ANALYSING THE PERCEPTION OF ACCOUNTANTS ON CORPORATE GOVERNANCE IN PUBLIC LIMITED COMPANIES

Prof. A.H.N. Kariyawasam

Senior Lecturer, Department of Accounting, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura

IJASR 2020
VOLUME 3
ISSUE 6 NOVEMBER – DECEMBER **ISSN: 2581-7876**

Abstract: The awareness and knowledge on Corporate Governance is improving. This study aims to find out what the accountants of Sri Lankan Public Limited Companies thinks about Corporate Governance and what factor influences the Corporate Governance mostly according to their perception.

A deductive approach was chosen for this study and a quantitative method was implemented using a self-administered questionnaire. It was distributed to accountants in public limited companies in Sri Lanka and the responses were analysed using SPSS to arrive at conclusions.

It was found that Disclosure requirements were the most important factor influencing Corporate Governance in Public Limited Companies and Sri Lanka and the institutional, cultural and regulation environment is the lowest. Having professional accountants and external audits are the most important in disclosure mechanisms involved in Corporate Governance.

The study is limited to public limited companies in Sri Lanka which can be expanded in further studies. Additionally, studies can include qualitative aspect to the data collection so that accountants can give a qualitative impact as well.

This study will add to the researches done on Corporate Governance and enable to understand what aspect to focus if a company is planning on enhancing their Corporate Governance mechanisms.

Keywords: Corporate Governance, Board of Directors, Disclosure requirements, interlocking of directorships, accountants, public limited companies.

Introduction

Background to the study

This study is done on the perception of the accountants of Sri Lanka of the Corporate Governance practices in the Public Limited Companies. Public Limited companies in Sri Lanka need to fulfill certain corporate governance requirements which are made mandatory by the law. Additional corporate governance requirements should be fulfilled for the company to get registered in share exchange market in Sri Lanka. Accounting is a mechanism to provide information and the accountant is an essential component in providing information to capital markets. Furthermore, in the study of Porta et al. (2000), it is mentioned that, accounting is considered to be a profession complying with corporate governance requirements for the information disclosures.

The accounting profession in Sri Lanka is regulated by Institute of Chartered Accountants of Sri Lanka (ICASL) which is the largest accounting governing body in Sri Lanka. Chartered Institute of Management Accounting in Sri Lanka (CIMA) also contributes to the accounting profession. There are other accounting professional bodies in Sri Lanka and together they bind the professional accountants through a code of conduct. Many qualified accountants work in public limited companies in Sri Lanka. 290 Public Limited Liability companies have been registered in Colombo Stock Exchange which is the only Stock Exchange in Sri Lanka, which trades only equity instruments. There are no developed Debt instrument exchange markets in Sri Lanka.

The Public Limited Liability companies should be registered under the Companies Act No.07 of 2007 and certain corporate governance requirements are incorporated in the act itself.

The study was done a background as described above. The perception of the Sri Lankan Accountants about the Corporate Governance in Public Limited Companies could have been influenced by the background factors as well.

Importance of the study

Corporate Governance is of utmost importance for the businesses in a country and the economy, as the public funds of the country can be at an enormous risk, if there is no clarity on how the public funds are used in a business.

In the study conducted by Pepper and Gore(2015), it is mentioned that agency theory assumes that the principles are profit seeking while the agents, top management can be focused on personal benefits. There is a conflict of interests therefore, which was seen in the cases of world renowned Enron and WorldCom incidents, followed up by regulations like Sarbanes Oxley Act (2002) and also increased the awareness on Corporate Governance. In Sri Lanka, there were few cases similar to the above mentioned incidents. With the collapse of Pramuka Bank, and Golden Key financial services, it was in utmost importance that Corporate Governance mechanisms were in place especially in Public Limited Companies to ensure the safety of shareholder funds.

Therefore, this study is important to find out what the "gatekeepers" of a business thinks about corporate governance and its effectiveness for a company. According to their perception, the Corporate Governance mechanisms can be changed or improved if necessary. Improved effectiveness will improve the safety of share holder funds and will also increase the reliability of secondary equity markets of Sri Lanka.

