



**Alliances for Integrity –
Government and Business Roles in Enhancing African Standards of Living
Addis Ababa, Ethiopia – facilities of the Economic Commission for Africa
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Speech by Lemma Argaw, Auditor General, Ethiopia

Dear Participants, Ladies and Gentlemen,

First of all I wish to be on record in congratulating the sponsors and organizers for this very important and highly inspiring Conference.

To-days topic of the conference is “Business Perspective on Integrity and Transparency. But before I get into the subject matter of the day, I would like to introduce the institution I represent in this conference very briefly. I represent the Institute of Internal Auditors (the IIA).

I am delighted and honored to represent the Institute of Internal Auditors. For those of you who are not familiar with the name and functions of the IIA, the IIA is one of the most celebrated professional Institutes of the World, established in 1941 in New York. As to why it was established at the time, the best explanation perhaps would be, to quote for you from the establishment Charter at that period. The Charter puts the purpose of the IIA as.

“To Cultivate, promote, and disseminate knowledge and information concerning internal auditing and subjects related there to, to establish and maintain high standards of integrity, honor, and character among internal auditors; to furnish information regarding internal auditing and the practice and methods thereof to its members, and to other persons interested therein, and to the general public; to cause the publication of articles related to internal auditing and practices and methods thereof;; and to promote social intercourse among its members; and to do any and all things which shall be lawful and appropriate in furtherance of any of the purpose herein before expressed.”

The founding members, at the time consisted of eleven (11) internal auditors whereas today the IIA membership grew to over 90,000 internal auditors who live in all over the World under the global leadership of the IIA. The headquarter of the IIA has since then been relocated to Altamonte Springs Florida. The IIA structure embraces affiliated internal auditing institutes and chapters spread all over the World. The Institute caters for the education, certification and the global guidance of internal auditing in both the public and private sectors in the World today.

As participants may be aware, internal auditing is one of the indispensable elements of corporate governance, providing value-adding audit services to organizations, audit committees, and boards; the Institute of Internal Auditors is dedicated to the global promotion and development of internal auditing in the World.

To-day the IIA has become the undisputed authority, the major educator, and acknowledged leader in internal audit certification, research, and technological guidance for the internal audit profession worldwide. Its more than 90,000 members in one way or other are engaged in internal auditing, risk management, governance, internal control, IT audit, education, and security.

The Institute exerts unceasing efforts in researching, renewing its guidances and helping its members adopt and use the new guidances and best practices. Beginning at the threshold of the millennium, the IIA carried out an in-depth study in defining and documenting the internal audit profession and its requisite competencies on a global scale. And as a result came out with a renewed internal auditing practice-framework containing the official definition of Internal Auditing, Professional Code of Ethics of internal auditors, the Standard for the Professional Practice of Internal Auditing, Practice Advisories, Development and Practice Aid.

This Framework contains a complete collection of internal auditing literature that informs internal auditing professionals what is expected of them and how to perform it.

Ladies and Gentlemen

This very brief resume indicates that what the IIA does is essential to “Integrity and transparency” which are the central themes of the conference.

Ladies and Gentlemen

Now I would like to come back to the topic of the day, Business Perspective, Integrity and Transparency. But before I delve into the subject I would like to go back to the topic of the Conference. Our Conference topic is “Alliances for Integrity – Government and Business Roles in Enhancing African Standards of living. Looking at this topic, we recognize that in this Conference the issue of Government and Business Roles in Enhancing African Standards of Living needs adequate consideration in terms of seeking ways and means of raising the flow of increased direct investment as much as the need to strengthen government and business relationship to ensure the conduct of business with integrity, transparency and accountability. However, it would seem that, in the context of Africa, emphasis laid on business integrity and government and business partnership without adequate treatment of other factors which contribute to the flow of resources to enhance the Standards of Living of African Countries may not take us to all the extra miles to effectively Enhance African Standards of Living. In this context one would also expect the conference to consider the present low level of investment flow and the need to mobilize adequate private investment including direct foreign investment as well as divers policy initiatives that need to be taken by African Countries themselves to increase the level of investment flow.

In some African countries with “ weak governance zones” the private sector has yet to be created and developed along with the appropriate partnership and allocation of roles between the public and business sectors, because there may not be private sector investment worth our while to discuss. However, it is, true that in countries where mining and extractive industries have very significant roles in the economy, private capital may indeed have either dominant or significant roles which need consideration of appropriate partnership and limitation of roles and responsibilities as well as adherence to good governance principles.

It is also important to create awareness and promote appropriate policy environment to attract investment flows in countries where the private sector is at a very low level of development. In these countries the development of a market economy and the growth of a strong, vibrant private sector is essential for economic development and societal transformation. In this case, to allure private investment to such a level, it will not be enough to require countries to adhere to governance principles only; in addition investors would like to see a host of other incentives and confidence building measures to come with their hard-won resources.

These measures may consist of:

- The existence of a generous investment code providing a comprehensive package of clear incentives, containing duty-free importation of capital goods and raw materials, tax holidays, land acquisition at reasonable terms as well as prompt and steady access to public utilities;**
- The availability of appropriate and proactive labour laws;**
- The existence of effective and modern accounting and reporting system conducive to the development and appropriate functioning of financial markets;**

- Existence of efficient and effective service delivery system to facilitate for business to avoid delays and unnecessary costs; and most of all, business wishes to see in place
- The rule of law and independent Judiciary.

In poor countries the provision of these incentives may be considered as part of the cost to be incurred to attract private investment for national development and raising the standard of living of the people. But, this may need the difficult task of measuring their cost against the benefits accrued through the contribution of the private investment. Quite apart from this, the partnership of private business and the public sectors in these countries, most of the time is based on understanding and mutual trust rather than enforceable regime of corporate governance principles like in some industrialized countries.

There are two effects of these traditional system of doing business between governments and the private sector. On the one hand there are cases where the business sector has been able to contribute to sustainable development of countries and succeeded to become central to the vitality of the economy and the growth process. Such successful businesses have also made vital contributions to enhance transparency, integrity and accountability, and at the same time discharging their commitments to their partners faithfully.

On the other hand, there are those which have had absorbed all what they could have by way of incentives and inducements from partner governments and did not make any effective contribution to development. Such businesses did not only undermine the trust of partner governments but also all their stakeholders including the shareholding public.

This has been amply demonstrated by recent experiences of successive failures and financial collapses indicating dire needs to develop and adopt principles of good governance both for private and public sector companies. It is often witnessed that each failure is alleged to be financial mismanagement, poor decisions and a lack of oversight. But the fact that is not always brought out is that the factual aspects of financial collapse starts long after “a severe erosion and eventual ruination of corporate and personal ethics” (Mariam M. Jennings).

To avoid these types of pitfalls it is incumbent on business and the public sector authorities to exercise regulatory oversight to protect the interests of stakeholders; and business, whether in the public sector or private should be required to adopt the principles of good corporate governance such as: -

- Fairness and corruption
- Accountability
- Responsibility
- Transparency
- Discipline
- Independence
- Social Responsibility

It should be realized that failures to accept good governance principles may lead to disastrous social and economic costs such as:

- **Fraud**
- **Loss of earnings**
- **Drastic falling in stock values**
- **Loss of business partners**
- **Loss of customers**
- **Loss of careers**
- **Loss of trust and credibility, and finally**
- **Total bankruptcies.**

Ladies and Gentlemen:

Whether it is in “weak governance zones” or anywhere else business cannot afford the costs of governance failures and it can do well to make its at most to adopt and maintain good governance principles.

I thank you!