

**ACC3706 Corporate Governance and Risk Management
(Semester 2, AY2021/2022)**

Course Outline

Teaching Team

Name	Role	Email	Office
Prof Mak Yuen Teen (MYT)	Coordinator/Lecturer	bizmakyt@nus.edu.sg	BIZ1 7-27
A/P Richard Tan (RT)	Lecturer	biztclr@nus.edu.sg	BIZ2 3-21

Workload (hours per week):*

Seminar (Lecture/Case presentations):	3
Project, tutorial assignments, etc:	4
Preparatory work :	6

Modular Credits: 4

Pre-requisites: ACC1002 Financial Accounting
BSP1004 Legal Environment of Business

*Classes will consist of one three-hour session per week. Eight of the classes will be a combination of lecture and case presentations by students.

AIM

There are many definitions of corporate governance. One definition states that corporate governance involves “a set of relationships between a company’s management, its board, its shareholders and other stakeholders [and that which] provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined” (OECD Principles of Corporate Governance, 2004). This module covers corporate governance from a multi-disciplinary perspective, including law, finance, accounting and economics; discusses the board’s responsibility over the governance of risk in the corporate governance process. Board consequently needs companies to have a sound enterprise risk management framework in place, supported by an adequate and effective system of internal control to address the key category of risks such as financial, operational, information technology and compliance risks. This module will discuss what an enterprise risk management framework entails, such as in risk identification, assessment and response, and the key control principles practised in organisations. It will also discuss business ethical standards and the key business ethics programs found in organisations.

OBJECTIVES

- To enable students to understand the conceptual framework and key rules, regulations, and guidelines governing the corporate governance of companies in Singapore and internationally.

- To enable students to understand the impact the global forces, such as multilateral organisations, foreign governments, multinational corporations and global investors, on corporate governance
- To equip students with knowledge of key corporate governance practices, issues and challenges that is relevant to accountants, corporate executives and other industry professionals involved in corporate governance-related work
- To equip students with the knowledge of the board's responsibility over the governance of risk in organisations, and how enterprise risk management framework supports the board in the discharge of their responsibilities.
- To equip students with the knowledge of the key enterprise risk management principles and processes such as risk assessment, risk responses and internal control activities, and knowledge of internal control principles which are essential in providing a sound internal control environment.
- To enable students to understand ethical, corruption and fraud risks in Singapore and the region, and the role and limitations of anti-fraud, bribery and corruption programmes in mitigating these risks

POSITION OF THE MODULE IN THE OVERALL SYLLABUS

This module builds on and complements students' knowledge and understanding acquired through the several accounting modules (such as Financial Accounting and Assurance and Attestation), finance modules such as corporate finance and investments, and modules on the legal environment of business and corporate and securities laws.

LEARNING APPROACH

Corporate governance and risk management are very practical subjects. Companies and various stakeholders deal with corporate governance issues on a daily basis. In this module, students will be exposed to both the theory and practice of corporate governance and risk management. In addition to textbook readings and journal articles, many practical examples of corporate governance practices and issues will be discussed to ensure that students' knowledge is grounded in practice. Extensive use will be made of media articles and commentaries. The practical approach is reinforced through the involvement of lecturers and speakers who have extensive practical experience, videos/case studies involving real corporate governance and risk issues, and projects requiring students to develop hands-on understanding of the corporate governance of companies.

ASSESSMENT

Group project: 30%*

Class/tutorial participation (10%) and tutorial presentation (10%): 20%

Final exam (open book): 50%**

*Written group project report due on Fri, 15 Apr, 5 pm

** Date to be confirmed

Please note that dates are subject to change.

KEY AREAS OF THE SYLLABUS

- Alternative “models” of corporate governance globally
- Forces impacting corporate governance of companies
- Internal and external governance mechanisms
- The corporate governance regulatory framework in Singapore (with some comparisons with other major countries)
- Singapore Code of Corporate Governance
- Corporate governance framework and key corporate governance issues in listed companies
- Key regulatory and governance issues in foreign listings, financial institutions, real estate investment trusts and business trusts
- Corporate governance framework of a listed company and the key players
- Roles and composition of board of directors and key board practices
- Executive and director remuneration
- The role of internal control and risk management in corporate governance
- Enterprise risk management framework – risk identification, assessment, evaluation, response, monitoring
- Risk mitigating measures and internal control framework
- Tone at the top, codes of conduct and whistleblowing
- Business continuity and crisis risk management

PRESCRIBED TEXTS

Corporate Governance Case Studies, Volumes 1 to 10, edited by Mak Yuen Teen, CPA Australia (<http://www.cpaaustralia.com.au>; <http://www.governanceforstakeholders.com>)

Note: The above prescribed texts are available for free download from the above websites. Prescribed readings from them will be in the form of selected case studies used for class presentations and discussion.