Research Problem and problem statement

The perception of accountants on Corporate Governance policies of a public limited company will have an impact on the development of the policies. Since accountants are the compilers and distributors of information, they will have a proper understanding of whether the existing Corporate Governance policies show the true picture of the company, or whether they protect the share holders' best interests. Therefore there is a problem to understand the accountants' perception on Corporate Governance policies of a Public Limited Company where the ownership can be spread around different owners as the shares can be traded on a stock exchange.

The Research problem of this study is "What is the perception of accountants on Corporate Governance Policies of a PLC?" The perception on Corporate Governance was dissected in to four major aspects of Corporate Governance as below.

- Corporate Governance mechanisms involved in disclosure requirements
- Corporate Governance mechanisms involved in enhancing the effectiveness of the Board of Directors
- Corporate Governance mechanisms involved in interlocking directorships
- Corporate Governance mechanisms involved in institutional, cultural and regulatory features.

These questions can be considered as sub questions related to the main research question mentioned above.

Research objectives

Main objective of this study was to understand and analyse the perception of accounting professionals in Public Limited Companies on the Corporate Governance practices. Through this, it was also expected to analyze the effectiveness of these practices, and how these practices can be improved so that it will better regulate the company's performance and ensure the safety of shareholders' funds. Enhancing the effectiveness would prevent incidents such as Worldcom and Enron as mentioned above.

It was also aimed to understand the awareness of accountants in Sri Lanka about the Corporate Governance practices. This study can be used as an indicator to understand whether the accounting professionals are aware of the existing Corporate Governance practices. If the accountants are not aware of the corporate governance, then the professional accounting organizations should incorporate these into their curriculum.

Another objective of the study is to understand whether the Corporate Governance practices are practically applied to Sri Lankan Public Limited Companies. If there is a gap between the theory and the practice, different measures can be taken to motivate the practice of Corporate Governance mechanisms. This study can be used to close the gap between theory and practice if there is any.

Scope and Limitations

The scope of this study is to understand the Sri Lankan accountants' perspective on Corporate Governance practices. Therefore the study is limited to Sri Lankan public limited companies. With the time and ability to collect information, the scope of the study was limited to Sri Lanka. However, the findings of this study can be applied to similar economies as well to compare and contrast the results.

One limitation the researcher faced when conducting this study was the difficulty to get the information of the accounting professionals of Public Limited Liability companies. The researcher had to use their connections to reach out to accounting professionals and get them to complete the questionnaire.

Another limitation researcher faced was the limitation of prior research on this regard in Sri Lanka, which shows that this is still a relatively new topic in Sri Lanka.

This study was limited to quantitative method. However, previous studies such as Alleyne and Marshall (2014) have used a mixed method to capture the qualitative aspects as well, so that accountants can explain their view on how to improve the Corporate Governance mechanisms.

The research paper is arranged as follows. As above given, the first chapter has described about the purpose behind the study, background information and the context in which the study was carried out. It has also described the research question, problem statement and the main goals aspired to be achieved by this study. Second chapter has analyzed the historical research regarding this topic. It also compares and contrasts the findings between them. Third chapter has detailed the methodology used, variables and the indicators. It has also mentioned the hypotheses used for this study based on the variables. The population and sample size, the sampling techniques used for this study, methods of data collection and the statistical tests performed are also explained in the same chapter. Analysis chapter has explained the findings of the study. Discussion chapter has compared and contrasted the findings of the current study with the findings of the previous studies. Conclusion and Recommendations has added the concluding remarks and will give recommendations based on the findings of this study.

Literature Review

This chapter has discussed the previous research that has been done on accountant's perception on Corporate Governance.

Fama and Jensen (1983) which has been quoted by Alleyne and Broome (2014), have defined Corporate Governance as the range of control mechanisms that protect and enhance the interest of shareholders of business enterprises. As Solomon (2011) has stated in his book, currently ethics and corporate social responsibility are also considered important for effective Corporate Governance as well as shareholder interests. There is no single effective model for Corporate Governance as stated by OECD,(2004).

