

SLID plays a role in “Enhancing Effectiveness of Audit Committees”



*From-left-to-right,-Mr.-Vijaya-Malalasekera,-Ms.-Nilanthi-Sivapragasam,
-Mr.-Asite-Talwatte-&-Challenger,-Mr.-Ranel-Wijesinha*

The Sri Lanka Institute of Directors (SLID) recently conducted the 2nd of the six module series of their training programme on Corporate Stewardship and Board Room Governance. The Challenger/Provocateur that evening was Ranel Wijesinha, Chartered Accountant and International Management Consultant, who has a unique balance of exposure to both industry and public practice in auditing as well as consulting, both locally and overseas. He challenged the well established and recognized, experienced panel of professionals and industry specialists with wide exposure, who SLID had carefully selected. They were Messrs. Vijaya Malalasekera former Legal Director at Ceylon Tobacco Company, R. Rasiyah, former CFO Nestles and currently Independent Director of Nations Trust Bank and Ceylon Cold Stores, Asite Talwatte Managing Partner Ernst & Young, Suresh Shah CEO Lion Brewery, Nilanthi Sivapragasam, Chief Financial Officer, Aitken Spence and Lakmali Nanayakkara, Senior Partner at Ernest & Young, on “Making your Audit Committee more Effective.”

The challenger began by setting the stage with the following opening statements. “Governance is not enhanced by the appointment of independent directors alone, or by increasing their numbers or by the appointment of multi disciplinary boards of directors or due to the longevity of the Company in an industry. In lighter vein he added, “grey matter is not synonymous with grey hair and that wisdom was not the privilege of age.” He also stated that there was a perception particularly among minority shareholders (repeating that it was only a perception) that corporate boards still adopted the practice of sourcing directors through the “old boy network”, and that there was a tendency to invite on to boards people who are regarded as those who do not ‘rock the boat’ and who will go along and get along! “If that be the case” he asked the panel, playing

the designated role of challenger/provocateur, “how could governance be enhanced or the enhanced effectiveness of an audit committee add value to a Board and a company?”



from-left-to-right;-Mr.-Suresh-Shah,-Ms.-Lakmali-Nanayakkara-&-Mr.-A.-R.-Rasiah

R. Rasiah opined that governance practices are relatively new and have evolved to what it is today. Vijaya Malalasekera stressed that selection and composition of independent directors and audit committee members through a Nominations Committee was an important task. He stated that ideally the Nominations Committee was expected to identify the type of Directors required for the company and submit the list to the board. It was left to the board to select the people that could add value to the business and bring in strengths from various angles that the board was lacking in. Obviously, the manning of the audit committee would be one such angle.

The panel was of the view that over time such selections and board room practices as well as methodologies and approaches of audit committees have evolved to a far more acceptable stage. Wijesinha concurred with this view even citing several specific examples of how corporates who were earlier reluctant to accept the need for independent directors and governance procedures had actually taken special pains to embrace international best practices. Lakmali Nanayakkara was of the view that what was important was the proactive manner in which an audit committee, interacts with internal management personnel, outsourced internal auditors and external auditors; in order to derive comfort for itself and the board that systems, procedures, controls and risk management practices are robust and will lend itself to the preparation and presentation of reliable quarterly and annual financial statements. The panel and the challenger himself, was in unanimous agreement with this view.

Ranel Wijesinha also posed the question “Was the audit committee a distraction?” “Of course” said Nilanthi Sivapragasam, but emphasized that it added to the effectiveness of an organization as it kept the management on its toes. The Panelists had different views on this, but were mostly in agreement that an audit committee should not get too involved with all the nitty, gritty of the operating aspects of the business. What was important, however, was to gain assurance on areas such as effective internal controls, good risk management, ethical practices, proper disclosure and transparency of reporting.

A discussion took place as to what extent the audit committee should involve itself with new projects. While the panel was of an overall view that audit committees should ideally not be involved in new projects, Nilanthi Sivapragasam suggested that the audit committee could conduct a review of a new project perhaps after six months of its launch. The challenger was of the view that a dedicated independent business development unit – independent of the directors or a subsidiary proposing the project and responsible for implementing it, should, on behalf of the main board or the board itself, perform a due diligence of promoters, project partners and the project itself as a support unit to the board as well as the audit committee.

