

PARLIAMENT

OF THE CAYMAN ISLANDS

2021-2022 Session

REPORT

of the

STANDING

PUBLIC ACCOUNTS COMMITTEE

on the Report of the
Office of the Auditor General on
Improving Financial Accountability and Transparency:
Financial Management and Reporting - May 2021

Laid on the Table of Parliament on this day of 2021

TABLE OF CONTENTS

1. REFERENCE 3

2. DOCUMENT CONSIDERED 3

3. CHAIRMAN AND MEMBERS OF THE COMMITTEE 3

4. MEETINGS OF THE COMMITTEE 3

5. ATTENDANCE OF MEMBERS 4

6. PERSONS IN ATTENDANCE 4

7. WITNESSES CALLED BEFORE THE COMMITTEE 4

8. PRACTICE AND PROCEDURE OF THE COMMITTEE 4

9. PAC RECOMMENDATIONS 4

10. GOVERNMENT MINUTE 5

ACKNOWLEDGEMENTS 5

REPORT OF THE COMMITTEE TO THE HOUSE 5

REPORT OF THE STANDING PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE OFFICE OF THE AUDITOR GENERAL ON IMPROVING FINANCIAL ACCOUNTABILITY AND TRANSPARENCY: FINANCIAL MANAGEMENT AND REPORTING - MAY 2021

1. REFERENCE

The Standing Public Accounts Committee of the Cayman Islands Parliament, established under Standing Order 77(1), met to consider the following Report prepared and submitted by the Auditor General:

- ***Improving Financial Accountability and Transparency: Financial Management and Reporting - May 2021***

2. DOCUMENT CONSIDERED

In accordance with the provision of Standing Order 77(3), the Committee considered the following Report which was referred in the House of Parliament:

- ***Improving Financial Accountability and Transparency: Financial Management and Reporting - May 2021***

3. CHAIRMAN AND MEMBERS OF THE COMMITTEE

The following Members of Parliament are the present Members of the Standing Public Accounts Committee:

Hon. Roy M. McTaggart, JP, MP - Chairman

Hon. Katherine A. Ebanks-Wilks, MP

Ms. Barbara E. Conolly, JP, MP

Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP

Mr. Dwayne S. Seymour, JP, MP

Mr. Isaac D. Rankine, MP

4. MEETINGS OF THE COMMITTEE

The Committee held five (5) meetings to consider this Report on:

(i) 19th May 2021 *(Administrative Meeting)*
(ii) 29th June 2021 *(Administrative Meeting)*
(iii) 20th July 2021 *(Hearing)*
(iv) 20th July 2021 *(Administrative Meeting)*
(v) 11th August 2021 *(Administrative Meeting)*

5. ATTENDANCE OF MEMBERS

The attendance of Members at the meetings is recorded in the Minutes of Proceedings which are attached to and form part of this Report.

6. PERSONS IN ATTENDANCE

In accordance with Standing Order 77(8), the following persons were in attendance at the meeting held with witnesses.

- Mrs. Sue Winspear - Auditor General, Office of the Auditor General
- Ms. Angela Cullen - Deputy Auditor General (Performance Audit)
- Mr. Gabriel Ncube – Audit Project Leader, Office of the Auditor General
- Mr. Kenneth Jefferson - Financial Secretary / Chief Officer, Ministry of Finance and Economic Development
- Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development
- Ms. Theresa Walters – Deputy Accountant General, Ministry of Finance and Economic Development

7. WITNESSES CALLED BEFORE THE COMMITTEE

In accordance with the provisions of Standing Order 77(4), the Committee invited persons to give information and explanations to assist the Committee in the performance of its duties.

The following persons appeared before the Committee to give evidence on **Tuesday, 20th July 2021:**

- Mr. Kenneth Jefferson - Financial Secretary / Chief Officer, Ministry of Finance and Economic Development; and
- Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development

8. PRACTICE AND PROCEDURE OF THE COMMITTEE

The Committee agreed that in accordance with the provisions of Standing Order 77(6), all meetings at which witnesses were invited to provide information should be held in an open forum. This decision was taken to promote openness and accountability in Government.

9. PAC RECOMMENDATIONS

On review of the Office of the Auditor General's Report on *Improving Financial Accountability and Transparency: Financial Management and Reporting - May 2021*, critical analysis of witness testimonies and deliberations amongst the Committee Members, the PAC endorses and strongly supports the sixteen (16) recommendations of the Auditor General and her team, noting also that management within the Civil Service has agreed with the Office of the Auditor General's recommendations.

The Public Accounts Committee makes no additional recommendations.

10. GOVERNMENT MINUTE

The Public Accounts Committee wishes to draw Government's attention to Standing Order 77 sub-order 7 which reads:

> *"The Government Minute shall be laid on the Table of the House within three months of the laying of the report of the Committee and of the report of the Auditor General to which it relates."*

The PAC expects the Government to honour the requirements of this Standing Order.

ACKNOWLEDGEMENTS

The Committee is most appreciative of the efforts of the Auditor General and her staff for the support, assistance and constructive advice given throughout its deliberations.

The Committee also wishes to thank the staff of the Parliament for the assistance provided.

REPORT OF THE COMMITTEE TO THE HOUSE

The Committee agrees that this Report be the Report of the Standing Public Accounts Committee to the House on the following Report of the Office of the Auditor General:

- *Improving Financial Accountability and Transparency: Financial Management and Reporting - May 2021*

Hon. Roy M. McTaggart, JP, MP - Chairman	**Ms. Barbara E. Conolly, JP, MP – Member**
Hon. Katherine A. Ebanks-Wilks, MP – Member	**Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – Member**
Mr. Dwayne S. Seymour, JP, MP – Member	**Mr. Isaac D. Rankine, MP – Member**

Parliament
of the Cayman Islands

PUBLIC ACCOUNTS COMMITTEE

MINUTES

Meeting held
Wednesday, 19th May 2021 at 10:00 am

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – Chairman
Ms. Barbara E. Conolly, JP, MP - Member
Mr. Dwayne S. Seymour, JP, MP - Member
Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP - Member
Hon. Katherine A. Ebanks-Wilks, MP - Member
Mr. Isaac D. Rankine, MP - Member

PAC Clerk: Mrs. Patricia Priestley

Attendees: Mrs. Sue Winspear - Auditor General
Ms. Angela Cullen - Deputy Auditor General (Performance Audit)
Mr. Patrick Smith - Deputy Auditor General (Financial Audit)

1. Meeting to Order

There being a quorum present, the Chair called the meeting to order at 10:07am.

2. Welcome by Chairman

The Chairman gave a brief welcome to Members and introductions were made. The Chairman advised the Committee that they had a full agenda as they were being tasked with dealing with both current business and residual business from the previous PAC.

The Chairman advised the Committee that he anticipated some conflicts of interest would arise which would need to be declared in the early months of this new PAC particularly for both himself as ex-Minister of Finance and Ms. Conolly as a previous Parliamentary Secretary for Finance. In such circumstances the Chairman advised that he would recuse himself from proceedings and asked for members to do the same when relevant and necessary, bearing in mind that a quorum is four members.

3. Presentation on role of the PAC, the Auditor General and their support arrangements

The Auditor General presented a "*PAC Introductory Briefing*" and referred to her printed power point slides distributed to members (copy attached for ease of reference).

Mr. Patrick Smith (Deputy Auditor General (Financial Audit)) spoke about the annual financial audits of the entire public sector made up of 42 entities. For 2020, of these 42 entities, 35 entities' audits had been completed and 7 remained outstanding. The 7 outstanding entities' audits included 2 ministries and 5 statutory authorities, which accounted for 16 outstanding audits.

The Chairman requested that the PAC members continue to be provided with copies of the ISA 260 Reports for all 42 entities. Mr. Smith gave an undertaking to provide these to the Members.

Ms. Angela Cullen (Deputy Auditor General (Performance Audit)) spoke about the performance audits of the public sector which focuses on the performance and value for money. The OAG has undertaken to prepare a trilogy of reports addressing the country's finances, the second of which is on today's agenda; namely, *Improving Financial Accountability & Transparency: Financial Management and Reporting (May 2021)*. The remaining report will speak to financial sustainability. The OAG also has E-government and the HSA Pharmacy as audits in progress, and are due to start work on Cayman Airways and rebuilding the economy.

The Auditor General informed the Committee that the PAC funds the performance audit work and also pays the Auditor General's salary, with fees being charged to clients for financial audit work.

The Auditor General advised, in anticipation of the next public hearing, that she and her team would be pleased to meet with the PAC before the hearing to provide a briefing and discuss lines of questioning of witnesses. The Auditor General asked that she be provided the opportunity to introduce the OAG's report and its findings at the beginning of each public hearing/witness session.

4. Consideration of recent OAG Reports

The Auditor General presented the following reports to the Committee:

i. OAG Quarterly Report for period ended 31 March 2021

The Auditor General gave a brief overview of the report which covers the period 1st January to 31st March 2021 and advised the Committee that she would continue the practice of providing the PAC with regular updates on her offices operations to suit the needs of the PAC.

ii. **OAG Annual Report 2020 (March 2021)**

The Auditor General presented this report to the Committee and advised that the report was submitted to Members of Parliament in May 2021 but had not yet been tabled. The Committee considered the report for tabling.

The Chairman moved a motion to endorse and approve the *OAG Annual Report 2020* for tabling in the House. The motion was seconded by Ms. Conolly. The Committee unanimously agreed to table the *OAG Annual Report 2020* at the next sitting of Parliament.

iii. **Improving Financial Accountability & Transparency: Financial Management and Reporting (May 2021)**

The Auditor General presented this new report to the Committee as being the second of a trilogy of OAG reports and advised that she intended to make the report public following the meeting by posting it on her website.

The Auditor General recommended that the PAC hold a hearing on this report as soon as possible.

The Committee unanimously agreed to support the Auditor General's recommendation to hold a public hearing on this report; however, it was noted that the Chairman as ex-Minister of Finance and Ms. Conolly as a previous Parliamentary Secretary for Finance should declare a conflict of interest. The Chairman proposed that he would still Chair the meeting but would refrain from asking questions of witnesses.

The Committee agreed to hold a public hearing in the Chamber of the House of Parliament on Wednesday, 9th June 2021 (subsequently changed to 16th June 2021 and then postponed indefinitely) and agreed that the following witnesses be requested to attend at the stated times:

Witness	Government Entity	Time
Mr. Kenneth Jefferson	Financial Secretary & Chief Officer, Ministry of Finance and Economic Development	10:00 am
Mr. Matthew Tibbetts	Accountant General, Ministry of Finance and Economic Development	11:30 am

The Committee further agreed that the Auditor General and her team would meet with the Committee at 9:30 am in the Large Committee Room of the House of Parliament for a pre-meeting briefing.

5. Outstanding PAC Business from before the 2021 Election

The Chairman advised the Committee that they cannot be held responsible for the work of the old PAC but he recognized that the early dissolution of Parliament, on 14th February 2021, had resulted in some old PAC business remaining outstanding which had not been anticipated. The Chairman further advised that he believed it necessary for the newly constituted Committee to consider these matters.

i. Approval of Auditor General's Invoices

a. January 2021 – Invoice number 207459 - $75,147.52
b. February 2021 – Invoice number 207462 - $92,115.02
c. March 2021 – Invoice number 207463 - $54,892.52

These invoices were considered, discussed and unanimously approved on a motion moved by Mr. Rankine and seconded by Hon. Ebanks-Wilks. The Chairman acknowledged the Committee's approval by returning signed copies of these invoices to the Auditor General. The Auditor General informed the PAC that the old PAC had pre-authorised monthly payments to help the OAG's cash flow and so she would offset what was received from that against the actual invoices now approved.

ii. Consideration of outstanding OAG Reports not yet tabled in the House

a. Owen Roberts International Airport (ORIA) Terminal Redevelopment Project (January 2019)
b. Financial Reporting of the Cayman Islands Government: General Report 2019 (December 2020)
c. Improving Financial Accountability & Transparency: Budgeting (December 2020)

These OAG reports were considered and discussed by the Committee.

The Committee Clerk referenced Standing Order 77(5) "The Public Accounts Committee shall make their report upon the report of the Auditor General on the accounts of Government before the Auditor General's report is laid on the Table of the House and both the Committee's report and the Auditor General's report shall be laid at the same time."

The Committee unanimously approved a motion moved by the Chairman and seconded by Ms. Conolly to endorse the recommendations of the OAG in the above-mentioned reports, noting that management within the Civil Service has agreed with the OAG's recommendations, and table the reports of the OAG at the next sitting of Parliament.

iii. Consideration of outstanding PAC Minutes not yet approved

a. Thursday, 7th January 2021 (Administrative Meeting)
b. Wednesday, 27th January 2021 (Hearing)
c. Thursday, 28th January 2021 (Hearing)
d. Friday, 29th January 2021 (Hearing)

The above-mentioned draft minutes of the old PAC were reviewed and discussed.

