

# KASNEB

## CS PART III SECTION 6

### GOVERNANCE AND SECRETARIAL AUDIT

FRIDAY: 25 November 2016.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

#### QUESTION ONE

- (a) Discuss four provisions that might be contained in the guidelines on professional ethics and conduct that a certified secretary is bound to observe in the course of his work. (8 marks)
- (b) Explain four advantages of engaging depository participants. (4 marks)
- (c) (i) Identify four possible hurdles that might be encountered while carrying out a legal compliance audit. (4 marks)
- (ii) Explain how the hurdles identified in (i) above could be addressed. (4 marks)
- (Total: 20 marks)

#### QUESTION TWO

- (a) As a certified secretary in practice with expert knowledge in governance and secretarial audits, discuss six factors that might prevent some boards of directors from exercising visionary leadership with entrepreneurial spirit, risk taking and strategic thinking. (6 marks)
- (b) Discuss how secretarial audit can lead to better corporate governance in an organisation. (4 marks)
- (c) Explain five areas that should be covered in a corporate social responsibility audit. (5 marks)
- (d) Analyse the contents of a governance and secretarial audit report of a listed company. (5 marks)
- (Total: 20 marks)

#### QUESTION THREE

- (a) You are the company secretary of a large company that has established milk processing and distribution units in many parts of the country.
- Justify with four reasons why compliance under various environmental legislations is essential during strategic business decision making and sustainability. (4 marks)
- (b) Explain the systems approach to compliance management in relation to the following functions in an enterprise:
- (i) Compliance dashboard. (2 marks)
- (ii) Policy and procedure management. (2 marks)
- (iii) Internal corporate compliance systems. (2 marks)
- (c) Outline six post governance audit events that a governance auditor might disclose in the governance audit reports. (6 marks)
- (d) Explain four qualities of good governance audit evidence. (4 marks)
- (Total: 20 marks)

#### QUESTION FOUR

- (a) A multinational company is planning a merger with a local company and a cultural due diligence report is required by the multinational company's board before a merger decision can be made.
- In relation to cultural aspects, examine the scope of due diligence which should be analysed. (10 marks)

- (b) The quality of board decision making is dependent on the quality of management information.

Describe the areas of management information which should be audited in order to ensure the robustness and completeness of the information presented to the board.

(10 marks)

(Total: 20 marks)

**QUESTION FIVE**

- (a) The exercise of due diligence is not based on defined data but on the application of mind to a transaction.

Highlight the scope of due diligence in business transactions.

(5 marks)

- (b) Discuss four recent developments in advocating for good governance in your country.

(4 marks)

- (c) Summarise six challenges facing governance reforms in your country.

(6 marks)

- (d) You have just concluded the governance audit for Beta Company Limited. As the governance auditor you are required to issue a compliance certificate to the management of Beta Company Limited.

Prepare a certificate of compliance to be issued to the management of Beta Company Limited.

(5 marks)

(Total: 20 marks)

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