


## Governance in the Cayman Islands Government Key Messages





Our independent work  
promotes good governance,  
transparency and  
accountability in the use  
of public funds

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# ***“Good Governance is perhaps the single most important factor in eradicating poverty and promoting development”***

Former Un Secretary General – Kofi Annan

## **WHAT IS GOVERNANCE?**

1. Governance is a broad concept covering all aspects of the way a country is governed, including its economic policies and regulatory framework, as well as adherence to the rule of law. Corruption--the abuse of public authority or trust for private benefit--is closely linked: a poor governance environment offers greater incentives and more opportunities for corruption. Corruption undermines the public's trust in its government. It also threatens market integrity, distorts competition, and endangers economic development.

2. Considering it in the context of a public sector organisation, governance is about how an organisation is structured and the processes and procedures it follows to fulfill its mission or purpose and achieve desired results for its citizens. There is not a one size fits all formula for good governance. Effective governance frameworks respect cultural, historical and logistical realities within each jurisdiction while meeting generally accepted good governance standards.

## **WHY IS IT IMPORTANT**

3. Studies have shown that there is a clear correlation between good governance and positive outcomes for citizens, including higher per capita income, higher literacy and lower infant mortality. The importance of good

## **GOOD GOVERNANCE IS IMPORTANT BECAUSE.....**

*“well-governed countries are less likely to be violent and less likely to be poor. When the alienated are allowed to speak and their human rights are protected, they are less likely to turn to violence as a solution. When the poor are given a voice, their governments are more likely to invest in national policies that reduce poverty. In doing so, good governance provides the setting for equitable distribution of benefits from growth.”*

<http://www.un.org/en/globalissues/governance/>

*“There is a strong causal relationship from good governance to better development outcomes such as higher per capita incomes, lower infant mortality and higher literacy”*

**Economists – Kaufman, Kraay and Zoido-Lobaton**

*“Governance and leadership are the yin and the yang of successful organisations. If you have leadership without governance you risk tyranny, fraud and personal fiefdoms. If you have governance without leadership you risk atrophy, bureaucracy and indifference.”*

**Mark Goyder (Director of Tomorrow's Company)**

governance is also effectively demonstrated through failures, both in the private and public sector, which at least in part have been attributed to failures in the governance arrangements.

4. The International Federation of Accountants highlights the importance of good or effective governance in a study paper which states “effective governance in the public sector can encourage the efficient use of resources, strengthen accountability for the stewardship of those resources, improve management and service delivery, and thereby contribute to improving peoples’ lives. Effective governance is also essential for building confidence in public sector entities — which is in itself necessary if public sector entities are to be effective in meeting their objectives.”

5. The former Governor, Mr. Duncan Taylor CBE, identified the promotion of good governance as one of his key objectives for the Cayman Islands during his first speech in January, 2010. At that time he said:

*“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”.*

## THE WORK WE HAVE CARRIED OUT

6. The Office of the Auditor General includes *Well managed public services*” as one of its four strategic objectives. In recent years, the Office has issued reports that have made a number of observations about the governance framework, but never discussed it in its totality. It is in this context that the Office carried out work on the governance arrangements in place in the Cayman Islands Government during 2012 and 2013.

7. Our work used the six principles from *The Good Governance Standard for Public Services* as the basis for describing, auditing and assessing governance in the Cayman Islands. Although the Good Governance Standard was prepared using a United Kingdom context, its six principles of good governance have much in common with discussion papers on governance from other jurisdictions and principles espoused by organisations such as the United Nations and the OECD, while providing a framework for governance at an organizational level as well as a national level.

