Corporate Governance & The Internal Auditor

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Corporate Governance

Corporate Governance – A set of relationships between a company's management, its board, its shareholders and other shareholders

CG Disclosure Requirements in T&T

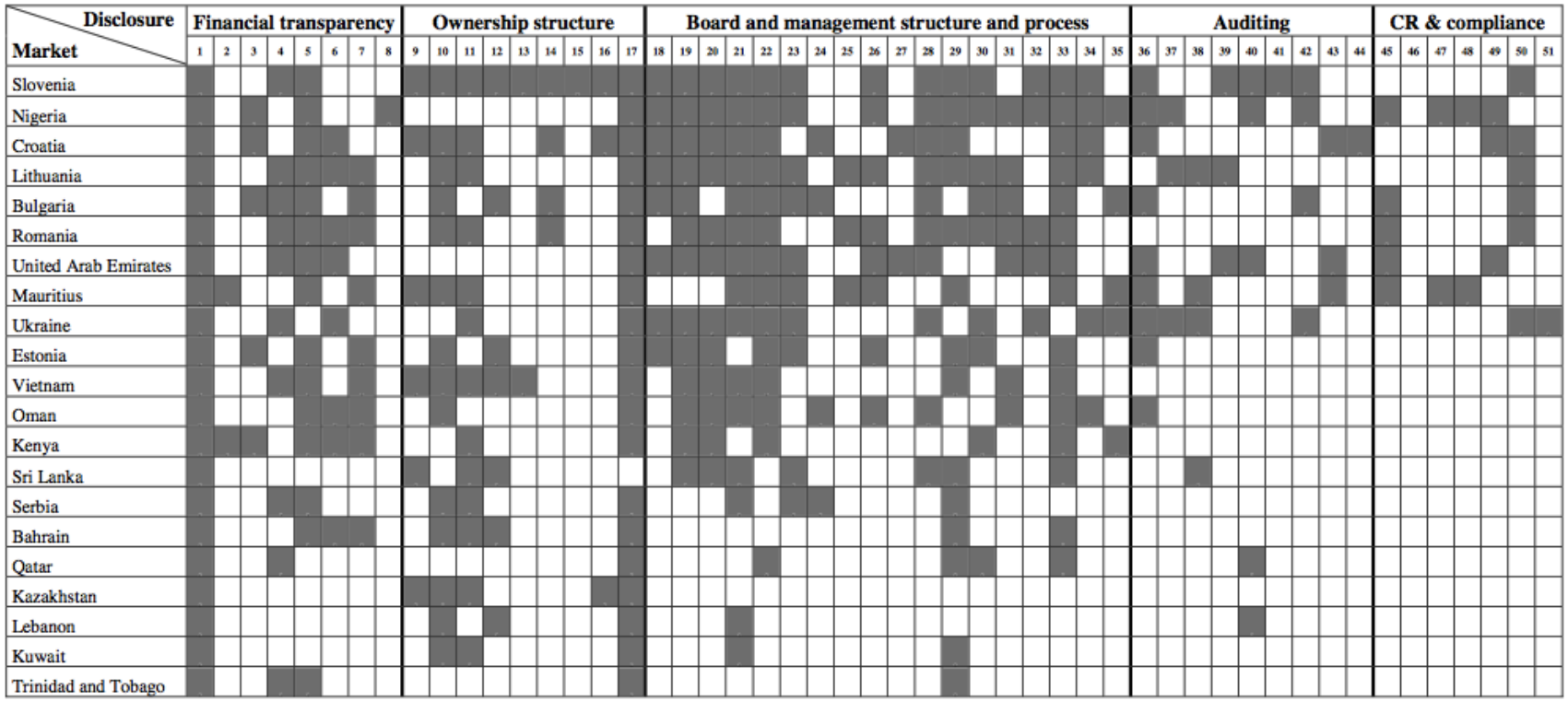
- Companies Act (Chpt 81:01, No. 35 of 1995)
- T&T Securities Industries Act 1995
- Financial Institutions Act (Chpt 79:09, No. 26 of 2008)
- Insurance Act (84:01, No 6 of 1980)
- Freedom of Information Act (FOIA) (No. 26 of 1999)
- Integrity in Public Life Act (No. 83 of 2000)

Other Rules & Guidelines

- Central Bank of T&T (CBTT) Corporate Governance Guidelines
- T&T Stock Exchange (TTSE) Disclosure rules of 2010
- State Enterprises Performance Monitoring Manual (SEPMM) 2011

