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:
Follow-up on past PAC Recommendations 2022 – Report 2
(February 2022)

Laid on the Table of Parliament on this day of 2022

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 5

9. GOVERNMENT MINUTE 5

10. PAC RECOMMENDATIONS 5

ACKNOWLEDGEMENTS 8

REPORT OF THE COMMITTEE TO THE HOUSE 9

REPORT OF THE STANDING PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE OFFICE OF THE AUDITOR GENERAL "FOLLOW-UP ON PAST PAC RECOMMENDATIONS 2022 – REPORT 2 (FEBRUARY 2022)"

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:

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

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:

Follow-up on past PAC Recommendations 2022 – Report 2 (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
- Hon. Katherine A. Ebanks-Wilks, MP
- Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP
- Ms. Barbara E. Conolly, JP, 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:

- 28th February, 2022 *(Administrative Meeting)*
- 10th May, 2022 *(Administrative Meeting)*
- 25th May, 2022 *(Hearing)*
- 22nd June, 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. PERSONS IN ATTENDANCE

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

- Ms. Angela Cullen – Deputy Auditor General (Performance Audit), Office of the Auditor General
- Mr. Adrian Murenzi – Audit Manager (Performance Audit), 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

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 **25th May, 2022:**

- Mr. Kenneth Jefferson – Financial Secretary / Chief Officer, Ministry of Finance and Economic Development
- Mr. Michael Nixon – Senior Assistant Financial Secretary, Ministry of Finance and Economic Development
- Mr. Charles Clifford – Director of Customs and Border Control, Ministry of Border Control & Labour
- Mr. Wesley Howell – Chief Officer, Ministry of Border Control & Labour
- Mr. Tristan Hydes – Acting Chief Officer, Ministry of Planning, Agriculture, Housing & Infrastructure
- Mr. Troy Whorms – Acting Director, Public Works Department, Ministry of Planning, Agriculture, Housing and Infrastructure
- 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. 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.

10. PAC RECOMMENDATIONS

On review of the Office of the Auditor General's Report ***Follow-up on past PAC Recommendations 2022 – Report 2 (February 2022)*****,** and on critical analysis of witness testimonies and deliberations amongst the Committee Members, the PAC endorses and supports the recommendations made by the Office of the Auditor General in the Report.

The PAC makes the following additional observations and recommendations:

Appendix 1 – Major Capital Projects Follow Up

1. *Appendix 1, Recommendation 12*: The Committee heard that the Financial Secretary met with both the Director of the Central Procurement Office, and the Attorney General, to discuss this recommendation from the Report. The outcome of the discussions was that the recommendation would not be accepted for the reason that there is no clear demonstrated benefit for requiring authorization from the Portfolio of Legal Affairs. It was explained that the Procurement Act requires rigorous layers of approvals for major capital projects.

    - The PAC acknowledges the response and closes the recommendation.

2. *New Recommendation:* The Committee heard from the Ministry of Planning, Agriculture, Housing and Infrastructure (MPHAI) that it aims to complete a review and update of the framework for major capital projects by the end of June 2022. The Committee welcomed this. However, the Acting Chief Officer of the Ministry also stated that he was unclear on the extent to which all Ministries and Statutory Authorities and Government Companies (SAGCs) were applying the framework and could only provide assurances for his Ministry.

He also stated that the Major Projects Section has service level agreements with any SAGCs outside the Ministry where it is providing support for major capital projects. The Deputy Auditor General clarified that in response to the OAG's original report in October 2017, the Deputy Governor had issued a policy directive in January 2018 to all Chief Officers and Chief Executive Officers of SAGCs that they were expected to apply the governance framework and use the services of the Major Projects Office (now Major Projects Section) for all capital projects valued at $10 million or more. The Committee was concerned that due to the passage of time, and turnover in top level management, Chief Officers and Chief Executive Officers may not be aware of this directive, and not engage the services of the Major Projects Section or apply appropriate governance arrangements for major capital projects.

- **The PAC recommends that the Deputy Governor remind all Chief Officers and Chief Executive Officers of SAGCs of his 2018 policy directive that all major capital projects (valued at $10 million or more) should adhere to the governance framework for major capital projects and that all major capital projects are managed by the Public Works Department's Major Projects Section.**

3. *New Recommendation:* The PAC heard from the Ministry of Planning, Agriculture, Housing and Infrastructure that recruitment for the post of Director of the Public Works Department was ongoing. The Committee welcomed this but was concerned that the Chief Project Manager post remained vacant, albeit with a capable Caymanian acting in post. Given the importance of the Chief Project Manager's role in providing oversight and technical and specialist expertise, and the large number of major capital projects currently in progress or due to start soon, the Committee believes this post needs to be filled as soon as possible.

    - **The PAC recommends that the Ministry of Planning, Agriculture, Housing and Infrastructure commences the recruitment for a suitably qualified Chief Project Manager, for the Major Projects Section, as soon as possible, and aim for the post to be filled by the end of 2022 at the latest.**

Appendix 2 – Customs in the Cayman Islands

4. *Appendix 2, Recommendation 3:* The Committee heard from the Director of Customs and Border Control (CBC) that the agency has doubled in size since the initial report referenced in the appendix was made in May 2019, but that the number of employees in the Human Resources (HR) department remained the same. The Director noted that additional HR staff have recently been hired, and that he expects that a workforce plan will be in place by the end of the year, once it has been aligned with the unit's strategic priorities.

    - The PAC acknowledges the response and keeps the recommendation open. The Committee looks forward to seeing the workforce plan in place by the end of 2022.

5. *Appendix 2, Recommendation 6:* The Committee heard that there is still much to be done by the CBC in developing and implementing Workplace Rules, though some work is underway and it is looking at a more comprehensive review of this area and should have made substantial progress within the next four months.

    - The PAC acknowledges the Director's response and looks forward to seeing substantial progress in the development and implementation of Workplace Rules by the end of the year.

6. *Appendix 2, Recommendation 7:* The Committee heard the contextual reasons for the discrepancy in original cost from the I.T. modernization project, namely that the merger of departments from different Ministries also meant additional complex components were required for the project, for both customs and immigration requirements. The Director of the CBC added that the final cost is estimated to be $2.5M with $1.25M already budgeted for, but that the potential value of this customized product, which Cayman will own and control, could be significant as it could be purchased and used by other countries.

    - The PAC thanks the Director and his team, including Mr. Kevin Walton, and looks forward to seeing the finalization of the project by the end of the 1st Quarter of 2023.

7. *Appendix 2, Recommendation 10:* The Committee heard that there had not been any large development concessions awarded in recent years, and that the approval letters specify the required details when they are awarded.

    - The PAC acknowledges the Senior Assistant Financial Secretary's response and closes the recommendation.

8. *Appendix 2, Recommendation 13:* The Committee heard evidence from the Financial Secretary that the Ministry of Finance and Economic Development has now started to report on foregone revenues through the unaudited quarterly finance reports. However, the Financial Secretary stated that the figure includes only those revenue concessions awarded by the Ministry of Finance as he does not have information on revenue concessions awarded by other Ministries across government. The Financial Secretary also stated that he believes that the figure is understated and that Customs and Border Control should be able to provide information on foregone revenues from duty concessions. The Director of Customs and Border Control confirmed in his evidence that CBC collects and reports information on foregone revenues from duty concessions. The Financial Secretary stated that his Ministry will continue to work on improving the accuracy of foregone revenues as part of reporting the 'tax gap' as previously recommended by the Auditor General, but needs information from others to achieve this. The Committee welcomes the reporting of foregone revenues in the unaudited quarterly finance reports and acknowledges that this is work in progress.

    - **The PAC recommends that all Ministries, Portfolios and Offices of the Government share information, as part of their routine month-end reporting,**

on all revenue concessions awarded and the resulting revenues foregone, with the Ministry of Finance to allow more accurate reporting of the 'tax gap'.

9. *Appendix 2, Recommendation 20:* The Committee heard, when taking evidence relating to the previous PAC recommendation to amend the basis for calculating duty on alcohol, that there is a presumption that duty receivable would be higher if based on value rather than volume, but this may not be the case. In its questioning, the Committee established that no analysis has been done to compare volume and value of alcohol imported and how this might affect duty receivable. The Committee believes that such an analysis is needed to inform any decision on the future implementation of the previous PAC recommendation.

    - **The PAC recommends that the Ministry of Finance and Economic Development, working with others as necessary, analyses historical information on alcohol imported, comparing volume and value to determine any difference in the duty receivable. This analysis should then be used to inform any decision Cabinet may make on whether to change the basis for alcohol duty.**

10. *New Recommendation:* The Committee heard evidence from the Ministry of Finance and Economic Development that some concessions are awarded with conditions relating to employing Caymanians. However, these do not generally state that the concession recipient must employ Caymanians as a condition of receiving the concession. The Ministry also stated that if such a condition exists, the concession recipient is required to report how many Caymanians it employs to the Department of Labour and Pensions. However, the Ministry was aware of only one employer doing this. The Committee believes that the employment of Caymanians should be routinely considered when awarding concessions and a specific condition that the recipient must employ Caymanians is included in award letters.

    - **The PAC recommends that the Government includes stricter conditions of concession to insist upon the employment of Caymanians when awarding concessions to developers and other employers.**

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:

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

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

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

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

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

Parliament of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES of Meeting with Witnesses
Wednesday, 25th May 2022 at 9:35 am
Chamber, House of Parliament

OAG REPORT "FOLLOW-UP ON PAST PAC RECOMMENDATIONS 2022 – REPORT 2 (FEBRUARY 2022)"

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. Isaac D. Rankine, MP – Member
Mr. Dwayne S. Seymour, JP, MP – Member

PAC Members Absent:

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

PAC Clerk:

Ms. Susan K. Burke

Attendees:

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

Mr. Adrian Murenzi – Audit Manager (Performance Audit)

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

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

Apologies:

Mrs. Sue Winspear – Auditor General

Witnesses:

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

Mr. Michael Nixon – Senior Assistant Financial Secretary, Ministry of Finance and Economic Development

Mr. Charles Clifford – Director of Customs and Border Control, Ministry of Border Control & Labour

Mr. Wesley Howell – Chief Officer, Ministry of Border Control & Labour

Mr. Tristan Hydes – Acting Chief Officer, Ministry of Planning, Agriculture, Housing & Infrastructure

Mr. Troy Whorms – Acting Director, Public Works

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 (PAC) Meeting to order at 9:35 am.

2. Welcome and Report of the Auditor General

The Chairman gave a brief welcome to Members of the Committee and Attendees and thanked them for attending the Public Accounts Committee (PAC) Hearing.

The Chairman invited PAC Member, Mr. Isaac Rankine, to begin proceedings with a prayer.

The Chairman acknowledged receipt of apologies from PAC Member the Hon. Katherine A. Ebanks-Wilks, and from Mrs. Sue Winspear, Auditor General, who was unwell.

The Chairman stated the purpose of the Hearing was to examine the Office of the Auditor General's (OAG) report, *Follow-up on past PAC Recommendations 2022 – Report 2 (February 2022)*. The Chairman noted that the morning session would focus specifically on Appendix 2– *Customs in the Cayman Islands (May 2019)*, and recused himself from questioning witnesses for the morning session given he was the relevant Minister at the time.

The Chairman invited the Deputy Auditor General (Performance Audit), to make an opening statement and present the OAG report.

The Deputy Auditor General (Performance Audit) introduced herself and Mr. Adrian Murenzi – Audit Manager (Performance Audit), and presented the OAG Report.

The Chairman provided a preamble to Appendix 2 before welcoming the first witnesses: Mr. Kenneth Jefferson, accompanied by Mr. Michael Nixon.

The Chairman invited the Members to question the witnesses, and reminded the witnesses to state their name and title before responding to the first question.

Discussion ensued.

Mr. Jefferson **provided** the Committee with the draft of the Revenue Concessions Policy that is being developed in tandem with the Caucus' sub-committee, and a document with a chronological listing of efforts to finalize the policy.

Mr. Jefferson also **undertook** to liaise with the Caucus to recommend changing the Customs Tariff Act, which can be changed by the Cabinet as opposed to Parliament, should the data indicate that basing alcohol and duty rates on value rather than volume would be of greater benefit.

Before departing, the Chairman thanked the witnesses on behalf of the Committee for attending the Hearing.

The Chairman welcomed the second witness, Mr. Charles Clifford, and asked him to state his name and title for the record before answering the first question addressed to him.

The Chairman invited Members to question the witness.

Discussion ensued.

Before departing, the Chairman thanked the witness on behalf of the Committee for attending the Hearing.

The Chairman welcomed the third witness, Mr. Wesley Howell, and asked him to state his name and title for the record before answering the first question addressed to him.

The Chairman invited Members to question the witness.

Discussion ensued.

Mr. Howell **undertook** to ensure the year-end timeframe is met.

Before departing, the Chairman thanked the witness on behalf of the Committee for attending the Hearing.

The Chairman noted that the morning session was thus concluded and thanked the Members, witnesses, and the OAG for attending the session.

The Chairman suspended proceedings at 12:25 pm.

Proceedings resumed at 1:15 pm.

The Chairman provided a preamble to Appendix 1 of the OAG Report (Major Capital Projects Follow Up (October 2017)).

The Chairman welcomed the first witness of the afternoon session, Mr. Tristan Hydes, accompanied by Mr. Troy Whorms, and asked them to state their name and titles before responding to the first question.

The Chairman asked the first question to the witnesses and then invited Members to offer their questioning.

Discussion ensued.

Mr. Troy Whorms **undertook** to establish a roadmap within Public Works to ensure compliance with the governance framework for major capital projects by 30th June 2022.

Mr. Troy Whorms **offered** to provide the Committee with a list of the major works currently being managed by Public Works.

Before departing, the Chairman thanked the witnesses on behalf of the Committee for attending the Hearing.

The Chairman welcomed back the final witness, Mr. Kenneth Jefferson, accompanied by Mr. Matthew Tibbetts, and asked them to state their names and titles for the record before answering the first question addressed to them.

The Chairman invited Members to question the witnesses.

Discussion ensued.

Mr. Jefferson **provided** the Committee with copies of the Capital Projects Tracker that had been Gazetted, for their reference.

Mr. Matthew Tibbetts **undertook** to develop a graded plan guide with Public Works and the Major Projects Office for Cabinet to review as part of a country plan.

Before departing, the Chairman thanked the witness on behalf of the Committee for attending the Hearing.

3. Any Other Business

4. Adjournment

There being no further business, the Chairman thanked the Members, the OAG's team, the Financial Secretary and Accountant General, and the Committee Clerk.

The meeting was adjourned at 2:38 pm.

Minutes approved in the Administrative Meeting on 22nd June 2022 on a motion by Mr. Rankine which was seconded by Ms. Conolly.

Parliament of the Cayman Islands

STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting
Wednesday, 22nd June 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
Hon. Katherine A. Ebanks-Wilks, MP – Member
Mr. Isaac D. Rankine, MP – Member
Mr. Dwayne S. Seymour, JP, MP – Member

PAC Clerk: Ms. Susan Burke – Procedural Clerk

Attendees: Mrs. Sue Winspear – Auditor General
Mr. Adrian Murenzi – Audit Manager (Performance Audit)

1. **Meeting to Order**
   There being a quorum present, the Chairman called the meeting to order at 10:08 am.

2. **Apologies**
   None.

3. **Approval of PAC Minutes**
   - 25th May, 2022 *(Hearing)*: The minutes were unanimously approved on a motion moved by Mr. Isaac Rankine and seconded by Ms. Barbara Conolly.

4. **Matters Arising from Minutes**

   In relation to the Financial Secretary's witness testimony at the Hearing on 25th May pertaining to Revenue Concessions, Mr. Rankine inquired with the Auditor General why revenue was so much higher than the budget forecast, as he noted this made it challenging to make effect planning choices (such as for social services). The Auditor General referenced Recommendation 12 from the relevant Performance Audit Report and noted she would provide the PAC with a link to the report following the meeting.

- https://www.auditorgeneral.gov.ky/powerpanel/modules/reports/html/uploads/pdfs/Performance-Audit-Reports-Budgeting---Final-report---for-issue.pdf

The Auditor General added that it would take some time for the Financial Secretary to begin implementing the recommendations and this would not happen prior to the 2024 budgeting cycle.

Mr. Murenzi added that the Ministry also needs to work with the Department of Customs & Border Control, which can add to the timeline for implementing any recommendations. He also mentioned that the Government minute for the PAC report on this subject is due to go to Caucus; once the Government minute has been laid on the table, the OAG and then the PAC will be able to follow-up with the progress they have made on the recommendations.

The Chairman recalled that the Financial Secretary had said in the Hearing that the revenue budgets are conservative, and that he had pushed back on the revenue reporting. The Auditor General responded that MFED seemed to go with the entities figures in the last quarterly report rather than their own, which hinders the Government's ability to plan other options.

5. Approval of Auditor General's Invoice

The Chairman signed the invoice #207679 upon a motion by Hon. Katherine Ebanks-Wilks, which was seconded by Mr. Isaac Rankine.

6. Auditor General's Update

The Auditor General updated the Committee on the work of her office, namely the completion of the 2019 Entire Public Sector (EPS) audit, which had an adverse opinion. The issues contributing to the adverse opinion will be summarized in the next General Report. The Auditor General noted that although the audit was completed, the final sign-offs had not yet happened but that the Premier and Ministry were due to sign them shortly. The Hon. Chairman asked the Auditor General to share the EPS report by email with the PAC Members following the meeting, which was subsequently sent as requested.

7. Consideration of the new OAG Report, *"The Government's shift to online services (June 2022)"*

The Auditor General provided a brief overview and background of the Report to the PAC Members, noting that the OAG looked at how the Cayman Islands compares to UN member states and brought the Committee's attention to the data on page 26 (table 7) of the Report. The Report covered three primary sections: strategic direction, project planning and management, and performance and value for money.

The Committee heard that the Cayman Islands Government had made significant progress in developing online services and in developing a national ID scheme, though more needed to be done in a cross-governmental way. The Auditor General noted the key area for improvement is in the advancement of a government-wide strategy, particularly around efficiency and cost savings. The

Government never finalized the strategic plan that it drafted in 2015 but had started to draft a new strategy in 2021. The steering committee that was set up in 2015 to provide governance and strategic direction for the e-government programme did not meet after April 2017 so it was not clear who provided this function since then. The Auditor General added that while there are online services in place, many of them are disconnected from each other, making it less customer-centric. Furthermore, it wasn't clear to the OAG who is responsible for making decisions.

The Auditor General summarized the two remaining sections of the Report: Project Planning and Management, and Performance and Value for Money. The first of these, she noted, showed that documentation was lacking and only one project had a plan. The second demonstrated good indicators, though still more data could be collected. As a result, the OAG was not able to assess value for money.

