A LECTURE

DELIVERED

BY

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TITLED

CREATING A CULTURE OF GOOD CORPORATE GOVERNANCE AND COMPLIANCE IN THE PUBLIC SECTOR

ON

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Protocols

It gives me great pleasure to address this august gathering today on this occasion of the 1st Annual National Governance Conference of the Association of Corporate Governance Professionals of Nigeria. You will believe with me that *Corporate Governance has emerged from obscurity into being a mainstream concept.*

2. Corporate Governance is about how an organisation is directed and controlled. It is about the structures and processes in place to facilitate and monitor effective management of an organisation, including mechanisms to ensure legal compliance and prevent improper or unlawful behaviour. It refers to the processes, systems, and procedures that affect the way an organization is run to fulfill its goals. It is the establishment of an appropriate legal, economic and institutional environment that allows organizations to thrive as institutions for advancing long-term shareholders value and maximum hand-centred development while remaining conscious of their responsibilities to other stakeholders.

3. Corporate Governance involves two dimensions, which are the responsibilities of the Board:

i. *Performance* – monitoring the performance of the organisation and Chief Executive Officers (CEO). This also includes strategy - setting organisational goals and developing strategies for achieving them, and being responsive to changing environmental demands, including the prediction and management of risk. The objective is to enhance organisational performance;

ii. *Conformance/Compliance* - compliance with legal requirements and corporate governance and industry standards, and accountability to relevant stakeholders.

4. In attempting to take the culture of Corporate Governance from the private sector to the public sector, it is important to exercise caution because of the distinctive nature existing between the private and public sectors, for example:

	Private Sector	***Public Sector***
Mandate	Profit maximisation, considering corporate interests only	Welfare maximisation, considering community interests, involving trade-offs
Goals	Generally clear	Often deliberately vague to satisfy different stakeholders
Performance metrics	Standardised financial ratios	Financial ratios meaningless. Other performance indicators used
Efficiency	Technical efficiency basic requirement	Economic efficiency is often at cost of technical efficiency. Effectiveness often more important
Costs	Firm's own costs used for decision-making	Community costs, including externalities, deadweight losses
Prices	Generally constrained by market Allocation on ability to pay	Dependent on policy – from free provision through to prohibitive Allocation often on welfare grounds
Revenue	From sales	Mainly from tax, also from some natural monopolies
Investment	Based on firm's interests and cost	Community interests

criteria	of capital	and unclear cost of capital
Continuity	Occasional takeovers, mergers	Regular hostile takeover bid, sometimes successful
Accountability	Defined by standards, generally for shareholders and creditors, otherwise closed to public	Wide, more open, fluid
Legal constraints	Binding	Can change legislation
Motivation assumption	Instrumental, personal	Public service Generally lower pay

In spite of the differences between the public and private sectors, there are some core Corporate Governance principles that are applicable to both sectors. These include: Leadership, Commitment, Integrity, Accountability, Transparency.

i. **LEADERSHIP:** Effective public sector governance requires *leadership* from the governing Board and/or executive management. An effective framework requires clear identification and articulation of responsibilities and a real understanding and appreciation of the various relationships between the organisation's stakeholders and those who are entrusted to manage resources and deliver required outcomes. In the public sector, this necessitates lucid and unambiguous communication with the Minister and clearly stated government priorities.

ii. **COMMITMENT:** There has been more emphasis on the form rather than the substance of good Corporate Governance in both the public and private sectors. Effective Corporate Governance is more than just putting in place structures, such as committees and reporting mechanisms, to achieve desired results. Such structures are only a means for developing a more credible corporate governance framework and are not ends in themselves. …

Better practice public sector governance requires a strong commitment by all participants to effectively implement all elements of Corporate Governance. An effective framework is very much people oriented, involving better communication; a more systematic approach to corporate management; a greater emphasis on corporate values and ethical conduct; risk management; relationships with citizens and clients; and quality service delivery.

iii. **INTEGRITY:** *Integrity* is based on honesty and objectivity, as well as on high standards of propriety and probity in the stewardship of public funds and the management of an agency's affairs. It is dependent on the effectiveness of the control framework and on the personal standards and professionalism of the individuals within the agency. Integrity is reflected in the agency's decision-making practices and procedures and in the quality and credibility of its performance reporting.

iv. **ACCOUNTABILITY:** A clear understanding and appreciation of the roles and responsibilities of the relevant participants in the governance framework, importantly, those of the responsible Minister(s), Board and CEO, are key components of sound *accountability*. The flip side is that the absence of these features weakens accountability and threatens the achievement of organizational objectives.

v. **TRANSPARENCY:** *Transparency*, is about providing stakeholders with complete confidence regarding the decision-making processes and actions of public sector agencies in managing their activities. Being open, through meaningful consultation with stakeholders and communication of complete, accurate and transparent information, leads to effective and timely action, thus enhancing the processes of scrutiny. Such transparency is also essential to help ensure that public bodies are fully accountable and is therefore central to good governance overall.

5. The government of any country itself is a kind of corporation practicing Corporate Governance. The:

- "**Executive**" acting like the **"Management Team"**
- **"The Legislature"** acting like the **"The Board of Directors"**
- **"The Judiciary"** acts as an "**Arm of the Nigeria Incorporated"**
- **"The People/Electorates"** are the shareholders who, like regular shareholders during any Annual General Meeting, vote for/out both the Management and the Board.

6. To ensure compliance in the Public Sector, there has to be a code of conduct that ensures everyone is responsible for their actions. A code has value as both an internal guideline and external statement of corporate values and commitments. Code of Conduct clarifies an organization's mission, values and principles, linking them with standards of professional conduct. The code articulates the values the organization wishes to foster, in doing so, defines desired behavior. As a result, codes of conduct or ethics can become benchmarks against which individual and organizational performances can be measured.

7. Distinguished guests, ladies and gentlemen, a code is a central guide and reference to support our day-to-day decision-making. A code encourages discussions of ethics and compliance, empowering stakeholders to handle ethical dilemmas they encounter. It can also serve as a valuable reference, helping to locate relevant documents, services and other resources related to ethics within the organization. Continuous compliance to and practice of this codes lead to a culture in the organization. In organizations, public corporations inclusive, the Board is bound to but not limited to:

- Protect shareholders' investment and provide a competitive long-term return;

- Conduct operations in accordance with internationally accepted principles of good Corporate Governance;
- Provide products and services that consistently offer value in terms of price and quality and which are safe for their intended use;
- Listen to customers' views and continually strive to improve the organizations performance;
- Respect the human rights of employees;
- Provide good and safe working conditions, create an inclusive work experience where every employee has an equal opportunity to develop his or her skills and talents and encourage diversity;
- Understand and value of cultural differences;
- Comply with applicable laws and regulations; and
- Give proper regard to health, safety, security and to the government.

8. In addition to these, the Board should put in place a consequence for every action; acts that are in lie with the culture of the organization should be rewarded accordingly, whilst those that are against the culture of the organization should be punished. That is why in this administration, the President is determined to fight corruption and uphold integrity on every front through the anti-corruption drive. This administration's Change Mantra remains the pledge we made to all Nigerians in the areas of Security; Corruption; and Economy.

9. Let me also use this opportunity to encourage you to take advantage of the policies of Government to bring the Change that Nigerians deserve by doing what is right and Nigeria will be better for it. The world is striving towards achieving the Sustainable Development Goals (SDGs) and Nigeria shouldn't be lagging behind.

10. On this note, I wish to thank you for your kind attention.