With consideration to Standing Order 77(5), on a motion moved by the Chairman and seconded by Ms. Conolly, the Committee unanimously agreed that the Committee Clerk prepare a new PAC report, on the three OAG reports referred to in 5. ii. above, which ***adopts*** the minutes of the old PAC as presently drafted and approve them for tabling, together with the verbatim transcripts, for the purpose of approving and endorsing the OAG reports for tabling in the House at the next sitting of Parliament.

iv. Consideration of outstanding PAC Reports not yet tabled in the House

a. ***DRAFT*** PAC Report on OAG ORIA Report
b. ***DRAFT*** PAC Report on the Annual Reports of CTCEC for the periods ending 31st December 2017, 2018, and 2019 respectively
c. ***DRAFT*** PAC Annual Report September 2020 – February 2021

The draft PAC Reports were reviewed, considered and discussed.

On a motion moved by the Chairman and seconded by Mr. Seymour, the Committee unanimously agreed to ***note*** the above-mentioned three draft PAC reports, but <u>not</u> lay these reports on the table of the House of Parliament, as they remain in draft form.

The PAC determined that they may reconsider their position on CTCEC once the current investigation outcome was known. The Auditor General offered to update the PAC on CTCEC.

6. Any Other Business

Mr. Seymour asked several questions of the Auditor General. Relevant information was provided by the Auditor General and her team to the satisfaction of Mr. Seymour.

7. Scheduling of Next Meeting

The next meetings were confirmed for the following dates:

- **Wednesday, 9th June 2021** (subsequently changed to 16th June 2021 and then postponed indefinitely) *(Hearing)*
  9:30 am pre-meeting briefing in the Large Committee Room
  10:00 am public hearing in the Chamber

- **Wednesday, 16th June 2021** (subsequently changed to 23rd June 2021 and then rescheduled to Tuesday, 29th June 2021) *(Administrative Meeting)*
  10:00 am Large Committee Room

8. **Adjournment**

There being no further business, the Chairman adjourned the meeting at 12:20 pm.

Parliament
of the Cayman Islands

PUBLIC ACCOUNTS COMMITTEE

MINUTES

Meeting held
Tuesday, 29th June 2021 at 10:00 am

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – Chairman
Ms. Barbara E. Conolly, JP, MP - Member
Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – Member
Hon. Katherine A. Ebanks-Wilks, MP - Member
Mr. Dwayne S. Seymour, JP, MP - Member
Mr. Isaac D. Rankine, MP - Member

PAC Clerk: Mrs. Patricia Priestley

Attendees: Mrs. Sue Winspear - Auditor General
Ms. Angela Cullen - Deputy Auditor General (Performance Audit)

1. Meeting to Order

There being a quorum present, the Chair called the meeting to order at 10:10 am.

2. Apologies

None.

3. Approval of PAC Minutes

- Wednesday, 19th May 2021 *(Administrative Meeting)*

The Chairman noted minor amendments to the Minutes. On page 3 paragraph 4. iii and page 5 paragraph 7., a notation has been added, in brackets, to reflect the dates having changed for the next Hearing and Administrative Meeting. The Hearing having been postponed at the request of the Minister of Finance who had advised that the Financial Secretary/Chief Officer and the Accountant General would be unable to attend as they were both engaged in the preparation of Government's Strategic Policy Statement for tabling in the House on 14th July 2021.

On a motion moved by Ms. Conolly and seconded by Ms. Bodden, the Committee unanimously approved the Minutes, as amended.

4. Matters arising from Minutes

- *Consideration of deferred Hearing date*

The Committee agreed to reschedule the public hearing to take place on Tuesday, 20th July 2021. The Chairman advised the Members that although the House would likely still be in session, the House does not generally sit on Tuesdays as Cabinet meets on Tuesdays.

The Committee agreed that the following witnesses be asked to attend at the stated times:

Witness	Government Entity	Time
Mr. Kenneth Jefferson	Financial Secretary & Chief Officer, Ministry of Finance and Economic Development	10:00 am
Mr. Matthew Tibbetts	Accountant General, Ministry of Finance and Economic Development	11:00 am

The Committee also agreed that the Auditor General, Mrs. Sue Winspear, would meet with the Committee at 9:30 am in the Large Committee Room for a pre-hearing briefing.

- *Any other matters arising from Minutes*

None.

5. Approval of Auditor General's Invoice

- *April and May 2021 – Invoice number 207496 - $100,575.69*

The invoice was considered and discussed. The Chairman queried why the attached invoice no. 2021207 for USD 960 did not identify the payee. The Auditor General advised the Committee that the payee is an independent contractor, Depress Limited, hired on a three year contract by way of a joint tender with the Ombudsman. The Auditor General stated that it was OAG practice to include relevant vendors' invoices on OAG invoices for PAC consideration.

The OAG's invoice number 207496 in the sum of $100,575.69 was unanimously approved on a motion moved by Ms. Conolly and seconded by Hon. Ebanks-Wilks. The Chairman acknowledged the Committee's approval by returning a signed copy of the invoice to the Auditor General.

6. Auditor General's Update

- *Consideration of OAG SPS Submission*

The Auditor General presented the OAG Budget & SPS Submission Report to the PAC (attached for ease of reference).

The Auditor General advised the Committee that the reorganisation of Government entities post-election has resulted in an increase in the OAG's workload. The number of Government entities required to be audited in 2021 has increased from 42 to 50 (22% increase). A few of these entities will have a 6 month financial year. Going forward there should be 47 Government entities.

The Auditor General is asking for an 11% increase in the OAG's budget for 2022.

Discussion ensued.

The Auditor General asked the PAC to endorse the OAG's budget and SPS submission.

The Chairman called for a motion to accede to the request of the Auditor General and endorse the Auditor General's approach to the OAG's SPS submission and endorse the OAG's budget and SPS submission. The motion was moved by Ms. Conolly, seconded by Ms. Bodden and unanimously approved by the Committee.

- *PAC Consultation on Forward Performance Audit Work Programme*

The Deputy Auditor General (Performance Audit), Ms. Angela Cullen, presented the OAG's Performance Audit Programme Report and 5-year rolling Performance Audit programme to the PAC (attached for ease of reference).

The Deputy Auditor General advised the Committee that the OAG's purchase agreement states that 3-5 reports be produced for the PAC each year and this includes the general report on the financial audits, performance audits and public interest reports.

The Deputy Auditor General asked the Committee Members for their views on the potential performance audits included in the forward programme and for any suggestions on additional topics to be included.

Discussion ensued.

The Committee asked for the Performance Audit on the "*Public Transport System*" be brought forward. However, because there is no proper public transport system currently in operation it should perhaps be renamed something like "*Traffic Management*", bringing in the NRA, the Roads Fund and the Ministry's Traffic Unit.

The Committee also asked for "*Access to Health Insurance or Review of SHIC*" be brought forward. The concern being of an aging population with too many seniors being uninsured. In addition too many children are uninsured.

The Committee also asked for a Performance Audit on WORC (Workforce Opportunities & Residency Cayman) entitled "*Improving Employment Prospects*", be prioritized.

7. Review of PAC Report for Tabling

- *PAC Report on the Reports of the OAG on 1. Owen Roberts International Airport (ORIA) Terminal Redevelopment Project - Progress Update as at August 2018 (January 2019); 2. Financial Reporting of the Cayman Islands Government: General Report 2019 (December 2020); and 3. Improving Financial Accountability & Transparency: Budgeting (December 2020)*

The Chairman referred Members to page 4 paragraph 4, which reads, *"The present Committee has unanimously agreed to adopt the minutes of the old PAC as presently drafted and approve them for tabling, together with the verbatim transcripts, for the purpose of approving and endorsing the Office of the Auditor General's reports, for tabling in the House of Parliament."*

The Chairman reminded Members that the principal purpose of this PAC Report was to enable the laying of the three OAG reports on the Table at the next sitting of Parliament.

The Chairman asked for a motion to be moved to accept the *PAC Report on the Reports of the OAG on 1. Owen Roberts International Airport (ORIA) Terminal Redevelopment Project - Progress Update as at August 2018 (January 2019); 2. Financial Reporting of the Cayman Islands Government: General Report 2019 (December 2020); and 3. Improving Financial Accountability & Transparency: Budgeting (December 2020).*

Mr. Rankine moved the motion, Mr. Seymour seconded the motion and the Committee unanimously accepted the motion moved.

8. Any Other Business

None.

9. Scheduling of Next Meeting

The next meetings were confirmed:

- **Tuesday, 20th July 2021 (*Hearing*)**

  9:30 am pre-meeting briefing in the Large Committee Room
  10:00 am public hearing in the Chamber.

- **Tuesday, 20th July 2021 (*Administrative Meeting*)**

  2:00 pm in the Large Committee Room.

10. Adjournment

There being no further business, the Chairman adjourned the meeting at 11:25 am.

Parliament of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES of Meeting with Witnesses
Tuesday, 20th July 2021 at 2:00 pm

IMPROVING FINANCIAL ACCOUNTABILITY AND TRANSPARENCY: FINANCIAL MANAGEMENT AND REPORTING - MAY 2021

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – Chairman
Ms. Barbara E. Conolly, JP, MP - Member
Hon. Katherine A. Ebanks-Wilks, MP - Member
Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – Member
Mr. Dwayne S. Seymour, JP, MP - Member
Mr. Isaac D. Rankine, MP - Member

PAC Clerk: Mrs. Patricia Priestley

Attendees: Mrs. Sue Winspear - Auditor General
Ms. Angela Cullen - Deputy Auditor General (Performance Audit)
Mr. Gabriel Ncube - Audit Project Leader, Office of the Auditor General
Mr. Kenneth Jefferson - Financial Secretary / Chief Officer, Ministry of Finance and Economic Development
Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development
Ms. Theresa Walters - Deputy Accountant General, Ministry of Finance and Economic Development

Witnesses: Mr. Kenneth Jefferson - Financial Secretary / Chief Officer, Ministry of Finance and Economic Development
Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development

1. Meeting to Order

There being a quorum present (Standing Orders 77(2) refers), the Chairman called the Public Accounts Committee Meeting to order at 2:00 pm.

2. Welcome

The Chairman gave a brief welcome to Members of the Committee, Attendees and Witnesses, and thanked them for attending the Public Accounts Committee (PAC) Hearing dealing with the Office of the Auditor General's report, *Improving Financial Accountability and Transparency: Financial Management and Reporting - May 2021*. The Chairman explained that this report is the second in a trilogy of reports prepared by the Office of the Auditor General (OAG), the first of which was on the topic of *Budgeting* and was laid in the House by the previous PAC.

The Chairman declared a conflict of interest as this report was completed during his tenure as Minister of Finance and recused himself from questioning the witnesses.

The Chairman invited the Auditor General, Mrs. Sue Winspear, to present the OAG report *Improving Financial Accountability and Transparency: Financial Management and Reporting,* published in May 2021.

The Auditor General presented the report and explained that it covered three main areas: (1) Financial Management, (2) Financial and Performance Reporting, and (3) Financial Performance, of the entire public sector. The Auditor General summarized the OAG's findings in each of the three main areas and advised that the report included sixteen recommendations.

The Chairman welcomed the witnesses, Mr. Kenneth Jefferson and Mr. Matthew Tibbetts, being examined together, and reminded the witnesses to state their names and titles for the record before answering the first question addressed to them.

The Chairman invited the Members to question the witnesses.

Discussion ensued.

Before departing, Mr. Jefferson and Mr. Tibbetts were again thanked by the Chairman on behalf of the Committee for attending the Hearing.

3. Any Other Business

None.

4. Adjournment

There being no further business, the meeting was adjourned at 4:07 pm sine die.



PARLIAMENT OF THE CAYMAN ISLANDS

STANDING PUBLIC ACCOUNTS COMMITTEE

IMPROVING FINANCIAL ACCOUNTABILITY AND TRANSPARENCY:
FINANCIAL MANAGEMENT AND REPORTING
(MAY 2021)

Official transcript relating to the Official Report of the Standing Public Accounts Committee Meeting held on 20 July, 2021

CONTENTS

PAC Members present	3
Witnesses present	3
Others in attendance	3
Mrs. Sue Winspear, Auditor General	**4 - 5**
Mr. Kenneth Jefferson	6 - 20
Mr. Matthew Tibbetts	6 - 15
Undertakings to be provided in writing	14

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP, Chairman

Ms. Barbara E. Conolly, JP, MP, Member

Mr. Dwayne S. Seymour, JP, MP, Member

Hon. Katherine Ebanks-Wilks, MP, Member

Ms. Heather Bodden, OCI, Cert. Hon., JP, MP, Member

Mr. Isaac Rankine, MP, Member

In attendance: Ms. Theresa Walters, Senior Deputy Accountant General
Ministry of Finance and Economic Development

Audit Office: Mrs. Sue Winspear, Auditor General

Ms. Angela Cullen, Deputy Auditor General (Performance Audit)

Mr. Gabriel Ncube, Audit Project Leader

Witnesses: Mr. Kenneth Jefferson, Financial Secretary/Chief Officer
Ministry of Finance and Economic Development

Mr. Matthew Tibbetts, Accountant General
Ministry of Finance and Economic Development

PAC Clerk: Mrs. Patricia Priestley

OFFICIAL VERBATIM REPORT
STANDING PUBLIC ACCOUNTS COMMITTEE
TUESDAY
20 JULY 2021
2:06 PM

Meeting with witnesses

"IMPROVING FINANCIAL ACCOUNTABILITY AND TRANSPARENCY: FINANCIAL MANAGEMENT AND REPORTING (MAY 2021)"

Verbatim transcript of the Standing Public Accounts Committee Meeting held on Tuesday, 20 July 2021, at 2:06pm, in the Chamber of the House of Parliament; George Town, Grand Cayman.

