Office of the Auditor General
CAYMAN ISLANDS

Follow-up on past PAC recommendations



July 2017

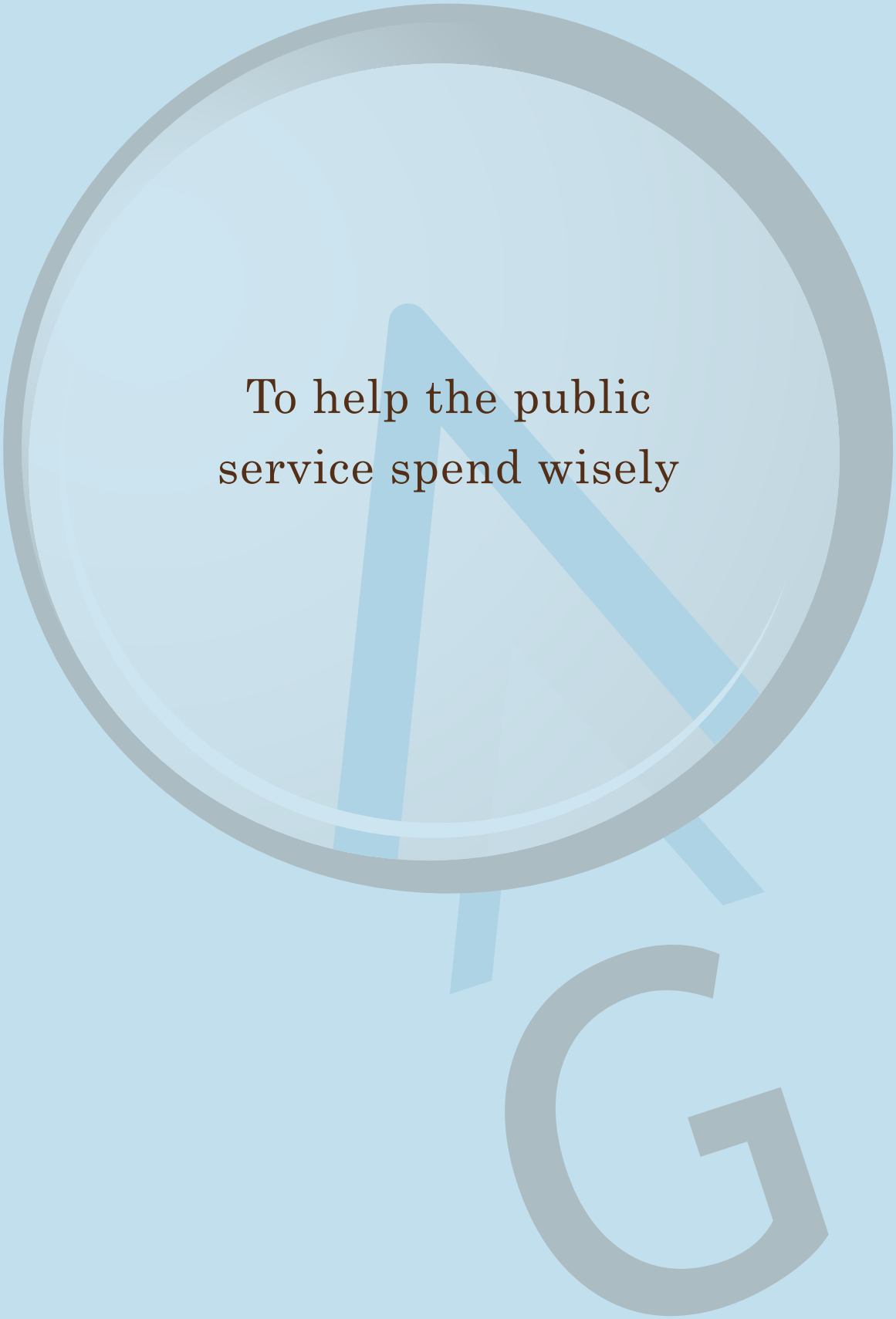

To help the public
service spend wisely

TABLE OF CONTENTS

Executive Summary **1**

Purpose of this report 2

High-level assessment of each report 2

Conclusion **5**

Appendix 1 – Financial and Performance Reporting – Entire Public Sector; Statutory Authorities and Government Companies; and Portfolio and Ministries for the years ending 30 June 2013 and 2014 (September 2015) **6**

Appendix 2 – Government Programmes Supporting Those in Need (May 2015) **14**

Appendix 3 - National Land Development and Government Real Property (June 2015) **29**

Appendix 4 - Management of Travel and Hospitality Expenditures (May 2014) **38**

Appendix 5 - Collecting Government Revenues (September 2015) **51**

Appendix 6 - Government IT Security (September 2015) **57**

Appendix 7 - Major Capital Projects – Building Schools (May 2015) **64**

Appendix 8 - Management of the Nation Building Programme (July 2015) **67**

EXECUTIVE SUMMARY

The Cayman Islands Government is required to formally respond within three months of the Public Accounts Committee (PAC) laying an Auditor General report in the House (Section 77(7) of the Legislative Assembly Standing Orders (2006 Revision)).

The PAC tabled eight reports in June 2016 and the Government was expected to formally respond by 30 September 2016. In my *Quarterly update for September 2016* I reported that Government had not submitted its update within the three month statutory deadline. The Chairman of the PAC received a response from Government (referred to as the Government Minute) in October 2016. It provides Government's formal response to the reports of the PAC and Auditor General and is based on views of the respective Chief Officers, Heads of Departments and Managing Directors within Cayman Islands Public Service.

The Government responded to the following reports in its Government Minute of October 2016:

• Financial and Performance Reporting – Entire Public Sector; Statutory Authorities and Government Companies; and Ministries, Portfolios and Offices for the years ending 30 June 2013 and 2014 (September 2015)	Ministry of Finance and Economic Development
• Government Programmes Supporting Those in Need (May 2015)	Ministry of Community Affairs, Youth and Sport
• National Land Development and Government Real Property (June 2015)	Ministry of Planning, Lands, Agriculture, Housing and Infrastructure
• Management of Travel and Hospitality Expenditures (May 2014)	Deputy Governor's Office
• Collecting Government Revenues (September 2015)	Deputy Governor's Office
• Government IT Security (September 2015)	Ministry of Home Affairs
• Major Capital Projects – Building Schools (May 2015)	Ministry of Education, Employment and Gender Affairs
• Management of the Nation Building Programme (July 2015)	Deputy Governor's Office

Note: These were the responsible Ministries, Portfolios and Offices at the time of the PAC reports and those that responded in the Government Minute of October 2016. These have subsequently changed after the 2017 election.

PURPOSE OF THIS REPORT

The Office of the Auditor General (OAG) has assessed the responses given in the Government Minute of October 2016 to determine whether, in our view, the recommendations have been implemented. In making these assessments we reviewed the OAG's original recommendations and additional recommendations made by PAC in June 2016; compared the responses in the Government Minute to the original management response given to the OAG reports; and used our current understanding and knowledge of developments, where appropriate. Some recommendations had planned implementation dates after October 2016 (date of the Government minute) that have now since passed. In these cases, we obtained a progress update from senior officials in the Government at end of June 2017. We have included these updates in the OAG comments and our assessment of progress in implementing the recommendations.

This report provides:

- A high-level assessment of each report, including a Red-Amber-Green (RAG) rating of progress (below).
- An overall conclusion on Government's progress in implementing PAC recommendations (next section).
- Detailed assessments of Government's progress for each report (Appendices 1 to 8). Each appendix includes a summary of the PAC recommendations (including original OAG recommendations and additional PAC recommendations); Government's response and planned implementation date to the original OAG recommendations; Government response as at October 2016; and OAG comment on the updates.

HIGH-LEVEL ASSESSMENT OF EACH REPORT

Based on our review of the Government Minute of October 2016, our high-level assessment of Government's progress with implementing the recommendations of the eight reports covered are:

Report	OAG comment	OAG assessment of progress
Financial and Performance reporting – Entire Public Sector; Ministries, Portfolios and Offices; and Financial and Performance reporting – Statutory Authorities and Government Companies for	At the time of the Government Minute (October 2016) a number of the planned implementation dates were in the future. For those specific recommendations we met with officials in the Ministry of Finance and Economic	Amber Some progress has been made in implementing the recommendations.

the year ending 30 June 2014 (September 2015) Ministry of Finance and Economic Development	Development to get an update at the end of June 2017. Based on this updated position, some progress has been made in implementing the recommendations	
Government Programmes Supporting Those in Need (May 2015) Ministry of Community Affairs, Youth and Sport	The Government Minute repeats much of the original management response to the OAG report (in May 2015) with only limited updates on progress provided. The Minute states that subsequent to the report, Cabinet determined that the Ministry of Community Affairs needed to develop an Outline Business Case (OBC) (using Project Future methodology) in order to modernize social assistance programmes as it is an area of significant spending with considerable potential for improvement.	Red Limited progress has been made.
National Land Development and Government Real Property (June 2015) Ministry of Planning, Lands, Agriculture, Housing and Infrastructure	The Government Minute includes a response from the Honourable D. Kurt Tibbetts, then Minister responsible for Planning, Lands, Agriculture, Housing and Infrastructure to the PAC report. His response states that the Ministry disagrees with certain observations and/or recommendations (see Appendix 3 for detail). A number of recommendations are reported as being	Amber Some progress has been made in implementing the recommendations.

	implemented or in progress.	
Management of Travel and Hospitality Expenditures (May 2014) Deputy Governor's Office	The Government has made good progress in implementing the recommendations.	Green Most recommendations implemented or in progress.
Collecting Government Revenues (September 2015) Deputy Governor's Office	At the date of the Government Minute (October 2016) most implementation dates were in the future. OAG obtained progress updates as at end June 2017. Some recommendations are being progressed but most have yet to be implemented.	Red Limited progress has been made.
Government IT Security (September 2015) Ministry of Home Affairs	Government is making good progress in implementing the recommendations.	Green All recommendations implemented or in progress.
Major Capital Projects – Building Schools (May 2015) Ministry of Education, Employment and Gender Affairs	Government is addressing the recommendations. The OAG audit on Major Capital Projects Follow-Up will provide PAC with more information (late summer 2017).	Green Most recommendations implemented or in progress.
Management of the Nation Building Programme (July 2015) Deputy Governor's Office	Government has taken action to address all recommendations.	Green All recommendations implemented or in progress.

Note: RAG ratings are Red – limited or no progress has been made; Amber – some progress has been or is being made; Green – significant progress has been made in addressing the recommendations.

CONCLUSION

1. Overall we concluded that the Cayman Islands Government has been slow to implement the PAC'S recommendations. Progress with implementing the recommendations in the eight reports is mixed:

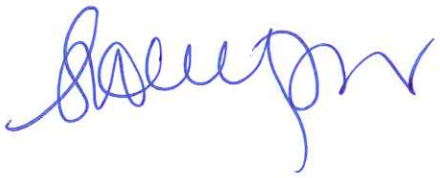
    - Significant progress has been made in four reports. Government has implemented or is taking action to implement most or all of the recommendations.

    - Some progress has been made with two reports i.e. some recommendations have been implemented; some are in progress; there has been no progress with some recommendations; and for others it is not clear what actioned (if any) is planned. Government has not specified an implementation date for some recommendations.

    - Limited progress has been made in implementing the PAC's recommendations for two reports.

2. We found that the quality of Government's responses, in its Minute of October 2016, could be improved. Some comments provided a clear update on progress against the recommendation. However, many repeated much of what was said in the response to the original OAG recommendation. This made it difficult to find updates when they were given. PAC may find it more useful if Government provided only updates on progress since the last formal communication with PAC (including the management response to OAG reports).

3. PAC may wish to hold hearings with Government to ask for further updates on implementing recommendations, particularly for those reports that we have assessed as having made limited or some progress (rated as red and amber respectively). The PAC may also wish to acknowledge its satisfaction for the four reports where good progress has been made.



