

# 3 bodies call for mandatory internal audits

INTERNAL audits should be a compulsory part of the corporate governance process, so listed firms will have an early warning signal of fraud or other problems, said three leading business organisations.

The Securities Investors Association of Singapore (Sias), Institute of Internal Auditors Singapore (IIAS) and Singapore Management University believe the move would also give investors confidence.

Mr David Gerald, president and chief executive of Sias, added that the audit should be done by an independent person who would immediately report any lapses in the business.

This would help companies attract more investments because investors would be assured that their money is being safeguarded.

"The perception is that Asian corporate governance really is not up to the mark and it must be changed," he said.

"(Singapore is) first in Asia but we are really very far off when compared to countries in the West."

IIAS president Uantchern Loh pointed out that Malaysia has already made internal audits mandatory for listed firms.

"It's really to educate the investors, encourage them to ask questions about companies they are investing in," said Mr Loh, who was speaking yesterday at the signing of a memorandum of agreement between the three bodies to set up an internal audit excellence award.

The award will honour Singapore-listed companies with effective internal audit functions that

have enhanced corporate governance, risk management and internal controls.

A five-member panel will judge the shortlisted candidates, with the winners to be announced at the annual Sias Investors Choice Awards on Oct 27.

The new award is merely the first step towards getting more companies to put in place internal audits.

"(The award is) not the beginning and the end of it all. It's an encouragement. It's an awareness that we are creating," noted Mr Gerald.

"But if (having an internal auditor) remains just a best practice, it is not really going to achieve the objectives of the award and address the concerns of investors."

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