PARLIAMENT OF THE CAYMAN ISLANDS
2023-2024 Session

REPORT

of the

STANDING
PUBLIC ACCOUNTS COMMITTEE

on the Report of the
Office of the Auditor General:

FOLLOW-UP ON PAST PAC RECOMMENDATIONS
2023 – REPORT 1 (MARCH 2023)

Laid on the Table of Parliament on this day of 2023

REPORT OF THE STANDING PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE OFFICE OF THE AUDITOR GENERAL

"FOLLOW-UP ON PAST PAC RECOMMENDATIONS 2023 – REPORT 1 (MARCH 2023)"

1. REFERENCE

The Standing Public Accounts Committee of the Cayman Islands Parliament, established under Standing Order 77 (2022) and Cayman Islands Constitution Order 87 (2009), met to consider the following Report of the Auditor General, hereinafter referred to as "the Report":

- ***Follow-up on past PAC recommendations 2023 – Report 1 (March 2023)***

2. DOCUMENTS CONSIDERED

In accordance with the provision of Standing Order 77(3), the Committee considered the Report which was referred in the House of Parliament as well as testimony provided in a public hearing to the Committee by the Financial Secretary & Chief Officer, Ministry of Finance and Economic Development, and the Accountant General, Ministry of Finance and Economic Development.

3. CHAIRMAN AND MEMBERS OF THE COMMITTEE

The following Members of Parliament are the present Members of the Standing Public Accounts Committee as of 6th September, 2023:

- Hon. Roy M. McTaggart, JP, MP – Chairman
- Hon. Isaac D. Rankine, JP, MP – Member
- Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – Member
- Ms. Barbara E. Conolly, JP, NP, MP – Member
- Mr. Joseph X. Hew, MP – Member
- Hon. Dr. W. McKeeva Bush, JP, MP – Member

4. MEETINGS OF THE COMMITTEE

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

- 29th March, 2023 (Administrative Meeting)
- 22nd June, 2023 (Administrative Meeting)
- 27th July, 2023 (Hearing)
- 27th July, 2023 (Administrative Meeting)

- 6th September, 2023 (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. Members who were Acting Ministers during the PAC Hearing did not ask questions of the witnesses pertaining to their respective Acting Ministries.

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 – Acting Auditor General, Office of the Auditor General
- Mr. Gabriel Ncube – Audit Manager, 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 **Thursday, 27th July, 2023**:

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

Though not called to the hearing, the following person accompanied the witnesses to the hearing:

- Mrs. Hughette Griffiths-Doctor – Manager, Entire Public Sector Reporting Unit, Treasury Department

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 OBSERVATIONS AND RECOMMENDATIONS

On review of the Office of the Auditor General's Report, *Follow-up on past PAC recommendations 2023 – Report 1 (March 2023)*, together with critical analysis of witness testimony, the PAC strongly endorses and supports the recommendations made by the Office of the Auditor General in the Report. In addition, the PAC makes the following observations and recommendations:

a. The Committee heard from witness testimony that one of the primary causes for delays in the timely Tabling of Government Minutes is due to the length of time it takes to prepare the Chief Officer's response and have it reviewed and approved by the Cabinet. The Committee suggests that Government Minutes are sent to the Deputy Governor for approval to Table in Parliament, rather than to Cabinet.

b. The Committee heard from witness testimony that one of the causes for lengthy delays in the Tabling of Annual Reports and Financial Statements is due to the Parliament not Sitting for many months at a time. In consideration of the Auditor General's recommendation No. 15 on page 35 of the Report and the Financial Secretary's testimony, **the Committee recommends that the Council of the Parliament Management Commission discuss establishing regular Meetings of the House throughout the year in order for the timely Tabling of Annual Reports and Financial Statements, and that the Council inform the Committee of its decision by 31st December 2023.**

c. The Committee expects that the Ministry of Finance and Economic Development will adhere to the deadline of having an outcomes-based budgeting framework implemented by Q3 2025 in order to include this in the 2026-2028 budget period.

d. The Committee was pleased to hear the witness testimony confirming that the Ministry of Finance and Economic Development has made progress implementing, or starting to implement, several of the recommendations made in the Auditor General's Report, and expects to see continued progress in the implementation of the Auditor General's recommendations in a future Report.

e. The Committee heard witness testimony that the information provided by the Risk Management Framework tool should ideally be shared with the Cabinet in the monthly Cabinet reports prepared by the Ministry of Finance and Economic Development. The

Committee agrees and urges the Ministry to include this information each month for the Cabinet's awareness and consideration.

f. The Committee reiterates its recommendation made in its previous report on the Auditor General's report titled "Financial Reporting of the Cayman Islands Government – General Report 31 December 2021 (Oct 2022)", namely, that the Ministry of Finance and Economic Development makes a detailed assessment of the cost of implementing Section 47 of the Public Authorities Act to include non-monetary benefits (such as pensions and health insurance) for SAGCs and include this in the Government's budget for 2024-2025.

11. WITNESS UNDERTAKINGS

Per section 7 of this Report, the PAC heard from two witnesses at the public hearing held on Thursday, 27th July 2023: Mr. Kenneth Jefferson, Financial Secretary & Chief Officer of the Ministry of Finance and Economic Development; and, Mr. Matthew Tibbetts, Accountant General in the Ministry of Finance and Economic Development. The witnesses provided the following undertakings to the Committee.

a. The Accountant General undertook to provide the Committee with a report on the feedback provided by Chief Financial Officers as to how effective the new budgeting templates have been for the current budget cycle. The Committee wishes to receive this report by 1st November, 2023.

b. The Accountant General undertook to provide the Committee with an update on the Chief Risk Officer position. The Committee looks forward to receiving an update from the Accountant General by 29th September 2023.

c. The Financial Secretary undertook to provide the Committee with a report outlining the top fifteen revenue sources for the government. The Committee requests this report by 29th September 2023.

d. The Accountant General undertook to provide the Committee with a summary report outlining the number of risk registers across the government. The Committee requests this information by 29th September 2023.

e. The Accountant General undertook to provide the Auditor General with the Entire Public Sector annual reports for 2020 and 2021 by 29th September 2023.

12. ACKNOWLEDGEMENTS

The Committee is most appreciative of the efforts of the Auditor General, Acting Auditor General, and the staff of the Office of the Auditor General, for the constructive feedback given throughout the deliberations. The Committee also wishes to thank the Clerk of the Parliament, the PAC Clerk, and the Hansard staff for the assistance provided.

13. REPORT OF THE COMMITTEE TO THE HOUSE

The Committee hereby 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 2023 – Report 1 (March 2023)***

Hon. Roy M. McTaggart **JP, MP - Chairman**	**Hon. Isaac D. Rankine** **JP, MP – Member**
Ms. Heather D. Bodden **OCI, Cert. Hon., JP, MP – Member**	**Ms. Barbara E. Conolly** **JP, NP, MP – Member**
Mr. Joseph X. Hew **MP – Member**	**Hon. Dr. W. McKeeva Bush** **JP, MP – Member**

Parliament of the Cayman Islands
STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting
Wednesday, 29th March, 2023

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, JP, MP – Member

Apologies:

Hon. Dwayne S. Seymour, JP, MP – Member
Mr. Joseph Hew, MP – Member

PAC Clerk: Ms. Susan Burke – Procedural Clerk

Attendees: Ms. Angela Cullen – Deputy Auditor General (Performance Audit), OAG
Mr. Adrian Murenzi – Audit Manager, OAG
Mr. Gabriel Ncube – Acting Audit Manager, OAG

1. **Meeting to Order**

There being a quorum present, the Chairman called the meeting to order at 10:15 a.m. and welcomed the Members to the meeting.

2. **Apologies**

The Chairman acknowledged apologies from Mr. Dwayne Seymour and Mr. Joseph Hew. The Chairman also acknowledged apologies from the Auditor General, Mrs. Sue Winspear, due to medical reasons.

3. **Approval of PAC Minutes**

3.1. 1st March 2023 *(Administrative Meeting)*: The Deputy Auditor General noted item 7.3 of the minutes incorrectly referred to the Public Service Pensions Board as the "Public Service and Pensions

Board." Pending the minor correction, **the minutes were approved on a motion by Ms. Conolly which was seconded by Ms. Bodden.**

4. Matters Arising from Minutes

4.1. The Committee members reviewed the letter to the Acting Chief Officer of the Cayman Turtle Centre, asking for an update on the staffing issues that posed a challenge to the timely completion of past audits and whether an action plan has been put in place.

4.2. The Committee reviewed the four letters to the witnesses of the hearing held on 20th October, 2022 pertaining to the Auditor General's Report, "*Government's Shift to Online Services (June 2022)*". Mr. Rankine noted the Ministry of Planning, Agriculture, Housing and Infrastructure (MPAHI) had an error in the acronym and title.

Pending the necessary corrections to the Ministry's title and acronym, Mr. Rankine moved for the Chairman to be authorized to sign the five letters, and Ms. Conolly seconded the motion. The PAC Clerk would amend the letters following the meeting for the Chairman to sign. It was agreed that the PAC Clerk would send the signed letters on Monday, 3rd April.

5. PAC Reports for Review/Approval

5.1. PAC Report on the OAG Report, *"Financial Reporting of the Cayman Islands Government – General Report 31 December 2021 (October 2022)"*: The Chairman suggested a revision in the paragraph with the asterisk under item 3, that Mr. Hew was "appointed" to the Committee. **Subject to this one revision, Mr. Rankine moved to accept and sign the PAC Report, and Ms. Bodden seconded the motion.**

6. Approval of Auditor General's Invoice

6.1. The Deputy Auditor General noted that the back page of the invoice is the breakdown for February, not January.

6.2. The Chairman asked clarification on the consultancy fees. The Deputy Auditor General clarified that it is for a plain language editor to edit all of the OAG's performance audit reports before they publish them.

6.3. **The Chairman signed the invoice #207790 for $58,996.61 from 28th February 2023 upon a motion by Ms. Conolly, which was seconded by Ms. Bodden.**

7. Auditor General's Update

7.1. The Deputy Auditor General introduced Mr. Adrian Murenzi and Mr. Gabriel Ncube to the Committee.

7.2. The Deputy Auditor General provided the Committee with a brief update on the financial audits, noting they are now in peak financial audit season.

7.2.1. The OAG had signed-off two audits so far (the Ministry of Finance, and the Ministry of Education), and they are expecting several more to be signed off by early April. Ms. Cullen noted that they are on track to be complete the audits by the end of April.

7.2.2. Ms. Conolly asked clarification on the status of the Ministry of Education's audits. The Deputy Auditor General confirmed the Ministry is up to date now.

7.2.3. Mr. Rankine asked about the outstanding issues with the Ministry of Health.

7.2.3.1. The Deputy Auditor General confirmed that it is still backlogged and outlined that the OAG set up a dedicated backlog team in February 2023 which is led by Mr. Patrick Smith, former Deputy Auditor General (Financial Audit), who will be supported by a part-time manager and two staff specifically to deal with backlogged audits for the Ministry of Health, the Cayman Islands Airport Authority, and the Entire Public Sector. The goal is to get the backlogs up to date by April 2025, though they will continue reporting to the PAC on the progress.

7.2.3.2. The Deputy Auditor General stated that she understood that the Deputy Governor has spoken with the Chief Officer for the Ministry of Health to ensure the audits are brought up to date.

7.2.3.3. Mr. Rankine and Ms. Conolly asked the Deputy Auditor General to clarify the reasons for delays and the processes of submitting financial statements. The Deputy Auditor General outlined the process of auditing Ministries and the reasons for delays.

7.2.3.4. The Deputy Auditor General noted that the previous PAC had taken evidence from the Ministry of Health and the Cayman Islands Airport Authority, and received a commitment to delivering. She noted that the PAC may want to pursue those commitments by following-up with the two entities. She added that the next General Report could highlight these commitments, and this could provide an opportunity for the PAC to consider having another hearing if they chose to.

7.3. The OAG's Annual Report is being drafted and should be ready for the next meeting.

7.4. The OAG's own audit is nearing completion, and will likely be signed-off before Easter. The financial position is much the same as reporting to the PAC previously.

7.5. The performance audits are on hold at the moment due to the OAG's busy season.

7.6. The OAG will be publishing the performance audit programme on its website this week.

7.7. The Auditor General previously reported the OAG was having an independent assessment done. **The Deputy Auditor General anticipates receiving the draft report by end of March and confirmed that the final report will be shared with the PAC.**

7.8. The Chairman inquired into the status of the ReGen report that was making the news recently.

7.8.1. The Deputy Auditor General noted that the draft report had been prepared as of December 2021, based on an audit of the contract signed in March 2021.

7.8.2. The Deputy Auditor General noted that the Auditor General will publish the report alongside an updated report (if it is required) after financial close has been reached and after they have had time to prepare the updated accompanying report. Ms. Cullen stated that the indicative date for publishing the report was July 2023

7.8.3. The Chairman asked if this was a public interest report. The Deputy Auditor General clarified that it was not a public interest report; rather, it is a full performance audit report in order to include comments on the value for money of the contract.

7.8.4. Members asked who had received the report. The Deputy Auditor General clarified that the report was sent to the Premier, Deputy Premier, and the Chief Officer as a clearance draft in December 2021. She stated that her understanding was that the Government has used the report to try to re-negotiate the contract. She added this was the usual process for their draft reports, and that the PAC would not see their report until it has been finalised.

7.8.5. Mr. Rankine asked if the OAG is involved when the Government is engaged in projects such as this one, if they provide guidance. The Deputy Auditor General clarified that they would not be involved in it until they are auditing the contract.

7.8.6. The Deputy Auditor General noted that this is the first PPP the government had signed, and the OAG brought in experts from the National Audit Office (UK) to ensure the judgements the OAG was making were correct. She added that the UK stopped doing PPP a number of years ago because they did not offer value for money.

7.8.6.1. Mr. Rankine asked if PPP still offers benefit to the public even if it is not value for money. The Deputy Auditor General noted that there are instances when this would be beneficial for the population, but that the cost of the PPP should be compared to the cost if it had been completed only by the government to ensure value for money.

