

MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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New Straits Times, Business Times – Wednesday, October 7, 2020 (C)

MSWG alarmed by low internal audit spend

KUALA LUMPUR: The Minority Shareholders Watch Group (MSWG) said some public-listed companies are spending less than RM5,000 annually on their internal audit function, raising valid concerns on the quality and coverage.

MSWG's analysis of internal audit cost, based on the findings of the MSWG-Asean CG Scorecard 2019 assessment, found that the cost incurred by these listed companies for their internal audit could be an unbelievably low RM1,488 per annum.

It showed that there were 158 public listed companies that spent less than RM24,000 per annum (or equivalent to RM2,000 per month).

MSWG added that the cost incurred for internal audit was indicative of how little emphasis these listed firms placed on the function that provided independent assurance on risk management, control and governance processes — three areas considered essential.

MSWG chief executive officer Devanesan Evanson said a sound internal audit function was the fourth cornerstone of corporate governance — the other three being an effective board, independent external auditors and com-

petent executive management.

“Internal auditors, by definition, provide independent, objective assurance that adds value and improve an organisation's operations.

“It helps an organisation accomplish its objectives by bringing a systematic approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

“It is incomprehensible that internal audit cost can be so low, taking into account the amount of time and skill needed to provide assurance on risk management, control and governance.”

He said with such small amounts allocated for the internal audit function, it was unlikely for it to be adequately resourced and function effectively.

“The low internal audit cost could also be due to the function not being regulated in any way.

“Presently, there are no minimum requirements for an individual to act as an internal auditor.

“It is, therefore, incumbent on the audit committee to ensure that internal auditors possess the appropriate qualifications and expertise to carry out their work,” said Devanesan.