

University College of the Cayman Islands 2014 Annual Conference:

Towards a Corruption-Free Caribbean: Ethics, Values and Morality

Friday, 21 March, 2014 6:20-7:30pm

The Cayman Islands: A Model of Anti-Corruption

Speech by the Auditor General of the Cayman Islands

Good evening ladies and gentlemen. It is a pleasure to be here with you this evening and be involved in this final plenary session of what I am sure you will all agree has been truly excellent conference tackling issues that are of fundamental importance to the region and internationally.

This evening I have been asked to consider if Cayman could be conceived as model for anti-corruption. Within this I have been asked to specifically consider my role and that of my office and how it fits into the Anti-Corruption Framework.

As many will be aware apart from being the Auditor General I am also a member of the Anti-Corruption Commission. The focus of my presentation will be on my role as the Auditor General and that of my Office and I will leave discussion of the Anti-Corruption Commission's role to my esteemed colleague Mr. Leonard Ebanks.

The role of the Office of the Auditor General and public sector audit in general is something that I am passionate about. I believe that it can play a key role in democratic societies to enable positive change and the deliver efficient and effective services that deliver better outcomes for citizens.

The Audit Office in Cayman has been in existence for just over thirty years and in that time it has changed and developed significantly. We still have challenges in effectively delivering our role more, but first I will discuss the important role that the Audit Office has in helping to curb corruption and how its fits in to the Anti-Corruption framework here in Cayman.

If you look at the constitution and laws that provide my Office with its powers you will not find any mention of the word corruption or fraud. The role as specified talks about the:

- Audit of accounts;
- Audits or investigations of financial management, the efficiency, economy and effectiveness of government; and
- Reporting the results of the audits

However if you step back and examine the broad legislative mandate provided to the audit office to examine how government and the public service manage and use public resources you can see that Audit Office has a significant role to play in helping prevent and deter corruption.

In essence our role and the audits we undertake are about promoting an environment of good governance which provides accountability and transparency in the use of public resources, in particular through fostering strong financial management, based on reliable sufficient and timely financial reporting, and effective internal control systems.

Therefore as the agency responsible for auditing government income and expenditure the audit office acts as a watchdog over the financial integrity of Government, the credibility of the reported financial information, and whether government achieved value for money for the resources used.

Therefore our primary role in the battle against the waste and abuse of public funds, and thus corruption, is to aid its prevention and to deter its occurrence through supporting an environment that limits the opportunity for acts of corruption and creating a climate of good governance.

People often assume that one of our main responsibilities is to actually detect and investigate cases of fraud and corruption. Whilst I would not want to understate our role I think it important to recognize that as auditors it is not one of our primary responsibilities to detect and investigate it.

However the nature of our remit as public sector auditors, and how we plan and carry out our audits means that we are likely to identify potential cases of fraud and corruption. For instance in the planning of audits from the strategic level of deciding which performance audits to undertake, to the individual audits of entity financial statements, the risk of fraud and corruption is one of a number important factors in determining the audits we conduct and the detailed work that we carry out, and is in fact something we are required to consider as part of our professional standards.

Also the fact that we look to obtain public input to our audit programme and are mechanism for the public to complain about how government has used resources, means that we are likely to come across issues which may be potentially point to corruption or fraud.

Whilst we will potentially detect fraud and corruption through our work, and it will probably come as no surprise to many that we have identified a number of potential cases, our powers and skills to investigate them fully are limited. For example our powers do not extend to examining the activities or personal records of citizens or private companies .

Therefore whilst we will progress our work to a stage where we are content there is reasonable and sufficient evidence to confirm our initial findings and that in our view there is potential fraud or corruption, we will pass the information over to the appropriate law enforcement agency to investigate the matter fully, either the Anti –Corruption Commission or the Financial Crimes Unit of the RCIPS.

