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
Follow-up on past PAC recommendations 2022 - Report 1 - January 2022

Laid on the Table of Parliament on this day of 2022

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REPORT OF THE STANDING PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE OFFICE OF THE AUDITOR GENERAL ON *FOLLOW-UP ON PAST PAC RECOMMENDATIONS 2022 - REPORT 1 - JANUARY 2022*

1. REFERENCE

The Standing Public Accounts Committee (the "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:

- ***Follow-up on past PAC recommendations 2022 - Report 1 - January 2022***

2. DOCUMENTS 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:

- ***Follow-up on past PAC recommendations 2022 - Report 1 - January 2022***

In addition to the above Report from the Office of the Auditor General (OAG), the Committee requested information and updates from the relevant leadership personnel in Government on the past recommendations from the Report for which there had not yet been made any progress. The Committee received formal responses noted below, which are included in the report:

- *Response to the PAC from the Office of the Deputy Governor*
- *Response to the PAC from the Solicitor-General and Chief Officer, Portfolio of Legal Affairs (15th February 2022)*
- *Response to the PAC from the Chief Officer, Portfolio of the Civil Service (15th February 2022)*
- *Response to the PAC from the Financial Secretary and Chief Officer, Ministry of Finance & Economic Development (16th February 2022)*
- *Response to the PAC from the Director, Central Procurement Office (15th February 2022)*

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

4. MEETINGS OF THE COMMITTEE

The Committee held four (4) meetings to consider this Report on:

(i) 10th January 2022 *(Administrative Meeting)*
(ii) 31st January 2022 *(Administrative Meeting)*
(iii) 28th February 2022 (*Administrative Meeting)*
(iv) 10th May 2022 (*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. 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.

7. PAC RECOMMENDATIONS

The PAC reviewed the Office of the Auditor General's Report ***Follow-up on past PAC recommendations 2022 - Report 1 – January 2022***, which considered three earlier reports:

a) The Government's Use of Consultants and Temporary Staff (February 2018)
b) The Government's Use of Outsourced Services (June 2019)
c) Fighting Corruption in the Cayman Islands (November 2018)

The PAC endorses the Auditor General and her team's acknowledgement of the progress the Government has made in implementing the past recommendations, and wishes to congratulate these entities for the progress and achievements thus far in implementing several recommendations listed within these reports. Likewise, the PAC recognizes that there remain several recommendations that are still outstanding per the Auditor General's conclusions.

In the administrative meeting held on 31st January 2022, the Committee endorsed the OAG's recommendation to follow-up with the relevant entities for each instance where "no progress" was listed in the Report. After careful deliberations amongst the Committee Members, the PAC wrote to the relevant Government parties on 1st February 2022, to request an update on the status of each of these stalled recommendations. Their responses to the previous recommendations from the Report are summarized below, with additional PAC Recommendations and acknowledgements noted in bold.

a) The Government's Use of Consultants and Temporary Staff (February 2018)

i. *Recommendation 1: The Government should monitor its spending on consultants and temporary staff to provide management information that will help inform decisions on how to best obtain the skills and knowledge that it needs while obtaining value for money.*

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance & Economic Development (MFED), and Mrs. Gloria McField-Nixon, Chief Officer, Portfolio of the Civil Service (PoCS), indicated in their response of 16th February 2022, that MFED had not started regular reporting on Government's spending on consultants and temporary staff. However, the MFED expects to be able to start this reporting in the Government's 2nd Quarterly Report for 2022 with the assistance of the Portfolio of the Civil Service. This information will also be sent to the Central Procurement Office so that a "deep dive" can be performed to determine if efficiencies and further value for money can be achieved.

- The PAC acknowledges the MFED's response and welcomes seeing this information in future quarterly reports that are tabled in the House.

ii. *Recommendation 2: The Government should better plan for its need for consultants and integrate this planning with its workforce planning and budgeting processes.*

Mrs. McField-Nixon acknowledged and praised the Government's investments in its internal civil service capacity, including hiring and training so that it can respond to the Government's policy initiatives to manage the country's response to the pandemic without the use of external consultants.

Mrs. McField-Nixon further noted that workforce planning is the subject of a separate OAG report in which the original PoCS management response indicated that a three-year period (2020-2022) is the timeframe within which Chief Officers and Heads of Department would develop and adopt workforce plans on a rolling basis, with a Government-wide workforce plan in development by 31st December 2023. The PAC is concerned that this timeline for the central workforce plan will mean that it will not be part of the 2024-25 budget, further delaying its implementation.

The Chief Officer further acknowledged that a readiness assessment on workforce planning was undertaken to be carried out and was delivered despite setbacks from the pandemic, and noted that PoCS adopted an integrated HR management system that would support talent management, an initiative that is being rolled out across Government. She asked that the PAC close the recommendation.

Mr. Jefferson in his response confirmed that the MFED stands ready to include workforce planning in the budget process once plans are finalized.

- **The PAC acknowledges the response from the PoCS and MFED, which indicate that this recommendation is now in process. The PAC does not agree with the request to close this recommendation and requests that the OAG follow-up on this alongside its recommendations in the relevant report on workforce planning and management.**

- **The PAC recommends that the PoCS provide the OAG with examples of the workforce plans that have been developed and adopted from 2020 to now.**

- **The PAC recommends that the PoCS brings forward the completion and implementation date of the Government-wide workforce plan to 30th June 2023 rather than 31st December 2023, to ensure that it can be fed into the 2024-25 budget cycle.**

iii. *Recommendation 11: The Government should develop guidance to help identify which contracts should be reviewed by lawyers or be subject to legal advice prior to signing (OAG recommendation).*

The Acting Deputy Governor provided a response on behalf of the Office of the Deputy Governor (ODG), detailing that they had submitted a draft set of proposed criteria to the Portfolio of Legal Affairs, for determining when legal advice is to be sought prior to awarding new contracts (non-employment related). The ODG advised the PAC that the Senior Management Team will review and discuss the criteria in March 2022.

- **The PAC recommends that the Office of the Deputy Governor submits its finalized criteria to the OAG.**

iv. *Recommendation 13: The Government should develop clear policies and procedures for extending contracts.*

Mr. Tariq Bashir, Director, Central Procurement Office (CPO) and the Financial Secretary noted that the CPO has have produced clear guidelines for extending contracts published on the CPO website under the title "Contract Variation Policy". The PAC note that this policy states that contracts should not be extended. Mr. Bashir noted that the responsibility for entering into contracts rests with the Chief Officers and Chief Executive Officers of Core Government and Public Sector entities, and that a contract extension without procurement would be non-compliant with the Cayman

Islands Procurement Act and regulations. The PAC read that the CPO would not be aware of an entity's contract unless that entity approached the CPO for advice on how to carry out a compliant procurement process.

- The PAC acknowledges the Director's and Financial Secretary's responses and closes this recommendation.

Mr. Jefferson responded that the MFED does not have the information available on hand on the current number and value of all Government contracts that have been extended without procurement. However, the MFED has commenced an exercise as of 15th February 2022 to obtain this information by 30th June 2022.

- **The PAC further recommends that the MFED reports back to the OAG on the outcome of the above exercise by 31st August 2022.**

Mrs. Reshma Sharma, Solicitor-General and Chief Officer of the Portfolio of Legal Affairs (POLA), noted in her response of 15th February 2022, that POLA is awaiting instructions from the MFED on whether a policy has been adopted or proposed in this regard. Mrs. Sharma indicated that the Chambers stands ready to assist if and when it is instructed to do so with regard to the extension of contracts.

- **The PAC read that the Portfolio of Legal Affairs was not aware of the guidelines that were referenced above from Mr. Bashir and Mr. Jefferson. Therefore, the PAC recommends that the MFED and the CPO actively promote the policy, and rename it to be easily identifiable for contract extensions.**

b) Appendix 2: The Government's Use of Outsourced Services (June 2019)

i. *Recommendation 2: The Government should, as soon as possible, update the Financial Regulations to rectify any inconsistencies with the Procurement Regulations.*

Mr. Jefferson noted that the Financial Regulations have been updated to rectify the inconsistencies with the Procurement Regulations, and included the relevant amendments and gazettes where these updates were put into practice. The PAC notes that the amendments to the Regulations were gazetted in January 2022, after the date of the OAG's report.

