

CAYMAN ISLANDS
GOVERNMENT

Government Minute

The Government's Responses to the Reports of the Standing Public Accounts Committee on the Reports of the Auditor General

June 2018

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Terms of Reference

AG	Auditor General
CICSA	Cayman Islands Civil Service Association
CO	Chief Officer
Committee	Public Accounts Committee
CPA	Central Planning Authority
DCFS	Department of Children and Family Services
HSA	Health Services Authority
Law	Public Management and Finance Law (2018 Revision)
IFRS	International Financial Reporting Standards
NAU	Needs Assessment Unit
OAG	Office of the Auditor General
OBC	Outline Business Case
PAC	Public Accounts Committee
PMFL	Public Management and Finance Law (2018 Revision)
SAGC	Statutory Authorities and Government Companies
TP	Transfer Payment

Background

Section 77(7) of the Legislative Assembly Standing Orders (2006 Revision) states that the Government Minute shall be laid on the Table of the House within three months of laying of the report of the Standing Public Accounts Committee and of the report of the Auditor General to which it relates.

The Government Minute constitutes the Government's response to the Reports of the Standing Public Accounts Committee on the following Reports prepared and submitted by the Auditor General:

1. Cayman Islands Health System – January 2017
2. Ensuring Quality Health Care and a Healthy Population – January 2017
3. Follow-up on past recommendations – July 2017

    a. Financial and Performance Reporting – Entire Public Sector; Ministries, Portfolios and Financial performance reporting - Statutory Authorities and Government Companies for the years ending 30 June 2014 (September 2015);
    b. Government Programmes Supporting Those in Need (May 2015);
    c. National Land Development and Government Real Property (June 2015);
    d. Management of Travel and Hospitality Expenditures (May 2014);
    e. Collecting Government Revenues (September 2015);
    f. Government IT Securities (September 2015);
    g. Major Capital Projects - Building Schools (May 2015); and
    h. Management of the Nation Building Programme (July 2015).

4. Governance in Aviation Bodies of Key Findings – July 2017
5. The Cayman Islands Health Services Authority Financial Statements for 2015 & 2016
6. Social Assistance Programs: Follow-up on Past PAC Recommendations – July 2017

The management responses contained in this Government Minute represents the views of the respective Chief Officers, Heads of Departments and Managing Directors within the Cayman Islands Public Service.

THIRD MEETING OF THE 2016/17 SESSION - REPORT OF THE STANDING PUBLIC ACCOUNTS COMMITTEE ON THE REPORTS OF THE OFFICE OF THE AUDITOR GENERAL ON CAYMAN ISLANDS HEALTH SYSTEM/ENSURING QUALITY HEALTH CARE AND A HEALTHY POPULATION- JANUARY 2017

Recommendation 1 - The PAC recommends that the Ministry re-assess the Report; and as well as carefully consider the nine recommendations and produce a plan to implement the suggested recommendations.

Government Response:
The management responses to the nine recommendations are as follows:

Recommendation1: The Government should update the National Health Policy and Strategic Plan for the Cayman Islands, including developing the operational plan necessary for its implementation and the monitoring and evaluation plan required to track progress and results.

The Government accepts the recommendation, and it will endeavor to complete the review of the National Health Policy and Strategic Plan in the second half of the year 2018. The operational plans for the NHPP will be developed shortly thereafter.

Recommendation 2: The Government should proceed with a law review for the systematic updating of the health system legislative framework.

The Government accepts the recommendation. The review and update of the Health Practice Law, Pharmacy Law and the Public Health Law are currently included in the workplan for the Ministry for the financial years 2018-2019.

Recommendation 3: The Government should strengthen its relationships with private health care providers and the two-way communication required for it to develop an effective health care system.

The Government agrees with the recommendation. This is an ongoing effort between the Ministry and private stakeholders from the relevant Councils through various meetings. The Ministry continues to engage the members of the Cayman Islands Medical and Dental Society and other health professional bodies to review policies and strategies to pursue national goals.

Recommendation 4: The Government should assess whether it has the capacity required to execute the roles and responsibilities it has assumed for the Cayman Islands health system, and take appropriate corrective action.