The Report looked at four specific online services, which were all delayed due to changes in their scope:

a) Police clearance certificates;
b) Trade and business licenses;
c) Vehicle and drivers' licenses; and,
d) Planning permits.

Mr. Murenzi noted that the first three projects were managed by the E-Government Unit (EGU), but the last one was outsourced. The Auditor General added that summary reports were sent to these four units with suggestions. **Mr. Rankine asked for the Auditor General to send the Committee Members copies of the four summary reports**.

Mr. Seymour asked if there was a list in the Report that showed all projects managed by the EGU; Mr. Murenzi directed the Committee to page 59.

The Auditor General noted that of the 17 recommendations made, all but one had been accepted, pertaining to Recommendation #3 (pg. 65 of the Report) for the governance framework for major capital projects to be adapted for IT and e-government projects.

The Auditor General recommended that the PAC hold a public hearing on the Report.

Hon. Katherine Ebanks-Wilks asked if a hearing was necessary based on one recommendation not being accepted. The Auditor General responded that she would normally recommend a hearing when the OAG publishes a report with recommendations, in order to see what it is that the unit plans to do, as a way of ensuring efficiency and effectiveness. She added that the Director of the E-Government Unit had been in other Ministries and there is now a new Chief Officer in the Ministry of Investment, Innovation and Social Development (MIISD), and as such this would be a valuable time to hear from them as to their plans.

The Hon. Chairman added that it would be good to hear from the Director of the EGU in order to allow them to articulate the vision moving forward with various projects. Mr. Seymour noted that it would be beneficial to the listening public to be made aware of what services they can access online now or in the future. Ms. Conolly and the Hon. Chairman would like to inquire about the discrepancies in the taxi fares and whether the taxi fare app is being utilized. Mr. Seymour and Ms. Bodden would like to know what options might exist for those who do not have the technological capacity to utilize the services.

The Committee agreed to hold a public hearing, which was tentatively scheduled for Wednesday, 27th July at 10:00 a.m., with a half-hour briefing beforehand with the Auditor General, and a one-hour lunch. The following witnesses were identified, and **the PAC Clerk undertook to invite them to the hearing**:

- Mr. Ian Tibbetts, Director, E-Government Unit (*10:00 – 11:30 a.m.*)
- Ms. Tamara Ebanks, Acting Chief Officer, MIISD (*11:30 a.m. – 12:30 p.m.*)*
- Mr. Eric Bush, Former Chief Officer, MIISD (*11:30 a.m. – 12:30 p.m.*)*
- Hon. Franz Manderson, Deputy Governor and Head of the Civil Service (*1:30 -2:30 p.m.*)

**Ms. Ebanks and Mr. Bush would be questioned together.*

8. PAC Report on OAG's *Follow-up Report 2 (Feb 2022)*

The Hon. Chairman asked for a motion to sign the "*PAC Report on the Report of the Office of the Auditor General: Follow-up on past PAC Recommendations 2022 – Report 2 (February 2022)*". Ms. Barbara Conolly submitted the motion which was seconded by Hon. Katherine Ebanks-Wilks, and the motion was unanimously approved. The Chairman acknowledged the Committee's approval by circulating the PAC Report to the members for their signatures, and provided the signed Report to the PAC Clerk to be tabled in the next meeting of the House along with the OAG's Report.

9. Schedule of next Administrative Meeting

The next Administrative Meeting was scheduled for Wednesday, 14th September at 10:00 a.m. The Auditor General noted that she would be away but that Ms. Angela Cullen, Deputy Auditor General (Performance Audit) would attend.

10. Any Other Business

a. **CAPAC Conference**: The Hon. Chairman informed the Committee of a CAPAC Conference that will be held on 30th – 31st August 2022 in the Maldives. Given its short length, the PAC Clerk confirmed that virtual attendance was possible, though the live attendance unlikely given the time difference. As such, it is possible to view the recordings at a more convenient time for the Members. **The PAC Clerk will forward the relevant materials to the Members and will register virtual attendance** for the Hon. Chairman, Ms. Conolly, Hon. Ebanks-Wilks, and the PAC Clerk.

b. **PAC Manual**: The Hon. Chairman noted that the PAC Clerk had attended a UK Overseas Territories Clerk Leadership Group Quarterly Meeting, in which Clerks from attending Parliaments across the Commonwealth discussed the development of a manual for their PAC. The previous PAC Chairman had sought to establish a PAC Manual. Hon. McTaggart believed it would be beneficial to continue to develop it, acknowledging it would take some time. The Committee unanimously agreed to develop the PAC Procedural Manual. **The PAC Clerk undertook to provide PAC Members with copies of the manuals provided by Wales and Anguilla**.

c. **UKOTP Conference**: The Hon. Chairman informed the Committee of the upcoming CPA UK Overseas Territories Project (OTP) Forum on *Oversight of Public Finances and Good Governance* in London, 29th November – 1st December 2022. The Auditor General confirmed she would be attending with the Hon. Chairman and PAC Clerk.

11. Adjournment

There being no further business, the Chairman thanked the Committee members and the Auditor General, and adjourned the meeting at 11:13 a.m.

Minutes approved in the administrative meeting on 19th October 2022, on a motion by Mr. Isaac Rankine which was seconded by Ms. Barbara Conolly.



PARLIAMENT OF THE CAYMAN ISLANDS

STANDING PUBLIC ACCOUNTS COMMITTEE

FOLLOW-UP ON PAST PAC RECOMMENDATIONS 2022 –
REPORT 2 (FEBRUARY 2022)

Official transcript relating to the Official Report of the Standing Public Accounts Committee Meeting held on 25 May, 2022

CONTENTS

Ms. Angela Cullen, Deputy Auditor General	1 – 2; 17
Mr. Kenneth Jefferson, (MFED)	2 - 10; 30 - 34
Mr. Michael Nixon, (MFED)	5 - 8
Mr. Charles Clifford	11 - 19
Mr. Wesley Howell	19 - 23
Mr. Tristan Hydes	24 - 29
Mr. Troy Whorms	25 - 29
Mr. Matthew Tibbetts	30 - 34
Undertakings to be provided in writing	9, 32

PRESENT WERE:

PAC Members:
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
Mr. Isaac D. Rankine, MP, Member

In attendance:
Mr. Michael Nixon
Senior Assistant Financial Secretary
Ministry of Finance and Economic Development – (MFED)

Mr. Kevin Walton
Deputy Director
Ministry of Border Control and Labour

Mrs. Camille Beckford-Johnson
Head of Finance
Ministry of Border Control and Labour

Apologies:
Hon. Katherine Ebanks-Wilks, MP, Member
Mrs. Sue Winspear, Auditor General

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

Mr. Adrian Murenzi
Audit Manager (Performance Audit)

Witnesses:
Mr. Michael Nixon
Senior Assistant Financial Secretary
Ministry of Border Control and Labour

Mr. Charles Clifford
Director of Customs and Border Control
Ministry of Border Control and Labour

Mr. Wesley Howell
Chief Officer
Ministry of Border Control and Labour

Mr. Tristan Hydes
Acting Chief Officer
Ministry of Planning, Agriculture, Housing and Infrastructure

Mr. Troy Whorms,
Acting Director
Public Works

Mr. Kenneth Jefferson
Financial Secretary and Chief Officer
Ministry of Finance and Economic Development – (MFED)

Mr. Matthew Tibbetts
Accountant General
Ministry of Finance and Economic Development – (MFED)

PAC Clerk:
Ms.s Susan Burke

OFFICIAL VERBATIM REPORT
STANDING PUBLIC ACCOUNTS COMMITTEE
WEDNESDAY
25 MAY, 2022
9:35AM

FOLLOW-UP ON PAST PAC RECOMMENDATIONS 2022 – REPORT 2 (FEBRUARY 2022)

Verbatim transcript of the Standing Public Accounts Committee Meeting held on Tuesday, 25 May, 2022, at 9:35am, in the Chamber of the House of Parliament; George Town, Grand Cayman.

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

The Chairman: Good morning everyone. I would like to call this meeting of the Public Accounts Committee (PAC) to order.

As is our custom, I would like to begin with a word of prayer and ask the Member for East End, Mr. Isaac Rankine, to lead us in that prayer.

PRAYER

Mr. Isaac Rankine, Elected Member for East End: Let us pray: Heavenly Father, we come to you today asking for your guidance, wisdom, and support as we begin to begin this PAC Hearing.

Help us to engage in meaningful dialogue on behalf of our people; bless all those participating in this meeting, as we do this to your honour and glory. We ask this in your Son's holy name.

Amen.

The Chairman: Thank you, Mr. Rankine, and good morning to all members of the Committee, including the Auditor General's Office, and the Ministry of Finance and Economic Development.

We are quorate this morning, but we have had apologies from Ms. Wilks and also an indication from Mr. Seymour that he is running a few minutes late, but he will be here, and will appear when he gets to the Chamber. We are quorate and this Committee can proceed to conduct its business and the Hearing.

I would like to mention that the Auditor General herself is unable to be here. She is not well this morning, but Miss Angela Cullen, Deputy Auditor General, is here in her stead.

The report we are discussing this morning is an update on past PAC recommendations 2022 - Report Number 2 that was issued in February of 2022.

We will be looking at Customs this morning, and our first witness will be Mr. Kenneth Jefferson, who is the Financial Secretary (FS); followed by Mr. Charles Clifford, Director of Customs and Border Control (CBC); and finally, Mr. Wesley Howell, the Chief Officer in the Ministry of Border Control and Labour.

Since the Financial Secretary will be questioned, and this follow-up report on past PAC recommendations was based on a report done at the time that I was Minister of Finance, I think it is only right and proper that I excuse myself from any line of questioning with regard to the Financial Secretary. I will conduct the hearing this morning, but will not engage in any discussion or questioning of the Financial Secretary.

I think that takes care of all the housekeeping matters with regard to the hearing this morning, so I am going to begin this—

[Inaudible interjection]

The Chairman: No, sir. I will begin the hearing now by inviting the Deputy [Attorney] General to make an opening statement.

Office of the Auditor General

Ms. Angela Cullen, Deputy Auditor General: Thank you.

Mr. Chairman, Members of the Public Accounts Committee, officials from the Ministry of Finance, and the listening public: Good morning, and thank you for the opportunity for me to make a few opening remarks on behalf of the Auditor General, who again sends her apologies for not being here today.

As Mr. Chairman introduced, the report we are considering is our Follow-up on Past PAC Recommendations 2022 - Report 2, (quite a mouthful), that our office published in February of this year, and which followed up on 54 previous PAC and OAG recommendations made in three separate reports. As the Chairman indicated, this morning's hearing is to look at Customs in the Cayman Islands.

Our office first published in May 2019, and the related PAC report from July 2020. Overall, our office and the Committee made 20 recommendations on Customs; only six of those recommendations have

been fully implemented almost three years later; however, there is a mixed picture. Customs and Border Control has fully implemented almost half of the recommendations assigned to it and the Ministry of Finance has implemented a fewer number of recommendations—around 20 per cent.

Some important recommendations have yet to be implemented, and I would like to give you some examples:

- The Ministry of Finance has not yet established a Revenue Unit;
- Determined the full level of the tax gap; or
- Finalised a concessions policy

Our office first recommended in 2015 that a Revenue Concessions Policy be developed and approved, and at that time the Ministry of Finance committed to do this by December 2016. Five years later, no Revenue Concessions Policy has been put in place, although I understand that one has been drafted. Without such a policy, it is unclear how Customs and Border Control (CBC) can effectively monitor the goods being imported, and ensure that appropriate revenues are being collected.

It is pleasing that the Customs and Border Control has now published its strategic plan; but it has not yet developed a supporting workforce plan or updated its workforce rules.

It is concerning that almost three years after making the recommendation to put in place effective project management for the new Customs' Information Technology (IT) modernisation project, (CBC) has not yet done so.

That is all I am going to say as an opening remark. With me today is Mr. Adrian Murenzi, who supported me in preparing the report, and we are happy to support the Committee.

Thank you.

The Chairman: Thank you, Deputy Auditor General.

Since the Financial Secretary is in the Chamber at this time, I will proceed to introduce things and [thereafter] invite members to start the questioning.

It has been some three years since the Office of the Auditor General's Report on Customs in the Cayman Islands was published. The OAG's report included 15 recommendations—the PAC endorsed these, and made five more in its July 2020 report. All 20 recommendations were accepted, and 11 were directed to the Ministry of Finance and Economic Development.

It is disappointing to note that the Ministry has only implemented two of the recommendations. Two others have been partly implemented; the Ministry plans to implement four but has not yet actioned or started those, and has made little or no progress on the remaining three, and therefore the Office of the Auditor General assessed the Ministry's progress as Red (Limited Progress).

The first area we wish to examine and question the Financial Secretary on, is the revenue budget. I turn to the Member for George Town South, Ms. Barbara Conolly, to conduct the questioning.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman.

Good morning to everyone. I will kick off the questioning this morning by speaking to the revenue budget.

In 2019, the Auditor General OAG reported the need for MFED's Revenue Unit to **ensure that its process for preparing the revenue budget includes reasonable forecasts and assumptions and that these are documented to provide an adequate audit trail for changes, review, discussions—including with Customs and Border Control—and approval.**

We note from your February 2022 response, that the Revenue Unit would be expanded to include two additional staff members who would assist with fully implementing this recommendation. My first question is: Can the Financial Secretary state whether the two additional staff members were recruited?

Ministry of Finance and Economic Development

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

Mr. Chairman, through you: Good morning to you, the Committee members, and members from the Auditor General's Office.

Mr. Chairman, the revenue—

The Chairman: Financial Secretary (FS), for the record, can I ask you to state your name and position?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Yes, sure; thanks. Kenneth Jefferson, Financial Secretary and Chief Officer in the Ministry of Finance and Economic Development (MFED). Thank you, Mr. Chairman.

Mr. Chairman, as probably everyone in this Committee will know, the Revenue Unit has consisted of one individual for the longest of times. That is not a desirable position, but it has worked reasonably well in past years and member Conolly is quite right, in that the Ministry of Finance's February response spoke about the expansion of the Revenue Unit to include more individuals.

The answer to her question is that the two additional persons who are envisaged to join the unit have not been recruited, but certainly the approval for those posts has been received. Thus, we have approval for those posts to come into being in 2022. We have budgeted for those salary costs in 2022's budget, and we are now developing a job description [for] those two particular posts.

We are very hopeful that we would have started the recruitment process certainly by summer of this year, and to have those two additional persons as part of the Revenue Unit in the course of 2022.

Ms. Barbara E. Conolly: Thank you, Financial Secretary. Do you anticipate then, that those two individuals will be in office by the end of 2022?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Thank you. Mr. Chairman through you: that is certainly the plan.

Ms. Barbara E. Conolly: Okay. Can the Financial Secretary say what progress has been made to ensure that the revenue budget includes reasonable forecasts and assumptions with input from Customs and Border Control; is this being worked on, and can you give us some indication of when it will actually take place, in terms of including forecasts and assumptions in the budget?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Thank you again, Mr. Chairman, and thanks to member Conolly.

Mr. Chairman, we start with an admission that perhaps the formulation, all the assumptions that are used in arriving at revenue numbers, may not always be documented; but the process of contacting and liaising—particularly with Customs Department, as well as the Ministry of Financial Services on financial services-related revenues—that liaison, that coordination, that contact, does actually take place and has for many years. Where we fell may have been in the recording of those assumptions and so forth, but the coordination has taken place.

What it typically involves is that the individual in the Revenue Unit will have his estimates as to what the revenues will be for a forthcoming budget period, and those are compared to those from Customs and Border Control; Cayman Monetary Authority (CIMA)-related revenues; the office of the Registrar General—so there is considerable coordination between them. We admit that the documentation of those relationships may not always be recorded, but it does take place.

We also understand the point that the Audit Office has made in the past, that when viewed in relation to end-of-year actual revenues, the revenue estimates tend to look understated and you get the case, consistently, that actual revenues are exceeding budgeted revenues.

We [also] fully understand what that leads to, which is that we have to then fix our expenditures to match our revenues to leave a gap, then, for some surplus to exist. However, the point made is, *well if your revenues were more realistic in relation to what it actually turns out to be, your expenditures for the course of the year could be a bit higher and you still have a surplus and the higher expenditures would avoid the need then, in the course of the year, for quite a few rounds of supplementary expenditures.* That would disappear.

If the revenue estimates were higher and realistic, you could budget better for the realistic expenditure numbers. We do admit that it is a valid point that the Audit Office has made in past years, so certainly, it is greatly needed that the revenue estimation gets better and better and better. Certainly, for the purposes of expenditure, we want our expenditure levels to be realistic.

The work will continue and we are hopeful that with the additional two persons that we plan to employ, those revenue estimates [and] continued liaison with customs and particular financial-services related fees, will be better.

Mr. Isaac Rankine: Good morning, Mr. Jefferson.

A follow-up to your answer to MP Conolly. You speak about being very conservative in your revenue forecast. This has been year on year—and two-year forecast, when it moved to that point.

Is there any specific reason, then, why we cannot get it more accurate because, again, as you mentioned, [if] you get better at forecasting you also get better at predicting your expenditure, [which] will save much time back in Finance Committee. So is there any particular reason why we cannot get better at it?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Thank you, Mr. Chairman: through you, [I] thank member Rankine for that question.

It may simply come down to human nature, Mr. Chairman, member Rankine. Individuals would prefer to exceed their budget predictions when it comes to revenues as opposed to falling short. It may simply be human nature that leads us into that direction. However, I think with better coordination with Customs and Border Control, (CIMA), and Registrar of Companies; the use of more individuals coming on, [and] better technology, the estimation will get better.

We should see the budgeted revenues being closer to actual revenues once a particular financial year has come and gone. That is what I can think of, right now, in terms of reasons why budgeted revenues have consistently been less than actual revenues.

Mr. Isaac Rankine: Thank you.

Mr. Dwayne S. Seymour: Mr. Chair, thank you and good morning. Good morning to everyone.

Mr. Chair, I want to ask the honourable FS… trying to delve a little deeper into what honourable MP Rankine mentioned, in terms of what is the trend. I know the last two years were unusual but before that, if you do have the information, can you enlighten the

House [regarding] the trend, in terms of trying to get more accurate?

I know people like to be conservative in terms of budgeting, but is there a situation where the trend has always been that we have outperformed what we budgeted? Was there an appetite, then, to nudge it up another five or ten percent? I am trying to understand how you approach it.

Thank you.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Thank you, Mr. Chairman, and thank member Seymour for his question.

Mr. Chairman, I think the honest answer is that over the years, governments past and present have tended to be, and deliberately wanted to be, conservative in their revenue estimation.