**GOOD GOVERNANCE STANDARD FOR PUBLIC SERVICES SIX PRINCIPLES**

8. The Commission that developed the *Good Governance Standard for Public Services* identified that Good governance leads to good management, good performance, good stewardship of public funds, good public engagement and, ultimately, good outcomes. The six principles of the Standard are captured in the following Exhibit:



## OUTCOMES FROM OUR AUDIT

9. The outcome of our work is four reports

**Describing the Framework:** Provides information about the benefits and principles of good governance, along with a description of the current governance framework in the Cayman Islands as set out in the Constitution, legislation and regulations. It describes how the governance framework is designed to yield results and provides a strong case for why governance should be important to the people of the Cayman Islands.

**How Core Government Manages Resources:** Reports on whether the governance framework in place is being applied in practice by core government and whether it meets good governance principles for public organizations, as appropriate for the Cayman Islands.

**The Accountability of Statutory Authorities and Government Companies (SAGCs):** Reports on whether statutory authorities and government companies are meeting the constitutional and legislative requirements for accountability to core government and whether these arrangements meet good governance standards, as appropriate for the Cayman Islands.

**A Survey of Statutory Authority and Government Company Governance:** Reports the results of a survey of the governance practices being followed by SAGCs, and provides information on the state of governance in this key sector of the Cayman Islands Government.

## KEY MESSAGES

10. Our work identified a number of areas for improvement as well as areas of good practice. The key messages from our four reports are:

**The Constitution and legislation provide a solid foundation for good governance** - The current governance framework as set out in the Constitution, the Public Management and Finance Law, the Public Service Management Law and the associated regulations provides a solid foundation for the management of public resources in line with the principles of good governance.

**There have been significant weaknesses in compliance with the governance framework** - We found there have been significant weaknesses with implementation of the policies and practices necessary to ensure good governance principles are followed and to deter them from being overridden.

**The framework is very complex and some aspects have proven costly and difficult to implement** - We are concerned that there are some specific areas where ambiguity exists or where there is potential exposure for misuse and abuse of public funds.

**Government is not focused on achieving clear and measureable results** - We found that the framework, as it has been applied, is focused on activities being delivered rather than on results that are to be achieved.

**Roles and responsibilities outlined in legislation are not clearly understood** - The roles of the Governor in Cabinet, Ministers, Chief Officers, and the boards and officers of the statutory authorities and government companies included in the PMFL and other legislation are not always clearly understood and respected in practice.

**The governance framework promotes values and ethics as a guide to public service behavior and decision making.** However, **they have not been effectively implemented and embedded in the public service.**

**Government has yet to put an effective framework in place to hold SAGCs to account for their performance** - The governance arrangements that support the accountability relationship between core government and statutory authorities and government companies covers the establishment of clear results expectations, the definition of roles and responsibilities, and the accounting for results achieved. However, the arrangements are not always being fully implemented in practice and core government has been challenged in holding SAGCs accountable.

**There are weaknesses and gaps in the Governance of SAGCs impacting** on the ability of these organizations to ensure that they are managed effectively and achieve their stated purpose.

11. Since we completed the detailed audit work in the first half of 2013 the Government has begun work on a number of areas which will hopefully address some of the areas for improvement identified in the four reports.

## WHAT HAPPENS NEXT

12. The full reports can be accessed on our website – <http://www.auditorgeneral.gov.ky/>. We will discuss our reports with the Public Accounts Committee who can call officials from the Cayman Islands Government and other public bodies to discuss the findings from our work.
13. We will monitor progress of our recommendations through our performance audit programme. As well, we plan to carry out a number of individual governance reviews in statutory authorities and government companies over the next few years.
14. Finally in the near future we will issue a report on a case study which clearly highlights issues with the implementation of the governance framework.





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## **Complaints**

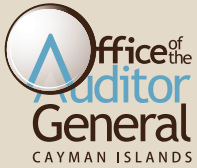
To make a complaint about one of the organisations we audit or about the OAG itself, please contact Garnet Harrison at our address, telephone or fax number or alternatively email: [garnet.harrison@oag.gov.ky](mailto:garnet.harrison@oag.gov.ky)

## **Freedom of Information**

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