The Government accepts the recommendation. Included in the Strategic Policy Statement for the financial year 2018 are an additional Policy Officer position, two Administrative Secretary positions for the Department of Health Regulatory Services, and one Health Insurance Inspector position (also for DHRS). Since the publication of this report, the Public Health Department has employed one additional Surveillance Officer to assist with collection of data on non-communicable diseases.

Recommendation 5: The Government should review policies and practices for the registration of practitioners and the inspection of health care facilities. It should take steps to ensure that all qualified practitioners are appropriately registered and regulated and that all facilities at which health care services are provided by qualified practitioners are appropriately inspected and certified.

The Government accepts the recommendation. While there is a legislative framework to register and license practitioners and health care facilities, as well as to regulate compliance, the legislation requires a provision to impose fines for those persons who provide health services but are not registered with any of the Councils. This will be reviewed as part of the review of the Health Practice Law and Regulations.

Recommendation 6: The Ministry of Health should receive regular reports on the nature and extent of compliance with the Health Practice Law and Health Insurance Law and Regulations to ensure that it has the information it needs to take appropriate corrective action as necessary.

The Government notes the recommendation. The Ministry receives monthly reports from the Director of the Department of Health Regulatory Services and the Chief Officer attends monthly board meetings of the Health Insurance Commission.

Recommendation 7: The Government should put in place a performance management and reporting framework for the Cayman Islands health system to inform decision making and provide accountability to the Legislative Assembly and the public.

The Government agrees with the recommendation. Once the review of the National Health Policy and Strategic Plan has been completed, a Monitoring and Evaluation plan will be developed, which will incorporate the performance management and reporting framework for the Cayman Islands health system.

Recommendation 8: The Government should evaluate the design and performance of the CayHealth programme and, as appropriate, extend it to cover a wider population.

The Government agrees with the recommendation. In 2010, the CayHealth programme was established and designed as a pilot programme for medical indigents to ensure continuity of care by assigning a preferred primary care physician to each indigent.

The Health Services Authority in collaboration with the Ministry has agreed to expand the CayHealth programme to members of the Cayman Islands Civil Service Association (CICSA) and the H.S.A staff. The discussions between the H.S.A and CICSA are currently on-going.

Recommendation 9: The Government should ensure that health statistics used for purposes of planning, management and accountability distinguish between Caymanian and non-Caymanian populations.

The Government notes the recommendation, and would add that the expectation is that the health care system would address the needs of all residents, Caymanian or non-Caymanian; the immigration status of the individual does not matter.

Recommendation 2 - The PAC fully supports the nine recommendation made by the Audit Office and finds it quite troubling that the Management Response was that the recommendations were "NOTED."

Government Response:
Comprehensive responses to the nine recommendations have now been provided above.

Recommendation 3 - The PAC is particularly troubled by the findings in the report that identified the following:

- **The perceived serious capacity shortages in the Ministry, the Department of Health Regulatory Services and the HSA.**
- **Interviews of Officials looking to the Ministry for decisions, assistance or guidance showed that they had concerns about the Ministry's responsive.**
- **The lack of a performance management and reporting framework that allows for regular monitoring of outcomes from policy decisions.**
- **The lack of medical systems administrative knowledge at the ministry level was clearly demonstrated during the hearings.**

Therefore, the PAC strongly recommends, given the magnitude of the expenditures and the impact of these findings on the Health of the Country, that the Government address these concerns with some urgency.

- **The Ministry of Health, with the advice of the HSA Medical Director, and in consultation with the Medical and Dental Council, should issue a policy on how to develop Caymanian Doctors, to Board certification level and provide a Grant to the HSA to fund these staff developments through proper training;**
- **The Ministry of Health in consultation with the Health Insurance Commission should review relevant legislation to enable private sector coverage into retirement; and**

The HSA Medical Officer should collect relevant health data from the private sector as well as the HSA in the future and should report publically on both sets of data on a regular basis to help inform policy and decision making.

Government Response:
The Ministry of Education confirms that for the financial years 2018-2019, the amount of $500,000 (per annum) has been allocated to TP 83 – Scholarships Medical to fund scholarships assist Caymanian doctors to pursue post-graduate studies to board level certification.