7.8.7. The Deputy Auditor General noted that if the report is signed on the 30th of April or before, it has implications for disclosures as a subsequent event in the Ministry's financial statements and the OAG would need to respond quickly to that for the Ministry to update its disclosures.

8. Auditor General's Reports

8.1. ***Follow-up on past PAC recommendations 2023 – Report 1 (March 2023):***

8.1.1. The Deputy Auditor General briefed the Committee on the Report. Mr. Gabriel Ncube provided further information on the recommendations and findings in the Report and a briefing on the Appendices.

8.1.2. The Chairman asked for clarification on which recommends weren't accepted.

8.1.2.1. The Deputy Auditor General mentioned recommendation 8 on page 49 of the Report. The Chairman and PAC Clerk noted that there is a committee that is considering the standing order amendments; the Deputy Auditor General responded that they can update their records to reflect this. The Chairman asked what the UK's practice is for this standing order; the Deputy Auditor General clarified that the UK Parliament tables reports every day.

8.1.2.2. The Deputy Auditor General identified the other recommendation that wasn't accepted which was recommendation 13 on page 56 of the Report. The Chairman noted that given the requirement to file amendments every 30 days, records should be up to date. The Deputy Auditor General clarified that their plan is to no longer pursue this recommendation.

8.1.3. **The Deputy Auditor General suggested that the PAC hold a hearing. The Committee agreed to hold a hearing on Thursday, 18th May 2023 from 10:00 a.m. – 12:00 p.m.**

8.1.3.1. It was decided that the Deputy Governor and the Chief Officer of the Portfolio of the Civil Service had been asked the same questions in November 2022 and as such the witnesses would be the Financial Secretary and the Accountant General.

8.1.3.2. The Deputy Auditor General asked if the Committee would like the OAG to continue preparing the briefing packages with the same format as previously done. The Chairman agreed.

8.2. ***Overview of the Cayman Islands' performance against the Sustainable Development Goals focused on the environment (March 2023)***

8.2.1. The Deputy Auditor General provided a brief overview of the public interest report. Mr. Adrian Murenzi provided further information on the findings of the Report.

8.2.2. Mr. Murenzi noted that the Sister Islands Affordable Housing Development Corporation has plans to begin building housing.

8.2.3. Mr. Murenzi noted that the government is currently drafting a climate change policy, and outlined the Environment Protection Fund on page 53 of the Report. Mr. Rankine noted his concerns about "ring-fencing" the fund; the Deputy Auditor General noted paragraph 156 of the Report indicating the flexible use of the fund.

8.2.4. Mr. Murenzi added that the Ministry of Sustainability and Climate Resiliency in March 2023 appointed PWC as a consultant to undertake the internal review. They are meant to identify for the Cabinet possible targets under the SDGs that the government should prioritize in the remainder of its term. PWC's report is due in May and is for all SDGs, whereas the OAG's report covers only the environmental ones, representing 47/169 of the total SDGs.

8.2.5. The Deputy Auditor General noted that the OAG had not been made aware that the Ministry had hired PWC and suggested that the PAC may wish to ask the Ministry for reassurances that they are taking into account the work that the OAG has already done. The Chairman asked the Deputy Auditor General to continue to pursue this with the Ministry directly rather than through the PAC.

8.2.6. The Deputy Auditor General advised not to hold a hearing as it is a public interest report.

8.2.7. The Chairman asked the Committee for a motion to accept the Report to be Tabled in the House. **Ms. Conolly moved to accept and Table the PAC Report, and Ms. Bodden seconded the motion.**

9. <u>Any Other Business</u>

9.1. Mr. Rankine noted for the PAC Clerk that moving forward his title should include "JP".

9.2. The Chairman asked the Deputy Auditor General and PAC Clerk to arrange for flowers to be sent to the Auditor General.

9.3. The Chairman noted he would write to the Premier to ask him to remove Hon. Dwayne Seymour from the Committee due to the appointment to Minister, and to ask him to nominate a replacement through a Government Motion in the next meeting of the House.

10. <u>Scheduling of Next Meetings:</u>

10.1. The next Hearing was scheduled for Thursday, 18th May, 2023 at 10:00 a.m.

10.2. The next Administrative Meeting was scheduled for Thursday, 18th May, 2023 at 1:00 p.m. following the hearing.

11. <u>Adjournment</u>

There being no further business, the Chairman thanked the Committee Members, the Deputy Auditor General, Audit Managers, and the Committee Clerk, and adjourned the meeting at 11:47 a.m.

The Minutes of 29th March 2023 were approved by Round Robin on 20th April 2023.

Parliament
of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

Round Robin

20th April 2023

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

- **Wednesday, 29th March 2023 (Administrative Meeting)**

_____
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, JP, MP
Member

_____
Mr. Joseph X. Hew, MP
Member

Parliament of the Cayman Islands

STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting
Thursday, 22nd June, 2023, 2:00 p.m.

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – Chairman
Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – Member
Hon. Isaac D. Rankine, JP, MP – Member
Hon. Dr. W. McKeeva Bush, JP, MP – Member

Apologies:

Ms. Barbara E. Conolly, JP, MP – Member
Mr. Joseph Hew, MP – Member

PAC Clerk: Ms. Susan Burke – Procedural Clerk

Attendees: Mrs. Sue Winspear – Auditor General
Mr. Patrick Smith – Deputy Auditor General (Corporate and International)

1. **Meeting to Order**

   There being a quorum present, the Chairman called the meeting to order at 2:13 p.m. and welcomed Hon. Bush to the Committee.

2. **Apologies**

   The Chairman acknowledged apologies from Ms. Barbara Conolly and Mr. Joseph Hew.

3. **Approval of PAC Minutes**

   3.1. 29th March 2023 *(Administrative Meeting)*: The Chairman noted for the current meeting's minutes that the minutes of 29th March 2023 were approved via Round Robin on 20th April 2023.

4. **Matters Arising from Minutes**

4.1. **Letter from Cayman Turtle Centre dated 28th April 2023 in response to PAC's follow-up letter dated 29th March 2023 pertaining to the OAG's Report, "*Financial Reporting of the Cayman Islands Government: General Report 31 December 2020*"**

i. The Chairman summarized the letter and invited the Members to read it. The Chairman noted the last paragraph of the letter with regards to the timeline of the 2020 and 2021 audits.

ii. The Auditor General noted that it is a difficult and high risk audit, and the revised deadline was missed because Grant Thornton were not able to meet the June 30th deadline due to other work priorities. The Auditor General is hoping to sign-off on the 2020 audit in July.

iii. The Auditor General noted for the Committee that the Chief Executive Officer was just confirmed, and she is optimistic that the remaining two outstanding audits will be completed during 2023.

iv. The Chairman requested that the PAC respond to the Chief Officer acknowledging the CTC's efforts and to congratulate the appointment of the Chief Officer and Chief Financial Officer, as well as to encourage continued improvement and the completion of the two outstanding audits. **The PAC Clerk agreed to draft the letter**.

5. Approval of Auditor General's Invoice

5.1. The Auditor General noted that April was not a busy month for performance audits because of the priority given to financial audit in the run up to the statutory deadline.

5.2. **The Chairman signed the invoice #207792 for $37,742.92, and invoice #207850 for $63,285.84 upon a motion by Hon. Bush, which was seconded by Hon. Rankine.**

5.3. Hon. Rankine asked about the line item on invoice #207792 for Regen:

i. The Auditor General noted that her office continues to work on the project, but that the report has not yet been shared with the PAC because the contract is still being negotiated. She added that she will do a follow-up once the contract has been finalized, showing the difference between the final contract details and the position given in the initial report.

6. Auditor General's Report:

6.1. ***OAG's 2022 Annual Report***

i. The Auditor General provided a high level overview of the Report and asked the Committee to accept and Table it in the next Meeting of the House. She noted that the 2022 financial statements were audited by Baker Tilly, who issued a clear opinion with no control points.

ii. **The Committee agreed to accept the Report and to Table it in the next Meeting of the House, upon a motion by Ms. Bodden which was seconded by Hon. Rankine.**

7. Auditor General's Update

The Auditor General provided the Committee with an update on the status of the SPS and budget submission. The Auditor General apologized that there wasn't a First Quarter Report due to illness, and she will provide a half yearly one at the end of quarter two.

The OAG has done 38/46 entity audits. Two are significantly backlogged: Cayman Islands Airports Authority (CIAA) and the Ministry of Health. These two are the longstanding backlogged audits. The Chief Financial Officer for the Ministry of Health is working hard on making progress. The Turtle Centre is the third most backlogged. The Public Service Pension Board (PSPB) 2022 audit is nearly completed. There is a fraud case in the Department of Agriculture that is causing a delay in the completion of the Ministry of Planning, Agriculture, Housing and Infrastructure 2022 audit. She noted that UCCI is outstanding for 2022 due to frequent changes of leadership.

The Chairman asked whether there was any progress with the CIAA. Mr. Smith noted that the Chief Financial Officer is new and there is a delay getting information. The Auditor General noted that there is a general problem across the island in recruiting qualified accountants. Hon. Rankine asked if the PAC should send a letter to the Chairman of the Board. Mr. Smith noted that they have met with the Chairman of the Board but that the traction is not sustained. Hon. McTaggart asked if the Board is effectively pressing the CIAA and it was felt they were at the moment. The Auditor General thanked the Committee for their offer but asked that the OAG be the one to continue to lead, as Patrick and his team are focusing on this directly and she would revert if she felt their intervention would help at a later stage.

7.1. ***SPS and Budget Submission:***

i. Mr. Smith summarized the SPS and Budget Submission for the Committee, which had to be done on the 8th June and therefore did not receive the PAC's review due to the Committee's meeting schedule. Hon. Rankine asked for clarification on technology and software fees. Mr. Smith responded.

ii. The Chairman noted that some of these increases were handed down to the OAG by the Financial Secretary, such as the cost of living increases and health care premiums.

iii. **The Chairman asked for a motion to endorse the SPS and budget submission. Hon. Rankine provided the motion which was seconded by Ms. Bodden and the motion was carried.**

7.2. ***Re-tender of OAG's audit:***

i. Mr. Smith informed the Committee that Baker Tilly can no longer do the audit for the OAG because they are going to be working as an OAG contractor on tendered out entity audits; they put out a tender to do the next five years of OAG's audits starting with 2023's but did not receive any submissions. Mr. Smith consulted with the CPO and communicated with the main audit firms for direct contracts. He was informed that the timelines clashed with the company's

audit season and only one was potentially willing to consider doing the audits, but said they would charge a six-figure fee. Currently the OAG pays about $16,500 for their audit, so this would be an excessive increase. The Auditor General said that it was possible to use another audit office from another country to do the audit but they would welcome PAC's views on this and the situation in general.

ii. The Chairman and Committee asked the Auditor General to revisit local firms to try to renegotiate.

8. Scheduling of Next Meetings:

8.1. **PAC Hearing: 28th June 2023, 10:00 a.m. – 12:00 p.m.**

i. ***Briefing from the Auditor General***: The Committee reviewed the briefing notes and identified who would be asking which line of questioning. The Auditor General said the first section on budgeting is the most important part of the hearing despite fewer questions and so should be concentrated on. There were page number discrepancies and a typo in one of the numbered items; the PAC Clerk noted she would send a revised copy.

8.2. The next **Administrative Meeting** was scheduled for **12th July, 2023 at 10:00 a.m.**

9. Any Other Business

9.1. ***Letter from Anti-Corruption Commission***

i. The Chairman provided the PAC Members with a copy of a letter sent to him on 30th May 2023 from the Chairman of the Anti-Corruption Commission, in response to a letter they received from Mr. D. Ezzard Miller as the previous PAC Chairman, dated 12th February 2021. This was noted with no further action deemed necessary.

9.2. ***OAG's 40th Anniversary:***

i. The Auditor General told the Committee that this is the 40th anniversary of the founding of the Office, and a celebration will be held at the Governor's residence on 28th June and she hoped all Members could attend. Members advised the Auditor General that they did not receive invitations. The Auditor General apologized and noted that she will follow up with the Governor's office to ensure that all Members receive their invitation.

10. Adjournment

There being no further business, the Chairman thanked the Committee Members, the Auditor General, Deputy Auditor General, and the Committee Clerk, and adjourned the meeting at 3:28 p.m.

The minutes were approved in the administrative meeting held on 27th July 2023 on a motion by Hon. Rankine which was seconded by Ms. Bodden.

Parliament of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES
Meeting with Witnesses
Thursday, 27th July, 2023
House of Parliament

OAG REPORT:
"FOLLOW-UP ON PAST PAC RECOMMENDATIONS 2023 – REPORT 1 (MARCH 2023)"

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – *Chairman*
Hon. Isaac D. Rankine, MP - *Member*
Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – *Member*
Ms. Barbara E. Conolly, JP, NP, MP – *Member*
Mr. Joseph X. Hew, MP – *Member*

Apologies:

Hon. Dr. W. McKeeva Bush, JP, MP – *Member*
Mrs. Sue Winspear – *Auditor General*

PAC Clerk:

Ms. Susan Burke – *Parliamentary Procedural Clerk ("PAC Clerk")*

Attendees:

Ms. Angela Cullen – *Acting Auditor General, Office of the Auditor General*
Mr. Gabriel Ncube – *Audit Manager, Office of the Auditor General*

Witnesses:

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

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

Mrs. Hughette Griffiths-Doctor – *Manager, Entire Public Sector Reporting Unit, Treasury Department, Ministry of Finance and Economic Development*

1. Meeting to Order & Welcome from the Chair:

There being a quorum present (Parliament Standing Orders 77(2) refers), the Chairman called the Public Accounts Committee (PAC) hearing to order at 10:14 am.

The Chairman gave a brief welcome to Members of the Committee and Attendees and thanked them for attending the Public Accounts Committee (PAC) Hearing, then invited Hon. Isaac Rankine to begin the proceedings with a prayer.

