



GOVERNMENT OF THE REPUBLIC OF TRINIDAD & TOBAGO

MINISTRY OF FINANCE

INVESTMENTS DIVISION

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Address by

Senator the Honourable Christine Sahadeo
Minister in the Ministry of Finance

on

'Internal Auditing in Public Life'

at the

District Workshop entitled '***Branding You, Good to Great***'
hosted by

The Institute of Internal Auditors – T&T chapter

8:00 a.m.

on

Monday 24th September 2007

at the

Holiday Inn Express Hotel and Suites

1 Explosion Drive

Trincity

- Tom Bohn – Vice President, Relations Management Institute of Internal Auditors Inc.
- Executive Members of the Institute of Internal Auditors
- Regional Leaders
- Invited Guests
- Members of the Media
- Ladies and Gentlemen

Good Morning

Introduction

It has always been, and still is, with great pleasure when I accept these invitations because it creates an opportunity for the government to publicly congratulate the local and regional chapters of the Institute of Internal Auditors on the tremendous contributions they have made to the evolution of the industry across the region. But more importantly, it provides a nexus for leaders and practitioners to engage in dialogue that will certainly add great value to governance in the Caribbean.

I distinctly remember a time when internal auditing was viewed as an imperative instrument to police, indict and decree judgment. Granted it was used to conduct sensitive investigations when cuts in costs became necessary or deemed a service to just fulfil corporate objectives, its view was primarily due to the limited understanding of

the function. But today, that view has changed drastically and it is now widely seen and appreciated for its facilitative, instructive and preventative role. The post Enron, World Com and Parmalat era, has propelled connoisseurs to scrutinize and re-evaluate internal auditing methodologies to make certain that they are in tandem with the changing business environment. It has moved away from evaluating individual process controls to assessing the overall control environment, that is, integrated control frameworks, **corporate governance**, and the ethical climate—within the organization. Auditors are now pushing themselves to the limit to proactively deal with notoriety, new risks and new market expectations. Furthermore, the audit industry has recognized:

- The need to bring greater accountability and higher ethics to business
- The need to restore stakeholder confidence in the markets
- The need to make good governance a business objective that is every bit as important as competitiveness and profitability.

The Importance of Branding

As a result, what comes to the fore in the field of internal auditing in this current dynamic business environment is quality leadership: one that goes beyond the intellectual and is embedded in the mantra of integrity, transparency, accountability and fairness. This is resonant in your theme “*Branding You: Good to Great*”. The brand that we acquire as individuals, organizations and as nations is very important

and should be one that is worthy of remark; one that as a Caribbean region we are proud; one that has a positive impact on the global market. Experts in the business of brand positioning and brand imaging will tell you that branding is more than just the name or the symbol that defines your company or even your country. Or even the associated colours schemes and fonts. It is about the promise of value. It is about asking ourselves as leaders...*what do we do that adds remarkable, measurable, distinguished and distinctive value to our businesses and our nations?* Our brand personality should be one in which:

- We are **passionate** about serving our customers and our citizens and improving their quality of life.
- We have **compassion** for our employees, stakeholders and the communities we serve.
- We are **creative and disciplined** in our approach to serving customers and citizens and winning the market for successful economies. Exercising entrepreneurial aptitude that demands openness to experimentation and an inclination towards pioneering.
- We exercise **agility** in responding to the changing needs of the global environment and
- We adopt a **collaborative** approach that involves all stakeholders to ensure we achieve common goals.

These are the elements that will drive accountability, transparency, integrity and fairness. The reality is that our international competitiveness is heightened when our global counterparts can clearly observe that our economies have been blended with the highest form of good governance.

Corporate Governance

This paradigm shift in the industry that has thrust governments into paying increasing attention to good governance, has set in motion a series of initiatives, collaboration and dialogue among and within their jurisdictions, to institute checks and balances in their governing structure.

Regulatory Bodies like the Central Bank, the setting up of the Office of the Auditor General, Caribbean Organization of Supreme Audit Institutions (CARIOSAI) and the international regulatory bodies all aid in making certain that good governance benchmarks are adhered.

Steps have been taken within our governments to employ the principles of good corporate governance as set out by the Organisation of Economic Co-operation and Development. State Enterprises have been charged to adopt these principles of:

- Equitable treatment of shareholders: respecting the rights of shareholders and aid shareholders in exercising those rights

- Recognising the legal and other obligations they have to all legitimate stakeholders
- Appointing Board that are cognizant of their roles and responsibilities and skilled to undertake charge.
- Displaying and promoting integrity and ethical behaviour and further reinforced by adopting compliance and risk programmes and initiatives to minimize the risk of integrity breaches.
- Exercising disclosure and transparency in its operations.