The Ministry of Health in consultation with the Health Insurance Commission has engaged a Canadian company, Morneau Sheppel to conduct a feasibility study and determine the premium rate for a Standard Health Insurance Contract for persons age 65 and over. This study commenced in March 2018 and is expected to be completed in late 2018.

A robust National Health Information Management System will help to detect health problems, define priorities, plan, and identify where to allocate resources to improve outcomes. Once this is developed, other relevant data from public and private sectors will be collected to help inform policy and decision making.

FIRST MEETING OF THE 2017/2018 SESSION - REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORTS OF THE OFFICE OF THE AUDITOR GENERAL ON GOVERNANCE IN AVIATION BODIES - SUMMARY OF KEY FINDINGS AND FOLLOW-UP ON PAST PAC RECOMMENDATIONS.

Recommendation 1 - The PAC believes that Government Minutes responding to PAC recommendations need to be taken more seriously. It is an integral part of the process and is expected to be tabled in the Legislative Assembly along with the PAC report and OAG report to inform a debate in the Chamber. The PAC expects that future Government Minutes be factual, informative, thorough and real-time updates on progress not simply a repeat of the management response provided to the original OAG report. It should also identify if additional resources are needed to implement the recommendations and when these will be available.

Government Response:

The Government agrees that there should be timely presentation of Government Minutes and it is committed to ensuring the respective Government Agencies provide appropriate responses to PAC recommendations. The Ministry of Finance has agreed to coordinate the compilation of the Government Minute and to have it presented to Cabinet for approval prior to it being Tabled in the Legislative Assembly.

Recommendation 2 - Government should develop a clear policy on revenue waivers and concessions that states the level of concessions available to potential investors and developers if they choose to invest in the Cayman Islands. No investors should be able to negotiate their own concessions package outside this published policy. This should be made publicly available to aid transparency and ensure that the Government is maximizing potential revenue.

Government Response:

The Ministry of Finance and Economic Development is currently working to finalise a comprehensive policy governing how the Cabinet will consider and award revenue waivers and concessions to potential developers/investors. The Policy seeks to ensure transparency, fairness and accountability in the award of such waivers and concessions.

In developing the Policy a major challenge that has been identified is the difficulties Government Agencies have in accurately tracking and reporting the value of the waivers/concessions awarded. To address this deficiency the Ministry of Finance has been working with the affected Agencies to agree systems and business process improvements necessary to achieve improved reporting. This is critical as it impacts the structure of the proposed policy as well as the possible outcomes to be achieved from implementing the policy. For example, the Customs Department is currently implementing enhancements to their IT systems which are expected to be in place by 1 January 2019.

The Ministry of Finance is actively working with the Ministry of Commerce, Planning and Infrastructure to ensure that the Policy includes sufficient flexibility to allow the Cabinet to consider requests from different types of developers/investors.

The revised timeframe for the draft policy to be submitted to the Caucus for its consideration is 31 August 2018.

Recommendation 3 - The Ministry of Finance should be reviewing and providing advice on all significant public sector business cases and contracts prior to them being signed to ensure that they are affordable and do not expose the Government to unacceptable risks.

Government Response:

The Government appreciates the recommendation of the PAC with respect to this subject area. Currently, Section 15 of Schedule 6 of the Public Management and Finance Law (2018 Revision) requires the Government to retain independent accounting, legal, financial, economic, environmental and other technical advice for all projects with a lifetime value of CI$10 million and above. The Government is therefore mindful of the need to avoid bureaucratic requirements that might not add significant value or improvement to the procurement process.

Accordingly, the Government does not support the PAC's recommendation although it appreciates its good intention.

Recommendation 4 - The PAC welcomes the commitment that a survey will be carried out to inform an update of the National Development Plan. However, it would like a commitment on when the National Development Plan will be updated and requests that Government considers extending it to cover the whole of the Cayman Islands.

Government Response:

The review of the National Development Plan has commenced and public consultation on the work completed so far is slated to begin in the third (3rd) quarter of 2018. It is anticipated that implementation will commence in November 2018 with work commencing on the first individual area plan. As the National Development Plan calls for rolling updates to 12 planning areas taking approximately 3 to 4 months each to develop, the anticipated completion date for implementation is approximately 4 years.