Following the prayer, the Chairman acknowledged receipt of apologies from PAC Member Hon. McKeeva Bush, who was unable to attend due to his attending a Commonwealth Parliamentary Conference off-island.

2. Report of the Auditor General for consideration:

The Chairman welcomed Ms. Angela Cullen, Acting Auditor General, and acknowledged apologies from Mrs. Sue Winspear, Auditor General. The Chairman also welcomed Mr. Gabriel Ncube, and proceeded to welcome the witnesses: Mr. Kenneth Jefferson; Mr. Matthew Tibbetts; and, Ms. Hughette Griffiths-Doctor.

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 2023 – Report 1 (March 2023)"* (the "Report"), and provided a brief overview of the Report before inviting the Acting Auditor General to make an opening statement and present the Report.

The Acting Auditor General presented an overview of the Report and the Auditor General's recommendations and conclusions.

The Chairman asked the Acting Auditor General a question about the conclusion in the report which raised concerns that the lack of regular meetings of the Parliament contributed to the late Tabling of annual reports, financial statements and Government Minutes.

The Acting Auditor General provided an update on the backlog in Tabling annual reports and financial statements but noted that this may not include all of those Tabled in the last meetings in June. The Acting Auditor General also confirmed that a number (15) of entities had not submitted the final versions of their annual reports for the 2022 financial year to the Office of the Auditor General for review, which was required before they could be sent to the Cabinet for approval.

In response to the Chairman's follow-up question about the reasons for delays, the Financial Secretary stated that the Deputy Governor and Ministry of Finance have frequently encouraged Chief Officers to submit their Annual Reports for Cabinet approval in advance of upcoming meetings of the Parliament. The Financial Secretary also stated that delays can be caused by the lag between Cabinet's approval and the Parliament meeting. The Financial Secretary strongly supported the Auditor General's recommendation that the process should be changed to allow annual reports, and other reports, to be tabled in the Parliaments when it is not sitting.

- **The Financial Secretary undertook to bring the June 2023 snapshot up to date.**

The Chairman asked the Acting Auditor General to provide a list of the outstanding reports to the Financial Secretary.

- **The Acting Auditor General undertook to provide this information to the Financial Secretary.**

The Chairman proceeded to the substantive questioning and reminded the witnesses to state their name and title for the record before responding to their first question.

Discussion ensued with questions being asked to Mr. Jefferson and Mr. Tibbetts by the PAC Members.

Upon completion of the questioning, the Chairman thanked the witnesses for their participation in the hearing.

3. Any Other Business:

None.

4. Adjournment:

There being no further business, the Chairman thanked the PAC Members, the Acting Auditor General and her team, the witnesses, and the Procedural Clerk. The meeting was adjourned at 12:35 p.m.

The minutes were approved in the administrative meeting held on 6th September 2023 on a motion by Ms. Heather Bodden, which was seconded by Hon. Isaac Rankine.

Parliament of the Cayman Islands
STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting
Thursday, 27th July, 2023, 1:30 p.m.

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – Chairman
Hon. Isaac D. Rankine, JP, MP – Member
Ms. Barbara E. Conolly, JP, NP, MP – Member
Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – Member
Mr. Joseph Hew, MP – Member

Apologies: Hon. Dr. W. McKeeva Bush, JP, MP – Member

PAC Clerk: Ms. Susan Burke – Procedural Clerk (Acting)

Attendees: Ms. Angela Cullen – Auditor General (Acting)

1. **Meeting to Order**

There being a quorum present, the Chairman called the meeting to order at 1:40 p.m.

2. **Apologies**

The Chairman acknowledged apologies from Hon. Dr. W. McKeeva Bush who was attending a CPA conference off-island.

3. **Approval of PAC Minutes**

3.1. 22nd June 2023 *(Administrative Meeting)*: The Acting Auditor General noted one correction to item # 4.1.ii where the year should be "2020" not "2022". Pending this one change, the minutes were approved on a motion by Hon. Rankine which was seconded by Ms. Bodden.

4. **Matters Arising from Minutes**

None.

5. Response from Financial Secretary to Undertakings of 24th Nov 2022

5.1. The Committee noted the Financial Secretary's response for the minutes, upon a motion by Ms. Conolly which was seconded by Ms. Bodden.

6. Review of Hearing (27th July 2023) & PAC Report Preparation

6.1. The Chairman asked the Committee Clerk to begin drafting the PAC Report based on the morning's hearing. The Committee Clerk agreed to begin drafting the PAC Report on the OAG's Report, "Follow-up on past PAC recommendations 2023 – Report 1 (March 2023)".

6.2. The Acting Auditor General noted that she will work with the Committee Clerk and the Ministry of Finance and Economic Development to update the data on outstanding Annual Reports and Financial Statements, based on the new Order Papers that the Acting Auditor General received. The Acting Auditor General committed to updating and re-issuing the quarterly report (item 8.2) following this revision.

6.3. The Committee asked the Committee Clerk to note for the PAC Report that both Hon. Rankine and Ms. Bodden were Acting Ministers at the hearing, but that they were not required to recuse themselves as they were not questioning about their respective Ministries.

7. Approval of Auditor General's Invoices:

7.1. Invoice # 207851 from 30th June 2023 for $116,827.92 was approved on a motion by Hon. Rankine which was seconded by Ms. Conolly. The Chairman signed the invoice and provided the signed invoice to the Committee Clerk.

8. Auditor General's Update

The Acting Auditor General provided an update to the Committee on the activities of the Office of the Auditor General (OAG).

8.1. Re-tender of OAG's audit:

i. Upon the instructions of the Committee at the previous administrative meeting, Mr. Patrick Smith approached the local firms. One of the local firms said that they had not seen the Request For Proposals (RFP) that had been sent out, and another firm said that they do want to submit a bid for the project. A bid had now been received, which was considered and approved by the OAG's Entity Procurement Committee, and the Acting Auditor General hopes to be able to sign off next week. The Acting Auditor General confirmed for the Committee that the local firm, Berman Fisher, does meet the quality requirements for the project.

- Following the meeting, the Acting Auditor General asked the PAC to endorse the appointment of Berman Fisher. The Committee subsequently endorsed Berman Fisher

to be the independent auditors responsible for auditing the OAG as required by Section 69 (3) of the Public Management and Finance Act by signing a Round Robin.

8.2. ***Quarterly Reports: Q1 & Q2 2023***

i. The Acting Auditor General reviewed the highlights of the half-year report for the Committee.

ii. The Acting Auditor General provided the Committee with an update to the staff of the OAG.

9. Scheduling of Next Meetings:

9.1. The next Administrative Meeting was scheduled for **6th September 2023 at 2:00 p.m.**

10. Any Other Business

None.

11. Adjournment

There being no further business, the Chairman thanked the Committee Members, the Acting Auditor General, and the Committee Clerk, and adjourned the meeting at 2:17 p.m.

The minutes were approved on a motion by Hon. Isaac Rankine which was seconded by Ms. Heather Bodden in the Committee's administrative meeting held on 27th July 2023.

Parliament of the Cayman Islands
STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting
Wednesday, 6th September, 2023, 2:00 p.m.

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – Chairman
Hon. Isaac D. Rankine, JP, MP – Member
Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – Member
Mr. Joseph Hew, MP – Member
Hon. Dr. W. McKeeva Bush, JP, MP – Member

Apologies: Ms. Barbara E. Conolly, JP, NP, MP – Member
Mrs. Sue Winspear – Auditor General

PAC Clerk: Ms. Susan Burke – Procedural Clerk (Acting)

Attendees: Ms. Angela Cullen – Auditor General (Acting)

1. **Meeting to Order**

There being a quorum present, the Chairman called the meeting to order at 2:00 p.m.

2. **Apologies**

The Chairman acknowledged apologies from Ms. Barbara Conolly and Mrs. Sue Winspear.

3. **Approval of PAC Minutes**

3.1. 27th July, 2023 (Hearing): The Committee reviewed the minutes. The minutes were approved upon a motion by Ms. Heather Bodden, which was seconded by Hon. Isaac Rankine.

3.2. 27th July, 2023 (Administrative Meeting): The Committee reviewed the minutes. The minutes were approved upon a motion by Hon. Isaac Rankine, which was seconded by Ms. Heather Bodden.

4. **Matters Arising from Minutes**

Hon. Rankine proposed to the Hon. Chairman that the PAC write to the Hon. Attorney General for written guidance on whether a Member of the PAC who is also an Acting Minister can attend

a Committee Hearing so long as they don't ask questions of the Chief Officers. The Chairman asked the PAC Clerk to draft a letter to the Attorney General.

5. Review of PAC Report on the OAG's Report, "*Follow-up on past PAC recommendations 2023 – Report 1 (March 2023)*"

5.1. The Committee reviewed the PAC Report and asked that the PAC Clerk add a note to section 5 of the Report to indicate that Acting Ministers recused themselves and did not ask questions of the witnesses pertaining to their respective Acting Ministries. The PAC Clerk also agreed to change the date of item 10b on page 4 of the Report.

The Committee approved the PAC Report upon a motion by Hon. Dr. W. McKeeva Bush which was seconded by Ms. Heather Bodden. The Committee Clerk agreed to make the two amendments and the Members present signed the signature page.

The Committee agreed to Table the PAC Report on the above-mentioned OAG Report in the Parliament upon a motion by Hon. Dr. W. McKeeva Bush which was seconded by Hon. Isaac Rankine.

6. Approval of Auditor General's Invoices

6.1. The Committee reviewed the Auditor General's invoice #207902 from 31st July for $117,132.92 and invoice #207904 from 31st August 2023 for $173,842.92. The Committee approved both invoices on a motion by Hon. Dr. W. McKeeva Bush which was seconded by Ms. Heather Bodden. The Chairman signed the invoices and provided them to the Committee Clerk.

7. Auditor General's Update

The Acting Auditor General provided an update to the Committee on the activities of the Office of the Auditor General (OAG).

8. Scheduling of Next Meetings:

8.1. The next Administrative Meeting was scheduled for **Wednesday, 18th October 2023 at 2:00 p.m.**

9. Any Other Business

The Hon. Chairman asked Members to keep the Auditor General in their thoughts and prayers. The Hon. Chairman also shared his condolences with Mr. Joseph Hew on the recent passing of his mother.

10. Adjournment

There being no further business, the Chairman thanked the Committee Members, the Acting Auditor General, and the Committee Clerk, and adjourned the meeting at 2:17 p.m.

The minutes were approved on 1st November 2023 on a motion by Hon. Bodden and seconded by Hon. Bush.

PARLIAMENT
OF THE CAYMAN ISLANDS

PARLIAMENT OF THE CAYMAN ISLANDS

STANDING PUBLIC ACCOUNTS COMMITTEE

FOLLOW-UP ON PAST PAC RECOMMENDATIONS 2023
REPORT 1 – (March 2023)

Official transcript relating to the Official Report of the Standing Public Accounts Committee Meeting held on 27 July, 2023

CONTENTS

Ms. Angela Cullen, Deputy Auditor General	1-5, 12,15
Mr. Kenneth Jefferson (MFED)	3 - 20
Mr. Matthew Tibbetts (MFED)	6 - 20
Undertakings	3, 4, 9, 10, 11, 15, 19

PRESENT WERE:

PAC Members:	Hon. Roy M. McTaggart, JP, MP, Chairman Mr. Joseph X. Hew, MP, Member Ms. Barbara E. Conolly, NP, JP, MP, Member Mr. Dwayne S. Seymour, JP, MP, Member Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP, Member Hon. Isaac D. Rankine, MP, Member
Apologies:	Hon. Dr. McKeeva Bush, JP, MP, Member Mrs. Sue Winspear, Auditor General
Audit Office:	Ms. Angela Cullen, Deputy Auditor General (Performance Audit)
Witnesses:	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)
In attendance:	Mr. Gabriel Ncube Audit Manager Hughette Griffiths-Doctor Manager of the Entire Public Sector Reporting Unit Treasury Department
PAC Clerk:	Ms. Susan Burke

OFFICIAL VERBATIM REPORT
STANDING PUBLIC ACCOUNTS COMMITTEE
THURSDAY
27 JULY, 2023
10:13AM

FOLLOW-UP ON PAST PAC RECOMMENDATIONS 2023
REPORT 1 (MARCH 2023)

Verbatim transcript of the Standing Public Accounts Committee Meeting held on Thursday, 27th July, 2023, at 10:13a.m., in the Chamber of the House of Parliament; George Town, Grand Cayman

---

[Hon. Roy M. McTaggart, Chairman presiding]

The Chairman: Good morning, everyone; members of the Committee and everyone else who might be listening to the Public Accounts Committee's (PAC) proceedings today by way of television and on the radio. We are going to begin the Hearing this morning with a prayer, and I have asked Mr. Rankine to lead us in prayer.

Mr. Isaac D. Rankine: Thank you, Mr. Chair. Let us pray.

Heavenly Father, as we begin this Public Accounts Committee Hearing we ask that you guide our words and our thoughts. As we do the work that we are tasked to do, to do so with humility as responsible caretakers for the people of these Cayman Islands. Remind us that everything we have is from you; further assist us in using it to bring glory to Your Name. We pray all this in the mighty name of Jesus.

Amen.

The Chairman: Thank you, Mr. Rankine, for leading us in prayer.

We have apologies this morning from one Member, the Honourable McKeeva Bush, who is off Island attending a Commonwealth Parliamentary Association Conference this week; however, we remain quorate in terms of being able to host this Hearing today.

If I could begin by welcoming Ms. Angela Cullen, who is the Deputy Auditor General for performance audits and who is stepping in to fill the spot of the Auditor General (AG) Ms. Sue Winspear, who is unable to be here this morning. Also, to welcome Mr. Gabriel Ncube— I said it right? Okay. He's an audit manager with the Auditor General's Office, giving support to the Deputy Auditor General.

I also welcome the Financial Secretary and his team to this morning's Hearing. Welcome, Mr. Jefferson, Financial Secretary (FS) and Chief Officer for the Ministry of Finance and Economic Development, and also Mr. Matthew Tibbetts, the Accountant General; and Hughette Griffiths-Doctor— I got it? Right. Welcome to you, as well.