After the corporate scandals of Enron and Worldcom, USA has enacted Sarbanes and Oxley act of 2002, which is fundamental to any Corporate Governance model. Sarbanes and Oxley act has discussed important matters such as auditor independence, corporate responsibility, and audit and remuneration committees for the members in Board of Directors. Therefore Colombo Stock Exchange has also established certain Corporate Governance requirements for the listed companies. USA has introduced another act as a response to the financial crisis in 2008, Dodds-Frank Act in 2010 which enhanced the effectiveness of Corporate Governance mechanisms. Failure of Pramukha Bank and Golden Key Ltd enhanced the need of proper Corporate Governance mechanisms in Sri Lankan companies. Mandatory regulations and voluntary regulations that Sri Lankan companies should follow are given below.

- Mandatory regulations-
  - Companies Act No.07 of 2007
  - CSE listing rules and SEC directives (for listed companies)
  - CBSL directives for banks and finance companies
- Voluntary regulations-
  - Code of best practices on Corporate Governance-ICASL(2007)

According to the companies act no. 07 of 2007, a limited liability company is a company that issues shares, the holders which have the liability to contribute to the assets of the company, if any, specified in the company's articles as attaching to those shares. A public Limited company gets the opportunity to list itself in the stock exchange and therefore, to let its shares sold to public.

Corporate Governance mechanisms involved in disclosure requirements

Accountants' perception on the importance on certain mechanisms including disclosure for Corporate Governance has been studied in the study of Alleyne, Marshall and Broome (2014).Majority of the respondents have responded that mechanisms were quite important to very important. The highest importance was given to Board of Directors and professional accountants in the organization. The other important mechanisms were code of ethical conduct, practice of whistle blowing, and directors' role in risk management. The study also revealed that the accountants were in disagreement about the quality of Corporate Governance disclosures in the annual reports. They have proposed that annual reports should have better disclosure on Corporate Governance rather than being lengthy and filled with technical jargons.

The study of Haniffa and Cooke(2002) have identified that even if the companies are having certain Corporate Governance requirements fulfilled, they are hesitant to disclose them if it is not mandatory by the laws. A non executive chairman is more reluctant to the voluntary disclosures as they have found out. It suggests that the non-executive chairman is having a private gain and therefore, this mechanism should be reviewed.

Study conducted by Pomeroy,(2010) states the importance of corporate governance mechanisms such as the audit committee on aggressive financial reporting. According to that study the extent to which the Audit Committee members investigate had a positive impact on accounting decisions. Therefore the Corporate Governance mechanisms were important in financial disclosure requirements as well.

Corporate Governance mechanisms involved in enhancing the effectiveness of the Board of Directors

The effectiveness of the Board of Directors in safeguarding shareholder interests is studied in previous researches as well. These studies have focused on the mechanisms such as insider/outsider proportion of the Board, sub-committee such as audit, remuneration and nomination committees, CEO and chairman duality, replacement of CEO etc.

According to Benjamin and Weisbach (1991), says that there is no apparent relationship between the composition of board and the company performance. This might have been resulted due to the lack of powerful tests. Their explanation id inside or outside directors are equally incapable of representing shareholders' interests. If the board is optimally weighted between inside and outside directors, a cross sectional equilibrium between board composition and the performance would not be found. This study suggests even if a strong outside representation is there, it would reduce the agency cost but the performance would worsen. Also the beyond one percent of ownership of stocks by the board and CEO, the company performance would decline.

The study conducted by Alleyne, Marshall and Broome (2014), suggests that the accountants found the separations of position of CEO and chairman as highest of importance in enhancing the board's effectiveness. According to the comments, there have too many incidents of CEO influencing major decision in instances where the chairman and CEO was the same person. The independence of directors and the board room culture were other factors that would affect the effectiveness of the board in ensuring shareholders' interests in accountants' perception. Weak boards are faced strong resistance from the management. The study was conducted in Barbados where the accountants believe that timely provision of information also enhanced the effectiveness of the Board. The study also suggests that formal annual evaluations are crucial as the disclosure of board activities and meetings.

Corporate Governance mechanisms involved in interlocking directorships

Interlocking directorship means refers to the practice where members of the board of directors serving on boards of multiple companies. (Mizruchi, 1996)Interlock can be created by both inside and outside directors. If a board member is affiliated with another organization it will create an interlock between two companies.

According to Mizruchi's study (1996), even earlier studies assumed that interlock affected the corporate control. Interlocks were viewed as indicative of business cohesion, which was expected to increase political power. Many researchers have studied the relationship between company performance and the interlocks. A repeated finding is negative effect of profitability on interlocking according to Mizruchi. However, in the same study he has mentioned that in the longitudinal studies, there were findings to prove that there were no effect on profitability and the interlocks.