Sue Winspear, CPFA
Auditor General
George Town, Grand Cayman
Cayman Islands

14 July 2017

APPENDIX 1 – FINANCIAL AND PERFORMANCE REPORTING – ENTIRE PUBLIC SECTOR; STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES; AND PORTFOLIO AND MINISTRIES FOR THE YEARS ENDING 30 JUNE 2013 AND 2014 (SEPTEMBER 2015)

The Public Accounts Committee (PAC) held four meetings to consider the report between 11 February 2016 and 22 June 2016. In its report, the PAC concluded:

- The PAC agrees with the findings and recommendations of the Auditor General in this report.
- The PAC wished to congratulate the Government Ministries, Portfolios and Offices on the progress made in moving towards the goal of all entities receiving unqualified audit reports within the legal timelines provided in the Public Management and Finance Law.
- The PAC wishes to congratulate the Statutory Authorities and Government-owned Companies on the progress they have made but it is particularly concerned with the following issues raised by the Auditor General:
    - The concern that Cayman Airways and the Turtle Farm continue to depend on substantial financial support from Government to continue operations.
    - The concerns expressed by the Auditor General on the Heath Services Authority.
    - The concerns expressed by the Auditor General on the Port Authority, especially with the Port Authority actively considering a major expansion of its facilities.
- The PAC wishes to draw the Government's attention to the recommendations made by the Auditor General on the Financial and Performance reporting on the Entire Public Sector ending 30th June 2014 and in particular to the main recommendation 9, on page 5, of the report:

    "The main recommendation of the report is that Government needs to clearly lay out its plans and goals to achieve accountability as required by the PMFL, in both the short and medium term. Government should likewise provide regular reports to the Legislative Assembly on the progress that has been made on achieving those targets in order to hold those who are charged with the responsibility for the plans accountable."

- The PAC is pleased that management agrees with the ten detailed recommendations of the Auditor General and has identified the agencies responsible for their implementation. The PAC further notes that management has placed specific deadlines for the completion of the implementation of these recommendations and that completion date for all ten is December 31st, 2016.

Government comment: No additional comment provided in the Government Minute.

OAG comments: At the time of the Government Minute (October 2016) a number of the planned implementation dates were in the future. For those specific recommendations we met with officials in the Ministry of Finance and Economic Development to get an update at the end of June 2017. The progress updates are included in our comments in the final column. Based on this updated position, some progress has been made in implementing the recommendations.

Recommendation		**Original management response to OAG recommendation**	**Government response as at October 2016**	**OAG comment**
1.	The Government should develop a clear plan and set goals for the material achievement of accountability as required by the PMFL, in both the short and medium term. The Government should report progress on a regular basis, on achieving those goals, and provide them to the Legislative Assembly.	Management agrees with this recommendation. A tentative plan to be developed by December 4, 2015. This plan will be subject to change contingent on the proposed amendments to the PMFL (2013 Revision). ***Planned implementation date***: December 2015	The Government agrees with this recommendation. This plan is subject to change contingent on the proposed amendments to the PMFL.	Recommendation in progress. The PMFL amendments approved in March 2017 clearly outline the accountability of the Financial Secretary and Chief Officer of Finance for the overall financial management and reporting for the Government. It states that the Financial Secretary is: (a) to be the overall leader of the Government financial management and reporting functions

				(b) to promote improved financial reporting across the entire public sector; and (c) any other functions conferred under regulations or a job description. Additionally section 54 of the Law outlines explicitly the responsibility of the Chief Officer of Finance for development and management of a public finance manual and for monitoring compliance with the PMFL. Requirements have been put in place to address this recommendation. It is too early to assess how effective they are in practice. OAG will keep this under review.
2.	The Government should prepare a Financial Statement Discussion and Analysis in line with the requirements of the IPSASB Recommended Practice Guide 2 to enhance accountability and transparency for the use of public resources.	Management agrees with this recommendation. The Financial Statement Discussion and Analysis was included in the 2013-14 Financial Statements and an expanded version was included in the 31 October	The Government agrees with this recommendation. The Financial Statement Discussion and Analysis was included in the 2013-14 Financial Statements and an expanded version was included in the 31	Recommendation implemented. However, there is scope to further improve accountability and transparency. We have noted progress in the content of the Management Discussion and Analysis (MDA) included in entity and EPS financial statements. From our assessment

		2015 submission. ***Planned implementation date:*** None given	October 2015 submission.	they meet the requirements of IPSAS's Recommended Practice Guide at a minimum level. However, there is scope for more robust input in the details provided in order to enhance the usefulness of the MDA as a tool in the accountability framework of CIG.
3.	Government should consider implementing IPSASB Recommended Practice Guide 3 on Reporting Service Performance Information to further enhance accountability and transparency, and provide demonstrable information on the services that they are providing to citizens.	Management will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet. Consideration will be given to the implementation along with the PMFL Review Committee recommendations which is currently proposed to be legislated by 31 December 2016. ***Planned implementation date***: 31 December 2016	The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.	No progress has been made.
4.	Management should consider the requirements of IPSASB accounting standards and implement control processes that ensure that	Management agrees with this recommendation. However, in considering IPSAS 6 management needs to ensure	The Government agrees with this recommendation.	The Minute does not give a progress update to say whether this recommendation has been

	objectives of the standards are met. We have outlined a number of areas in detail in our report. There is a clear need for ownership in this entire process to minimize such issues as inconsistencies and non-compliance. Specifically: • IPSAS 6 should be clearly analyzed and reviewed to ensure that the consolidation process is performed in compliance to this standard; and • Controls processes such as full intercompany balances and reconciliation, proper identification and codification of transactions and balances that would require special adjustments during the consolidation process should be in place.	that such consolidation does not result in information which could potentially be misleading. ***Planned implementation date:*** 30 June 2016		implemented. It should be noted that a new standard (IPSAS 35) has been released subsequent to the AG report, which supersedes IPSAS 6. Any actions taken should take this change in to account. It is also worth noting that communications received from the Financial Secretary regarding changes in the legislation to exclude the Public Sector Pension Board from the EPS consolidation will also have some bearing on this recommendation's action.
5.	The Government needs to review whether the system of using outputs for reporting against appropriations reported in the Schedule of Appropriations is appropriate. It also needs to put in place systems that are consistently	Management will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet. Consideration will be given to	The Government will review this recommendation in line with the PMFL Review Committee recommendations	Recommendation partly in progress. The amendments to the PMFL in 2017 make clear the role of the Financial Secretary and Chief Officer of Finance in developing a public finance manual, which sets out the financial

	applied across government to ensure that they can report on this fundamentally important accountability information.	the implementation along with the PMFL Review Committee recommendations which is currently proposed to be legislated by 31 December 2016. A tentative plan to be developed by December 4, 2015. This plan will be subject to change contingent on the proposed amendments to the PMFL (2013 Revision). ***Planned implementation date***: 31 December 2016	accepted by Cabinet.	management and reporting policies for all entities consistent with GAAP. The PMFL Amendments approved in March 2017 did not make any changes to the system of using outputs for reporting the appropriations. (See also page 54 - response to recommendation 7 for Collecting Government Revenues).
6.	The Government should consider establishing an audit committee for core government to act as a driver for continuous improvement in internal control, financial management and financial reporting across government and provide the Deputy Governor with the required assurance on the arrangements in place through a process of constructive challenge.	Management agrees with this recommendation. ***Planned implementation date:*** 30 June 2016	The Government agrees with this recommendation. ***Planned implementation date:*** 31 March 2017	Recommendation in progress. At end June 2017 Terms of Reference for a core government audit committee have been drafted and are with the Deputy Governor (DG) for consideration. The Government is considering whether the PMFL needs to be amended to provide a statutory basis for the committee. In the meantime it plans to operate the committee

				under the DG's responsibilities. Government aims to have the audit committee fully established by end of September 2017.
7.	The Government should drive the development of a risk management framework across the public sector to enable effective management of the risks to the achievement of the Government objectives, and inform decision making.	Management agrees with this recommendation. Consideration will be given to the implementation along with the PMFL Review Committee recommendations which is currently proposed to be legislated by 31 December 2016. ***Planned implementation date:*** 31 December 2016	The Government agrees with this recommendation. ***Planned implementation date:*** 31 March 2017	As at end June 2017 no progress has been made. The Ministry of Finance and Economic Development reports that to achieve this recommendation it needs to employ a non-civil servant to produce this framework as civil servants do not have the (extensive) time required to devote to this important task. The Ministry aims to reach a conclusion on this possibility by 31 July 2017.
8.	The Government should be proactive in considering the risk of fraud, by establishing an appropriate management framework applicable across the public sector. This should require mechanisms for identifying and responding to fraud risk factors, including the implementation of a	Management agrees with this recommendation. ***Planned implementation date***: 31 December 2016	The Government agrees with this recommendation. ***Planned implementation date***: 31 March 2017	Recommendation implemented. Government developed and issued a hospitality policy in June 2017, which includes a section on reporting suspected fraud. It also published its new Whistle-blower policy on 1 April 2017 and launched a national Whistle-blower

	fraud policy and fraud response plan, and developing a framework for proactive reporting of fraud and suspected fraud to senior management and the Legislative Assembly.			hotline in June 2017.
9.	The Government should address the issues reported in our detailed reports on the General IT Control Environment and the IRIS upgrade as part of a coherent strategy for the management of IT resources.	Management agrees with this recommendation. ***Planned implementation date:*** 31 December 2016	The Government agrees with this recommendation.	Recommendation in progress. As at end of June 2017, The Ministry of Finance and Economic Development has confirmed that the majority of management responses agreed in the IRIS update reports have been addressed.
10.	Management needs to develop robust systems of internal control which are consistently applied across the EPS for the effective management of executive revenues and expenses that provide assurance regarding the stewardship of public money to senior management.	Management agrees with this recommendation. ***Planned implementation date:*** 31 December 2016	The Government agrees with this recommendation.	Recommendation in progress. As at end of June 2017, the Ministry of Finance and Economic Development stated that it had a draft Internal Controls policy. It is developing a rollout strategy and anticipates that the policy will be introduced in September 2017.

APPENDIX 2 – GOVERNMENT PROGRAMMES SUPPORTING THOSE IN NEED (MAY 2015)

The Public Accounts Committee (PAC) held six meetings to consider the report between 23 June 2015 and 22 June 2016. In its report, the PAC concluded:

- The PAC agrees with the findings and recommendations of the Auditor General in this report.
- The PAC is concerned that during the public hearings on the recommendations contained in the report it was clearly demonstrated that much work needs to be done to address the concerns of the Auditor General.
- The PAC is particularly concerned that the emphasis by The Ministry seems to be concentrating of the perceived need for substantial, (almost double) additions to staff complement as a way to deliver services more efficiently and effectively. The PAC would like to suggest that a major overhaul of the procedures and policies, to devolve authority and reduce the bureaucratic duplication that was clearly demonstrated in the public hearings may be a better use of Government resources.
- The PAC is also concerned by the absence of any deadlines by management to address these recommendations.
- The PAC would like to draw Government's attention to recommendations 1, 2 and 5 of the report.
- The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget.
- The PAC expects that the Government minute will include a review during the next budget period by the Auditor General to determine the effectiveness of the implementation of these recommendations.

Government comment: The Government acknowledges that much work needs to be done to address the concerns of the Auditor General and has set out its responses to the report. The Committee is advised that subsequent to the report, Cabinet determined that the Ministry of Community Affairs needs to develop an Outline Business Case (OBC) using Project Future methodology in order to modernize social assistance programmes as it is an area of significant spending with considerable potential for improvement.

OAG comment on Government response: The Government response at October 2016 repeats much of the original management response to the OAG report (in May 2015) with only limited updates on progress provided. A number of responses (either original or update) state that the recommendation cannot be implemented without additional resources. However, the updated response provides no indication of the level of

resources needed to take action. Government has committed to develop an OBC in order to modernize social assistance programmes. It is not clear what the timescale is for the OBC or how it will help develop a strategy for social assistance programmes.

