

SPEECH BY THE HON. DOUGLAS ORANE
TO THE CARIBBEAN BURSARS' CONFERENCE
HILTON HOTEL, MONTEGO BAY, JAMAICA
THURSDAY, NOVEMBER 24, 2011 AT 8:30 A.M.

It is indeed a pleasure to have been invited to be your keynote speaker this morning. I accepted this invitation because of the common passion I share with you all for creating and maintaining an excellent educational system in Jamaica and the Caribbean, for the purpose of creating a competitive advantage for our countries in an increasingly globalised world.

At the beginning of this year I had the honour of being asked to become a trustee of Wolmer's. I was fortunate enough to have attended Wolmer's as a youngster. In the months since becoming a trustee, I have been alarmed at reports received of breakdowns in internal controls that have led to fraud taking place in the school system in Jamaica, resulting in cases of, among other outcomes, bursars losing their jobs. In addition, as a trustee, I have become increasingly aware of the responsibilities on the shoulders of the senior management of our schools, particularly our principals and our bursars. Running a school today is akin to running a business in the private sector – there are hundreds, sometimes thousands of people in each organization, with the annual turnover running into tens of millions of dollars. I was very interested to see that the theme of this year's conference is "Business Managers Revolutionizing Ethical Practices in the Caribbean School System". I was further pleased to observe that you have a documented code of ethics for bursars.

What I would like to do this morning is to briefly share with you how we in the business community, and in GraceKennedy in particular, have addressed the issue of encouraging ethical conduct and specifically ensuring that effective internal controls are in place.

GraceKennedy has a written Code of Ethics and Guidelines for Business Conduct in a booklet form of which every member of staff receives a copy on joining the organization. At our induction sessions a considerable amount of time is spent on explaining the meaning of the code of ethics and how to abide by the code. If we compare the situation in our schools at this time, the question we have to ask ourselves is “Is there is a code of ethics in place, and if so, how do we know it is being followed?” The late President Ronald Reagan of the United States made a very simple but profound statement during his presidency “Trust - but verify”. Yes, we all work in organizations where we have trust in each other - at the same time it is essential that there is verification of every action to make sure that it is within the boundaries of ethical conduct and good business practice. In my years leading GraceKennedy, I have invested a great deal of time in promoting awareness and acceptance of living by our code of ethics. I believe it is the personal responsibility of each individual leading an organization to set a good example, and to encourage others to do the same. This is referred to as setting the right “tone at the top”. I have found in life that there is no better method of motivating people to positive, appropriate actions than by what I call the demonstration effect. In a similar vein, I believe that it is important for each of you to ask yourselves “Does the tone at the top feel right in the school in which I work? Is the senior management team headed by the principal, and including the bursar, living and working by the code of ethics? Are the tenets of the code of ethics shared not only with the senior managers, but also with all administrative, teaching and ancillary staff at the school?

In GraceKennedy we have developed a mantra which I would recommend to you - “Internal Controls are Everybody’s Business”. I would like to share with you our approach to doing this in our organisation. Our company has a series of objectives which include maintaining a positive reputation among customers and the rest of the business community; effective and efficient use of resources; reliable reporting to stakeholders, and compliance with laws and regulations. Our internal controls system provides a shield for these objectives from risks such as inefficiencies, waste and theft. In the broadest context, internal controls are actions taken by management, the board, and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved. To strengthen our internal controls we have, as I had stated earlier, developed a code of ethics and promoted group-wide compliance, worked towards creating an environment of commitment to internal controls and documenting all policies and control procedures.

Who is responsible for internal controls? Our management has direct responsibility, our frontline personnel have baseline responsibility, the board of directors has responsibility for guidance and oversight, internal audit has responsibility for monitoring for effectiveness, and all employees have responsibility for compliance and reporting breakdowns. In my recent exposure to operations within the Jamaican school system, I would ask you to consider the following questions for your school, based on our experience at GraceKennedy:

- 1) Have you documented all your policies?
- 2) Have you documented all your control procedures?
- 3) Have you ensured that all employees are aware of their responsibility for control activities?
- 4) Have you implemented a system to ensure the operating effectiveness of control activities on a periodic basis, e.g. monthly, quarterly, each term?
- 5) Have you established a system that once control deficiencies are identified, they are remedied in a timely manner?
- 6) Have you kept abreast of technology and how this is impacting on your area of responsibility, for example, how technology can be used to facilitate fraud?

From our experience within our group, we have found that these activities are the most challenging ones to put in place, and once implemented, to have them maintained.

I recognize in most, if not all schools there is a challenge in that you do not have the equivalent of an internal audit unit. One of the innovations that we have implemented in embedding a stronger control environment is to institute what we call self audits. The way this works is that once processes have been properly documented and implemented, regular reviews are done of the controls in one department by individuals from another department who follow a set procedure for auditing these processes to make sure they are in place, and if they are not, to identify the gaps and take the necessary steps to remediate these weaknesses. I suggest this to you as one practical way to ensure that your controls remain in place, and to give you and the principal the confidence to know that you have a reliable control environment.

I know that in the schools where accounting is taught, the more mature students often assist in projects supporting some finance and control activities such as itemizing the school's assets

and stocktaking. I would make a further suggestion. How can your accounting students engage in projects to understand how control processes work in the school that they attend? Developing competencies in this area is valuable and is greatly sought after by employers. Exploring this approach can both help you to have a more robust control environment, and at the same time make your students potentially more employable.

Finally in closing, I would like to touch on the topic of whistle blowing. In GraceKennedy we have spent a great deal of time and effort in documenting our whistle blowing procedures and implementing them. Complaints are made by individuals, some of whom identify themselves and others remain anonymous. We have found that whistleblowing is a crucial tool to not only protect the organization, but to give stakeholders in the organization the confidence that we are serious in running an ethical business with robust controls. I would suggest that you and your senior management team explore how to put a whistle blowing methodology in place which would, among other things, ensure strict handling of confidential information, including protecting the identities of those who report irregular activities.

A final suggestion I would make is that each of you contact businesses that you consider well run in the communities in which your school is located. Ask them to allow you to shadow the senior management of their company for a day or two, as well as explore how they have maintained effective controls in their businesses. There is so much for us to learn from each other using the age old adage – “each one teach one”.

I wish you all the best for your conference. Thank you.