Suresh Shah differed with this view commenting that it would then take away from the freedom and the empowerment given to directors. Wijesinha however, suggested that this should be considered as a value adding strategy rather than one that de-motivates or distracts board members who propose projects and that this has been fairly well established in certain corporates and works well.

Vijaya Malalasekera sharing his best practices at CTC described how the tone of the Audit Committee was set at the top with the Board setting out the Business Plan identifying the company's objectives, with the key result areas highlighted. "The process must be in place, but they should not manage it. They must have their 'noses in, but fingers out' for it to work efficiently."

Asite Talwatte stressed on the need for risk management practices and that a review of such risk management practices is an inherent part of the work of an audit committee. A discussion then took place whether all companies should have a risk management division and it was concluded that the head of this unit should attend the meetings of the audit committee.

A wide range of other issues were discussed with a healthy interaction from the audience. This was a useful session conducted by SLID and generated several learning outcomes for all who were present.

The 3rd module in this series of trainings on Corporate Stewardship & Board Room Governance deals with "Focusing on Key Areas Reserved for the Board." This session will be lead by Mr. Lalith De Mel, Chairman Hemas Holdings, on 18th March at the Cinnamon Grand with the support of Messrs Ajit Gunewardena Deputy Chairman John Keells Holdings, N.G. (Tanky) Wickremeratne former Chairman Hayleys Group, Aritha Wickramanayake Precedent Partner Nithya Partners, Dr. Hans Wijayasuriya Group CEO Dialog and Dr. Uditha Liyanage Director Post Graduate Institute of Management.

Modules 4, 5 & 6 will deal with "Effectively Dealing with Contemporary Issues," "A Functioning Remuneration Committee" and "Governance Issues of Specific Organization" and are scheduled for 22nd April, 20th May and 24th June 2010.

These topics will be ably decimated by professionals of the caliber of: Messrs Ranjith Fernando former CEO & Director of the National Development Bank PLC, J.D. Bandaranayake Chairman of Ceylon Tobacco Company PLC, Reyaz Mihular Partner, Head of IFRS, KPMG Ford Rhodes Thornton & Co, Amal Cabraal Chairman Unilever Sri Lanka Ltd, Chandima Gunawardena

Director Carson Cumberbatch PLC, Kishu Gomes MD & CEO of Chevron Lubricants Lanka PLC, Sithie Tiruchelvam, Founding Partner Tiruchelvam Associates & Director of John Keells Holdings, Franklyn Amerasinghe, former Director General of the Employers Federation & HR Consultant, S. Skandakumar, former Chairman George Stuarts, Nihal Fonseka, CEO DFCC Bank, Dinesh Weerakkody, MD Cornucopia Sri Lanka, Hiran Cooray, Chairman Jetwing Sri Lanka, Rajendra Theagarajah, MD/CEO Hatton National Bank PLC, Faizal Salieh, MD Amana Investments, Sanjiva Senanayake, Director Hemas Power, Deshamanya Chari De Silva, Past Chairman Aitken Spence and of the Ceylon Chamber of Commerce, Ms Minette Perera, Director Dilmah Fine Teas & Herbs Ltd, Dr Harsha Cabraal, President's Counsel, Ronnie Peiris, Group Finance Director John Keells Holdings PLC, Preethi Jayawardena, MD Chemanex PLC.

The President of SLID, Mr. Mahen Dayananda said “this series of training programmes, spread over a period of 6 months, is part of a well planned strategy to carry Sri Lanka forward in to a new era of economic prosperity, building a business culture that is world class. We have opened it to guests from the private and public sector as well giving the participants an opportunity to interact with the top business professionals of Sri Lanka who would share their business experiences and expertise.”

The caliber of professionals handling each module will not only add value through their knowledge and experience but will also act as inspirational role models to participants to demonstrate independence, accountability, and transparency.



The-Participants-at-the-Module-2-of-Corporate-Stewardship-&-Boardroom-Governance.