

History Repeats “ The Satyam Debacle And The Lessons For The CFO™ S

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The Chartered Institute of Management Accountants (CIMA) held a forum for CFOs recently. Ravi Raman, the Chief Risk Officer of Butterfield Fulcrum was the guest speaker at this event.

Bradley Emerson, Regional Director South Asia and Middle East, CIMA introduced the forum. He spoke about the CIMA graduate's role in current and future business environments, and welcomed Ravi Raman, saying that the discussions that day would have particular significance to the present issues faced by companies.

Ravi Raman, who is also a Fellow Member of The Institute of Risk Management and a Certified Information Systems Auditor of ISACA, discussed the reasons behind the Satyam debacle and the lessons to be learnt by CFOs to minimise such collapses in the future. The responsibilities of each tier, from CEO to CFOs from shareholders to employees were explained in detail, as well as the difference between those who are accountable to the company and those who are owners. "A CFO is an employee of the company, and not of the shareholder. When the Chairman of Satyam resigned, he exonerated everyone except the CFO", he said, further examining the role of the CFO in companies today.

Satyam he said means 'truth' in both Indian and Sri Lankan languages, however it was unfortunate that the matters under discussion would relate to the opposite of this. After the crisis occurred several people tried to pass on the blame or say 'I told you so', which should be avoided, he stressed.

Ironically, Satyam was the winner of the 2008, Golden Peacock Award for Corporate Governance under Risk Management and Compliance Issues. The causes for the catastrophe he said, could be related to unrelated diversification with inadequate disclosures, the need for

improved diligence in accounting and auditing and blurring of the segregation between the entity and the shareholders. He also discussed the implications of what he termed 'irrational hope'. The forum concluded with an interesting panel discussion that included Prakash Schaffter, Managing Director of Janashakthi Insurance, Marina Tharmaratnam, CEO, Union Assurance and Reyaz Mihular, Partner, KMPG Ford, Rhodes, Thornton & Co.

"Truth is the first casualty of war", said Prakash Schaffter, and it seems that truth has become a casualty of the corporate world as well. He further pointed out that Satyam is a company that won an international corporate governance award just a few months before the debacle. Therefore, he questioned, "where is the role of corporate governance? Is greed so overpowering that the very edifice of corporate governance could crumble in its wake?" Marina Tharmaratnam, who is also the Head of the Sri Lanka Institute of Directors commented on the importance of the roles and responsibilities of the independent directors, particularly in a public quoted company, whereas Reyaz Mihular examined the role that auditors played in both the success and downfall of organisations.

Forums such as these are organised as part of CIMA's continuing efforts to update the business society on developments in the field of finance and management.