[Hon. Roy M. McTaggart, Chairman, Presiding]

The Chairman: Good afternoon, members of the Public Accounts Committee [PAC]; Madam Auditor General—you and your team from the Auditor General's Office. Good afternoon too, to the Senior Deputy Accountant General from the Ministry of Finance and also good afternoon to our two witnesses, the Financial Secretary and the Accountant General.

We gather this evening to examine a report that has been prepared by the Auditor General's Office entitled, "*Improving Financial Accountability and Transparency – Financial Management and Reporting".* This report is the second of three reports that the Auditor General has prepared, and is in the process of completing. The first report was on the topic of Budgeting and was completed and examined by the former Public Accounts Committee; this now, is the very first report that this new Committee will examine.

I welcome too, all the Members of the Public Accounts Committee. We have one Member who is returning from the previous Public Accounts Committee, but the others are all, if I might use the term *freshman,* in terms of their participation and membership on this Committee.

I have to declare at the very outset that, as Chair, I am conflicted in the examination of this report because it was completed during my tenure as Minister of Finance; and my connection with the Ministry of Finance.

It is [therefore] right and proper that I exclude myself from any questioning of witnesses here today, and so my role as Chair will be simply to lead us through this session and this meeting. I will not participate in the questioning of these two witnesses, so I will depend on my colleagues to my right to make sure that they cover all of the issues and areas that are highlighted in this report. There are a number of recommendations that the Auditor General has made in this report, so we need to make sure that we are thorough in all that we do.

It is customary that before we actually begin the questioning of witnesses, the Auditor General make some brief introductory remarks with regard to the report she has prepared, to provide some flavour and context to it not just for the committee, but for those who might be watching and listening to this afternoon's proceedings. At this time, Madam Auditor General, I will turn things over to you and invite you to make your presentation.

OFFICE OF THE AUDITOR GENERAL

Mrs. Sue Winspear, Auditor General, Office of the Auditor General: Thank you, Mr. Chairman.

Good afternoon to you, members of the Public Accounts Committee, Officials from the Ministry of Finance and the listening public.

Thank you very much for the opportunity to make some opening remarks to this first hearing of the newly-formed Public Accounts Committee.

As you said Mr. Chairman, the report we are considering here today is "*Improving Financial Accountability and Transparency"* and it relates specifically to Financial Management and Reporting. This was published in May 2021, and as you mentioned it is the second in a series of three on improving financial accountability and transparency.

The report covers three main areas. Firstly, Financial Management; secondly, Financial and Performance Reporting, and thirdly, Financial Performance at the Entire Public Sector level. I will very briefly summarised our findings in each of these areas.

In the first area—Financial Management—I'm pleased to say that this has improved significantly over the last decade and, particularly, in the last five years.

The Ministry of Finance has played an integral role in this improvement through its financial leadership. The Ministry has issued a number of policies, guidance and frameworks that aim to further

strengthen financial management; however, the implementation of most of these remains work in progress, and we also identified some areas that would benefit from stronger financial leadership.

It is pleasing to note that the Government has responded to one of our long-standing recommendations to strengthen governance by establishing a Core Government Audit and Risk Assurance Committee in 2019, and we are seeing that this Committee is already making a real difference.

On the second area—Financial and Performance Reporting—again, the quality of financial reporting for Core Government entities and Statutory Authorities and Government Companies [SAGCs] has improved markedly. We have shifted from a position in 2013/2014 where only 16 out of 42 Entity Financial Statements were qualified to currently, where all that we have audited in both 2019 and 2020 at an entity level (and that is the vast majority), have been given an unqualified, or clean, audit opinion. However, in respect to the Entire Public Sector (EPS) consolidated account, there is still a way to go to improve the quality of financial reporting.

The audit opinion on the EPS Financial Statements improved from "disclaimed" in 2013/2014, but has remained an adverse opinion since then. There are a number of factors that contribute to this adverse opinion, and I have recommended that the Ministry of Finance develop a road map for improving the quality of the EPS financial statements that will allow me to provide an unqualified audit opinion at some point in the future.

Another issue I have raised again in this report, is the slow Tabling of Annual Reports and Financial Statements in this House, as this severely limits transparency and the ability of decision makers such as yourselves, to hold public entities to account for their financial performance. There has been some improvement here and, most notably, in the sittings last week of the current meeting of Parliament where a lot were laid.

The third and final area of the report deals with Financial Performance. This is at the EPS level and specifically, we look at the performance against the Six Principles of Responsible Financial Management that are set out in the Public Management and Finance Act. These principles are the cornerstone of prudent financial management but there is a lack of transparency of actual performance against these principles. This is due to delays in the EPS Financial Statements being audited and Tabled, and figures not been updated—and again, I'm saying we have a partial responsibility on that, just to be clear.

Our assessment is that Core Government performed well against most of the principles, however, I would like to draw your attention to two areas in particular where further work is needed.

The Government plans for and reports that it meets the principle that net assets should be positive. However, this is because the EPS Financial Statements do not include the full liability for post-retirement costs of civil servants, one of the issues that contributes to the adverse audit opinion.

The other issue I want to mention relates to the principles on net debt and cost of borrowing. A number of decisions have been taken recently including the signing of the new Public-Private Partnership contract for Waste Management and the use of the line of credit that will increase the level of borrowing which will impact upon actual performance against these two principles.

I have made a total of 16 recommendations in my report; number 8 is directed to the Parliament and aims to improve the timeliness of lying Annual Reports and Financial Statements. This will require the buy-in of all Members of the House.

I have here with me today to support you in the hearing, Ms. Angela Cullen and Mr. Gabriel Ncube, who undertook the audit.

Thank you very much.

The Chairman: Thank you, Auditor General.

Before we begin our questioning this afternoon and for the benefit of the public, I would like to let you know that the Committee has agreed that we will examine the two witnesses—the Financial Secretary, Mr. Kenneth Jefferson and the Accountant General, Mr. Matthew Tibbetts—together.

That is completely in accord with Standing Orders and so, at this point, I will go ahead and open the Floor for questions from the Committee.

The Member for George Town South.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman. Through you to our witness.

In paragraph 22, page 13, the Auditor General's Report states that the Ministry of Finance and Economic Development "**(MFED) provides functional leadership for finance across core government"**. However, paragraph 30 concludes that "**there is scope to further improve guidance and functional leadership for finance, particularly in relation to [providing guidance on] implementing accounting and financial reporting standards, advice and guidance on complex financial transactions and guidance in the financial implications of implementing legislation and policies"**.

It provides three examples where MFED could have provided stronger, central leadership and I will just give one example. It relates to Statutory Authorities and Government-owned Companies' (SAGCs) compliance with section 47 of the Public Authorities Act and states that it is not clear to what extent the financial implications of this legislation had been considered in advance, or whether any guidance was issued to support SAGCs in implementing it.

For the public's information, section 47 of the Public Authorities Act covers salary scales and job evaluations and came into force in June, 2019. This is one of the key audit matters reported in the Auditor General's Report and contributed to a number of SAGCs receiving an "Emphasis of Matter" paragraph in their 2019 audit opinion.

My first question is: Can the Financial Secretary or the Accountant General state if there are any upcoming changes to accounting standards that may require leadership and direction from the Ministry of Finance and Economic Development?

[Long pause]

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, good afternoon to you and the honourable members of the Committee.

I conferred with the Accountant General as to the best answer to the question; if I go back to the sections 47 of the Public Authorities Act , I would just like to say for the benefit of the Committee and the listening public, that I think that particular exercise, if not completed, is well on its way to being complete. And again, for the benefit of the viewing and listening public, that particular section of the Law entails an exercise being done where the remuneration of staff in the SAGCs are compared, as best as possible, to their equivalent positions within central government. The requirement of the Law was that the statutory authorities' remuneration become aligned with those of central government and that exercise, to the best of my knowledge, is essentially complete barring one or two authorities. That is good news, Mr. Chairman and Committee members.

I am not 100 per cent certain as to the financial impact of that exercise; whether it has resulted in a tremendous change in the remuneration levels in the statutory authorities, because obviously the exercise was done on the basis that an existing public servant in a statutory authority was not going to be adversely affected if they were making $100,000 in a statutory authority and their equivalent position in central government was $95,000—they were not going to be reduced to $95,000 because that was their equivalent position in central government.

Mr. Chairman, in that particular instance I'm not 100 per cent certain as to the particular accounting advice that was necessary to be given by the Ministry of Finance, but I know that the Portfolio of the Civil Service led that exercise and it is essentially complete.

In terms of future legislation, we struggled a bit when we conferred to foresee what change in standards were upcoming that would require [the] Ministry of Finance to lead and give advice. We certainly know that there was considerable change following the General Election; change in the make-up of Ministries and Portfolios. So we now have a situation where we have nine Ministries being managed/controlled by eight Ministers and there is an accounting standard that relates to the make-up of an organisation and changes thereto, so we are certainly aware of that particular one.

I will ask the Accountant General if he has more to add.

The Chairman: Sorry to interject but, just for the sake of good order, may I ask that you state your name and position before answering.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman. I did not do that. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development.

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Good afternoon, Mr. Chairman and Committee members. Matthew Tibbetts, Accountant General.

In regards to section 47 of the Public Authorities Act, that was viewed as a governance issue, in which case, the Deputy Governor and the Portfolio of the Civil Service took the lead in regards to writing that particular legislation as well as reconciling the remuneration between the public authorities and central government; therefore, the Ministry of Finance's involvement was not as heavy as may have been expected by the Office of the Auditor General (OAG) in this report.

Further to the Financial Secretary's point as well, in regards to segment reporting, is that a change in the accounting standards has come up and that will affect us this year. Due to the reorganisation of government, we have some consideration as to what constitutes "new entities" for the government and therefore, [we] will be reviewing the standards as well as working with the Auditor General's Office to ensure that we comply with the accounting standards in regards to the various segments and what constitutes a new entity versus a continuation of an existing entity and we will be giving that advice as well to Chief Financial Officers (CFOs).

We have started the initial work, but we expect to continue [in order] to ensure that we have a thorough understanding ourselves, as well as ensuring CFOs follow through with the same approach.

Thank you.

Ms. Barbara E. Conolly: Thank you for that explanation.

Through you, Mr. Chairman again to our witnesses: Based on the fact that we are now preparing

for the 2022-2023 budget, can you indicate whether the full cost in section 47 will be included in the 2022-2023 budget?

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Mr. Chair, through you to the member.

The last update I received was that the National Roads Authority [NRA] was the only SAGC outstanding for the re-evaluation of jobs—that is, lining them up with a central government equivalent; that was a few months back and I have not received an update since then. Presumably, that would either be completed or near completion now, in which case all of the SAGC's would presumably be aligned with central government and therefore for the 2022-2023 budget the adjustments would be included; however, I cannot speak for the Portfolio of the Civil Service and the Deputy Governor's Office, as it is the Deputy Governor's Office and the Portfolio of the Civil Service that were really heading the re-evaluations. They are coordinating everything as well as I think they may have been actually conducting some of the valuations themselves for the smaller entities. So, I would have to rely on the Chief Officer of the Portfolio of the Civil Service for that.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman if I could, with your permission, add briefly to what the Accountant General just said, to make a point: whilst the remuneration levels within central government, I will be a bit cagey and say should not change by virtue of this section 47 exercise and therefore, one could conclude that it is not going to have an impact on Government, that would not be quite true, obviously, because if the statutory authorities' remuneration levels are changing because of that exercise, many of the significant and larger statutory authorities, provide services to the Government which the Government then pays for. If the underlying remuneration level changes within those authorities, it does have a feed-through effect on central government and so we should see it in an increase cost—as a possibility—for the level of output, funding, payments to statutory authorities for the services that they provide. That would be the mechanics of how it would impact the government.

To be brutally honest, I do not think that when we were carrying out the SPS process it was an explicit consideration we had in central government, as to the impact of that exercise on those SPS levels. It may very well be the case that the statutory authorities submitted their estimates of the cost of their services to their particular Ministries and in turn we in the Ministry of Finance simply accepted, to a great degree, the returns from Ministries and Portfolios which may have been inclusive of the impact of this exercise.