In the study of Ferris ET. al, (2003), multiple directorships held by one person does not shirk their responsibilities to serve the board. The study suggests that a single person handling multiple directorships would not result in board oversight of company performance and therefore would not adversely affect shareholder interest. They also found that there is no statistically significant probability that a firm with directors with multiple directorships would end in a security fraud lawsuit. Firm performance however, would have a positive impact on the number of directorships held by one person. There is a likelihood that person might be recruited to different companies as a director if the companies he is a director in, are already doing well.

However, in the study conducted by Alleyne, Marshall and Broome (2014),it was found that accountants perceive that interlocking is an unacceptable practice even though the previous studies have found that there was no apparent relationship between the profits and interlocking. The accountants participated in the study have expressed their concerns over information spills, competition and lack of contribution resulted from the interlocking situations. Due to the limited number of PLC s in the country in which the study was conducted, it was perceived as pooling of directors.

Corporate Governance mechanisms involved in institutional, cultural and regulatory features.

Study of Alleyne, Marshall and Broome (2014) states that poor compliance with best Corporate Governance practices, poor regulations, and cultural factors are influencing Corporate Governance significantly. Ineffective Corporate Governance practices are resulted from weak regulatory institutional practices such as few administrative personnel putting up with the workload. Therefore it is important to allocate enough resources to implement Corporate Governance practices. Further requirements from international organizations such as IMF, has required companies in developing countries to adapt Corporate Governance requirements from developed countries. Socio political factors also have influenced Corporate Governance practices according to accountants' viewpoint. Legal factors of the country have also influenced the adaption and practice of Corporate Governance.

In the study conducted by Classens and Yurtoglu (2013), it has been mentioned that in emerging economies, firms have better access to finance through Corporate Governance. However, if the country's governance system is weak, then voluntary and market Corporate Governance mechanisms have less impact. According to this study there is no direct link between corporate governance and social-environmental performance. Enforcement will make Corporate Governance reforms work. Systems driving for equality and Corporate Governance have limited relationship.

In conclusion this chapter explains what previous researches have been done in regard of the chosen topic. These will be compared with the findings of the current study.

Research Methodology

Research approach

Main objective of this study is to find the perception of accountants in Public Limited Companies of Sri Lanka about the Corporate Governance procedures and how well the four different aspects mentioned in the previous chapter are protecting the interest of the shareholders. To get a clear understanding about the importance that accountants place on each of the factors, it was decided that a quantitative approach should be followed in this research. A similar study, the study conducted by Alleyne, Marshall and Broome (2014) has used a mixed method comprising of both quantitative and qualitative methods. However, due to time constraints and the communication limitations, this study was conducted on a quantitative approach only.

Since a lot of data was aimed to be captured within a limited period of time, a survey method was chosen. Accountants in Public limited companies are spread around different locations, therefore a survey method seemed appropriate and has been suggested by previous researchers as well. The instrument of gathering data was a questionnaire which will be explained later in this chapter.

Independent variables and indicators

The independent variables of this study were the four factors mentioned in the first chapter namely;

- Corporate Governance mechanisms involved in disclosure requirements
- Corporate Governance mechanisms involved in enhancing the effectiveness of the Board of Directors
- Corporate Governance mechanisms involved in interlocking directorships
- Corporate Governance mechanisms involved in institutional, cultural and regulatory features

The perception on these four factors were measured and quantified and was analysed with the overall perception about the Corporate Governance. The contribution of these aspects towards the overall perception was aimed to be analysed through that. The indicators of these four factors are given below.

Independent Variable	Indicator
Disclosure requirements	• External auditors, • Internal auditors • Audit Committee • Code of ethical conduct • Practice of whistle blowing • Disclosure of CG in annual reports • Professional accountants in organization
Effectiveness of BoD	• CEO chairman duality • Proportion of executive and non executive directors • Independence of directors • Timely provision of information • Disclosure of board activities • Formal annual evaluation of the board
Interlocking directorships	• High share ownership concentration • Family prioritization • Interlocking directorships
Institutional, cultural, regulatory factors	• Regulatory environment • Inadequate compliance with international best practices • Pressure from international organization (IMF, world bank) • Socio-cultural factors

Dependent Variable

Dependent variable of this study is the overall perception on Corporate Governance that is rated by the accountants in Public Listed Companies. Measuring of the perception and the tool used for this purpose have been explained later in this chapter. It was assumed that overall perception of the accountants on Corporate Governance is affected by the perception on accountants about the importance of the above given four sectors. This has been the basis of the hypotheses for this study as well.