Recommendation		Original management response to OAG recommendation	Government response (October 2016)	OAG comment
1.	The Government should develop a coordinated social assistance strategy, including clear priorities and the specification of desired results, to provide overall direction for planning and delivering social assistance and monitoring the results achieved. (OAG)	The Ministries involved accept the recommendation that a coordinated social assistance strategy is needed for the Cayman Islands. As the Government has committed to improving the lives of the most vulnerable persons in our society, this would require formal approval by Cabinet to begin this process. ***Planned implementation date:*** Subject to date set by the Government.	The Government accepts the recommendation. In order to implement the recommendation a formal approval from Cabinet is required. As of August 2016, this recommendation is in the scope of the OBC.	Modernisation of Social Assistance Programmes has been included in Phase Four of the Project Future programme. The Ministry awarded a contract in January 2017 to prepare an Outline Business Case (OBC) for the project. We understand that the OBC was due to be prepared by the end of March 2017. We have not seen the OBC to assess its content or whether it addresses the recommendation. We are not aware of the overall timescale for the project. The PAC may wish to ask for an update.

2.	The Government should assess the manner in which roles, responsibilities and budgets are assigned, with a view to facilitating a coordinated social assistance programme. (OAG)	The Ministries agree with the recommendation and this will form part of the coordinated social assistance strategy once approved by Cabinet. ***Planned implementation date:*** Subject to date set by the Government.	The Government agrees with this recommendation and this will form part of the coordinated social assistance programme once approved by Cabinet.	No update is provided to the original management response.
3.	The Government should develop the means to measure and monitor performance, and to provide the Legislative Assembly with regular feedback on the results achieved by the social assistance programmes. (OAG)	The Ministries agree with the recommendation. This should form part of the strategy as outlined previously at responses 1 and 2 above. ***Planned implementation date:*** TBD	The Government agrees with this recommendation. This should form part of the strategy as outlined previously at responses 1 and 2 above. All the agencies involved in these processes are expected to develop mechanisms for monitoring, evaluation and reporting. Subject to additional resources being provided, the Government expects that this strategy would be implemented in the 2016-17 budget year.	The update states that additional resources are needed to implement this recommendation. It does not specify the extent of additional resources needed or whether they have been received in 2016-17.
4.	The Government should develop the means to obtain	The Ministries accept that it is important to have this	The Government accepts the importance of this	There is no update to the

	up-to-date information on potential needs for social assistance as well as information on trends in such needs to assist in the development and maintenance of a coordinated strategy. (OAG)	recommendation actioned. However, it would be imperative that the responsible agency be adequately resourced in order to efficiently carry out this function. It should also be noted that presently the NAU is understaffed and thereby unable to perform the necessary research required to determine trends and appropriate strategies. However, should the NAU be adequately staffed, the Unit would be able to coordinate this information with other Departments within the Government such as the Department of Economics and Statistics. ***Planned implementation date:*** TBD	recommendation. However, it is imperative that the responsible agency be adequately resourced in order to efficiently carry out this recommendation. It should be noted that at present the NAU is understaffed and thereby unable to perform the necessary research required to determine trends and appropriate strategies. Should the NAU be adequately staffed, the Unit would be able to coordinate this information with other Departments within the Government such as the ESO.	original management response. The original response stated that additional resources were required to implement the recommendation. There is no indication of the extent of additional resources needed.
5.	The Government should set clear, realistic and measurable objectives for each social assistance programme to provide a basis for assessing its performance.	Agree. The Ministry of Community Affairs currently has policies in place for: Temporary Poor Relief, Permanent Poor Relief and Seaman Ex-gratia Payments. The NAU is currently using a Ministry approved Eligibility criteria for all	The Government agrees with this recommendation. The Government currently has policies in place for the following types of relief: Temporary Poor Relief, Permanent Poor Relief and	Recommendation in progress. The update states that Cabinet approved new Seamen criteria in November 2015 and that further proposed changes to the criteria were with the

		forms of poor relief assistance' policy since September 2014. The Ministry is also operating under a 2002 Cabinet approved policy in order to determine applicants eligibility. However, the Ministry has proposed the revisions to the criteria based on the recommendations of the 2013 internal audit. These proposed changes are being prepared for Cabinet consideration and approval. It should be noted that while the Ministry agrees with this recommendation, it is imperative that additional human resources are obtained in order to effectively measure the impact of the financial assistance. Clear, realistic and measurable objectives for medical insurance for Seamen and Veterans are set out in section 5(4) of the Health Insurance Law (2013 Revision). Further, the Ministry has developed a Policy Document for the enrolment of Seamen and	Seaman Ex-gratia Payments. Since September 2014, the NAU is using a Ministry approved revised 'Eligibility criteria for all forms of poor relief assistance' policy. Unfortunately due to the NAU being severely understaffed implementing this recommendation would not be possible without additional resources. The Government is also operating under a 2002 Cabinet approved policy to determine eligibility and in November 2015 Cabinet approved the new Seamen Criteria. The Government has proposed revisions to the criteria based on recommendations from the 2013 Internal Audit. These proposed changes are currently with the Minister responsible for Community Affairs, Youth and Sport for consideration and approval to be presented to Cabinet. Whilst Government agrees with	Minister for consideration. The update states that Cabinet needs to make a policy decision to address the concerns regarding health insurance for Seamen and Veterans. It does not specify whether Cabinet has been requested to make such a policy decision. The original and updated responses state that additional resources were required to implement the recommendation. No indication is given of the extent of additional resources needed. The PAC may wish to ask for an update.

		Veterans for Medical Insurance which include a basis for assessing the Programme. ***Planned implementation date:*** The NAU is severely understaffed and pending additional resources this recommendation would not be possible.	the recommendation, it is imperative that additional human resources are obtained in order to effectively measure the impact of the financial assistance. Clear and measurable objectives for medical insurance for Seamen are set out in Section 5 (4) of the Health Insurance Law (2013 Revision). Further the Ministry has developed a Policy document for the enrolment of Seamen and Veterans for medical insurance which includes a basis for assessing the Programme. To address the concerns regarding health insurance for Seamen and Veterans would require Cabinet making a policy decision.	
6.	The Government should develop legislation that provides appropriate authority for programmes to pay benefits to Seamen and ex-service men, and arrange for the subsequent	The Ministry of Community Affairs agrees with the recommendation and has revised the current approved criteria for the benefits. The proposed recommendations are currently before Cabinet for its consideration and approval.	The Government agrees with this recommendation and has revised the current Cabinet approved criteria for the benefits. The proposed recommendations are currently before Cabinet for its consideration and approval.	No update is provided to the original management response. The Older Persons Law 2017 passed by the Legislative Assembly in March 2017 does not include any provisions for programmes to pay benefits to

	development of policies, criteria and operational procedures consistent with legislation. (OAG)	Additionally, the Ministry of Community Affairs further advises that this should form part of the elderly legislation and the social assistance strategy. The medical insurance benefits for Seamen and Veterans are set out in section 5(4) of the Health Insurance Law (2013 Revision). Further the Ministry of Finance & Economic Development has developed a Policy Document for the Enrolment of Seamen and Veterans for Medical Insurance that sets out policies, criteria and operational procedures which are consistent with the Law. ***Planned implementation date:*** TBD	Additionally, the Ministry of Community Affairs further advises that this should form part of the elderly legislation and the social assistance strategy. The medical insurance benefits for Seamen and Veterans are set out in section 5(4) of the Health Insurance Law (2013 Revision). Further the Ministry of Finance & Economic Development has developed a Policy Document for the Enrolment of Seamen and Veterans for Medical Insurance that sets out policies, criteria and operational procedures which are consistent with the Law.	seamen and ex-service men. The Older Persons Policy 2016 refers to benefits and subsidies but it is not clear if this policy is being implemented. The PAC may wish to ask for an update.
7.	The Government should follow through on the 2013-14 Strategic Policy Statement to amend the Poor Persons (Relief) Law and to develop accompanying regulations so as to provide sound	The Ministry of Community Affairs has drafted regulations for the Poor Persons Relief Law and these should be presented to Cabinet for their consideration and approval prior to June 30, 2015. Furthermore, the Poor Persons	The Government agrees with this recommendation. However, in order to action the recommendation a policy decision is required to be made by Cabinet. The Ministry of Community Affairs has drafted regulations for the	The update states that draft Regulations were being reviewed by Legal Drafting. It did not provide an indicative timescale for completion. The PAC may wish to ask for an

	legislative authority for poor relief programmes including the basis for the development of criteria needed to effectively manage the programmes. (OAG)	Relief Law needs to be amended to reflect the over-arching philosophy of the social assistance strategy and best practice. ***Planned implementation date:*** TBD	Poor Persons Relief Law and these should be presented to Cabinet for their consideration and approval prior to June 30, 2015. Furthermore, the Poor Persons Relief Law needs to be amended to reflect the over-arching philosophy of the social assistance strategy and best practice. The Government is happy to report that after some unforeseen delays, draft Regulations are being reviewed by Legal Drafting.	update.
8.	The Department of Children and Family Services (DCFS) together with the Needs Assessment Unit (NAU) should develop and document policies, eligibility criteria and procedures to guide the assessment of people as indigents for purposes of health insurance and medical services. (OAG)	In accordance with Section 2 of the Health Insurance Law (2013 Revision), indigent persons are defined as a person, who in the opinion of the Minister for the time being responsible for Social Services on the advice of the Director of Children and Family Service, is unable by reason of inadequate resources, to pay for health insurance or medical services. The Department of Children and	In accordance with Section 2 of the Health Insurance Law (2013 revision), indigent persons are defined as a person, who in the opinion of the Minister for the time being responsible for Social Services on the advice of the Director of Children and Family Service, is unable by reason of inadequate resources, to pay for health insurance or medical services. The DCFS has revised their policy	Recommendation in progress. The response states that medical indigent coverage has now been completed and implemented. The original OAG recommendation referred to DCFS working with the Ministry of Health. The Government response refers to working with the NAU (which is in the same Ministry as DCFS). It is not clear

		Family Services has revised their policy for advising the Minister responsible for Social Services in regards to indigent medical and this currently being reviewed. ***Planned implementation date:*** 30 June 2015	for advising the Minister responsible for Social Services in regards to indigent medical and this currently being reviewed. Medical indigent coverage has been completed and implemented based on the requirements of the Health Insurance Law (2013 Revision).	from the response if DCFS and the Ministry of Health are working together as recommended.
9.	The Government should ensure that regular re-assessments of eligibility are carried out in all programmes that determine eligibility on the basis of a person's financial circumstances. (OAG)	In accordance with the recommendation in the internal audit report of Seamen ex-gratia benefits, the continuation certificates will be sent out to all recipients of the ex-gratia benefit on a bi-annual basis. Through this process, recipients will be reviewed as it relates to income, residency, deaths, etc. The NAU currently carries out regular assessments on persons requiring temporary assistance. However, due to the lack of human resources, reassessments of persons receiving permanent financial assistance are currently not being conducted.	In accordance with the recommendation in the internal audit report of Seamen ex-gratia benefits, the continuation certificates will be sent out to all recipients of the ex-gratia benefit on a bi-annual basis. Through this process, recipients will be reviewed as it relates to income, residency, deaths, etc. The NAU currently carries out regular assessments on persons requiring temporary assistance. However, due to the lack of human resources, reassessments of persons receiving permanent financial assistance are currently not being conducted.	Recommendation implemented. The update states that reassessments will begin in 2016-17 and will be done on a bi-annual basis for Seamen and Veterans.

