

Can accountants **save** the day?



ENRON Corporation was an energy, commodities and services company based in Houston, Texas and considered as one of the world's most controversial accounting and auditing scandals.

In 2001, the American company used accounting loopholes and poor financial reporting to hide billions of dollars of debts from failed deals and projects, while simultaneously inflating their earnings. The scandal resulted in shareholders losing over US\$74 billion as Enron's share price plummeted from a high of US\$90.75 per share in mid-2000 to less than US\$1 by the end of November 2001 and ultimately also led to the bankruptcy of the company. Apart from that, thousands of employees lost their jobs.

Incidents such as Enron show the importance of corporate governance in an organisation. Corporate governance involves processes and structures used to manage a business and relevant affairs of the company. Good corporate governance promotes and strengthens the trust of its shareholders, business partners and customers, and ultimately helps the company achieve its goals and sustainability in business whilst preventing unwanted conflicts.

Corporate accountability and compliance involves ethical behavior, transparency and sustainability in governing the company and stewardship of investors' capital. Standards of fair dealings, without undue influence from any party and in compliance with applicable laws such as Financial Services Act 2013, Companies



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Act 2016 and any guidelines, directives or policies issued by regulators such as Bank Negara Malaysia, Bursa Malaysia or Securities Commission, will help in ensuring the financial soundness of the company.

With corporate governance ingrained at the core of an organisation, accounting fraud – intentional manipulation of financial statements to mislead investors and shareholders – can be avoided. Bad corporate governance can cast doubt on the company's reliability, integrity and transparency, which then can have a negative implication on its financial health. Ultimately, it will end up tarnishing your company's brand, reputation

and credibility.

It is critical to ensure good corporate governance is upheld with the many scandals brought to light in recent years. Corporate governance must be embedded within each level of an organisation, from the lowest ranked employees up to the board level.

Accountants play a significant role in ensuring corporate governance is strong within a company. They periodically compile and examine data on companies' internal activities to report to the highest authority in a company and also to its important stakeholders. Hence, it is crucial to comply with standards and regulations set by the

relevant regulatory bodies.

Accounting gives clear, factual information on organisations, and acts as a check and balance on whether it is on track in meeting its business goals. Therefore, this includes the setting of a clear code of conduct which governs processes carried out in an organisation, putting a fraud risk management programme in place, conducting regular assessments of a company's risk exposure and implementing preventive measures in accordance with international standards and practices. An accountant's role also includes identifying gaps in the company's corporate strategies and business goals in relation to financial performance.

We can see that an accountant's role goes beyond ledgers and numbers. They are the gatekeeper of all financial-related activities – a key enabler in improving good financial performance, thus ensuring good corporate governance for the company.

In this digital world, accountants are challenged by current technological trends and the globalisation of the financial markets, as well as advancements in regulations. Therefore, we need to continuously sharpen our knowledge, skills and competencies. Like it or not, accountants must support and educate others in making informed considerations and decisions. I believe accountants do save the day, but only when all processes and structures in business operations adhere to the regulatory standards and laws that are set to ensure robust business practices.

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