Our reason for being here this morning is to examine a report issued by the Office of the Auditor General. The report is entitled "Follow-up on Past PAC Recommendations 2023 - Report 1", which was issued by the Auditor General's Office in March of 2023— it was actually published on the 9th March. The report provided an assessment of the Government's implementation of recommendations for the following reports:

1. Improving Financial Accountability and Transparency Budgeting, which was a report that was done in December 2020, and the PAC report was released in July, 2021— the Office of the Auditor General assessed the Government's progress with implementing recommendations as Red - Limited Progress.
2. Improving Financial Accountability and Transparency, Financial Management and Reporting. The Auditor General's report was issued in May 2021, and the PAC report was completed in December, 2021. At the time, the Auditor General assessed the Government's progress with implementing recommendations as Red - Limited Progress.

At its administrative meeting on the 29th March, 2023, the Public Accounts Committee agreed that it would hold a Hearing on these two reports due to the limited progress being made. That is what we wish to look at closely this morning to try to understand the reasons therefore— and what plans are in place to ensure that these matters are dealt with.

However, before we actually get into the questioning by members, I will invite the Deputy Auditor General to make an opening statement.

Ms. Cullen.

OFFICE OF THE AUDITOR GENERAL

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

Good morning and welcome to the members of the Committee and everyone listening. Again, I want to

pass on the apologies of the Auditor General who cannot be with us this morning, and thank you for giving me the opportunity to make some opening remarks.

You have covered much of what I was going to say around the two reports. The reason that we have assessed them as Red is that only two of the thirty-three recommendations that were made in the two reports have been implemented so far. Another thirty-one recommendations are in progress or action as planned to implement them, and there has been no progress on four recommendations, so that's our rationale for assessing them as Red or limited progress.

If I can give some context on a couple of the significant recommendations that are outstanding. The Ministry of Finance has made, so far, limited progress in improving the budgeting framework and processes. In September 2022—and I am sure the Ministry will talk more about this—they commissioned consultants to develop an outline business case to take forward that work.

The Cabinet approved that business case in February this year (2023), and we appreciate that changing the budget framework is not a quick fix, however, it is disappointing that the timeline for implementing the recommendations fully has been further pushed to December 2025; so that further delay means that we won't see a— hopefully— user friendly, transparent and outcomes-focused budget until 2026-2027 so, a few years into the future, and that budgeting system is fundamental to drive efficiency and the effective use of the finite resources we have here in the Cayman Islands.

The other area that I want to mention is that the government is not currently reporting information that is needed for proper accountability, for example, the total cost of the liability for post-retirement benefits.

The omission of that cost from the Financial Statements for the entire public sector means that the public doesn't have accurate information on the entire financial position of the government's accounts. The omission of that single figure has made a significant contribution to the adverse audit opinion that we have been issuing on the entire public sector accounts in previous years, and the audit opinion will not change until that issue is resolved.

Those are just a couple of the issues that I want to highlight. As you welcomed, I have Gabriel Ncube with me today; he supported me in preparing the report and we are happy to support you this morning, so thank you.

The Chairman: Thank you, Deputy Auditor General.

I read the report and there was something that really jumped out at me. Before we actually get into the questioning as well, I just ask you for your views and update for the Committee, in terms of a matter that is mentioned in the conclusion of the Auditor General's report in paragraph five, page eight of the report. It is actually the very last sentence in that paragraph that I am concerned with, and I am going to read it. These are the words of the Auditor General. She said, "**I continue to be concerned that the lack of regular meetings of the Parliament contributes to the late Tabling of the annual reports, financial statements and Government Minutes, which hampers the accountability process."**

I am just wondering, Deputy Auditor General, if you could give the Committee an indication of just what is the backlog in terms of Tabling of Financial Statements.

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

We have raised the issue in the financial management reporting, and we raise it each year in our general report, that there is a backlog of Tabling annual reports and Financial Statements and they are not happening in a timely manner. We've seen improvements in recent years, so there has been a move to Table many more of them, but there is still some from prior years that are outstanding and there are still delays in Tabling.

Again, for a bit of context, we now keep a note of when Cabinet approves Financial Statements and annual reports for laying in Parliament, so we have that log as well; but there can still be a few months' delay on them being Tabled in Parliament because there are no meetings. To give you an update on where we are, and I may not have accurate figures for the June Sitting of the Meeting but, taking us back to 2018, 39 audits have been completed and 35 annual reports have been Tabled, so there are still four outstanding dating back to 2018. There are more from previous years, I don't have the information with me, but I can share it with you later.

From 2019, of the 39 audits completed, three annual reports still haven't been Tabled; for 2020, out of the 39 audits completed for five annual reports haven't been Tabled; for 2021, of the 46 audits completed, 15 annual reports are outstanding, and of the 36 audits that we have completed by the 30th April, I'm aware of only three or potentially four that have been Tabled so there is a bit of a backlog.

The Public Management and Finance Act requires that they are Tabled by the 31st May and that is not happening. As I said, we are keeping a note of when Cabinet approves them, but there is still a backlog.

The Chairman: I know the Auditor General specifically mentioned the lack of regular meetings of the Parliament, but I do believe that when we do meet, all reports that we have here at Parliament get Tabled, so it appears to me then, that potentially the big issue is the stuff making its way down to Parliament for Tabling. Would that be a fair assessment or conclusion?

Ms. Angela Cullen, Deputy Auditor General: Thank you, Mr. Chair. Through you, that may be the case. The

Financial Secretary might be able to enlighten us a bit more.

As I said, we are aware of some 2022 annual reports that have been approved by Cabinet during May and June that have not yet been Tabled— the May and July— but the Parliament hasn't sat since then, so they may be Tabled in the next Sitting. The Financial Secretary might be able to provide more information.

The Chairman: Financial Secretary, (FS) I was going to reach out to you just to ask your views and thoughts on it because it seems like it stretches back several years, in terms of these reports being sent down to Parliament for Tabling.

You have any observations on what the Deputy Auditor General has spoken to? In particular, my strong question to you would be: Is there anything that the Ministry can do to assist in helping to get these reports sent down here on a timelier basis?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Thank you, Mr. Chairman, and good morning to you, Committee members, the Clerk and the Auditor General staff.

Mr. Chairman, I do know that this is one of the strong areas that the Honourable Deputy Governor (DG) pushes at his meetings with Chief Officers. The Ministry of Finance has written pretty frequently to encourage Chief Officers to submit their annual reports, especially when we know that an upcoming Meeting of the Parliament has been announced. I think, and I don't have it with me, we didn't do that exercise, I think a more comprehensive position would be if we looked at what was actually Tabled in the June Sitting of the Parliament, because I think the Deputy [Auditor] General just said that her numbers did not include what was done in June and there were quite a large number of annual reports that were Tabled in June.

We can undertake to bring up to date the June 2023 Tabling of Annual Reports. I think that would give us the best, most current snapshot possible of how far behind we are in Tabling the annual reports. As the Committee will know, each Ministry, each Portfolio, each Office has its own set of not only Financial Statements but annual reports. They go to Cabinet and Cabinet approves but if, for example, there is a lag between the Cabinet approval and the Parliament meeting, and that lag can take months upon months, it is a problem.

I do like the suggestion that the Auditor General's Office has raised, about we should strongly consider whether the annual reports—and other reports—can actually be Tabled when the Parliament itself is not sitting, so I have the question, what does Tabling mean when the Parliament is not Sitting? To me it would mean distribution of the reports to members— sorry Mr. Chairman, I think I'm getting some feedback on the mic here.

[Pause]

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

I think it deserves much merit. If the Parliament were agreeable to allowing that to happen, I think it would help tremendously. I know that the Honourable Deputy Governor has actually made that suggestion to the Parliament and I see from the notes in the report that the Honourable Speaker is considering it. As has been said, it will require some changes to Standing Orders and so forth, but I think that is a practical and sensible solution to getting rid of the backlog.

Obviously, that assumes, Mr. Chairman, that the reports have actually been done. I think the vast majority have been done, but I will undertake to bring the snapshot up to date inclusive of what happened in June 2023.

The Chairman: Deputy Auditor General.

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

While the Financial Secretary was speaking we were pulling together that information. The latest information that we have— our Office reviews the annual reports too, because they include the Financial Statements— is that we have completed the review of 19 Annual Reports for the 2022 financial year. However, our latest information is that we haven't received updated drafts of 15 annual reports as at yesterday so as the Financial Secretary just alluded to, there are a number of them that are outstanding.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Mr. Chairman, I think when I return to the Administration Building, I will have another word with the Honourable Deputy Governor because he has been doing quite a good job of spearheading the exercise. I can say honestly that during our meetings with Chief Officers prior to an upcoming session of Parliament, it is one thing that features quite heavily in his meetings with us— to encourage the production of annual reports and their Tabling and transmission to the Parliament.

The Chairman: Just one final question from me then, FS. Would it be helpful if you had a list of what the outstanding reports are— the old stuff, particularly? And Deputy Auditor General, would you be able to provide that for them?

Ms. Angela Cullen, Deputy Auditor General: Yes, absolutely; we can provide that information.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Yes, Mr. Chairman, it would be helpful.

The Chairman: Thank you both. Hopefully we will be able to finally nip this in the bud.

Okay members, so we are going to get into the substantive examination of these two reports this morning. We suggest to witnesses that when questions are directed to you for the first time, if you just go ahead and state your name and your position for the record here this morning.

By way of introducing the reports and the questioning, it's been over two years since the Auditor General's reports on Improving Financial Accountability and Transparency: Budgeting, and Improving Financial Accountability and Transparency: Financial Management and Reporting, were published. Since that time, only two of the 33 recommendations in these reports have been implemented, both directed to the government. There has been limited or no progress for four recommendations.

The Auditor General's Office assessed 25 as partly implemented, or actions plan to implement the recommendations. We are aware that two recommendations initially assessed by the Auditor General's Office as not accepted have subsequently been considered for implementation. That means 27 recommendations have been partly implemented, or actions are planned to implement them.

We also note that the implementation date for a number of the recommendations has been moved to December 2025. The purpose of this Hearing is to discuss progress in implementing these recommendations. In particular, we want to explore the progress made since the Auditor General reported earlier this year and will be looking for updates. Members will follow up on this throughout the Hearing this morning. We will start with questions on the Budgeting Report from December, 2020, and then we will move to the Financial Management and Reporting Report that was issued in May, 2021.

Looking first at the Budgeting Report, I noted that the Government Minute, which is your formal response to the Public Accounts Committee's Report on Improving Financial Accountability and Transparency Budgeting was Tabled a year late— I note that it was dated May, 2022; however, it was also seven months after the due date. Can you explain to the Committee why it took so long to prepare and submit your formal response to that report?

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

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

My name is Kenneth Jefferson, the Financial Secretary and Chief Officer in the Ministry of Finance and Economic Development.

Mr. Chairman, I'm glad that you've opened with easy question; certainly, easy to ask, less so to answer. The process, Mr. Chairman, of getting a Government Minute prepared should not be difficult. I know that in recent times, the Honourable Deputy Governor has undertaken this role because he saw that it was floundering, so he has staff in his Office that actually go to each Ministry/Portfolio/Office that is subject to an Auditor General's report and a Public Accounts Committee report, with recommendations pertaining to their subject area. That officer in recent times has gone to the Chief Officers in those relevant areas and has obviously made the PAC's recommendations available to them.

The Chief-Officer, I guess, gathers information on how best to answer the recommendations in the Public Accounts Committee's report, submits it back to the DG's Office for coordination, and then a paper to Cabinet is prepared giving the particular Ministry's Offices' position in respect of those recommendations. That Government Minute Cabinet paper gets approved, usually, and upon approval, it is usually the Honourable Premier or, if it's a matter pertaining to the official side, it may actually be the Deputy Governor that will stand up and read the Government Minute in the Parliament. It obviously does not have to be the Premier, a Minister could do so on behalf of the Government so that's something that should be considered in the future if it was thought that it has to be the Premier who does it.

To try and answer your specific question, Mr. Chairman, as to why it takes so long, I guess it's a complicated answer. The length of time in getting a Government Minute to the Parliament after the public Accounts Committee issues its report is 90 days. That process is supposed to take 90 days. The time it takes gets caught up with the priorities, the pressures, of the government of the day and—to be quite frank—it might not get the same level of relevance and attachment to it that an important budget matter might get. It might not get the same level of importance as some tremendous incident involving the public. I think that is one of the chief reasons that would describe why it takes a fairly lengthy period of time to get here.

I don't generally believe that it necessarily reflects there is tremendous disagreement with the Public Accounts Committee's report; I wouldn't ascribe the length of time to that. I think it's simply the pressures of the Government of the day— it is the business of the civil service that leads to this, and sessions like this will help underpin the need for improvement.

The Chairman: Thank you, FS, for that comprehensive answer but, does your Ministry itself play a role in all of these Government Minutes? I will leave it at that.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic

Development: I think normally, Mr. Chairman, if it pertains directly to the Ministry of Finance itself, then we are solely responsible. If it pertains to a report of online services, for example, which is one of the former reports by the Auditor General, our role in that instance is to point out that the PAC report is due. We contact the Deputy Governor's Office, we bring up the matter at meetings of Chief Officers. That is our role.

In the situation where the report pertains directly to a Ministry of Finance ambit matter, then obviously our role is to get the Cabinet paper drafted, sent to the Minister for Finance to take to Cabinet and so forth, so there is no reason apart from, again, the business of the Government of the day, as to why it takes so long or has taken long in the past. If the recommendation comes, and the 90 day encompasses budget preparation time, that will cause tremendous problems.

If the Public Accounts Committee, for example, had issued a report in June 2023, with 90 days to run— July, August, September, 2023— and it was occurring, that was due now and it was actually happening, the budget preparation process would interfere with it and it would probably slip further back because the Ministry of Finance would be heavily involved with the budget preparation process. If it's at the time of the Strategic Policy Statement preparation, same thing. That's the best, most honest answer I can give, Mr. Chairman.

The Chairman: Thank you for that, FS.