- The PAC acknowledges this response and closes the recommendation.

ii. *Recommendation 8: The Government should look at options to centrally procure and contract out similar type of services in order to make better use of its collective buying power, while meeting other policy objectives such as supporting small and medium-sized companies.*

Mr. Jefferson indicted that the CPO has provided support for the procurement of outsourced services such as mobile telephony services, document scanning and cataloguing services, global cyber threat intelligence services, and Human Resource Management Systems. The CPO's approach is that when an entity procures services that can be beneficial across the entire public sector, the CPO will support the procurement to be accessible to all other entities either by converting the procurement to a framework agreement or enabling access to all entities of the final contract for that service.

Mr. Bashir confirmed that the CPO has produced guidance on framework agreements which is available on the Cayman Islands Government Procurement website (https://www.procure.gov.ky/procurement-legislation-policy-amp-guidance). The CPO will support procurement to be accessible to all other entities either by converting the procurement to a framework agreement or enabling access to all entities of the final contract for that service.

- **The PAC acknowledges the responses of the MFED and the CPO and closes this recommendation. However, the PAC recommends the CPO reviews some of the outsourced services that were the focus of the original OAG audit, such as security services, to determine whether there is scope to join up procurement across government.**

c) ***Appendix 3: Fighting Corruption in the Cayman Islands (November 2018)***

i. *Recommendation 13: All future legislation that carries a clause to bring the law into effect by order in Cabinet to have a date by which the law should come into effect (PAC recommendation).*

Mrs. Sharma indicated that it would not be appropriate or feasible for the Chambers to give a commitment since the commencement date for any legislation to take effect is not determined by POLA. Mrs. Sharma confirmed that the Hon. Attorney General will take up the matter with Cabinet and will provide the PAC with a more substantive response at a later stage. The ODG supports the response from POLA.

- **The PAC notes that this recommendation remains open without progress.**

- **The PAC further recommends that the Hon. Attorney General provide the Committee with an update on his discussion with Cabinet regarding the implementation of this recommendation.**

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 wishes to thank the staff of the Parliament for the assistance provided.

The Committee also wishes to thank the following individuals for providing updates and responses: The Hon. Deputy Governor; Chief Officer, POCS; Solicitor-General and Chief Officer, POLA; Financial Secretary and Chief Officer, MFED; and, Director, Central Procurement Office, MFED.

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:

- ***Follow-up on past PAC recommendations 2022 - Report 1 - January 2022***

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

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

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

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Hon. Katherine A. Ebanks-Wilks, MP - Member

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Mr. Isaac D. Rankine, MP – Member

_____

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

Parliament
of the Cayman Islands

PUBLIC ACCOUNTS COMMITTEE

MINUTES
Meeting held
Monday, 10th January 2022 at 10:00 am

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – Chairman
Ms. Barbara E. Conolly, JP, MP - Member
Mr. Isaac D. Rankine, MP – Member
Hon. Katherine A. Ebanks-Wilks, MP - Member

PAC Members Absent:

Mr. Dwayne S. Seymour, JP, MP – Member
Ms. Heather D. Bodden, OCI, Cert. Hon., JP, 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 10:35 am.

2. **Apologies**

   Apologies received from Ms. Heather Bodden for her absence and from Hon. Katherine Ebanks-Wilks for her expected late arrival.

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

   Invoice no. 207584 dated 30 November 2021 in the amount of $102,312.52 was considered, discussed and unanimously approved on a motion moved by Ms. Barbara Conolly 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.

4. **Auditor General's Update**

   None.

5. Consideration of the OAG Report

- *Follow-up on past PAC recommendations 2022 – Report 1 (January 2022)*

The Auditor General presented the report to the Committee as the second in a series of "Follow-up on past PAC recommendations" reports and the first for 2022.

The Auditor General advised the Committee that this report covers the follow-up on the implementation of the recommendations of the OAG and PAC as a result of the following three performance audit reports and PAC hearings on these reports:

i. Government's use of Consultants and Temporary Staff (February 2018)
ii. Government's use of Outsourced Services (June 2019)
iii. Fighting Corruption in the Cayman Islands (November 2019)

The Auditor General advised that her office had assessed all three reports as **Green** *(Significant progress has been made in addressing the recommendations)*; consequently, the Auditor General did not recommend the PAC hold a hearing on this Follow-up report.

However, the Auditor General proposed and the Chairman agreed, going forward, the Clerk should draft letters on behalf of the Committee, to the relevant Chief Officers to:

i. congratulate and thank them on their progress and achievements thus far; and,
ii. follow-up on any outstanding recommendations which have been assessed as **Red** *(No Progress)*.

Also, the Clerk should draft a letter on behalf of the Committee to the Deputy Governor to follow-up on outstanding Government Minutes.

6. Auditor General's Briefing

- **Hearing on OAG report, *HSA Outpatient Pharmacy Services (November 2021)***

  - **Briefings for PAC Hearing on 12th and 13th January 2022**

The Auditor General presented her Briefing notes to the Committee.

Members decided who would lead the questions to witnesses in each of the following areas:

- **Legal framework** - Hon. Katherine Ebanks-Wilks
- **Strategic direction** - Mr. Isaac Rankine
- **Governance** - Ms. Heather Bodden
- **Performance** - Hon. Katherine Ebanks-Wilks
- **Procurement** - Ms. Barbara Conolly
- **Availability, safety and quality medicines** – Chairman Roy McTaggart
- **Regulation of pharmacy businesses** - Chairman Roy McTaggart
- **Pharmacy technicians** - Ms. Barbara Conolly

The Chairman thanked the Auditor General.

7. Any Other Business

The Auditor General requested the OAG's *General Report 31 December 2020 (December 2021)* be added to the Agenda for the next Administrative Meeting.

8. Scheduling of Next Meeting

The next meetings were confirmed for the following dates:

- **Wednesday, 12th January 2021** *(Hearing)*

  10:00 am in the Chamber.

- **Thursday, 13th January 2021** *(Hearing)*

  10:00 am in the Chamber.

9. Adjournment

There being no further business, the Chairman adjourned the meeting at 11:00 am.

Parliament
of the Cayman Islands

STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting
Monday, 31st January 2022 at 10:00 am

PAC Members Present:

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

PAC Clerk: Ms. Susan Burke

Attendees: Mrs. Sue Winspear – Auditor General
Ms. Angela Cullen – Deputy Auditor General (Performance Audit)
Mr. Winston Sobers – Audit Manager
Mrs. Patricia Priestley – Acting Deputy Clerk (transitioning from PAC Clerk)

1. **Meeting to Order**

   There being a quorum present, the Chairman called the meeting to order at 10:03 am.

   The Chairman wished to acknowledge the Committee's condolences to Ms. Heather Bodden for the passing of her aunt, Ms. Cassie Puya.

   The Chairman introduced Ms. Susan Burke, the new PAC Clerk, to the Committee, thanked Mrs. Patricia Priestley for her work as the exiting PAC Clerk in addition to her role as the Acting Deputy Clerk.

2. **Apologies**

   None.

3. **Approval of PAC Minutes**

- 10th January 2022 *(Administrative Meeting)*: Mr. Isaac Rankine motioned to approve the minutes, which was seconded by Ms. Barbara Conolly, and the Committee unanimously agreed.

- 12th January 2022 *(Hearing)*: Mr. Isaac Rankine motioned to approve, and was seconded by the Hon. Katherine Ebanks-Wilks, and the Committee unanimously agreed.

- 13th January 2022 *(Hearing)*: Mr. Isaac Rankine motioned to approve the minutes, and was seconded by Ms. Heather Bodden, and the Committee unanimously agreed.

4. Matters Arising from Minutes

The Committee read through the draft letters to Chief Officers and the Deputy Governor regarding the follow-up items from OAG report "*Follow-up on past PAC recommendations 2022 – Report 1 (January 2022)*", per the discussion in the 10th January 2022 administrative meeting.

The members agreed to minor changes to four of the five drafted letters. The Chairman signed one letter to the Director, Central Procurement Office.

The Auditor General noted that the PAC did not need to send a letter to the Deputy Governor about the outstanding Government Minutes because the question was posed to the Deputy Governor directly in the recent Hearings and he made a commitment to provide these by the end of the quarter.

