

Isca study

Positive trends seen in audit practices

More audit committee chairmen have relevant financial skills

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Audit committees have become better at complying with corporate governance best practices since 2009 but the rate of improvement is slowing, said a new study.

It found that, for instance, the number of individuals holding more than four audit committee chairmanships dropped from 17 in 2009 to just six last year.

The Institute of Singapore Chartered Accountants (Isca), which commissioned the study, noted this was a positive development as experts have argued that the more directorships an individual holds, the less time he can devote to each company.

Audit committees are responsible for the oversight of a firm's financial process, risk management and internal controls.

The study, conducted late last year by the National University of Singapore, covered the records of 717 listed companies here and followed similar studies in 2009 and 2011. It found that more chairmen and members of audit committees have the relevant accounting or financial expertise. Last year, 38.2 per cent of audit committee chairmen and members had full-time experience in accounting, auditing, banking, finance and investment – higher than the 35.4 per cent in 2011 and the 26 per cent in 2009.

The proportion of female chairmen and members was 7.6 per cent last year, up from the 4.8 per cent in 2009. Still, Isca said that while the number of women on audit committees has grown, it has been a "systemic, albeit slow, increase".

The study also found that many smaller listed firms, which face very different challenges from the large companies, are finding it difficult to keep up with the increasing regulatory requirements.

Rules that require audit committees to assess the effectiveness and adequacy of their company's risk management systems, for instance, mean more time and resources being spent. This could be a "strain to smaller firms already strapped for resources", said Isca.

The report added that smaller companies, unlike the larger ones, face constraints in funding audit committees as well as in attracting good members, given the high risk and smaller directors' fees.

Mr Ho Tuck Chuen, chairman of the Isca Corporate Governance Committee, noted that stakeholders globally are "demanding greater accountability from the board".

"As boards face tougher scrutiny, so do audit committees," he said. "In the current business landscape where regulations are becoming increasingly more stringent, it is important for audit committees to adhere to best practices in corporate governance."

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INCREASED ACCOUNTABILITY

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MR HO TUCK CHUEN, chairman of the Isca Corporate Governance Committee.