Preliminary work is being done with the aim of introducing a Development Plan for the Sister Islands.

Recommendation 5 - The PAC is pleased to hear that the Central Planning Authority and Development Control Board now have registers of interests and recommend that these are now made public.

Government Response:

The Registers of Interests for the Central Planning Authority and Development Control Board have been published.

Recommendation 6 - The PAC recommends that the Government reconsider the policy to dispose of surplus Crown Land. The List of Crown Properties being considered for disposal is attached to this report.

Government Response:

A Cabinet Paper recommending cancellation of the project to dispose of surplus Crown lands was prepared at the Hon Minister for Lands request, and was considered by Cabinet in December 2017. However, the Paper was deferred. The Hon Minister for Lands has now asked that it be updated and resubmitted, and it is intended that this will take place during June 2018.

THIRD MEETING OF THE 2017/2018 SESSION – REPORT OF THE STANDING PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE OFFICE OF THE AUDITOR GENERAL ON THE REVIEW OF THE CAYMAN ISLANDS HEALTH SERVICES AUTHORITY FINANCIAL STATEMENTS FOR 2015 AND 2016

Recommendation 1 - Under sections 7(1) and 18(3,c) of the HSA Law, the Health Authority is required to maintain a cash reserve at a level no less than estimated expenses for 90 days. The OAG roughly estimate that the authority is over $21.5 million short at 30 June 2018 in meeting this requirement.

Government Response:

The Health Services Authority has achieved full compliance with the requirement for 90 days of cash reserves, as specified in the HSA Law. As at 31 March 2018, the Authority had 131 days of cash reserve on hand.

The HSA was also compliant with the 90-day cash reserve ratio for the 2016-2017 financial year.

Recommendation 2 - The PAC remains concerned with outlook for the financial position and future audit opinions for the HSA in spite of the employment of outside consultants to support them. The PAC was not impressed by the continued assertions by the board chairman that the HSA will achieve unqualified audit opinion for the financial year 2018.

Government Response:

The HSA's financial records fully reflects its current and future financial obligations in accordance with International Financial Reporting Standards (IFRS). This was acknowledged by the Auditor General at the end of the 2016-17 financial audit through the removal of the audit qualification point related to post-retirement benefit obligations.

The 2016-17 audit opinion shows three remaining qualification points, all of which relate to the single issue of revenue completeness. The HSA has adopted IFRS15 as its revenue recognition standard for 2018. Plans for adoption were shared with the Auditor General's Office, and the organization is now working to ensure consistent adherence throughout the fiscal year.

The expectation is that the audit opinion and financial position of the HSA will be vastly improved following the 2018 audit.

Recommendation 3 - The PAC strongly recommends that the board of the HSA urgently address the staffing issues unearthed during the hearings on the HSA financial statements.

Government Response:

The Authority continues to evaluate its staffing cadre to ensure continuity and reliability of clinical and other services, as well as, operational efficiency. The safety of patients, staff and visitors are at optimal levels.

As at the end of the first quarter of 2018, there were 848 full-time staff compared to 845 employees in 2017.

However, the Authority is challenged with recruitment for some clinical specialties due to a number of factors, including the level of compensation offered by the HSA and cost of living in

the Cayman Islands, compared to other jurisdictions and the global shortage of specialists in the particular fields.

Recommendation 4 - The PAC is gravely concerned with the quality and accuracy of responses to questions by the Chief Officer Ms Jennifer Ahearn, Chief Executive Officer Ms Lizette Yearwood, Chief Finance Officer Mrs. Heather Boothe and HR Director Ms. Brenda Riley.

In Ms Ahearn evidence to the PAC on Tuesday 10 October 2017 as recorded in the verbatim of this meeting on page 13, she misinformed the PAC.

The PAC is of the view that this misinformation was knowingly done that the Gazette notice was only 15 days old at the time this evidence was given. The PAC is also aware that the Chief Officer would be involved in producing the paper to Cabinet to request approval of these board appointments. The PAC asserts that changing all members of a board qualifies as wholesale changes.

The PAC also has evidence that these changes were made for specific purposes some of which may not be in the best interest of the healthcare of the Cayman Islands.