SUPPLEMENTARY MATERIALS

Corporate Governance: Principles, Policies, and Practices, Bob Tricker, 2015, 3rd Edition, Oxford.

Corporate Governance Matters, D. Larcker and B. Tayan. 2016, 2nd Edition, Pearson.

Risk Governance Guidance for Listed Boards, Corporate Governance Council, 10 May 2012, Singapore

Note: The first two supplementary books are available in the library. Students are not required to purchase these books. The third book is available for download online.

OTHER SUPPLEMENTARY READINGS

As recommended for each topic

DETAILED SYLLABUS

1. Introduction and overview

- a. What is corporate governance and why is it important?
- b. Key corporate governance mechanisms
- c. Shareholder versus stakeholder models
- d. Key differences in corporate governance around the world

2. Corporate governance regulatory approaches, regulatory framework, rules and enforcement

- a. Regulatory approaches to corporate governance
- b. Overview of the corporate governance regulatory framework and key sources of CG rules
- c. The Singapore Code of Corporate Governance
- d. The “comply or explain” approach
- e. Implementation and enforcement of corporate governance rules

3. Overview of corporate governance issues in listed companies

- a. Corporate governance framework of a listed company and the role of key players
- b. Corporate governance challenges for different types of companies
- c. Corporate governance issues for foreign listings

4. Board of directors

- a. Board powers, duties and responsibilities
- b. Board composition – competencies and independence
- c. Board diversity
- d. Board leadership
- e. Board size
- f. Board committees
- g. Other key corporate governance practices

5. Executive and director remuneration

- a. Overview of rules, principles and guidelines
- b. Structure (mix) of executive remuneration
- c. Performance measures
- d. Different types of performance-based remuneration
- e. Risks associated with pay for performance
- f. Non-executive director remuneration

6. Corporate culture and ethics

- a. The importance of corporate culture and its role in explaining corporate governance scandals and lapses
- b. Aspects of corporate culture and key indicators
- c. Board’s role in overseeing corporate culture
- d. Integrity, ethics and ethical dilemmas
- e. Whistleblowing

7. Responsibility of the board over the governance of risk

- a. Board responsibility over the governance of risk
- b. Board risk governance framework and SGX Listing Rules requirements
- c. Risk definitions – risk appetite, risk tolerance, and key categories of risks
- d. The lines of defence in risk and control

- e. Role of internal audit and external audit functions

8. Enterprise risk management

- a. Internal control principles and enterprise risk management
- b. Risk management standards and ERM frameworks
- c. Overview of ERM and integrated internal control frameworks
- d. Risk management structure in organisations and the lines of defence

9. Risk management process

- a. Establishing the right tone from the top
- b. Establishing the context and objectives
- c. Risk identification, analysis and evaluation
- d. Risk mapping and prioritisation

10. Risk management process

- a. Understanding the concept of gross risks and residual risks
- b. Responding and treatment of risks
- c. Risk acceptance
- d. Risk management tools and techniques

11. Control activities

- a. Objectives of internal control
- b. Principles applicable to control activities, information and communication, and monitoring of controls
- c. Different types of internal controls
- d. Red flags and key risk indicators

12. Business continuity and crisis risk management

- a. Understand how business continuity risk management (BCM) fits into the ERM framework
- b. Key concepts in BCM
- c. Key steps in developing a BCM program
- d. Structure of a BCM framework

BIOGRAPHIES OF INSTRUCTORS

Professor Mak Yuen Teen

Mak Yuen Teen was founding director of the Corporate Governance and Financial Reporting Centre (CGFRC) at the NUS Business School (now called CGIO) and is Associate Professor of Accounting. He has held the position of Asia-Pacific Research Director in Watson Wyatt (now Willis Towers Watson), a global consulting firm, and also the position of Head of Research at KPMG Singapore, while on leave from the university. He holds First Class Honours, Masters and PhD degrees in accounting and finance and is a fellow of CPA Australia.

Prof Mak served as Chairman of SATA CommHealth and was also Deputy Chairman of the National Kidney Foundation, joining the board after the NKF scandal before retiring at the end of 2011. He currently chairs the Nomination Committee of NKF and serves as a member of the Singhealth Foundation Finance Committee and the ABS Benchmarks Oversight Committee. He was a member of the audit advisory committee of the United Nations Population Fund based in New York between 2006 and 2012, and of UN Women, also based in New York between 2012 and 2018. He also served on the Governing Council of the Singapore Institute of Directors from 2000-2005.