Ms. Barbara E. Conolly: Thank you again for that explanation. Through you, Mr. Chairman—one last question on financial management.

Another example where MFED could have provided stronger central leadership is in the Draft Dividend Policy—MFED issued a new dividend policy in 2019, but some SAGCs interpreted the guidance differently. The report states that MFED was updating the guidance and formula for calculating the dividend payable and a more strategic approach was needed to address this. Can one of the witnesses provide a progress report in updating the Dividend Policy?

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Mr. Chair, through you.

As you said, the Dividend Policy was issued in 2019, however, there was some ambiguity in the terminology in regards to what was to be considered restricted cash and therefore the Ministry of Finance recently, in 2021, issued a specific formula in Excel format; actually, we did a template in Microsoft Excel that allows SAGCs to simply enter the information, select "yes" or "no" and the dividend is calculated automatically. At this point I cannot say it is completely as they say, "fool-proof", but it is pretty straightforward and very precise with what is considered restricted cash, as well as what dividend should be paid.

We saw the gap in the policy and we ensured that we provided a template to follow [in order] to address the weakness in the initial policy that was issued. Now we actually have the dividend calculation very straight-forward so that we do not see the initial issue as a major problem anymore.

Thank you Mr. Chairman.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chair, sorry. I keep adding to what has been said.

For the benefit of the Committee, one of the side issues or complications that we experienced recently on the application of the dividend policy is that one or two of the SAGCs have said that the need to account for post-retirement healthcare liability is a new factor and they are provisioning for those costs — essentially setting aside amounts to cover those post-retirement benefits in the future—and arguing that such a need to provide for the future restricts the amount of cash that they can pay over to central government.

I add for the Committee's knowledge and benefit, that it is a complication that we see emerging and that is the argument that is being put forward. It has been used to say that although our profit levels may be at a particular level and may be robust, when we set aside a provision to cover for this retirement obligation in the future, once we set that aside and build for the future, in simple terms, there is precious little left to hand over to government as a dividend.

It is something that we would need to address further.

The Chairman: Other questions from Members of the Committee? Member for West Bay Central.

Hon. Katherine A. Ebanks-Wilks: Thank you Mr. Chair; good afternoon to the witnesses.

I have a question in relation to the Financial Management. I will just read here from page 2 of the report. It says, **"The Ministry of Finance and Economic Development has improved its financial leadership across government and the wider public sector. Over the past few years, MFED has issued a number of new policies and guidance that will help strengthen financial management across government once they are fully implemented. In 2017, MFED started to develop a Public Finance Manual and issued two of four parts in 2018. The remaining two parts were due to be issued in January 2019, but this has not yet happened."**

I wonder if you could advise on that. Have there been any further developments?

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Mr. Chair through you.

As stated, we have gotten halfway through the Public Finance Manual—the manual. We have work in progress for one of the other sections of it so that would get us up to three quarters, so three of the four sections however, we have not issued that yet.

Unfortunately, we have been extremely busy in the Ministry and so we had to delay it; then we were hit with COVID and the various complications that brought as well, so we have gotten behind a bit on that. We did have plans to try to get it rolled out within a specific time frame, unfortunately we have actually been delayed on that.

We do expect it to be completed in the near future as it is something we consider a priority; unfortunately it had to be pushed to the back burner temporarily, but it is definitely something we consider high priority.

Hon. Katherine Ebanks-Wilks: Thank you.

I have one more question under this section. It is actually in relation to the Key Messages provided by the Auditor General.

I noticed that on page 2 there is mention of 18 recommendations aimed at improving financial management and reporting that were made in the 2013 report; five have been fully implemented and six partially implemented. I wonder if you could speak on the other seven recommendations briefly.

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Mr. Chair, through you.

Thank you for the question, we appreciate that—it allows us the opportunity to actually provide some clarity on this point.

The Auditor General initially did a report in 2013. In early 2014, the Deputy Governor along with the Financial Secretary, commissioned a group called the Public Management Finance Law (PMFL) Review Committee (PMFL Review Committee); that committee looked at the Auditor General's recommendations—not just the ones in 2013, but also other recommendations made—as well as the PMFL overall and considered additional changes.

That committee took the Auditor General's Report and the 13 recommendations and added an additional number of recommendations for a total of 40 recommendations. Of those 40 recommendations, I believe it was 19 that required legislative changes and I believe all of those have been made. I do not have the exact breakdown now, but I believe 19 have been made. The remaining ones did not require legislative changes but they did require changes and so I believe it is nine or ten of those that have now been actioned as well.

While the Auditor General's report refers to a 2013 report, that report was then rolled in to the Public Management Finance Law Committee Report and numerous changes have been made since the initial report in 2013 and since the PMFL Committee in 2014. I will have to take a look at the exact items that remain outstanding, because the majority of those items [are] planned to be addressed through a working group that we have established, which will look at budgeting and reporting. That Committee has had three meetings now and [was] temporarily put on hold due to elections and the SPS and so now that we have gotten through the SPS we can again begin our meetings.

That Committee will then address a number of changes because the recommendations that were made, while they appeared quite simple in our audit report, they are actually quite complex. For example, one of the recommendations was that we moved away from output reporting and move towards input and outcome reporting—and that is definitely not a small change at all. It requires that we take our current framework and completely restructure it to report on outcomes, not outputs.

The working group is to, first of all, review all those recommendations and get guidance from the best practice that stands now. We have had a few consultations with the experts in the field who focus on outcome reporting and so on, and their recommendation is that we do not actually move away from output reporting for example, but rather, that output reporting is a step towards outcome reporting. So, while a recommendation may say something as simple as *move towards outcome reporting*, we need to ensure that we do it correctly the first time and that we have the systems in place that allow us to measure those outcomes; because when we implemented the

current framework we found that we did not have systems in place to measure it.

Consequently, for a number of years government was unable to produce information to show what we were producing. Basically, it came down to us trying to calculate outputs to be produced, and it was not done really well in the first few years. It is something we improved on as we tried to develop some systems, but at the onset we did not have the systems in place.

This is just an example of one of the recommendations that were made; the remainder of those recommendations will be reviewed by the budget reporting working group. We consider it to be part of an overall review of the framework as well as ensuring the system is in place to properly report on the outcomes, as that is one of the overarching recommendations.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman again, I want to add to what the Accountant General has said.

I think the honourable member was making reference to Appendix I, in the Auditor General's report where the past recommendations are listed. I could see by just flipping the pages, that there were two areas distinctly marked as "No", meaning they had not been implemented. I will take number 8 as an example—the distinction between Executive and Entity Transactions should be removed and other compensating balances introduced. I will try not to be too long with this one.

Mr. Chairman, you would be familiar with this but quite a few members are new to the Committee and are not familiar with the distinction between Executive and Entity Transaction; I will do my best to make it quick and simple.

We have 18 core Ministry entities that make up Central Government—9 Ministries, the Judicial Office, the DPP, the Cabinet Office, the Parliament, the Commissioner of Police, et cetera. Those total 9, along with the 9 Ministries, gives us 18 core government entities. Each of those 18 entities produce their own set of Financial Statements, and the Auditor General issues an opinion on each of them. Thus far, all of those opinions are clean, unqualified—the accounts give a true and fair view, et cetera.

Those Financial Statements deal with what is referred to as entity transactions, meaning those transactions that the Ministry of Health, the Ministry of Tourism, the Ministry of Education, as examples—those underlying 18 entities—get involved with, which are necessary for their own individual operations. On the expense side it typically involves paying salaries, et cetera, and on the revenue side it is obtaining revenues from the Executive (being Cabinet), paying the Ministry of Health for the services it provides to the Cabinet, as an example. Entity transactions are what the individual 18 entities get involved with, to do their day to day business.

Distinct from the entity transactions, are transactions referred to as Executive Transactions which belong uniquely to the Cabinet as a whole—transfer payments or social welfare payments, as an example. We will not find those in an individual Ministry's Financial Statements. Those are referred to separately as Executive Transactions. The Public Management and Finance Law actually makes a distinction between these two types of transactions; Entity Transactions are placed in the individual Ministry's/ Portfolios' Financial Statements, whereas Executive Transactions, such as customs duties, customs revenues, fees that are collected by Cayman Islands Monetary Authority (CIMA), stamp-duty revenues, et cetera, are the domain of the Cabinet.

None of the Executive Transactions appear in those individual 18 Ministries' and Portfolios; they belong to the Cabinet, and the Act makes a distinction between the two types of transactions. The recommendation is that we do away with that distinction, so you do not get 18 entities with their own unique set of transactions that do not incorporate the Executive. The recommendation is for that distinction to be removed.

The further consideration that is not yet decided, is whether we place those Executive Transactions into the individual 18 sets of Financial Statements and make the Ministry of Financial Services, as an example, responsible for all the fees that CIMA now collects or do we just produce one set of Financial Statements for the Government as a whole? That debate has not concluded, and we need to make progress on that.

Mr. Chairman, I put that forward as one area in which the answer to implementation was "No", just as an illustration to the Committee of some of the more problematic and long-standing issues that still have not been resolved from the 2013 recommendations.

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Sorry, Mr. Chair through you.

I started to talk about the chronological order of how these events transpired, just to give a perspective of where the Ministry of Finance is at.

In 2013 the Auditor General prepared their report. In early 2014, the Deputy Governor and Financial Secretary commissioned the PMFL Review Committee. That Committee made 40 recommendations. In 2015 a number of the legislative changes that needed to take place were made to the PMFL—the PMFL is now the Public Management Finance Act, so the current PMFA.

Then in 2017, an additional number of changes were made to the legislation; that left us with a number of changes that needed to be made including what the Finance Secretary just spoke to, but the majority of these remaining changes would be included under the

Budget and Reporting Working Group that was established in early 2018.

Upon establishing the working group, the Auditor General's Office advised us that they would be conducting an audit on our budgeting and reporting—this is actually one of those reports. We waited for some time and followed-up regularly to see how long those reports would take; we are three years on from when we started, and have only gotten two.

I took the decision in 2018, when we were advised that an audit would take place, to delay the working group, as we expected to see a number of recommendations from the Auditor General's Office and we could then include those into the recommendations that we were already considering. We are at the point now where we are continuing with the working group based on the two reports we have received, one in December and the other in May of this year, so we are taking these into consideration in the Budget Reporting Working Group. Unfortunately, it has taken some time to get these reports—we are delayed by about 2.5 to 3 years waiting on them.

That is part of the reason for the delay, but we are ready to go forward to make the changes.

Thank you.

Hon. Katherine A. Ebanks-Wilks: Through you, Mr. Chair, to thank the witnesses. I have no further questions under Financial Management.

The Chairman: The Member for Bodden Town East.

Mr. Dwayne S. Seymour: Thank you, Mr. Chair.

Mr. Chair, I want to follow up on the information provided by the Accountant General and ask him how long was this Working Group meeting?

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Mr. Chair, through you.

Just to confirm, are you referring to the Budget and Reporting Working Group that we initially established in 2018?

Okay. We initially set up the Working Group in early May 2018 however, we postponed it because the Auditor General advised that they would be conducting an audit. We thought it prudent to ensure that we included new recommendations into any revisions we made to the framework and so we placed that group on hold. The group has met three times—our first meeting, I believe, was in February of this year—a second one in mid-February, and I believe the third one was early March.

[Inaudible interjection]

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Initially, the Group was made up of the Ministry of Finance staff—we had five members of the Ministry of Finance staff, the Financial Secretary, my Deputy Accountant General and myself, as well as the Senior Assistant Financial Secretaries—that is, Ann Owens and Michael Nixon—as well as a representative from the Audit Office and a member from the private sector.

However, because we have so much guidance from the Auditor General's Office on changes we should make, as well as we expect to be considering the use of a consultant for some of the work, we are now thinking that the Ministry of Finance can proceed, and then we will get feedback for the best practices before, for example, Outcome Reporting and so on—basically the best practice standards for the public sector—which would give us the benefit of having a third pair of eyes outside of the Ministry of Finance. Obviously, we already have the recommendations of the Auditor General's Office, so going forward these will be taken by the working group in the Ministry of Finance.

The Chairman: Are there any other questions from the Committee with regard to this section? Member for East End? No? Okay.

If there are no further questions on this section, we will turn our attention to Financial and Performance Reporting, which is the second area the Auditor General mentioned. Questions?

The Member for Bodden Town East.

Mr. Dwayne S. Seymour: Thank you. I must say good afternoon to the Committee and the listening public.

Mr. Chair, to give some context in terms of the Financial Performance Reporting, paragraphs 47-52, on pages 21-24 conclude that the quality of the EPS Financial Statements has improved from a disclaimed audit opinion in 2012 to 2013 to an adverse audit opinion in the four years of 2013/14 to 2016/17 However, much more needs to be done to move the audit opinion to qualified, and then unqualified, as a significant number of deficiencies remain in the financial statements.

