

Corporate Governance09年ACCA\_CAT考试 PDF转换可能丢失  
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52\_625724.htm You are the audit manager of Tela amp. Co has a number of clients where the codes are not being followed. One example of this, from SGCC, a listed company, is shown below. As your country already has appropriate corporate governance codes in place, Jumper amp. Co which: ( a ) Explains why SGCC does not meet international codes of corporate governance ( b ) Explains why not meeting the international codes may cause a problem for SGCC, and ( c ) Recommends any changes necessary to implement those codes in the company. ( 20marks ) Memo 3  
From: A Manager, Tela amp. Co Subject: Corporate Governance in the SGCC Company Date: 13 June 2006 As requested, I write to explain where your client SGCC does not appear to be following appropriate corporate governance codes and to recommend changes to ensure that the principles of good corporate governance are being followed. Chief Executive Officer ( CEO ) and Chairman Mr Sheppard is both CEO and chairman of SGCC. Corporate governance indicates that the person responsible for running the company ( the CEO ) and the person responsible for controlling the board ( the chairman ) should be different people. This is to ensure that no one individual has unrestricted powers of decision. I recommend that Mr Sheppard is either the CEO or the chairman and that a second individual is appointed to the other post to ensure that Mr Sheppard does not have too much power in SGCC.

**Composition of board** The current board ratio of executive to non-executive directors is 5:2. This means that the executive directors can dominate the board proceedings. Corporate governance codes suggest that there should be a balance of executive and non-executive directors so this cannot happen. A minimum of three non-executive directors are also normally recommended, although reports such as Cadbury note this may be difficult to achieve. I recommend that the number of executive and non-executive directors is equal to help ensure no one group dominates the board. This will mean appointing more non-executive directors to SGCC.

**Director appointment** At present, Mr Sheppard appoints directors to the board, giving him absolute authority over who is appointed. This makes the appointment procedure and qualities directors are being appointed against difficult to determine. Corporate governance suggests that appointment procedures should be transparent so that the suitability of directors for board positions can be clearly seen. I recommend that an appointments committee is established comprising three non-executive directors to ensure there is no bias in board appointments. Formal job descriptions should also be published making the appointment process more transparent.

**Review of board performance** It is correct that the performance of senior managers is reviewed, but this principle should also be applied to the board. While Mr Sheppard may undertake some review, this is not transparent and it is not clear what targets the board either met or did not meet. I recommend that performance targets are set for each director and actual performance assessed against these on a regular

basis. Reasons for underperformance should also be ascertained and where appropriate, changes made to the composition of the board.

**Board pay** At present, board members' pay is set by Mr Sheppard. This process breaches principles of good governance because the remuneration structure is not transparent and Mr Sheppard sets his own pay. Mr Sheppard could easily be setting remuneration levels based on his own judgements without any objective criteria. I recommend that a remuneration committee is established comprising three non-executive directors. They will set remuneration levels for the board, taking into account current salary levels and the performance of board members, remuneration should also be linked to performance, to encourage a high standard of work.

**Internal control** The system of internal control in SGCC does not appear to be reviewed correctly. While external auditors will review the control system, this review is based on their audit requirement and cannot be relied on to test overall effectiveness of the system. The system may therefore still contain weaknesses and errors. I recommend that some more formal review of internal control is carried out, perhaps by establishing an internal audit department, as noted below. The relationship with the company's auditors must also be reviewed so that the work of the board and the auditors regarding internal control is understood by both parties.

**Internal audit** SGCC does not have an internal audit department. Given the lack of formal review of internal control in the company, this is surprising. Good corporate governance implies that the control system is monitored and that an internal audit department is

established to carry out this task. I recommend that an internal audit department is established, reporting initially to the audit committee who will monitor internal control and then summarise reports for the board. Financial statements There appears to acceptable disclosure in the financial statements regarding the past results of the company. However, the board should also provide an indication of how the company will perform in the future, by a forecast review of operations or similar statement. This is partly to enable investors to assess the value of their investment in the company. I therefore recommend that the annual accounts off SGCC include some indication of the future operations of the company. Audit committee There is no mention in the report of an audit committee. Good corporate governance implies that there is some formal method of monitoring external auditors as well as checking that the reports from the external auditors are given appropriate attention in the company. I recommend that an audit committee is established-made up from non-executive directors. The committee will receive reports from the external and internal auditors ( as mentioned above ) and ensure that the board takes appropriate action on these reports. I hope this information is useful. Please contact me again if you require any further assistance. Sincerely Ann C.Outent

Note to candidates: An alternative and allowable answer format was to answer sections ( a ) , ( b ) and ( c ) of the question separately. Taking this approach would also allow other valid points in part ( b ) such as inability to obtain a stock exchange listing. 100Test 下载 频道开通 , 各类考试题目直接下载。详细请访问