Hypotheses

Based on the research question, "What is the perception of accountants on Corporate Governance Policies of a PLC?" , four aspects of Corporate Governance were considered for this study and they were mentioned as the four independent variables for this study. Based on the four independent variables and the dependent variables mentioned above, the below hypotheses were built

H1-There is a strong positive relationship between Corporate Governance mechanisms involved in disclosure requirements and the overall perception on Corporate Governance

H2- There is a strong positive relationship between Corporate Governance mechanisms involved in enhancing the effectiveness of the Board of Directors and the overall perception on Corporate Governance

H3- There is a strong positive relationship between Corporate Governance mechanisms involved in interlocking directorships and the overall perception on Corporate Governance

H4- There is a strong positive relationship between Corporate Governance mechanisms involved in institutional, cultural and regulatory features and the overall perception on Corporate Governance

These hypotheses were tested using the collected data and analysis methods. Based on accepting or rejecting these hypotheses, conclusions and recommendations were made. These have been discussed in the later chapters.

Population

The study is primarily focused on accountants' perception on Corporate Governance as the accountants are perceived as the gatekeepers and the information providers of a business organization. The population for this study therefore has been considered as the accountants in Public Limited Companies in Sri Lanka. Primarily these were considered to have at least single professional qualification and working in a public limited company.

Sample

A sample of 100 from the population of accountants was chosen as the time and resources were not enough to distribute the questionnaire to all the accountants in public limited companies. A simple random sampling method was used to eliminate any bias over choosing participants and ensuring that the sample represented the population.

70 of the accountants have submitted their responses and their input has been analysed to come to conclusions.

Data Collection

A primary research was conducted since there was limited availability of published data on this regard. A self administered questionnaire was distributed among participants.

Participation in the survey was completely voluntary and the questionnaire was in English to ensure understandability to all accountants. Participants were guaranteed of confidentiality of their information submitted. Data was collected via email as it was convenient to distribute questionnaires and collect data as it was cheaper.

Participants' responses were quantified using a 5 point Likert Scale ranging from 1-Not at all important to 5- very important. This was applied for both independent and dependent variables.

Demographic data such as age and gender of the participant was collected in the first part of the questionnaire to analyse any trends between the demographic factors and the perception on Corporate Governance. The second part of the questionnaire was aimed at collecting data on the independent variables. That is gathering data on the perception on four main sections that has been mentioned above. The third part of the questionnaire collected data on the dependent variable that is the overall perception on Corporate Governance.

Tests performed

For analysis of data SPSS was chosen as this is a quantitative study. To get an understanding of the demographics of the sample, descriptive tests were done such as mean, median, mode and inter-quartile ranges. In order to achieve the objectives of the study, which is to understand the perception on Corporate Governance, the relationship between the independent variables and dependent variables tests such as Pearson's correlation, regression analysis, and Anova tests were done.

Analysis

As mentioned earlier descriptive tests were done to understand the sample. 45% of the sample was females and the rest of the sample was males. Majority of the sample were in 30-40 years of age category. 60% of the sample had the professional qualification of ICASL and 33% of the sample had CIMA professional qualification. Majority of the sample were in financial accounting. The lowest were handling treasury function and taxation.

Ratings of mechanisms involved in disclosure requirements

Majority of the participants thought that having professional accountants (M=4.3) and external auditors (M=4.2) were the most important mechanisms involved in Corporate Governance. The next important attribute for them was the disclosure in annual reports (M=3.6). The practice of whistle blowing and the Audit committee was ranked lowest of importance.

The relationship between disclosure requirements and the overall perception of Corporate Governance is significant moderate positive relationship as the Pearson's Correlation coefficient is around 0.63. The regression analysis indicated that 38% of the variance in overall perception on Corporate Governance can be explained through variances in disclosure requirements.