Additionally, it highlights that the deficiencies in the EPS Consolidated Financial Statements includes the following, Mr. Chair:

- The figures being based on draft Financial Statements of subsidiaries although the quality and timeliness of these has improved significantly;
- Many core Government entities having poor internal controls of their management of cohesive of revenues; Not including the full liability for pensions and health care;
- No systems in place to ensure the accuracy of related party disclosures;
- Value of property, plant and equipment; and Completeness of provisions including environmental liabilities.

Mr. Chair, the OAG has recommended that the MFED should develop and implement an action plan to improve the quality of the Entire Public Service (EPS) Consolidated Financial Statements; that it provide a road map for moving to a qualified and then an unqualified audit opinion.

Mr. Chair, what I would love to ask the witnesses, the Financial Secretary in particular, is what are the barriers to improving the EPS Consolidated Financial Statements?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman, and thank you to the honourable member for that question. I will probably need the assistance of the Accountant General.

I think I will start with what we consider to be the single largest and most significant factor that has caused an adverse opinion and if I digress for a few seconds, it just links into what we said where the 18 individual Ministries'/Portfolios are getting clean opinions, but when you put those 18 entities together with 26 statutory authorities and government companies to get the entire public sector as one organisation, and the Auditor General issues an opinion on the entire public sector, that opinion is an adverse opinion.

I have said many times Mr. Chairman, [that] the public can be forgiven for being confused where the individual parts are getting clean opinions, but when you put the "clean" individual parts together, there is an adverse opinion—it doesn't seem quite right. The reason why it is still right for the adverse opinion to be given, is because there are certain unique items that appear in the Consolidated Financial Statements that are not in those individual 18 sets of Financial Statements.

One of the most significant, is the recognition of the post-retirement healthcare liability number. That impacts the balance sheet of the entire public sector and it is a liability of such magnitude . . .

[Crosstalk]

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, I think we have a fairly current actuarial valuation of that liability figure which gave the value at the 31st December 2020; Mr. Chairman, it is somewhere in the region of $2.5 billion - $2.6 billion as a liability number. It is so significant, that it would wipe out all of the government's assets and cause a net liability position. Some details of the actuary valuation are included in a note to the Financial Statements but are not shown in the liability section of the balance sheet. It is not there—it is in a note. That $2.5 billion- $2.6 billion is obviously a very significant number, and one of the principal reasons for the Auditor General issuing an adverse opinion on the entire public sector.

Mr. Chairman, I know that the recognition of it was something you wanted to pursue when you were the Minister for Finance, I know that for a fact—we had meetings and you told us what your position was. Unfortunately, the support was not necessarily there for you to proceed with it, but I know you wanted to do it. So, it is a failure to recognise that liability number on the face of the Financial Statements, and a failure to recognise the income impact of that same topic in the Government's Income Statement are, perhaps, the principal reasons for the adverse opinion by the Auditor General. There are several other reasons, but that is one big area.

Mr. Chairman, I will conclude and ask the Accountant General to continue, but we discussed very recently—interestingly—the opinion letter from the Foreign Commerce and Development Office.

The Government wrote to the Foreign Office asking for permission to proceed with Tabling the Strategic Policy Statement for the 2022 to 2024 period. The letter to the Foreign Office indicated that there would be a deficit for the 2021 year and sought permission for 2022 to 2024 in which there were surpluses. The response from the Foreign Office was essentially [that] they did not see the surplus deficit as an issue, because the Framework for Fiscal Responsibility [FFR] mentions 3 ratios—the debt servicing ratio, the cash reserves ratio and the net debt ratio—but the surplus deficit consideration was not mentioned. In fact, the letter said that they felt it was unnecessary for the Cayman Government to have written to them to seek permission. It was not necessary.

I say all that to say, Mr. Chairman and members, that we are considering, amongst the Ministry of Finance staff, whether that could be taken to suggest that if we were to bring the liability number on to the Government's Balance Sheet at the EPS level, and it created a negative net assets situation, if we were to include the impacts of it in our Income Statement and it created a deficit, what would be the view of the Foreign Office?

That is something that we considered and have not necessarily concluded. I think staff within the Ministry of Finance feel that we would like to bring those items on to the primary accounts, but we have to take it to a political level and that has not happened yet. The Foreign Office letter was dated 13 July, so it is pretty fresh, pretty recent.

Mr. Chairman, that was a very long discussion about one reason there is an adverse opinion at an EPS level, but there are quite a few others. The Accountant General will continue on.

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Mr. Chair through you.

Leading from what the Financial Secretary mentioned in regards to merging the Executive and Entity organisations for each Ministry, I do not want to underscore the importance of this aspect of our framework, and the significant impact it has on us actually getting a clean opinion.

At the Ministry of Finance level—the EPS level as we call it—we are basically consolidating accounts from all the Ministries and SAGCs across government. If all the Ministries and all that SAGCs had clean accounts in both their entity and executive books, the EPS would have a clean opinion; however, because ministries are only reporting on what we call the Entity Level, which is basically the child level— you have a parent and child relationship in their financials, and they are only reporting at the child's level. They are not reporting on the Executive, or Parent, Level which includes all of the coercive revenue. So all the customs duties, stamp duty and land transfers, the Tourism Accommodation Taxes (TAT)—all the coercive revenues—are actually not being audited at the Ministry level. One change we want to make is to merge the Executive, or Parent set of books with the Entity's, or Child, set of books. We want to merge them so that each ministry would have to get a clean opinion on both the entity and executive books.

The public is now seeing that ministries are getting clean accounts but it is only on the Entities or the Children's accounts. If they had clean opinions on the Parent or the Executive Level, then when we do our consolidation, all we are doing is eliminating transactions. Realistically, that should be a small exercise because if they have it done correctly, we shouldn't have an eliminations.

I do not want to underscore the importance of that change—merging the Executive and the Entity organisations. Once we get there, realistically, ministries will probably go back to some qualified accounts until each ministry cleans up their executive books and moves it, so that each ministry has an unqualified opinion again. At that stage, we would expect to see that the EPS has an unqualified opinion, but realistically, at the EPS (overall parent) level, there is no way we can get clean books until we get them at the Ministry level.

Bringing it back to the report, we know what needs to be done and have started on a number of these; just to give you examples, in 2016 we commissioned a valuation exercise of all of Government's real property (all buildings, land, large equipment, et cetera) for the entire public sector. The Ministry of Finance took the lead and said, *we want to get this correct on the books* and funded it for Central Government, as well as all public authorities so, everyone—the Health Services Authority, Cayman Islands Airports Authority, National Roads Authority; unfortunately, the roads network still needed some work.

The valuation exercise has to be conducted every 3 to 5 years and as the five-year period expired, we started it again as of January this year. The valuation, and ensuring that we get the roads network correct, will help us to correct one of the major issues we have had. Realistically, the Ministry of Finance should not have to; we would expect everyone to have the valuations and follow the accounting standards, but we have not seen that; and I understand why because we are coming out of a centralised and moving to a decentralised environment. Obviously this has been years in the works now, but it is something we need to figure out as we go along, and so the Ministry of Finance has taken the lead on some of these initiatives.

Another example is revenue recognition. We have advised Chief Financial Officers [CFOs] for the last few years that we are going to be merging the Executive and Entity organisations, so we are asking them to ensure that their executive revenue is accurate and complete. We created a framework and provided training to CFOs to ensure that they actually improved the completeness of their revenue; it is something that they are working on as we speak. Some of them are working with Internal Audit Services to ensure that they get it right, as we would like the revenue to be accurate before we merge the executive and entity organisations however, there may be some that have not gotten to that point when we do the merger.

Other items, as the Financial Secretary mentioned, regards to the post-retirement healthcare liability that has been a major issue—and still is $2.5 billion to $2.6 billion. Additionally, one of the item that has been outstanding is the pension's liability, and the recognition of that.

Historically, the Ministry of Finance has recognised that liability on our books at the EPS level however, the Auditor General's Office wanted us to what we call, *gross* those amounts up—to show the full amount of assets and liabilities separately. However, at the EPS level, we netted those two amounts and the standards allow us to do that, which gives you the same impact, which is a liability. So, we have a certain amount of assets and a certain liabilities and we netted those together to show that we have a net liability.

The Auditor General's Office wanted for us to show them separately, [and] we did not feel that was correct because the assets that we are referring to are those of the Public Service Pensions Board. So the Auditor General's Office wanted us to show the assets of the Pensions Board on our books and we did not think that is correct. We do not feel like those are our assets however, we did think it was correct to show the liability.

More recently, after some discussion with the Public Service Pensions Board, I believe the Auditor General's Office, I'm understanding now, has agreed to allow us to proceed with the net amount on the books without having to show the gross amounts of the gross assets and gross liabilities. That is my most recent

understanding from the Audit Office and so that is the change on the Auditor General's side to allow us to move closer to a clean opinion.

I have jumped around a bit just to say, in summary, that we have a road map. We agree with the Auditor General's recommendation and that we need to start pulling those together now and bringing them to a close, but we do see a major step in that road map as merging the Executive and Entity organisations for each Ministry. We see that will have a major impact on the EPS accounts.

Thank you, Mr. Chairman.

Mr. Dwayne S. Seymour: Mr. Chair, thank you and I want to say that was quite a comprehensive response.

I thank you so much, but one of the things that the Financial Secretary mentioned was the $2.6 billion liability, which would be of concern to anyone and the whole country. I want you to help me here, because I know that there were some discussions in the past about the health care liability. Could a decision not be made in terms of restructuring the health care plans to allow the liability to go down? Is that not a conversation that has been had?

[Inaudible interjections]

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman.

Mr. Chairman, I understand the sentiment of the honourable member's question, but I think at the core of it, the value and magnitude of the liability's number reflects the existing set of healthcare benefits that is actually afforded to Civil Servants and so yes, to reduce the liability number would essentially entail a reduction of some or all of those benefits. I obviously believe that we would get into a situation then, where Civil Servants would object to it and certainly would argue the point strongly that, *we were promised these benefits; we have contracts to this effect and it is therefore unfair for you to disturb those promised benefits now*.

I certainly understand the honourable member's question—and he is right, you can reduce the liability number—but it would involve affecting those plans, and I think that is where the objection would come from. I hope I understood his questioning.

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Mr. Chairman, just to add to that: while it would be difficult to reduce the current liability, something that could be done to ensure that going forward over the longer term we have a reduced liability, would be to change the benefit for future Civil Servants, as they do not have an ongoing commitment—they do not have a contract. It would be beneficial to consider changing it for future Civil Servants to say, *you do not have this life-time benefit of free health insurance*.

For the public's knowledge as well, the two requirements to get the free health care are:

- You have 10 years of consecutive service; and
- You retire from the Civil Service.

Obviously you have to hit 50 to retire from the Civil Service, but once you meet those two requirements, you get free healthcare for life as well as your spouse and dependent children—obviously up to 18 and 23 if in an education programme.

Thank you, Mr. Chairman.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, just to add a point of detail because it came to me, and to illustrate how fairly generous the benefits are that Civil Servants enjoy under the health care services that are promised to them after retirement.

The benefits that we enjoy are, for example, that over the lifetime of a Civil Servant, the value of those benefits can be $2.5 million—somewhere in that region—whereas an equivalent position of a private sector employee is probably half of that. That type of disparity, that very generous set of benefits that we enjoy is a big factor in explaining why the liability number is so high. And the range of services—it is health care, optical services, dental; it is your spouse, it is also prescription medication. All of that would be paid for by government and, as the Accountant General said, your spouse as well would be paid for by government.

I would perhaps not diminish the situation by saying that, whilst the number is huge, it is not necessary a liability that will crystallise tomorrow; but we keep saying that—to be quite honest—we keep saying that it is always in the future, it is always in the future and to date it has not been addressed in a robust manner.

I think that the Accountant General is right in saying that the one practical way forward would be changing the set of benefits at a certain date going forward. You could change the existing set of benefits that we currently enjoy, but that would require the buy-in and the agreement of existing Civil Servants and you would have to get the agreement of those several thousand people to do so, which I think would be quite a task.

Mr. Dwayne S. Seymour: Thank you so much.

Mr. Chair, this has been one of my pet peeves for many years, I must confess. Not that I want to take away any benefits from existing civil servants, but I would dare say that it begs a conversation in terms of the restructuring of how it is valued, instead of $2.5 million per employee to be valued a bit differently.

I am not sure how CINICO plays a part in this, but we definitely need to exhaust all avenues. I do not know if an evaluation has been done in terms of what it actually costs for employees who have retired. I'm sure that you all probably have some data on that.

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Mr. Chair, through you, sir.

