

Governance Audit Reports

Speaking notes for the Auditor General – 22 January 2014

Introduction

1. Good morning ladies and gentlemen. It is my pleasure today to make public five reports I have recently issued to the Legislative Assembly. All five reports are on the subject of Governance in the Cayman Islands Government.
2. I have with me today Martin Ruben, the audit principal responsible for performance audits. I would like to start our session by making some opening comments which will be followed by an opportunity for you to ask questions about the reports.
3. Over the last three and a half years since I've been here, there has been a lot of discussion and public debate about Governance in the Cayman Islands Government. Governance is a relatively technical term and during those discussions, some of which has been covered by local media, there were always lingering questions around what Good Governance meant for the Government of the Cayman Islands.
4. In January 2010, the former Governor of the Cayman Islands, His Excellency Duncan Taylor said the following:

“What is good governance and why does it matter? There are many definitions but the core elements are consistent: the key and interlinked components include respect for the rule of law, underpinned by an independent judiciary; transparency, with decisions taken and seen to be taken in line with defined and agreed rules and regulations; and accountability, with institutions, the legislature but also the private sector and civil society accountable to the public and to their institutional shareholders for their actions. Good governance matters because it is the basic foundation for a successful, prosperous, well-ordered and sustainable society”.

5. Good governance provides a clear roadmap for how a country is governed, including its economic policies and regulatory framework, as well as adherence to the rule of law. In my reports, I talk about how the lack of good governance can lead to corruption and the abuse of public authority or trust, for private benefit. As we all know, corruption undermines the public's trust in its government. It also threatens market integrity, distorts competition, and endangers economic development.
6. Whilst good governance across Government is important for ensuring compliance and conformance with the standards and principles expected of a robust democratic society and economy, more importantly it is about ensuring better outcomes and results for residents, such as better education, better health care, and a better quality of life generally.
7. As we note in our reports "good governance leads to good management, good performance, good stewardship of public money, good public engagement, and ultimately, good outcomes."
8. Therefore, I believe it should be the objective of every government in the Cayman Islands to ensure it is doing everything possible to implement administrative policies and practices that enable Government to deliver improved outcomes for residents.

The Five Reports

9. The reports address governance from four different perspectives. The fifth report is a summary of the four reports and a description of the key messages included in those reports.
10. The first report is the result of a study we did and is a description of governance in the Cayman Islands Government. As we could not find a definitive description to use when we started our work, I thought this study could assist legislators and the public better understand how governance works in the Cayman Islands Government, and specifically as it relates to the management of public resources.

11. The second report provides the results of a survey of the statutory authorities and government companies, where we asked them questions about how they govern themselves. The responses to the survey are summarized in this report.
12. The third report is the result of conducting a performance audit of governance in core government and discusses how well the Government is following the framework that is provided in the constitution and laws, as well as an assessment of whether the governance framework is fit for purpose here in the Cayman Islands. We found that there were significant gaps between how the governance framework is supposed to work and how it is really working.
13. The fourth report reports on an audit of the relationship between core government and the statutory authorities and government companies. This audit describes our findings around how well the government is managing this relationship in accordance with the law, and whether the arrangements in place to hold SAGCs accountable are appropriate for the Cayman Islands Government. Again, we found some significant gaps between what we expected to find and how the government is managing these relationships.

Key Findings

14. So, what were our key findings from the work we carried out?
15. We found that the constitution and legislation generally provide a sound governance framework for the Cayman Islands Government. The legislation we reviewed includes the Public Management and Finance Law and the Public Service Management Law.
16. While the framework is sound, we found that there were compliance issues with following the framework and that the framework was at times overridden because of weaknesses in policies and practices for the administration of public resources.
17. As I have reported recently in another report to the Legislative Assembly, we also found that the current framework is overly complex and that some

aspects of governance are costly and difficult to implement because of the size and nature of the Cayman Islands Government.

18. Good governance is supposed to focus the government's decisions on the achievement of results. We found that the policies and practices of the government focus instead on activities, leaving the achievement of outcomes and results at risk.
19. Good governance requires that roles and responsibilities of politicians, board members and administrative staff are well understood and follow the framework in place. Our audit work found that the roles and responsibilities of the various players were not always well understood and respected in practice.
20. An important element of good governance is a strong culture of ethics and values reinforced by a solid management framework. We found that while there are good elements implemented like a code of conduct, a set of public service values and seminars, there is a lack of consistent action to ensure ethics and values are embedded and continuously reinforced.
21. With 26 entities reporting to core government and a sizable part of how government delivers services to residents, SAGCs need to be accountable for their results. We found that Government has yet to implement an effective means to hold these entities to account for their results.
22. Finally, in surveying the SAGCs, we found a wide variety of governance practices. Whilst we report a number of examples of good practice, we identified many practices which were weak and did not reflect reasonable governance practices for these types of entities, leading to increased risks that SAGCs are not able to achieve the results and outcomes that would be expected of them.

Conclusion

23. We are pleased to say that we have had good discussions on these reports with the Deputy Governor and his team, and that he has provided a

comprehensive response to the recommendations in the two audit reports. While we believe that more can be done looking ahead, we are pleased to report that the Government is taking steps to address the concerns raised in our reports and these will certainly go a long way to improving governance in the Cayman Islands Government

24. Thank you for your attention and I will now take questions about these reports.