The PAC has not charged the Chief Officer with contempt of the Legislative Assembly but, instead will refer the matter in writing to the Deputy Governor for him to take disciplinary action as he sees fit. The letter will refer to the relevant legislation that governs such behavior. However given Ms Ahearn's history with the PAC, the PAC reserves the right to pursue the charge of contempt.

Government Response:
All officers of the Health Services Authority provided the most up-to-date information to the PAC during their respective presentations. The Authority would request that specific cases be presented to indicate where the members of the PAC perceived that the information provided was inaccurate or lacking in details.

With regards to the PAC having evidence that Cabinet's changes to the membership of the Medical and Dental Council were "made for specific purposes, some of which may not be in the best interest of the healthcare of the Cayman Islands" the Ministry is not aware of the nature of the concerns in this regard or the evidence being referred to in the PAC report.

The Chief Officer's response to the PAC question regarding the changes to the membership of the Medical and Dental Council made it clear that she was providing her current recollection but could well be mistaken as she was speaking from memory and not from the documents that were being examined at the hearing (i.e. the financial statements of the Cayman Islands Health Services Authority 30 June 2016). There was no intention to misinform the PAC.

The Honourable Deputy Governor conducted an investigation on the PAC finding and, based on the evidence, found that there was no attempt by the Chief Officer to mislead the PAC in any

way and therefore there is no basis for disciplinary action against the Chief Officer. The Honourable Deputy Governor concluded that he was duty bound to dismiss the complaint.

Recommendation 5 - The PAC is concerned with the practice of appointing persons who do not meet the advertised qualifications to positions in the HSA

Government Response:

The Authority presented documentation to the PAC verifying the qualifications and experience for the relevant individuals who appeared before the PAC. The Authority selects individuals for positions based on predetermined criteria of which qualifications is one important factor.

To further strengthen and ensure the integrity of the recruitment process at the senior leadership level, a member of the Board is now involved in the shortlisting and candidate interview process. An independent external party with relevant professional expertise is also brought in by the HSA, where necessary, to assist with the recruitment process at senior leadership level and other key positions within the organization.

All positions within the Authority are subject to rigorous review, background checks, professional reference checks, and other professional and personal background checks to ensure compliance with all organizational job requirements.

THIRD MEETING OF THE 2017/2018 SESSION – REPORT OF THE STANDING PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE OFFICE OF THE AUDITOR GENERAL ON THE SOCIAL ASSISTANCE PROGRAMMES FOLLOW-UP ON PAST PAC RECOMMENDATIONS – JULY 2017

Recommendation 1 - The Committee re-endorses the twelve recommendations previously made by the Auditor General and the additional two recommendations made by the PAC in 2015 as summarized in Appendix 2 of the Report. The Committee urges the Government to implement the recommendations as a matter of priority.

Government Response:

By way of an update, the Public Accounts Committee (the Committee) is advised that the Ministry came under new management. As of March 2018, there is a new Chief Officer and Deputy Chief Officer. Said new management has reviewed Appendix 2 of the Auditor General's (AG) July 2017 Report entitled "Follow-up on past PAC Recommendations" and are in agreement with the recommendations therein. Accordingly, the Ministry is in the process of formulating plans of which some of the key details are summarised below.

Recommendation 2 - The Auditor General was concerned about the terms of reference given to KPMG for the outline business case work as it did not address prior audit recommendations.

The Auditor General stated that when the Office of the Auditor General's (OAG) audited this area in 2014 and 2015, it recommended government create an overall strategy to determine what were the policy objectives to be achieved by the social assistance programs. The Committee agreed with the OAG's concerns and doubted that terms of reference for the business case provided value for money.

Government Response:

The Ministry acknowledges the concerns of the Auditor General and the PAC.

In regards to the concern that the Outline Business Case (OBC) does not address the Office of the Auditor General's (OAG) recommendations, the Ministry advises that the 2015 Audit Report provided the strategic context for the OBC as directed by Cabinet. At the start of the engagement, therefore, the KPMG team met with the AG to obtain a better understanding of their 2015 Report and invited representatives from the OAG to attend the meeting where the strategic context was defined. Discussions with the AG were very productive and constructive.