		Since the Ministry of Finance & Economic Development assumed responsibility for the management and processing of health insurance benefits for Seamen and Veterans in November 2013, the Ministry liaise with the Cayman Islands Seafarers Association and the Veterans' and Seamen's Society of Cayman Brac and Little Cayman on a regular basis to review Members' eligibility. In addition, the Death Registry is reviewed on a monthly basis to ensure that Members are removed from the Programme in a timely manner. As a result of the regular re-assessments, as at 28th February 2015, the number of Members receiving medical insurance benefits decreased by 47 since November 2013. At a health insurance premium of CI$577 per month, this is a savings of approximately CI$406,785 over the 15 month period. ***Planned implementation date***: In January 2014, persons seeking	Since the Ministry of Finance & Economic Development assumed responsibility for the management and processing of health insurance benefits for Seamen and Veterans in November 2013, the Ministry liaise with the Cayman Islands Seafarers Association and the Veterans' and Seamen's Society of Cayman Brac and Little Cayman on a regular basis to review Members' eligibility. In addition, the Death Registry is reviewed on a monthly basis to ensure that Members are removed from the Programme in a timely manner. As a result of the regular re-assessments, as at 28th February 2015, the number of Members receiving medical insurance benefits decreased by 47 since November 2013. At a health insurance premium of CI$577 per month, this is a savings of approximately CI$406,785 over the 15 month period. The NAU will begin re-assessment	

		temporary poor relief were reassessed in order to determine continuation of their eligibility for financial services. However, persons on permanent poor relief will not be reassessed pending additional resources to the NAU.	in 2016-17 financial year. Recipients of the benefit at 30 June 2015 were grandfathered in, following a review of the Criteria by Cabinet in November 2015. The reassessment for those recipients will only include confirmation of residency except in cases of fraud or misrepresentation. For persons added after this date, reassessments will be done on a bi-annual basis through the Seaman's Continuation Confirmation Certificates. Veterans will also be reassessed on a bi-annual basis through the Veterans Continuation Confirmation Certificates.	
10.	The ministries responsible should take steps to ensure that eligibility for benefits is determined by robust and transparent application of eligibility criteria, and clearly supported by evidence in programme files. (OAG)	Since September 2014, the NAU is operating on a Ministry approved policy for temporary poor relief. The policy outlines the eligibility criteria which require the applicant to provide supporting documentation and specific requirements in order to receive	Since September 2014, the NAU is operating on a Ministry approved policy for temporary poor relief. The policy outlines the eligibility criteria which require the applicant to provide supporting documentation and specific requirements in order to receive	Recommendation in progress. Update states that the revised criteria used since September 2014 are included within the scope of the OBC. The PAC may want further information on the scope and

		financial assistance. The eligibility criteria for medical insurance for Seamen and Veterans are set out in section 5(4) of the Health Insurance Law (2013 Revision). Since the Ministry of Finance & Economic Development assumed responsibility for the management and processing of health insurance benefits for Seamen and Veterans in November 2013, the Ministry liaise with the Cayman Islands Seafarers Association and the Veterans' and Seamen's Society of Cayman Brac and Little Cayman on a regular basis to review Members' eligibility. In addition, the Death Registry is reviewed on a monthly basis to ensure that Members are removed from the Programme in a timely manner. ***Planned implementation date:*** Implemented September 2014.	financial assistance. The eligibility criteria for medical insurance for Seamen and Veterans are set out in section 5(4) of the Health Insurance Law (2013 Revision). Since the Ministry of Finance & Economic Development assumed responsibility for the management and processing of health insurance benefits for Seamen and Veterans in November 2013, the Ministry liaise with the Cayman Islands Seafarers Association and the Veterans' and Seamen's Society of Cayman Brac and Little Cayman on a regular basis to review Members' eligibility. In addition, the Death Registry is reviewed on a monthly basis to ensure that Members are removed from the Programme in a timely manner. The revised criteria were implemented in September 2014 and are in the scope of the OBC.	timescale of the OBC.
11.	The Government should	This process is developed by the NAU in conjunction with the	The Government agrees with this	Recommendation in progress.

	develop appropriate appeals processes and ensure that all applicants for benefits are provided with information about how to appeal decisions regarding their eligibility, including who will adjudicate the appeal and when they can expect to be informed of outcomes. (OAG)	Ministry of Community Affairs and will be included in the draft Poor Persons Relief Regulations. ***Planned implementation date***: July 2015 The Ministry of Finance & Economic Development will update the Appeals Process section of the Policy Document for the Enrolment of Seamen & Veterans for Medical Insurance to include the type of appeals that will be accepted (i.e. written, verbal etc.) and when applicants can expect to receive a response to an appeal. ***Planned implementation date***: 31 May 2015	recommendation. This process is developed by the NAU in conjunction with the Ministry of Community Affairs and will be included in the draft Poor Persons Relief Regulations. The Ministry of Finance & Economic Development will update the Appeals Process section of the Policy Document for the Enrolment of Seamen & Veterans for Medical Insurance to include the type of appeals that will be accepted (i.e. written, verbal etc.) and when applicants can expect to receive a response to an appeal. The Ministry of Community Affairs is obtaining advice from Legal Drafting on including an appeals process in the draft Poor Persons (Relief) Regulations.	The update states that the Ministry is obtaining legal advice on whether this can be incorporated in to the draft Poor Persons (Relief) Regulations. It does not provide an indication of timescale despite the planned implementation dates being May and July 2015. The PAC may wish to ask for an update.
12.	The Government should ensure that social assistance programme terms and conditions are consistent with the resources available to the	The Ministry agrees with this recommendation; however, it will be necessary to ensure that the NAU is adequately resourced in order to meet the demands of the	The Ministry agrees with this recommendation; however, it will be necessary to ensure that the NAU is adequately resourced in order to meet the demands of the	The update states that a proposal to ensure consistent terms and conditions will be provided to the Ministry. It does not specify a timescale for

	government for these purposes – including the resources required to administer the programs and provide quality services. (OAG)	public. ***Planned implementation date***: The implementation of this recommendation is dependent on NAU obtaining sufficient human resources to carry out the roles and responsibilities.	public. The implementation of this recommendation is dependent on NAU obtaining sufficient human resources to carry out the roles and responsibilities. The Director of NAU will provide the Ministry of Community Affairs with a proposal to ensure that terms and conditions (service standards) are consistent.	doing this. Nor does it comment on these being consistent with resources available. The PAC may wish to ask for an update.
13.	The PAC would like to suggest that a major overhaul of the procedures and policies, to devolve authority and reduce the bureaucratic duplication that was clearly demonstrated in the public hearings may be a better use of Government resources. (PAC)	N/A		There is no specific response to this recommendation. The PAC may wish to ask for an update.
14.	The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations,	N/A		There is no response to this recommendation. The original response and update state in numerous places that additional resources are

	by the Auditor General, is being provided in the 2016-17 budget. (PAC)			required to implement recommendations but there is no indication of how much additional resource or whether it is needed on a recurring basis.

APPENDIX 3 - NATIONAL LAND DEVELOPMENT AND GOVERNMENT REAL PROPERTY (JUNE 2015)

The Public Accounts Committee held eight meetings to consider the report between 14 July 2015 and 22 June 2016. In its report, the PAC concluded:

- The PAC agrees with the findings and recommendations of the Auditor General in this report.
- The PAC is particularly concerned with the responses from management and the unwillingness of Chief Officers to accept responsibility and accountability for the concerns expressed by the Auditor General in this report. The evasive and inadequate answers given by the Chief Officers during the public hearings held by the PAC on this report is of immediate and particular concern as it suggests a lack of preparation. On at least two occasions the PAC had evidence that did not support the answers given by the Chief Officers.
- The PAC notes with some disappointment that while management supported some of the recommendations of the Auditor General no timelines were identified for completing the implementation of the recommendations, TBD (to be determined) is not acceptable to the PAC as a definitive timeline for implementation.
- The PAC is also concerned with the propensity and frequency with which the Chief Officer shifted the responsibility and authority to address the concerns of the Auditor General to other persons or agencies. The PAC is further concerned with the Chief Officers' deliberate and persistent refusal to accept responsibility for the issues which lead the Auditor General's recommendations, during the public hearings. These evasive answers and shifting the blame often sailed close to contempt for the process.
- The PAC would take the opportunity to invite the Deputy Governor to ensure that all Chief Officers and other civil servants who are summoned to give evidence to the Public Accounts Committee, do so with clear and concise answers while being honest and factual to demonstrate respect for the process and the Public Accounts Committee.
- The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget.

Government comment: The Government Minute includes a response from Honourable D. Kurt Tibbetts, then Minister responsible for Planning, Lands, Agriculture, Housing and Infrastructure on the PAC report. It states that the OAG report was useful in highlighting certain difficulties, which will be addressed; however, the Ministry is in disagreement with certain observations and/or recommendations.

OAG comment on Government response: The Government Minute provides an updated position on progress with some recommendations. It is not clear whether action is being taken to address some recommendations and no progress has been made with others. The update states that Government does not agree with and will not be implementing some of the OAG recommendations.

Recommendation		Original management response to OAG recommendation	Government response	OAG comment
1.	The Development Plan for the Cayman Islands should be comprehensively updated. The area approach suggested by the Public Service Review is worthy of consideration as an approach to this task. (OAG)	Management supports this recommendation. ***Planned implementation date***: TBD in accordance with policy direction received from Government.	The Government accepts this recommendation and agrees that a review of the National Development Plan for the Cayman Islands is overdue and required. However, the Government, when balancing other matters of urgent priority against existing available resources was left in the unfortunate position of not being able to fund the review at the time of the recommendation. However, such a review remains a priority for the Government.	No progress made. The update states that due to lack of resources this recommendation has not been taken forward but remains a priority. It does not specify when the resources will become available to action this.
2.	The Crown Lands below the high water mark should be included in national development plans and	Management supports this recommendation at a general level, but notes that there are a number	The Government does not entirely agree with this	No progress has been made. The update continues to

	that: • Cabinet be removed from day-to-day operational decision-making; • a specific agency be made responsible for long range planning of off-shore development; and • the Central Planning Authority's (CPA) discretion should be exercised in conformance with national policy, land use plans and advice from the Department of Environment. (OAG)	of specific issues that would need to be considered and addressed in advance of implementing this recommendation. Of particular concern is the extent of the Development Plan extension as it relates to the Crown ownership of land below the water line. ***Planned implementation date***: TBD in accordance with policy direction from Government.	recommendation. There are significant issues and problems with including all Crown land (which includes the entire ocean floor within the territorial waters of the Cayman Islands waters i.e. the "Queen's bottom") within the National Development Plan. However a committee is being formed to look at this matter.	state concerns in relation to extending the National Development Plan to cover Crown lands below the water line. The Government has set up a committee to review this further. The PAC may wish to ask for an update.
3.	Central Planning Authority (CPA) and Development Control Board (DCB) hearings should be open to the public and should provide a rationale for their decisions. (OAG)	This is a matter for the CPA and DCB. Management is therefore unable to give an undertaking in this regard. ***Planned implementation date:*** TBD. Policy direction required of Government.	The Government agrees with the recommendation in principle. It is important that these entities preserve their independence from Government control, are entitled under the Development and Planning Law to 'regulate their own proceedings'.	It is not clear whether this recommendation is being taken forward. The PAC may wish to request an update from the Central Planning Authority and Development Control Board.

4.	The register of interests for the members of the CPA and the DCB as required by the Standards in Public Life Law be implemented immediately. (OAG)	This is a matter for the CPA and DCB. Management is therefore unable to give an undertaking in this regard. ***Planned implementation date***: TBD. Policy direction required of Government.	The Government agrees with this recommendation and confirms that a register of interests for members of the CPA and DCB has been implemented per the legal requirements of the Standards in Public Life.	The recommendation has been implemented.
5.	The membership of the CPA and the DCB should be balanced to include members representing sectors other than the building and development industry. (OAG)	This is a matter for Cabinet. Management is therefore unable to give an undertaking in this regard. ***Planned implementation date***: TBD	The Government agrees with this recommendation and will ensure that going forward the membership of the CPA and DBC is balanced.	Recommendation in progress. Government confirms that the recommendation will be implemented but does not indicate a timescale for doing this.
6.	The enforcement functions for planning, building and electrical codes and water should be independent from the planning function and should be appropriately staffed. (OAG)	We agree that the enforcement function should be appropriately staffed, however, we are unable to support the recommendation to separate them from the planning function. To do so would further fragment the enforcement process, and it is feared further compromise its effectiveness. ***Planned implementation date***:	The Government does not agree with this recommendation. It is the Government's view that functions are already independent from the planning function (i.e. the planning approval process via the CPA). It is not considered that any further specific action is required at this time. The matter	The Government does not agree with the recommendation and does not plan to take any action.

