



Smart Governance in a  
Smart Nation  
A Singapore perspective



Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations; capital flowed towards companies that practiced this type of good governance

*CGF Research Institute*

# Introduction

Transparency and integrity lie at the heart of a progressive society and nation. According to Mervyn King, Chairman of the King Report - "Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations; capital flowed towards companies that practiced this type of good governance" (CGF Research Institute Pty Ltd). Ann Crotty of Business Day further adds "It is essential that the activities of corporate executives are under constant, vigorous and public scrutiny, because those activities are crucial to the economic well-being of society. If anything, developments both locally and internationally during 2001 have emphasised the need to continuously update and upgrade corporate governance standards," (CGF Research Institute Pty Ltd). In this world of fast-paced growth and ongoing uneven change, unprecedented strategic risks associated with corporate governance must be mitigated.

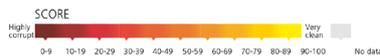
Denmark, which tops the list in the 2014 Transparency International Corruption Perceptions Index, is noted for its strong rule of law, support of civil society and clear rules governing the behavior of those in public positions. It has gone further and set an example in November 2014, announcing plans to create a public register including beneficial ownership information for all companies incorporated in Denmark. This measure will make it harder for the corrupt to hide behind companies registered in another person's name (Transparency International Press Office, 2014).

The 2014 Corruption Perceptions Index scores more than two thirds of the 175 countries with an index score below 50 – on a scale of 0 (perceived to be highly corrupt) to 100 (perceived as very clean). The index is based on expert opinions of public sector corruption. Countries' scores can be helped by open government where the public can hold leaders to accountability. Singapore is listed as No. 7 in the same index and this reflects the positive opinions of the experts in terms of Singapore's good governance and accountability in the public sector.

## Corruption Perceptions Index 2014

**175 COUNTRIES.  
175 SCORES.**  
**HOW DOES  
YOUR COUNTRY  
MEASURE UP?**

The perceived levels of public sector corruption in 175 countries/territories around the world.



RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE
1	Denmark	92	24	Bahamas	71	43	Brazil	43	110	Kosovo	33	156	Cambodia	21
2	New Zealand	91	25	United Arab Emirates	70	44	Costa Rica	54	111	Malawi	33	157	Myanmar	21
3	Finland	89	26	Estonia	69	45	Hungary	54	112	Côte d'Ivoire	32	158	Zimbabwe	21
4	Sweden	87	27	France	69	46	Mauritius	54	113	Kyrgyzstan	27	159	Burundi	20
5	Norway	86	28	Qatar	69	47	Georgia	52	114	Lebanon	27	160	Syria	20
6	Switzerland	86	29	Saint Vincent and the Grenadines	67	48	Malaysia	52	115	Nigeria	27	161	Angola	19
7	<b>Singapore</b>	<b>84</b>	30	Bhutan	65	49	Samoa	52	116	Russia	27	162	Guinea-Bissau	19
8	Netherlands	83	31	Czech Republic	51	50	Montenegro	42	117	Comoros	26	163	Haiti	19
9	Luxembourg	82	32	Botswana	63	51	Sao Tome and Principe	42	118	Uganda	26	164	Venezuela	19
10	Canada	81	33	Cyprus	63	52	Slovenia	50	119	Ukraine	26	165	Yemen	19
11	Australia	80	34	Portugal	63	53	Jordan	49	120	Bangladesh	25	166	Eritrea	18
12	Germany	79	35	Puerto Rico	63	54	Serbia	49	121	Guinea	25	167	Libya	18
13	Iceland	79	36	Poland	61	55	Bahrain	49	122	Kenya	25	168	Uzbekistan	17
14	United Kingdom	78	37	Taiwan	61	56	Tunisia	49	123	Laos	25	169	Turkmenistan	17
15	Belgium	76	38	Israel	60	57	Rwanda	49	124	Papua New Guinea	25	170	Iraq	16
16	Japan	76	39	Spain	60	58	Bosnia and Herzegovina	39	125	Central African Republic	24	171	South Sudan	15
17	Barbados	74	40	Italy	59	59	El Salvador	39	126	Paraguay	24	172	Algeria	12
18	Hong Kong	74	41	Slovenia	58	60	Saudi Arabia	49	127	Congo Republic	23	173	Sudan	11
19	Ireland	74	42	Lithuania	58	61	Croatia	48	128	Nepal	23	174	Korea (North)	8
20	United States	74	43	Slovenia	58	62	Ghana	48	129	Tajikistan	22	175	Somalia	8
21	Chile	73	44	Cape Verde	57	63	Morocco	39	130	Chad	22			
22	Uruguay	73	45	Korea (South)	55	64	Burkina Faso	38	131	Madagascar	28			
23	Austria	72	46	Latvia	55	65	India	38	132	Nicaragua	28			
			47	Malta	55	66	Indonesia	34	133	Timor-Leste	28			
			48	Seychelles	55	67	Albania	33						
			49			68	Peru	38						
			50			69	Philippines	38						
			51			70	Kuwait	44						
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Source: Corruption Perceptions Index, Transparency International Press Office, 2014

### The Singapore brand: core values

What is the Singapore Brand? The strength of a brand's emotional manifestation is undeniable: think of Singapore Airlines and chances are you will get the feeling of reliability and expectations of high service standards. If you think about Singapore, images of skyscrapers and clean streets as well as a feeling of security and clean governance will surely come to mind.