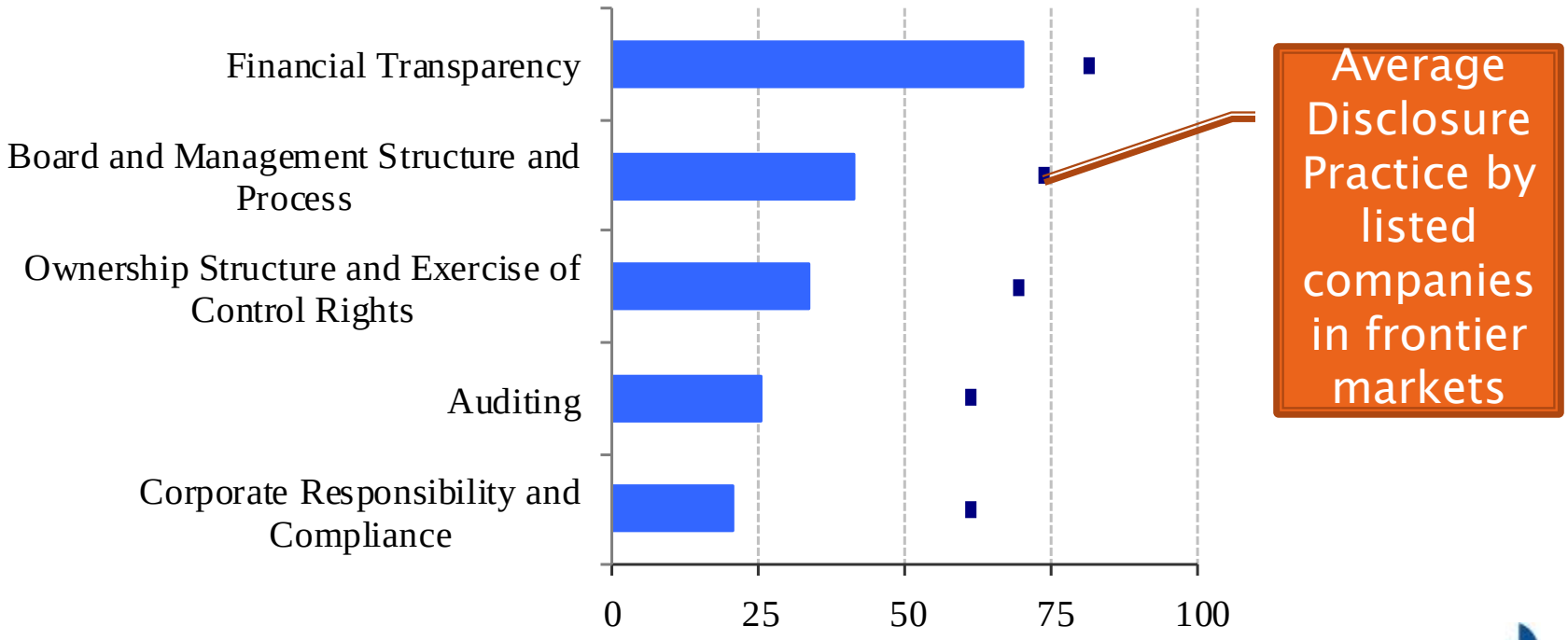
Gap Analysis of Corporate Governance Disclosure Requirements in 22 markets

Empty white squares indicate that the disclosure item is not required. Markets organized from most disclosure requirements to least, compared to the ISAR benchmark. The name of individual disclosure items can be found in the list in Annex II.



Source: UNCTAD, 2010
2010 Review of the Implementation Status of Corporate Governance Disclosures:
An Inventory of Disclosure Requirements in 21 Frontier Markets
Jamaica data: Syntegra, PSOJ, & [illegible] (2012 forthcoming).

T&T enterprises corporate governance disclosure practices below emerging markets average



Disclosure finding shows that T&T listed companies disclose 50% of the average for other countries emerging and frontier market

Syntegra CHANGE ARCHITECTS LTD

Source: Syntegra (2011) http://tiny.cc/4vngfw

Benefits of National Corporate Governance Code

Purpose

1. Need for greater:
   - entrepreneurial risk taking
   - Investment,
   - lower rates of scandal/failure.
2. **Common national standard** for how organizations are governed, i.e., by what systems and processes they are being directed and controlled.
3. **Standard that is appropriate for T&T**, which can guide and be enforced.