		None.	will, however, continue to be monitored.	
7.	Laws, regulations and organizations involved in enforcement should be reviewed to ensure that technical experts responsible for public health and safety have the final say in regulatory enforcement. (OAG)	This occurs at present. Technical expertise directed to these areas is deemed satisfactory for purpose. ***Planned implementation date***: No date given.	This recommendation is already in place. The Government will take the view that the technical expertise directed to those areas is deemed satisfactory for purpose. However, the matter will continue to be monitored.	Government does not plan to implement this recommendation. However, it has committed to continue monitoring the level of technical expertise.
8.	The Lands and Survey Department should dispose of properties deemed surplus. (OAG)	Under the direction of Government (and as part of Project Future) this process has already commenced. ***Planned implementation date:*** Ongoing. Sales to be phased to maximize value and to align with existing staffing resources.	The Government agrees with this recommendation. The disposal of surplus Government properties is being actioned via the Department of Lands and Survey.	Recommendation in progress.
9.	The Ministry of Finance, the Registrar of Companies and the Department of Lands and Survey should develop procedures to ensure that properties acquired from defunct companies are appropriately accounted for and	Management is not in disagreement with this recommendation. However, the difficulties in putting in place a workable system should not be underestimated.	The Government agrees with this recommendation in principle. The difficulties with putting in place a workable system should	The recommendation is being considered. A committee was been established to review this and report to the CO. The PAC may find it helpful

	transferred to the Crown. (OAG)	***Planned implementation date***: Exploratory work has already commenced. Any implementation date to be subject to the solving of certain difficult technical matters and the obtaining of directives on some legal aspects of the current law.	not be underestimated. The CO has established a committee to study this matter and to provide a draft report which has been given to the CO who is currently reviewing the findings. Appropriate action will be taken.	to receive an update on what actions will be taken as a result of the committee's report and indicative timescales.
10.	The Department of Lands and Survey should develop government-wide policies and processes to ensure the highest and best use of lands are well managed by all government agencies. (OAG)	Management agrees with this aim, whilst having some reservations about the practicality of applying any agreed policies to those entities outside of core government. Any decisions based on highest and best use will remain subject to variations arising from the effect of other socio-economic factors and/or Cabinet directives. ***Planned implementation date***: TBD based on Government directives.	The Government agrees with this recommendation generally. However, decisions employing 'highest' and 'best' use will always remain subject to variations arising from the effect(s) of other socio-economic factors and Cabinet directives. A draft report on the issue is being prepared by a committee chaired by the Director of Lands and Survey. This report will be reviewed thoroughly and appropriate actions taken.	Government is considering this recommendation. The PAC may find it helpful to have an update on actions to be taken as a result of the committee report and indicative timescales.
11.	The Government should comply	Management agrees with this	The Government agrees with	It is not clear whether any

	with the Public Management and Finance Law and ensure it has authority for public expenditure. (OAG)	statement. ***Planned implementation date***: Immediate.	this recommendation.	specific action has or will be taken to implement this recommendation.
12.	The Government should follow the PMFL by ensuring there is a process for Legislative approval for all government expenditures, including those which may not require an immediate or direct outlay of funds. (OAG)	Management would not disagree with this aim as a general rule and as it relates to Ministry PLAHI. However, it cannot speak to Government policy or take responsibility for other Ministry's expenditure or that of other public entities. ***Planned implementation date***: No date given.	The recommendation is accepted, generally.	It is not clear whether any specific action has or will be taken to implement this recommendation.
13.	The Public Sector Investment Committee and the Central Procurement Office should be established without delay and its mandate enlarged to include alternative financing initiatives. (OAG)	This recommendation needs to be directed to Minister/Ministry of Finance. However, it should be noted that a Director of Procurement has recently been recruited and sits within the office of the Financial Secretary. ***Planned implementation date***: No	The Government agrees with this recommendation as a requirement under the PMFL. The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.	Recommendation partly in progress. As far as we are aware the PSIC has not been established. The Procurement Law 2016 (December 2016) makes provisions for the establishment of a Central

		date given		Procurement Office and a Public Procurement Committee. The Government established a Central Procurement Office in February 2015. The Law does not specifically mention alternative financing initiatives but does cover all procurement. The Law has not yet come in to force.
14.	The Ministry of Finance should implement policies and procedures to govern alternative financing initiatives. This responsibility should be considered when creating the Central Procurement Office as announced by government officials. (OAG)	This recommendation needs to be directed to Minister/Ministry of Finance. ***Planned implementation date***: No date given.	The Government will review this recommendation in line with the PMFL. Review Committee recommendations accepted by Cabinet.	Recommendation in progress As at end June 2017, Government reported that it will include guidance on alternative financing initiatives in the Public Finance Manual which will be finalised by the end of December 2017.
15.	The PAC notes with some disappointment that while management supported some of the recommendations of the	N/A		A number of recommendations are in progress although no timescales for their

	Auditor General no timelines were identified for completing the implementation of the recommendations, TBD (to be determined) is not acceptable to the PAC as a definitive timeline for implementation. (PAC)			completion have been provided.
16.	The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget. (PAC)	N/A		Not specifically addressed in response. Although the update states that some recommendations have already been implemented or are being progressed.

APPENDIX 4 - MANAGEMENT OF TRAVEL AND HOSPITALITY EXPENDITURES (MAY 2014)

The Public Accounts Committee (PAC) held seven meetings to consider the report between 6 August 2014 and 22 June 2016. In its report, the PAC concluded:

- The Committee noted with concern that the scope of the audit carried out by the Auditor General was limited because the supporting documentation for travel and hospitality expenditure was very poor, in some cases non-existent, and records in the accounting system unreliable. As a result the Auditor General was not able to carry out all the audit procedures he had planned thus limiting his ability to provide more information in his report on how these expenditures has been managed or quantify how much of the public resources were mishandled or wasted during the period covered by the audit.
- The PAC agrees with and accepts the eleven recommendations made by the Auditor General throughout his report and summarized in Appendix 4. The Committee believes that if these recommendations are implemented timely and consistently across the entire public service, it will provide a practical and cost effective framework for managing official travel and hospitality expenditures, thus minimizing the risks of mishandling and abuse of public resources.
- The Committee also noted the response provide by the Deputy Governor and acknowledges the significant efforts made by his Office to address the recommendations made in the report.
- While much progress has been made, the Committee noted, with disappointment, that recommendation no. 2 regarding the development of a comprehensive hospitality policy has not been implemented as of the date of the public hearing on 25 March 2015. The Committee believes that this policy is a key recommendation of the report and should be implemented as a matter of priority. The Committee therefore urges the Deputy Governor to prepare this policy and implement it across the entire public sector.
- The Committee also recommends that a further audit be undertaken either by the Government's Internal Audit Unit or the Auditor General to determine if the recommendations have been fully implemented and if the policies and processes are operating efficiently, effectively and as intended.
- The PAC expects that the Government Minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget.
- The PAC is particularly interested in the Government Minute stating with clarity and timelines how the progress on the implementation will be reported to the Legislative Assembly.

Government comment: The Government notes the Committee's comments stated in the Introduction and PAC comments of the PAC report, especially the concern that the scope of the audit carried out by the Auditor General was limited because the supporting documentation for the travel and hospitality expenditures was very poor, in some cases non-existent, and the records in the accounting system were unreliable and the need to enhance the management and retention of the supporting information.

It should be noted that since the enactment of the Law, supported by the Financial Regulations, Government agencies have been diligently improving and refining their operational systems, policies and procedures and ensuring that they are in accordance with the Law and Regulations.

OAG comment on Government response: The Government has made good progress in implementing the recommendations.

Recommendation		**Original management response to OAG recommendation**	**Government response (October 2016)**	**OAG comment**
1.	The Government should develop policies for the management of travel expenditures to include areas as key financial controls and requirements for monitoring and disclosure. (OAG)	As acknowledged in paragraph 80 of the report, a travel policy has been issued which is mandatory across the civil service, irrespective of role or seniority. The Portfolio of the Civil Service (POCS) will issue an addendum to that policy to prescribe standards for disclosure. ***Planned implementation date***: Travel policy completed July 2013. The addendum on proactive disclosure to be	The Government accepts this recommendation. A travel policy was implemented in July 2013 which is mandatory across the civil service, irrespective of role or seniority. An audit of the travel policy provided useful information for updating the policy and a revised version was issued in July 2016. Training will be conducted by the POCS during the 2016-17 year to assist persons in the application of the policy.	The recommendation has been implemented.

		implemented April 2014.		
2.	The Government should develop a comprehensive policy that is clearly communicated to all staff. The policy should promote consistency, value for money, controls, accountability, and disclosure requirements. The policy should address issues such a consumption of alcohol and entertainment of third parties. (OAG)	Agreed. The POCS will develop and implement a government-wide hospitality policy. In 2013/14 the POCS adopted a centralized budget for staff Christmas functions which caps expenditure at $25 per employee. ***Planned implementation date***: Government-wide hospitality policy to be implemented by end of 2013/14 financial year.	The Government accepts this recommendation. The POCS will develop and implement a government-wide hospitality policy. In 2013/14 the POCS adopted a centralized budget for staff Christmas functions which caps expenditure at $25 per employee. A draft hospitality policy has been drafted and circulated for feedback. This policy is expected to be finalized by 31 August 2016. Training will be facilitated by POCS as part of its output delivery during the 2016-17 year.	The recommendation has been implemented. The Government issued and brought into force the policy on Offering or Receiving Hospitality, Entertainment or Gifts on 1 June 2017.
3.	The Government should agree to establish policies and procedures for travel and hospitality expenditures incurred by Members of the Legislative Assembly. The policies and procedures should clearly outline the principles of	The Office of the Premier reports it has adopted the Travel Policy. Additionally, the Premier in a memo dated 9 October 2013, established guidelines for Ministers and Councillors in respect of the types of appropriate travel, who approves	The Office of the Premier reports it has adopted the Travel Policy. Additionally, the Premier in a memo dated 9 October 2013, established guidelines for Ministers and Councillors in respect of the types of appropriate travel, who approves travel, how many Ministers can travel	The Deputy Governor's Office responded that the civil service has very little control over ministers as they report to the Premier and to the public but CFOs should be drawing attention to any travel advance forms that are

	ensuring value for money in public expenditure, the circumstances in which expenditures can be incurred, the procedures and forms to be used, and the approval process that should be followed. (OAG)	travel, how many Ministers can travel at the same time, size of delegations and reporting of travel (including costs), etc. The Clerk of the Legislative Assembly advises the Travel Policy is applied to travel for the Commonwealth Parliamentary Association (CPA) of the Legislative Assembly. ***Planned implementation date***: No date given.	at the same time, size of delegations and reporting of travel (including costs), etc. The Clerk of the Legislative Assembly advises the Travel Policy is applied to travel for the Commonwealth Parliamentary Association (CPA) of the Legislative Assembly. The Deputy Governor's Office has noted that the civil service has very little control over ministers as they report to the Premier and to the public. The Premier has adopted the Travel Policy and agrees that it will apply to his ministers and the members of his caucus. It would therefore be for the CFO who is given a travel advance form to sign off, that is not in compliance with the Travel Policy to, in the first instance, bring that to the attention of their CO who would speak to the minister. If that does not work they would raise the matter with the Deputy Governor who would take the matter to the Premier.	not in compliance. This seems reasonable to OAG. The PAC may be interested to know if any instances of non-compliance with the Travel Policy have been raised by CFOs.