We have been in budget meetings where, because the expenditure levels were higher than desired, the thought went through persons minds that, *well if our revenues were higher, we could afford a greater level of expenditure;* but consistently I believe, Mr. Chairman, that governments have said, *we want to be conservative in our revenue estimates and abide by those in the event that something goes wrong and we are not building a greater level of expenditure than our revenues can afford.*

Mr. Chairman, the first quarter of 2022 recently finished, and on the 11th May, we published in the Gazette the Government's first quarter financial report for January to 31st March, which indicated revenues for that first quarter compared to revenues in 2021, 2020, 2019, and compared them with the budget for 2022 and it is the case, that the March numbers for the first quarter exceeded what was budgeted for that quarter—and that is consistently the case.

I have in front of me—and I will not dwell on it too long, Mr. Chairman—the January to April 2022 results, which would have been discussed in Cabinet yesterday, when the Minister of Finance took the report there. I just say quickly, as an indication, that the first four months of this year, hence ended 30th April, actual government revenues were approximately $509 million. The budget expectation for those four months was approximately $490 million, so we are talking a positive variance—revenues exceeding budget—of about $20 million.

Compare April 2022, $510 million in revenue, with the same period in April of 2021, it was $464 million, so quite a bit higher. If you go back to 2020, it was $376 million for that four-month period, and in 2019, (this a pre-COVID era), the revenues for the first four months were $428 million, so $428 million in 2019 versus $510 million in 2022 [was] quite an increase there.

Thus, the answer to your question, member Seymour, is that, certainly, in the earlier portions of our fiscal year, the trend has been for revenues to exceed our budget expectations, and as the year progresses, we find that the positive variance on the revenue side generally tends to fall away—there are exceptions, Mr. Chairman as you know.

For example, in 2020—I think it was—when the private fund fees were introduced it was a major blip, and it was a windfall for the government for 2020 and 2021 as well, but the general trend has been that over the years, revenues actually have exceeded the budget expectations.

Ms. Heather D. Bodden: Good morning, Financial Secretary. Moving on with the revenue concessions and policy: we note that in 2019, the Auditor General's report stated that the Government needed to develop a formal concessions' policy and the Public Accounts Committee recommended in 2020 that this recommendation should be implemented as soon as possible, and we note from the 2022 responses, that (MFED) planned to liaise with the Minister of Finance to present the existing draft revenue concession policy to Caucus by 30th April, 2022.

Question to the Financial Secretary: what are the reasons for the delays in having an approved concession policy?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Thank you Mr. Chairman, and thank member Bodden for her question.

Mr. Chairman, to start with I would say that efforts to conclude a revenue concession policy have been around for quite some time and have, unfortunately, spanned a number of administrations. I have with me Mr. Michael Nixon, the Senior Assistant Financial Secretary in the Ministry, who has been key in developing the draft policy that we have now, and I certainly would like to give him an opportunity to speak to it.

I suspected, Mr. Chairman that this would be a question that the Committee would rightly ask, so I prepared a one-page chronology of events—and I will not dwell on it very long because I know time is pressing.

Elaborating briefly, just to give the listening public a flavour for the efforts over the years: The revenue concession policy [the policy] is a document to aid the government of the day in deciding whether to grant a request for a concession revenue. Either an outright gift of revenue being forgone—import duty or stamp duty; a reduction or a deferral of those revenues being collected, are all examples of concessions. Thus, the policy is a guide to a government of the day to say, *this what you may wish to apply in making a decision a request that you are facing*.

The policy first went to Caucus in November, 2016, so that would have been the government of the day from 2013 to 2017. Of course, shortly after that we had the May 2017 General Election. On the 29th June, 2017, I asked the then Minister of Finance—which would have been you, Mr. Chairman—if it was okay to

send the policy to the new Government's Caucus. We did that; the Minister of Finance got a presentation slot to the Caucus in September, 2019. The presentation was made, and Caucus requested certain changes and refinements to the draft policy. That was late in 2019.

On the 4th March, 2020, Mr. Chairman, you asked me to make the finalisation of the policy a priority for 2020. Of course, [as] we all know, unfortunately COVID-19 came, and shut the Islands down. That really destroyed much of an opportunity for Caucus to meet to finalise the policy in 2020, and COVID-19 matters took precedence over the finalisation of the revenue concession policy.

We had the election in April 2021, Minister of Finance was given a slot for a presentation in October, 2021; the presentation was deferred from its intended October date—it did not happen. At the request of the current Minister of Finance, in February of this year (2022), he was sent the draft policy that was to have been presented to Caucus in October 2021. The reason for him doing that is that he wanted to restart the process of discussion with his current Caucus.

Fast forwarding a bit, Mr. Chairman, on May 2nd of this year, the Minister of Finance told me that a committee was developing a policy, and it should be should be done by the 31st May; a committee consisting of:

- The Premier;
- The Minister of Finance;
- Minister André Ebanks;
- PAC member Ms. Catherine Ebanks-Wilks; and
- The Chief of Strategy, Miss Pilar Bush

I spoke to the Minister of Finance this morning before the session started, and asked him about the date of the 31st May. He said to me that the 30th June this year, would be a more realistic date for finalisation of the policy.

Mr. Chairman, I have said quite a bit. I would ask if Mr. Nixon wants to say anything more. I think in rounding it off, to answer the member's question, it would be that efforts were made to finalise the policy; competing priorities took place over many administrations. I guess the policy kept getting lesser priority [than] something else and it has shifted and drifted over a long period of time.

The Chairman: Mr. Nixon, do you have anything that you would like to answer, sir?

Mr. Michael Nixon, Senior Assistant Financial Secretary, Ministry of Finance and Economic Development: Good morning, Mr. Chairman; Michael Nixon, Senior Assistant Financial Secretary.

Mr. Chairman, I think Mr. Jefferson has eloquently covered the chronology of events related to the policy. The one thing I would add is [that] in the interim, while there is not a comprehensive revenue policy document, the Ministry of Finance does process revenue concession requests and we have incorporated a number of the recommendations that have been made by the Auditor General's Office over the years. For instance, once a decision is made to grant a revenue concession, whether it be an outright waiver or reduction, the approval letters coming out are very, very, specific; we know the amount, the entity or the individual, we know exactly what the waiver relates to, and there is an expiration date for when that waiver is valid for.

Thank you

The Chairman: Ms. Bodden?

Ms. Heather D. Bodden: Thank you, gentlemen. Moving on now to the approval letters.

The Auditor General also reported that approval letters awarding concessions needed to clearly specify the total value of concession awarded; types of goods covered by the concession; expiration date; any secondary beneficiaries to be covered by the concession, and any related conditions. We note from your response in 2022, that this recommendation has been addressed; however, the Office of the Auditor General could not verify this as a sample concession. Approval letters you proved covered specific invoices only, rather than wider concessions like those awarded to developers.

Can the Financial Secretary give an assurance that approval letters for larger concessions clearly specify the total value of concessions awarded, types of goods covered by the concession, expiration date, any secondary beneficiaries to be covered by the concession, and any related conditions?

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

Mr. Chairman, I would like Mr. Nixon to address the valid points that member Bodden just raised, because he heads the section of staff in the Ministry of Finance who are involved with considering the revenue concessions requests coming to us.

The Chairman: Mr. Nixon.

Mr. Michael Nixon, Senior Assistant Financial Secretary, Ministry of Finance and Economic Development: Through you, Mr. Chairman.

Mr. Chairman, when approval letters are granted, they are granted with those specific elements included:

- The individual or entity who has been granted the concession;
- What the concession is for, specifically;
- The value of the concession; and
- The time period that the concession is valid for.

I think the issue that the Auditor General found in the most recent update to this report, is that over the last couple of years there have not been any large developer concessions. What we are seeing are more individual-type things which are very, very, specific. Just to use an example, somebody has applied for a concession to a vehicle; it may come from a church, a charity, or an individual, and thus very, very, specific letters are done, but we have not processed or approved any recent large-developer concessions.

The Chairman: Ms. Conolly? I think you wanted to go back to an area that we covered.

Ms. Barbara E. Conolly: Yes, sir, Mr. Chairman; sorry about that.

I want to go back to the revenue concession policy. Financial Secretary, you stated that a committee is going to be set up to deal with the revenue concession policy again. Are you all not going to work from the existing policy—is this new a new policy that will be developed?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Thank you, Mr. Chairman, and thank member Conolly for the question. Yes, obviously I understand what you are asking, member Conolly.

I think when the current Minister of Finance asked for the policy to be given to him, which we did, it was for the purpose of using the existing draft policy that we developed in the Ministry of Finance, with some changes over the past years via comments from past Caucuses, as a starting point; as a foundation for developing the policy which the current Government would be comfortable with.

To answer member Conolly's question, the committee already exists; it is not a committee that the Ministry of Finance is about to establish. The Minister of Finance has said that the committee, consisting of the Premier, the Minister of Finance, Minister for Financial Services MP André Ebanks, Mrs. Katherine Ebanks-Wilks and the Chief of Strategy in the Premier's Office, Ms. Pilar Bush, already exists.

That group of individuals are the present committee which, I believe, has taken the draft policy that Ministry of Finance has produced, as a starting point. I am sure it is not going to be the case that every single component of that draft policy is going to get used, but I imagine that some of it is going to get used in what they produce.

Mr. Chairman, it is a big document, but if it is helpful, we have copies of the draft policy that Finance produced on hand; we could leave those with the Committee. I cannot say that the end result will be the draft policy that we have now, but we certainly have enough of them on hand that we could distribute hard copies to the members.

Mr. Chairman, if I could beg your indulgence very quickly to say, in respect to what Mr. Nixon spoke about a few minutes ago: There is a very simple page inserted in the first quarter financial report for 2022, about the extent of revenues forgone in that first quarter that the Ministry of Finance itself is involved with, and has processed. We certainly thought that the number was on the low side and, in a discussion with the Audit Office this morning, it certainly is the case, that the concessions granted to large developers are not in the Ministry of Finance produced number.

I just want to be very, very, clear and very honest, in that what the first quarter financial report for the Government shows are revenues processed by the Ministry of Finance, but there are significantly more concessions processed, in particular by Customs and Border Control, which we have not included in our number. Not wanting to make hot water for a fellow civil servant, but I know that Mr. Clifford is coming behind; that may be an area the Committee may wish to speak to.

The Chairman: Mr. Rankine?

Mr. Isaac Rankine: No [questions].

The Chairman: Ms. Barbara.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman. It would be helpful if we could all receive a copy of the draft concession policy for our education, Financial Secretary. Thank you.

The Chairman: You do not have to distribute it now, FS; you can do it before you leave, thanks a lot.

Mr. Rankine, you had questions.

Mr. Isaac Rankine: Yes, Mr. Chair, thank you.

Mr. Nixon this question is for you pretty much because you elaborated on the concessions for the developers. Can you say when was the last time a concession was made to a large developer—how long ago, or how recently?

Mr. Michael Nixon, Senior Assistant Financial Secretary, Ministry of Finance and Economic Development: Through you, Mr. Chairman, unfortunately I do not have those specific details with me, but, in our context, when we talk about large developers, we are referring particularly to large property developers who are seeking multi-year concessions and, if memory serves me correctly, the last large one would have been in 2018.

Mr. Isaac Rankine: Thank you, sir. I guess either you or Mr. Jefferson could answer this next question. The existing concessions that were not reported in the budget, are the ones that go back to 2018 and before, correct?

Mr. Michael Nixon, Senior Assistant Financial Secretary, Ministry of Finance and Economic Development: Through you, Mr. Chairman. To clarify the statement that was made by Mr. Jefferson earlier, when he talked about what was excluded.

The reference therein to what is excluded, would be large, multi-year concessions that are not tracked by the Ministry of Finance. I give you an example: We have concessions that are valid for 20-plus years [which] may have awarded the developer a certain amount of import duty.

The management and processing of that import duty happen at the Customs Department, so the approval of the concession would have stated a maximum amount and a time period, but we at the Ministry of Finance do not see the day-to-day processing, so we cannot speak with certainty to say $500,000 was processed this year or this month. That information would have to come directly from customs.

Mr. Isaac Rankine: Thank you, sir.

The Chairman: Ms. Bodden.

Ms. Heather D. Bodden: Thank you, Mr. Chairman; moving on to the conditions of concession and again to the Financial Secretary.

The Auditor General's Office also reported that the need for MFED to ensure that approved concessions are validated, monitored, and reported upon; the Public Accounts Committee recommended that the Government request all recipients of concessions to provide regular updates on any conditions of concession awarded. The Government should then monitor progress against these conditions, and follow up with concession recipients as necessary.

We note from your response in 2022 that MFED provides details of concessions awarded in its annual report; however, it is not clear whether MFED validates or monitors the assertions in concession application requests, to ensure compliance with any conditions attached to approved concessions. Can the Financial Secretary give assurance that conditions of concessions are being monitored and reported?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Thank you, Mr. Chairman, and thank member Bodden for her question.

I just had a quick conference with Mr. Nixon and I am going to ask him to address the question; albeit recently there have not been many of these types of concessions awarded, in which monitoring or promises were necessary, I ask Mr. Nixon to please elaborate.

Mr. Michael Nixon, Senior Assistant Financial Secretary, Ministry of Finance and Economic Development: Through you, Mr. Chairman.

As Mr. Jefferson just stated, in recent years—being probably the last four or five years—we have not seen very many concessions that have been approved by the Cabinet, or the Minister, that have had significant conditions attached. Where there are conditions attached, our office does monitor them and work with the recipient to make sure that those conditions are being met in order that they can benefit from the concession.

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

The Chairman: Mr. Rankine.

Mr. Isaac Rankine: Just a follow-up to your answer, Mr. Nixon. What happens if they are not meeting the conditions outlined in the concessions?

Mr. Michael Nixon, Senior Assistant Financial Secretary, Ministry of Finance and Economic Development: Through you, Mr. Chairman.

If a recipient of a concession is not meeting their whatever subjectivities, whatever conditions are attached, then either they no longer continue to receive that benefit, or it can actually trigger debt collection in terms of, depending upon the condition that was approved, if they have benefited, the Government would be able to seek recovery of what benefit has been awarded.

Mr. Isaac Rankine: Thank you and following on to that answer, has the Government had to go down that road?

Mr. Michael Nixon, Senior Assistant Financial Secretary, Ministry of Finance and Economic Development: Through Mr. Chairman; no, we have not had to during my tenure.

Mr. Isaac Rankine: Thank you.

The Chairman: Ms. Conolly.

Ms. Barbara E. Conolly: Thank you.

Through you, Mr. Chairman, to Mr. Nixon: I have a question regarding the conditions when these concessions are granted [to] a developer. Say for instance, one of the conditions is that they employ a certain number of Caymanians to work on a development site—who monitors that, and who ensures that it actually occurs? That is where I have an issue sometimes, and I think we need some clarity on how that works.

Mr. Michael Nixon, Senior Assistant Financial Secretary, Ministry of Finance and Economic Development: Through you, Mr. Chairman; I thank member Conolly for that question.

We have noticed in the Ministry of Finance, [that] we had a couple of examples, several years ago, where there were conditions attached to a concession [which] related to the monitoring of labour. Those specific conditions provided that the recipient of the concession—in this case a developer—had an obligation to report that to the department of labour and pensions. I have not seen a condition that they *must* employ; what I have seen is wording to the effect that they make every effort to employ Caymanians, and that they report the breakdown of the labour, whether Caymanian / non-Caymanian, that are working on their jobs—that they report that to the Department of Labour and Pensions.

I am aware of one developer who has that condition and continues to report the breakdown of their labour to us on a monthly basis; in that case, we are aware of the percentage of Caymanian labour that is provided on that job.

Ms. Barbara E. Conolly: Should [it] not be the same for every developer that has that condition under their concession? That it is monitored to ensure that they are following the concession that they have been granted?

Mr. Michael Nixon, Senior Assistant Financial Secretary, Ministry of Finance and Economic Development: Through you, Mr. Chairman.

These are some of the exact points, member Conolly, that we would hope to be addressed comprehensively in the concession policy, and in a concession agreement. One of our recommendations is, that where you have a large developer concession, whether it be a labour requirement or some other type of requirement, that we ensure that it is captured in a concession agreement. That concession agreement would clearly articulate what the repercussions would be, if you do not meet that criteria.

Thank you.

The Chairman: Any other questions on this area? If not, we will move on to the next area which is titled the tax gap, and for that line of questioning I turn to Mr. Rankine.

Mr. Isaac Rankine: Thank you, Mr. Chair.

For the listening public: When we speak about the tax gap, it refers to the difference between the total amount of taxes owed to the Government, and the actual amount received.

Through Mr. Chair, to the Financial Secretary. In 2019, the Auditor General reported that the Ministry of Financial and Economic Development did not know how much revenue was, potentially, lost to Government because it did not calculate the extent of the tax gap. That recommendation further said that the Ministry should also identify the extent of the tax gap and take appropriate actions to close; later on, for March 2022, there was some figure for forgone revenues.

The question I want to ask is how much progress has been made; and what are the plans to identify, monitor, and report on the tax gap?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Thank you, Mr. Chairman, and thank member Rankine for his question.

Mr. Chairman, for the benefit of the listening public, I think I will just repeat essentially what he said: The tax gap is an indication of the extent to which revenues which would otherwise accrue to Government, have been forgone either deliberately by the Government awarding concessions or sadly, if members of the public [or] business entities, somehow evade paying Government revenues, it would be another cause for a loss of revenue to the Government.

The tax gap is, and is usually expressed as, a percentage of Government's revenues; the tax gap is the amount of revenues that the Government has forgone; that it knows about, and is happy to do so, as a percentage of the Government's revenues for a particular financial year.

I thank the Auditor General's Office for sending the link to a recent article which [stated] the UK's tax gap for the 2019-2020 fiscal year was, I think, about 5.3 percent. In terms of progress here in the Cayman Islands, Mr. Chairman, essentially we have just started.

We spoke about including in the March, first quarter financial report, a page that showed revenues forgone; and we are back to where were in that those are revenues that the Minister of Finance knows about but, there are other revenues forgone that we do not process, and I think certainly the CBC would be a good source of that knowledge.

If I were to take the 2021 revenues forgone that the Ministry of Finance knows about, for example, from our Ministry of Finance Annual Report 2021, those are about $7.5 million and a huge portion of those would have been for valid and laudable programs such as giving first-time Caymanian property owners a concession their stamp duty; that would be a big portion of that $7.5 million.

There are other elements as well, the award of import duty concessions that the Minister of Finance gets asked about directly—typically it is, you know, a church, an non-charitable organisation saying, *we want to bring in a bus, can you give us a break on the import duty; we want to buy furniture for our church or school, can you give us a concession* and they write to Finance directly, and we say yes or no.

Thus, in 2021, the finance-controlled revenue forgone numbers were $7.5 million approximately, Mr. Chairman, and the revenue for 2021 was around $961 million, so that would be a tax gap of around 1 per cent versus the UK's 5.3 per cent; but we do admit, that that one percent number is too low. It is going to be higher

than that, because there are parts of the revenue forgone number that we do not quite know in the Ministry of Finance.

