

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No.200001022382 (524989-M))

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MSWG raises concerns over less than RM5k for internal audit cost

by SHAZNI ONG

SOME Malaysian public-listed companies (PLCs) are spending less than RM5,000 on their internal audit function annually which raises concerns on the audit quality and coverage, the Minority Shareholders Watch Group (MSWG) warned.

The findings of the MSWG-Asean Corporate Governance Scorecard 2019 assessment revealed that the cost incurred by PLCs for internal audit function were as low as RM1,488 per annum with 158 PLCs had internal audit costs of below RM24,000 per annum (or equivalent to RM2,000 per month).

The cost incurred for the internal audit is indicative of how much emphasis the PLC places on the function that provides independent assurance on risk management, control, and governance processes — three areas considered essential for

PLCs, the agency added.

MSWG CEO Devanesan Evanson said a sound internal audit function is the fourth cornerstone of corporate governance — the other three being an effective board, independent external auditors and competent executive management.

“Internal auditors, by definition, provide independent, objective assurance which adds value and improves an organisation’s operations.

“It helps an organisation accomplish its objectives by bringing a systematic, disciplined 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 in a statement recently.

Devanesan said it is unlikely the internal audit function is adequately resourced for it to function effectively with such amounts allocated for the internal audit.

MSWG noted as stated in Paragraph 30, Appendix 9C of Chapter 9 of Bursa Securities Listing Requirements, listed issuers are required to disclose the cost incurred for their internal audit function in respect of the financial year in their annual report.

The Guidance on Effective Audit and Risk Management in the Corporate Governance Guide issued by Bursa Malaysia, states that internal audit function should be adequately resourced in terms of manpower and supporting infrastructure for it to function effectively.

“The resources and budget allocated should be proportionate with the envisaged extent and complexity of the audit work, in line with the company’s size and circumstances,” the watchdog agency said.