5. Approval of Auditor General's Invoice

Invoice no. 207585 dated 31 December 2021 in the amount of $65,465.95 was considered, discussed and unanimously approved on a motion moved by Ms. Barbara Conolly and seconded by Ms. Heather Bodden. The Chairman acknowledged the Committee's approval by returning a signed copy of the invoice through the PAC Clerk to the Auditor General.

The Chairman asked the Auditor General for information about how the OAG sets its rates. The Auditor General outlined the Office's budgeting process and stated that the OAG's fee rates were reviewed and updated during 2021.

6. Auditor General's Update

The Auditor General stated that due to the time of year all interim audits had been done and her office were gearing up for 2021 final audits. She reported that the Office was currently preparing its own financial statements and there should be a surplus reported for the 2021-year end and she would have details for the Committee at the next administrative meeting.

7. Consideration of the OAG Report

- ***OAG General Report 31 December 2020 (December 2021)***

  The Auditor General gave a brief summary of the General Report to the Committee for the 2020 statutory audits.

The report identified one qualification for 2020: University College of the Cayman Islands (UCCI). The Auditor General suggested that the Chairman and the Committee may wish to have a hearing based on the report. The Committee discussed and chose not to pursue a hearing at this time. The Committee unanimously **agreed** to have the Auditor General draft a letter to UCCI to request a status update on the internal control issues.

Mr. Winston Sobers provided the Committee with a status update of the outstanding audits per page 5 of the report, notably the Cayman Islands Airport Authority and the Ministry of Health, Environment Culture & Housing. The Committee **agreed** not to follow-up with either of these two entities, as they were both questioned in a public hearing last year.

The Chairman inquired into the status of the Cayman Turtle Centre investigations. The Auditor General said these were making their way through the courts and she would not recommend a hearing at the moment, as the CEO and COO had left and had not yet been replaced with an Acting CEO. She also noted that nobody was covering the Finance role at a senior level which meant that the 2020 audit was currently on pause. The Committee discussed, and the Chairman **asked** the Auditor General to draft a letter to the Board and CEO on behalf of the PAC asking for an update on staffing and being able to progress the audit, and the Auditor General agreed.

In response to a question from the Auditor General, the PAC **decided** to discontinue the practice of awarding certificates to entities for unqualified audit opinions.

8. Consideration of Public Hearings and PAC Report

- **PAC Report on OAG Report on *HSA Outpatient Pharmacy Services* (November 2021)**

The Chairman asked that the typo in Dr. Marla Barnes-Small's name be corrected.

Mr. Dwayne Seymour noted general concern about the procurement contracts at the HSA. The Auditor General confirmed that the report covered the procurement process for medicines in detail and made recommendations for improvement. The Auditor General also confirmed that in previous years her Office's financial audits of HSA had specifically reviewed large procurements and had not identified any significant issues.

The Chairman asked for a resolution to accept the recommendations in section 10 of the PAC Report. Mr. Isaac Rankine motioned to accept, Ms. Heather Bodden seconded and the Committee unanimously agreed.

The Chairman asked for a motion to accept the PAC Report. Mr. Isaac Rankine motioned to accept, Ms. Heather Bodden seconded, and the Committee unanimously agreed.

9. Any Other Business

The Auditor General noted that there are three Audit Performance reports that are waiting for Government responses. She hoped to have these reports at the next meeting.

10. Scheduling of Next Meeting

The next meeting was confirmed for the following date:

- **Monday, 28th February 2022** ***(Administrative Meeting)***

  10:00 am in the Large Conference Room.

11. Adjournment

There being no further business, the Chairman thanked the Committee members and the Auditor General, and adjourned the meeting at 11:26 am.

Parliament
of the Cayman Islands

STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting
Monday, 28th February 2022 at 10:30 am

PAC Members Present:

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

PAC Clerk: Ms. Susan Burke

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

1. **Meeting to Order**
   The Chairman notified Committee members early that morning that the meeting was changed from 10:00 to 10:30 a.m. There being a quorum present, the Chairman called the meeting to order at 10:38 am.

2. **Apologies**
   There were no apologies received.

3. **Approval of PAC Minutes**
   - 31st January 2022 *(Administrative Meeting)*: The minutes were unanimously approved on a motion moved by Mr. Isaac Rankine and seconded by Ms. Barbara Conolly.

4. **Matters Arising from Minutes**
   The Chairman indicated that the remaining items on the agenda would cover matters arising from

the previous minutes.

5. Approval of Auditor General's Invoice

Invoice no. 207632 dated 31-Jan-2021 in the amount of $67,680.02 was considered, discussed and unanimously approved on a motion moved by Ms. Barbara Conolly and seconded by Ms. Heather Bodden. The Chairman acknowledged the Committee's approval by returning a signed copy of the invoice through the PAC Clerk to the Auditor General.

6. Approval of Auditor General's Budget Statement

The Auditor General clarified that the Committee had already approved the Budget Statement, but that she required the Chairman's signature to finalize it. The Chairman signed copy of the invoice through the PAC Clerk to the Auditor General.

7. Auditor General's Update

The Auditor General confirmed that the OAG is expecting to receive 52 financial statements from all Government entities by midnight and this would initiate the start of the final 2021 financial audits. In a previous meeting, the Auditor General indicated that a relatively small surplus would be achieved by OAG for 2021, but she noted that as the financial statements are being finalized a larger surplus of over $1/2 million was now expected. The Auditor General said this was all down to increased revenues from clients for financial audits and that OAG recently changed the hourly billing rates it applies.

The Chairman also asked whether any Government entities had already submitted their financial statements, and the Auditor General confirmed that a dozen had already done so. She noted that the Public Service Pensions Board had already informed the OAG that their submission will miss the deadline. The Auditor General noted that she was very impressed by the Ministry of Education's response as they submitted their financial statements and supporting documentation early having been an entity in audit backlog until the recent past. She said that the Ministry's improvements were due to the effort of the new CFO and its leadership team. The Committee were encouraged by the improvements from the Ministry of Education.

8. Consideration of the new OAG Report

- ***Follow-up on past PAC recommendations 2022 – Report 2 (February 2022)***

The Auditor General gave a broad overview of the new Report, which follows up on the Government's implementation of past PAC recommendations on three past reports:

a. *Appendix 1: Major Capital Projects Follow Up (October 2017)*: The Auditor General indicated that the status of the implementation of past PAC recommendations is red – there had not been significant implementations of past recommendations.

b. *Appendix 2: Customs in the Cayman Islands (May 2019)*: As above, the Auditor General indicated that the status of the implementation of past PAC recommendations is red – there had not been significant implementations of past recommendations.

c. *Appendix 3*: *School Education (October 2019)*: The Auditor General noted that there had been progress on the implementation of past PAC recommendations and that the status was therefore amber.

The Auditor General gave a cursory run-through of the differences between individual Ministries as follows:

- The Public Works Department in the Ministry of Planning, Agriculture, Housing & Infrastructure (MPAHI) had made decent progress.
- The Department of Customs and Border Control had made improvements too, though a few issues remain, such as the I.T. systems for example.
- The Ministry of Finance & Economic Development (MFED) had made less progress. Additionally, the Auditor General noted that the OAG had experienced enormous wait times to get a response from MFED, until the Office of the Deputy Governor (ODG) intervened to push the Ministry to respond.
- The Ministry of Education had made many improvements, and the Auditor General gave several examples from the Report, including improvements to student achievement and well-being.

The Auditor General suggested that the PAC hold a hearing on the first two Appendices of the Report, as they were both listed as "red" and therefore lacking in progress. The Committee agreed to have two hearings and to hold them on the same day. The Chairman agreed to Chair the hearing, though he will not ask questions given his conflict of interest as a past Minister of MFED.