Hence, the OBC work was informed by the series of recommendations and issues detailed in the OAG's 2015 Audit Report. Given this, the OBC contains a vision and values developed and approved by key stakeholders, which provide the foundation for the development of an overarching Social Assistance Strategy.

Respectful of the concerns of both the AG and the Committee regarding value for money, the Ministry has: (1) not pursued or purchased any further external consultancy services; and (2) utilised and maximised the information provided in the OBC to support necessary changes and plan the way forward. As a result, immediate and long term plans have been implemented to enhance services.

Recommendation 3 - The Committee was concerned that KPMG was commissioned to prepare an Outline Business Case that appeared to only consider two options for welfare payments to those in need: 1) keeping the current system in place, or 2) moving to an integrated operation where social service recipients can go to a one-stop-shop for all public assistance programmes.

Government Response:
The Ministry acknowledges the Committee's comment and advises that the KPMG Team used the HM Treasury Green Book Guidance (U.K.) which indicates that the OBC stage is a delivery strategy. Given this, the KPMG Team ensured that the OBC met this requirement and employed the underlying principles of the Five Case Model.

In addition, as aforementioned, it was approved by Cabinet for the OAG's 2015 Audit Report to provide the strategic context for the consultancy engagement. The OAG's 2015 Audit Report, however, did not highlight specific options for consideration as you would typically find in a Strategic Assessment (a precursor to an OBC in accordance with Government's Project Future Methodology).

Since the overall focus of the OAG's 2015 Audit Report was on the need for a coordinated, strategic social assistance programme and maximise value for money, only two options were appropriate. These being: a) the Status Quo Option or b) the Integrated Service Delivery Model.

Recommendation 4 - The Committee recommends that the Government consider the creation of a standard rate payment for welfare recipients, whether they are classed as indigents, seamen, veterans or those receiving temporary assistance.

Government Response:
The Ministry and the Needs Assessment Unit (NAU) supports this recommendation and is currently working to modernise enabling legislation in order to improve the efficiency and effectiveness of financial assistance services. A review, therefore, is being undertaken of the Poor Persons (Relief) Law in order to prepare updated financial assistance legislation. As part of this process, the Ministry and NAU is looking to standardise payments and services in order to provide the necessary clarity required. It is anticipated that the review will be concluded by the end of 2018.

Recommendation 5 - The Committee is concerned that the government is integrating systems that are not currently working and there doesn't seem to be a plan to correct the issues that are not working in those units before integration and recommend the systems not be integrated.

Government Response:
In an effort to provide effective and efficient services, the Ministry and its agencies are focused on improving collaboration and communication internally and externally. Furthermore, any integration will be in respect to an integration of financial assistance services much like the

creation of a standard rate for all recipients as recommended in #3 above.

Recommendation 6 - The Committee is also concerned that the chief officer in the ministry had redirected the unit's budget for staff to recruit staff to deal with housing repairs, with exacerbated staff shortages. The Committee recommends that staff shortages are rectified as soon as possible.

Government Response:
In the 2018/19 financial year, 33 posts were funded in the NAU budget. The Ministry is, therefore, very pleased to inform the Committee that the NAU is operating with 32 of the 33 posts. Efforts are underway for the final post to be filled.

In addition, with the responsibility of the Housing Repairs Assistance Programme now being directly under the Ministry, funds for the Coordinator and Project Manager are in the Ministry's budget. This arrangement is advantageous to both the NAU and the Housing Repairs Assistance Programme.

Recommendation 7 - The Committee agrees that the Department of Children and Family Services and the Needs Assessment Unit were failed at the ministry level by the lack of any strategic policy dealing with social welfare.

Government Response:
The Ministry acknowledges this comment. As aforementioned, in order to have clear strategic guidance as it relates to social welfare, the NAU, in partnership with the Ministry, will review the Poor Persons (Relief) Law and enhance internal policies by the end of 2018.

Recommendation 8 - The PAC recommends that the Needs Assessment Unit and Department of Children and Family Services remain separate entities whose function must be coordinated through policy from the ministry including the provisions of adequate resources.

Government Response:
The Ministry supports this recommendation. In doing so, the Ministry has complied with it while ensuring that collaborative efforts are enhanced in order to strengthen services.