

Sarbanes-Oxley can profit S'pore firms

Meeting the Act is even more critical for non-profit organisations

By **WONG WEI KONG**

SINGAPORE companies will profit from meeting the requirements and standards of the Sarbanes-Oxley Act (SOX) even if they are not legally bound by the US legislation — and it is even more pertinent that non-profit organisations do so.

“Our fundamental message is the same everywhere in the world. SOX has significant merit in creating a sense of ethics, honesty, responsibility, accountability and transparency,” Sanjay Anand, chairman of the SOX Institute, told BT.

The institute was set up by the Sarbanes-Oxley Group — a group of professionals looking at issues relating to the legislation — after it became apparent that companies and professionals needed training in becoming SOX-compliant. Mr Anand is in Singapore to launch the first SOX certification programme outside the US.

SOX in the US essentially mandated what were previously guidelines for good corporate governance. It emphasises documentation of internal controls and processes and the integrity of financial reporting, as well as ethics. While Singapore has a Code of Corporate Governance for listed

companies, this does not have the force of law.

Although SOX is a requirement for US companies, Singapore companies who deal with American firms are increasingly expected to comply with SOX standards. Even for companies with no US dealings, adopting SOX standards holds long-term benefits, Mr Anand said.

“The message on adopting SOX is not just to meet government or customer expectations but to improve the bottomline, quantitatively and qualitatively.”

An ethically driven corporation, in the long term, will sustain its performance. It will also look after its shareholders. “It is a good opportunity to show that you’re prepared to go above and beyond what is required. For private companies planning to go public, it is a good way to set the foundations right.”

Challenges usually faced by companies in adopting SOX include money and time, lack of clarity, outdated IT systems, lack of corporate buy-in, and insufficient training and qualified resources.

Noting the spate of corporate scandals in the US and in Singapore, Mr Anand said rules are needed to keep fraud and cheating in check, especially when the advent of technology and globalisation are creating more opportunities for white-collar crime. “Unfortunately, we need more rules in the world.”

Mr Anand believes the

key thrust of SOX is to keep the “honest man honest”, as the dishonest person will “always find a way”.

“It is much easier to commit white collar crime now than ever in the past. There has to be something to stop people from taking advantage of the easier environment. We already had Enron and we don’t need another Refco.”

For non-profit organisations (NPOs), SOX is even more critical. “I think SOX and SOX-like requirements are more relevant to NPOs, more than any others,” Mr Anand said. “NPOs need to set a good example and high standards because of the trust and faith placed in them.”

This will be his central theme when he addresses a seminar today organised by the Social Services Training Institute of the National Council of Social Services to look into the significance of SOX for NPOs in Singapore.

More so than listed companies, the situations at most NPOs lend easily to deceit and fraud, he noted. “There is potential conflict of interest, where you run an NPO as a cover for a profit-making organisation or to outsource to a profit-making organisation. There is the opportunity to cook the books, because NPOs are not scrutinised as much. And nobody really reads the annual reports of NPOs.”

In the US, many NPOs have already adopted SOX as best practice.

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