The morning's hearing will be on Appendix 2, and the afternoon will focus on Appendix 1. The Clerk will issue letters of invitation to the below witnesses using the schedule suggested by the Auditor General:

PAC HEARING **Tuesday, 22nd March 2022**		
Administrative Meeting	**Members**	**Time**
PAC Briefing from Auditor General (Large Conference Room)	PAC Members, Auditor General and Deputy Auditor General (Performance Audit)	9:00 - 9:30 *am*
Witness	**Government Entity**	**Time**
Mr. Kenneth Jefferson, *Financial Secretary & Chief Officer* (with Mr. Michael Nixon)	Ministry of Finance & Economic Development	9:30 - 10:30 *am*
Mr. Charles Clifford, *Director of Customs and Border Control*	Ministry of Border Control & Labour	10:30 - 11:30 *am*
Mr. Wesley Howell, *Chief Officer*	Ministry of Border Control & Labour	11:30 *am* - 12:00*pm*
LUNCH BREAK **12:00 noon to 1:30 pm**		
Administrative Meeting	**Members**	**Time**

PAC Briefing from Auditor General (Large Conference Room)	PAC Members, Auditor General and Deputy Auditor General (Performance Audit)	1:00 – 1:30 *pm*
Witness	**Government Entity**	**Time**
Mr. Tristan Hydes, *Acting Chief Officer* Attendees: - Mrs. Leyda Nicholson-Makasare (*Deputy Chief Officer*) - Mr. Troy Whorms (*Acting Director of Public Works*) - Ms. Isabella Hubbell-Butler (*Asst. Secretary – I.T.*)	Ministry of Planning, Agriculture, Housing and Infrastructure	1:30 – 2:30 *pm*
Mr. Kenneth Jefferson, *Financial Secretary & Chief Officer* (with Mr. Matthew Tibbetts)	Ministry of Finance & Economic Development	2:30 – 3:30 *pm*

9. Responses to PAC on OAG's *Report on HSA Outpatient Pharmacy Services (Nov 2021)*

The Deputy Auditor General (Performance Audit) summarized for the Committee the responses that the PAC Clerk had received and gave her opinion that the responses do not change the PAC Report that was approved in the previous administrative meeting held on 31st January 2022. Because the Committee had previously approved the *PAC Report on the OAG's Report on HSA Outpatient Pharmacy Services (November 2021)*, the Deputy Auditor General (Performance Audit) suggested that the Committee proceed with signing and finalizing the PAC Report. The Committee unanimously agreed.

The Chairman asked for a motion to sign the *PAC Report on the OAG's Report on HSA Outpatient Pharmacy Services (November 2021)*. Ms. Heather Bodden submitted the motion which was seconded by Mr. Dwayne Seymour, and the motion was unanimously approved. The Chairman acknowledged the Committee's approval by circulating the bound PAC Report to the members present, and provided it to the PAC Clerk to be tabled in the House with the OAG's Report.

10. Responses to PAC on OAG's Follow-up Report 1 (Jan 2022)

The Deputy Auditor General (Performance Audit) walked the Committee through the five responses the PAC received from Chief Officers and the ODG with regard to the letters sent on 1st February pertaining to the OAG's Report, *Follow-up on past PAC recommendations 2022 - Report 1 (January 2022)*. The PAC Clerk and the Deputy Auditor General (Performance Audit) had prepared a first draft of a PAC Report for the Committee's reference, which included the responses from the five Government personnel.

The letters covered the seven recommendations that were identified as red in the OAG's Report. The Committee gave their feedback for the Report, which the Clerk will incorporate for approval at the next administrative meeting.

The Committee agreed to include copies of the responses to the PAC's letter in the PAC Report for reference.

11. Responses to PAC on OAG's General Report 31-Dec-2020 (Dec 2021)

The Clerk informed the Committee on the status of responses from the Cayman Turtle Centre and the University College of the Cayman Islands.

12. Any Other Business

There were no additional matters raised.

13. Scheduling of Next Meeting

- **Tuesday, 22nd March 2022** ***(Public Hearing)***
  9:30 am in the Chambers (9:00 am briefing in Large Conference Room)

- **Monday, 4th April 2022** ***(Administrative Meeting)***
  10:00 am in the Large Conference Room.

14. Adjournment

There being no further business, the Chairman thanked the Committee members and the Auditor General, and adjourned the meeting at 11:42 am.

Parliament of the Cayman Islands

STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting
Tuesday, 10th May 2022 at 10:00 am

PAC Members Present:

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

Apologies:

Hon. Katherine A. Ebanks-Wilks, MP – Member
Mr. Isaac D. Rankine, MP – Member

PAC Clerk: Ms. Susan Burke – Procedural Clerk

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

1. **Meeting to Order**
   There being a quorum present, the Chairman called the meeting to order at 10:19 am.

2. **Apologies**
   Apologies were received from Hon. Katherine A. Ebanks-Wilks and Mr. Isaac D. Rankine.

3. **Approval of PAC Minutes**
   - 28th February 2022 *(Administrative Meeting)*: The minutes were unanimously approved on a motion moved by Ms. Barbara Conolly and seconded by Ms. Heather Bodden.

4. **Matters Arising from Minutes**
   The Chairman reminded the Committee that quorum could not be met for the hearing that was scheduled for 3rd May, and that it will be rescheduled when discussing item # 11 on the agenda.

5. **Reminder: CPA UK: PAC Online Self-Paced Training Course**
   The Chairman reminded the Committee of the free self-paced training course for PAC Members.

6. Approval of Auditor General's Invoices - 207636 and 207678

The Auditor General clarified that the second invoice combined both March and April into one, and that the amount was less than the prior invoice because the OAG's focus during that period had been on the financial audit, which diverted resources away from performance audit. There was discussion on the status and scope of the audit of Cayman Airways. The Chairman signed copies of the invoices through the PAC Clerk to the Auditor General upon a motion by Ms. Barbara Conolly, which was seconded by Ms. Heather Bodden.

7. Auditor General's Update – Quarterly Report to 31 March 2022

The Auditor General reviewed the quarterly report with the Committee, giving a high-level overview of the status of each of the performance audit reports listed on page 5. The Auditor General added that the OAG had also been audited by Baker Tilly and received an unqualified opinion.

The audits listed under Appendix A were also reviewed. The Auditor General noted that there were 8 Ministries and 7 SAGCs that missed the audit deadline. The Auditor General added that Ministry audits had missed the deadline largely due to problems arising from the transfers of departments, and their related budgets, assets and liabilities, from some Ministries to other Ministries as a result of the 2021 election, and these not being resolved early enough. She expects that her team will be able to clear these outstanding audits during the next quarter.

The Auditor General wished to record her recognition of Ms. Angela Cullen, Deputy Auditor General (Performance Audit) for celebrating five years of service with the OAG, and Mr. Patrick Smith, Deputy Auditor General (Financial Audit) for celebrating 20 years. The Committee thanked and congratulated both Deputy Auditors General for their service.

The Chairman asked about the EPS audit, and the Auditor General confirmed that the last signed-off audit was from 2018 and the subsequent years were in the backlog. Delays. She confirmed that her team will work with Matthew Tibbetts, Accountant General, on moving it forward. [Correction: The Auditor General subsequently clarified after the meeting that the EPS has not yet been submitted; the deadline for submission of the 2021 EPS financial statements is 31st May 2022.]

Ms. Barbara Conolly asked about the reasons for losing the audit trainees. The Auditor General clarified that the OAG cannot compete on salary and benefits with the private sector, and added that she was considering preparing a business case for pay increments for those performing highly, and thanked the PAC for any support that it could offer in keeping her office competitive with the private sector. The Chairman noted that precedent exists with CIMA through the Public Authorities Act to help regulate salary and for supplements or incremental increases.

8. Consideration of new OAG Reports

a) Annual Report – 31 December 2021 (March 2022)

The Auditor General briefed the Committee on the report. In response to the Chairman's question on the reason for the OAG's surplus, the Auditor General acknowledged two primary

reasons: the OAG needs to review its client billing revenue model given the backlog and adjustments of fees, and her office didn't have a full complement of staff with the vacancies and turnover. The Chairman asked whether the OAG charge additional fees to entities that drag on or when more resources are required, and the Auditor General confirmed this is the case for some. She added that given the surplus, her team audited the Police Welfare Fund pro-bono.