Prof Mak was a member of the Corporate Governance Committee which released Singapore's first Code of Corporate Governance for listed companies in 2001, and was a member of the Council on Corporate Disclosure and Governance, or CCDG (the predecessor of the Accountancy Standards Council) which set accounting standards and revised the Code. He was also a member of the Corporate Governance Council formed by the Monetary Authority of Singapore (MAS) for the 2017/8 review of the Code and is currently a member of the Corporate Governance Advisory Committee formed by MAS in February 2019. He was also a member of the Charity Council and chaired the subcommittees that developed and revised the code of governance for charities, and a member of the advisory panel established by the Ministry of National Development to develop a corporate governance code for town councils.

Prof Mak developed the Governance and Transparency Index (GTI) published by the Business Times and was the Singapore expert on a project to develop an ASEAN corporate governance scorecard and ranking, an initiative of the regional securities regulators. He also led the development of GIFT, the only dedicated public ranking of REITs and business trusts in Singapore which has been published since 2017. He has chaired or served on various corporate governance award committees.

Prof Mak's report on improving the implementation of corporate governance practices in Singapore, commissioned by MAS and SGX, was published in June 2007. He has led various other projects commissioned by the government and private sector. His book "From Conformance to Performance: Best Corporate Governance Practices for Asian Companies" was published by McGraw-Hill in 2005. He has published a primer on governance for social enterprises in Singapore commissioned by the Social Enterprise Association, and edits an annual collection of corporate governance case studies published by CPA Australia.

In 2014, he was given the Corporate Governance Excellence Award by SIAS for his contributions to corporate governance in Singapore, only one of two individuals in the 22-year history of SIAS to receive the award. In 2015, he received the Corporate Governance Excellence Award from the Minority Shareholders Watchdog Group of Malaysia for his contributions to

raising corporate governance standards in the region and was also recognised by the Singapore Institute of Directors as a CG Pioneer.

Prof Mak is a regular commentator in the media on corporate governance and accounting issues. He conducts training for directors, regulators and other professionals in the region and regularly speaks in conferences here and overseas.

Adjunct A/P Richard Tan

Richard has almost 40 years of governance, risk and control experience in both the financial services and non-financial services industries, and in risk consulting. He recently retired from KPMG as an Advisory Partner where he led in the provision of governance, internal audit, and enterprise risk management services. He has advised boards and senior management on corporate governance, risk and control assurance, and risk management matters. Richard has worked extensively across the Asian markets and has a good knowledge of risks in the Asian markets and in key industry sectors such as banking, real estate, REITS & business trusts, construction, consumer, charitable organisations/IPC's, education, etc.

He currently chairs the Audit & Risk Committee of the Asia Pacific Advisory Board of EFG Bank. He is an independent director and a member of the Audit Committee of Bowsprit Capital Corporation Limited, Manager for First Real Estate Investment Trust (REIT), and independent director and chairman of the Audit & Risk Committee of Isetan Singapore Limited. In the government sector, he is a member of the Audit Committee of A*Star and of the Integrated Health Services Pte Ltd (the technology agency of Ministry of Health). In voluntary service, he serves on the board of several charities/IPC's and is Audit & Risk Committee chairman of the Singapore Repertory Theatre and All Saints Home.

He commenced his career with Peat, Marwick & Mitchell & Co (now KPMG) and later worked in the banking sector for about 20 years in internal auditing and risk management. He has been the head of regional internal audit functions of major financial institutions such as Standard Chartered Bank and Chase Manhattan Bank covering the Asia Pacific region. Prior to re-joining KPMG, he worked in DBS Bank as deputy to the Head of Group Audit where he played a key role in the audit transformation programme. He later moved on to be Head of DBS Group Technology & Operations Risk Management where his responsibilities included control self-assessment, operational risk management and reporting, group reconciliation control services, as well as the group-wide business continuity management programme. A key responsibility in the latter role was to ensure that the Bank maintains a high level of business continuity readiness at all time so as to minimise the risk of service disruptions which may pose a systemic risk to the banking industry. Richard was also a member of various risk-related committees in DBS Bank including the Group Operating Risk Committee, Group Outsourcing Risk Management Committee, and chaired the T&O Policy & Standards Committee.

Richard is a fellow member of the Institute of Singapore Chartered Accountants and a Certified Internal Auditor (CIA). He also holds the Certification in Risk Management Assurance (CRMA) and the Certification in Control Self Assessment (CCSA) from The Institute of Internal Auditors Inc (USA). He is a fellow member of The Association of Chartered Certified Accountants (UK), an associate member of The Chartered Institute of Management Accountants (UK) and holds a Master of Business Administration (MBA) from Henley Management College/ University of Reading.