I do not recall the exact number, but the Portfolio of the Civil Service covers this expense on a pay-as-you-go-basis, kind of situation. I believe the output is CIN 1 under the Portfolio of the Civil Service and I believe it is now around $30 million per year, if memory serves me. As we say, we are paying as we go along and covering the expense, but that is for the retirees.

Thank you Mr. Chair.

Mr. Dwayne S. Seymour: Mr. Chair, I want to thank the witness for that answer, but I still want to go on record as saying that I would hope that they would look into the restructuring of the plans and try to see how we can get some other plan with CINICO or something, to hold the rest of the liability.

I am sure that not everyone in the policy is using up the full estimated $2.5 million per person; there must be some way that we can look at that, but I agree with the Accountant General, that we need to look at the way forward and what we do with future employees.

Thank you.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman.

To crave your and the Committee's indulgence. An important thought just crossed my mind: I would not want the media to report that it is definite that the lifetime benefit enjoyed by Civil Servants is the figure of $2.5 million that I mentioned. It could be a completely different figure—it could be $5 million. I do not have that report with me. I can certainly let the Committee have that number.

I said that to illustrate that the Civil Service plan is significantly more generous than what is in the private sector, and it could be of the magnitude of twice as generous. I do not want it reported that it is a particular number.

I can get that number and report it back to the Committee, but it was said for illustrative purposes.

The Chairman: Other questions? The member for Savannah.

Ms. Heather D Bodden: Thank you Mr. Chairman.

Continuing with questions on the Annual Report Performance Reporting. Paragraph 53 to 60 state that **"entities have produced annual reports to accompany their Financial Statements since 2016-17; however, the quality of these varies significantly and they do not provide all the information required by the IPSAS"** which are the accounting standards prescribed by the PMFA for core government and the EPS. **"This makes it difficult for readers to determine how financial performance and service performance are linked, if at all."**

Recommendation 5 of the Office of the Auditor General reads that "…**all annual reports provide an assessment of performance against the outputs and outcomes that are agreed in budget documents"**. The Ministry of Finance and Economic Development (MFED) has committed to implementing this recommendation by February 2025. Can the Financial Secretary say what actions are needed to provide an assessment of performance against agreed outputs and outcomes in Annual Reports?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, I thank the honourable member for the question.

I will ask the Accountant General to provide the answer but will just say, preliminarily, that the Ministry of Finance has made a sort of pro forma Annual Report available to all Ministries, showing what type of items it should include; not to suggest that the Ministry of Finance is perfect, but to give an indication to other Ministries as to the type of information that should be included in the annual report. I will let the Accountant General fill in the details.

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Mr. Chairman through you.

As I mentioned, when the current framework was established we introduced outputs; however, we did not have systems to measure them, which resulted in a few years where we had neither output nor financial statement reporting.

We placed output reporting on hold to allow the financial team some time to get their financial accounts caught up and the financial statements right, because it was a large shift from where we were, to output reporting while simultaneously changing from cash to accrual accounting—it was a massive shift. You probably recall that about 15 years ago, the newspapers headlines were constantly filled with government not being able to produce accounts at all, so to alleviate that pressure we placed output reporting on hold. As I mentioned, the systems were not in place to report on them, however, as the Auditor General's Office recommended, despite the fact that we have the outputs, realistically, these do not do a good job of capturing what we are producing.

For example, some of our outputs measure the amount of hours of policy advice provided. Now, all that requires is someone to be at their desk producing some

advice but no tangible result. We do not see the benefit to the average person on the street. *How did that benefit us? How did that give us a healthier population? How did that give us a more educated population? How did that improve the quality of life or reduce the cost of living?* We do not actually see any benefit from those, and so reporting on outputs, while we appreciate that we are supposed to be producing something, we have not done a good job with those outputs. So the Committee—the Reporting and Budget Working Group—is going to be taking a look at the current framework, which is based on outputs, and moving towards outcome reporting.

We feel that is a much better value for the public so they can actually see the improvement that government has made during their time in office. While I fully agree that we have not done a good job on output reporting at all, we feel confident that once we have a new framework in place, we can move to reporting on outcomes and ensuring that we have the systems. That is why we are taking some time to ensure that we actually set up systems in place before we come up with the measures for the outcomes so that we do not find ourselves in a situation like we had 15 years ago where we were unable to produce either output reports as well as financial statements.

We just want to ensure that we follow the right process and are able to give the public the best information possible. Thank you, Mr. Chair.

Ms. Heather D. Bodden: Thank you Mr. Chairman. Through you to the witness, I noticed that the proposed implementation date of February 2025 for outputs and outcomes are currently agreed for each entity as part of the budgeting process. Can you give us more details?

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development: Mr. Chair, through you.

The Reporting and Budget Working Group expect to have this ready for the 2025/26 budget cycle; because it is an entire framework, the Budget and Reporting Working Group will meet and make a decision on the best way forward.

If Outcome Reporting is the way we choose to go, which, based on the OAG's recommendations as well as our own understanding of best practice as it stands will be the way we go, we have to get someone who is a specialist in this field to ensure that we can get those systems developed and put in place, to ensure that we have it right from the very start when we do the 2025/2026 budget.

I would like to say we will have it before then; we have it listed for a later date, but hope to deliver sooner than that. Thank you, Mr. Chair.

Ms. Heather D. Bodden: Thank you very much for that answer.

The Chairman: The Member for Bodden Town East.

Mr. Dwayne S. Seymour: Thank you Mr Chair.

Mr. Chair, I want to ask the Financial Secretary a question about paragraph 70 to 74 on pages 28 to 29. It states that government reintroduced quarterly reports in 2018 but it is not clear how, or if, they are used to inform decision making. In paragraph 73, page 29 notes that **"information provided to the Parliament and the public on public finances changed significantly during the year depending on the source of information."**. For example, in October 2020 Parliament was informed that the projected deficit for 2020 was $168 million, but the third quarter report to the end of September, estimated a deficit of $32.2 million.

Mr. Chair, the question I want to ask the Financial Secretary, in particular—and I guess the Accountant General can chime in—is what were the reasons for the differences between the figures included in the quarterly reports and the projected deficit reported to the Parliament in October 2020 and the final deficit in December 2020?

Thank you.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you Mr. Chairman.

Mr. Chairman I will start and it is likely that the Accountant General will fill in the details.

I will start by saying that we have obviously done the first quarterly financial report of the Government for this year—although 2021 is not the year that the honourable member asked about. We have done the March quarter; June has just finished and—just for the knowledge of the member and the listening public—the quarterly reports are due within six weeks after a particular quarter has ended, so we expect to have the June 30, 2021 quarter gazetted in mid-August or thereabouts.

I would also make the point, Mr. Chairman, that the quarterly reports will report actual expenditures and revenues, as opposed to projections. So I do not expect that there will be a lot of end-of-year projections in the quarterly report. Reading from page 29, paragraph 73, the discrepancy that the report details, which the honourable member has asked about, where it says that it was reported to Finance Committee that the projected deficit for 2020 was $168 million and a number of supplementaries were made based on this projection. "**It is not clear why the projected deficit in October 2020 of $168 million was so different from the deficit of $32.2 million reported for the end of September or the final outturn of $38 million."**

Mr. Chairman, I would answer that basically and fairly by saying that, to a large extent, we in the Ministry of Finance do get into tussles with other ministries, portfolios and offices in terms of what their projections are; we do fight and try to persuade and

dissuade unrealistic projections from occurring. At the end of it all, oftentimes the ministries, portfolios or offices are very reluctant to give up their budget appropriations for the fear of, *if I do not spend it this year, I'm going to have a reduced budget for the same item in the following year and therefore I better maintain that I'm going to spend every last penny that is available to me as a budget*, and therefore the projections of expenditures are higher than they turn out to be.

There are certain areas within government's operations that we have seen under-spend their budget projections year after year. One category is definitely personnel emoluments, personnel costs. We have under-spends just about every single year that I can remember, and it is done on the basis that recruitments of staff do not always take place as originally planned. It is often the case as well, that even if a planned recruitment of staff were to occur in September of the year, we could very well have an entire 12 months of budget being included, as opposed to just a few months from September to the end of December. That is fairly common.

I think a significant area of under-spend, Mr. Chairman and honourable members, would be Capital Expenditures; they are significantly under spent each and every year. Projects do not get started on time, or projects get stalled because of interjections of the need for an environmental impact study. There are often supply issues to capital expenditures, [and] projects proceeding at the rate originally planned. I would definitely say that the capital expenditure areas are significant under-spends traditionally, every single year.

Mr. Chairman, in terms of the deficit situation for 2020: From memory, when the Pre-Election and Financial Update document was done around March 2021 just prior to the election, we had a Pre-Election and Financial Update document done and that document was gazetted in the middle of March. That document made an estimate for a deficit of $38 million for the year that ended December 2020, and I know that there has been some friction, if I can call it that, on the number.

Mr. Chairman, I can say that the number that was reported was given to you; meaning that you did not fabricate it—it was not invented by you. Similarly, the current Minister for Finance was given a number that was different from the $38 million, so he too, did not invent or fabricate the number, and it was substantially higher than the $38 million deficit for 2020 reported in the preview.

In reality, Mr. Chairman and members of the Committee, the likely deficit for 2020 is going to be somewhere in the middle of those two numbers. It is not going to be $38 million and it is not going to be $87 million or $88 million because the 31st December 2020 deficit is subject to audit and adjustments are taking place. There will be more adjustments; the Audit Office has not started its audit of the 2020 Financial Statements, and I am sure that process will give rise to further adjustments which may increase and decrease the deficit.

Mr. Chairman, one item that comes immediately to mind in the discrepancy between the two numbers is, subsequent to the middle of March 2021, after the preview document which contained the $38 million deficit number was issued, a particular ministry wrote off a further $10 million in respect of the 2020 year, reflecting a diminution in the value for cruise berthing. The cost had been accumulated over a number of years, but the decision was taken that the cruise berthing facility was not going to proceed. We were of the opinion that that particular transaction should have been regarded as belonging to the 2019 year, but the Ministry decided to write it off against 2020.

That adjustment occurred after the middle of March, so that $38 million became $48 million right away, for one single item; and there were other adjustments that kept pushing the number higher. It is likely that there will be further adjustments again and that number will end up somewhere between the $38 million and the $88 million. Although that magnitude may seem great—and it is a $50 million gap—I have given just one item which accounts for a significant portion of that gap so, both Ministers for Finance reported numbers that were provided to them.

The Chairman: Financial Secretary, if you do not mind me just thanking you for the clarity because you are correct, it has been a source of tension for a few weeks. I do really acknowledge that, and thank you for the clarity.

Mr. Dwayne S. Seymour: Yes, Mr. Chair I really thank the Financial Secretary for that clarity. We always recognised that funds for capital projects were not being utilised and, as he rightly said, no Minister or Ministry wants to lose the funding for the following year so I definitely appreciate what you are saying and thank you for your response.

The Chairman: The Member for West Bay Central.

Hon. Katherine A. Ebanks-Wilks: I would like to add my thanks to the Financial Secretary for the clarity as there has been contention publicly. As the public will now hear, neither the Leader of the Opposition nor our Deputy Premier were being untruthful, so thank you.

The Chairman: Are there other questions to come from the Committee with regard to the subject matter on Financial and Performance Reporting?

[Pause]

The Chairman: No further questions? If not, then we can move on to the final area that we want to examine in this report and that is Financial Performance. Are there any questions from the Committee?

The Member for West Bay Central.

Hon. Katherine A. Ebanks-Wilks: Thank you, Mr. Chair.

To the witnesses: I want to raise a question in relation to Financial Performance. Paragraph 96 or page 36 of the report. I will just read that for the listening audience.

"The PMFA states that the Cabinet should manage the performance and financial position of core government, and that policies and decisions of the Cabinet should be consistent with the principles of responsible financial management. Section 14 of the PMFA prescribes the following six principles of responsible financial management for core government:

- **Total expenses should be less than total revenues, that is, an operating surplus.**
- **Total assets less total liabilities should be positive, that is, net worth should be positive.**
- **The cost of borrowing should not be more than ten per cent of revenue. The cost of borrowing is calculated for each financial year as the sum of interest, other debt servicing expenses and principal repayments.**
- **Net debt should be no more than 80 per cent of revenue.**
- **Cash reserves should be sufficient to cover at least 90 days of estimated expenses.**
- **Financial risks, including contingent liabilities, should be managed prudently.**

My question comes from viewing **"Exhibit 5 - Forecast compliance with the six principles of responsible financial management".**

I was looking at the fiscal year for 2014-15; the cost of borrowing, no more than 10 per cent of revenue, and in that particular year, the debt servicing was over the 10 per cent at 16.1 per cent; that same fiscal year it did not comply with the cash reserves no less than 90 days' requirement. And in 2019, we see where the debt servicing ratio was significantly higher than the 10 percent at 48.2 per cent.

