1988. Consistent with The IIA, among the strategic focus of IIA Malaysia is promoting the value internal auditors add to effective governance (The Institute of Internal Auditors, 2012). Such promotions include award presentations to organisations strongly committed to continued professional development of internal auditing, donations of publications and information presentations to the academia. The exposure on the contributions of internal auditors - providing insight and recommendations for improvements on organization’s effectiveness and efficiency, risk management, and internal control processes - is targeted in rebuilding corporate trust in internal audits. In reiteration, internal audit is a management activity which supports management and the board of directors in realizing organisational objectives. As such, the trust in the internal audit function is very much dependent upon the perceived professionalism of internal auditors.

Integral to professionalism and independence, internal auditors should act ethically. The IIA’s Code of Ethics forms part of the International Professional Practices Framework. The code specifies the principles governing integrity, objectivity, confidentiality and competency of internal auditors. The IIA believes that ethical conduct of internal auditors is very important, as the internal auditors are the ones assessing the ethics of others in the organisation. Further, the internal auditors are also assessing the underlying mitigating processes towards risks to the integrity and ethical business practices. Another mandatory guidance is the Standards for Professional Practice of Internal Auditors (SPPIA), setting the criteria in which an internal audit department should operate and be evaluated upon. SPPIA comprise of the Attribute Standards and the Performance Standards. Attribute Standards state the characteristics of organizations and internal auditors covering independence, professional proficiency, and quality assurance and improvements. Performance Standards explain the nature and performance criteria of internal audit activities from the planning stage to communicating the results of the audit. Further assistance comes in the form of
guidance on best practices and tools, among others, covering areas of fraud, governance, risk and control, audit committees and board of directors. A best practice significant to transparency and preventing conflicts of interests and collusion is the dual reporting relationship established under the accountability and legal framework of an organisation. The chief audit executive should report to executive management, usually the chief executive officer, for establishing direction and areas of audit interest, including top management support, and administrative interface. Another line of reporting is to the most senior oversight group — normally the audit committee — for validation of the internal audit activities, reinforcement on matters affecting risk, business processes and control issues. Due to the accountability of the internal auditors to the audit committee, the committee is required under the Malaysian Code of Corporate Governance to review any assessment of the performance of individual internal auditors.

In line with the ethical code on competency of internal auditors, a comprehensive array of certification programs and professional development opportunities is available for IIA members to enhance their knowledge and expertise. The certification programmes include Certified Internal Auditor and specialist designations in government auditing, financial services, control self-assessment and risk management assurance. IIA members are also encouraged to undertake 80 hours of continuing professional development over the period of two years. Similar to MIA, IIA also monitors the discreditable conduct of its members by taking disciplinary action.

Another significant area in the IIA’s Code of Ethics is quality assurance, which calls for an external assessment to be conducted at least once every five years by a qualified, independent reviewer. This review is now being done by IIA Malaysia on the efficiency and effectiveness of internal audit activities and the level of compliance to the IIA Standards. The external assessment is in addition to the periodical internal assessments. The results for these reviews would open windows for improvements to the internal audit performance and value-added services. Surveys conducted have shown that performance measures used the balanced scorecard approach for internal assessments (Audit Executive Center, 2010; Austin Chapter Research Committee, 2009). In Malaysia, 54% of 134 internal auditors surveyed reported that internal assessments were conducted, where 81% acknowledged that they have used the IIA Quality Assurance Manual as a guide (The Institute of Internal Auditors Malaysia, 2009). The increase from 31% from the survey done in 2006 to 54% in 2008 shows that quality in internal audit is very important. Pertinent to evaluation of internal audit performance is how have internal auditors contributed to corporate governance. Although these studies provide useful insights into internal audit practices, they have not yet provided the linkage between internal audit performance and areas of improvements in corporate governance.

(f) Company secretaries and the Malaysian Institute of Chartered Secretaries and Administrators

Once a company has been incorporated, it is its own legal entity. The company is distinct from its members who own shares in the company or provide guarantees for the amount liable to be made upon dissolution (Abdul Aziz, 2006). A company secretary is first appointed as an officer of the company under the memorandum and articles of association upon the company’s incorporation. Usually a company secretary is a
member of the Malaysian Institute of Accountants, the Malaysian Bar, the Malaysian Institute of Chartered Secretaries and Administrators, the Malaysian Association of Company Secretaries and persons approved as licensed secretary by the Companies Commission of Malaysia.

The Securities Commission Malaysia recommends that all directors have access to the services and advice of the company secretary, one who is capable to carry out the required duties (Securities Commission Malaysia, 2007). Decisions affecting a company are generally made at general meetings of members and meetings of board of directors. The company secretary ensures that decisions made are within the powers of the company and comply with the relevant legislations and regulations. Before such informed decisions are made, adequate and relevant information is to be given to the board members or its committees. The registers prescribed by the Companies Act 1965 are maintained by the company secretary. These registers include registers of members, substantial shareholders, debenture holders, charges and the register of directors, managers and secretaries. The company secretary also communicates with stakeholders of the company and board of directors regarding meetings held by the company, maintains the company’s records and ensures annual returns together with other prescribed forms are lodged with the Companies Commission of Malaysia. All documents together with financial statements lodged are accessible to the public. This affords transparency of information to stakeholders and the public.