The Auditor General asked that if the PAC accepts this Report that it be laid on the Table. The Chairman asked for a motion to accept and Table the Report. The Committee unanimously agreed to Table the OAG's Report "*Annual Report – 31 December 2021 (March 2022)*" through a motion by Ms. Barbara Conolly, which was seconded Ms. Heather Bodden.

b) Government's Expenditure in Response to COVID-19 – Update (Public Interest Report – May 2022)

The Deputy Auditor General (Performance Audit) briefed the Committee on the Report, which is the second public interest report on the cost of the COVID-19 pandemic after the OAG's Report from July 2020. She noted that this Report contains factual information only, with no judgements or recommendations, and covers expenditures between March 2020 to March 2022. The Auditor General had intended to include the information in a future report but decided to release it as there was a lot of interest in the material. The Report covers all of core Government, including the HSA and Airport Authority, but no other Statutory Authorities or Government Companies. The $333M total estimated by the OAG includes $202M of expenditure and $131M of lost revenue.

In reference to page 10, the Chairman asked if the Government had reimbursed the HSA, and the Auditor General confirmed that it had. Ms. Angela Cullen noted that $35.6M of the reimbursement included other medical centres such as the Doctor's Hospital that have carried out tests. Mr. Dwayne Seymour noted that the report contained good information and that it would be beneficial for the Financial Secretary's office to have in order to help plan for any future related events.

The Auditor General asked that if the PAC accepts this Report that it be laid on the Table. The Committee agreed that there should to be a hearing as the information is simply factual and without any recommendations. The Chairman asked for a motion to accept and Table the Report. The Committee unanimously agreed to Table the OAG's Report "*Government's Expenditure in Response to COVID-19 – Update (Public Interest Report – May 2022)*" through a motion by Ms. Barbara Conolly, which was seconded Ms. Heather Bodden.

9. PAC Report on OAG's *General Report 31-Dec-2020 (Dec 2021)*

The Committee reviewed the draft PAC Report. The Auditor General noted that the phrase "*recommendations*" on page 4 should be changed to "*observations*", given that the PAC is not making any additional formal recommendations through this PAC Report. The date of today's administrative meeting should also be added to page 4 in place of the rescheduled meeting from 4th April.

The Chairman asked for a motion to sign the "PAC Report on OAG's General Report 31-Dec-2020 (Dec 2021)". Ms. Barbara Conolly submitted the motion which was seconded by Ms. Heather Bodden, and the motion was unanimously approved. The Chairman acknowledged the Committee's approval by circulating the signatures page of the PAC Report to the members present, and provided it to the PAC Clerk to be attached to the PAC Report with the above-noted amendments, to then be Tabled in the House with the OAG's Report.

10. PAC Report on OAG's *Follow-up Report 1 (January 2022)*

The Committee reviewed the draft PAC Report. Just as in the previous agenda item, the Deputy Auditor General (Performance Audit) noted that the date of 4th April should be amended to 10th May.

The Chairman asked for a motion to sign the *PAC Report on the OAG's Report – Follow-up on past PAC recommendations 2022 – Report 1 (January 2022)*. Ms. Barbara Conolly submitted the motion which was seconded by Mr. Dwayne Seymour, and the motion was unanimously approved. The Chairman acknowledged the Committee's approval by circulating the signature page of the PAC Report to the members present, and provided it to the PAC Clerk to be attached to the PAC Report with the above-noted amendment, to then be Tabled in the House with the OAG's Report.

11. Reschedule of Public Hearing from 3rd May 2022

The Committee discussed possible dates for the rescheduled public hearing on the OAG's Report "Follow-up on past PAC recommendations 2022 – Report 2 (February 2022)". The Committee members present agreed to schedule the hearing for Wednesday, 25th May, using the same itinerary as had been previously agreed upon.

12. Schedule of next Administrative Meeting

The Committee agreed to set the date for the next administrative meeting to Wednesday, 15th June at 10:00 a.m.

13. Any Other Business

Ms. Heather Bodden asked for a moment of silence to honour Hon. McTaggart's father, beloved businessman Mr. William "Uncle Bill" McTaggart, who passed away on 3rd April. Ms. Bodden also asked to pause to honour the passing of Mr. William Austin Ebanks, father to Deputy Speaker Hon. Katherine Ebanks-Wilks on 27th April, and the passing of the Hon. Sybil Ione McLaughlin, whose death had been announced a few hours prior to the meeting. After a moment of silence, the Chairman asked Mr. Dwayne Seymour to lead the Committee in a moment of prayer.

14. Adjournment

There being no further business, the Chairman thanked the Committee members and the Auditor General, and adjourned the meeting at 11:30 am.

Parliament
of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

Round Robin

25th May 2022

We, the Members of the Standing Public Accounts Committee, hereby approve the following Minutes of the Standing Public Accounts Committee and agree that they be tabled in the House during the Third Meeting of the 2021-2022 Session of the Cayman Islands Parliament.

Minutes

- Tuesday, 10th May, 2022 (Administrative Meeting)

Hon. Roy M. McTaggart, JP, MP
Chairman

Hon. Katherine A. Ebanks-Wilks, MP
Member

Ms. Barbara E. Conolly, JP, 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

From: McField, Gloria <Gloria.McField@gov.ky>
Sent: Friday, February 25, 2022 6:13 PM
To: Burke, Susan <Susan.Burke@parliament.ky>
Cc: Rodrigues, Mary <Mary.Rodrigues@gov.ky>; Manderson, Franz <Franz.Manderson@gov.ky>
Subject: FW: PAC Follow-up Letter
Importance: High
Sensitivity: Confidential

Dear Ms. Burke,

Good afternoon. Reference is made to the ***Follow-up on past PAC recommendations 2022 – Report 1 (January 2022)***.

Further to the attached letter from the Chairman of the Public Accounts Committee dated 1st February 2022, the Office of the Deputy Governor provides the following responses:

Appendix 1: The Government's Use of Consultants and Temporary Staff (February 2018) – OAG Recommendation 11
The Office of the Deputy Governor has submitted to the Portfolio of Legal Affairs, a draft set of proposed criteria for determining when legal advice is to be sought, prior to the signing of new contracts which are non-employment related. It is anticipated that the relevant criteria will be discussed as a Senior Leadership Team Meeting, in March 2022.

Appendix 3: Fighting Corruption in the Cayman Islands (November 2018) – PAC Recommendation 13
The Deputy Governor notes the following response provided by the Portfolio of Legal Affairs.

> It would not be appropriate (or feasible) for the Chambers to give a commitment of this nature since the commencement date for any legislation to take effect is not determined by this entity. However, the Honourable Attorney General will take up the matter with Cabinet and a more substantive response provided at a later stage.

The Deputy Governor supports this as the appropriate way forward.

I apologise for the delay in providing this response.

With kind regards
Gloria

Gloria McField-Nixon
Acting Deputy Governor

Attorney General's Chambers

Fourth Floor – Govt. Administration Building
133 Elgin Avenue

George Town
Box 136
Grand Cayman KY1-9000
Cayman Islands

Phone: (345) 946-0022

15 February 2022

The Chairman
Standing Public Accounts
House of Parliament
33 Fort Street, PO Box 890
Grand Cayman KY1-1103
Cayman Islands

Via email to susan.burke@parliament.ky

Dear Sir,

Re: Public Accounts Committee Follow-Up on Recommendations per the Auditor General's Report *Follow-up on past PAC recommendations 2022 – Report 1 (January 2022)*

I refer the letter of the Chairman of the Public Accounts Committee dated 1 February 2022 in respect of the above.

As per the Chairman's request, my responses to the specific recommendations of the Auditor General identified in his letter are set out below:

***Recommendation 13**: The Government should develop clear policies and procedures for extending contracts*

This recommendation was made in the context of the procurement policies and manuals which, it was stated, did not make specific provision for the procedures and processes that should be followed when contracts are to be extended.

Insofar as this matter relates to procurement generally which falls under the remit of the Ministry of Finance and Economic Development, we are awaiting their instructions on whether a policy has been adopted (or proposed) in this regard and in respect of which the input of Chambers is or will be sought. The Chambers stands ready to assist once it has been so instructed.

Appendix 3: ***Fighting Corruption in the Cayman Islands (November 2018)***

Recommendation 13*: All future legislation that carries a clause to bring the law into effect by order in Cabinet to have a date by which the law should come into effect (PAC recommendation)*

It would not be appropriate (or feasible) for the Chambers to give a commitment of this nature since the commencement date for any legislation to take effect is not determined by this entity. However, the Honourable Attorney General will take up the matter with Cabinet and a more substantive response provided at a later stage.