It will involve improving the coordination process between Finance and, in particular CBC, to get that unknown element to add to the parts that we know about in finance. It is early progress, member Rankine, in terms of getting started on it. It is certainly an area that needs further work, and we expect that the one percent number that I mentioned would probably get higher.

The recommendation obviously speaks to *closing the gap*, but I think that it is more a matter for the Cabinet or the Caucus of an administration to decide how to close the gap, as opposed to the Ministry of Finance; because closing the gap means, either the Government of the day does away with some of the programmes—[for example], you are not going to award Caymanian first-time property purchasers a stamp duty break anymore—which I do not think any Government has in mind to do.

Closing the gap would involve making decisions like that. Introducing new taxes to get new revenues into Government might be a way of closing the gap, but I think the best that the Ministry of Finance and CBC can do, is to come up with a more comprehensive number for revenues forgone by Government in the course of a year and let that number be known to Caucus and Cabinet [so] they make a decision as to whether they are happy to continue with that level of concession or not.

Mr. Isaac Rankine: Thank you, Mr. Jefferson.

The Chairman: Ms. Conolly, you have a question? Any other questions on this section?

We would like to turn our attention then to the next topic, and that is duty rates on alcohol. For that I will turn to Ms. Conolly.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman; through you, to the Financial Secretary.

Duty rates on alcohol: In 2020 the PAC stated its concern that duty rates are outdated, and those used for alcohol and fuel are not based on the appropriate measurement, as duty is calculated on volume, rather than value. The PAC recommended that the Government review duty rates to be paid, and specifically, considers basing alcohol and fuel duty on value rather than volume.

My first question is why have we used this method of calculating duty rates on alcohol—volume, rather than value?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Mr. Chairman, just conferring briefly with Mr. Nixon. The honest answer is that it is a legacy issue. I do not think that there has been any deliberate decision by a Government in recent times to choose basing the duty on volume rather than rates. There has not been a change to that effect in recent times so it is an inheritance—it is a legacy issue; obviously it does not seem to happen very often in current times, but basing duty on value…

I think most people have in mind that it is automatically going to give a higher level of revenue for the government because the value is higher. I am just playing Devil's advocate and trying to create a comprehensive answer: in the rare times of values falling, then the government's revenues would fall, as opposed to being based on volumes [with] volumes steady or even increasing.

[That] would be something to consider, but it seems not to be the case in very recent years; so I cannot answer the member's question, other than to say it has been that way for quite some time and it is not a deliberate decision in recent times, to move to basing duty on the volume of imports of alcohol and fuel, as opposed to value of alcohol and fuel—it is a long-standing situation.

I note that the update the members would see in front of it is that the Government accepted a Private Member's Motion to change that basis. I cannot say what is the latest standing in progressing that Private Member's Motion into reality—presenting a revision to the Customs' Tariff Act; PAC members will also know that we have the situation now [whereas] the Customs Tariff Act can be changed by the Cabinet as opposed to the lengthy process of coming to Parliament, so Cabinet could change the basis of calculating.

Ms. Barbara E. Conolly, Member for George Town South: As a result of the Auditor General's Office making this recommendation, do you all think you would consider implementing it?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Mr. Chairman, I can certainly revisit the recommendation with the Minister of Finance and remind the Caucus of its acceptance of this Private Member's Motion—to do so.

I certainly can and will do so, Mr. Chairman.

The Chairman: Mr. Rankine, you have questions?

Mr. Isaac Rankine: Thank you Mr. Chair; through you.

As this was discussed in PAC in 2020, I think very robustly, do you know of any analysis or there being any intention of any analysis being done on this topic of duty volume versus value?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Mr. Chairman, through you: Mr. Nixon and I are not are not aware of any analysis being done recently. I think it is simply resting on the knowledge, the belief, and the facts that the value for these imports is

increasing and so, if you base your import duty rates on value, then you will get a higher level of revenue. I think, it is based on the knowledge that we experience in everyday life that values are tending to increase as opposed to decrease.

The Chairman: Mr. Seymour.

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

I want to go a little further with that. FS, knowing what you know in terms of the value increasing, in advising about the 2020 approval by the Legislative Assembly at the time, in trying to move in this direction, because sometimes we have appetites to go in many areas and we think that is the way to go and when you investigate it, you find out that some things were missing or not calculated; in your professional opinion, would you advise the Government to move in this direction?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer Ministry of Finance and Economic Development: Thank you, Mr. Chairman, and through you I thank member Seymour for his question.

I think obviously the logical and sensible way to go about considering such an issue, Mr. Chairman, would be for the Government, i.e. the Ministry of Finance and Customs and Border Control to do the analysis; to do a calculation that essentially says, if we continue doing as we have done for very many years, and we base our import duty on alcohol and fuel on volume, here are the revenues that we have obtained and there can also be some future estimation about what volumes in future years may be. That gives you one scenario of revenues based on volume.

We can then move and compare that to a second scenario in which we base it not on volumes but on values. So we would go, for example, to the Economics and Statistics Office (ESO) and ask for approximate values for alcohol and fuel over a long period of time, and calculate the import duty based on values as opposed to volumes; compare those two streams and then make a decision as to whether one stream—basing on value—will consistently going to give more revenues for the government, and therefore that is the way to go. That would be the comparison that would have to be made.

In respect of an earlier question, I have not seen that analysis, but I think the conclusion that came in the form of accepting the Motion was, *"Well this what we are experiencing in our day-to-day lives that these prices are going up and so if you base it on value, then you can expect to get more revenue for the government",* but I have not seen that analysis—that comparison—documented.

The Chairman: If there are no other questions I think this concludes the questioning of the Financial Secretary and Mr. Nixon. Gentlemen, I thank you both for attending this morning's Public Accounts Hearing. I will excuse you both at this time, and wish you all a good day. Thank you very much.

[Pause]

The Chairman: Can we just take a two minute break before I call the next witness

Meeting suspended at 10:47 a.m.
Meeting resumed at 10:53 a.m.

The Chairman: Thank you, members, for getting back on time; let us proceed now with examining our next witness.

I would like to call the director of Customs and Border Control, Mr. Charles Clifford and invite him to enter the Chamber at this time.

[Pause]

The Chairman: Right there is fine, sir.

[Pause]

Customs and Border Control

The Chairman: Mr. Clifford, I welcome you to this morning's Public Accounts Committee hearing, sir.

It has been three years since the Office of the Auditor General (OAG) report on Customs in the Cayman Islands was published. The OAG's report included 15 recommendations; the PAC endorsed these and made five more in its July, 2020 report. All 20 recommendations were accepted, and nine were directed specifically to Customs and Border Control.

We note that the CBC has implemented four of the recommendations, partly implemented two, and has made little or no progress on the remaining three. The committee is pleased that some progress has been made in implementing the recommendations, but noted that the Auditor General assessed CBC's overall progress as Amber—some progress. In light of that preamble, I will open the questioning looking first of all at the CBC's workforce plan.

Before you answer your first question I would ask you, Mr. Clifford, to state your name and position for the record; and to open up the line of questioning, I am going to turn things over first to Ms. Connolly.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman; through you to Mr. Clifford.

Thank you and your team for attending today's session. As the Chairman alluded to, my first question is [on] Customs and Border Control's (CBC's)

Workforce Plan. In 2019, the OAG reported that Customs did not have a workforce plan setting out what staffing it needs to deliver its objectives and goals.

The OAG recommended that Customs and Border Control should develop a workforce plan that aligns with its strategic priorities. We note from your December 2021 response to the OAG report, that you planned to develop a workforce plan and you were recruiting additional human resources (HR) staff to place the requisite focus on completing it. My first question is: What progress has been made, with an indicative time scale for developing a workforce plan?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Thank you very much, Mr. Chairman. Charles Clifford, Director of Customs and Border Control. I thank the member for her question.

Mr. Chairman, I think it is important that we put in context where we are at this point, and how we got here. When this report on Customs in the Cayman Islands was originally written it was, of course, for the Customs Department, and that was prior to the merger of the Customs and Immigration Department, which occurred on the 1st February, 2019.

Mr. Chairman, the Customs Department had two HR employees. When we merged the two agencies, we essentially doubled the size of the department; we were at 164 as Customs' Department and now, as Customs and Border Control, we are in the region of 270-275, I think.

Since the merger, the HR team has been extremely stretched. We expected the same two HR employees to deal with a department that was essentially double the size and there were many challenges, many priorities that they had to deal with. The good news is that we have recently staffed the HR department and we are now at five employees within CBC's HR unit. We expect that we can now move forward with significant progress on this item, Mr. Chairman.

The other important point I want to make is in relation to recommendation number one—that CBC should develop a strategic plan. That five-year strategic plan is now in place and, in fact, one of the deliverables will be the development of a workforce plan.

Thus, it is not an ad hoc approach, Mr. Chairman, it is laid out very clearly in the plan and, as we move forward now with its implementation, we are confident that we will be able to achieve this objective and the recommendation. I believe, Mr. Chairman, that we will make significant progress on this between now and the end of the year. The workplace plan must reflect not just our strategic priorities but we recognise, within our strategic plan that we have to be flexible for changing circumstances.

Mr. Chairman, we all know what we have been through with COVID-19; COVID changed many things for just about everyone, and I know that it is easy to use this as an excuse, but the truth of the matter is that we all know what we had to deal with COVID-19—it reset our priorities for two years. During that period and for a very long period of time, a big part of our focus was on managing that, so that had an impact too.

I only say that to state that we know there must be a certain amount of flexibility in our strategic plan for changing circumstances. I think that is all I want to say on that for the time being, and I hope that I answered the member's question.

Ms. Barbara E. Conolly: Thank you Mr. Clifford.

Are you providing us with some assurance, then, that there will be progress on this workforce plan—it should be completed or at least partially completed, by the end of the year?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Through you, Mr. Chairman: I would expect that it would be completed by the end of the year.

We hope to make significant progress because we have now staffed up our HR team and we know what our strategic priorities are. We just need to align the plan with those strategic priorities.

Ms. Barbara E. Conolly: One final question in terms of your HR Department: You said you now have a complement of five employees—do you think that is adequate, in terms of what you want to accomplish?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Through you, Mr. Chairman.

I know it is always easy to say that we need more staff, and when we are invited to comment on questions like this the tendency is to say, *"Yes, we could certainly do with more staff."*. I mean, it would clearly help; we would be able to move things along faster, but I am mindful of the need for resources in other areas and, because we have been able to essentially double the size of our HR unit, I am happy with that for the moment.

Again, I want to underscore that we have just achieved that; we have just on-boarded these employees, hence I think we can now make significant progress on this issue.

The Chairman: Other questions from members on this? Okay. Let us turn next to the CBC Human Resources database. For that we turn again to Ms. Conolly.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman; through you, to Mr. Clifford.

Human Resources Database: In 2019 the Office of the Auditor General reported that Customs did not have a comprehensive Human Resources Database that consolidated all of the HR information for each staff member.

We note from your December 2021 response, that you have decided to adopt the Government's new Human Resource Management System, which was scheduled to be ruled out in January 2022. We are aware that the new HR system, MyVista, has now been rolled out. My question is: What progress has CBC made with adopting the Government's new HR management system?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: I thank the member for that question.

Before I answer it, Mr. Chairman, I failed to introduce earlier the two team members that I have here to support me today: Deputy Director Kevin Walton, who has responsibility for the trade and revenue portfolio; and our Head of Finance, Mrs. Camille Beckford-Johnson. I want to acknowledge their presence because I failed to do so at the beginning.

Mr. Chairman, to answer the member's question, CBC has fully embraced the MyVista platform that the Government has launched. In fact, we were one of the departments that were essentially used to move forward with its implementation, so we are fully on board with this. As you would have seen in the Auditor General's report, we had intended to move forward with our own HR database system but, when the plans were announced for a central system for application across the entire Government, then we took a step back to wait for that.

It was not so much a question of us opting-in to that program, it was a requirement that Government agencies should be using this product, so I am happy to say that we are fully on board and that we are using it.

The Chairman: Mr. Clifford if I might just follow-up that with you: From CBC's analysis, is that system robust and fit for the purpose you need it for, because I recognise there are vagaries and differences with regard to managing Customs and Border Control rather than just another team or another Ministry. There are unique issues you have to deal with.

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, I think it is early days to answer that question fully, but based on the advice I received from our Senior HR Manager, the system is adequate for our needs.

At one point I considered a system that was being developed by the Caribbean Customs Law Enforcement Council, which they were offering for other customs agencies in the region. I had our HR team look at that system as part of the follow up on these recommendations, and it sort of coincided with the Government moving in the direction of centralising their HR database. When our HR team looked at it, the recommendation was that we should embrace this system not just because it was required of government agencies, but they felt that it was at least as good as what was being offered by the Caribbean Customs Law Enforcement Council.

As I said it is early days, but we feel fairly confident about it at this point. It may be that we will have recommendations down the line for some improvements; there may be need for some specific modules that would be unique to CBC, but we are not sure at this point because it is a bit early to say at this stage.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman.

Mr. Clifford, I am very pleased to hear that we are actually moving to a central HR management system throughout our government because that has been long in coming. My second question is whether this new HR management system has the ability to contain comprehensive data on staff qualifications and training needs.

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, as I understand it, the answer to that is yes. The whole issue of a qualifications and training database is something we discussed internally within Customs even prior to the merger, because it was something we did not have.

When I took up the Collector of Customs post I asked that question specifically, and the answer was, *"No, we did not have a database that could tell us these are the employees you have with these qualifications, this level of training, et cetera."*; we could go to the personnel files and determine that, but there was no database that could provide that information readily. My understanding is that this system does that so we are happy about that.

Ms. Barbara E. Conolly: Mr. Clifford, as you say it is early days now, so we will wait to hear what the progress is and whether this will satisfy all of your obligations in the Customs and Border Control unit.

Mr. Dwayne S. Seymour: Mr. Chairman.

The Chairman: Mr. Seymour

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

Good morning to you, Director Clifford and your team. I want to ask a question that I think is probably on everybody's mind nowadays, in terms of your staff complement and how many of them are Caymanian.

I know in the past, Customs and Immigration—now CBC—was revered as a place to work for young Caymanians coming out of school and otherwise. Have you seen the interest still there? Do you have a long waiting list of persons who want to work in this honourable establishment or has that interest waned away;

and do we need to do anything to try to motivate our universities to steer persons toward this career?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, I thank the member for that question.

I am pleased to say that the majority of employees at CBC are Caymanian—in fact, I believe [that] of the 270-plus employees that we have, only two or perhaps three are non-Caymanians.

In relation to the level of interest in CBC, it is still very significant and I am very pleased to report that during our last recruitment exercise we had over a thousand applications and of that number, just over 500 applications were from Caymanians. We had 32 positions available, and I am pleased to say that we have just onboarded 31 new Caymanian recruits; these are all officers about to start training.

Mr. Dwayne S. Seymour: Mr. Chair, I want to thank the Director for that answer. I am most proud of this as Customs and Immigration is very near and dear to me, having worked with them for so many years side by side. I can only wish you all the best in the years to come, and I pray that the interest remains in terms of persons wanting to work in this department.

Ms. Barbara E. Conolly: I, too, would like to congratulate and thank the Director. I am most impressed with that figure and that, out of 32 that were recruited, 31 were Caymanian so, kudos to you and your team.

Moving on now to the Custom and Border Control Workplace Rules: In 2019, the OAG reported that Customs and Border Control needed to strengthen its integrity management by ensuring that its workplace rules include direction staff purchase of government property—especially seized or forfeited goods; there is effective and regular rotation of staff; and by adding financial stability of CBC officers to its annual vetting process.

From your December 2021 response, we note that CBC has not yet updated the workplace rules. We also noted that your December 2021 response did not provide an update on the regular rotation of staff. Can Mr. Clifford give us an update on the progress with updating CBC's workplace rules?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, I thank the member for that question.

On the issue of the workplace rules, we recognise that much more work needs to be done on our workplace rules, so we are looking at a more comprehensive review of our workplace rules.

In relation to the issue of the vetting of employees, I should say that there is work going on and it has wider application for other government agencies. We are relying on a part of that process to update our workplace rules in relation to the vetting, but I should also point out, that employees are required to submit an annual Register of Interest form. That is an annual process that we go through—it is not a complete process in relation to this recommendation, but it does help.

There are different levels of vetting that would be required for different levels of employees, for instance, our intelligence unit—the officers that serve in that unit—would be subjected to a completely different level of vetting, which I would not get into in this forum; but I just want to mention all of those complexities and the fact that as recently as this week, in our Monday senior management meeting, we had a discussion it.

We are making progress and I would imagine we are going to complete it in the next, probably three to four months. I just want to make the point that it goes beyond this recommendation—so we are looking at a much wider review of our workplace rules.

Ms. Barbara E. Conolly: Thank you, Mr. Clifford. Can you also update us in the progress of implementing regular staff rotations with your employees?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Right. Thank you very much, member, and through you, Mr. Chairman: I am sorry I did not address this earlier, because I know you raised it in your original question.

Mr. Chairman, let me put it this way: Staff rotation is something that we have always done within legacy Customs, and we continue to do within CBC. We rotate staff at least once a year, usually twice—we have rotations once a year but sometimes twice a year. That does not mean that all staff members are rotated, but we look at a percentage of staff for rotations on each occasion.

This in keeping with the World Customs Organisation's best practices, Mr. Chairman, we have been doing it for quite a period of time, and have shared it with the Auditor General's Office. I did rotations earlier this year, and we are likely to do more just ahead of the winter season this year.

The Chairman: Mr. Clifford, can you give us an indication of who or what groups of people within the organisation would be subject to rotation?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Sorry, Mr. Chairman, did you say who would be subject?

The Chairman: Yes; I am not looking for names, just what groups of staff would be subject to rotation.

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: All staff members are subject to rotation. When they sign up to work with CBC, they have a job description

which essentially requires them to work in any section or unit that they are transferred to.

What we have tried to do, especially with the now merged agency, CBC, is to do smart rotation so that we get in that cross-training as well, because you would appreciate that we have legacy customs and immigration officers who are not that familiar with each other's functions in terms of the detail, so we have been trying to move staff around incrementally to get in that cross-training.

[When] we merged the two agencies on the 1st February, 2019, while it was not too much of a challenge to create the merger in terms of, *we have a new branded agency, a new uniform, a new strategic plan,* et cetera—and I made this point before—it is quite another thing to have an operational merger. That takes several years. When we went down this road, in all of my public utterances I made the point, that a merger of this nature is a multi-year project.

All other countries that have undertaken this—the United Kingdom (UK) for instance, are in year 10 or 11, I believe, of their merger; and yes, it is a much larger country, but we face the same issues here, just on a smaller scale. The UK is in year 10 or 11, I believe, and they have not completed their merger yet.

The United States is in year 13, I believe, and they have not completed their merger, so the whole issue of the operational, functional merger is always, in every sense, a multi-year, culture-change undertaking. I know that all members here are familiar with the change process and how difficult that can be; there are always going to be challenges and it is a work in progress as we move forward.

