KPMG Report Shows Multi-Level Failings At NKF

(SINGAPORE) An independent report by accounting firm KPMG on the National Kidney Foundation (NKF), which was released after a five-month probe, has revealed that the foundation had no meaningful standards of governance and operated according to the “ideas, whims and caprice” of its former chief executive TT Durai. The report stated that a weak board and a “powerful and charismatic” CEO moved NKF’s focus “closer to profit maximisation and further from its altruistic aims”. This in turn had led NKF to inflate treatment costs and patient numbers and to misrepresent fund-raising expenses so that it could attract more donations. The report added that the old NKF did not have a formal remuneration policy and that while some employees got frequent salary increases and promotions, others got large ex gratia exit payments of up to ten months' salary. It also said that NKF’s external auditors had failed to spot weaknesses in the charity’s internal controls and that misunderstandings between regulators had resulted in a “wasted opportunity” to deal with, or prevent, some of NKF’s excesses.

NKF’s new board, led by Gerard Ee, has already acted on some of KPMG's findings. These include capping the CEO's pay at $19,000 a month and exercising stricter control over spending. Over the past five months, it has also taken steps to improve governance, accountability and transparency, reduce operating costs and improve patient care. ~ Adapted from "Multi-level failings behind NKF's troubles: KPMG", Business Times Singapore, 20 December 2005.

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European Parliament Passes New Rules To Tackle Creative Accounting

(EUROPE) According to new rules passed by the European Parliament in part to address concerns arising from the “creative” accounting at Parmalat and Enron, listed companies in the European Union are now required to disclose all off-balance-sheet arrangements, including their financial impact, in notes to the annual and consolidated accounts. In addition, they are required to publish an annual corporate governance statement, and will have to provide more information on “unusual transactions” such as deals with the spouse of a board member. The new rules will also confirm that company boards are collectively responsible for the information in annual accounts and annual reports. The European Parliament had broadly followed the original proposal made by the European Commission but several amendments have been made to make the legislation less burdensome for small and medium-size enterprises. ~ Adapted from “New EU rules tackle ‘creative’ accounting”, Financial Times, 16 December 2005.

Telstra Reprimanded For Lax Disclosure

(AUSTRALIA) The Australian Securities and Investments Commission (ASIC) has reprimanded telecommunications giant Telstra for its “unacceptable” approach towards market disclosure and has indicated that harsher action would be taken unless the company improved communications with shareholders. The announcement follows a three-month probe by ASIC on complaints that Telstra had failed to keep all shareholders aware of its deteriorating financial position by secretly briefing the government about its financial woes in August, but waiting till September to issue a profit warning to shareholders. ASIC added that it was also concerned about a briefing to analysts held after the release of Telstra’s annual results on August 11. “While the briefing was webcast, that is not a substitute for the clear requirement in the listing rules to provide any price-sensitive information to the stock exchange in the first instance”, ASIC said. In response, Telstra’s company secretary said that while they welcomed ASIC’s decision not to take legal action, the company rejected its criticism and that “Telstra’s standard of corporate governance is widely respected in the Australian corporate community”. ~ Adapted from “Watchdog attacks Telstra’s disclosure”, Financial Times, 15 December 2005.

Large US Companies Seek Greater Access To Shareholders

(US) The Business Roundtable, the US lobby group that represents big public companies, is pressing the Securities and Exchange Commission to allow them more direct communication with shareholders so as to better respond to increasing investor activism. The latest wave of investor activism has seen shareholders been increasingly willing to challenge management to the point of seeking to oust directors and companies want to be able to speak directly and quickly to shareholders to win arguments with dissidents. However, an estimated 70 to 80 per cent of shares are held by banks and brokers on behalf of the beneficial owners, whose identities are not
known by the companies. Even though companies are entitled to request for a list of beneficial owners from banks and brokers, the list is limited to those shareholders who do not object to disclosing their identities. Hence the roundtable is pressing the SEC to abolish the distinction between those shareholders who object and those who do not so as to allow companies to obtain lists of all beneficial owners. This would speed up communications as the need to send large amounts of information via intermediaries can be avoided. Under the proposed reform, beneficial owners may still insist on anonymity but they will have to bear the cost of companies using intermediaries to contact them. ~ Adapted from “Large US companies want to communicate”, Financial Times, 12 December 2005.

ICPAS Revises Accounting Guidelines For Charities

(SINGAPORE) Taking into account the views of the public after the National Kidney Foundation (NKF) affair, the Institute of Certified Public Accountants of Singapore (ICPAS) has revised its proposed accounting and reporting guidelines for charities. The latest draft requires only charities with a gross annual income or expenditure of at least $5 million – as opposed to an earlier threshold of $1 million – to comply with the accounting practices suggested in the draft. The draft also suggests that large charities should show the number of employees whose pay for the year falls within each band of $50,000. ICPAS said that even though “it is not mandatory for charities”, the Institute encourages charities to adopt the proposed practices in order “to move towards a disclosure-based framework and provide greater transparency to instill public trust and confidence in charities”. The main disclosure requirements are: the annual report, which should include the charity's future plans, should be attached to the accounts whenever a full set of accounts is distributed; and a statement of financial activities showing all incoming and expended resources by the charity, as well as a balance sheet and cash-flow statement. ~ Adapted from “Accounting guidelines for charities revised”, Business Times Singapore, 6 December 2005.