Yours faithfully,

Reshma Sharma QC
Solicitor General/Chief Officer
Portfolio of Legal Affairs

cc: Deputy Governor
Financial Secretary

From: McField, Gloria
Sent: Tuesday, February 15, 2022 6:46 PM
To: Burke, Susan <Susan.Burke@parliament.ky>
Cc: Roy McTaggart <roy@mctaggart.ky>; Roy McTaggart <roymctaggart@gmail.com>; McTaggart, Roy <Roy.McTaggart@parliament.ky>; Knight, Lauren <Lauren.Knight@gov.ky>; Manderson, Franz <Franz.Manderson@gov.ky>; Jefferson, Kenneth (Financial Secretary & Chief Officer) <Kenneth.Jefferson@gov.ky>; Tibbetts, Matthew <Matthew.Tibbetts@gov.ky>; Rodrigues, Mary <Mary.Rodrigues@gov.ky>
Subject: RE: PAC Follow-up Letter

Dear Ms. Burke,

It was a pleasure to have met you at the recent Meeting of Parliament, convened in tribute to Her Majesty the Queen's Platinum Jubilee. As previously agreed, I hereby provide the response to Recommendation #2 of the OAG Report on Government's Use of Consultants and Temporary Staff. Specifically, the PAC sought an answer to the following:

> *Recommendation 2: The Government should better plan for its use of consultants and integrate this with its workforce planning and budgeting processes.*
> *Please provide a response to the OAG's recommendation that the Government improve its planning on the use of consultants, and advise what progress has been made with regard to planning and projecting the need for consultants in relation to workforce planning.*

In considering the future needs of the organisation, significant investments have been made in recent years to enhance the Civil Service's internal capacity to respond to the challenges confronting the Cayman Islands and by extension the Cayman Islands Government. These investments have come in the form of additional hiring to fill vacancies in places with heavy demands for government services, increased mobility of civil service talent through greater use of secondments and transfers, and increased training and development to enhance organizational skillsets in areas like leadership, change management, project management, business case writing and risk management. We have also increased centralised capacity in the areas of organizational development and internal consultancy, which supports the wider civil service.

As a result of these combined investments and significant employee engagement, the Civil Service has and is capably delivering the Government's policy initiatives to manage the country's response to the COVID-19 pandemic. We have done so without the use of external consultants. This is a testament to the internal capacity that has been built to lessen our reliance on external consultants, even where the extent of the challenge could not have reasonably been foreseen.

Having said that, there is still much work in train. CIG is simultaneously improving its business processes and management systems, to lay the foundation for fully integrated workforce planning which is better reflected in departmental and CIG-wide plans and budgets.

It is noted that workforce planning is the subject of a separate OAG Report. In that report, the original PoCS management response indicated that a 3-year period (i.e. 2020-2022) is the timeframe within which Chief Officers and Heads of Department would develop and adopt workforce plans on a rolling basis. It also cited that PoCS would address central workforce plans by December 2023. At the time of the bespoke audit, a readiness assessment on workforce planning was undertaken to be carried out and

has since been delivered. We acknowledge some time has been lost over the past two years as the civil service collectively focused on its response to the pandemic. Even so, the original response to the recommendations recognized that it would require several years to put the foundations in place and to produce an integrated plan reflective of the needs of each department. One crucial enabler identified during the initial assessment of CIG's readiness for workforce planning, is the adoption of an integrated HR management system that would support talent management. This significant initiative is currently being rolled out across CIG and planning is currently underway to similarly modernise CIG's HR service model, policies and practices.

We therefore request that this response be noted, the recommendation closed and that the Management Response provided in the bespoke Workforce Planning and Management Audit, be the one to which official responses will be provided in future. We believe that such an approach will mitigate the risk of significant duplication of efforts that is otherwise likely to result. This is our recommendation only and we are always respectfully guided by the decisions of the PAC on such matters.

Yours sincerely,

Gloria McField-Nixon, Cert. Hon., JP
Chief Officer, Portfolio of the Civil Service
Cayman Islands Government
133 Elgin Avenue | Government Administration Building | PO Box 117 | Grand Cayman KY1-9000 | CAYMAN ISLANDS
Email: gloria.mcfield@gov.ky | Tel: 244-2376

CAYMAN ISLANDS GOVERNMENT

GOVERNMENT ADMINISTRATION BUILDING
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Cayman Islands Government

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
OFFICE OF THE FINANCIAL SECRETARY

16 February 2022

Hon Roy M McTaggart, JP, MP
Chairman
Standing Public Accounts Committee
House of Parliament
33 Fort St, PO Box 890
Grand Cayman KY1-1103

Dear Mr McTaggart

Public Accounts Committee Follow-up on Recommendations per the Auditor General's Report *"Follow-up on past PAC recommendations 2022 – Report 1 (January 2022)"*

Pursuant to your 1 February 2022 letter with respect to the above caption, please find below and on the following pages, my response to the request for further information from the Public Accounts Committee (PAC).

Appendix 1: The Government's Use of Consultants and Temporary Staff (February 2018)

- ***Recommendation 1***: The Government should monitor its spending on consultants and temporary staff to provide management information that will help inform decisions on how to best obtain the skills and knowledge that it needs while obtaining value for money.

    - The Ministry of Finance and Economic Development (MFED) has not started regular reporting on Government's spending on consultants and temporary staff. However, the MFED expects to be able to start this reporting in Government's 2nd Quarterly Report for 2022 with the assistance of the Portfolio of the Civil Service. This information will also be sent to the Central Procurement Office (CPO) so that a "deep dive" can be performed to determine if efficiencies and further value for money can be achieved.

- ***Recommendation 2:*** The Government should better plan for its need for consultants and integrate this planning with its workforce planning and budgeting processes.

    - In considering the future needs of Government, significant investments have been made in recent years to enhance the Civil Service's internal capacity to respond to the challenges confronting the Cayman Islands and by extension, the Government. These investments have come in the form of additional hiring to fill vacancies in places with heavy demands for government services, increased mobility of Civil Service talent through greater use of secondments and transfers, and increased training and development to enhance organisational skillsets in areas like leadership, change management, project management, business case writing and risk management. Increased centralised capacity has occurred in the areas of organisational development and internal consultancy, which supports the wider Civil Service.

      As a result of these combined investments and significant employee engagement, the Civil Service has capably delivered the Government's policy initiatives to manage the Islands' response to the global COVID-19 pandemic, and done so without the use of external consultants. This is one example of the capacity that has been built to lessen reliance on external consultants.

      Having said that, there is still much work in train. Government is simultaneously improving its business processes and management systems, to lay the foundation for fully integrated workforce planning which is better reflected in departmental and Government-wide budgets.

      It is noted that workforce planning is the subject of a separate OAG Report. In that report, the original management response from the Portfolio of the Civil Service (PoCS), indicated that a 3-year period (i.e. 2020-2022) is the timeframe within which Chief Officers and Heads of Department would develop and adopt workforce plans on a rolling basis. It also cited that PoCS would address central workforce plans by December 2023. At the time of the bespoke audit, a readiness assessment on workforce planning was undertaken to be carried out and has since been delivered. It is acknowledged some time has been lost over the past two years as the Civil Service collectively focused on its response to the pandemic. Even so, the original response to the recommendations recognised that it would require several years to put the foundations in place and to produce an integrated plan reflective of the needs of each Government department. One crucial enabler identified during the initial assessment of Government's readiness for workforce planning, is the adoption of an integrated HR management system that will support talent management. This significant initiative is currently being rolled out across Government and planning is currently underway to similarly modernise Government's HR service model, policies and practices.

      As a result of the preceding, it is requested that this response be noted, that the recommendation be considered closed and, that the Management Response provided in the bespoke Workforce Planning and Management Audit, be the one to which official responses will be provided in future.

      The Ministry of Finance stands ready to include workforce planning in the budget process once such plans are finalised.

- ***Recommendation 13:*** The Government should develop clear policies and procedures for extending contracts.

    - The CPO has produced clear policies and guidelines for extending contracts. These have been published on the Cayman Islands Government's procurement website, at: https://www.procure.gov.ky/procurement-legislation-policy-amp-guidancehe.

    - The MFED does not have the information available on hand on the current number and value of all Government contracts that have been extended without procurement. However, MFED has commenced an exercise (15 February 2022) to obtain this information by 30 June 2022.