We will now move forward with the examination of the report itself. For that, we are going to turn our attention first to modernising the government's budgeting and reporting framework, and to lead the questioning in this area, I call on Mr. Isaac Rankine.

Mr. Isaac D. Rankine: Thank you, Mr. Chairman.

Thank you, Financial Secretary and your team, for being here.

I am just going to give a background to the question. In 2020, the Auditor General made some recommendations on improving and simplifying the budget and framework which included a shift [in focus] to an outcomes-based approach, removing the requirement to account for entity and executive transactions separately, reduce the number of output metrics, and reducing the volume of information in the budget documents from over a whopping 3,000 pages.

The responses from yourself for your team noted that the Ministry of Finance has started a new project whereby they were going to modernise government's budget and reporting framework. Requests for Proposal (RFPs) went out to develop the outline business case for the project in May, 2022, which was expected to assess the gaps within the budgeting process; there was a signed contract with the winning bid on September, 2022, a draft outline business case in November 2022, and subsequent approval by Cabinet in February of this year (2023).

We note that phase two of the project was due to start in April, 2023, and aims to be completed by December, 2025, but… What improvements have been made in this 2024-2025 budget round using that mechanism?

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

Mr. Chairman, I thank the honourable committee member for the question. Just by way of trying to enlighten the public, there has been a recommendation for quite some time backed up recently by the Auditor General's report that the government's system of budgeting should move from a focus on producing outputs, which is what our budgets are based on, to producing a budget based on outcomes.

Outcomes, as an example, would be a safer community with minimal incidents of serious crime. An outcome would be, a well-educated population in the Cayman Islands with everyone at a high-school level diploma. Those would be two examples of outcomes and, obviously, it is what the government's budgets should be geared towards achieving so the financial resources that the government collects via its revenues should be directed to causing those outcomes that it desires to actually be achieved, and the budget process is integral in the quest to get that improvement.

The Government, in this particular case led by the Ministry of Finance, set out to bring about that change and, as the honourable member said, the RFP was successfully awarded to one of the Big Four accounting firms. I think there is no point or reason to withhold the name because it's actually stated in the AG's report. Ernst & Young (EY) was successful in providing consultancy services as to how to move the government forward in this direction.

That was done and a report was written, as the honourable member said, which was taken to Cabinet and accepted. That was phase one. Phase two has been delayed until after the budget process, so I think early in 2024 would be the start of the next phase of actually implementing an outcome-based system. The recommendation from phase one was "*Yes, the government should actually move to an outcome-based budgeting*."

I will ask the Accountant General to add to what I have just said, but I can say to the honourable member, on the size of the budget document being 3,500 plus pages, for example, a big reason for it is that each Ministry/Portfolio in one of those four budget documents actually produces its own set of financial statements; so the Ministry of Education, the Ministry of Health, et cetera, will produce their own financial statements which get lodged in the documents.

At the moment, there are 12 Ministries, nine Portfolios and Offices for around a total of 21 agencies that make up government. So, 21 agencies all have their individual financial statements as part of those

four documents, which accounts for a sizable portion of the 3,500 pages.

In addition to the individual financial statements then we consolidate it, and then there is a global set of financial statements in the main document, the plan and estimates document, that brings all those together. The Statutory Authorities and Government Companies too, produce their own financial statements that get recorded in the documents and that causes 3,500 pages.

Our plans, Mr. Chairman, are that those individual financial statements need not necessarily be included in the document. That was one of the big areas where we planned to reduce the volume of the financial statements, and I think we plan to do it for the upcoming 2024-2025 budgets as well.

I think I will ask the Accountant General to add to anything that I have missed in answering the honourable member's questions.

The Chairman: FS, just a quick question before you hand over to Mr. Tibbetts: Is such a level of detail required to be included in the budget documents under the Public Management and Finance Act?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: No, sir.

Mr. Chairman, we looked at that and concluded that the exclusion of those is not a breach of the Act so we could do that to [minimise] the size of the document and make it less onerous and voluminous.

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

Additional plans for the 2024-2025 changes to the budget process: The Plan and Estimates document is the main budget document. It represents all of the group outputs and appropriations for the government and something we are doing this time to reduce the size of the document is, instead of including the full information on each output, which is made up of quantity, quality, timeliness, location and cost, we are removing the quality, timeliness and location elements and including only the quantity and the costing of the Appropriation or "group output", we call it.

That will substantially reduce the size of the document. We have confirmed that it is not a requirement under the Law to have those details in there, however, the supporting documentation, that is the budget statements, will have the full details related to the makeup of those group outputs— that will remain in the budget statement documents; so, the Plan and Estimates document will be substantially smaller this year.

Additionally, pulling from this report, we did work on focusing on outcomes. We broke it down between specific outcomes as well as broad outcomes, so each Minister went through and identified what specific outcomes their outputs were related to, as well as how they then summarised into the broad outcomes. It has been a useful exercise as well, in assisting the government in determining their priorities so that they can see, *"These are the outcomes we want to deliver. Where is the funding that we have? Where are we going to allocate it to?"* We are still in the process of making those decisions.

Additionally, in this report the Auditor General recommended that we use monthly reports to get more useful information in preparing the budgets and I am pleased to say that we have done that, as well as we've used prior year information, so we are able to see the run rate of what they actually spent in the previous year as well as an up to date report. For example, in June and early July we were looking at the May monthly report and seeing where we ended the month at so we can see the run rate for 2023. We considered that into how much people are spending in regards to personnel costs and so on. Obviously, we have significant savings in personnel costs at this time, and that's indicative of us having a number of vacancies.

Supplies and consumables were significantly under as well; those things helped factor into the decision-making process for the 2024-2025 budget. Also, in the monthly reports that go to Cabinet, for the end of June we had a full 18-month run of the operating expenditure by Ministry which allows us to see the trend over the period and consider, first of all, whether the Ministries are correctly managing their books— including all their accruals and so on— but also see the run rate that they are trending. We can see if they have specific expenditure during certain times of the year that we need to consider, that is not shown in the first five months for example, because obviously, when we are preparing the budget we don't have a full year immediately after us.

We have a five-month period as well as the previous year, so we factored all those things into coming out of this report. It's actually been very helpful, we think it has helped with decision making as well. We have seen a number of Ministries come before Cabinet or Caucus and say, "*Oh, well, we are actually being underfunded,"* and we are able to show them, and demonstrate, that they are not underfunded based on what they actually spent in the previous year as well as the year to date, so that was for the five months run up to May.

Obviously, each month we will continue to use the most up to date information that we have, so coming out of this report it has been quite useful for decision making, actually, to get some of the recommendations in place.

Thank you.

Mr. Isaac D. Rankine: Thank you for that. I am glad to know that you are actually using some of those recommendations, but it was mentioned that phase two was

delayed. Can you say why? And when the planned start to phase two will now commence?

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

Yes, honourable member. The Ministry of Finance took the deliberate decision that the drivers of phase two, which is all centred around how you actually implement an outcome based budgeting and reporting system, how you actually implement it, we took the decision that the Ministry of Finance staff were the ones who were going to be involved with that process along with the successful consultant that would come out of *another* RFP process— so the same accounting firm that was successful in phase one would not necessarily, automatically, be successful in phase two. That is not the case.

Ministry of Finance staff would be heavily involved in that process of implementation and right now, we are heavily involved with the 2024-2025 budget preparation which, as honourable members will know, the targeted budget day for it that has been gazetted is the 25th October this year, so we knew that starting the phase two process before 1st January, 2024, was going to be extremely difficult, and that we should not do it because finance staff was going to be too tied up with budget preparation.

Therefore, the date has shifted to the 1st January, 2024, and the plan is, Mr. Chairman, that with those budgets in place 2024 and 2025, then the subsequent two years' budgets of 2026 and 2027 would be the first opportunity for us to have outcome-based budgeting so, by late 2025, the last two quarters of 2025, we need to have completed the implementation process for an outcome-based budget to kick in and to prepare the budgets for 2026-2027.

Therefore yes, honourable member, it has been delayed, and that is the principal reason for it.

The Chairman: FS, if I could pick up there a bit; so effectively, we are looking at what appears to be a nine-month delay. Is that likely to have further knock-on effects on the full implementation, and put the 2026-28 budget period in doubt, in terms of preparing it on an outcome basis?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Thank you, Mr. Chairman. That's obviously a very astute question and I will let the Accountant General answer, but in brief it is obviously something that we are going to strive hard to avoid, and at the moment we think that we can do it.

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman, I understand that you pointed out that it is a risk, however, to mitigate that I want us to focus on getting the RFP out and finalised for phase two before the end of this year so that we can actually start the process early on in 2024 to try to still comply with the deadline, so we are actually looking to stay within the deadline and have it implemented for the 26-27 budget.

We know it already slipped much more than we would like to, but we are also in a position now where we have the right team, the right knowledge there, and we want to move forward with it as soon as possible. We don't want any more slippage if we can avoid it, so we will be proactive and try to get the RFP out in the Fourth Quarter of 2023 to try to make sure we hit the ground running in January.

Mr. Isaac D. Rankine: Thank you for that. When you look into the Ministry's crystal ball, do you anticipate any further delays that would impact that— is there any risk of any further delays? I know you said delays were attributed to the budgeting process for the next two years.

Just checking because obviously, based on the recommendations, you want to try and make that 2025 deadline so that the next budget process can be done using the outcome-based approach,

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

The only reason for any delays would be if the funding was held up; however, the current Government is quite supportive of this change, so we don't see that being a problem. We are aware that this is obviously long overdue. We have this as a major priority for the Ministry, actually one of our specific outcomes is that we need to get this delivered and everyone is on board with ensuring that it is delivered. The only major issue I see is the actual funding, which I don't see it being an issue because of the priority that the government has given to it.

Thank you, Mr. Chairman.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Mr. Chairman, if I could just add to say that the contents of the RFP for phase two are known now, so it is not a question of we have to sit down and write what they are for the next month. We know that phase two is all concerned with implementation of an outcome-based system.

It is also heavily concerned with choosing a budgeting software system to guide that process and to move away from the current Excel-based approach to budgeting preparation. We also use Word to produce budget preparation templates, and together they often involve the same information being entered twice, which immediately creates the risk of errors and so forth. The contents of what we have to do in phase two are known to us now so it should not, and will not, take

us three months to issue an RFP for phase two onwards.

The Chairman: So, at the end of this process, when we have a new budgeting system, it really ought to reduce the amount of time and commitment of resources at the Ministry level to preparing these budget documents. Is that right?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Mr. Chairman, we think that's a fair assessment. It should help us tremendously.

I think the Auditor General's report describes it really well where it speaks to, there are often no links between the financial statements of different entities going up the consolidation and so forth. It really is a tedious process prone to human error, more so than if we get a proper budgeting system to help us with that.

The Chairman: And FS, if I could take this one step further: In terms of preparing the budget that's coming before us, approximately when did your Ministry actually begin work on this?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Mr. Chairman, obviously there was a Strategic Policy Statement process which is the precursor to the 2024-2025 budget and it was laid in the Parliament in April, so definitely as early as February of this year the Ministry of Finance was involved in assisting the preparation of the Strategic Policy Statement which, as I said, is the foundation for preparing and giving appropriations to Ministries and Portfolios in their attempt to produce a 2024-2025 budget.

Hence, as early as February, 2023, we got involved with the Strategic Policy Statement and it has been ongoing ever since. Once it was approved in the Parliament, those appropriations were issued to Ministries, Portfolios and offices and they were told, *"This is your slice of the pie, go ahead and prepare your budget."* Straight through to current day, that work of the Ministry has continued and will continue, until we get the budget finalised.

I wouldn't necessarily say that it takes all of that time to prepare the budget properly, but the preparation work for an SPS stage, and then the meetings that take place once you have an SPS to budget day— the meetings that involve giving advice to Ministries and Portfolios and guiding the Cabinet— that is several, several, several, months.

The Chairman: For the benefit of those listening, effectively, your work starts in February and is going to go right up until the end of October when the budget is actually Tabled. That is effectively eight months out of this year that your Ministry has been working on the budget in some way, shape, or form.

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

The Chairman: Mr. Rankine, no further questions? Okay.

We are going to move to the next phase, budget templates, and for it I can continue with Mr. Rankine.

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

Again, based on the Auditor General's recommended update in simplifying the process for preparing [and] submitting budgets by amending the budget template to ensure that information only needs to be entered once because it reduces duplication efforts.

You said you would introduce a temporary measure in the budget templates to be used in this particular budgeting cycle and that all Chief Financial Officers (CFOs) should now have used these revised templates. Can you give this Committee an update on how well the new budgeting templates have worked in this current budget cycle?

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman, through you, we had prepared the budget templates from as early as February, so they were in place for quite a while now.

In regards to the actual consolidation of those documents, I would have to get an update from our budget manager as to any concerns that have been raised by CFOs, but from our understanding things have gone quite smoothly. Again, we offer one-on-one training for anyone who need assistance with these documents, and we try to automate as much as possible. Considering the size of these documents, we have to be cautious with how much we try to automate, because there's quite a possibility they could crash, or the relevant computer may not have the memory to be able to process it, so it is limited in what we can do; but as much as we can, we have tried to link the document so that the information does not need to be entered twice.

I can get a more detailed update for the Committee as to any concerns raised by CFOs regarding the templates.

The Chairman: I think it would be helpful because it is something we wanted to understand. What is the feedback in terms of how user friendly it is, and whether it results in time saving for them? I would be grateful if you could feed that information back to the Committee. Members, do you have any other questions with regard to this area? Okay.

We are going to turn next to the second report on financial management and reporting. As I noted earlier this morning, the Auditor General published a report entitled, Improving Financial Accountability and Transparency, Financial Management and Reporting in May

2021 and the PAC Tabled its report in December, 2021. We are now two years from the Auditor General's Report and 18 months from the PAC report, the Auditor General reported that limited progress had been made in implementing the recommendations.

We want to explore that with you further. We are going to turn first to the risk management framework, and I will ask member Mr. Joseph Hew if he would lead that line of inquiry.