The Chairman: If there are no further questions from members, let us turn our attention now to the Information Technology (IT) modernisation progress. For that I will go to Mr. Rankine.

Mr. Isaac Rankine: Thank you, sir.

Through you, Mr. Chair: In 2017, the Auditor General's Office reported that CBC needed to ensure effective project management on its IT modernisation project. Your December 2021 response [stated] that a specific project manager had not been recruited yet, even though recruitment was planned for 2019.

We also noted that the project scope has been extended due to the merger of the Customs and Immigration departments however, the cost of the project is now significantly more than originally estimated while being significantly delayed. Can you enlighten this hearing [as to] the project management arrangements in place for the IT modernisation project?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, I thank the member for that question.

Mr. Chairman, with your permission, before I get into the specifics of answering the question, I just want to make a few preliminary comments to put the answer in context.

[Inaudible interjection]

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Thank you, Mr. Chairman.

At the legacy Customs Department we had an IT platform in place which is known as TRIPS (Total Revenue Integrated Processing System). When I came [on board] as Collector of Customs, I had a number of complaints about this system.

The system was constantly crashing; there was also a previous Auditor General's report into Government's IT systems [that] identified a number of vulnerabilities in several agencies from a security point of view, and Customs was one of them. The TRIPS system was certainly responsible for some of those security concerns [and] so, because we had these issues and the constant crashing of the system, we needed to do something about it, Mr. Chairman.

In discussions with the Computer Services Department, we decided to move forward with a change. When the TRIPS system was acquired, it was a decision to acquire it as an off-the-shelf system; around the same time, Computer Services had developed some improvements to the system that was being used prior to the introduction of TRIPS, the Customs Tariff Support System—I think the acronym is (CTSS).

Computer Services had done these upgrades, but the management of the Department at the time decided that, rather than going with those upgrades, they should go with the TRIPS system; I already outlined the issues we had with TRIPS. When we discussed those issues, the Computer Services Department said, *"Look, we have done these upgrades in the past; we can resurrect those and we can put these in place, at least as an interim solution to the issues we are having with trips.".*

The budget was developed around that [and] we tasked our IT Manager with developing it, which is where the original budget of $277,000 came from. I wanted to put it in context because I know there have been public statements about the project's cost going from that number to $1.1 million, and a 400 per cent increase or whatever it was. There is much more to the story than that, Mr. Chairman, but I just sort of started to indicate some of the reasons why that has happened.

That original project cost, developed by our IT Manager was a bridge, basically, to take us from the TRIPS problems into a stable and reliable system [so] that we did not have the security concerns that had been raised in the Auditor General's report anymore. However, the project evolved significantly beyond that in terms of the whole concept of the Customs Information Management (CIMS) system and the Cole's portal, so that whole thing developed during the sort of

bridge project. The project expanded significantly beyond what that original bridge was [and] project costs increased as a result.

Other things were considered—online payments, et cetera—and then, of course, we had the merger that we talked about earlier. This started with the Customs Department and it has continued with the merged agency, the Customs and Border Control Service. The merger meant that additional components were added to the project, so all of the immigration stuff that would not have been included in the original project are now included—the entry and landing components of it, the visa components of it, that is all included in the project at this point.

Another important point to make, Mr. Chairman is that prior to the merger, and I cannot explain why this was the case, but the customs' and the immigration operations in the Sister Islands were not reporting to the two legacy agencies but to District Administration.

Thus, there was a separation that we had to reconcile during the merger—and when I say reconcile, it means those two agencies were also merged and now fell under Customs and Border Control Service [as well,] as opposed to District Administration; the roll out of the phased upgrades that we were doing to our IT platforms had to include the Sister Islands, which was also not included in the original project.

These are all contributing factors to the cost going from the original project cost, to what we expect the project will cost in the end, Mr. Chairman. Without putting that context out there, it can seem misleading when you say that the project has gone from the original $277,000 to over a million dollars [so], for the listening public's benefit, I wanted to ensure that they understand that this project is significantly different today, than when it started.

Mr. Isaac Rankine: Thank you, Director Clifford; that answer certainly shed light on some of the other questions I was going to ask you. When do you estimate this project will be completed, including the trade and the revenue modules?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, we think that the project should be substantially completed by the end of this year. There may be a little spill over into 2023, but that is more about timing.

We spoke already, in relation to other recommendations, about the impact that COVID-19 has had on some of our other projects and this was certainly one of them. Some components of this project may spill into the early part of the first quarter of 2023, but that would not represent additional cost; we would then be looking to move the money that is not spent in this Financial Year into 2023, to complete the project.

Mr. Isaac Rankine: Thank you, sir.

What do you estimate the final cost of the project will be, and did you get approvals for [the] additional costs?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, we estimate the total project cost to be $2.5 million, and $1.25 million is budgeted in the current Financial Year.

Mr. Isaac Rankine: Final two questions:

- What lessons do you think Customs and Border Control learned from this IT project; and
- The value for money aspects of this new IT system

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, I think lessons are going to be learned with any project of this magnitude and nature.

I have explained how we started with this project; it was not something that we had necessarily planned for, to say that this was something that we had sat down and looked at for a number of years and then embarked on the project. If it had been that kind of scenario, then part of that planning would have included putting a Project Manager in place.

We did not have a Project Manager, and that is one of the things that if we had to do this again and if we had the time, because we know that this was something that sort of became a necessity given the circumstances and was not necessarily something that were expecting but if we had had the time and the ability to plan better for this, then we would have had a Project Manager in place from the beginning.

I took a decision very early in this project; because the focus of the initial phase of the project was on the portfolio of trade and revenue which, as I indicated earlier falls to Mr. Kevin Walton, he was given the task from the very beginning to project manage this on behalf of CBC with the support, of course, of the Computer Services Department because we had been working hand-in-hand with them.

In addition, Mr. Chairman, I want to say that while this is not Mr. Walton's only responsibility—he has a much wider remit—and he was, as I said, sort of our de facto Project Manager for this project, he has done an excellent job, in my view, given the limited resources and the compressed time-frame within which he had to get this project launched and underway, so I want to take this opportunity to publicly thank Deputy Director Kevin Walton.

Of course, he has been through this whole process ably supported by our Head of Finance Mrs. Beckford-Johnson, so I wanted to take the opportunity to thank both of them for the work that they have done on this.

I believe I may have failed to answer the specific question earlier, about the Project Manager, Mr.

Chairman. We are making significant progress on that issue now because the Project Manager will not just manage this project but other aspects of our operations as well, but I want to mention that, while we had hoped to achieve this a lot earlier, it is important to point out that we did not actually have a budget for the Project Manager until this budget cycle.

What we tried to do before, was to on-board a Project Manager using what we term *managed vacancies*. We were looking at how we could not fill certain positions and redirect that funding to the Project Manager post. That did not happen for a number of reasons, Mr. Chairman. There were competing factors and sometimes you have to, as I said, reset your priorities, and so it did not happen, but the important point I want to make is that we did not actually have a budget for a Project Manager until this budget cycle

Mr. Isaac Rankine: Thank you, sir, and I, too, want to place on record, at least my personal thanks, for the work you all have been doing, especially Deputy Walton and the Financial Officer. Thank you.

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Thank you very much.

The Chairman: Mr. Clifford, I think he also asked about the value for money of the project itself, and your views on that. At the end of the day, is CBC going to end up with a finished product that will provide real value for the money that we spent on it?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Thank you very much, Mr. Chairman.

Mr. Chairman, I am very confident that at the end of this project we will be able to say that we have achieved value for money. I think it is clear.

Mr. Chairman, as you know, I have been involved in many regional meetings with other customs agencies. I sit on the Executive Committee of the Caribbean Customs Law Enforcement Council, and we know that there are off-the-shelf products. There is a product called ASYCUDA that many islands across the Caribbean use; some of them use the same TRIPS system that we have now abandoned, so I have heard the complaints from all of those countries about the many issues that they have had with these off-the-shelf products.

We believe that, because we have designed this product for our operations, it is fit for purpose, Mr. Chairman. We will own and control the product and I do not want to say too much about it at this point, but I am confident that we are going to get value for money from this. And, given the complaints I have mentioned, from many other countries around the region, it could be that this product could represent additional revenue for us going forward, if we are able to attract the attention from other countries who may see this as an alternative to the systems that they are using now.

The Chairman: Thank you, sir. Any other questions on this area? Okay, let us turn to revenue concessions and for that, I will turn it over to Ms. Bodden.

Ms. Heather D. Bodden: Thank you, Mr. Chairman, good afternoon, Mr. Clifford.

Revenue concessions: In 2019, the Office of the Auditor General reported that Customs had no means of tracking concessions, and recommended that Customs and Border Control should develop an approach to ensure that it could monitor concessions effectively.

We note from your December 2021 response, that implementation of this recommendation is awaiting the Ministry of Finance and Economic Development's finalisation of a Concessions Policy, which we are aware is not yet in place. Can the Director let us know the process for monitoring concessions in the absence of a policy, and any related challenges?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, I thank the member for that question.

Mr. Chairman, when decisions are made in Cabinet about concessions, the extract from the Cabinet's decision is sent to the Department for implementation and that extract would normally contain the details of the concession, so those details could include what products…

If it is a project, for instance, the details could include what products the concessions are applicable to, over what time frame, et cetera; and those are things that we look at in terms of ensuring compliance with the concessions.

Mr. Chairman, we were involved very early in the process of the discussion concessions and we had our own recommendations in relation to the concessions policy, because sometimes we have to ask for clarification concessions if things are not clear and that is not the ideal situation. We do the best that we can with the information that is available to us, if we think we need clarification something, we will certainly seek it; but we follow Cabinet's decisions very, very, carefully. Usually these concessions have an end date, and that would be flagged in our system so that the concessions would not extend beyond that, but we are certainly looking forward to the finalisation of the Concessions Policy.

Ms. Heather D. Bodden: Thank you, Mr. Clifford. I know it is in capable hands; thank you to you and your staff.

Mr. Isaac Rankine: Mr. Chair, through you to Mr. Clifford: Earlier today, when we had the Financial Secretary here, I spoke about the tax gap and there were

certainly gaps in some of his reporting because of information he did not have. Are you / Customs, keeping track of this kind of information? In regards to the tax gap?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, it is kind of a broad question.

What we have tried to do is to fill as many of the gaps as we possibly can. I know that the Ministry has been engaged in some work on this; I believe that the Concessions Policy will help to establish things [such as] what the annual cap is in relation to concessions. I also believe that will help to inform the information that the Ministry and the Committee are trying to determine with respect to the tax gap.

It is a bit challenging for us, because we will put in place projections for revenue on an annual basis, for the purpose of budgeting, and that is often based on a combination of historical information in relation to revenues collected; performance of key sectors like tourism and financial services; and whether there are any significant government policies that might impact those projections.

That is what we do, and we do it on every occasion during the preparation of the budget but sometimes we do not know, when we are doing those projections, the value of the concessions that will be granted during that particular budget period and—because we do not know the value—it could cause our projections to be inaccurate at the end of that financial cycle when we are looking at actuals. I do not know that we can answer beyond that. It is a bit of a challenge for us at the moment, and we provide the information that we do to the Ministry, for them to try to determine that gap.

The Chairman: Deputy Auditor General.

Ms. Angela Cullen, Deputy Auditor General: Thank you. For clarification purposes:

Mr. Clifford, you mentioned earlier in your response that you monitored the concessions that were already in place, and Mr. Rankine mentioned that we heard from the Financial Secretary this morning, about measuring the tax gap which is revenues that are forgone in the past.

Now looking forward to the future; obviously, you do not know what concessions Cabinet are going to award in the future but, just for clarity, the FS responded that the information that is in the Q1 report reports only on those import duties that the Ministry of Finance controls and some of those are obviously within CBC so, can you clarify that you can put a figure on the value of revenues forgone in the Financial Year 2021, or for the first quarter of 2022?

I think that is what the Committee are trying to establish.

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, if you remember, during my answer earlier I sort of clarified that when I said that we monitor the concessions. We try our best to manage the concessions at CBC, so we manage them from the point of view of ensuring that the concessions are granted in accordance with Cabinet's decision.

With respect to the specifics of the forgone revenue Mr. Chairman, I crave your indulgence for a minute while I consult with our Head of Finance on that issue.

[Pause]

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, we currently do report on forgone revenue. It is being done manually now, but it is being built into the IT platform that we discussed earlier, so in terms of enhancements that will be one of them, but we are currently reporting on forgone revenue on an annual basis.

The Chairman: I want to seek further clarity here, Director.

If Cabinet gives a concession to a developer, for argument's sake, Cabinet gives a concession—say $2 million in import duties on building materials to develop project “A”. Does CBC monitor it to the extent that they can track those revenues forgone, so that they know that the developer does not benefit more than what Cabinet has authorised?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, the answer to that is yes, we do. We do that, certainly.

The Chairman: Thank you.

No other questions from the Committee on this? Okay, then let us move on to the capture and analysis of intelligence; and for that we turn to Mr. Seymour.

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

In 2019, the Auditor General reported the need for Customs and Border Control to ensure that it had appropriate systems and processes to capture, analyse, and use intelligence effectively.

We note from your February 2022 response, that the implementation of the recommendation was postponed due to a shift in priorities. Mr. Chair, I would like to ask the Director for an updated timeline for the implementation of the recommendation.

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, I thank the member for the question.

Let me say, Mr. Chairman, that the whole foundation of the five-year strategic plan that we just implemented in January of this year is to complete the transition of the department, from what used to be the gatekeepers' approach, to the intelligence-led risk management approach.

What that means, Mr. Chairman, is that because it is the foundation of the plan, we need to ensure that our intelligence unit is properly structured, resourced, and resourced, to achieve that goal, essentially. We have systems in place for the gathering and dissemination of information to the relevant units within CBC, and beyond to our partner law enforcement agencies and, of course, those arrangements are reciprocal so those systems have been in place for some time now.

However, I mentioned the restructuring of our intelligence unit so that it is fit for purpose, because that is one of the very early objectives that we need to complete under our strategic plan. Work is significantly underway with that, and we have had the benefit of a secondee from the UK Boarder Force who has been on island for a year now—he is about to depart. We also had an assessment done by two UK analysts on our intelligence unit and I am pleased to report, Mr. Chairman, that the report was very positive and that we are moving forward with our restructured intelligence unit.

I say all of that to say that, this whole process includes moving forward with whatever improvements we need to undertake in terms of the gathering and dissemination of information and intelligence. I should tie into this the fact that the CIMS platform we have discussed quite a bit this morning will also play an integral role in the direction that we are moving in with our intelligence unit and products, because the system we have developed, and continue to expand, includes risk-management modules which help us significantly with intelligence and targeting not just passengers, but cargo.

Mr. Dwayne S. Seymour: Mr. Chairman, I do not think the Director mentioned an estimated timeline. Can he give us one—is it a year or six months?

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Mr. Chairman, thank the member for that question. As I said, we have already made quite a bit of progress on this issue. I would not say that we are going to complete this in six months' time, or in a year's time because the truth of the matter is this an ongoing project.

It is not going to end because we are continuously upgrading our products and our systems and we are getting involved in other intelligence-sharing arrangements regionally and internationally. It is not a project that we can say is for one year and it is done and over, [nor] is it unique to the Cayman Islands. I would imagine that would be the case with any intelligence service anywhere in the world, so it is ongoing.

Mr. Dwayne S. Seymour: Mr. Chair, I want to thank the Director for that clarity, at least for the listening public's benefit. Thank you very much.

I think that ends my line of questioning, and I want to take this opportunity to thank the Director, Mr. Charles Clifford; his Deputy Director, Mr. Walton; and Mrs. Beckford-Johnson, who is known to me as Camille, for the wonderful job that they are doing at CBC. Thank you.

The Chairman: Thank you.

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Thank you, sir.

The Chairman: Any other questions from the committee? Okay, thank you.

Mr. Clifford that concludes the questioning; I appreciate your presence and that of your team this morning, and thank you for your candour when answering the questions put to you. You are excused at this time.

Mr. Charles Clifford - Director of Customs and Border Control, Ministry of Border Control and Labour: Thank you very much, Mr. Chairman, and I thank members for their questions.

[Pause]

The Chairman: Good afternoon, Chief Officer Howell; welcome to this hearing of the Public Accounts Committee. Just as a reminder, though I know you are well rehearsed as well, but when you first answer a question, please state your name and your position for the record.

By way of a preamble, Mr. Howell, it has been three years since the Office of the Auditor General's report on Customs in the Cayman Islands was published. The report included 15 recommendations—PAC endorsed them all and made five of its own; all 20 recommendations were accepted, and nine were directed to Customs and Border Control.

We note that CBC has implemented four of the recommendations; partly implemented two, and has made little or no progress of the remaining three. While we welcome that some progress has been made, we note that the Auditor General assessed CBC's progress as "Amber: Some progress". We discussed CBC's latest responses to the recommendations with the Director just prior to your entry, and we would like to further discuss a few of the responses with you.

The first area we want to question you on and examine with you, is the IT modernisation project and for that, I am going to turn things over to Committee member, Mr. Rankine.

Mr. Isaac Rankine: Thank you, Mr. Chair.

Good morning, Mr. Howell. In the previous session of this morning's PAC hearing, we spoke to the CBC Director in regards to the IT modernisation project.

In the 2017 report, the OAG spoke about the need for effective project management for this IT modernisation project—and the Director elaborated quite a bit on that. The Auditor General [also] spoke about the project's cost, which is now significantly more than it started out as, [yet] has been significantly delayed, and again the Director explained some of the reasons; but what I would like to ask is:

- What was the Ministry's oversight of the IT modernisation project; and
- From the Ministry's perspective, can you elaborate on the funding for the IT project, and the costs overruns?

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Good morning—a couple of minutes left in the morning. Wesley Howell, Chief Officer for the Ministry of Border Control and Labour. Mr. Chairman, I would like to thank the member for the question and through you, sir:

The Ministry does take IT projects quite significantly. The Cayman Islands relies heavily on imports for everything from fuel for electricity, to food and baby formula and all other things that are issues for us. An efficiently functioning Customs and Border Control agency not only benefits the Government but benefits the country, and IT systems are a way for them to keep pace with the level of imports and the complexity of their work, in relation to concessions, differing tariffs, et cetera, without exponentially increasing their staffing levels.

What I can say is that there was work that started more on an ad-hoc basis within customs—they were utilising technical expertise—IT consultants and developers—within government's computer services department as well as outside, and the process was evolving as we transitioned to Customs and Border Control and into the current financial years (talking 2022-2023 now).