So I wonder Financial Secretary, if you could just explain to me how we as a Government comply with financial risk when the principle on debt servicing cost is not complied with in a fiscal year and, in particular, as we see in the 2014/15 Forecast, not only was the cost of borrowing more than 10 per cent, but we also did not comply with our cash reserves. Just for clarity, in terms of avoiding financial risk.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, through you sir, thanks to the honourable member for asking the question.

The member is quite right in that the Government of the day was not compliant with those two particular ratios during the financial year that ended on 30th June 2015, which is referred to in Exhibit 5 as the 14/15 year. The debt servicing ratio was more than 10 per cent and the cash reserve days were less than 90 days.

Just for the Committee's knowledge and the public's understanding as well, the Public Management and Finance Act does say that if any government of the day sees that it is going to have a compliance issue, it can write to the Foreign Commonwealth Office with a plan to set out the circumstances and what its steps are in order to regain compliance with those six principles.

There was non-compliance with the government of the day that followed the 2013 General Elections and the Minister for Finance at the time, Minister Archer, took a plan to the Foreign Commonwealth Office in London setting out how compliance with these principles were going to be regained and the Public Management and Finance Act mentions a period of three years, but it can be longer. So any government of the day has up to three financial years to regain compliance.

The plan actually specified that the compliance would be regained by 30th June 2016, the very next year, which was the 2015/16 year and in Exhibit 5 there is compliance with the six principles for that year. It was not the case that the principles were breached without the Government taking responsibility, owning up and admitting that it was not going to comply with those principles. The Law itself allows a period of non-compliance. This was one of those three years of non-compliance and we regained compliance with the principles at the end of June 2016 for the 2015/16 year. From that point onwards, Mr. Chairman and committee members, the Government was able to present its annual budgets without having to make reference to the Foreign Commonwealth Office and the UK Government, because we had regained compliance.

If I dig a bit deeper, the debt servicing ratio was probably higher than 10 per cent because it is based on a denominator of the revenue; if the Government's revenues were not as robust as they should have been in 2015—they were low—that calculation of debt servicing ratio, meaning in simple terms, the top, (the numerator), of the fraction is your interest costs and your principal repayments. Unless those were renegotiated, which I do not think they were, that top of your fraction is going to stay pretty constant and high. The revenue (your denominator of the calculation) will change from year to year to year. If that denominator

(the revenue) was low, the debt servicing ratio was going to be relatively high and more than 10 percent. As our revenues improved, then that calculation—the fraction—got better; and approached and went under 10 per cent, because our revenues improved. And because our expenditures were probably quite high, the amount of cash days that we had was less than the 90.

As the economy picked up from that period onwards, revenues improved and the debt servicing fell until 2019. 2019 was when the 10-year Bond issue that the Government had taken out in 2009—it had a 10-year life—matured and had to be repaid. Mr. Chairman, that was quite a few hundred million dollars; I think it might have in the region of …

[Crosstalk]

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: It was in the region of $300 million or so, sir, and because of the wording of the debt servicing calculation, the interest and principal is on the top of the fraction and if you are repaying principal of $300 million in one year, it is extremely difficult to comply with the 10 per cent ratio. Your revenues would then have to be of the magnitude of $3 billion to be anywhere close to being in compliance. It was a technical breach at the end of November and December 2019. The debt servicing ratio was above the 10 per cent because we had to repay this one-off event of the bond issue that was executed in 2009 and matured in 2019. That was a technical breach; the following year, 2020, there were no significant debts to be repaid, and so we fell under the 10 percent—is that CI or US?

[Crosstalk]

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, the bond in 2009 was US $312 million, some of which was repaid by new borrowings, but quite a sizeable portion was repaid from the Government's existing cash balances at the time.

Hon. Katherine Ebanks-Wilks: Thank you for your response.

The Chairman: The Member for East End, I think you have questions? Please proceed.

Mr. Isaac D. Rankine, Elected Member for East End: Thank you Mr Chairman. I want to thank the witnesses and also thank the members of the public for listening and watching.

One of the principles of the responsibility for financial management as defined in the PMFA, as my able colleague from West Bay Central went through earlier, is that core Government entities have a positive financial position. That is, total assets should be more than total liabilities. Paragraphs 120 to 122 and 123 to 126 state that, because the Government does not report the full liability of post-retirement costs in the entire public sector consolidated financial statements, the actual performance against the principal is a net liability for the last five years.

The Office of the Auditor General has also recommended that the Government report the full value of the post-retirement obligations in the EPS Consolidated Financial Statements.

To the Financial Secretary: what are the reasons why the full liability and costs are not being reported in the financial statements?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you Mr. Chairman.

Mr. Chairman, it is a fact that the post-retirement healthcare liability number is not reported squarely on the face of the balance sheet like any other liability. Like any other asset, Government's bank account balances are reported on the face. The reason it is not reported there, Mr. Chairman, is because of its magnitude. The magnitude of the liability number in the region of—I am trying to recall accurately from memory—$2.5 billion or $2.6 billion at the end of December 2020, and in the earlier years it is in the same ballpark figure; certainly $2 billion plus.

In my opinion, Mr. Chairman and members, the reason it is not reported is because if you were to—at least this is the thinking at a political level—report it squarely on the face of the balance sheet and you reduce your net assets to a negative number—because the $2.6 is a liability number and your existing assets now are not sufficient to cope with a deduction of $2.6 billion and end up with a positive number.

The principles in the Public Management and Finance Act require that when your liabilities are subtracted away from your assets you should have a positive number. If you subtract $2.5 billion or $2.6 billion—in earlier years it might have been $2.3 billion—from your assets, you are very likely to end up with negative assets. Negative assets [meant] one of the principles of responsible financial management was going to be broken. It is going to be in non-compliance with that principle and the thinking was that if we get into that situation, we are going to have to go to London forever and a day because we have broken that principle, to get approval for annual budgets. That was not a desirable way to go. It added uncertainty. It added an extra dimension of time and it was quite stressful to any government that found itself in that position. That was the thinking and that persisted throughout the years. That is the honest answer.

Mr. Chairman, that is the balance sheet side of the discussion on post-retirement healthcare; as you know, sir, there is also the income side; there is an

impact on your expenditure side. When you bring into account in any current financial year, the fact that with one year of service by a Civil Servant, that one year of service, be it in 2021 or 2017, that one year of service is enabling the Civil Servant to have an entitlement of future benefits when they retire and so you should be accounting for that year of entitlement in that particular year. Properly accounting for it would mean that your expenditure side would increase as well and that extra/additional expenditure, in any particular year, could be in the region of a $100 million plus as an additional expenditure.

Whereas we were reporting surpluses of a $100 million plus for many years, if you brought this on and took account of it on the face of the income statement, your surpluses could become deficits, because the additional expenditure that you would accrue would be of such magnitude that it would turn those surpluses into deficits. That would be another principle that would be broken; the requirement to have a surplus would not be satisfied, which would be another reason for you to worry about getting approval for your annual budgets.

The compromise was that we do the annual actuarial reports to find out what the number is and what the impact on our income statement is. We do that exercise—we have it done by an actuary and we pay for it and then we put all the details in a note to the Financial Statements; so the knowledge is there, but it is simply not on the face of the primary set of Financial Statements and it was for fear of the impact it could have, in terms of getting your annual budgets approved, because at least two of your principles were going to be broken.

Mr. Isaac D. Rankine: Thank you for that, sir.

Through you Mr. Chair, just for clarity, I am going to read from paragraph 124 of the same Auditor General's Report. It says "**The Government reported a liability of around $260 million for post-retirement healthcare costs in the 2019 EPS financial statements, which relates to the liability reported by some SAGCs. However, in the notes to the EPS financial statements there is an additional figure of $2.3 billion disclosed, which is the actuarial valuation of the healthcare liability for core government of 2019."**.

[Pause]

Mr. Isaac D. Rankine: That was just for clarity, because he said he was not too sure if it was $2.5 billion or $2.6 billion; it was just for clarity.

The Chairman: The Member for Bodden Town East.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, if I could just crave your indulgence as well because I keep remembering things. There was also a thought process of why should the Cayman Islands pursue this line of putting things squarely on the face of the balance sheet when not many, if any, of the other Overseas Territories were doing a similar thing.

Why should the Cayman Islands be the odd one out doing the right thing, but there is a consequence to doing the right thing—you have to get external approval for your budgets.

Mr. Dwayne S. Seymour: Mr. Chair, I definitely I agree with the Financial Secretary on that point. I just want to ask a question.

The $30 million that we talked about per se that we pay out per annum; is it a pay out; is it to HSA or to CINICO, or is it just the valuation of the . . .

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman.

Sorry, I was waiting to see if the Accountant General was going to reply. I think the $30 million that he mentioned, again it is from memory, so do not hold him to the $30 million, but Central Government would pay the Cayman Islands National Insurance Company (CINICO) substantial amounts.

It may be in the region of $30 million, I do not have a budget with me, but it may be in the region of $30M; the Government would pay CINICO "X" million dollars for retired Civil Servants and Public Servants to be able to enjoy healthcare costs and CINICO in turn, when a retired person turned up, for example, at the HSA to get care, the retiree would get that care, the government would have paid CINICO for it and then the HSA will invoice CINICO for that retiree and CINICO would pay the HSA for having provided that service.

In Government's annual budgets, Government is going to be paying healthcare costs for retirees as one separate budget line, which could be $30 million a year, and is also going to be paying for Seamen and Veterans as a separate line. It is going to be paying healthcare costs for existing Civil Servants as well.

I remember that some years ago we created a spreadsheet of all the different healthcare costs that the Government paid for, and when you added up all those different areas, it was in the region of $100 million plus per year; that area of healthcare costs was approximating 20 per cent of the entire Government's operating budget and I do not think that that position has changed much. It is still going to be the current position. It is a substantial part of Government's expenses.

So if you take personnel costs, which would include the healthcare costs, and the cost of retirees and the cost of Seamen and Veterans, that is a substantial part of whatever is Government's total operating expenditure on an annual basis. It is a substantial portion.

Mr. Dwayne S. Seymour: So Mr. Chair, is the $30 million or thereabout policies—or actual care?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman.

Again, bearing in mind that we do not have a budget in front of us, it may be $29 million or $30 million, et cetera; yes, it would be care paid for.

What happens Mr. Chairman, is that CINICO would make an estimate, based on age, of what the annual premium would be for a Civil Servant or a retiree, and would say to government: *Our best estimate for the cost of providing the services for your set of people, Civil Servants and retirees,* and there is a table of premiums given, depending on your age and so forth. That is the invoice that the Government would get from CINICO.

It may be the case that months could go by and the retiree may not avail himself or herself of the healthcare benefit, but the premium is nonetheless paid to CINICO. So I am trying to refine your situation to say, yes, it could be that CINICO is being paid for two or three months for which that person may not avail themselves of health care, dental care, optical care, but the premium is still going there.

Conversely, it could turn out to be the case that the premium is $1,000 and the retiree may have to receive benefits and the value of those services might then be $2000 per month.

The Chairman: Are there any other questions from the Committee? No? Okay.

The Member for Bodden Town East.

Mr. Dwayne S. Seymour: Mr. Chair, I think you're going to close because there aren't any more questions, but I just wanted to thank the Financial Secretary and the Accountant General; the Ministry in general and the broad Civil Service, for all the great work that they do. I know this is a work in progress, and I know we will eventually get it.

I also want to thank the Auditor General in particular and her team for all the great work that they do for the Cayman Islands.

Thank you.

The Chairman: Thank you very much too, Member for Bodden Town East.

Ladies and gentlemen, that brings us to the conclusion then of this hearing today. I want to thank you all for your presence. The witnesses; the Financial Secretary and the Accountant General, also the Deputy Accountant General and the Office of the Auditor General and your support staff as well.

I think it has been a very productive afternoon that we can get through this report as well.

I also want to thank the Clerk sitting next to me for all of her efforts. You know as a Committee we have a little bit more work to do to finalise and address the content of the report that will be drafted, but this will conclude certainly the public element of this hearing.

I want to thank everyone again for your presence and wish you all a very pleasant afternoon. Thank you.

At 4:11 pm the Public Accounts Committee Meeting stood adjourned sine die.

Parliament
of the Cayman Islands

PUBLIC ACCOUNTS COMMITTEE

MINUTES

Meeting held
Tuesday, 20th July, 2021 at 3:45 pm

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – Chairman
Ms. Barbara E. Conolly, JP, MP - Member
Hon. Katherine A. Ebanks-Wilks, MP - Member
Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – Member
Mr. Dwayne S. Seymour, JP, MP - Member
Mr. Isaac D. Rankine, MP - Member

PAC Clerk: Mrs. Patricia Priestley

Attendees: Mrs. Sue Winspear - Auditor General
Ms. Angela Cullen - Deputy Auditor General (Performance Audit)

1. **Meeting to Order**

There being a quorum present, the Chair called the meeting to order at 4:15 pm.

2. **Apologies**

None.

