departments now have a clearer idea than previously of what is expected of them. Their output is fully specified in the Framework Agreement and fully costed, CEOs have broad discretion to manage resources and operations and ministers have choice in obtaining outputs, including advice.

## BRIEF LESSON FOR INTERNAL AUDITORS

Without a skilled internal audit department, survival in today's increasingly complex business environment would be much more difficult. Many business managers owe a portion of the organization's success and their own career growth to the audit function.

There are seven lessons in particular which may benefit internal audit professionals as they seek to improve both their credibility in the organization as well as their relationship with management.

1. Build Relationships—becoming more involved in the organization requires effort. Getting to know managers will help them develop a sense of trust in auditing's judgment. Objectivity does not require isolation as auditors can be simultaneously independent and involved.
2. Find Solutions– auditors should focus more attention on finding solutions than writing reports.
3. Act Quickly– some of the audit discoveries may have a short shelf life and regardless of scheduled audit cycles, sharing information quickly helps ensure that problems are remedied timely and cost effectively.
4. Do Your Homework– adequate preparation saves everyone time and helps auditing leave a positive impression.
5. Explain Your Findings– verbal notification gives management the opportunity to share all relevant information about the findings before internal audit commits its recommendations to writing.
6. Deliver High Quality Reports– as audit reports represent the culmination of the audit process. In most organizations, reports are highly visible and distributed to both senior management and the audit committee, thus the information presented must be accurate. As reporting errors may jeopardize the auditor's credibility and damage the department's reputation.
7. Be Fair– an even-handed approach to audits will ensure the audit department is perceived as trustworthy and reliable.

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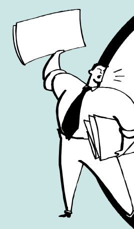
# FACT SHEET
## 06/07—3



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***December 12, 2006***

***This issue features: -***

- Executive Agencies Model Examined—CARICAD perspective 2003.
- Brief Tips for Internal Auditors

*EXECUTIVE AGENCIES MODEL EXAMINED*
*- CARICAD Perspective 2003*

Since the inception of the Executive Agency (EA) model in Jamaica in 1999, it is still considered too soon to make a comprehensive assessment of the EAs in achieving an improved management of the public service. As a model, it introduces a menu of far-reaching reforms in the structure and operation of government departments and agencies. Yet one must not lose sight of the fact that this innovation was initially developed by and for industrial countries – e.g. the United Kingdom, New Zealand, Iceland, Singapore and Sweden making concerns about applicability to current needs relevant. The model gives public managers broad discretion to operate within an accountability framework that specifies the results to be achieved and closely monitors performance.

The change agenda has introduced a major shift in employer – employee relationship that previously characterized traditional public administration. In the EAs that have been established, the reform has replaced permanent tenure with contract-like relationships between government and ministers as purchasers of goods and services and CEOs and their agencies as suppliers. The contract specifies the resources that one side will provide and the performance the other side will produce; and in the same vein, performance agreements displace the old public service ethic of trust and responsibility with accountability for the results expected from each CEO. Jamaica has adopted a similar approach in the establishment of its Executive Agencies.

The EA Model emphasizes matters that can be specified in contracts such as purchase of outputs, but gives inadequate attention to outcomes and the Government's ownership interest because they do not fit easily into the contracting framework. The contract specifies the resources that one side will provide and the performance the other side will produce and in the same vein, performance agreements displace the old public service ethic of trust and responsibility with accountability for the results expected from each CEO. This principle is a similar approach which has been adopted in the establishment of its Executive Agencies.

Although the CEOs may be interested in outcomes and results, the new system seemingly have impelled them to focus on outputs for which they are accountable and gives them an operational role that weakens their connection to Ministers. Thus, the connection between the political and managerial world may become somewhat impaired if each side remains absorbed in its narrow concerns and the two do not share enough in common to make a satisfying relationship.

As the government focuses on performance, it is seen that if the agencies fail to perform, the government can sack the CEO and apply some pressure. But it rarely has the exit option that is essential to the effectiveness and enforcement of private contracts. In the Jamaica scenario, the powers of the CEO were derived by delegation from the Office of the Civil Service Commission. Therefore, the termination of services of the CEO will not be as simply accomplished under the private sector contract arrangement, but will involve a more cumbersome approach that requires the revocation of the authority, all of which will attract negative public involvement in the process. As such the government has weak redress when a CEO or the organisation fails to perform. In any event the regulations regarding the Code of Conduct for officers and employees of EAs required under section 18 of the Executive Agencies Act, 2002 are yet to be enacted, thus making any such action against relevant persons untenable at this time.

The effectiveness of the CEO in guaranteeing output is constrained by several variables not within his/her control. Accountability between ministers and their departments is based on the conventional distinction between outputs (goods and services produced) and outcomes (the effect of those outputs on the community). CEOs of EAs tend to be more responsible for specified outputs only – the goods and services produced and not the outcome. This distinction is important particularly for the CEO in measuring accomplishments. S/he may meet the specified output but the anticipated outcome may not be forthcoming but it is the outcome to which the public pays attention for determining success. In other words, the Agency has a dual accountability – to the Minister and to the public.

A major challenge to the effective operation of EAs appears to be that of changing the public service culture that pervades even among private sector hirees. There is no doubt that norms, practices and ideas migrate from one sector to another such that there is no "private sector mentality" that exists exclusively
outside of government and in respect of which expectations are completely dissimilar from what obtains in the public service. In the public service structure, informal management control systems have developed
alongside the formally prescribed system, in some cases to the extent that there appears to be two civil service structures. In small developing countries like Jamaica and the rest of the Caribbean this informality is as much a matter of culture as a matter of practice; it defines social roles, relationships, and legitimate and expected behaviour, and it even persists when the underlying conditions that give rise to it no longer exist.
Among the several challenges therefore is to have the change agenda accepted by the public as recipients of the service and those who staff the Agency, as providers of the service.

The EA system has brought remarkable changes to the way of doing business within the public sector. Foremost among those changes is that government