The issues of spend on capital are all required to be framed with a business case outlining:

- What is being delivered;
- For what purpose;
- What are the timelines;
- What is the full cost;
- When it will be completed; and
- Who would be doing it

All those answers need to be provided before we do our onward consolidated submission of a budget to the Minister, on to Caucus and Cabinet, and ultimately, Finance Committee in the Parliament, so we have implemented and insisted that CBC complete business cases on their work. If we were able to rewind the clock and go back to the days when Customs started their work, I do not think we would be discussing cost overruns because, we would have been able to portion the project in such a way that it had a finite start, a finite end, and a finite deliverable.

What we are looking at is a project that has evolved over the years and taken on more capability, more development in different areas that were not originally envisioned within the initial cost and [as] such, [both] the functionality and cost increased. Our work now, really, is to ensure that we can document properly and then be able to ensure that we are getting value for money—we are hitting the IT projects on the areas that are most painful—and deliver the most benefit for the government and the country.

Mr. Isaac Rankine: Mr. Howell, what are the lessons the Ministry will learn from this particular IT project?

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Thank you, sir, for the question.

Through you, Mr. Chairman: The first lesson is we ought not to start a project unless we have formally documented what it is and the project sponsor. We have scoped it, we have cost it, and we give it a definite start and end date. That way we can hold folks accountable by saying, *"You were sent to the store to buy a bottle of milk and a bag of sugar; if you come back with salt beef and other things, you have bought more—you spent more. Was that in the scope?"* If we had done so at the beginning, the Auditor General's report would have been much different; we would have been able to close off that particular initial project and spin up a new project with new funding requests, a new justification, and therefore be able to go forward.

There is no doubt that the work that has been done by Mr. Clifford and his team has benefited the country. I remember being asked in previous Finance Committees and Public Accounts Committees, what were we doing about the delays on clearing goods and people could not get equipment to run their operations, et cetera. I do not get those questions anymore—even though our imports are as high as they have ever been.

The systems are working, and the staff is able to keep up with the increased demand, even more so now that our borders have reopened. Staff that we redeployed from airport operations, i.e. passenger, to cargo, to help deal with the increases in cargo that happened during the lockdown period, are now going back to the airports and numbers are increasing; but we are able to cope with that now, because the IT systems are that much more flexible.

Once we get to the point that payments can be made online not just by the brokers who use the bond system, but [by] persons using credit cards and escrow accounts, and those are online and processing, we will see even more benefits so, from a cost perspective we are talking $2 million; from a revenue perspective, CBC collects $200 million.

If we can collect that money and report on it more effectively, ensure that persons are not skimping on their revenue by using intelligence to analyse invoices and look at trends, then we are protecting the government's purse, and that is a primary focus for Customs and Border Control.

Mr. Isaac Rankine: Thank you very much, Mr. Howell.

The Chairman: Do members have other questions on this? Okay. Let us turn next to the CBC workforce plan; for that we turn to Ms. Conolly

Ms. Barbara E. Conolly: Thank you, Mr. Chairman. Through you to Mr. Howell. Good afternoon.

In 2019 the Auditor General's Office reported that Customs did not have a workplace plan setting out what staffing it needs to deliver its objectives and goals. The Director did give us a pretty comprehensive indication of the work that is being carried out to include the fact that his HR unit is now fully complemented to carry out this plan. From your perspective as the Chief Officer in the Ministry, can you provide what progress and an indicative time scale for developing this workplace plan?

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Thank you member, for that question; through you Mr. Chairman.

Customs and the border control aspect of immigration merged and became effective on the 1st February, 2019 [and] a year later we were facing an imminent shutdown from COVID. The progress that CBC has managed to make over that period [and] to date is phenomenal, in that these folks cannot do their work from home—they are on the front lines. They were there clearing cargo; securing our borders; operating those repatriation flights; keeping us secure, and ensuring that we got our goods.

The fact that our frontline officers and staff made any progress at all during that very difficult process is tremendous, and I would like to thank Mr. Clifford and his team publicly, for all that they did through that because they were physically and otherwise on the front lines of what we were doing.

I am pleased to say that during that time, using in-house resources management support unit from POCS, they were able to develop a comprehensive strategic plan which spans five years so it is 2022 adjusted, because we had the COVID issues. It covers all the areas, including new areas that we did not even think about when we had the merger, [such as] anti-money laundering and terrorist financing and terrorism issues. Those are new portfolios that have been sprung up within CBC to satisfy our international obligations, to ensure that we are doing those things right.

The CBC has a great reputation as a place to work. Their recruitment exercises usually end up with 5 to 1, 10 to 1 persons applying for a particular post, and I am really pleased to see that we have Caymanians coming back with Criminology degrees, some of them with Masters, wanting to get into Customs and Border Control. The plan does cover a multi-year approach to human resources, and we work very closely with them and our Minister in relation to funding positions. They just went through a major recruitment exercise, the training for which begins on Monday, and I am looking forward to that—I always enjoy speaking to new officers when they start their training.

I have also challenged Mr. Clifford and his team to look seriously at succession planning for their senior positions; it is key. I joined the civil service, July coming will be 35 years, so we are in the age group that will all be retiring within the next 10 years. A number of the senior managers at CBC will be retiring, so there is a specific ask around succession planning.

Professional development, how are we going to train and develop junior officers to take the rungs going up? Which officers can be put on fast-track promotion aspects, to ensure that those with the most promise, and the most abilities, get to utilise their skills faster—and I dare say that is being done on all three Islands; because Cayman Brac is now under the umbrella of Mr. Clifford's Portfolio, it is part of their strategic plan. I have specifically tasked them, in relation to senior management and succession planning.

Ms. Barbara E. Conolly: Thank you, Mr. Howell. I am happy to hear about the succession planning, because we are going to be in big trouble if we do not provide that upward progression for our employees to take over various managerial positions.

Mr. Clifford said that he is trying to have this this plan completed by the end of this year. Are you in agreement with that time frame?

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Through you, Mr. Chairman, I think that time frame is definitely achievable.

If I rewind to 2017/2018, when customs and immigration staff were working on the pre-merger issues they worked side by side. Even though they wore different uniforms, and reported to different Ministries [and] different Chief Officers, they flagged a number of issues that needed to be sorted out: pay equity, skill gaps training, professional development core courses.

A number of those issues are already in flight so I can say that the classes that graduated in 2019, the first set of officers that came out in 2019, were cross-trained in both traditional Immigration Law and Customs Law, and that cross-training was visible when we were able to redeploy airport staff from doing passport control to checkpoint two, which is the customs aspect, and put them on the revenue side and have them operate within that very fluidly, because they understood the separate pieces of legislation. Thankfully, that is already underway and [with] every new class that we have, officers are coming out that no longer identify

as, *I was a former customs officer; I was a former Immigration officer.* They are now CBC officers from day one. Now we have teams cross-training [for] officers like Mr. Wong, who is responsible for [both] traditional immigration and customs functions, so I can say that is on the way.

The actual plan and implementation is something that we task them with; they report monthly to me on HR issues and plans, et cetera, so I will do my best to hold their fingers to the fire to ensure that the year-end time frame is achievable.

The Chairman: You can go you can proceed with the final section.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman. The final section that we are going to question you on, Mr. Howell, is the Human Resources database.

Again, the Director gave us the comprehensive report on that, but we would like to ask you one or two questions from your perspective as the Chief Officer in the Ministry, as well.

The OAG reported that Customs did not have a comprehensive human resources database and you know what that is like. You were in IT, you are in computer services, so you know what that means in terms of when you do not have a central database. That database consolidated all the HR information for each staff member.

We are aware that the new HR system, MyVista, has now been rolled out so, can you indicate what progress has been made with adopting the Government's new HR management system?

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Thank you for the question. Again, through you, Mr. Chairman,

Before I start I have to say [that] I have huge respect and congratulations to my colleague, Chief Officer Gloria McField-Nixon. The MyVista project was quite far-reaching and had some incredibly tight timelines, and her and her team managed to pull it off and get the system implemented, up and running. I was one of the project steering committee members on that, but I did none of the heavy lifting so I cannot take any of the credit at all.

As part of the pre-merger and post-merger exercises I mentioned earlier that there were salary inequities between customs and immigration officers; one of the things that Mr. Clifford, Miss Simone Mamby, who was their HR manager, and his team did, was compile a compendium of all their employees' qualifications, so anybody that [holds] an Associate's degree, Master's degree, an initial degree; and if they have done specific training such as AML intelligence.

They then used formulas to apply those skills and experience, along with education, to come up with an equitable means of assessing salary scale in point as officers, sort of merged into the salary scales. That information, I am happy to know, will now be able to feed into the MyVista system. As it is now, from the time somebody applies, recruitment will enter their information and, if they are successful, it will flow into their employee record.

I have looked through mine, and it captures significant amounts of my data but, more importantly, from an accountability perspective it also tracks things like leave, which could be a nightmare to manage in an operation that works essentially 24/7 when you consider the port operations. So I am happy to say that MyVista is up and running—it is tracking leave, comp time, et cetera, as well as sort of cradle to grave, in relation to from the time somebody applies for a job, until they retire.

The MyVista system sort of manages that all the way through so CBC, as [does] the rest of core government and a few of the SAGCs, now has the ability to use a holistic system that manages everything, including payroll, from one platform.

Ms. Barbara E. Conolly: So, Mr. Howell, this database for tracking qualifications, leave, et cetera, is it available throughout the government now—in all the Ministries?

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: I am not certain that all of the Ministries have adopted MyVista and transition from the systems that they were running. Our Ministry has; we took the decision that we were going to do that, so it came online, I think, the 1st February, so we transition all of the leave and accruals that we had from January into MyVista, so that we would have a complete year in one system [and] not have to run a parallel system.

I cannot speak for other Ministries, but across our Ministry we took the decision that we are going to use MyVista exclusively, for managing those things going forward

Ms. Barbara E. Conolly: And from your experience in IT, you are pleased with what this is producing?

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Absolutely. Processing payroll; the recruitment process alone—the whole process is a significant time saver in relation to acknowledging applications, producing short lists, responding to candidates, tracking leave, vacation time, keeping it is all inclusive. I am quite pleased.

Ms. Barbara E. Conolly: Well, I will give a recommendation that if this successful, the whole government should be taking this on, because it is an easy out in terms of manually doing things, you know, so that is my recommendation to Ms. Gloria.

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Mr. Chairman, I cannot say.

I mean, we spend as much time answering HR queries as we do answering financial queries during our annual audit. Leave accruals, comp time used, et cetera, become major issues that could possibly lead us to qualifications, so the fact that we now have a system that helps to keep all that in train is wonderful from our perspective. I am sure that the OAG Office considers the same, because it is a risk factor because the costs are significant.

The Chairman: Mr. Howell, can you give the Committee a flavour for the effort in terms of human resource and time consumed, in order to make the transition to this new system?

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: From our perspective, we have had our HR teams across the Ministry working collectively.

Our Chief HR Manager has been working well, but Ms. Gloria McField-Nixon had a team of persons across the board, as well as some key members of staff, who did nothing else but MyVista implementation; and there were a number of key deadlines that had to be met to ensure that we could transition payroll, et cetera, across.

I do not have the numbers for all that went into that, that is Chief Officer McField-Nixon, but I can say that she did manage to pull together a team that had IT security persons, IT experts inside and outside the government, as well as HR folks and other stakeholders, working towards this common goal.

The Chairman: I do appreciate that. What I was looking for more is: From your experience as Chief Officer in your Ministry, moving to this new system in terms of the effort in order to get there and get you on, because you said it was rolled out in February. Here we are in May, and you said you are now fully on board with the system.

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Oh. Thank you, Mr. Chairman, for the clarification.

MyVista system actually came with pre-loaded key information on a number of employees; the decisions that we had to take were around leave accruals, comp time, et cetera and, once we transitioned, time recording; so for us, because we did not want to have to report on two systems come year end, we decided that we would manually pour our information from our current leave tracking system, across to MyVista.

That exercise may have taken additional work over a couple of weeks for staff to do, but not significant; the switchover was there, but the POCS team did their work in relation to pulling forward pay scales, start dates—and other key things that go into building up the HR system—and those were pre-loaded for us.

Mr. Dwayne S. Seymour: Mr. Chair.

The Chairman: Thank you. Go ahead, Mr. Seymour.

Mr. Dwayne S. Seymour: Thank you.

I want to ask the Chief Officer—this piqued my interest to ask. Did we lose any personnel in terms of human resources because of the merger of immigration and customs? Persons who were employed in each individual department that could not adapt?

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Mr. Chairman, not specifically. There has been significant change in the senior leadership within the immigration department that was pre-merger. Mr. Clifford was incoming Collector of Customs recently preceding the merger—and, again, there were changes within the senior leadership of customs that preceded the integration—but no, not significantly.

What we are seeing, really, is an overall aging civil service. A number of persons are retiring, whether it be early retirement or otherwise, and some of my most difficult conversations are with individuals who, we have not properly planned for their replacement and their skill sets are such, that I am trying to talk them out of their retirement plans—to stay around for another year or two, to help transition in new resources to take over from them.

From a merger perspective, a place was found for everyone within the two agencies and folks have benefited from wider portfolios and being able to move around from one area to the next.

Mr. Dwayne S. Seymour: Mr. Chairman, through you sir. Have there been any immediate discussions with ICCI or UCCI in terms of trying to recruit?

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Mr. Chairman, recruitment is not a challenge for the department, particularly for CBC officers. Their challenge is actually sifting through the applications to select the best candidates for interview and onward promotion so it is very challenging.

I mean, if I was to speak directly to young persons who have an interest in law enforcement, you need to know that it is a competitive environment, even within our Caymanian population. Our young people are coming back with degrees in criminology, criminal justice, other law enforcement, accounting—we have had persons come back with law that want to go into law enforcement through CBC.

It would take advantage of all those areas of professional development and learning, and know that you need that to apply, because it is getting more competitive; so the chances of someone coming out of high school with a high school diploma only, and being the successful candidate for CBC is quite low, because they have so many well-qualified Caymanians applying that would be the more qualified candidates.

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

I am glad to hear that. I asked because, of the high number of persons that are ready for retirement, many of [them] are senior management. I wanted to ensure that we were able to immediately employ some of the skills that were needed to fast-track managers to take over.

In some cases we got five years left, in other cases we got 10 years, and I know it took some time for the senior managers that we have now, to get up to speed in terms of the maturity that it takes to run such a department.

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Mr. Chairman, through you.

I totally agree with the member, sir, and again, that is one of the reasons why the succession plan is something that I am I am holding CBC firm to, particularly at senior management level, because it needs to be planned over multiple periods of time.

I can say that one of the significant challenges for CBC and most of our law enforcement areas, hanging on to compliance staff. The whole international compliance arena has made it so that those staff members are extremely valuable and sought after [and] we cannot compete with private sector salaries, so we get people, we train them, they have a couple years of experience and they are off—and I congratulate them for moving on.

For them it is really good; for us it becomes a cycle where we are having to replace them but, those persons are going on to be head of compliance, compliance partners, et cetera, in the private sector. I am sure the OAG's office has the same struggle when it comes to recruiting and maintaining that calibre of persons but, because we have that mandate, to deliver on money laundering and anti-terrorism financing, those officers have specific training and specific skill sets that are sought after worldwide but, especially so, in the Cayman Islands.

Mr. Dwayne S. Seymour: Mr. Chair, I just want to note that I am not ashamed that we are creating such valuable staff.

The Chairman: Thank you, sir. Any other line of questioning from members of the Committee? Okay.

Mr. Howell, that concludes the Committee's questioning of you, in terms of the Auditor General's report. I thank you for attending this morning and for your candid responses to all the questions. I wish you a pleasant afternoon, sir, and thank you again.

Mr. Wesley Howell, Chief Officer - Ministry of Border Control and Labour: Thank you, Mr. Chairman.

I would like to thank the Auditor General's Office for the work that they do in ensuring that they keep us on our toes because it helps us to deliver better for the people of the Cayman Islands—and your committee as well, sir, so thank you.

The Chairman: That is what this process is all about too. Thank you, sir.

Members of the Committee this concludes this morning's session of the Public Accounts Committee. We will take the lunch break at this time; I note that we are running about 25 minutes behind schedule.

We had planned to be back here at one o'clock, and I would like to try and stick to that as close as we can, but we have a couple things to do in the lunch break as well. Let us take the break for lunch, and we certainly want to be back here as close to one o'clock as we can. Okay?

Thank you all you.

Meeting suspended at 12:28pm

Meeting resumed at 1:17pm

The Chairman: I would like to call the Committee back to order.

Members of the Committee, thank you all for your prompt response and return to the Chamber, as we begin the afternoon session of this hearing in reviewing and examining the Auditor General's report, which is really a follow-up on past Public Accounts Committee recommendations. This is the second of her reports.

This afternoon we are going to be examining a report that was undertaken in relation to major capital projects. This report was completed as far back as 2017, so you know quite a bit of time has elapsed since it was completed. The reason we are following up on those recommendations, and having this inquiry this afternoon, is the fact that their follow-up report had rated this area as red—in other words, there was very limited progress made in implementing the recommendations of the Auditor General and the Public Accounts Committee at that time.

This afternoon we have two witnesses, they are Mr. Tristan Hydes, who is the Acting Chief Officer in the Ministry of Planning, Agriculture, Housing and Infrastructure; and we will hear again from the Chief Officer and Financial Secretary in the Ministry of Finance and Economic Development, so I would like to welcome Mr. Hydes and—I see you have a couple people with you, too, Mr. Hydes. I will let you go ahead and take your seat.

[Pause]

The Chairman: Good afternoon, Mr. Hydes. Welcome to this afternoon's hearing of the Public Accounts Committee; I appreciate you being here.

I see you brought a couple of your team with you. Just a housekeeping matter: when you answer your first question, we would be grateful if you would

state your name and your position for the record and, similarly for any of your team members who do address the Committee, if they would do the same before answering a question.

We are examining the Auditor General's follow-up report on past PAC recommendations and this afternoon we are looking at the report that was done on Major Capital Projects. As I mentioned at the very outset, when addressing the members this afternoon, it is almost five years since the Auditor General report was published, and of the six recommendations made to then Ministry of Commerce, Planning and Infrastructure, the Auditor General stated that only two recommendations had been implemented; one was partly implemented, and you had plans to implement the remaining three.

We understand that there has been a significant turnover in senior management at the Major Projects Office (MPO), the Public Works Department (PWD), and Ministry level in the last couple of years. The Chief Officer left in 2021; [the] previous Director of PWD retired in March 2019; and the Chief Project Manager who headed the Major Projects Office, sadly passed away in May of 2021.

We acknowledge, therefore, that much of the corporate knowledge within the government about the original Auditor General's report has now been lost. We understand if you cannot completely answer historically, but we want to focus on what is happening now—where do we go from here and what will happen as we move forward.

I am going to open the line of questioning with you, Mr. Hydes. Could you tell us about any challenges associated with a significant turnover at senior management, and how the Ministry is addressing those challenges?