Mr. Joseph X. Hew: Thank you, Mr. Chairman.

Mr. Chairman, through you, I will start by offering a bit of backdrop.

In 2021 the Auditor General reported that the Ministry of Finance had commissioned a set of frameworks to further strengthen governance, risk and performance management. At the time she reported that these frameworks were launched in May, 2019, and published in July, 2019. Unfortunately, they had yet to be implemented at the time of her report which was in May, 2021.

On review, I noted that your responses to this recommendation only addressed the modernisation of the budgeting framework, therefore, for me it certainly isn't clear what has happened with the risk management framework aspect of it. Part of the risk management plan, which was developed by the Ministry, called for a Chief Risk Officer, so first I'd like to ask whether that position has been filled or has recruitment begun for that position?

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

It was initially envisaged that the Chief Risk Officer position would be within the Ministry of Finance, however, as it is a governance matter, we subsequently placed it with the Deputy Governor's Office, which I believe undertook two rounds of recruitment late last year trying to identify a suitable candidate for the position. As I don't have an update on where it is currently, I believe it would be inaccurate to give you information on the actual recruitment phase at this point, because I'm just not sure where it is at. I can get it from the Deputy Governor's Office.

Mr. Joseph X. Hew: So, it is fair to assume that the person is not in that position; the position has not been filled.

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: I have not been [made] aware of it, Mr. Chairman

Mr. Joseph X. Hew: Bearing that in mind, can you provide the Committee with the status of the risk management framework that was published in 2019?

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

I am happy to do so; we have had the risk management tool developed. We have an administrator housed in Treasury who administers this tool and every Ministry, and some of the larger departments, will have risk owners and risk leaders. Depending on the size of the department they may actually have their own risk leader as well but generally, risk owners are housed in each department— or if it's a small department, the Ministry will cover that unit or department as it may be.

The risk management tool is being utilised. Reminders are going out regularly to the risk leaders, reminding them to update the risk management tool and it is functioning. There may be cases where staff have left and so on and we can follow up on those, but generally the tool is working effectively, and providing us with information, in regards to the government spaces.

Just for the Committee's knowledge, this tool was developed as a bespoke tool for us by one of the Big Four companies on Island that was the successful bidders in the RFP for the risk management framework, and so it has worked pretty effectively. It very much mirrored any other comparable tool on the market.

We have provided training regularly as well. Some departments have actually come looking for additional training for their staff in areas that are more specialised.

Recently, the Computer Services Department— they have quite unique risks that the rest of government may not even be aware of— wanted specific training. They reached out to a number of different firms to see if they could get any but, because we wanted to ensure that we were consistent in the training provided and the use of the specific tool, we worked with the company that developed the original tool and had them provide training so we could ensure we are still on the same page.

Mr. Joseph X. Hew: Thank you for that.

Through you, Mr. Chairman. In hearing all that you said, I guess it is fair to say that you have gotten value for money on that consultancy contract?

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

We have definitely gotten value for money; however, I do feel we can better utilise the tool. I feel that we should be including the information coming out of that tool on a monthly basis in our Cabinet reports so the Cabinet is updated regularly on the risks. That is just a way we can utilise the tool better.

In regards to the actual tool, yes, we have gotten value for money on it but it's now for us to ensure that we utilise it in the best way because, obviously, you could have all the tools in the world, but if you don't utilise them you are not going to see any benefit to it. We

want to start utilising it more now that we have come a ways into the process. People are now comfortable with entering the risk information so we want to start utilising the tool more, so that we can really see the value for the money invested.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Mr. Chairman, if I could add very quickly before member Hew continues, to say that areas of risk have been a strong point made by the Auditor General repeatedly over the years, particularly revenue risk.

There is doubt in the Auditor General's staff's mind as to the level of revenue completeness. Are the reported revenue figures that we see in the financial statements as accurate, as complete, and comprehensive as they could be? Is there leakage? Those doubts obviously exist in her Office's view and revenue completeness is one of the chief reasons—I guess not the most prominent one, but it is certainly one— why the Office has issued an adverse opinion for many years on the overall financial statements of the government and the entire public sector as a whole.

What I am about to say now certainly is not a solution to that; it won't wipe it away completely and we can go onto another qualification point that is not the case, but I have to be quite honest, in that I think the Committee has heard this before. In terms of revenue scrutiny, we have one officer in the Ministry of Finance who is exclusively involved with revenue review and scrutiny throughout the whole government.

That's obviously not enough, one person is not enough to look at that centrally within the Ministry of Finance, so we hope to have a second person. We started a recruitment process and have made an offer; the person has accepted and we are hoping for a start date of November this year. The person is professionally qualified, a Eurasian Institute of Certified Public Accountants (EICPA) member. It's not the solution, but we think it is a step in the right direction.

Mr. Chairman, I can certainly provide the Committee with the top 15 revenue sources for government. It's quite delicate as well, Mr. Chairman, that 75/80 per cent of the government's revenues every single year can be linked to about 15 sources and that's quite scary, so we have a direction as to where to go to look for revenue leakages. I give that information to the Committee not as a solution for eliminating revenue completeness and revenue risk, but simply as a step in the right direction.

Mr. Joseph X. Hew: I thank the Financial Secretary.

Mr. Chairman through you, I appreciate the response and the usefulness of the plan. I guess it is just like any other plan or report, Mr. Chairman. If you don't follow the recommendations of the report or follow the plan, then you are not getting value for money.

Mr. Chairman, you, and I think all of the Committee, would join me in agreeing that the Cabinet, most of all, should be aware of the risk, in particular, when it comes to the revenue risk and during a period of time when they are doing budget, et cetera, so I certainly agree with that recommendation.

Mr. Chairman, my final question is, if the witnesses are able to answer, can you provide the Committee with the number of risk registers across government?

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

Because of the uniqueness of each Ministry and the makeup of the departments and units I would have to ask my risk administrator and treasury to give me that information of how many actual risk registers there are. At the treasury level we review the summary information so I don't normally have the full breakdown, but I am happy to provide it to the committee.

Mr. Joseph X. Hew: Through you, Mr. Chairman. Yeah, I think it would be useful as we continue to monitor the development on this recommendation.

The Chairman: You mentioned that you now have this tool. Can you give us some indication as to what it is, how it is used, and how does it help in terms of managing your risk?

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman, first of all I have to advise on the structure.

As I mentioned earlier, we have risk owners and risk leaders. The risk owners would be the persons who actually own the risk, who would be entering information, et cetera, on the risk. The leader then would be taking all this information and pulling it together. Because you bring it down to the owner's level, each individual would be posed with a number of questions to identify specific risks related to their department and once they provide the information, it is all amalgamated in the tool to allow the risk leader to view the actual risk.

The tool actually identifies the risk by colour, red being a major risk, green obviously being less risky, and yellow or orange being a medium level risk. It would be quite helpful, actually, if we provided an example for the Public Accounts Committee, so we are actually happy to provide it. Even just seeing how it is reported would be quite informative to help you understand the process.

Coming out of the initial round, we were able to get the top 10 risks identified by the government overall. I was a bit cautious when I first saw it just because for me, in an age when we use computers for everything I consider cybersecurity to be probably one of the highest risks we have. For example, if something happened to the General Registry's database or something happened to Lands and Survey database of ownership of all land, it would be a major issue. I know all the

information is backed up et cetera, however, I consider it to be a major risk and when we actually consolidated all of the risk for government, I believe it was number seven on the list of 10 and I was quite disappointed to see that.

Coming out of that, I think it was an issue of our risk owners and risk leaders needing more training, and perhaps the responsibility for this had not been assigned properly to the right people. I would hope that Chief Financial Officers, for example, would be aware and appreciate the risk related to cybersecurity, for example; but perhaps someone who is entering information may not really be knowledgeable about the true risk that the department faces.

I feel that's an area we can improve on. It is either providing additional training to the current risk owners and risk leaders—because we have provided the training in the past—or looking at identifying more suitable candidates those responsibilities just because I think that cybersecurity is such a major issue and it really jumped out at me when we first did the assessment of the entire government. I would like to see some improvement on the actual information entered because obviously you can have a tool, but if the information entered isn't appropriate or accurate, then you are not going to get great results.

I am happy to commit to provide to the Committee, if you would like, we can go through the actual process of entering risks, or we are happy to provide just a summary report so you can see how it would look for a specific Ministry— the Ministry of Finance, for example.

The Chairman: I think a summary would be more than adequate for the Committee to have. I would really appreciate it if you could do that for us.

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Will do, thank you. Thank you, Mr. Chairman.

[Pause]

The Chairman: Okay. Now we are going to move to the Public Authorities Act section 47 and again, I call on Mr. Hew to lead that line of questioning.

Mr. Joseph X. Hew: Thank you, Mr. Chairman.

Mr. Chairman, let me offer some background before we get into the questions. In 2021, the Auditor General recommended that the government estimate the cost of fully implementing section 47 of the Public Authorities Act, known as PAA, to ensure that funding is also provided to Statutory Authorities and Government Companies in the future budgets.

Mr. Chairman, I saw in the Government's response that the Government agreed and accepted that recommendation; however, it appears that the government's response may only be about section 47(1) of the Public Authorities Act, which is on the salary scales, but did not include section 47(3) on the non-monetary benefits such as pension and health care. This was explored again at the November, 2022, Hearing, when the committee took evidence in the general report on the 2021 Financial Statements.

As a result of that Hearing, the Committee recommended that you urgently carry out an assessment and ensure that the SAGCs are adequately funded in the 2024-2025 budget which is being developed as we speak. I see in your response on the 23rd June, 2023 stating that no SAGCs had requested additional funding. First let me say, in the original management response to the recommendations it was stated that they agreed with this recommendation. Is this still the case?

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

Mr. Chairman, certainly there is no disagreement with the recommendation. What I can say to the honourable member and the Committee is that whilst we have not carried out a detailed exercise to establish the cost of implementation of Section 47— we have not done that— I can say to the Committee that, as member Hew just mentioned, as of the 9th June we are not aware of any statutory authority/government company asking for financial assistance in meeting it.

I can go on to say, Mr. Chairman, that certainly in the request for the 24-25 budgets that are being looked at now, one Ministry in particular has made a request as part of its budget submissions for assistance for a government company that falls under it. That request was in the region of about $3 million, and was the only one thus far, that we have seen make that request.

That is not necessarily an answer for comfort, because whilst that is a direct request to the Government, we were advised that virtually all–and I think the Auditor General's report states it–of the statutory authorities and government companies have now implemented the effects of Section 47. The implementation cost may find its way into the government's budget, not by way of a direct equity investment-type request, but it may find its way to the government via the cost of the statutory authorities' output cost that the government will have to pay.

It is not immediately clear if there is any element of the cost of government bearing outputs at the moment being produced by an SAGC being charged to the government, if there is any element of an increase in there because of Section 47. We don't know if that is the case, but certainly we have one example for $3 million for one Ministry, for one government company.

Mr. Chairman, for the Committee and the listening public's knowledge, Section 47 also primarily speaks about the levelling off of salaries in the Statutory Authorities and Government Companies versus the salary scales used by central government. We asked the question as recently as this morning, if you

went to any given statutory authority, and asked to see their salary scale that they are using and you received it and you came back to the government administration building and you compared it with the government scale, would the two be exactly equal? The answer is, *probably no*, but the Act itself obviously talks about where there are differences— where there are differences between the two on salaries, that the Statutory Authorities and Government Companies are urged to reduce that difference.

It does not have to be, for example, that they are given a higher salary, but the difference between the two can be reduced by, for example, the authority, the government company actually paying for healthcare contributions for their employees, whereas before they might not have done so. They can make pension contributions for their employees whereas before the employee would have to take some out of pocket and contribute, so the attempt to equalise the two emoluments can actually be via salaries, but it can also be via healthcare and premium contributions as well.

Thank you, Mr. Chairman.

The Chairman: Deputy Auditor General.

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

Through you, Mr. Chair, just to clarify something that the Financial Secretary just mentioned about the status of all of the Statutory Authorities and Government Companies with the Public Authorities Act.

The current situation that we are aware of as at the end of the 2022 financial audit is that although all of the evaluations have been done, there are still two Statutory Authorities and Government Companies that have not adopted or implemented Section 47(1) of the Public Authorities Act and bearing in mind there are two SAGCs that are still in backlogged audits so we haven't commented on those. That is just for clarification.

Mr. Joseph X. Hew: Through you, Mr. Chairman.

I would like to thank the witness for his candidness and detailed explanation—he certainly answered most of my questions in that response.

You said that one Ministry with the government made a request on behalf of the government company for additional funding, is it fair to assume then, that all SAGC and government companies have been funded adequately to implement the Section 47?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Thank you, Mr. Chairman and thank Member Hew for that question.

I think it would be quite a, I guess dangerous assumption, to necessarily make. I do believe that if he is referring specifically to the fact that if asked directly and it's completely transparent and the assistance will be in the form of an equity investment into that statutory authority—it's actually a government company in this specific example— it is clear and so, if granted, if the Cabinet does actually include that element of the budget for the Ministry, it is clear that the funding is there?

What I was saying earlier is that we are not clear whether the silence of the others, the lack of an explicit request by the other statutory authorities, means that they are adequately funded for it and did so all on their own. I am not 100 per cent certain. I'm saying that there is a possibility that increased costs of implementation in the authority, in the company, may have been passed on to government via the outputs from the SAGC's element of the budget that the government then is being asked to fund. So yes, central government could actually be funding all of the SAGCs attempts to equalise the two. One has been made explicitly clear in the Equity Investment request. The others may be hidden.

Mr. Joseph X. Hew: Through you, Mr. Chairman. I thank the witness for that answer.

I noted that you said that if granted, the funding was explicitly for addressing their needs in section 47. Am I to understand then, that there isn't a commitment within the 2024-2025 budget to fund any request for those who are trying to fulfil the Section 47, or is the Government committed to fulfilling those requests?