Corporate Governance in Trinidad and Tobago

In Trinidad and Tobago, the government has initiated steps to improve its procurement regime that will involve:

- Purchasing best practices in a level playing field
- Probity and transparency of transactions and
- Risk management systems

One initiative in which we are indeed proud is the introduction of an electronic procurement system, E-auction. A critical element of the E-Auction is that it lays open the procurement process to scrutiny every step along the way. Once proper procedures are followed, there will be transparency and proper accountability. The very nature of the E-Auction itself demands it. Some of our State Enterprises are already on board and there are many who have expressed interest and will soon be on board.

Furthermore, in fulfilling our obligations of transparency to the citizens we serve have produced financial statements and reports on spending through:

- The publication of the Public Sector Investment Programme which reports on capital projects funded by the government
- The publication of the Supplementary Public Sector Investment Programme which reports on all project spending undertaken by State Enterprises that are not funded by the government.
- State enterprises are also required to publish their accounts in the media.
- The publication of the Social Sector Investments that reports on all of the governments spending in the social sector.

To take it a step further, being an economy with heavy investments in the energy sector, in 2003 the Government expressed its commitment to the Extractive Industries Transparency Initiative on the grounds of enhanced transparency and accountability. A decision has been made to:

- implement the EITI programme which entails the verification, reconciliation and publication by an Aggregating Body, data outlining payments made to government by extractive companies and revenue received by government based on these payments;
- set up a Technical Committee to review the EITI process;

- publish the financial data on the Extractive Industries on an annual basis;

The government has also placed the oil revenues in the public domain and it is published in the Draft Estimates.

Corporate Governance and the Caribbean Community (CARICOM)

Regionally, when CARICOM introduced the Caribbean Single Market and Economy (CSME) as part of the region's strategy to re-engineer our economic and trade relations with the rest of the world, while at the same time transforming our economies to achieve sustainable development, its vision was built on six broad elements; one of them being "*democratic, transparent and participatory governance*". Thus, the *Rose Hall Declaration on Governance and Mature Regionalism* was implemented, based on the recommendations of the Technical Working Group on Governance particularly:

- The automatic application of decisions of the Conference of Heads of Government at the national level in certain defined areas.
- The creation of a CARICOM Commission with Executive Authority in the implementation of decisions in certain defined areas.
- The automatic generation of resources to fund regional institutions.
- The strengthening of the role of the Assembly of Caribbean Community Parliamentarians.

The regional governance was also extended by giving official recognition to the following mechanisms of particular relevance to the CSME:

- The Caribbean Business Council
- The Caribbean Corporate Governance Forum
- Civil Society Forum

Moreover, to allow for efficiency in the investment environment, Member States are considering proposals for a comprehensive harmonised Investment Policy Framework that will include the adoption of two instruments, namely, a CARICOM Investment Code and a CARICOM Financial Services Agreement. The CARICOM Investment Code, in particular, will be designed **to enhance transparency and accountability**, among its other design elements of filling information gaps, reducing transaction costs and contributing to the primary objective of promoting and facilitating foreign investment flows.

The region has been engaging initiatives under the CSME that will:

- Set corporate governance standards for players in identical markets.
- Open up entities to public scrutiny and understanding
- Allow an understanding of non financial information on the management and risk factors of entities.

These have implications for both the private and the public sector and have been undertaken to support individual economies local democracy and good governance.

The media, as we all know, can be your worst enemy or your best friend. But they also have a vital role in ensuring that accurate information on the public sector activities are shared with the public and that those public sector entities and regional bodies demonstrate the best practices of good governance. It means that our governments both at the national and local levels should be accountable to the people we serve: needless to say that accountability is congruent with democracy. In an environment where accountability and transparency is demanded and adhered, issues of integrity are diminished.

As I close, it is necessary to remind ourselves that in our quest to keep abreast with globalization we should not allow global governance to wane but rather it should be the forerunner. Good governance has moved beyond the theoretical and is now internationally recognised as fundamental to the success, progress and development of any economy. For success it demands a holistic approach: one that is dependant on the involvement of governments, business communities, regulators and legislators. It requires extensive and continuous training of our leaders so that we are au courant with the developments in the industry. The government of

Trinidad and Tobago stands with you in this regard and wishes you a successful workshop: one that I believe will be worthwhile to all participants.

I Thank You.