4.	Government officials should implement the appropriate procedures and controls to ensure that travel expenses are incurred appropriately and official travel claims are settled or accounted for on a timely basis in accordance with respective policies. (OAG)	Agreed as provided for in the Travel Policy. Periodic audits to be conducted. ***Planned implementation date***: Ongoing.	The Government accepts this recommendation. The Internal Audit Unit conducted a review of the official travel expenditures to assess whether adequate systems were implemented to manage official travel; official travel transactions were properly authorized/approved; and, official travel was conducted in accordance with the Government's Official Travel Policy.	The update reports that an internal audit review has been carried out. The PAC may be interested in whether assurances can be taken from and what actions were taken as a result of the Internal Audit report.
5.	If proper evidence cannot be provided by senior officials and other current employees of the Government that they incurred the expenditures related to the travel advances that were written off, the Government should commence action to collect these amounts. (OAG)	Agreed in principle however insufficient information is provided in the report to assess the viability of proceeding. The current Travel Policy seeks to avoid this risk by severely limiting the availability of travel advances, relying instead upon prescribed per diems. ***Planned implementation date***: Insufficient information to provide a timeline.	The Government accepts this recommendation in principle. Unfortunately, insufficient information is provided in the report to assess the viability of proceeding. The current Travel Policy seeks to avoid this risk by severely limiting the availability of travel advances, relying instead upon prescribed per diems. No additional resources have been provided in the 2016-17 budget year. All entities will ensure that official travels are undertaken in compliance	The Government is not taking any specific action to implement this recommendation. However, it has provided assurances that all future travels will comply with the new policy.

			with the Official Travel Policy.	
6.	Government officials should implement the necessary procedures to process credit card payments to ensure that all laws, regulations and policies are observed.	Agreed, a Credit Card Policy is in place. The requirement for compliance with such policy will be reinforced with Chief Officers and Chief Financial Officers. ***Planned implementation date***: March 2014	The Government accepts this recommendation. A Credit Card Policy is in place. The requirement for compliance with such policy will be reinforced with Chief Officers and Chief Financial Officers. No additional resources have been provided in the 2016-17 budget year. All entities will ensure that expenses charged to credit cards are processed in compliance with the Official Travel Policy and the Credit Card Policy.	Recommendation implemented.
7.	Government should provide training to Chief Officers and Chief Financial Officers on their roles and responsibilities in relation to their obligations under the Public Management and Finance Law and Public Service Management Law. (OAG)	Agreed. While COs and CFOs are expected to possess a sound understanding of their roles and responsibilities, continuing education will be provided on the nuances of these responsibilities within the context of the evolving nature of the policies, laws and regulations applicable to the civil service. Such training will be	The Government accepts the committee's recommendation. While COs and CFOs are expected to possess a sound understanding of their roles and responsibilities, continuing education will be provided on the nuances of these responsibilities within the context of the evolving nature of the policies, laws and regulations applicable to	Recommendation is in progress. A plan is in place to deliver training during 2016-17. As at end June 2017, Government aims to finalise the new Public Finance Manual by the end of September 2017.

		provided. ***Planned implementation date***: March 2014.	the civil service. Such training will be provided. The Ministry of Finance & Economic Development has drafted an accounting manual to assist accounting officers in ensuring appropriate treatment of transactions in accordance with the Law. During the 2016/17 financial year, as part of the PoCS' output delivery, the PoCS will also facilitate training sessions to assist persons in the application of the policy. Additionally, the Ministry of Finance & Economic Development has drafted an accounting manual to serve as a guide for accounting officers; as well as facilitate a common understanding and treatment of accounting transactions.	
8.	The Government should implement our previous recommendations and develop clear guidance around the	Agreed in principle. The Audit Office is requested to provide the ODG with copies of its previous recommendations as these are	The Government accepts the Committee's recommendation in principle	The recommendation has been implemented. Government has taken action

	processing of and accounting for transactions relating to travel and hospitality. It should also develop and implement adequate controls to provide for monitoring of travel and hospitality expenditures and ensure value for money. (OAG)	only vaguely referenced in the report. ***Planned implementation date***: Insufficient information to provide a timeline.	The Audit Office is requested to provide the ODG with copies of its previous recommendations as these are only vaguely referenced in the report. A revised version of the Travel Policy was issued in July 2016 to provide further clarifications in its application. A draft Hospitality Policy has also been developed and circulated for feedback. This Policy will be finalized by August 2016. The Ministry of Finance & Economic Development has also drafted an accounting manual to serve as a guide for accounting officers; as well as facilitate a common understanding and treatment of accounting transactions. During the 2016/17 financial year, as part of the PoCS' output delivery, the PoCS will facilitate training sessions to assist persons in the application of the Travel and Hospitality policies. Additionally, the Ministry of Finance	to improve controls for monitoring spending on travel. A new hospitality policy came into effect on 1 June 2017.

			& Economic Development will continue to hold meetings with CFOs to ensure the appropriate and consistent application of the requirements of the accounting manual.	
9.	The Government should develop a policy and provide sufficient guidance to officials for the proactive disclosure of information on travel and hospitality expenditures. (OAG)	Agreed. See the management response to recommendation 1.	The Government accepts this recommendation. As part of the Travel Policy, the travel expenses of COs, Deputy COs, Heads of Department and Deputy Heads of Department (and equivalent in all cases) are required to publish in standard format. The draft Hospitality Policy also requires that a record of hospitality received and offered be retained and disclosed in standard format. During the 2016/17 financial year, as part of the PoCS' output delivery, the PoCS will facilitate training sessions to assist persons in the application of the Travel and Hospitality policies.	The recommendation has been implemented. Government has developed and issued two new policies on travel and hospitality.
10.	The Government should institute procedures to ensure	See prior management response	During the 2016/17 financial year, as part of the PoCS' output delivery, the	The update does not fully address the recommendation

	the accuracy of responses to Freedom of Information requests and should implement the accounting procedures necessary to extract from the system information about an individual's expenditures. (OAG)	to recommendation 8.	PoCS will facilitate training sessions to assist persons in the application of the Travel and Hospitality policies. Additionally, the Ministry of Finance & Economic Development will continue to hold meetings with CFOs to ensure the appropriate and consistent application of the requirements of the accounting manual.	made. It is not clear if it has procedures in place to ensure the accuracy of responses to Freedom of Information requests.
11.	Because of their nature, we recommend that the details of all travel and hospitality expenditures incurred by elected representatives be disclosed by government within a reasonable timescale on the Government website. (OAG)	The Office of the Premier advises that travel reports have been and will continue to be proactively disclosed for Ministers. ***Planned implementation date***: Completed.	The Office of the Premier advises that travel reports have been and will continue to be proactively disclosed for Ministers. As noted previously, the civil service has very little control over ministers. Ministers report to the Premier and to the public. The Premier has adopted the Travel Policy and agrees that it will apply to his ministers and the members of his caucus. With that mandate it would therefore be for a CFO who is given a travel advance form to sign off, that is not in compliance with the Travel Policy to, in the first instance, bring	Although not in direct control of the Government (civil servants), the recommendation has been implemented.

			that to the attention of their CO who would speak to the minister. If that does not work they would raise the matter with the Deputy Governor who would take the matter to the Premier.	
12.	While much progress has been made, the Committee noted, with disappointment, that recommendation no. 2 regarding the development of a comprehensive hospitality policy has not been implemented as of the date of the public hearing on 25 March 2015. The Committee believes that this policy is a key recommendation of the report and should be implemented as a matter of priority. The Committee therefore urges the Deputy Governor to prepare this policy and implement it across the entire public sector. (PAC)	N/A		The recommendation has been implemented. A hospitality policy was issued and brought in to force on 1 June 2017.

13.	The Committee also recommends that a further audit be undertaken with by the government's Internal Audit Unit or the Auditor General to determine if the recommendations have been fully implemented and of the policies and processes are operating efficiently, effectively and as intended. (PAC)	N/A		See response to recommendation 4. The Internal Audit Unit has carried out a review of official travel expenditures. Therefore the OAG has not done any further work in this area and currently has no plans to. The PAC may wish to ask for more information on the Internal Audit Unit report to determine whether it can take assurance from its findings.
14.	The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget. (PAC)	N/A		Government responses state what actions are planned in 2016-17.
15.	The PAC is particularly	N/A		The update is clear on what

	interested in the Government stating with clarity and timelines how the progress on the implementation will be reported to the Legislative Assembly. (PAC)			action has been taken.

APPENDIX 5 - COLLECTING GOVERNMENT REVENUES (SEPTEMBER 2015)

The Public Accounts Committee (PAC) held five meetings to consider the report between 11 February 2016 and 22 June 2016. In its report, the PAC concluded:

- The PAC endorses the seven recommendations of the Auditor General as no evidence was uncovered during the Committee's own investigations of the concerns raised by the Auditor General that did not support the seven recommendations.
- The PAC is pleased that management has accepted the recommendations of the Auditor General and has identified the agencies responsible for implementing these recommendations.
- The PAC is also pleased that management has placed reasonable timelines on the implementation of these recommendations and that evidence given as an update by both the Auditor General and management indicated good progress.
- The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget.

Government comment: No general comment provided.

OAG comment on Government response: As most implementation dates were in the future when the Government Minute was submitted the OAG obtained updates from the Ministry of Finance and Economic Development at the end of June 2017. The updates are reflected in the OAG comments column. These indicate that some recommendations are being progressed but most have yet to be implemented.

Recommendation		**Original management response to OAG recommendation**	**Government response (October 2016)**	**OAG comment**
1.	The Government should formalize policies and procedures to provide documented and consistent	Management agrees with this recommendation. ***Planned implementation date***:	The Government accepts this recommendation. The Department will develop formal	The recommendation is in progress. At end June 2017, Government

	roles, responsibilities and accountabilities for all parts of the revenue waiver process, including a set of decision criteria on which to assess revenue waiver application, and a formalized records management process. (OAG)	31 December 2016	policy and procedures related to revenue waivers which provide consistent roles, responsibilities and accountabilities for all parts of the revenue waiver process, including a set of decision criteria on which to assess revenue waiver application, and a formalized records management process.	has drafted a Revenue Concession Policy. This was first discussed by Caucus in December 2016 and further changes were requested. Officials plan to take the revised policy to Caucus in July 2017 after which it will go to Cabinet for formal approval.
2.	The Government should implement a formal risk management framework that includes the identification, assessment and prioritization of risks to revenue objectives. (OAG)	Management agrees with this recommendation. ***Planned implementation date***: Consideration will be given to the implementation along with the PMFL Review Committee recommendations, which is currently proposed to be legislated by 31 December 2016.	The Government accepts this recommendation. Consideration will be given to the implementation along with the PMFL Review Committee recommendations, which is currently proposed to be legislated by 31 December 2016.	As at end June 2017 no progress has been made. The Ministry of reports that to achieve this recommendation it needs to employ a non-civil servant to produce this framework as civil servants do not have the (extensive) time required to devote to this important task. The Ministry aims to reach a conclusion on this possibility by 31 July 2017.
3.	The Government should carry out an efficiency study of its revenue collection processes and identify opportunities to improve operational	Management agrees with this recommendation. ***Planned implementation date***: 31 March 2017.	The Government accepts this recommendation. The Ministry of Finance and Economic Development is considering and	As at end June 2017 no progress has been made.