3. **Approval of PAC Minutes**

- Tuesday, 29th June 2021 *(Administrative Meeting)*

On a motion moved by Mr. Rankine and seconded by Ms. Conolly, the Committee unanimously approved the Minutes.

4. **Matters arising from Minutes**

None.

5. **Approval of Auditor General's Invoice**

- *June 2021 – Invoice number 207538 - $65,497.52*

The Auditor General's invoice was considered and discussed.

On a motion moved by Ms. Bodden and seconded by Mr. Seymour, the Committee unanimously approved the OAG's invoice number 207538 in the sum of $65,497.52. The Chairman acknowledged the Committee's approval by returning a signed copy of the invoice to the Auditor General.

6. Auditor General's Update

- *OAG Quarterly Report 30 June 2021*

The Auditor General presented the *OAG Quarterly Report 30 June 2021* to the Committee.

The Auditor General advised the Committee that this report covered the period 1st April to 30th June 2021, the OAG's busiest time of year for financial audit work. The Auditor General was pleased to advise the Committee that her office had completed 34 of 41 audits by the statutory deadline of 30th April 2021, none of which received any audit qualifications.

On the performance audit side, the Auditor General advised the Committee that her office is currently working on the following reports:

1. Follow up on past PAC recommendations (covering reports from 2017 to 2019);
2. HSA Outpatient Pharmacy Services;
3. Improving the Budget Process – Long-term Financial Sustainability including the impact of COVID-19; and
4. E-Government (to assess the efficiency and effectiveness of the delivery of Government's online services).

The Auditor General advised that the OAG's priorities for the next quarter include:

1. appointing and inducting new staff into Audit Project Leader positions, transitioning existing audit managers into their new roles and appointing a third Audit Manager;
2. publishing the performance audit reports on *HSA Outpatient Pharmacy Services* and on *Long-term Financial Sustainability*; and
3. working on a draft Auditor General Act.

The Auditor General offered to bring the completed ISA 260 reports to the next administrative meeting.

7. Consideration of the OAG Report and Witness Session

- *Improving Financial Accountability and Transparency: Financial Management and Reporting - May 2021*

The Committee agreed that a PAC report be drafted by the Committee Clerk for review at the next administrative meeting.

The Committee further agreed to endorse and support the recommendations of the Auditor General and her team, noting also that management within the Civil Service had substantially agreed with the Office of the Auditor General's recommendations.

The Auditor General invited Members to consider adding additional recommendations to the report if they wished but advised that these must be based on their questioning in the hearing and should not question policy decisions. The Auditor General said that she, her Deputy AG and the Committee Clerk always compare notes after witness hearings to see if they could find any recommendations the Committee may want to make from their questions and the witnesses' responses but did not think there were any for this hearing.

8. Any Other Business

- CTCEC Board of Directors' request for verbatim transcripts

The Committee Clerk reported that the new Cayman Turtle Conservation and Education Centre Ltd. (CTCEC) Board of Directors had requested copies of the verbatim transcripts of the PAC hearing on 18th & 19th November, and 1st December 2020.

The Committee Clerk reminded the Committee that the previous PAC held a hearing to review the Annual Reports of CTCEC for the periods ending 31st December 2017, 2018 & 2019 respectively. A draft PAC Report had been prepared (with verbatim transcripts attached) but not laid on the table of the House by the previous PAC due to the early dissolution of Parliament in advance of an early general election. The current PAC in its first meeting on 29th June 2021 had decided not to ratify and approve the old PAC's report on CTCEC for tabling and consequently the verbatim transcripts were not made public.

The Committee Clerk advised the Committee that the Clerk of Parliament had expressed an unwillingness to release the verbatim transcripts to the new CTCEC Board of Directors without some further authority, even though the hearing was public, broadcast live and remains publically available on YouTube. The Clerk proposed that by virtue of Standing Order 71(5) the current PAC could resolve to authorise the publication of PAC public hearing verbatim transcripts, by uploading them to the Parliament website, at the conclusion of a hearing and without necessarily having to be laid on the table of the House as part of a PAC report.

The Chairman proposed and the Committee unanimously agreed that the Committee Clerk be instructed to write to the Honourable Attorney General, on behalf of the Committee, to seek legal advice on the matter and request a legal opinion.

- Recognition and appreciation

The Committee asked for the Minutes to reflect the Members' recognition of and appreciation for the Auditor General and her team's ongoing efforts, assistance and constructive advice. The Committee also thanked the Committee Clerk for assistance provided.

9. Scheduling of Next Meeting

The Chairman scheduled the next administrative meeting to take place at 10:00 am, Wednesday 11th August 2021.

10. Adjournment

There being no further business, the Chairman adjourned the meeting at 5:00 pm.

Parliament
of the Cayman Islands

PUBLIC ACCOUNTS COMMITTEE

MINUTES

Meeting held
Wednesday, 11th August, 2021 at 10:00 am

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – Chairman
Ms. Barbara E. Conolly, JP, MP - Member
Hon. Katherine A. Ebanks-Wilks, MP - Member
Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – Member
Mr. Dwayne S. Seymour, JP, MP - Member
Mr. Isaac D. Rankine, MP - Member

PAC Clerk: Mrs. Patricia Priestley

Attendees: Mrs. Sue Winspear - Auditor General
Ms. Angela Cullen - Deputy Auditor General (Performance Audit)

1. **Meeting to Order**

There being a quorum present, the Chair called the meeting to order at 10:10 am.

2. **Apologies**

None.

3. **Approval of PAC Minutes**

- **Tuesday, 20th July 2021** ***(Hearing)***

On a motion moved by Ms. Barbara Conolly and seconded by Ms. Heather Bodden, the Committee unanimously approved the Minutes.

- **Tuesday, 20th July 2021** ***(Administrative Meeting)***

On a motion moved by Mr. Isaac Rankine and seconded by Ms. Heather Bodden, the Committee unanimously approved the Minutes.

4. **Matters arising from Minutes**

- **Legal opinion on publication of PAC verbatim transcripts – CTCEC**

The Chairman asked for the minutes to reflect the Committee's appreciation to the Honourable Attorney General for his Chambers' swift response to the Committee's request for a legal opinion.

The Committee reviewed and considered the legal opinion received from the Attorney General's Chambers dated 28th July 2021 re: PAC – web publication of 'verbatim transcripts'.

The Chairman advised the Committee that he was inclined to accept the Honourable Attorney General's legal advice and proposed that the Committee resolve to release the requested copies of the verbatim transcripts to the new CTCEC Board of Directors. Furthermore, the Chairman was of the opinion that in the interest of good governance and transparency the PAC should resolve to publish all verbatim transcripts of public hearings, as a matter of course, as soon as they become available, by uploading them to the Parliament website.

Discussion ensued.

Mr. Isaac Rankine moved a motion for the Committee to agree to the release of the requested verbatim transcripts of the PAC hearing on 18th & 19th November, and 1st December 2020, to the CTCEC Board of Directors. The motion was seconded by Ms. Barbara Conolly. The Committee unanimously approved the motion as stated.

The Clerk gave an undertaking to the Committee to deliver electronic copies of the requested verbatim transcripts to the CTCEC Board of Directors at the conclusion of the meeting.

The Chairman moved a motion, with relation to PAC witness hearings, that the Committee agree, going forward, as soon as verbatim transcripts are transcribed, PAC Members and Attendees (not Witnesses) be provided electronic access to transcripts, for seven (7) days, to verify the accuracy of their own words, before transcripts are uploaded to the Parliament website. Mr. Dwayne Seymour seconded the motion as stated and the Committee unanimously approved the motion.

5. Approval of Auditor General's Invoice

OAG's Invoice No. 207542 dated 30 July 2021 in the amount of $50,740.52 was considered and discussed, and unanimously approved on a motion moved by Mr. Isaac Rankine and seconded by Hon. Katherine Ebanks-Wilks. The Chairman acknowledged the Committee's approval by returning a signed copy of the invoice to the Auditor General.

6. Consideration of OAG Reports

- **Follow-up on past PAC recommendations 2021 - Report 1 (August 2021) -** Health Care and Social Welfare

The Auditor General presented the report to the Committee.

The Auditor General advised the Committee that this report serves as the first in a series of planned reports in 2021 which the OAG intend to prepare to provide the PAC with an update on the Government's, and relevant Statutory Authorities' and Government Companies', implementation of past PAC and OAG recommendations.

The Auditor General recommended that the PAC hold witness hearings on the two reports identified in the Follow-up Report: (1) *Ensuring Quality Health Care and a Healthy Population (January 2017)* and (2) *Government Programmes Supporting Those in Need (May 2015),* as these two reports showed very limited progress in the implementation of recommendations made.

The Chairman moved a motion that the Committee agree to support the Auditor General's recommendation to hold witness hearings on the healthcare and social welfare reports referred to in the *Follow-up on past PAC recommendations 2021 - Report 1 (August 2021)*. Mr. Isaac Rankine seconded the motion and the Committee unanimously agreed the motion.

The Committee agreed that the following witnesses be requested to attend the hearings at the stated times:

PAC Hearing Date: Wednesday, 22nd September 2021		
OAG Report: Ensuring Quality Health Care and a Healthy Population (January 2017)		
Witness	**Government Entity**	**Time**
Mrs. Nellie Pouchie	Chief Officer, Ministry of Health and Wellness	10:00 am - 12:00 pm
OAG Report: Government Programmes Supporting Those in Need (May 2015)		
Witness	**Government Entity**	**Time**
Ms. Teresa Echenique	*Previous Chief Officer - Ministry of Community Affairs* Chief Officer, Ministry of Youth, Sports, Culture & Heritage	2:00 pm - 4:00 pm
Mr. Eric Bush	Chief Officer, Ministry of Investment, Innovation & Social Development	2:00 pm - 4:00 pm

The Committee further agreed to meet with the Auditor General and Deputy Auditor General (Performance Audit), Ms. Angela Cullen, in the large committee room of the House of Parliament at 9:30 am and 1:30 pm for pre-meeting briefings ahead of the hearings to discuss lines of questioning.

Mr. Dwayne Seymour stated that he intended to declare a conflict of interest as former Minister of Health, with respect to the healthcare report, and he would recuse himself from questioning the witness, Mrs. Nellie Pouchie.

- **ISA 260 reports**

The Auditor General presented the following completed ISA260 reports to the Committee which serve as a sample of the 40+ entities audited by the OAG in 2020:

- Auditors Oversight Authority
- Cayman Islands National Insurance Company Ltd.
- Ministry of Commerce, Planning & Infrastructure
- Ministry of Employment and Border Control
- Ministry of Education, Youth, Sports, Agriculture and Lands
- Ministry of Finance and Economic Development
- National Gallery of the Cayman Islands
- National Housing Development Trust

- Office of the Commissioner of Police
- Public Service Pensions Board
- The Port Authority of Cayman Islands
- Tourism Attraction Board

The Auditor General explained the purpose and content of the reports and advised the Committee that the final appendix in each report would be of the most interest to the Committee Members as it refers to the entity's control deficiencies.

The Auditor General did ***not*** recommend holding a hearing on any of these entities at this time.

The Chairman moved a motion that the Committee agree to support the Auditor General's recommendation to ***not*** hold a public hearing on any of the ISA260 reports at this time. Ms. Barbara Conolly seconded the motion and the Committee unanimously agreed the motion.

The Auditor General proposed and the Committee agreed, for future administrative meetings the Auditor General would not provide copies of the individual reports but would instead prepare and present a one page summary of the ISA260 reports, and where relevant would detail identified control points.

It was noted that the ISA260 reports are publicly available documents and can be found on the OAG's and each individual entity's website.

7. Review of Draft PAC Report

- Improving Financial Accountability and Transparency: Financial Management and Reporting - May 2021

The report was considered and discussed by the Committee.

The Chairman drew Members' attention to paragraph 9. PAC Recommendations, and paragraph 10. Government Minute.

The Chairman requested and received confirmation from the Clerk that the verbatim transcripts and minutes of meetings would be attached to the PAC report for tabling in the House.

Mr. Isaac Rankine moved a motion that the Committee, adopt and accept the draft *PAC Report on the Report of the OAG on Improving Financial Accountability and Transparency: Financial Management and Reporting - May 2021,* endorse the recommendations of the OAG, and table the PAC report together with the report of the OAG at the next sitting of Parliament. The motion was seconded by Hon. Katherine Ebanks-Wilks and the Committee unanimously agreed the motion.

8. Auditor General's Update

None.

9. Any Other Business

PAC Inquiry Workshop

The Clerk notified Members of the CPA UK invitation to attend a virtual PAC Inquiry Workshop from 11th to 15th October 2021.

10. Scheduling of Next Meeting

The next meetings were confirmed for the following dates:

- Wednesday, 22nd September 2021 at 10:00 am *(Hearing)*
- Wednesday, 29th September 2021 at 10:00 am *(Administrative Meeting)*

11. Adjournment

There being no further business, the Chairman adjourned the meeting at 11:26 am.