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

I do believe that the Government is actually committed. What I am saying is that, if the Statutory Authority/Government Company has requested what is needed to finance the implementation of Section 47, it may not have done so via this direct, fully transparent *I-need-an-Equity-Investment-of-$3-million* route. It may have made the request through submission of increased costs to say, you know*, "Government, if you want me to provide services in 2024 and 2025, whereas in previous years it used to cost a million dollars, this year, it is going to cost a $1,200,000".*

Those requests, as a part of the Government's consideration for the Statutory Authorities and Government Companies output costing are still under review and as of now, none of them have been completely accepted.

I think the commitment is there but, because that type of request would be hidden within an output cost from an SAGC— that's how the commitment would be carried out— if they actually supplied and honoured all of those requests, and they found their way into the 2024 and 2025 budgets then yes, the Government would have honoured those commitments; if they reject

a part of those costs from the SAGC, then there is a danger that is only partially funded.

The Chairman: Are there any other questions from members?

Okay, let's move on to the next section then, which is the Entire Public Sector (EPS) Financial Statements. By way of background, the Auditor General recommended that the Ministry develop and implement an action plan to improve the quality of the EPS consolidated Financial Statements.

The Ministry committed to having a plan in effect by the end of June, and in fact submitted it to the Auditor General in October last year. The Office of the Accountant General has commented that the actions included would address the majority of the issues; that some of these were due to be resolved between December, 2022 and June, 2023. However, the Auditor General has commented and stated that the adverse opinion will not be removed until two important issues are addressed namely, the non-disclosure of the $2.3 billion liability for post-retirement healthcare costs, and issues around property plant and equipment.

At our Hearing in November last year, when we took evidence in the general report on the 2021 Financial Statements, you said that the corrective plan shared with the Auditor General addresses all the issues, and you further noted that the Ministry of Finance was willing to discuss the disclosure of post-retirement medical liability.

We note that you provided an update on the EPS corrective action plan on the 23rd June, and that two issues originally included in the action plan provided to the Auditor General in October, 2022, had been removed from the June 23 update. One of those issues related to the Ministries, Offices and Portfolios needing to return surpluses to the Treasury; the other relates to non-enforcement of Section 3 of the stamp duty Act about the payment of stamp duty on annual residential leases.

Can you give the Committee an update on the progress regarding the EPS action plan?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Thank you, Mr. Chairman. I was just conferring with the Accountant General.

The Chairman: Sure.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Mr. Chairman, I will comment on the aspect of the unfunded health care post-retirement healthcare liability.

Mr. Chairman you mentioned a figure, I believe, of $2.3 billion—

[Inaudible interjection]

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Mr. Chairman, as an update, we have a more recent actuarial valuation position on that. As of the end of December 2022, that figure was $2.1 billion though I don't think it is reason for rejoicing because, obviously, it is still a significant number.

Mr. Chairman, there really has been no significant progress, in terms of getting the Government to agree to put the item fairly and squarely on the face of the balance sheet of the Government just as it has the unfunded pension liability number of around $400-plus million of the unfunded pension liabilities on the balance sheet itself. There isn't a similar number on the government's balance sheet for post-retirement healthcare costs.

What we do, Mr. Chairman, and you will probably remember it from your time as the Minister for Finance is, every single month the note that goes to the Cabinet details the extent of the liability and the financial performance note and position note make it clear that those figures do not show, do not include, the post-retirement healthcare liability. It also makes it clear that the annual cost of it is not included as a part of the government's calculation of a deficit or a surplus. It is not there, but it is in the monthly Cabinet note as well as it is in a note to the government's Financial Statements. The honest answer is that no significant progress has been made on the matter of moving it fairly and squarely onto the face of the Government's primary financial statements.

Mr. Chairman, just to give the public some sense of magnitude, in terms of the impact on the income statement or the surplus and deficit of the government, if we were to fully account for post-retirement healthcare costs on an annual basis, then the hit on the surplus figure would be in the region of just over $100 million each year. That is obviously a hugely significant figure and would be sufficient to turn an otherwise surplus into a deficit. I know that you have heard this, many times before, Mr. Chairman, but to the public: that is what we would get.

As quickly as I can, I want to reassure the public and civil servants in particular, that as far as I know, there is no danger of them not being able to receive the health care they will need upon retirement. That is not the picture that we want to paint. If at the moment, a civil servant works a year, what the government's financial statements reflect is the cost of providing healthcare via the premiums that the government would have to pay CINICO for the health needs of that civil servant during the course of that year and those premium levels are recorded as a part of the government's cost.

However, that same year of work, say it is 2023, that same year of work is not only reflected as a cost for 2023, but that year is also building up an entitlement of the civil servant to receive healthcare benefits once that civil servant retires. If we were doing it

comprehensively, what we should be doing is, in each year we should also be taking account of the fact that there is a cost building up in respect of the future and that aspect isn't being recognised. I have just said that in any given year in recent times, that cost would be about just a little over $100 million.

The practice of the Government at the moment, and for many administrations, is to say we are going to pay for health care costs as and when they arrive. When the civil servant retires it is likely to manifest itself in increased health care costs at that time. At the moment, we choose to reflect zero of the future entitlement now and pick up the cost much later on versus a situation in which we recognise the cost now, in a current year, and when the civil servant retires in the future, there is a healthcare fund, if you like, built up, equivalent to the pension funds that we have now and then the payment of post-retirement healthcare comes out of the fund in the future, as opposed to being costed against the surplus deficit situation.

Long way of saying that is the situation, Mr. Chairman. No real progress has been made. I don't know if the Auditor General's Office would be prepared even privately, in writing, whether they are prepared to do it, I don't know, to say to the Government, *"If you bring the post-retirement healthcare matter fully on the books, then the adverse opinion could change"*. I think if that was done, it might encourage the Government of the day to actually go ahead and do so.

I would end this particular aspect Mr. Chairman, saying that now, more and more Statutory Authorities and Government Companies are on board with this accounting treatment. They are recognising post-retirement costs in their books, and the effect of it is that we are starting to see authorities that were previously profitable now showing deficits, not because there's any deterioration in their underlying activities, but because they are bringing the full accounting treatment on their books.

The authorities and the companies know that if they don't, the Auditor General's Office is most likely going to issue an adverse opinion on their financial statements and they certainly don't want that; they want a clean opinion, and so they bring it on. I think I will stop there; that's rather much information.

The Chairman: Thank you for that very comprehensive response, FS, but the very last part is the question I wanted to ask, because I am aware that there are a number of SAGCs that have taken this liability onto their balance sheets and fully disclosed it in accordance with international financial public sector accounting standards.

My question to you then is in terms of the EPS financial statements. How do you deal with it when you come to consolidate, because in effect, you have disparate accounting treatments at the EPS level, and at the individual entity level. How do you deal with it?

[Pause]

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: One second, Mr. Chairman please.

[Pause]

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman, this is an issue that the Audit Office has pointed out. Some SAGCs in the past have been reporting on International Financial Reporting Standards (IFRS) versus International Public Sector Accounting Standards (IPSAS). An issue that has been raised by the Auditor General's Office is that we need to improve the consistency of the reporting standards, and it is something that we are working on.

Currently we report the core government's financial statements but we also have a one line that shows the SAGCs' net position. That allows for their net position to be shown, but doesn't give details in regards to their treatment of the liability for post-retirement healthcare benefits, et cetera. It is factored in, obviously, so the only outstanding element would be for core government to add it, were there the will to add it.

The Chairman: I'm not quite sure I'm following what you are saying. You said these SAGCs' net is shown in the consolidated financial statements?

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman, on the face of the statement of financial performance you will see:

- The activities of the core government;
- The revenues, expenses, et cetera;
- The net income of core government; and
- A one-line item that says the net results of the Statutory Authorities and Government Companies—that amount would be where their net effect is factored into our books. After that, you also have a line showing the net income of the entire public sector.

It doesn't change the fact that they have included the post-retirement healthcare liability and the core government has not; it just shows, obviously, that the result after factoring it into theirs, makes the overall situation a bit worse. It doesn't change the fact that the core government needs to focus on getting it included into our accounts. It's been a longstanding issue and definitely something we want to focus on doing should the political arm have the will.

The Chairman: So, you don't make any adjustments then, in the statement of financial performance, with regard to the post-retirement healthcare liability— anything that flows through their income statement you

don't adjust it in EPS financial statements. You just take what is given to you.

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: That is correct, Mr. Chairman. Theirs would be a one-line summary item.

The Chairman: That's what I wanted to understand. Thank you.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Thank you, Mr. Chairman. Thus, the disparity does exist between the two.

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman, you raised poor controls over property, plant, and equipment and revenue completeness, I believe, as two major issues coming out of the action plan.

Giving you the history going back to 2016, there was an issue where we weren't having evaluations done on our property, plant, and equipment. In 2016, the Ministry of Finance decided we would take on that initiative and we would ensure that we paid for it, so that it would happen for the entire government. We did an okay job in 2016, however, the standards require that we do it every three to five years, so we did it again in 2021 and we believe it was a better result.

We still didn't have a perfect report on the roads network so we went back to Lands and Survey, who coordinated the entire valuation exercise for us, and we asked them to improve the quality of the actual report on the roads network. We had a number of meeting's going back and forth between Lands and Survey and National Roads Authority and ourselves trying to ensure that we were able to deliver to the audit office what they wanted in regards to the roads network.

Lands and Survey and National Roads Authority have completed that report and we submitted it to the Auditor General's Office on June 26th; we submitted on the 26th June, and on the 27th of June Mr. Sobers responded that they would look at it as their next priority; obviously, their current priority would be the 2022 audits that they are trying to complete, so his response came on June 27th.

Not to say that we are waiting on them, it is just that because of the timing of our meting now being just about a month subsequent to his email and the time of year being that this time of year they are focused on the most recent accounts that came in for 2022 and the audit of those accounts, they haven't had a chance to provide us with the formal feedback on it.

It is an extensive document so it is quite understandable, but it is something that we feel that we have provided, so we do hope that it will help us remove this kind of qualification. We are looking forward to the feedback from the Auditor General's Office.

The Chairman: Deputy Auditor General have anything to add to that?

Ms. Angela Cullen, Deputy Auditor General: Through you, Mr. Chairman. I thank you for that. Just to recognise that we have received the document and it is extensive and we recognise that we haven't yet responded to you. I will take it on board that we will review it and get comments back to the Ministry as soon as we possibly can.

The Chairman: Thank you.

Next question from me deals with the two issues that were excluded from the updated action plan, namely the need for Ministries, Offices and Portfolios returning surpluses to Treasury; and the stamp duty on the payment of residential leases, rents or leases. Any reason why you excluded them from the updated action plan.

[Pause]

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman, in regards to the repayment of surpluses it is a matter that we have been actioning in treasury already. There is not a planned implementation date because we are already going through the process.

In regards to the stamp duty, that would fall under the matter that you raised in regards to revenue. We consider that to be part and parcel of the revenue completeness. Under Number four on the action plan it says '*incompleteness of revenue receivables and unearned revenue'*. We consider it to be part of that process.

You will recall the Financial Secretary earlier noted that we have been actively recruiting for the expansion of the revenue unit in the Treasury Department. We are pleased to announce that we have actually identified a Deputy Director to the Revenue Unit specifically aimed at revenue completeness, and he will be looking at the stamp duty that you are referring to for residential properties and any stamp duty.

As the Financial Secretary mentioned earlier, there are about 15 categories of revenue that make up the majority, I think it's 80 or 90 per cent of our revenue, so he'll be going through those specific items to ensure revenue completeness and working with those departments that actually collect the revenue, to develop policies to ensure that we have revenue completeness.

A major issue is the residential stamp duty and ensuring that it is collected, but there are a number of other issues such as ensuring that tourism accommodation taxes are received, for example. We have so many Air Bed and Breakfasts (Airbnb) operating now, we need to ensure that we are accurately capturing the full amount of revenue for the tourism accommodation tax.

We have debit transactions fees with banks and while we can do some analysis to compare the

banks, and obviously, we can see that some banks are substantially under, we need to then formulate a method of going and confirming that the correct amount has actually been paid. That work will mean the new Deputy Director reaching out to CIMA (Cayman Islands Monetary Authority) and either asking CIMA to perform an audit, or provide us with information on how we can confirm the accuracy of that information, so these are all things that have to be established by the new individual coming online.

To provide you with a bit of background, the Ministry of Finance and Treasury had initially envisaged having two revenue officers which would assist with ensuring revenue completeness, but because we are at a stage where an entire system, an entire methodology, an entire revenue completeness policy has to be established, we needed someone at a higher level, so we changed the positions from revenue officers to Deputy Director of the Revenue Unit who will be working alongside our current Director of Revenue Unit who has extensive knowledge in government's revenues and has been with us for over 20 years, I believe, so he has extensive knowledge.

He'll be working with the new Deputy Director to ensure that we can develop a methodology and a policy around ensuring revenue completeness for government, which will include the stamp duty on residential properties.

Thank you, Mr. Chairman.

The Chairman: That addresses one of the issues that I had with regard to the Deputy Director of the Revenue, for completeness, that position has now been filled?

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman just today, I believe, we will be finalising that recruitment. We sent out the offer letter and had some negotiation on salary and we finally reached the position where both sides are happy, so we are expecting to receive the acceptance letter today. Interestingly, it had nothing to do with the timing of this meeting; it just coincidentally worked out like that.

The Chairman: That's great, that you are able to get that because from my knowledge of government's finances, I've always had the whole issue of revenue completeness and the reluctance of CFOs, really, to give representations with regard to completeness. Time to time I know I have had discussions with some of you in Treasury with regard to areas where I think we were falling down on collecting revenues, rightfully due to the government.

I am glad to see that progress is being made, because I do think it is such a huge issue for the government. I put it up there with the other big-ticket items that the Auditor General has highlighted as well, with regard to the healthcare liability and all these other things. It's just critical that we get that issue addressed, so I commend what you're doing and the way you're moving forward with it.

If I can just encourage you even more to get resources in place, because I think it's a critical part of the functions of Finance.

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Thank you, Mr. Chairman. We fully agree with that.

