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CORPORATE GOVERNANCE IN COMMONWEALTH CARIBBEAN BANKS

Corporate governance is now a major issue on the global agenda following several high-profile financial scandals in the USA, UK, France and other developed countries. In the Caribbean, where companies rely heavily of debt financing, the banking sector is intimately involved in the process of CG in a number of ways. First, it carries out due diligence on private sector and state organizations as it makes lending decisions. Also, Caribbean banks have to adhere to CG best practices as the custodian of depositors' funds. In both respects they have a leading role to play in the promotion of CG and the development of Caribbean economies. By providing leadership in CG Caribbean banks facilitate increased assess to external financial at lower cost of capital leading to higher firm valuation, better economic performance through more prudent allocation of resources, and better relationships with stakeholders (ECCB, 2003).

According to Kerr (2005) and Bowrin (2007) corporate governance development in the banking has outpaced that elsewhere in Caribbean economies, partly due to pressure from the international financial community for timely compliance with international banking standards. Unfortunately, the overall level of CG development in the Commonwealth Caribbean is below par.

One area of CG that is underdeveloped in Caribbean banks is Audit Committee (AC) disclosures. The AC disclosures provided by Caribbean banks regarding AC existence and size, structure, competence, responsibilities and procedures were not consistent with the IFAC (2003) guidelines. For instance, only 73 %, 64 %, and 27 % of Caribbean banks disclosed the existence of an audit committee, the number of inside audit committee members, and the number of independent AC members, respectively. The level of disclosure was also deficient in the area of AC competence, responsibilities and procedures. Only 45 % and 18 % of Caribbean banks disclosed the number of financially literate / financially expert AC members and the responsibilities and procedures of the AC, respectively. Additionally, no Caribbean banks disclosed the relative amounts paid to the external auditors for audit and non-audit services.

As a result, it appears that Caribbean banks are falling short of their potential for facilitating cutting-edge CG.

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