

# **Speech to the ICATT ON THE OCASSION OF Accountants Week September 7, 2008**

## ***“Ethics and Governance”***

**Presented by Mariano Browne Minister in the Ministry of Finance**

**September 8<sup>th</sup>, 2008**

Mr. President, Members of The Council, Panelists Mr. Jeremy Matouk, Catherine Kumar, Surendra Arjoon, Victor Hart, and Christopher Sambrano Specially invited guests, fellow accountants and members of ICATT ladies and gentlemen, Good morning. It gives me great pleasure to here this morning and I wish to thank the Institute for inviting me to deliver a few words on what are increasingly important topics not only in Trinidad and Tobago but globally.

I am pleased to note the growth in the number of accountants and those studying to become accountants. The Institute is to be congratulated for the wonderful job it has done in promoting the profession and the business of professionalism. In this regard the recently signed agreement with the ACCA to facilitate practice monitoring is an important step in ensuring the continuing quality of its practicing members. Change is an inevitable part of life and all organizations must change or become dysfunctional. Dysfunctional is a euphemism for death. On this basis the Institute is alive and doing well. Today's seminar is a clear demonstration of

how well the institute has been able to marry the functional training needs of its members and a business opportunity.

Not too long ago in the private sector, I would have faced the day to day challenges of reconciling the practical issues of Governance and Ethics. The challenge has multiplied somewhat in my new role as a public figure with oversight responsibilities for managing public money and my previously comfortable positions has been far more difficult in the glare of public scrutiny. Governance in the private sector was clearly far easier and the communication issues far easier to deal with. So today is an opportunity to reflect on the key issues which face us all as professionals.

Let me begin by saying that it is normal and natural for all to want to succeed. By definition therefore that means a competitive environment. And since we do not have all have the same skills or aptitudes there will be different degrees of success and we all want to succeed. There must be rules of engagement which govern the process which define rewards and penalties. And herein lies the dichotomy, the challenge. For humans being what we are will make mistakes, cut corners and look for opportunities.

A good example of this dichotomy is to be found in the Bible. Christ appointed Peter to be the rock on which he would build his Church. But Peter also denied

Christ 3 times. Human frailties clearly do not stop one from doing great things.  
People will be tempted so we must find ways keeping systems secure.

It is useful therefore to start with some definitions to ensure that we are all on the same page.

**Governance** relates to decisions that define **expectations**, grant [power](#), or verify [performance](#). It consists either of a separate process or of a specific part of [management](#) or [leadership](#) processes. In the case of a [business](#) or of a [non-profit organization](#), governance relates to consistent management, cohesive policies, processes and decision-rights for a given area of responsibility. For example, managing at a corporate level might involve evolving policies on [privacy](#), on internal investment, and on the use of data.

Ethics can be defined as the principles of morality or right conduct that pertain to individuals in the conduct of their life or indeed their duty.

Aristotle conceives of ethical theory as a field distinct from the theoretical sciences. Its methodology must match its subject matter—good action—and must respect the fact that in this field many generalizations hold only for the most part. We study ethics in order to improve our lives, and therefore its principal concern is the nature of human well-being. Aristotle follows Socrates and Plato in taking the virtues to be central to a well-lived life. Like Plato, he regards the ethical virtues (justice, courage, temperance and so on) as complex rational, emotional and social skills. But he rejects Plato's idea that training in the

sciences and metaphysics is a necessary prerequisite for a full understanding of our good. What we need, in order to live well, is a proper appreciation of the way in which such goods as friendship, pleasure, virtue, honor and wealth fit together as a whole. In order to apply that general understanding to particular cases, we must acquire, through proper upbringing and habits, the ability to see, on each occasion, which course of action is best supported by reasons. Therefore practical wisdom, as he conceives it, cannot be acquired solely by learning general rules. We also must also acquire, through practice, those deliberative, emotional, and social skills that enable us to put our general understanding of well-being into practice in ways that are suitable to each occasion.

As the industrial revolution changed the business landscape and engendered a wider range of professions and technical skills, so too has the internet and the forces of globalization. This new environment has also increased the risks as it requires a decision making in a shorter time frames and therefore a reliance on the integrity of the information and the systems that produce information. And these developments concurrently have also served to increase the risks of non compliance. Indeed the current preoccupation with ethics and governance flows from the widely publicised “errors of judgment” or excesses associated successive corporate failures to put it mildly. It is also noteworthy that these excesses were not limited to the US market but also took place in Europe and in Japan. Constructive greed has its pitfalls when the rules are ignored and we all suffer accordingly as investors, as professionals, as citizens. And invariably it is

to state that the public looks for remedies and for intervention with money and through legislation.

The concept of professional in this environment is still valid here is a “but” of course. Google Microsoft and the internet have ensure that the public, who are far better educated now than 40 years ago have access to information on a virtually instantaneous basis. People can access medical definitions online and look at available remedies or invest in different countries in minutes. Similarly accounting packages make the business of book keeping simpler and easier to access. And the scandals referred to above have served to demistify the role of the professional and devalue his expertise.

At the heart of being a professional is the duty to uphold the public interest above one’s own and to make accurate judgements based on acquired knowledge, skills, expertise and experience. This is knowledge that is regularly updated and skills regularly refreshed and developed. For accountants, the independent exercise of judgement, based around ethical values and technical skills is the key to their future role in society. This is supported by our approach to professional work experience which seeks to ensure that trainee accountants have exposure and an opportunity to learn from “real life” dilemmas, whilst under supervision.

Today’s professional accountant operates in an environment of time and space reducing technologies with an increased emphasis on ethics and corporate

governance and demand for new, value adding services. With greater automation and processing, the role of a professional accountant has evolved into one focussed on managing uncertainty, complexity and strategic decision-making within an overall context of heightened governance. The attributes possessed by professional accountants facilitate entrepreneurship, help managers create value, manage risk and help us rationalise complexity. This is the role of the 21<sup>st</sup> century professional.

How is this to be achieved ? There are only two ways to achieve these objectives

training

regulation

### **Training**

The fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, which must always be observed. Together, these principles identify and articulate what it means to be a professional accountant and express our commitment to the highest set of values. These principles, therefore, act as a benchmark against which members' behaviour is measured. And students must be trained in these areas. It is noteworthy that in similar qualifications, notably the CFA ethics and governance are now key features of the study programmes.

I note that the new ACCA syllabus, ICATT's examination partner has now incorporated this regime as part of its examinations.

### **Regulation**

Protection of the public can be achieved by ensuring that the fundamental values of professionalism are followed, supported by a rigorous regulatory framework. I have already noted the move to the new practice monitoring regime and its positive implications as well as the emphasis of CPD.

From my own perspective, that the state enterprises account for approximately \$65 billion in assets it is essential that the rigour associated with good governance in the private sector should also be brought to bear in all state enterprises.

Ladies and Gentlemen I wish to thank you for your patience.

Thank you.