Ensuring that we have the full amount of revenue coming in and recognised in our books is paramount, because that can assist us with everything, obviously; it can assist us with ensuring that our surpluses are at the level that we can cover the post-retirement healthcare expense each year, as well as ensuring that the post-retirement healthcare liability is covered in the longer term. We also want to point out the actual appointment date— there's a three-month notice period for the individual, so he'll join us November 1st.

The Chairman: Let me press you a little then on the issue of the Auditor General's opinion. Any sort of time line, likely dates, you think we might be able to get to a point where we can get away from this adverse opinion and at least move to a qualified opinion? Ultimately, I think it is important; we have to have the ultimate goal of getting to an unqualified opinion.

Certainly, I believe it is achievable, although I notice in the world of government finances and accounting even the Mother Country gets a qualified opinion, and sometimes not for dissimilar reasons to issues we have here. What are your thoughts?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Mr. Chairman, I will attempt to answer your question, sir.

Back to my favourite topic. As you just said, one of the major hold-ups is the post-retirement healthcare matter; without it, I don't think we are going to make a single step forward. It's a complicated situation, obviously, where it's going to have a significant impact on the government's financial statements. Unless you've got surpluses each year in the region of $100-plus million, then you could easily end up in a deficit situation when you subtract away the full cost.

On the Balance Sheet side of government, its net assets now are around $1.1, - $1.2 billion, and so if you recognise the liability on the face of the financial statements, on the face of the balance sheet, then that $2.1 billion in net assets become either zero or negative, so it is a big step for the government to take. I think, concurrent with taking this step, the government would want to see if he could seek a change in the legislation that says, for example, if we do end up in a deficit because we have recognised these costs, then we would want some provision in the law that says that is somehow an okay position and won't be held against us, et cetera.

I don't know if it's possible to legislate that. If it were, then I think it would make the task a little bit easier. It's also complicated by the fact that to the best of our knowledge, probably none of the other Overseas Territories may actually be doing the recognition. That complicates it as well. I will continue trying with the Government to see if it's willing to take that step.

Unfortunately, I cannot provide a timeline other than to say we will continue. I will refer back to an earlier point that, if it were possible, we certainly know that the Auditor General's Office is independent, so if it were possible to get some indication as to whether the opinion would change as a result of the recognition, I think it would be some sort of incentive to actually make the change.

The Chairman: Taking it one step further, FS— and I appreciate the candidness of your response— this would also have an effect on the Framework for Fiscal Responsibility (FFR), wouldn't it? Effectively, you would need the UK's buy-in with regard to it. To me, it throws an additional element into it. Am I right?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Yes, yes, Mr. Chairman, that is absolutely correct. I paused a bit there to remember that certainly, the current Premier and Minister for Finance has said that he has had verbal, very informal, discussions, about the possibility of changing the FFR.

We all know, Mr. Chairman, that a debt servicing ratio of 10 per cent is quite onerous on the government; it is very difficult to do much with that. I don't foresee that the government will be able to do any external borrowing any time in the immediate future because we are so close to that 10 per cent limit and there are other ratios, particularly the minimum number of 90 cash days that we have to comply with. Any degree of borrowing in the future, coupled with the expenditure plans of the government, would jeopardise either one or both of those.

The Premier has said, around budget discussions and so forth, and the comments coming forward as to is it possible for the government to borrow a bit more? Do we have to live with the 10 per cent limit? Have you had any discussions with the now SCDO?

The Premier's response was, "I've had, informal discussions with them, but one of the strong positions of the comments back from the Ministers in the UK has been, 'Well, the Cayman Islands is a relatively strong performer, and whilst we might be willing to consider a movement away from some of the ratios that exist now, it is not just the Cayman Islands; it is the other Overseas Territories too, and so they will become well aware of any change that we make to the FFR with the Cayman Islands and could very likely request a similar change and some of them may be a bit weaker than the Cayman Islands; therefore, we might be a bit more reluctant to do the change.' He said he has had informal discussions about the possibility of changing, but I think that's exactly what they were— they were informal and didn't progress beyond that.

I can say to the Committee, I don't know if that's a discussion point but, over the next two or three days, the overseas territories are actually meeting in Miami to have a pre Joint Ministerial Committee (JMC) meeting, I think it's called, before going to London in November. I can't say if a discussion of FFR is on the agenda, but it's possible.

The Chairman: Thank you for those answers and for the elucidation too, FS. [We are] going to move next to the antifraud training and I am going to ask Ms. Heather Bodden, if she would, to lead this questioning.

Ms. Heather D. Bodden: Thank you, Mr. Chairman. This question will be directed to the Accountant General, but a little bit of background before I ask the questions.

In 2021, the Auditor General recommended that the government make anti-fraud training a mandatory annual requirement for all civil servants and all staff in Statutory Authorities and Government Companies. This is not the first time that the Auditor General made this recommendation.

A response to that recommendation stated that this would be implemented by January 2022. In February of this year, you said that the training was slightly delayed due to technical difficulties with the training material that was expected to come online in the first quarter of 2023. Would the Accountant General please give the Committee:

1. Reasons for the delays in rolling out anti-fraud training; and
2. An update on the anti-fraud training being rolled out in the first quarter of 2023.

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

To provide the Committee with the history behind the issues relating to the anti-fraud training. The Portfolio of the Civil Service's unit, the Civil Service College, housed the training for the anti-fraud policy on a system called Degreed. Degreed is the name of the portal that they used— just the word degree with a D and then Degreed. However, I believe sometime during COVID, or right before the whole COVID experience, the Portfolio of the Civil Service shifted to LinkedIn, so their training modules were then housed on LinkedIn.

During that transition, it seems the anti-fraud training was not transition to the new LinkedIn platform, and as a result of that, the anti-fraud training was not readily available to anyone.

Coming out of the Auditor General's report we thought it would be quite easy to ensure that everyone was trained on the anti-fraud policy simply by introducing it through the new employee orientation programme as well as having annual training sessions and including it as part of everyone's performance agreements.

However, because they actually weren't able to find the training we developed, there resulted a number of delays.

I'm pleased to report to the Committee that the Civil Service College has been able to locate the training that was done, and we are in talks with the Portfolio of the Civil Service to ensure it is included in the new employee orientation training as well as we will be rolling it out to ensure that all employees do it on an annual basis, as it seems the preferred approach is to have it done annually. We still have the fraud hotline available as well, so there are still avenues for fraud to be reported— for us to be made aware of it anonymously, that is.

Unfortunately, we are in a situation where it was delayed a bit due to technological issues in regards to transferring from one platform to the next. Not the Portfolio of the Civil Service's fault, not the Civil Service College' fault. It is just a situation where it kind of fell through the cracks when we transitioned over and then, being caught up with COVID and everything, there was a bit of confusion around it. It's a commitment we thought we could make and sincerely and easily deliver on, but it turned out to be a bit more challenging due to the issues with actually locating the training.

I am not sure if any of the Committee members have seen the training, but it was quite an interesting training programme because it is a video that you watch. We had civil servants involved in skits that demonstrated some examples of fraud that you may not actually consider to be fraud. You see someone using a government vehicle on the weekend, for example, when you know it is not for personal use. Those kinds of things, while we normalise them, are misuse of government assets and were all factored into the training, so it's quite an interesting training programme; then you have a small quiz afterwards and once you pass the quiz you will have been deemed to have passed the anti-fraud policy training.

We [even] had the system in place where you could actually show your direct report that you had completed the training, but due to the transition it fell through the cracks, so that's something that we are working on getting back online now.

We spoke with the Portfolio of the Civil Service yesterday in regards to getting it back into the orientation for every new employee, and we will be getting it online. We are in July now, which is the third quarter, so we would like to get it online hopefully next month, I guess, because we are at the end of July; so, by August, we would expect to have that back online. Apologies, again, to the Committee and the Audit Office; we did think it was a quick fix, and it turned out to be much more challenging than expected due to technological issues.

Ms. Barbara E. Conolly: Through you, Mr. Chairman, I just have a question with regard to the anti-fraud training. If it is done on an annual basis, how is it monitored? Is it the Ministries that determine whether everyone is on board and everyone has gotten the training? Who monitors that?

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman through you, I believe the best approach would be for the Deputy Governor to require everyone to undergo such training annually. Then it would be factored into everyone's performance agreements, ergo every employee' performance agreement would say, *"Part of my job this year is to complete the anti-fraud training."* Their manager would then ensure that it is actually completed. That would ensure that everyone has gone through the training again by the end of year.

For it to be on an annual basis is what we are looking to do. It can be repetitive, and we will need to refresh it ever so often, but right now we have a programme that is quite straightforward and doesn't take up much of the employees' time— and just for the Committee's knowledge, the current policy has been written in a way that the average person can understand it. It is not technical jargon that only accountants can understand.

It is a pretty straightforward policy that allows anyone to understand what we consider fraud and how to go about reporting it, and so on. We tried to ensure it is in layman's terms so that everyone could comfortably understand the policy; but it will be a situation where we try to get it conducted annually for individuals. It is a course you can do sitting at your desk, it is not something that you need to have a group setting for. We also have it set up so that anyone can do it remotely, so it would be pretty straightforward.

Thank you.

Ms. Heather D. Bodden: Thank you, Mr. Chairman, through you. I just want to thank the Accountant General for that update. I think he has answered my third question— that it is going to be an annual requirement for all public sector staff.

The Chairman: Any other questions from members? Okay, let's move on to the next area, the Framework for Fiscal Responsibility. For that, I'll turn to Ms. Conolly to lead to questioning.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman through you to the witness. I will give a little preamble prior to my questioning.

In 2021 the Auditor General recommended that the government should clearly demonstrate compliance with the Public Management and Finance Act, including requirements of the Framework for Fiscal Responsibility, through reporting interim performance against the principles of financial management; using unaudited financial information; reporting performance against the principles in its annual report for the entire public sector; ensuring that figures have been updated

to reflect the audited financial statements for the entire public sector and, finally, providing explanations for any non-compliance.

You originally stated that this recommendation would be implemented by January of last year. In June of last year, you stated that interim compliance with the principles would be reported in quarterly reports from Q1/2022, and full-year compliance with the principles reported in the EPS for 2020. The Office of the Auditor General has confirmed that you have started to report interim compliance against the principles in the unaudited financial report for Q1/2023.

The Committee is pleased that this reporting started, however, the Auditor General has informed us that you have yet to submit the EPS' annual reports for 2020 and 2021. Can the witness give reasons for the delays in submitting the 2020 and 2021 EPS' annual reports to the Auditor General's Office?

[Pause]

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

The financial statements for the Entire Public Sector (EPS) accounts are submitted each year by the 31st May in compliance with the Law, however, we have seen numerous times where we have to re-submit these accounts due to the backlog of the underlying Ministries' accounts. Because of that, we have delayed submitting an annual report for those years. We are happy to move forward with them, however with the understanding that we will have to be updating them every time we do a re-submission to the Audit Office. It just results in a bit more inefficient process. The Auditor General's Office normally audits the accounts first and reviews the annual report afterwards for compliance with the financials.

It's a situation where we produce the annual reports in line with when the Auditor General is ready to review them, however, we take it on board that, technically, we should be submitting those annual reports along with the financial statements, so we will work to get those addressed.

Mr. Chairman, I would also like to point out, in regards to the member's first point pertaining the FFR, and having that compliance in the quarterly reports, we have actually gone a step farther than we had committed to. We committed to doing it quarterly, we are actually reporting it monthly to the Cabinet— we actually have two columns in the June report that show full compliance. Those two columns show a 12-month period as well as the 6-month period for 2023, so you will see the full 12-month history leading up to the 30th June, 2023 period. That shows full compliance as well as the six-month period just for the 2023 period. We have included this in our monthly report.

I obviously don't want that to take away from our commitment to ensure that the annual reports are provided to the Auditor General's Office. We will work to get those sorted out immediately, and I do apologise for that tardiness.

Ms. Barbara E. Conolly: Thank you to the witness for the information regarding submitting the reports monthly to Cabinet, as opposed to quarterly. Can I have an undertaking then, that the reports for 2020 and 2021 will be submitted ASAP?

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

I have my EPS Reporting Manager, Miss Hughette Griffiths-Doctor with me, and she has advised me that we are able to get them done by the end of September.

Obviously, they have a number of things ongoing, and we are constantly expanding the monthly report to include additional information, so their job gets more onerous every month, but she has committed to getting that by the end of September. We apologise for the delay, and we will get both the 2020 and 2021 annual reports done by that time.

Ms. Barbara E. Conolly: Through you, Mr. Chairman. Thank you very much for that undertaking and that time line. We really appreciate it; thank you.

That is all my line of questioning, Mr. Chairman.

The Chairman: Accountant General, the Auditor General signed off on 2019, am I correct? So, it is everything since then. Alright. That is all I wanted to seek some clarity on.

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Sorry, Mr. Chairman, I missed the last part of your statement.

The Chairman: I said I was only seeking clarity on that— that the adverse opinion had been signed off for 2019, so 2019 is done and put to bed.

Mr. Matthew Tibbetts, Accountant General - Ministry of Finance and Economic Development: Mr. Chairman, that is correct. We are in the final stages for 2020 EPS' accounts right now.

The Chairman: Thank you, sir.

Members of the Committee, that brings us to the end of this Hearing. I want to thank everyone for your presence and your participation this morning in getting things done.

FS, thank you and your team for your presence and for your usual forthrightness in answering the Committee's questions and we recognise that you do have much going on your plate right now with the budget deliberations and trying to get everything done and ready to meet the October 25th deadline. I just thought about

it— we are here to discuss the budget and we had to postpone this meeting twice because of challenges you all faced with budget deliberations and meetings; but I know you all will come through again on the 25th October so thank you all, very much.

Deputy Auditor General and [Project Leader] Ncube, thank you for being here as well; and as usual, thanks to my Parliamentary Clerk, Susan Burke for your work and your support. This concludes the public element of this Hearing today.

Members, thank you all again, and we will break for lunch now.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer - Ministry of Finance and Economic Development: Thank you Mr. Chairman, Committee members and Auditor General staff, on behalf of the Finance team.

The Committee adjourned at 12.35pm.