Benefits of Companies

Higher performing organizations as a result of:

1. Lower cost of capital
2. Lower risk of failure and scandals
3. Stronger leadership and better operations

Benefits for Society

1. Stronger business sector & state owned enterprises
2. Greater benefits from better management of national wealth
3. Greater investor confidence
4. Stronger civil society
5. Lower risk of corporate failures

Sample Content Elements of a Code (Jamaica 2009)

- Section 1: Companies

  A. Directors
  - A.1 The Board
  - A.2 Decision Making
  - A.3 Chair & CEO
  - A.4 Board balance & independence
  - A.5 Information & Prof. Dev.
  - A.6 Performance Evaluation
  - A.7 Re-election

  B. Remuneration
  - B.1 The level and make-up of remuneration
  - B.2 Procedure

  C. Accountability & Audit
  - C.1 Financial Reporting
  - C.2 Internal Controls
  - C.3 Audit Committee and Auditors

  D Relations with shareholders
  - D.1 Dialogue with Institutional Shareholders
  - D.2 Constructive use AGM

  E Timely and Balanced Disclosures

- Section 2: Institutional Shareholders

  F Institutional Shareholders
  - F.1 Dialogue with shareholders
  - F.2 Evaluation governance disclosures
  - F.3 Shareholder voting

APPENDIX:
Specific requirements for Disclosure in the Annual Report References

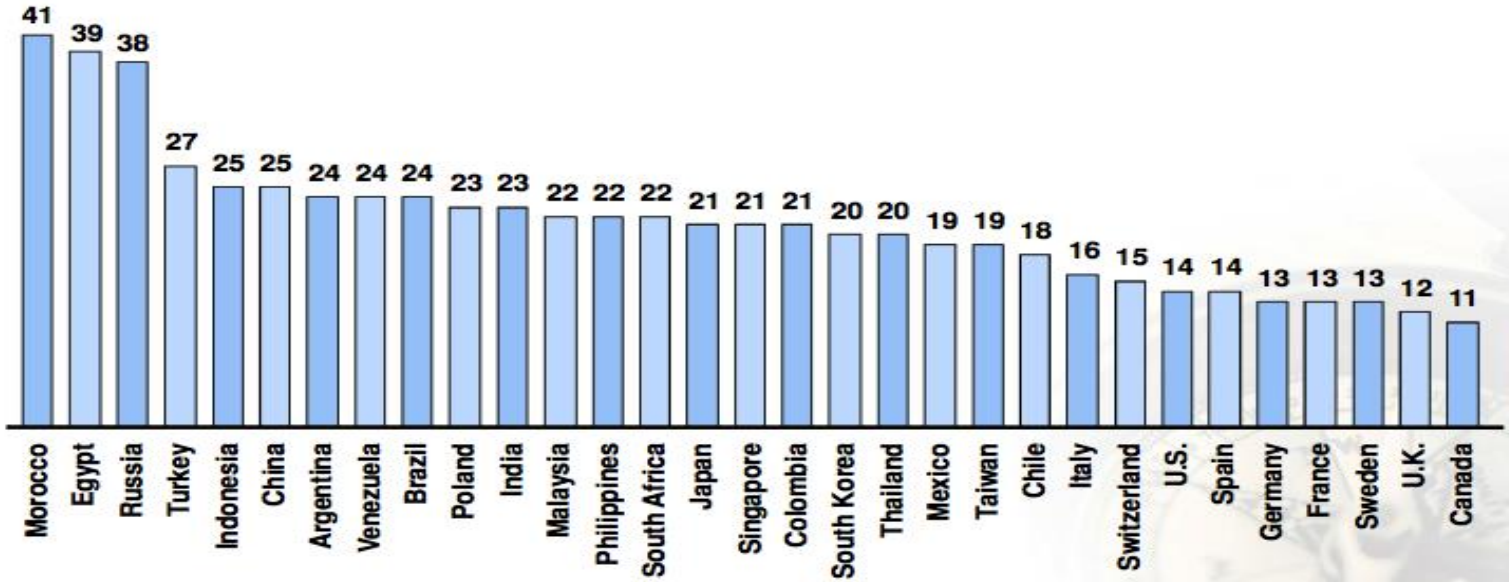
Internal Audit & Corporate Governance

Internal Audit as defined by IIA as “an independent appraisal function, established within an organisation to examine and evaluate its activities as a service to the organisation”

Benefits of Well Governed Companies

INVESTORS ARE WILLING TO PAY SIGNIFICANT PREMIUMS FOR WELL-GOVERNED COMPANIES

Average premiums of those investors willing to pay premium



Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

Global Competitiveness Index 2012-2013

Pillar 1: Institutions – 91/144

1.20 Efficacy of Corporate Boards – 114/144

1.21 Protection of Minority Shareholders' Interests – 119/144