It is important to understand that we have a duty as auditors under our professional and ethical standards to bring instances of corruption and fraud to the attention of the relevant law enforcement agency. In addition under the Anti-Corruption Law we also have a legal responsibility as public servants to bring any instances of suspected corruption to the attention of the Anti-Corruption Commission

Our role in Cayman with respect to curbing corruption is broadly similar to most public sector audit institutions operating under a Westminster style of Government, and to a large degree

internationally, although colleagues in some francophone and Latin countries do have broader powers to administer sanctions.

Is the Cayman anti-corruption model worthy of emulation by other societies? Answering that question is not straight forward. In Cayman we now have a significant legislative framework that whilst not perfect has the potential to provide an effective basis for effective anti-corruption institutions and activities. However at a practical level it is highly dependent on strength of the oversight institutions and their capacity to effectively discharge their roles in a co-ordinated fashion to effectively support an environment that limits the opportunity for corruption.

Considering the institutional strength of my own Office and its capacity, this is derived mainly from our independence from Government, in terms of the discretion to determine the work undertaken and the resourcing of that work, a clear and broad legislative mandate, and an ability to report publicly on the outcomes of our audits. Specifically with respect to anti-corruption activities the ability to work with other agencies is also a key factor.

The legislative mandate of my Office generally provides us with appropriate and broad based powers to audit across the spectrum of government activities. There is one areas where it could be strengthened in regards to following the public dollar to non-governmental organisations, which is a function of public services and projects increasingly being delivered by third parties, but that does not compromise our ability to undertake our core audit work around how government manages its resources.

The most significant issue is around independence. Whilst my role is constitutionally independent, my Office is still legally part of the core government with control over finances and certain aspects of staffing exercised over it by other parts of Government which we have to audit, therefore fundamentally compromising our independence, and enabling Government to effectively constrain the work we do, by constraining our resources.

There are also risks and pressures around our ability to publicly report. Whilst we have as an office in the last 6 to 7 years been able to effectively report our findings in public, there have

been challenges to this, and there is a clear need to strengthen legislation to ensure that we can publicly and transparently report our findings as we consider appropriate. The ability to effectively report the results of our audits to the Legislature and the wider community is essential. If this ability is constrained, our ability to carry out our mandate and support the prevention and deterrence of corruption is undermined.

As the late US supreme Court Justice Louis Brandeis said "Sunlight is said to be the best of disinfectants; electric light the most efficient policeman."

The final issue is the need for effective relationships with other institutions and agencies.

The key relationship for my Office is the relationship with the Public Accounts Committee, which can provide an effective mechanism for holding Government publicly accountable and act as force for the implementation of recommendations. This can be a very powerful driver for improvement if it is robust. The role PAC in Cayman has not been smooth and being brutally honest the politics have often got in the way of it effectively discharging its role, although I would indicate that I feel we are turning a corner in this regard

With respect to relationship with investigative agencies, the current model in my view clearly supports an effective working relationship with the requirement for the Auditor General and the Complaints Commissioner to sit on the ACC. It is maybe the function of a small state and the limited resources available, but my personal opinion is that the current set up of the ACC enables my office to work in a more co-ordinated fashion with investigators on matters that impact both institutions

So in considering whether the model is worthy of emulation we need to consider whether the framework is compromised by the institutional strength of the key institutions that support it. As Minister Ngozi from Nigeria clearly said in her address yesterday morning the key to a robust anti-corruption regime is the strength of the institutions that support it.

Looking regionally across the Caribbean, many of my Auditor General colleagues look a little enviously at the framework and the institutional strength we have here in Cayman, but when I consider the position in Cayman against the broader international standards and institutions

outside of the region, there are still challenges and constraints on my Office's institutional strength and capacity.

In conclusion I would suggest that the framework we have in place in Cayman has the key building blocks in place and there are lessons that we can share with other jurisdictions, as my Office already does. However we are still on a path of continuous improvement, and there is still work to be done so that our institutions have the strength to help deliver and support the legislative framework, and therefore ensure that we build an environment which prevents and deters corruption.