Ministry of Planning, Agriculture, Housing and Infrastructure

Public Works and Major Projects Office

Mr. Tristan Hydes, Acting Chief Officer - Ministry of Planning, Agriculture, Housing and Infrastructure: Mr. Chairman, Tristan Hydes, Acting Chief Officer for the Ministry of Planning, Agriculture, Housing and infrastructure.

Thank you very much, sir, and to all the members. I think it has been a challenge somewhat for the Ministry but, overall, I think we have had two—and I am [including] myself in this—two capable Deputies that have fulfilled the role of acting and onto Public Works as well, an Acting Head of Department (HOD).

I think from that perspective, we have tried to step up as much as possible and respond where we have had some discussions with the office, and have tried to really sort of keep in the box in relation to this, and fulfil the requirements because we see it as good governance and, you know, beneficial to the country to adhere to them.

The Chairman: Can you please tell us briefly, then, in terms of permanent replacement, permanently filling those posts, where are we in terms of that process, because I know yourself now, you have been acting for what? Almost a year now, thereabouts.

Mr. Tristan Hydes, Acting Chief Officer - Ministry of Planning, Agriculture, Housing and Infrastructure: Mr. Chairman, yes.

Well, Deputy Chief Officer (DCO) Nicholson acted for the first six months, I think, and then it was turned over to me. I think I have been going nearly six months now, but we are actively recruiting.

For instance, the HOD for PWD, has actually just returned so we are going through the shortlisting and all of that now. We have recruited for other project manager positions within Public Works as well. For our positions, I think [it is] best to leave that to the honourable Deputy Governor, but something more permanent in the works.

The Chairman: Okay. More specifically, in terms of the project managers particularly, the Chief Project Manager. I know that his untimely passing left a huge void in your Ministry. Can you tell us what the current plans are and what current steps are being taken to replenish that wealth of knowledge and experience?

Mr. Tristan Hydes, Acting Chief Officer - Ministry of Planning, Agriculture, Housing and Infrastructure: Yes.

Mr. Chairman, through you, I would like the Acting HOD to tag on this, but I would actually also recognise our Deputy HOD at PWD, who is also focused on that area of project management. I would like to turn it over to the acting HOD for a little bit more in-depth an overview of where we are going with public works.

The Chairman: Sure.

Mr. Troy Whorms, Acting Director - Public Works: Good afternoon, Mr. Chairman. Troy Whorms, Acting Director for Public Works.

If you had to go back and look at the purpose of the Chief Project Manager, it is to oversee the capital development of the Major Projects Office at the time so, if you look at the Auditor's General's report it speaks to change management and making sure that we have sustainable development and good oversight employed full-time at Public Works.

Through the process we have restructured Public Works to ensure that all capital development responsibilities, from project management, consultancy, architectural services, are all reporting to one Deputy Director so there is full oversight of that and that is an

existing staff member who has major project experience. From succession planning, it allows for persons to come through the smallest levels of project management to the highest levels of project management.

I can say that, at this point, the restructure has a Caymanian in place, and the intent is to ensure that we allow for that training and development to continue because we do have gaps in this country. We appreciate and value the project managers that we have to bring in, but at the same time, we need to build that capacity within so we have already started our process.

The Chairman: How many project managers do you have working within the department?

Mr. Troy Whorms, Acting Director - Public Works: I can talk through them. Not enough, to be honest.

We have for what we used to refer to as the major projects office for identity purposes, we actually refer to as the major project section of Public Works—because it is public works; but when you look at it in the public forum, it seems like a separate entity on its own which it is not.

If you look at the major projects section, currently we have what would be three major senior project managers, and under the project section currently we have a senior project manager and four other project managers reporting to that section; two assistant project managers as well as a Deputy Director and that would make up our substantive post holders at this time.

The Chairman: I want to ask you a quite specific question because it is something near and dear to my heart—the ReGen Project. Is there a project manager working on that?

Mr. Troy Whorms, Acting Director - Public Works: We do not have one project manager working on that project. We are in the recruitment process so I cannot speak specifically to that, but at this point it is broken up between myself as Director, the Deputy Director and we have another project manager that is assigned to it, as well, and other members of the government that make up that project team itself; so it is not a one-person show as it has been in the past.

As we on board more resources to look at it properly, we just want to make sure that the information is shared and is not in the same format that it was previously and, just for clarity as well, we refer to it as the ReGen project, but it is really the ISWMS— the Integrated Solid Waste Management. Just to make sure—many times it gets lost in the public forum that the ReGen is actually the solution by the current provider.

The Chairman: I do appreciate that clarity so thank you, sir. Those were really questions I had with regard to the issues and challenges you are having with staff and the turnover and untimely departures.

Let us turn ourselves now to the governance framework for major capital projects and to lead that line of questioning, I am going to turn it over to Ms. Conolly.

Ms. Barbara E. Conolly: Thank you. Mr. Chairman, through you to the Chief Officer.

Good afternoon to you, Acting Chief Officer and your team. Okay, as the Chairman alluded to, I will speak to the governance framework for major capital projects.

The OAG reported in 2017 that the Major Projects Office had developed a governance framework for major projects based on good practice, and encouraged that it be embedded as general practice. The OAG recommended that the framework be regularly reviewed and updated, to ensure that it remained fit for purpose. The OAG also stated that the framework did not specifically refer to the role of the Statutory Authorities and Government-owned Companies (SAGCs) when they were leading those projects, such as the airport development.

We note from your response to the OAG in December, that you cannot confirm if the framework has been updated since the Auditor General made those recommendations back in 2017, but you plan to review and update the framework by June of this year, which is in a couple of days' time. My question is: Can you provide some sort of progress update on the governance framework for major capital projects?

Mr. Tristan Hydes, Acting Chief Officer - Ministry of Planning, Agriculture, Housing and Infrastructure: Thank you.

Mr. Chair through you, I would like my Acting HOD to respond, if you do not mind.

Mr. Troy Whorms, Acting Director - Public Works: To clarify the framework itself: because at the time we were not involved in the process, what we did as a management team [was] reach out to the Auditor General's Office to see what was provided to them at the time, to ensure that we are understanding what they are looking at as well.

The information that we received is expressed as a framework, but what we realised is that the framework is actually in law, so the Framework for Fiscal Responsibility and the sections that govern it, is in that document, the Public Management and Finance Act (PMFA) itself, and in those sections what happens is, what is referred to as the framework for public works is really more of a roadmap and it outlines the steps that we need to take, to be able to execute and adhere to that framework which is in law.

So, what we have done is we have taken the draft road map that was being governed by the major project section—what we referred to as Major Projects Office at the time—and we are actually developing and

executing upon our commitments to the Auditor General's office, to be able to establish, finalise, and update a roadmap that really represents a start to finish, end-to-end process to ensure compliance and provide the detailed information that is required to meet that framework itself.

Work has been done on the public works side, and we aim to execute and finalise that, as promised, by June 30th.

Ms. Barbara E. Conolly: Thank you to the Acting Director of Public Works. Okay.

Can the Chief Officer give assurances to this Committee that the SAGCs and the Ministries are clear about their respective roles?

Mr. Tristan Hydes, Acting Chief Officer - Ministry of Planning, Agriculture, Housing and Infrastructure: Mr. Chair, in short, yes; there are some SAGCs that are obviously outside of our remit, but we have certainly talked with our SAGC on compliance and following the road map.

Ms. Barbara E. Conolly: Mr. Acting Chief Officer, when you say they are outside of your remit—can you elaborate a bit on that?

Mr. Tristan Hydes, Acting Chief Officer - Ministry of Planning, Agriculture, Housing and Infrastructure: Well, by that I mean that we have one SAGC under this Ministry, that being the National Roads Authority (NRA); outside of that, we obviously work with others on the project management side, but we cannot speak for them in a sense.

Mr. Chair, if I might add: We do have Service Levels Agreements (SLAs) with them that actually outline those types of compliances; that is what we hold them accountable to.

The Chairman: I hear the hesitancy.

Where we are really trying to get to, is to have an understanding from your perspective and that of PWD, in leading major projects, et cetera, that there is a linkage between the various Ministries and SAGCs to ensure that the resources that you can bring to bear to this, take place, and you do not get situations like you had in the past, where Ministries and SAGCs would, I think, undertake major projects without really having the [significant] experience of a project manager on board.

Mr. Tristan Hydes, Acting Chief Officer - Ministry of Planning, Agriculture, Housing and Infrastructure: Mr. Chair, agreed. That we agree with and, in fact, let us have the Acting Director talk a little bit more around that—but we actually do agree.

The Chairman: And I would like to hear more, you know? Just to provide that clarity and give us a flavour for what it is.

Mr. Troy Whorms, Acting Director - Public Works: What is happening now, in 2022, we reached out to all government bodies to ensure that they provide us an update to their priority projects, so that we can look at our resource allocation and prioritise what needs the right support and resources; since that, we have gotten back a good list, a good spectrum of the projects, and we have an understanding of what we are working on and what is to come.

As it speaks to on-boarding and making sure that entities are aware and are continuously updated on these things, as of last week we released our Master Service Levels Agreement—it is on the Government's *Hub* right now. Any agency we provide services to, within Government [or otherwise], is required to sign this document and we are making sure that it outlines:

- How you engage our services;
- How we charge for some of our services;
- Our response times; and
- The various thresholds and processes and procedures, even to a point where we express and elaborate further that, if an agency does not have a Procurement Policy from within that is an adherence with the law; and they do not provide that to us upon signage, then the Public Works policy will govern how we operate, unless instructed otherwise in writing.

Therefore, information is out there, but it is continuous education with it, to make sure that we do not assume people know what we do and how to follow that. We are sending it out by emails; we are having little Town Hall meetings by Zoom; we put it on *The Hub* [and,] once our website is updated, it will be on our website as well.

In a step further, we are having our operations team reach out specifically to each agency, to ensure that the document is in the hands of who it needs to be. Even if they do not sign it, we are still going to provide our services to that effect and, if they want to use our services, at some point they will need to sign that document.

The Chairman: Are there any qualitative or quantitative [parameters] that must be fulfilled which would require the use by a Ministry or SAGC of the Major Projects Office and/or PWD's services? That if a project hits certain thresholds in dollar value, or size, you got to have a project manager on board?

Mr. Troy Whorms, Acting Director - Public Works: What Public Works provides is resources and support for the built environment; so while you might have a major project that is not construction in nature, it is not

really expected to come to the Public Works Department. There is not a requirement in law for you to come to Public Works—it is for you to follow the governance structure and, if you hit $10 million and over, then it kicks into the framework that is spoken to.

It is in their best interest to come to Public Works because we have a team that is knowledgeable and aware of these things, and do it as our daily activities. What we have found in our engagement is that people value the services that we provide, and even if they have a resource themselves that can deliver the service, they still consult with us to make sure that they are on the right page. For the most part it works that way.

If there is another reason to mandate it that is really for the government of the day to express what is required and, not trying to put any words in anyone's mouth, but the reality is: We are a Department that provides support; we are not a regulatory body that ensures compliance.

The Chairman: Thank you. I do believe, Deputy Auditor General, you had a question or were seeking some elucidation.

Ms. Angela Cullen, Deputy Auditor General: Thank you. Through you, Mr. Chair.

Just for clarification. Members will be able to see in our report the response against recommendation three that we made. In January 2018, in response to our October 2017 report, the Deputy Governor issued a policy direction to all Chief Officers, that they should follow the MPO governance framework for major capital projects if they made the threshold.

That policy direction was issued at the time. I am not sure that it has ever been revoked so our understanding, just for clarification, would be that Ministry Chief Officers should be using that framework, and encouraging the SAGC's within their Ministries to use it wherever possible.

The Chairman: Thank you, too. Other questions? Please go ahead.

Ms. Barbara E. Conolly: In 2017, the OAG reported the need for coordination between major capital projects overseen by the MPO, and road projects carried out by the National Roads Authority (NRA). We note there has been no specific response to this.

How do the Ministry, MPO, and NRA engage and coordinate to ensure a joined approach and minimal disruption to the people of the Cayman Islands?

Mr. Troy Whorms, Acting Director - Public Works: Through you, Mr. Chairman.

The Public Works Department has met with the National Roads Authority as well as the Ministry of Planning, if I may call it short and, while the comments and the directive from the Deputy Governor to utilise the framework, it does not require that service to be provided through Public Works.

What is happening is, they have the framework, the roadmap; it is for the entity itself to comply with it. If there is a project that, in nature, is in line with the services that we provide, we can provide the support, but the NRA will need to speak for themselves as to how they are complying with that framework.

Mr. Dwayne S. Seymour: Mr. Chair, thank you. Can I ask the Major Projects' team how many major projects we have ongoing?

Mr. Troy Whorms, Acting Director - Public Works: Through you, Mr. Chairman, we currently have five active major projects. There are others that are in discussions and dialogue, but there are currently five on the books that we are actively working on.

Mr. Dwayne S. Seymour: Mr. Chair, can they be listed for the benefit of the public?

Mr. Troy Whorms, Acting Director - Public Works: I can do my best to speak through them now. We have:

- The mental health facility;
- The education facilities;
- The ISWMS project;
- The airport project;
- The George Town (GT) terminal that is being discussed; and
- The Courts project.

Obviously, there are others in dialogue, but those are the ones in some form of construction stage or negotiations at this point, that require our immediate attention.

Mr. Dwayne S. Seymour: Mr. Chair, I think is more than five. You said the mental health facility, ISWMS, the education facilities—which should include John Gray, possibly Theoline McCoy and Savannah Primary; the airport project, George Town terminal and the Courts.

Which education facilities are you currently working on, other than John Gray?

Mr. Troy Whorms, Acting Director - Public Works: Through you, Mr. Chair, I would need to come back with a comprehensive list, and I am happy to.

We do have several projects on the books and, while I might have said more projects than the five, they are offshoots of the initial project so, say the John Gray School, it can be broken up into multiple parts of a project, so it depends on how you define it and we are happy to do that.

What I can say is [that] our team is working on upwards of 40 projects—probably closer to 60—that are in some form, but they are not major projects. The

ones that I listed were above $10 million. If they fall below that threshold, I guess there are others that are in development but not currently active in the stage that I spoke of earlier.

Mr. Dwayne S. Seymour: Mr. Chair, the only reason I asked [was] because I wanted to find out from Acting Director Mr. Whorms if, in their opinion, there are other projects going on that fell below the $10 million threshold, that he thought should have come through Major Projects because I heard what you said earlier, that it is not mandated that they need to come through, but you thought it would be best to because your team does this on a daily basis—it is what you are in the business of doing.

I was trying to ascertain if, within the 40-something projects that the government is working on, there are others that you thought should have come through the MPO. You do not have to list them, I am trying to understand the whole thing.

Mr. Troy Whorms, Acting Director - Public Works: Through you, Mr. Chairman.

It depends on the agency. Not all agencies are the same; you may have an agency that has a project manager on their books that is quite capable of delivering their projects. We all follow the Procurement law, and for the most part, share knowledge across the service, so it is not something that cannot be done.

I give you an example: One of our previous project managers is now a facilities manager with Education so, while in the past they may not have had the capacity to deliver a project that would historically come to Public Works, they may have it now because the person is actually there. That is just one example. It depends on the nature of the agency, but we just want to make sure that we are reaching out to departments so that they know that they are not on their own.

It really speaks to another point that I guess will be coming up—the Capital Development Committee. To ensure that, from a budgeting standpoint to execution, completion, and maintenance, we are looking at the whole spectrum of projects. That is probably the most appropriate place to really ensure the resourcing and the identification of where things start, and where they end, and how we keep them up. That is really the place for it, Mr. Chairman.

Mr. Dwayne S. Seymour: Mr. Chairman, I want to thank the Acting Director for his answers. I applaud them for the work that they are doing at Major Projects.

Personally, I would love to see more projects go through the Major Projects Office because I think it brings more structure in terms of budgeting purposes. Many times…well, we all know that for major projects [considerable funds] are not spent. I think that we would be able to identify these issues earlier, so that we can know and utilise the budget in a more strategic way.

It is my personal opinion, but thank you all for the work that you and the team are doing—Ms. Niasha [Ross], Mrs. Leyda [Nicholson-Makasare], Mr. [Hydes and yourself, Mr. Whorms. Thank you.

The Chairman: Ms. Conolly**.**

Ms. Barbara E. Conolly: Thank you. Mr. Chairman through you, to the Chief Officer: have you experienced any delays with any of your capital projects as a result of Mr. Ranger's passing? Were there delays for, say, the John Gray School or the Mental Health Facility, as a result of having lost the Chief Project Manager?

Mr. Tristan Hydes, Acting Chief Officer - Ministry of Planning, Agriculture, Housing and Infrastructure: Mr. Chair, through you.

I think he has been missed but I think our team tried its best to pick up and run with it, including the Acting Director who has sort of put himself almost in the role as well to fill the gap, while we really try to fill the gap. There have been delays, but I do not think it is just attributed to [that].

There are a number of factors that caused them, so I cannot really specifically say that has held us back significantly. I do not know, if the Director wants he can change—no.

Ms. Barbara E. Conolly: Just a question on the John Gray High School: I was of the view that was going to be completed by December of this year. Can you speak to whether that is still the completion date for that section, or has that been delayed?

Mr. Troy Whorms, Acting Director - Public Works: The current phase of the project that is projected to be finished this year is still on schedule and that is the plan. Yes.

Ms. Barbara E. Conolly: How about the mental health facility, is there any sort of time frame for its completion?

Mr. Troy Whorms, Acting Director - Public Works: The completion of that project is also for this year and remains on the current schedule that we have put forward to the government.

Mr. Dwayne S. Seymour: Mr. Chair, I hate to do this but, since we are talking about specifics…

There is the ongoing—for many years now—public-private partnership, I guess, with the Bodden Town Church of God hurricane shelter.

Are you involved in this? I know it is below the $10 million, but I do not know if you are involved or if you have any information because it seems to be taking quite some time, I do not see much going on, and hurricanes are coming and going.

Mr. Tristan Hydes, Acting Chief Officer - Ministry of Planning, Agriculture, Housing and Infrastructure: Mr. Chair, through you: yes, there have been funding requirements [for] the Bodden Town shelter that we have had to seek; but we have gone through the process, and I am confident that we will come out the other side very quickly now.

Speaking frankly, there was work to be done on the project that we needed clarification [for] and, as a result, it led to funds required. We have sought that and, once it has gone through the process and [is] approved, we are confident that we can get it back in line very quickly.

Mr. Dwayne S. Seymour: Mr. Chair, the Northward Prison—did that situation mature to move forward?

Mr. Tristan Hydes, Acting Chief Officer - Ministry of Planning, Agriculture, Housing and Infrastructure: Mr. Chair, through you: I am going to be honest, sir, I am not really sure of what you are speaking to.

Mr. Troy Whorms, Acting Director - Public Works: Through you, Mr. Chair, to the member.