In their advisory capacity, the company secretaries are expected to advise the board on the implementation of the Malaysian Code of Corporate Governance and any departure from the best practices code (Bursa Malaysia, 2009a). The company secretaries are consulted by the board of directors on procedural matters regarding board composition and changes to the board. Where required, especially in the case of public listed companies, they ensure that the board forms various board committees to assist the board in discharging its fiduciary duties. Generally, there are three main board committees; the Audit Committee, the Nomination Committee and the Remuneration Committee.

The company secretary is also required to make continuous disclosure on matters affecting a public listed company to the Securities Commission Malaysia and the Bursa Malaysia Berhad unless a waiver has been obtained. The corporate disclosure guide issued by Bursa Malaysia in 2011 is a good resource for this purpose. The consequences and impact on the company of the failure to comply with the provisions of the Listing Requirements and other rules and regulations need to be highlighted to the board. In situations of possession of price sensitive information, the board and the substantial shareholders of the company should be cautioned when they are dealing in the company’s shares.

As mentioned earlier, a company secretary may be a member of The Institute of Chartered Secretaries and Administrators (ICSA). ICSA is the leading recognised professional body for Chartered Secretaries and Administrators (MAICSA, 2012). The Malaysian Institute of Chartered Secretaries and Administrators established in 1959 as an affiliate is now one of the nine Divisions of ICSA. Members held themselves as Chartered Secretaries and provide services as company or corporate secretaries, or hold other senior management positions. MAICSA is a prescribed body under Section 139(A) of the Companies Act 1965 and its members can act as company secretaries.
without any licence from the Companies Commission of Malaysia. Members with practicing certificates provide company secretarial services on a contractual basis. Further, members are also eligible to be tax agents under Section 153 (3) of the Income Tax Act, 1967 if they have more than five years practical tax experience, and as compliance officers under MESDAQ Business Rule 508(2)(c) if they have at least 3 years’ experience in the financial and securities industry.

In 1995, MAICSA issued a recommended fee structure to guide members in public practice in the provision of professional secretarial services. The minimum fees endorsed by the Institute acts as a baseline on the minimum standard of quality of services provided by the practitioners. A similar move has also been in place by MIA for the recommended scale of fees for audit services.

As part of the initiatives on governance, MAICSA has developed best practise guides in ensuring consistency in documentation and conduct of corporate secretarial practice namely; meetings and annual general meetings, minutes of meetings, resolutions, roles of company secretary, directors, chairman and chief executive officers. These guides reflect certain requirements formulated under the Malaysian Code on Corporate Governance and Bursa Malaysia Securities Berhad. Specifically, clarifications in the Institute’s Good Governance Guide No. 5.1 are provided on the criteria of independent directors in terms of managerial position, shareholdings, business or other relationships. In respect of the roles of chairman and chief executive officer, both roles in aggregate would result in a concentration of power in decision making, giving rise to possibilities of conflicts, especially in small and medium sized companies or wholly owned subsidiaries. Details on these roles are enumerated in Guide No. 6.

In recognition of the important roles of directors and company secretaries in enhancing the quality of governance and corporate behaviour, a significant collaboration between the Institute and the Companies Commission of Malaysia concluded with the issuance by the Commission of the Company Director’s Code of Ethics and the Company Secretary’s Code of Ethics in 1996. These codes were based, among others, on principles relating to integrity and corporate social responsibility.

In common with other codes of ethics mentioned earlier for the accountants and internal auditors, professional competency of company secretaries is immeasurably lauded. Training and professional development are the key tenets in upholding professionalism and MAICSA’s effort in this area in very visible. Currently, MAICSA is actively providing training in collaboration with the Malaysian government authorities, specifically the Companies Commission of Malaysia for the Corporate Directors Training Programme.

**Conclusion**

With technological advancement due to progress of science and industry, a certain degree of human carelessness is becoming acceptable, and when new technology happens, we demand for more safeguards to secure and change the environment in order to change the individual (Clark, 1916). Clark’s sentiment that “the scope of personal responsibility is broader than before” is very relevant to the post-global financial crisis. Given the importance of integrity and ethical culture, immeasurable initiatives, standards and guidelines, coupled with compliance programs have been instituted by
professional bodies for a more conducive and responsible financial environment. Most of these initiatives and guidelines were discussed in this chapter. No doubt, regulatory reforms will continue to be needed in relation to new developments affecting the business community, which usually take place in times of adversity, leading to new or improved guidelines and best practices.

Of course any efforts at improving corporate governance are not wasteful. However, there are limitations to how effectively professional bodies can monitor the activities of their members. I believe that purposeful deviant behaviour, popularly known as agency problems, cannot be eliminated altogether unless the values embodied in standards and guidelines are consistently upheld in the delivery of services and in business processes. Ethics could always be improved by increased awareness of irregularities on the part of professionals and taking appropriate measures based on that knowledge. As professionals, the accountants, auditors and company secretaries are expected to always address acceptable behaviour and not undermine their professional competencies. In all the financial scandals, a clear message is given: the image of integrity that was built is now lost. Undeniably, professional bodies namely, Malaysian Institute of Accountants, Institute of Internal Auditors Malaysia, Malaysian Institute of Chartered Secretaries and Administrators, have significantly contributed towards ensuring ethical business, as evidenced by the codes of conduct, standards and guidelines. It is now up to the professionals with their related competencies to recognize warning signals of threats to integrity, informing management and the board, and ensuring measures of mitigation are implemented.

Since an emphasis on corporate governance of listed companies is on the requirements relating to internal control and internal audit function, an avenue of research would be on the impact of internal audit on corporate governance. Further studies should address the effects of interaction of audit committee with internal auditors and how it is affecting internal audit performance.

References


