01/02/2023 CONCEPTS, THEORY AND PRACTICE OF CORPORATE GOVERNANCE

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* Corporate governance is important to us not just as accountant but the society at large.
* We should all be interested in how a company is run

Corporate Governance has become one of the commonly used phrases in the current global business vocabulary. The global financial crisises and the credit crunch that engulf financial markets and economies around the world, causing bank failures and resulting in recession in developed economies and elsewhere have further neccessitate corporate governance and brought it to the centre stages.

Therefore, weaknesses in corporate governance are being held up as a reason for and causes of the current crisis, excessive executive remunerat

executive structures, failure in risk management and internal control system, weak monitoring, lack of independence in the board room and a distinct depth of board room ethics are being blamed for the collapse of leading banks. The global financial crisis and its repercussions

There has been a public outcry ~~over~~ at the ways in which banks took risk that led to the crisis, the same time receiving massive salaries and bonuses and so that there has been calls for greater accountability from the banking sector.

The notorious collapse of ENRON one of the Americans' largest companies in 2001, focused international attention at the start of the new millennium on company failure and the need for strong corporate governances. Similarly, corporate collapses such as PARMALAT has shown that corporate governance weaknesses in different companies around the world can lead to similar problems. The UK responded

to the ~~FAIR~~ ENRON by producing Higgs report (2003) and the SMITH report (2003) where as the United State produced Sarbanes - Oxley Act 2002. However the effectiveness of the principles and codes of corporate governance best practiced maybe called to question in the light of the financial crisis and ~~cred~~ credit crisis. In reaction to the banking crisis in UK published the WALKER review (2009) followed by Stewardship code (first in 2010 and then again in 2012) and the KAY of 2012 and new corporate governance code and policy document often seems to be produced in reactionary manner. Although the UK and the US responded sharply, quickly, immediately and effectively to the failure of ENRON by strengthening the corporate governance framework, something seems to be missing from their efforts ~~to~~ policy. Although policy makers focused on strengthening systems of internal control (internal audit, audit committee, and the role

of non-executive directors for example), the most recent and in many ways ongoing global financial crisis has shown that corporate governance failure emanating from poor risk management, inadequate internal control and weak monitoring of boards

What has gone wrong?

framework for good corporate governance are embedded in the UK, US and elsewhere around the world and for some reason the framework has not delivered protection to major banks and other significant organizations. The links between weak corporate governance and corporate collapse are being explored by academics and practioners in the aftermath of the financial crisis.

The phenomenal growth of interest in corporate governance has been accompanied by a growing body of academic research As the discipline matures, far greater

definition and clarity are being achieved concerning the nature of corporate governance. As it matures, both in terms of academic research and in terms of policy making and code of practice, the definition of corporate governance is evolving rapidly as we shall see throughout this course. Corporate governance is a dynamic concept that has grown and transformed in many varied ways over the last 25-30 years.

It is likely that corporate governance would continue to evolve in the future not only passively, in response to event but also, hopefully, actively, academics and ~~practioners~~ practitioners seek to improve continuously the accountability of organisations to stakeholders and the society as a whole.