Not wanting to assume when we speak of upgrades. If you can elaborate a little more, I am happy to speak to that as best as I can.

Ms. Angela Cullen, Deputy Auditor General: Thank you. Through you, Mr. Chair, perhaps I can help.

From an audit perspective, one of the projects that we have on our radar is the new prison. Our understanding was [that] an Outline Business Case was approved by the previous Government in February 2021, but we are not sure at what stage that is yet.

We know there is a budget set aside for work in 2022 and that was approved, but I noticed Mr. Whorms did not mention it in his list. It may not have started, but if there is any indication on whether the Major Projects section are involved in that, it would be helpful.

Mr. Troy Whorms, Acting Director - Public Works: Through you, Mr. Chairman: speaking for what was defined as the major project for upgrading the prison, we are currently in discussions to provide that level of support to the Ministry with responsibility. There have been some changes with, I guess, their leadership and there is a process to ensure that they have the same understanding, I guess, of where things are and priorities from the Government and their Ministries; but we are in dialogue to that very same project at this time.

The Chairman: Are there any other questions? Okay. Mr. Hydes, and your team, that concludes the level of questions for you with regard to this report. I want to thank you for coming and spending time with us and answering our questions this afternoon and wish you a pleasant afternoon.

Thank you all for being here

Mr. Tristan Hydes, Acting Chief Officer - Ministry of Planning, Agriculture, Housing and Infrastructure: Thank you.

[Pause]

The Chairman: Members of the Committee, we now turn our attention to the final witness for the afternoon.

We welcome back the Financial Secretary and Chief Officer in the Ministry of Finance and Economic Development, Mr. Kenneth Jefferson, and with him is the Accountant General, Mr. Matthew Tibbetts. I welcome you both again, in your capacity as witnesses before the Committee

You heard my preamble earlier with Mr. Hydes and his team that it has now been, for all intents and purposes, five years since the Auditor General's report on major capital projects was published. There were 11 recommendations made, PAC endorsed these and made two [additional] recommendations in September 2018.

We understand that five of the recommendations aim to improve the budget process—financial planning and budgeting were assigned to the Ministry of Finance and Economic Development. We also understand that as of February 2022, the Ministry of Finance and Economic Development had plans to implement their recommendations but had yet to start so, basically, all of them remained outstanding.

The first area we want to examine with you is budgeting for major capital projects and for that line of questioning, I will turn it over to Ms. Bodden.

Ms. Heather D. Bodden, Elected Member for Savannah: Thank you, Mr. Chairman. This question is directed to the Financial Secretary; I will read the preamble.

In 2017, the Office of the Auditor General reported that capital investment decisions appeared to be made in the short-term without fully considering the long-term financial implications for budgets. The Office of the Auditor General recommended that the Government should ensure that budget documents include complete and consistent information on capital investment decisions, including indicative capital and operational costs, such as the implications of public-private partnership projects.

We note from your February 2022 response that by 30th June of this year, you will introduce a three-year rolling forecast of MFEDs financials, updated monthly, along with a detailed schedule of the capital projects. The schedule of capital projects will include a Framework for Fiscal Responsibility impact assessment, to provide decision makers with information on the true impact of capital projects.

My question is: Can you give us a progress [update] on introducing better budgeting and financial reporting for capital projects?

Ministry of Finance and Economic Development

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Thank you, Mr. Chairman and I want to thank member Bodden for that question.

I will say that I obviously have the Accountant General with me and I will ask him to assist where it is it is necessary.

Mr. Chairman, we would start with an acknowledgement and admission that the amount of capital expenditure information in the annual budget process is limited, in the sense that it does not go much beyond the two-year horizon that we are now faced with. It does not go that at all; it does not give any indication of the operational day-to-day cost of a capital project program once completed. That is not in our budget documents at the moment. We start with that as a basis and we start with the knowledge that it needs to improve.

Mr. Chairman and Committee members, I can say and I have copies on hand that I can give to the Committee—and I shared a copy earlier with the Audit Office; we included for the first time in the month of March, and we continued it in April, in the monthly Cabinet notes, a schedule that gives information on capital projects. We have chosen a threshold of one million and above, as the value of those projects, to put those projects on a schedule, and those are included in the Cabinet notes.

Also for the first time, Mr. Chairman, that schedule is in the First Quarter Financial Report that was gazetted in May of this year, just to give the Committee an indication of the contents of that schedule; and again, we would admit that this is the starting point, it is by no means a perfect document, and there are improvements to be made.

I have this available that the Committee can certainly take a look at. I think we have identified about 41 items on the schedule that are one million dollars and above, so if I just take as a very first item, by way of illustration, the temporary Grand Court works that is being done in the former Scotia Bank building, we have a column that says what the total project cost is—it happens to be about $2 million.

The percentage of that work that is completed as of (we have included as of the 30 April, 2022) and as the months go by, we will update and say as of June, as of August, and so forth. As of April this year, that particular work was said to be 95 per cent complete. There is another column that says time until completion: one month to go, in that project.

In other projects, for example, the members just asked about the new prison building. The total project cost and that is shown on this schedule as $125 million, but as of the 30 April, there had been no start on that at all, so the percentage completion was zero. The time to complete is shown here as six years and, Mr. Chairman, to a large extent this information is obtained from liaising with the individual Ministries and portfolios Chief Financial Officers (CFOs)—they are providing this information to us.

We have another column that says the cumulative cost incurred to the 1st January, 2022. In the case of the Grand Court project, on the ground floor, it was $1.4 million. The cost incurred during the period January to the 30th April 2022—so the current four-month period—and then that will get updated to five, six, seven months, that was $323,000; and then there is a column in the middle that talks about the likely capital expenditure that will be incurred in future years. For 2022, we have defined that as year one, 2023 becomes year two, et cetera. Thus, looking into the future we go from 2022 (year one), to 2026 (year five).

In this first one I have chosen, the Court building is expected to be finished this year, and the cost this year is approximately $600,000 which, when added to the 1st of January cumulative cost of $1.4, gives the total project cost of $2 million. There are other columns on the schedule that speak to cost to be capitalised—in this instance, we are showing the project cost as the same $2 million.

There is a column that talks about the annual operating cost once completed. I must confess that when members see the schedule, that column, to a large extent, just says *to be determined*; as of right now, the end of April, we as the Government are not doing a good job estimating what the future operational cost of a capital project will be, once it is completed.

Members of Caucus and Cabinet got this schedule in March; they got it again in April, it was in the Financial Report that was gazetted in May, but there are certainly improvements that need to be made to this schedule. I mean, when members look at the Auditor General's report it speaks to, for example, budget amounts—a budget that we have for a particular project. At the moment that figure is not here, but it should be here, and we are hoping [it] will be added as early as May, and the next month that we do this.

I think this particular schedule is useful, Mr. Chairman, because what it says to this Government and future Governments is, once a project is started and it is not complete, this should give a government an indication of the costs that have been incurred to date on that project—it could be nil; but it could be $38 million, for example, and it might have two years or a year to completion.

Should a Government then wish to terminate that, it is in a tough position to say, *"Am I going to stop a project that has incurred $38 million today, with one year to go—am I going to cancel that?"* as opposed to, *"I have a project that is going to cost $50 million dollars when completed, but I have not started as yet."*. That is a much easier decision to make, in my view.

Thus, we have made a start, and it needs improvement. I think the particular area of improvement needs to be the operational costs in the future—what additional operational costs will arise from carrying out capital projects. The new prison building, for example, the $125 million estimate—nothing has started as yet, six years to complete. To a large extent that information is pretty much blank here. I do see that the information on the prison building for year one (2022) is shown here as approximately $6.9 million, so there is envisaged to be some work in 2022, on a new prison building—$7 million out of $125 million.

I have the schedule available for members' sight, Mr. Chairman, and I would say we have made some progress towards improvement, but it needs to be worked on [with] quite a bit more work done, particularly, on future operational costs.

Ms. Heather D. Bodden: Thank you, Mr. Chairman. I would like to thank the Financial Secretary for his in-depth clarification and look forward to receiving the documents providing a schedule of capital projects Thank you, FS.

The Chairman: Any other questions from members with regard to budgeting for major capital projects? Okay.

Let us turn our attention now to the long-term Capital Investment Plan. I turn to Mr. Seymour to lead the questioning.

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

In 2017, the General's Report [highlighted] the need for Government to develop a long-term Capital Investment Plan, update it on a regular basis, and make it publicly available.

The Auditor General recommended that the Government should identify who would be responsible for developing, and maintaining, the long-term Capital Investment Plan. In your February 2020 response, you stated that the Ministry would work with the Major Projects Office to establish a Capital Development Committee by September, 2022. The committee would develop and present a long-term Capital Investment Plan to Cabinet in August 2023, to ensure that the plan is factored into the 2024-25 budget.

What we are asking, Financial Secretary, is what is the progress with establishing a Capital Development Committee and developing a long-term Capital Investment Plan; and, in addition, some clarity about who will be responsible for the long-term Capital Investment Plan.

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

I am going to ask Mr. Tibbetts to give some remarks on the Committee itself but before he does, I would start by saying that in a previous question I missed answering a particular point which was about the three-year rolling budget—I think was member Bodden.

What I would like to say, Mr. Chairman, is that either last week or this week we put together captured information of monthly revenues and expenditures for every single month of a year for 2018 through to 2021 inclusive, so that is four years of information—every single month—and we [included] obviously, the first four months of this year as well, as a foundation for building this three-year rolling budget that we are speaking of.

We will obviously keep an eye on where we are each month about updating the future months in that programme, so certainly, for year one we are talking about the financial year 2022; year two is 2023, and then year three would be 2024 and we have the first two years' information from the budget that was passed by the Parliament late last year. We would take those revenue numbers and those expenditure numbers and put them into the first two years. However, we now have the benefit of actual revenues and expenses for the first four months of this year, so we would supersede the budget numbers for that four-month period with actuals, and then we would look to, *well do we need to change month number seven in this year or do we need to change month number eleven?*

The foundation has been set and that includes Mr. Chairman, expenditures on capital items as well, so, the equity investments that we give to Ministries and Portfolios that allow them to go off and do their projects; the executive assets that principally the Public Works Department and the Ministry of Planning and Works get involved with, are laid out in this program [spanning] 2018 to the first four months of 2022. Quite a bit of information there, 52 months of information, as the foundation for building the three-year rolling program to start to establish, in particular, the long-term capital development plan.

I ask Mr. Tibbetts to speak to who we thought would be the owners of the plan—who the Committee would consist of.

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

Mr. Chairman, through you to the member: As the member and this committee will know, the ideal situation for a long-term Capital Plan would be to have a country plan overall, which would then guide the capital projects that we take on because we will know where we are going as a country.

In the absence of a long-term country plan, we have to take an approach where we are doing it in four-year cycles for the elected Government at the time and that may continue on to another administration, in

which case that same plan could continue or be modified.

As I said, in the absence of a country plan, the Ministry of Finance started discussions with the Public Works Department, particularly their Major Projects Office, in regards to putting together a list of all the major capital projects, starting with the ones currently underway that you all have recently received a copy of and looking at new plans that are in the pipeline; however, obviously, we are more the individuals who document the process for those making the decisions.

The Capital Development Committee will be made up mostly of Cabinet and Caucus, who would be the decision makers as it relates to the long-term capital plan, so in the document that is being handed out now you will see that it shows five-years of where we plan to spend money on capital projects. There will be further projects added to this list, and then a prioritization exercise will take place with Cabinet, as the decision maker, on which projects will go forward.

At this time, unfortunately, when we say long-term capital projects it is for the current administration. Obviously, they will have a plan in place that could stretch longer, however, we cannot guarantee that will be the case without a country plan.

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

I agree with the Accountant General in terms of a country plan, but the question I asked in terms of the actual committee itself…

I am not quite sure all of the players that will be involved in the Committee, but [with] what you just said in terms of Cabinet being the final decider as to what projects go forward, I would hope that the recommendations sent into Cabinet would have some kind of critical grading as to what projects should be…

Should I say non-political? That [they] are critical, whether it is a school or a medical facility or—

Mr. Isaac Rankine: —or infrastructure.

Mr. Dwayne S. Seymour: It might not necessarily be a continuation of a previous government, but one that is necessary. I think we need some kind of critical scale or marking, similar to what the NRA does with the roads.

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman, through you. I love the idea and I think it is definitely something we will take on board.

Just to clarify: [From] the Ministry of Finance [it] will be myself, as well as Troy Whorms, the Director of PWD; and the head of the Major Projects Office, that will be pulling the plan together. I will then work with Troy and Major Projects Office to give that grading. I completely agree, it is paramount to ensure that we do a good job of prioritizing which plans go forward and the time frame in which they are carried out. I appreciate that.

The Chairman: Any other questions from members? Okay. We turn our attention then to reporting. Mr. [Rankine] you had questions? Okay, you are up next anyway. Reporting on major capital projects.

I turn it over to you, sir.

Mr. Isaac Rankine: Thank you, Mr. Chair.

To the financial section: In your previous answer term is to Ms. Heather and some of the answer to Mr. Seymour, you spoke about the Cabinet note in regards to documenting and tracking capital projects and I have seen, I think, the first report.

In the February 22nd response you indicate that you report monthly to the Cabinet and quarterly to the public starting 31st March,, 2022. My question to you, sir, is: Have any reports to the public been published as yet?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Thank you,s Mr. Chairman and thank member Rankine for his question.

Yes, Mr. Chairman. Albeit to a limited degree, and we acknowledge that improvement is needed to get a document such as this more robust, the reporting has started. It started with the March, 2022 note that went to Cabinet; it continued in the April note that went to Cabinet just yesterday; it was in the Q1 Financial Report that was gazetted on the 11th of this month—so it has started.

We need to improve it, but we have made a start and it has been included in those documents.

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman, if I may.

Just to add for the listening public, so they are aware: When a document is gazetted, it is on the website [and] free for the public to see. They can access the Q1 report, and the very last page of the Q1 report is this capital projects plan that was just passed around. This is actually the same document that is in the Q1 report that is available on the Government's website.

Thank you

Mr. Isaac Rankine: Thank you both. No further questions for me.

The Chairman: That being the case Mr. Rankine, I think you have the final area that we want to look at—Business Cases. Oh. Sorry, Ms. Barbara; go ahead.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman, through you to the Financial Secretary.

I want to speak to business cases. In 2018 PAC recommended that the Financial Secretary and

the Attorney General formally sign off on the financial and legal sections of business cases of the entire project, and the operational costs going to Cabinet for approval. In 2022, the OAG reported their understanding that you intended to discuss the recommendation with the Attorney General.

We note that your February 2022 response states that adding the requirement for a signature of the Attorney General and the Financial Secretary to the business case would delay the approval and delivery of projects for the Cayman Islands; however, your response also states that the Government will consider the requirement for business cases to contain legal and financial implications for the proposed projects therefore, it is not clear if the recommendation has been accepted or actioned.

My question to you, Financial Secretary, is: Can you state whether or not that recommendation was accepted?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Thank you Mr. Chairman, and thank member Conolly for her question.

Mr. Chairman, I think this the response in February was a very long and legal one. I think it actually represented the position of the legal portfolio even more than it did the Ministry of Finance's position.

Just a few points, Mr. Chairman: This recommendation is obviously not from the Audit Office, [and] not from this PAC but from a previous one, and I spoke to the Attorney General as recently as yesterday afternoon on this matter and his position, is supported by the comments reflected here, which were drafted by the Solicitor General—I think was her drafting. I spoke to the Director of the Central Procurement Office as well, and the general consensus is that, from a legal point of view there is no requirement for the Financial Secretary or the Attorney General to sign off on business cases, so the legal position is not there to support it.

The more practical comments and suggestions coming forward are that it adds another layer of scrutiny, but the layer of scrutiny and the comfort that is to be obtained from the business case analysis can be obtained from other sources. For example, if we are talking about a major capital project that is $10 million and above, before it even gets to the level of Cabinet where the suggestion was that it be signed off by the Financial Secretary and the Attorney General, it has to pass through a number of hoops to get to even to that level; and those earlier hoops should add some level of financial and legal comfort that the information contained there is correct.

Therefore, Mr. Chairman and members, the business case progression is normally prepared by the Chief Financial Officer within the procuring agency that wants the good or service. That then gets looked at, examined, approved, by an Entity Procurement Committee (EPC) within that same Ministry/Portfolio/Office. That committee either recommends or rejects the case for the acquisition of the goods or services.

It then presents the EPC then presents the business case—let us say it is an approval—to the Chief Officer of that same agency for his or her approval. The Chief Officer would then approve or disapprove the business case [and] it would then pass to the Public Procurement Committee (PPC) for its review. The PPC would review it and would say yea or nay to that process.

Thus, the general feeling was that it was not clearly demonstrated that there was an actual necessity for the Financial Secretary and the Attorney General to sign off on business cases. There would be no great additional benefit to be derived from that process after having gone through many of the earlier processes to even get to that point, [and] so the general feeling was [that] this is not necessary.

The comment made at the very end opens the door because it states that the government will however consider the requirement for business cases to contain financial and legal implications. I think that is a diplomatic way, Mr. Chairman—that is a diplomatic way of saying, *if it can be demonstrated that there is greater additional benefit to be obtained from the signatures, the Government will consider it.*

Ms. Barbara E. Conolly: Thank you, Financial Secretary. In your view, then, based on all that you have set out in your summary the Ministry probably would not accept this recommendation.

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

I would say the answer is yes; the Government as a whole, obviously—splitting hairs for a bit—in the Government Minute the Government, as a whole, would probably say no to this suggestion.

The Chairman: FS, if I could ask if by extension you are aware if that view is also held by legal department.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: It is certainly a view that was expressed to me very clearly as recently as yesterday afternoon by the Attorney General.

His basic position is, *unless it can be demonstrated to me that there is some great additional benefit to be obtained from the signatures*—unless that happens—*there is no need for me to do so*.

The Chairman: Other questions from the Committee? No? Okay.

Financial Secretary and Accountant General, thank you both again for appearing before the committee again this afternoon, and [for] the candid way in which you have answered our questions.

I thank you very much for that and excuse you at this time. You can take your rightful seats.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Thank you Mr. Chairman and thank you members for their questions.

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Thank you, Mr. Chairman; committee members.

The Chairman: Members of the Committee, thank you all for your patience; we have reached the end of this examination and review of the Auditor General's report. It has been a long day, but I think we got through everything as we had wanted to do, so I thank you all for your patience and your participation.

I also want to thank the Office of the Auditor General for your presence, for your interventions as well, in helping to elucidate on things; and the Financial Secretary and various members of his team who have been here for the hearing this morning and again, this afternoon.

I would also like to thank my Clerk sitting next to me for her perseverance—I saw her taking copious notes all day.

[Laughter]

The Chairman: This concludes this Sitting of the Public Accounts Committee and we consider ourselves adjourned at this time.

At 2:39pm the meeting adjourned sine die.