Ratings of mechanisms involved in enhancing the effectiveness of the Board of Directors

Independence of directors and the disclosure of board meetings and activities were ranked the highest in this category. (M=4.2, M=3.7) Timely provision of information was also deemed to be important (M= 3.4) . However, Sri Lankan Accountants do not think that proportion of executive and non-executive directors are that important for the effectiveness of Corporate Governance. Therefore it was ranked the lowest.

25% of the variances in overall perception on Corporate Governance can be explained through the variance in effectiveness of the board. A significant moderate positive relationship was identified through Pearson's correlation of 0.38, between effectiveness of the board and the overall perception on Corporate Governance.

Ratings of mechanisms involved in interlocking directorships

Higher share of ownership concentration is deemed to have the highest impact on the effectiveness of Corporate Governance.(M=4.6). Compared to that, interlocking directorships and family prioritization do not have that much of importance.

A significant, positive, weak relationship was apparent between interlocking directorships and overall perception on Corporate Governance. 7% of the variance in the dependent variable was explained through the variances of responses to interlocking directorships.

Ratings of mechanisms involved in institutional, cultural and regulatory features

Regulatory environment was deemed to be the most important factor for the effectiveness of Corporate Governance from institutional, cultural and regulatory factors. Whereas, socio-cultural factors were perceived to be the least important (M=2.7).

A non significant relationship was identified between institutional, cultural and regulatory features and the overall perception on Corporate Governance.

The analysis was carried out using SPSS as mentioned in the previous chapter. Data cleaning was carried out before the tests were run and reliability validity was tested for the pilot test and the main study as well. There were no significant variances in gender groups and within professional qualification groups about the perception on Corporate Governance. The importance on Corporate Governance was ranked very high (M=4.6) by the majority in the sample.

Discussion

Mechanisms involved in disclosure requirements

The findings of this study suggest that Sri Lankan accountants perceive that disclosure requirements are the most important factor to impact the Corporate Governance of Sri Lankan Public Limited companies. This finding is in line with the findings of the study by Alleyne, Marshall and Broome (2014) in Barbados. Pomeroy (2010) has suggested the same thing. Current study and Alleyne, Marshall and Broome (2014) have found that accountants in both countries assume that professional accountants are important in Corporate Governance mechanisms. However, accountants in Barbados have given whistle blowing more importance than the accountants in Sri Lanka. In the study conducted by Pomeroy (2010), significant importance was given to audit committee, however in the current study it was not considered as much important by the accountants in Sri Lanka.

Mechanisms involved in enhancing the effectiveness of the Board of Directors

Sri Lankan accountants perceive that independence of directors and disclosure of the board meetings are of high importance in Corporate Governance. The findings of this study contradicts with the findings of the study conducted by Benjamin and Weisbach (1991), as the current study suggests that there is a significant moderate positive relationship between the effectiveness of the board of directors and Corporate Governance.

Current study suggests that Sri Lankan accountants put the highest importance on independence of the directors. However, in the study conducted by Alleyne, Marshall and Broome (2014) in Barbados, the accountants have perceived the duality of CEO and chairman as more important. Accountants in Barbados have placed highest importance on the effectiveness of the board whereas in Sri Lanka accountants have placed the highest importance on disclosure requirements.

Mechanisms involved in interlocking directorships

The study conducted by Ferris et. al (2003) suggests that interlocked directorships do not affect share holder interests. However, Sri Lankan accountants think that higher share of ownership concentration is important to the Corporate Governance. However, when comes to interlocks and family prioritization, the findings of the current study follows the findings of Ferris et al's findings.

In study conducted by Alleyne, Marshall and Broome (2014), interlocking was perceived as important as in Barbados, given the size of the islands and the number of public limited companies, there is a concentration of interlocking directorships. As mentioned earlier it resulted in unhealthy relationships between directors and information leakages. The study also suggests that family prioritization is also a prevailing characteristic in the emerging economies. However, Sri Lankan accountants have not marked family prioritization as much important.

Mechanisms involved in institutional, cultural and regulatory features

Current study suggests that, even though Sri Lankan accountants ranked regulatory environment as important, there was no significant relationship between the institutional, cultural and regulatory environment and the overall perception about Corporate Governance. This makes environmental factors, the least important factor for Corporate Governance. This finding supports the findings of Classens and Yurtoglu (2013), where there was no direct link between Corporate Governance and socio cultural environment.