However, a core part of the Singapore success story and the value of the Singapore brand is its underlying good governance and core systems. Singapore's continuous emphasis on integrity, confidence and trust is made material in the form of an established governance structure and its embodying system.

Back in 2006, Lee Kuan Yew said that Singapore was a known brand name and other countries wanted to adopt its systems. As recent as 2014, the Singapore government pledged to uphold good governance, which it said is a key pillar to Singapore's success.

If Singapore has no skyscrapers and no clean streets but it retains its well-known good governance system, chances are it would still do better than vice versa. Many see this as the true lasting legacy of Singapore's founding father Lee Kuan Yew and one of Singapore's core value and attractions.

So business leaders: how much would your business benefit from a brand which enjoys the foundation of good governance systems?

### The uncertain future

Uncertainties are the only certainty when predicting the future. The future brings about increasingly complex realities and issues facing the world, economies, businesses and people.

As Singapore celebrates its 50th year of independence in 2015, there are already discussions about the next 50 years; for example the Future 50 launched by Singapore Institute of International Affairs ("SIIA") which was established back in 2013. Based on business

leaders' opinions canvassed by SIIA, Singapore is much praised for its success for the past 50 years and they are confident of Singapore's continued success. However, Singapore's future hinges on its continued economic growth and the ability of its hardware (infrastructure, facilities) as well as software (knowledgeable workforce, creativity) to continue to work well and improve with future needs.

This simply means that Singapore in the next 50 years will not depend on resources which it does not have now. Its continued success and resiliency will depend on the perfection and improvements of its existing success factors and the fruition upon maturity of these factors.

Singapore has always been and will always be a small 'red dot' but the Singapore Brand enables it to carve a niche for itself in the global landscape. The principles which have enabled Singapore to grow its hardware and software is succinctly described by a business leader's tribute to Lee Kuan Yew's legacy: "He established good governance, the rule of law and meritocracy that enabled Singapore to grow and prosper".

At the end of the day, the main benefit of good governance is the trust and assurance one is able to obtain, executed by leadership through integrity.

### Governance: institutionalise trust and bring assurance

Without trust, there is no assurance. The very point of assurance is to provide confidence and trust is a pre requisite. Trust is an increasingly valuable commodity, especially in a world where businesses are constantly expanding and responding to changes in environments and needs. Investment and management decisions could not be made without the assurance of trustworthy information or the underlying confidence and trust of a successful execution.

Trust is also a key driver of brand success and loyalty among customers. When we buy a product or service, one common consideration is the trust and assurance we have in the quality expected of the brand. More often than not, a consumer buys what he trusts the brand represents.

How do we institutionalise trust in a business to bring about assurance to the business leaders and its customers?

People are surely an integral component and yet we often hear how we should trust the systems in place rather than the people.

For each nut and bolt to work as a system, a governance structure needs to be in place. The structure provides the necessary direction and specifications of a relevant system. To this end, the governance structure houses policies, institutions and processes to enable governing duty, monitoring and continuously improving the said system.

Any well-designed system is holistic and is an organised connection of different components (people, entities, assets etc) via procedures/routines/practices to perform an activity. A system needs to take into account various concerns and areas of priority of a business, such as productivity, quality assurance, anti-fraud, financial and monetary related etc. We term this the "House of Governance" in our Deloitte Smart Governance 3.0 model.

This House of Governance and its system serves to safeguard the trust which provides businesses the assurance they need in their survival and their success.

### Smart Nation, Smart Governance

Singapore's vision of a Smart Nation, as stated by the Prime Minister Lee Hsien Loong on 24 November 2014, is "a nation where people live meaningful and fulfilled lives, enabled seamlessly by technology, offering exciting opportunities for all."

The role of technology as the enabler for a Smart Nation is not surprising and harnessing technology to improve on governance is more evolutionary than revolutionary.

Governance as a concept is not difficult, but so much is built of so many varying components that sometimes people feel that it is like a castle in the air. While the outcome is clear, the tangible form of a governance structure is not. The Code of Corporate Governance 2012 helped to provide clear guidelines and references for the Board of Directors and is a great example of how such a structure could take form.

Governance for a business goes broader and deeper. It needs to take into account strategic, financial, operational and regulatory aspects while being able to meet its stakeholders' requirements and manage its value drivers and associated risks.

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The convergence of good governance principles and processes, enabled by smart technologies, are the essential elements of Smart Governance required in a Smart Nation.

### Deloitte's Smart Governance 3.0 model

In realising the principles of Smart Governance, professional risk specialists are looking towards leveraging the latest technology capabilities to bring about an ease of access of governance related information and solutions. It could be visualised as a digital platform where business leaders could turn to address their governance-related needs. Essentially, the Smart Governance model enables the House of Governance.