Appendix 2: The Government's Use of Outsourced Services (June 2019)

- ***Recommendation 2:*** The Government should, as soon as possible, update the Financial Regulations to rectify any inconsistencies with the Procurement Regulations.

    - The Financial Regulations have been updated to rectify the inconsistences with the Procurement Regulations. The following has occurred:
        - 29 September 2021 – the Financial (Amendment) Regulations, 2021 and Procurement (Amendment) Regulations, 2021 were Gazetted via Gazette No. 54 of 2021; and
        - 8 October 2021 – The Procurement (Amendment) Bill, 2021 was Gazetted via Gazette No. 54 of 2021.

- ***Recommendation 8:*** The Government should look at options to centrally procure and contract out similar type of services in order to make better use of its collective buying power, while meeting other policy objectives such as supporting small and medium-sized companies.
    - The CPO has provided support for the procurement of outsourced services such as Mobile Telephony Services, Document Scanning and Cataloguing Services, Global Cyber Threat Intelligence Services and Human Resources Management System.

    - The CPO's approach is that when an entity procures services that can be beneficial across the entire public sector, the CPO will support that procurement to be accessible to all other entities either by converting the procurement to a framework agreement or enabling access to all entities of the final contract for that service.

    - The CPO has produced guidance on framework agreements which is available on the Cayman Islands Government's procurement website, at: https://www.procure.gov.ky/procurement-legislation-policy-amp-guidance.

Yours sincerely

Kenneth Jefferson JP
Financial Secretary

cc Deputy Governor
Chief Officer, Portfolio of the Civil Service
Deputy Auditor General (Performance Audit)

I:\public accounts committee (pac)\follow-up on pac past recommendations (re oag follow-up report in january 2022).docx

From: Bashir, Taraq
Sent: Tuesday, February 15, 2022 4:54 PM
To: Burke, Susan <Susan.Burke@parliament.ky>
Cc: Roy McTaggart <roy@mctaggart.ky>; roymctaggart@gmail.com; McTaggart, Roy <Roy.McTaggart@parliament.ky>; Rodrigues, Mary <Mary.Rodrigues@gov.ky>; Harrison, Mark <Mark.Harrison@gov.ky>; Manderson, Franz <Franz.Manderson@gov.ky>; Jefferson, Kenneth (Financial Secretary & Chief Officer) <Kenneth.Jefferson@gov.ky>; Cullen, Angela <Angela.Cullen@oag.gov.ky>
Subject: RE: PAC Follow-up on Recommendations per Auditor General's Report

Thank you for the acknowledgement Susan,

Could you please also advise the Committee that the procurement framework established for a Human Resources System was utilized by the Health Services Authority from which they achieved a saving of $1.2m compared to their alternative solution.

The framework agreement for the Stationery, Office Supplies and related items is being utilized by over 75 departments from across the Cayman Islands Public Sector and helping deliver savings in public expenditure of $350,000 per year.

Many Thanks
Taraq

Taraq Bashir BSc, MCIPS, CEng | Director | +1-345-244-2235 |cell: +1-345-326-3567 |
133 Elgin Ave | P.O. Box 131 |Grand Cayman |KY1-9000 | Cayman Islands

https://www.procure.gov.ky/
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Procurement Manual | Procurement Process Guide | Bonfire Assistance

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From: Burke, Susan
Sent: Tuesday, February 15, 2022 4:32 PM
To: Bashir, Taraq <Taraq.Bashir@gov.ky>
Cc: Roy McTaggart <roy@mctaggart.ky>; roymctaggart@gmail.com; McTaggart, Roy <Roy.McTaggart@parliament.ky>; Rodrigues, Mary <Mary.Rodrigues@gov.ky>; Harrison, Mark <Mark.Harrison@gov.ky>; Manderson, Franz <Franz.Manderson@gov.ky>; Jefferson, Kenneth (Financial Secretary & Chief Officer) <Kenneth.Jefferson@gov.ky>; Cullen, Angela <Angela.Cullen@oag.gov.ky>
Subject: RE: PAC Follow-up on Recommendations per Auditor General's Report

Good afternoon Mr. Bashir,

On behalf of the Hon. Chairman of the PAC and the Committee Members, thank you for providing your detailed responses and feedback to the requests from the letter of February 1st.

I will provide the Committee with a copy of the below and your attachments for their information and records.

Kind regards,
Susan

Susan K. Burke
Parliamentary Procedural Clerk
Parliament of the Cayman Islands

House of Parliament Building
P.O Box 890 | 33 Fort Street, George Town
Grand Cayman KY1-1103 | CAYMAN ISLANDS
Direct: 345-244-5614 | Main: 345-949-4236
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_____
From: Bashir, Taraq
Sent: Tuesday, February 15, 2022 12:43 PM
To: Roy McTaggart <roy@mctaggart.ky>; roymctaggart@gmail.com; McTaggart, Roy <Roy.McTaggart@parliament.ky>
Cc: Burke, Susan <Susan.Burke@parliament.ky>; Rodrigues, Mary <Mary.Rodrigues@gov.ky>; Harrison, Mark <Mark.Harrison@gov.ky>; Manderson, Franz <Franz.Manderson@gov.ky>; Jefferson, Kenneth (Financial Secretary & Chief Officer) <Kenneth.Jefferson@gov.ky>; Cullen, Angela <Angela.Cullen@oag.gov.ky>
Subject: PAC Follow-up on Recommendations per Auditor General's Report

Good Afternoon Hon. Chairman of the Public Accounts Committee,

Thank you for your letter dated 1st February 2022 requesting follow-up information on two recommendations as per the Auditor General's report of January 2022. I am pleased to have the opportunity to provide you with the information requested.

I would like to particularly thank you and members of the PAC for showing your appreciation of the work carried out by the Central Procurement Office (CPO) in helping to improve Government's procurement processes.

Recommendation 13: The Government's Use of Consultants and Temporary Staff (February 2018)

The original recommendation from the Office of the Auditor General's Office (OAG) is as follows:
"The Government should develop clear policies and procedures for extending contracts"

The original recommendation was not directed to me and since receipt of your letter, the CPO has produced clear policies and guidelines for extending contracts. These have been published on the

Cayman Islands procurement website here: https://www.procure.gov.ky/procurement-legislation-policy-amp-guidance

A copy is also attached for your reference. This should close out the original recommendation as being completed.

The follow up comment from the OAG is as follows: ***We are aware from other audits (financial and performance) that a number of contracts continue to be extended. The PAC may wish to ask for an update on the current number and value of all government contracts that have been extended without procurement and the reasons for extending them.***

The responsibility for entering into contracts on behalf of their entity, as set out in the Cayman Islands Procurement Act (Schedule 6), rests with the Chief Officers and Chief Executive Officers of Core Government and Public Sector entities. A contract extension without procurement would be non-compliant with the procurement Act and regulations. Unless an entity approaches the CPO for advice on how they can carry out a compliant procurement process, the CPO would not be aware of or have any knowledge of contract extensions without procurement. Procurements where advice has been sought from the CPO after contracts having expired include Pharmaceutical Supplies, School Bus Services and also the Iguana Culling contract.

The OAG may wish to deal with non-compliant contract extensions within the financial and performance audits in which they have been identified.

Recommendation 8: The Government's Use of Outsourced Services (June 2019).

"Please advise on the status of plans to support core government with centrally procuring outsourced services, such as framework agreements or other opportunities for Government-wide contracts for services. We would be grateful for details as to how the CPO and the MFED team are implementing a centralized procurement of services across all government units"

The CPO has produced guidance on framework agreements which is available on the Cayman islands Government procurement website here: https://www.procure.gov.ky/procurement-legislation-policy-amp-guidance A copy is also attached for reference. The CPO's approach is that when an entity procures services that can be beneficial across the entire public sector, the CPO will support that procurement to be accessible to all other entities either by converting the procurement to a framework agreement or enabling access to all entities of the final contract for that service.

Examples include Mobile Telephony Services, Document Scanning and Cataloguing Services, Global Cyber Threat Intelligence Services and Human Resources Management System.

I would be very happy to provide any further information you require.