	efficiencies, including better utilization of its people and its automated systems to provide value for money in its revenue collection practices. (OAG)		investigating the value of introducing Oracle's AGIS for the purpose of interagency charging. This investigation requires the review of revenue collection systems and their ability to interface with Government's central accounting system, IRIS.	
4.	The Government should review its control frameworks for collection of revenues and, where necessary, develop and implement appropriate controls to ensure that all revenues due to the Government are collected. (OAG)	Management agrees with this recommendation. However, Management would like to note that the Customs Department receives reports from CUC on a monthly basis. These reports are compared with the declarations made by the fuel companies. Additionally, the fuel sold to CUC is stored in specifically assigned tanks for the sale to CUC ONLY. These tanks are monitored during the monthly dips confirming that the figures being declared are accurate. ***Planned implementation date***: 31 December 2016.	The Government accepts this recommendation. The Ministry of Finance and Economic Development and the Department of Tourism will be seeking assistance from the Internal Audit Unit in executing this recommendation. Both entities lack the human capacity necessary to implement effective measures to address revenue verification/completeness in the immediate future.	As at end June 2017 no progress has been made. The Ministry of Finance is of the view that to achieve this recommendation it needs to employ a non-civil servant to produce this framework as civil servants do not have the (extensive) time required to devote to this important task. The Ministry aims to reach a conclusion on this possibility by 31 July 2017.
5.	The Government should	Management agrees with this	The Government accepts this	The recommendation is in

	review the current framework for the collection of work permit fees to streamline the fee structure and work flows in order to improve efficiency and reduce the opportunity for improper recording of revenue collection information. (OAG)	recommendation. ***Planned implementation date***: TBD.	recommendation. The work permit fee structure is being actively addressed at the operational level by the Department of Immigration and strategically by the Ministry of Home Affairs, with the intent of recommending a simplified work fee structure and process which recognizes industry uniqueness, has minimal impact on revenue and is complementary to other occupation codes.	progress. The PAC may wish to ask for more information on the timescale for the review of the work permit fee structure and when this might be implemented.
6.	Government should ensure that timely financial reports are provided to Cabinet and the Legislative Assembly and that more emphasis is placed on producing audited Entire Public Sector (EPS) consolidated financial statements to provide the necessary accountability required by the PMFL. (OAG)	Currently the Ministry of Finance provides monthly financial reports to the Minister of Finance and quarterly financial reports to the Cabinet within the agreed timelines. Additionally, the PMFL only requires the annual financial statements to be presented to the Legislative Assembly. EPS accounts have been submitted to the Auditor General's within the statutory deadline for the past three fiscal years.	The Government is in compliance with Cabinet directives and PMFL. Currently the Ministry of Finance provides monthly financial reports to the Minister of Finance and quarterly financial reports to the Cabinet within the agreed timelines. Additionally, the PMFL only requires the annual financial statements to be presented to the Legislative Assembly. EPS accounts have been submitted to the Auditor General's Office within the statutory deadline for the past	Recommendation in progress. The PMFL Amendments passed by the Legislative Assembly in March 2017 set out the requirement for quarterly financial reports to the Legislative Assembly. It is too early to assess the effectiveness of new reporting. The OAG agrees that the EPS has been submitted for audit to OAG on time. However, the timeliness of submissions of audited financial statements

		Planned implementation date: In compliance with Cabinet directives and PMFL.	three fiscal years.	(EPS and individual entities) to the Legislative Assembly could be improved.
7.	The Government should develop a performance reporting framework including objectives, goals, performance indicators and performance analysis that would include responsibilities for the collection of revenue. (OAG)	Management will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet. ***Planned implementation date***: Consideration will be given to the implementation along with the PMFL Review Committee recommendations which is currently proposed to be legislated by 31 December 2016.	The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet. Consideration will be given to the implementation along with the PMFL Review Committee recommendations which is currently proposed to be legislated by 31 December 2016.	As at end June 2017 no progress has been made. The Ministry of Finance and Economic Development informed us that the PMFL Review Committee made around 40 recommendations, most of which have been actioned. However, the Committee identified three significant recommendations to change the budget setting process that were not taken forward in the PMFL amendments tabled in the LA in March 2017. These include moving away from an outputs based approach; eliminating differences between Executive and Entity; and simplifying budget documents. These changes would also require a new performance reporting framework to be established. A

				timeline for them to be reconsidered has yet to be determined but the Ministry believes that the earliest date that such a reporting framework can be researched and agreed is June 2018 and thereafter legislative changes would have to be made to the PMFL .
8.	The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget. (PAC)	N/A		This is not specifically addressed, although the response to recommendations 2 and 4 indicate that insufficient resources are available to implement them.

APPENDIX 6 - GOVERNMENT IT SECURITY (SEPTEMBER 2015)

The Public Accounts Committee (PAC) held three meetings to consider the report between 11 February 2016 and 22 June 2016. In its report, the PAC concluded:

- The PAC agrees with and supports the recommendations of the Auditor General in this report.
- The PAC is pleased that management has accepted the recommendations and identified the agencies responsible for implementation as well as placed an acceptable timeline on the process.
- The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget.

Government comment: No general comment was provided.

OAG comment on Government response: Government is making good progress in implementing the recommendations.

Recommendation		**Original management response to OAG recommendation**	**Government response (October 2016)**	**OAG comment**
1.	Prepare a strategic plan for the development and implementation of Information Technology across the Government aligned with the Government's strategic priorities, providing a clear guide for the ongoing investment and creation of value in Information	A final draft of the emergency and long-term plan has been submitted to the Ministry on 17 July. The first version of this plan has been submitted in June. It was commented on positively by the IT Director CESG in UK. ***Planned implementation date***: Implementation will be started as soon as validated by the MHA.	The Government agrees with this recommendation. The Government Information Security Staff have also created Emergency and Long Term Information Security Plans. All new projects will be required to adhere to the	The recommendation has been implemented.

	Technology. (OAG)	1st phase: Implementation of the first phase of the framework: 2 months This phase will determine the extent of other phases, and the schedule of next steps.	Government security standards and policies.	
2.	Establish an IT Governance Framework with clear accountability and responsibility for IT and information security at a senior (Chief Officer) level within the civil service. Across the entire public sector establish clear ownership and accountability for information and IT assets and expenditures as well as information security. (OAG)	The necessary IT Governance response is based on 2 main axes: – Deloitte has been assigned a mission to establish a governance foundation within CSD, which fits with the Ministry of Home Affairs. Information security main objective: establish roles and responsibilities in the CSD and MHA, and promote efficient decision making processes. – The implementation of an Information and Cyber Security Framework foundation within the whole CIG. Main objective: promote understanding of information security requirements at the highest level of the government, to ensure proper alignment between missions' requirements with information confidentiality, integrity and availability and risk appetite of various entities.	The Government agrees with this recommendation. The NIST has been selected and the Government has contracted G2 to develop the Framework in consultation with the COs (and Authorities which opted in to this initiative). All COs have been interviewed and G2 are preparing the target state report for delivery by the end of September 2016. Implementation is scheduled to commence thereafter. CSD require all future major Information Systems projects to be reviewed and prioritized by the IT Steering Committee.	The recommendation is in progress. The PAC may wish an update on whether the IT Governance Framework has now been completed, approved and implemented. The PAC may also wish to clarify which Authorities have opted in to this initiative.

		Planned implementation date: Implementation of the first phase of the Framework: 2 months		
3.	Develop and embed risk management practices as part of the development and management of Information Technology across the Government. (OAG)	The maturity level of risk management in general within the CIG is at an early level. As explained in section 28 of the OAG report, managing the risks requires prior risk identification and establishment of metrics to measure them. The most fundamental step is to promote and start information risk. A management practice is to provide awareness on the importance of Information Security Management at the highest level of the government, while informing of the de-facto accountability of the Chief Officers and Directors of proper measures to be taken to safeguard information assets. This will be achieved by the first phases of the implementation of the security Framework, as recommended both by the CSD Security Plan and the OAG report in section 27(h). ***Planned implementation date***: While	The Government accepts this recommendation. The CSD have introduced a formal change management practice to de-risk future developments and additions to the information systems architecture. A risk table has been compiled and is maintained but is at an immature stage of growth. This work will be coordinated within the broader NIST Target State for CIG in due course.	The recommendation is in progress. CSD is implementing COBIT Governance guided by the NIST Framework for Cyber Security.

		fundamental, the required time needed to implement the foundations of a specific information risk management cannot be surely determined at this stage. It is however reasonable to estimate that initial project steps (selection of risk management framework/methodology and implementation planning) will be started in between November 2015 and February 2016.		
4.	Establish annual or periodic, global assessment of the IT and data security risks faced by the Government and develop an action plan to address the key threats and vulnerabilities, including those identified in our detailed report. (OAG)	Addressing the identified technical vulnerabilities is a must. Action plans for these identified weaknesses have been drafted and initiated, and the most critical issues have already been addressed. Addressing the root cause of the presence of these issues will be achieved by organizational measures, processes and the security framework. ***Planned implementation date***: Key threats and vulnerabilities are already all currently being addressed. Currently estimated to be completed by end of January 2016. Addressing the root causes: implementation of several processes: ITIL Based Management practices, Security and Risk Management frameworks will be an ongoing process for	The Government agrees with this recommendation. An initial annual assessment was conducted by CSD in January 2016. Going forward, the assessment will be conducted annually in conformance with the NIST Framework. The (ITIL-compliant) HEAT Service Management application set has been procured and is currently in the delivery phase, due to be in service by the end of 2016. ITIL Training to Foundation level for all CSD staff will	The recommendation is in progress. The PAC may wish to ask for an update.

		the next 2 years, and the maintenance and update of these practices will require continuous maintenance in the next years.	commence in October 2016. Annual software licensing and monthly patching schedules have been introduced based on key vendor schedules including oracle, Unix, Windows and VMWare environments.	
5.	Develop processes to regularly assess risk, vulnerabilities and review resilience planning for critical information assets. Monitor controls established in response to identified risks. (OAG)	A project has been assigned to a CSD member to establish ITIL based process, initially for change management, and as a later step for patch, vulnerability, and configuration management. BIA will also be introduced as a part of these processes. Periodic in-house technical assessment has already been planned with the 'Security Business case – Phase 1', and the necessary tools have been acquired to enable efficient controls. ***Planned implementation date***: Periodic Technical Security Assessment plan and organization: can be started immediately after the Firewall upgrade (start September 2015) and will require 3 months to be fully operational documented. (End by	The Government agrees with this recommendation. The HEAT toolset and introduction of the ITIL processes will significantly mitigate the risk of current ad hoc processes. A certified vendor community will be assessed in order to prevent weak external security management contaminating the Government's internal network.	The recommendation is in progress.

		December 2015) ITIL process and organizational structure: Initiative started, first results expected for October 2015.		
6.	Develop and implement IT and Information security policies across Government, including robust reporting mechanisms for data breaches and losses. In conjunction with this raise awareness about IT and information security across government, at all levels, and going forward ensure it is a key component of ongoing development programmes. (OAG)	As recommended both in the CSD Security Plan and in the OAG report, assigning a CISO at the chief officer level, reporting to either the Cabinet or Deputy Governor is key to centralize, organize and prioritize the various efforts initiated within the last few months within the Government. (Including Security Committee, CSD, MHA, Cabinet). The initiation of the Security framework implementation is key for the development of procedures: the policies should constitute the 'law' for information assets usage and management, it is then critical to have them developed in close collaboration with the top management, to be applicable, and to obtain commitment on their enforcement. ***Planned implementation date***: Can be started after the first milestone of Security Framework implementation (Phase 1).	The Government agrees with this recommendation. The Cabinet Office has sponsored the creation of the Cayman Islands Government Security Committee. Key projects including Enterprise Firewall have commenced and are now in the delivery phase, and the current enterprise backup solution will be replaced with modern solutions from Veeam to Zerto. Enhanced monitoring and reporting tools are being introduced including: • CHEF for Linux automation • Solar Winds for network monitoring	The recommendation is in progress.

			• Nessus for vulnerability scanning • Imperva web application firewall • Sawmill log analyser form.	
7.	The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget. (PAC)	N/A		Not specifically addressed in the response but most of the recommendations are being implemented.