However, the study conducted by Alleyne, Marshall and Broome (2014) suggests differently. The participants in that study have agreed that there is a greater need for transparency and judicial rights. Since the public interest could be affected by not having proper procedures, the importance of having Corporate Governance mechanisms as regulation was perceived to be important.

Conclusion and Recommendation

In conclusion, this study suggests that Sri Lankan accountants perceive by strengthening mechanisms involved in disclosure requirements such as having professional accountants, external auditors and disclosure in annual reports would be the most effective way to strengthen the Corporate Governance practice in public limited companies. Sri Lankan accountants also perceive that overall Corporate Governance is very important in a Public Limited Company.

According to these findings, if the public limited company wants to enhance its Corporate Governance mechanisms, it is important to place proper procedures on disclosure requirements such a recruiting professional accountants, having qualified external auditors, publishing corporate governance mechanisms in annual reports, having internal auditors, encouraging the practice of whistle blowing, etc. However, these are steps of reactive. Sri Lankan perception about Corporate Governance mechanisms is more or less reactive.

A public limited company can then increase its effectiveness of the Board members by ensuring independence of the directors, disclosing and evaluating the board meetings, having formal evaluations on board members etc. Interlocking directorships and socio cultural environment is not much important comparatively. However, having few regulations would definitely improve Corporate Governance in the company.

Further research can be done on the other companies such as small and medium enterprises which are not listed on stock exchanges and private limited companies which are held by families. The findings of this study can be applied to future studies to compare and contrast the findings.

References

1. Alleyne, P., Weekes-Marshall, D. & Broome, T. 2014, "Accountants' perceptions of corporate governance in public limited liability companies in an emerging economy: Evidence from Barbados", *Meditari Accountancy Research,* vol. 22, no. 2, pp. 186-210.
2. Benjamin, E. H., Weisbach, M.S., (1991) 'The Effects of Board Composition and Direct Incentives on Firm Performance', *Financial Management,* 20(4), pp. 101-112 [Online]. Available at: *https://www-jstor-org.ezproxy.uwl.ac.uk/stable/3665716?pq-origsite=summon&seq=11#metadata_info_tab_contents* (Accessed: 25th March 2020).
3. Claessens, S. and Yurtoglu, B.B. (2013), “Corporate governance in emerging markets: a survey”, Emerging Markets Review, Vol. 15, June, pp. 1-33.
4. Companies Act, No.07 of 2007 of Sri Lanka
5. Ferris, S. P., Jagannathan,M., Pritchard, A.C., (2003) 'Too Busy to Mind the Business? Monitoring by Directors with Multiple Board Appointments', *The Journal of Finance,* 58(3), pp. 1087-1111 [Online]. Available at: *https://www-jstor-org.ezproxy.uwl.ac.uk/stable/3094573?pq-origsite=summon&seq=23#metadata_info_tab_contents* (Accessed: 24th March,2020).
6. Haniffa, R. M. and Cooke, T. E. (2002) ‘Culture, Corporate Governance and Disclosure in Malaysian Corporations’, *Abacus*, 38(3), pp. 317–349. doi: 10.1111/1467-6281.00112.
7. La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R. (2000), “Investor protection and corporate governance”, Journal of Financial Economics, Vol. 58 No. 1, pp. 3-27.
8. Mizruchi, M.S. 1996, "What do interlocks do? An analysis, critique, and assessment of research on interlocking directorates", *Annual Review of Sociology,* vol. 22, pp. 271-298.
9. OECD (2004), Principles of Corporate Governance, Steering Group on Corporate Governance, OECD Publishing, Paris
10. Pepper, A. and Gore, J. (2015) ‘Behavioral Agency Theory: New Foundations for Theorizing About Executive Compensation’, *Journal of Management*, 41(4), pp. 1045–1068. doi: 10.1177/0149206312461054.
11. Pomeroy, B. 2010, "Audit Committee Member Investigation of Significant Accounting Decisions", *Auditing,* vol. 29, no. 1, pp. 173-205.
12. Solomon, J. (2011), Corporate Governance and Accountability, John Wiley and Sons Limited, Sussex