We envisage that the building blocks of the Smart Governance model comprises the following key smart capabilities:



#### Risk sensing and analytics

As the business environment constantly evolves at a pace that is unprecedented, there is a need to bring real-time risk sensing capabilities and analytics to the finger-tips of business leaders. The latest current affairs in the form of cutting edge news, expert opinions and applied thought leaderships are now readily accessible given the power of digital technologies and social media.

Such accessibility to information and real-time big data however needs to be collated, managed, analysed and presented to the relevance of the needs of the organisation. If managed in the right way, this new approach unleashes the potential of an organisation by putting the predictive capabilities and foresight seamlessly into the hands of business leaders. The end product is empowerment of our people in organisations to shape and govern policies, monitor outcomes, and enable continuous improvement in the areas of governance.



#### Governance risk map

Different organisations at different growth stages have varying maturity levels in meeting governance requirements. The governance risk map is designed to crystallise the connection between areas of risk governance and the mitigating actions to take. It can serve as a starting place to help organisations navigate through the House of Governance to identify potential bridging gaps, across the spectrum of strategic, operational, process, technology and talent areas of governance.



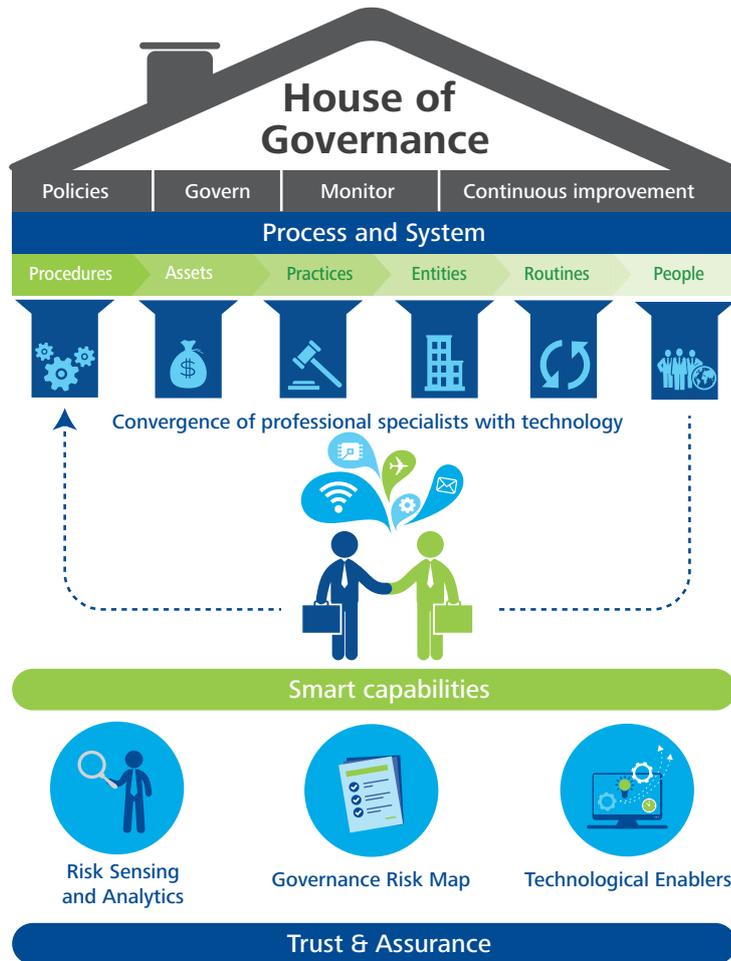
#### Technological enablers

The role of technology in this digital evolution is a central one as the key enabler for the Smart Governance platform. Risk solutions and services are to be redefined and delivered alongside the ever-changing technological capabilities to support our future organisations. One such example is the automating of audit/review processes which will offer tremendous value to future organisations in providing governance and compliance to their stakeholders while improving quality and reducing cost of service at the same time.

Risk intelligence, brought about by the ongoing development and application of artificial intelligence (AI), further improves the capability and insights of the technology platforms.

How are we able to unlock the value of governance through cloud-based analytic solutions, to achieve improved findings with continuous monitoring? The potential of remote auditing and solutioning are also made possible, offering risk practitioners improved productivity beyond the limitation of physical distance, time and space.

**Deloitte's Smart Governance 3.0 model**



**The Future of Governance**

The success of Singapore, a well governed nation as evidenced in the past and present ranking of the Corruption Perception Index cannot be taken for granted. Beyond SG50, Singapore is still very much in its continuous journey of maintaining and improving its brand position in the regional and global landscape. It has already established itself to be a trusted place to do business, where infrastructure & governance system is good and there is an existing knowledgeable workforce and an envious safety and security record.

The weaknesses of Singapore will not change in the next 50 years and beyond. Singapore will continue not to have natural resources and a lack of land as well as manpower. But what it has always targeted in and what it has always succeeded in achieving, is being a preferred place to do business.

The Smart Nation initiative is strategically aligned to enable this. Deloitte's Smart Governance model is thus designed to be the first step in this important direction, driven by shared themes of ethics/integrity, trust and assurance.

The journey of convergence of technology with business has long begun and now it is time for this next phase where the breadth and the depth of the value of governance are housed within the Smart Governance platform, just a few clicks away.

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