Governance Breaches Uncovered At SAVH

(SINGAPORE) An investigation by the Commissioner of Charities (COC) into the Singapore Association for the Visually Handicapped (SAVH) has uncovered "weaknesses in (SAVH's) corporate governance and management, financial and operational controls". The COC said that although he did not find any loss or misuse of funds, he had uncovered questionable governance and financial issues which included the charity deciding to designate a donation of $50,000 to another cause without the donor's consent and SAVH not having proper accounting for some of its funds. SAVH members were also being paid for providing services to the charity and the society did not have policies or procedures to address such conflicts of interest, despite the National Council of Social Service having told it to establish such policies. In addition, the society had removed an elected executive committee member without due process and executive committee members had been involved in human resource matters by
making staff performance appraisals. The charity has been informed of the findings and has been given time till 
the end of June to remedy the breaches and weaknesses, with the COC monitoring the progress closely during the 
period. ~ Adapted from "Probe uncovers governance breaches at charity SAVH", Business Times Singapore, 16 December 
2005.

CEO Of Deutsche To Face Retrial in Bonus Pay Case

(GERMANY) A German court has ordered a retrial of Josef Ackermann, Deutsche Bank’s chief executive officer, 
over approving bonuses to executives of telecoms firm Mannesmann, stating that he had failed in his duty to 
protect the telecom company's interests. Ackermann and five others had been acquitted of any wrongdoing by a 
regional court last year over the payment of almost 60 million euros in bonuses and benefits to parting executives 
of Mannesmann five years ago. The payments, which had been signed off by Ackermann and other board 
members, had been made to the executives when Mannesmann gave up the fight against a hostile takeover by 
the Vodafone Group in 2000. Ackermann, who did not receive any payment, denies wrongdoing. ~ Adapted from 

Former CEO Of Qwest Charged With Insider Trading

(DENVER) Former Qwest Communications chief executive Joseph Nacchio, who presided over a US$2 billion 
accounting scandal at the telephone carrier, has been charged with 42 counts of insider trading, with each count 
corresponding to a sale of Qwest shares. The indictment charges Nacchio with selling more than US$100 million of 
Qwest stock in 2001 on receiving information from other insiders that the company would not meet its aggressive 
financial forecasts. Prosecutors are demanding that Nacchio forfeit US$101 million in what they describe as profit 
from his insider trading and have indicated that other assets would be seized if the money could not be located or 
had been transferred outside US jurisdiction. Nacchio, who was ousted by the company's directors in 2002, has 
repeatedly denied any wrongdoing, including a testimony before a Congressional panel. ~ Adapted from "Ex-Qwest 

Former Enron Accountant Pleads Guilty To Fraud; Agrees To Help Prosecute Ex-CEOs

(HOUSTON) Richard A. Causey, former chief accounting officer of Enron, has pleaded guilty to a single felony 
charge of securities fraud and has agreed to help in prosecuting the former chief executives of Enron, Kenneth L. 
Lay and Jeffrey K. Skilling. In exchange for his cooperation, Causey will face a sentence of seven years that could 
be reduced by a maximum of up to two years depending on his cooperation at trial. He has also agreed to pay a
fine of $1.25 million. After Causey entered his plea, Judge Sim Lake of Federal District Court accepted a motion by
defense lawyers to delay the start of the trial of Lay and Skilling to Jan. 30 in order to give the defence more time
to prepare. Originally, Causey was to have gone on trial with them on Jan. 17. ~ Adapted from "Former Top Enron
Accountant Pleads Guilty to Fraud", www.nytimes.com, 28 December 2005; "Enron's ex-top accountant to help prosecute ex-

SEC, US Prosecutors Clash Over Plea Deal For Ex-CEO Of Gemstar
(US) In a rare disagreement with another government agency, The U.S. Securities and Exchange Commission
(SEC), has told a federal judge that the Justice Department may have been too lenient in its plea agreement with
Henry Yuen, the former chief executive officer of Gemstar-TV Guide International Inc. The SEC's complaints
helped persuade US District Judge John Walter to withhold approval of the plea deal earlier this month. Yuen had
pleaded guilty to destroying documents required by the SEC on an investigation into a $248-million accounting
fraud at Los Angeles-based Gemstar, now controlled by Rupert Murdoch’s News Corp. Under the plea deal, Yuen
agreed to pay a $250,000 fine, donate $1 million to charity, receive three years of probation and serve six months
of home detention. The judge criticised the proposed deal saying that it "does not reflect the seriousness of this
offense" and "fails to afford adequate deterrence of criminal conduct." A final hearing on the deal has been
scheduled for Jan. 23 where Yuen can either withdraw his plea or accept whatever sentence Walter decides is
appropriate. Yuen faces a maximum of five years in prison. ~ Adapted from "U.S. SEC Clashes With Justice Dept. Over
com, 30 December 2005.

Tokyo Stock Exchange President Resigns Over Faulty System
(TOKYO) Takuo Tsurushima, president of Tokyo Stock Exchange (TSE), resigned recently to take responsibility for
a system problem which raised concerns over the reliability of transactions at Asia 's largest bourse. Mr. Sadao
Yoshino, a senior managing director, and Mr. Tomio Amano, a director in charge of computer systems, have also
resigned while Chairman Taizo Nishimuro will double as president until a replacement is found. On Dec. 8, a trader
of Mizuho Securities had mistakenly typed a sell order for 610,000 shares of a telecommunications firm for 1 yen
each, rather than the intended one share for 610,000 yen, which brought the firm a loss of some 40 billion yen
(about 344 million US dollars). The exchange later admitted that a fault in its system had prevented the Mizuho
trader from cancelling the order after realising the mistake. Last month, a system failure brought trading at the
exchange to a standstill for almost a full day, the TSE's worst disruption ever. ~ Adapted from "Tokyo Stock Exchange
president resigns over system malfunction", http://english.sina.com, 20 December 2005; "Tokyo bourse president to quit over