APPENDIX 7 - MAJOR CAPITAL PROJECTS – BUILDING SCHOOLS (MAY 2015)

The Public Accounts Committee (PAC) held four meetings to consider the report between 23 June 2015 and 22 June 2016. In its report, the PAC concluded:

- The PAC agrees and accepts the two recommendations made by the Auditor General in this report and summarized in Appendix 2. The Committee urges the Government to implement the recommendations as a matter of priority, given the number of major capital projects that either have commenced or are about to be undertaken.
- The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget.
- The PAC is particularly interested in the Government Minute stating with clarity and timeless how the progress on implementation will be reported to the Legislative Assembly.

Government comment: No general comment is provided.

OAG comment on Government response: The update provides PAC with assurances that action has been taken on the John Gray High School Project. The OAG is currently carrying out a follow-up audit on major capital projects (OAG reports published in 2012 and 2015). From that work we are able to provide further updates to the Committee and confirm that action is being taken to address the recommendations.

Recommendation		**Original management response to OAG recommendation**	**Government response (October 2016)**	**OAG comment**
1.	The Government should consider changing the governance framework, including amending the Public	None received. ***Planned implementation***	The Government agrees with this recommendation and will review the recommendation in line with the PMFL Review Committee recommendations	The recommendation is partly in progress. The OAG is currently

	Management and Finance Law and Financial Regulations, to improve the transparency of planning and budgeting processes that lead to requests for appropriations for specific major capital projects and to improve accountability for major capital projects. (OAG)	***date***: None received.	accepted by Cabinet.	undertaking a follow-up audit of our 2012 and 2015 reports on major capital projects. From this work we are aware that CIG has a new draft governance framework for major capital projects. We will report our findings later in 2017. The PMFL Amendments approved in March 2017 include provisions to improve the transparency of planning and budgeting processes that lead to requests for appropriations for specific major capital projects. It is too early to assess the effectiveness of this change.
2.	The Government should carry out an assessment of the John Gray High School projects site and develop a strategy to manage its risks and future development before Cabinet is requested to approve further funding. (OAG)	The Ministry accepts this recommendation and has previously indicated to the Auditor General's Office that it intends to carry out such exercise as part of the work required by the PMFL to restart the JGHS project. ***Planned implementation***	The Government confirms that this approach is being employed in delivering the project. To that end, the project is being led by a project Steering Committee and has the benefits of a full-time Project Manager working as part of the Public Works Department Project Management Office, which has oversight of all of	The recommendation has been implemented. We have included a high-level review of documents relating to the John Gray High School Gymnasium project in our follow-up audit on major capital projects. We will report the findings of this audit later in

		date: September 2015	Government's capital works projects. The Ministry of Education is employing the Strategic Assessment and Business Case approach required by the Public Management and Finance Law for phase 1 of the restarted project, which will lead to the completion of the gymnasium building. In order to develop these documents, the Ministry of Education has had several professional assessments of the gymnasium completed, including all relevant aspects of the existing building. The Business Case takes into proper consideration the risks involved in the project and the Steering Committee maintains proper oversight if the project in order to ensure that appropriate contingencies and mitigating strategies are in place for those risks. A similar approach will be used in the delivery of the phase 2 Project, which will deal with the completion of the rest of the campus.	2017.

APPENDIX 8 - MANAGEMENT OF THE NATION BUILDING PROGRAMME (JULY 2015)

The Public Accounts Committee (PAC) held five meetings to consider the report between 19 August 2015 and 22 June 2016. In its report, the PAC concluded:

- The PAC wishes to draw the Government's attention to the conclusions drawn by the Auditor General from his findings in the report. The PAC is particularly concerned that these conclusions are possible and strongly recommends that Government take the necessary actions including the implementation of the recommendations made by the Auditor General to prevent re-occurrence.
- The PAC strongly support the implementation of the recommendations in this report.
- The PAC is pleased with the assurance given by the Deputy Governor during the public hearings and believes the public and committee can take some comfort by these public and recorded commitments.
- The PAC is also pleased that management has committed to completing the implementation of these recommendations by 1 July 2016.

Government comment: The Deputy Governor and Head of the Civil Service, Hon. Franz Manderson thanks the Public Accounts Committee and the Office of the Auditor General for the report on the Management of the Nation Building Programme. Such reports identify opportunities for improving the delivery of government services and lead to government reviewing its practices and making improvements. Constructive feedback is an integral part of our governance framework. The report which covers a period from 2009 to June 2013 highlights deficiencies in the handling of transfer payments under the Nation Building Fund. The challenge moving forward, therefore, is to ensure that there are clear and measurable policy objectives underpinning these public/private initiatives and clear internal controls on how such funds are spent. It is the job of the civil servants to advise parliamentarians and ministers on the use of public funds and to put in place proper mechanisms around the formulation and delivery of programmes to achieve value for money. At the time the report was produced, the Hon. Deputy Governor assured the Auditor General that all 3 recommendations would be taken seriously and necessary corrective changes implemented.

OAG comment on Government's response: Government has taken action to address all three recommendations.

Recommendation		Original management response to OAG recommendation	Government response (October 2016)	OAG comment
1.	The Government should develop and implement a robust framework for the development and management of Government programmes in order to ensure that they are designed and delivered in line with its overall strategy and objectives and to achieve the desired results. (OAG)	This is a sensible recommendation, which is agreed. It is noted, however, that there already exists in many if not most instances, forms of programme outlines which establish objective, deliverables and linkages to priority policy outcomes. However, such frameworks vary both in style and substance and as such a consistent, government-wide framework is better suited to the Cayman Islands Government's current size and complexity. ***Planned implementation date***: 1 July 2016	The Government agrees with this recommendation. It is noted, however, that there already exists in many if not most instances, forms of programme outlines which establish objective, deliverables and linkages to priority policy outcomes. However, such frameworks vary both in style and substance and as such a consistent, government-wide framework is better suited to the Cayman Islands Government's current size and complexity. Since the PAC hearing on the matter, the Ministry of Finance and Economic Development along with the Office of the Deputy Governor has completed a governance framework for transfer payments. The Project Future methodology	The recommendation has been implemented.

			has been adopted and rolled out across the civil service and provides a range of benefits for improved programme delivery including strengthening of governance practices as well as improving the success rate of programmes and projects. The methodology provides a robust framework for the implementation of government programmes and from the conceptualization phase to programme implementation as well as post implementation review and assessment. To date, we have trained 80 civil servants (including members of Cabinet and COs) across the civil service in the methodology for developing business cases. Additionally, 75 civil servants have also been trained in project management and the use of project management software.	
2.	The Cayman Islands Government should ensure	This recommendation is agreed. Work had previously been carried	The Government agrees with	The recommendation is in

	that appropriate roles and responsibilities are clearly articulated for all government programmes in line with the framework outlined in the Constitution and laws, and that they are administered by officials to ensure compliance with the law and to avoid the risk of abuse and waste of public funds. (OAG)	out by the Portfolio of the Civil Service within the context of good governance to educate senior officials about their respective roles and responsibilities. This work will be expanded in partnership with the Ministry of Finance and Economic Development to articulate and provide dedicated training within the context of ensuring proper financial controls to promote accountability and improved value for money. There is a shared commitment by the elected government and the civil service to improve the delivery of government programmes so as to avoid the risk of abuse and waste of public funds. ***Planned implementation date***: 17 November 2015	this recommendation. Work had previously been carried out by PoCS within the context of good governance to educate senior officials about their respective roles and responsibilities. This work will be expanded in partnership with the Ministry of Finance and Economic Development to articulate and provide dedicated training within the context of ensuring proper financial controls to promote accountability and improved value for money. There is a shared commitment by the elected government and the civil service to improve the delivery of government programmes so as to avoid the risk of abuse and waste of public funds. Since the PAC hearing on the matter, the Ministry of Finance and Economic Development along with the Office of the	progress. The Procurement Law 2016 sets out roles and functions of bodies and individuals when procuring goods and services, including Cabinet, Ministry of Finance, Chief Officers, Chief Executive Officers, entity procurement committees and the Public Procurement Committee. It does not explicitly mention Ministers or MLAs. At the time of writing this report, the Procurement Law 2016 had not yet commenced.

			Deputy Governor has completed a governance framework for transfer payments. The framework addresses the roles and responsibilities for persons involved in the management of transfer payments. The Procurement Bill, which will be debated during the October 2016 meeting of the Legislative Assembly, focuses on the roles and responsibilities of public servants in the procurement process.	
3.	The Cayman Islands Government should develop a framework of policies and practices for the distribution of transfer payments that would ensure fairness and transparency as well as accountability for the use of the funds to achieve government's policy objectives. (OAG)	The ODG confirms and in our view this audit reinforced the profound truths that: (1) Nation building is a desirable objective and ultimately all government expenditures should be aligned with the aim of improving the Cayman Islands and its people. (2) Partnering with Non-governmental Organizations (NGOs) to achieve public policy is both necessary and desirable as the civil service	The Government accepts this recommendation. Nation building is a desirable objective and ultimately all government expenditures should be aligned with the aim of improving the Cayman Islands and its people. Partnering with Non-governmental Organizations (NGOs) to achieve public policy is both necessary and desirable as	The recommendation has been implemented.

		does not hold a monopoly in the formulation and delivery of effective solutions to societal problems, and (3) The use of transfer payments is a legitimate and legal instrument for providing relief, particularly to the most vulnerable persons in society or for other charitable purposes. Equally true and borne out by this audit is that however well-intentioned such policy aims may be, where there is improper influence or programmes are ill designed without articulation of (i) the nature of the problem purported to be addressed, (ii) the intervention which is proposed, (iii) how recipients would be selected to receive funding and most importantly, and (iv) how success would be measured and the consequence of failing to achieve the desired outcome, then such aims are destined to failure. The programme in question was concluded some two years ago and while this audit is in some respects a	the civil service does not hold a monopoly in the formulation and delivery of effective solutions to societal problems, and The use of transfer payments is a legitimate and legal instrument for providing relief, particularly to the most vulnerable persons in society or for other charitable purposes. Equally true and borne out by this audit is that however well-intentioned such policy aims may be, where there is improper influence or programmes are ill designed without articulation of (i) the nature of the problem purported to be addressed, (ii) the intervention which is proposed, (iii) how recipients would be selected to receive funding and most importantly, and (iv) how success would be measured and the consequence of failing to achieve the desired outcome, then such aims are destined to failure.	

		historical account of a programme no longer in effect, the lessons continue to be highly relevant to lawmakers and bureaucrats. This audit presents a real opportunity to improve the governance framework for transfer payments with an aim of ensuring proper segregation of roles and responsibilities, adequate internal controls, improved societal outcomes and enhanced public confidence in the government whether elected or career public officers. To this end the ODG endorses thus recommendation. ***Planned implementation date***: 1 July 2016	The programme in question was concluded some two years ago and while this audit is in some respects a historical account of a programme no longer in effect, the lessons continue to be highly relevant to lawmakers and bureaucrats. This audit presents a real opportunity to improve the governance framework for transfer payments with an aim of ensuring proper segregation of roles and responsibilities, adequate internal controls, improved societal outcomes and enhanced public confidence in the government whether elected or career public officers. Since the PAC hearing on the matter, the Ministry of Finance and Economic Development along with the Office of the Deputy Governor has completed a governance framework for transfer payments.	

Contact us

Physical Address:
3rd Floor Anderson Square
64 Shedden Road, George Town Grand Cayman

Business hours:
8:30am - 4:30pm

Mailing Address:
Office of the Auditor General
P. O. Box 2583 Grand Cayman KY1– 1103
CAYMAN ISLANDS
Email: auditorgeneral@oag.gov.ky
T: (345) 244 3211 Fax: (345) 945 7738

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

Freedom of Information

For freedom of information requests please contact Garnet Harrison at our address, telephone or fax number. Or alternatively email: foi.aud@gov.ky

Media enquiries

For enquiries from journalists please contact Martin Ruben at our phone number or email: Martin.Ruben@oag.gov.ky

www.auditorgeneral.gov.ky



July 2017