

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Company No. 524989-M)

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Need to regulate internal auditors: KPMG

> Currently function is not supervised or regulated and qualification is not required

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KUALA LUMPUR: There is a need for internal auditors to be regulated in corporate Malaysia.

KPMG Malaysia partner and head of risk consulting Lee Min On highlighted that while the internal audit function is already mandated, unlike the external auditors who are governed by the Audit Oversight Board (AOB) or the Malaysian Institute of Accountants (MIA), internal audit is not supervised or regulated.

"This, to me, is the greatest challenge and the biggest gap in the marketplace," he told reporters at the Corporate Governance: Balancing Rules and Flexibility conference here yesterday.

"Internal auditors need not have any qualification. You don't need to be an accountant and you don't need to get a professional license to operate as an internal auditor, but only a business license to operate a firm and you can do internal audits. Therefore, there's no need for them to be trained professionally and there's no continuous professional education.

"It's high time to regulate the internal audit professional and one of the ways is making sure that all internal audit function and their people are registered as members of Institute of Internal Auditors Malaysia

(IIA)," Lee said, adding that members are supposed to follow the professional standards under the International Professional Practices framework.

Comparatively, he said external auditors are well regulated as they have to follow the international standards of auditing.

"External auditors must be a member of the MIA, of which he is called an accountant and if he wants to be an auditor, he must get an audit license. If he practices, he must get a practicing certificate from the professional body as well as the national regulatory body (MIA). If I act as an external auditor of a public listed company (PLC), I must register my firm and myself with the AOB, which reports directly to Securities Commission," explained Lee.

Compared with a member of IIA, he said someone who is not registered with a professional body will face challenges such as planning an internal audit, getting audit evidence, sample size, looking into the governance of the company and making sure the governance process is adequate.

Meanwhile, the Minority Shareholder Watchdog Group (MSWG) pointed out only 30 PLCs out of 873 in corporate Malaysia published their AGM minutes.

MSWG general manager of corporate services Lya Rahman said this figure is very low compared with Malaysia's peers.

"In Thailand, 90% of companies have that (publish their AGM minutes) but in Malaysia, there are only 30 companies. We don't understand why companies are so reluctant to publish their minutes because

it's all about transparency," said Lya.

MSWG has adopted the Asean Corporate Governance Scorecard as a key measurement to assess Malaysian PLCs on their compliance with best practices and principles in corporate governance since 2012.

According to the findings of the assessment carried out in 2014 on 873 PLCs, representing 96% of the companies listed on Bursa Malaysia, 573 companies published AGM and EGM notices on their website but only 30 companies published their AGM minutes. Subsequently, only 17 recorded the questions and answers in the minutes.

Only 129 out of 873 companies provided shareholders the opportunity to approve remuneration (fees, allowances and other emoluments), while 38 companies disclosed the voting and vote tabulation used.

The conference also saw the release of the joint study by ACCA and KPMG, titled Balancing Rules and Flexibility. Malaysia was ranked number four in terms of corporate governance requirements, representing one of the highest scoring markets out of 25 markets.

The study shows board diversity as one of the strongest themes in Malaysia's CG Code.

Areas that have been flagged as being less well defined in Malaysia's CG framework includes disclosure on director's time and resources, stakeholder engagement, risk governance, shareholder rights and remuneration structure.