Kind Regards
Taraq

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From: Burke, Susan
Sent: Wednesday, February 2, 2022 5:04 PM
To: Taraq.Bashir@gov.ky
Cc: roy@mctaggart.ky; roymctaggart@gmail.com; Roy.McTaggart@parliament.ky
Subject: PAC Follow-up Letter

Good afternoon Mr. Bashir,

On behalf of the Public Accounts Committee (PAC) and the Hon. Chairman Roy McTaggart, please find attached a letter for your review and response.

This letter is in regard to the Committee's follow-up on recommendations from the Auditor General's Report "*Follow-up on past PAC recommendations 2022 – Report 1 (January 2022)*". For a link to the report on the Auditor General's website, please click here.

A hard copy of the original signed letter has been sent to your attention as well.

We look forward to receiving your response and input, which can be sent to my email address directly in order to be shared with the Committee.

Thank you and best wishes,

Susan K. Burke
Parliamentary Procedural Clerk
Parliament of the Cayman Islands

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Contract Variation Policy

A successful procurement will result in a contract for the provision of the stated deliverables. Occasionally, a need may arise for adjustments to a contract for a variety of reasons and can result in changes to:

- Project Scope i.e. what is being done
- Methodology i.e. the way things are done
- Standards i.e. quality of work
- Volume of work i.e. increase/decrease in existing scope
- Term i.e. the length of the contract

Modifications can increase, decrease or have no impact on the value of the contract. Modifications call also impact contract performance positively or negatively based on the nature of the change. Important aspects to consider are:

1. Does the change in value result in the procurement threshold being surpassed? e.g. if the contract was originally less than $250,000 but this modification results in the contract being greater than $250,000.

2. Where the contract scope is being changed, does this make the contract materially different from the scope approved in the business case?

3. Is the total value of the change(s) over 15% from the original contract value?

4. Is the modification being requested by the vendor and was the modification related to an item that was required/included in the tender documents?

If the answer to any of the above is “Yes”, a contract modification may not be appropriate. If the answer to question 4 is yes, then the responsibility for and cost of the modifications should be the vendors in most instances. If the answer to questions 1, 2 & 3 are yes, a new procurement may need to be conducted for the provision of the changes. In order to determine this, please consider the following:

1. Do any of the direct award justifications, under regulation 5 of the Procurement Regulations apply to the modification? If yes, which one and why?
    - If a direct award is applicable, a contract modification would be appropriate.

2. Would the introduction of another vendor, via a competitive procurement for the additional scope, have a negative impact on the completion of the existing contract? If yes, how?

If the answer both of the above is "No", then it is likely that a new competitive process, in line with the estimated value of the modification, should be carried out.

Contract Extensions

Contract lengths are to be included in the procurement documentation when the contract is being tendered, in the case of a competitive procurement, or when they are being negotiated, in the case of direct awards.

Any contract extension options should also be made clear at this stage so that the maximum contract length and associated value can be determined in order for the correct procurement route to be determined and followed. There should be no contract extensions beyond the maximum agreed term and where necessary, a new procurement should be initiated with sufficient lead time to enter into a new contract.

There is one (1) exemption to the contract extension policy and it is as follows:

1. An emergency situations as described in the Procurement Act occurs. In these scenarios, existing or expired contracts can be utilised beyond an expiration date until the emergency is averted. This exemption is in place to allow CIG to utilise proven providers in emergency situations to give the best chance for remedying the situation efficiently and effectively.

Contract Modification/Extension Approval Procedure

All contract modifications should be approved by the Chief Officer/Chief Executive Officer (or equivalent). The answers to the above questions should be submitted with the justification for the modification. Where the extension is based on an emergency situation, as described in the Procurement Act, a summary of the emergency situation must be included.

Contract Modification Reporting Procedure

Any modifications, both individually or cumulatively, **that result in an increase of contract value over 15% from the original value** should be reported to the CPO and relevant procurement process approval committee i.e. the Entity Procurement Committee (EPC) or Public Procurement Committee (PPC) at the next available meeting. Documenting and learning from these modifications is key to improving the quality of tender documents and other future procurement process elements.

Framework Agreements in the Procurement Process

This guide outlines the proper use and benefits of incorporating framework agreements into the procurement process and how to undertake the process effectively. Including Framework Agreements into an organization's procurement arsenal adds a level of flexibility and agility to their capabilities that is not typically achievable with the standard procurement options.

Using this guide

This guide accompanies the Cayman Islands Government (CIG)'s procurement law and regulations. Refer to the Central Procurement Office's policies for mandatory requirements. Visit the CIG's Central Procurement Office website at www.procure.gov.ky.

Associated Guidance Material – Procurement Manual

What is a Framework Agreement?

A Framework Agreement is a means of contracting for specific works, goods or services that are not related to a specific project but are needed by an organization to support its operations and are expected to arise on an indefinite or repeated basis. Framework Agreements are a basic arrangement with a vendor or multiple vendors to supply their good and services under a predetermined pricing structure and on the specified terms and conditions within a specified period of time.

This guide assists practitioners in determining how and when framework agreements may be a viable option for their contracting needs and details how the system can benefit an organization's broader objectives.

Benefits

The use of a framework agreement can be beneficial for all parties. For the supplier, a framework agreement may:

- Reduce the administrative cost associated with bidding for projects;
- Provide surety to them through longer than usual term agreements; and
- Create a sustainable investment and employment environment.

For the government, a framework may:

- Reduce the time spent on developing procurement documents for similar products or services;
- Provide faster access to products or services; and
- Improve the consistency in the quality of supply and supplier relations in the long term;

The Use of Framework Agreements

A framework agreements should be used where an entity has a repeated requirement for works, services or supplies but the exact quantities are unknown. Frameworks are generally more suited to the procurement of commodities and non-complex purchases where the specifications for the products or services being procured are straightforward.

Every framework agreement should clearly outline the scope under which the framework will and will not be utilised. Solicitation documents released should outline at minimum the:

- Specifications of the products and/or services required;
- Estimated quantity of the product and service needed over the term of the agreement;
- The maximum number of vendors the framework will allow;
- Terms and Conditions for supply; and
- How contracts will be awarded during the term of the agreement.

It is important to keep in mind that the use of framework agreements must not be made in such a way as to prevent, restrict or distort competition.

Structure of a Framework Agreement

Depending on the size of the market related to the procurement, framework agreements can take many forms. A framework agreement may take any of the following structures:

- 1 Contracting Entity and 1 Vendor
  - ❖ Used where the needs of an entity are very specific and the options for vendors are limited.
- 1 Contracting Entity and Multiple Vendors
  - ❖ Used where the needs of an entity are very specific and the options for vendors are plentiful.
- Multiple Contracting Entities and 1 Vendor
  - ❖ Used where the needs of various entities are shared and the options for vendors are limited.
- Multiple Contracting Entities and Multiple Vendors
  - ❖ Used where the needs of various entities are shared and the options for vendors are plentiful.

Suppliers should be made aware of which frameowrk structures is being utilised in the solicitation documents. Where a mutli-vendor framework is used, it is also important to clearly define how contracts will be awarded during the agreement. It is essential to plan and structure the framework agreements as accurately as possible from the beginning

because new contracting entities, vendors, goods or services should not be added to it after it is established and there should be no substantial amendments to the terms and conditions or supply. The term of the agreement is also key to the success of framework agreements as too short of a time will defeat the purposes but too long of a time could restrict competition in the market or prevent new solutions from being explored during the term, especially in technology related tenders.

Managing Framework Agreements

Supplier engagement is an important element in contract management. Working collaboratively with a supplier will give the organization a better understanding of the supply chain and any issues or risks impacting the supply chain. For the supplier, open communication will give them a better understand of the organization's business needs and may contribute to improvements in business efficiency, drive innovation and/or identify service delivery opportunities.

Contract managers should implement strategies to capture information from suppliers to feed into future procurement arrangements. This will ensure that procurement is being considered as a cycle, rather than a one-off end-to-end process. Contract managers should be clear with the vendors on what key performance indicators are being used to track their performance. Where multiple vendors are included in a frame work agreement, these KPI's can be included in the decision-making process of deciding which vendors are selected for supply throughout the term of the agreement.

Examples of Framework Agreements

- A single government department enters into a framework agreement for stationery with three suppliers.

- Four departments enter into a framework agreement with one vendor for the maintenance of roads.

- A central purchasing body, acting on behalf of 3 emergency services bodies, enters into a framework agreement with four providers for the supply of emergency vehicles.